

[COMMITTEE PRINT]

SUMMARY OF TESTIMONY ON H.R. 13511
(THE REVENUE ACT OF 1978)

BEFORE THE
COMMITTEE ON FINANCE
ON AUGUST 21-25, 1978

PREPARED FOR THE USE OF THE
COMMITTEE ON FINANCE
BY THE STAFF OF THE
JOINT COMMITTEE ON TAXATION



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INTRODUCTION

This pamphlet summarizes the testimony of witnesses, other than Administration representatives at the public hearing held by the Finance Committee on the provisions of H.R. 13511 (The Revenue Act of 1978). The public testified on August 21-25, 1978, while the Administration (Department of the Treasury) testified on August 17 and 24 and the Chairman of the Federal Reserve testified on September 6.

Part I of the summary covers the provisions relating primarily to individual tax reductions and revisions. Part II covers tax shelter provisions. Part III covers provisions relating to business tax reductions and revisions. Part IV covers provisions relating to capital gains. Part V of the summary covers testimony on subject matters which are not included to some extent in the House bill or not included in Parts I-IV.

I. INDIVIDUAL INCOME TAX PROVISIONS

A. Individual Income Tax Reduction

National Association of Manufacturers, Roland M. Bixler, Chairman, Committee on Taxation (Aug. 21)

Considers the individual tax reductions in the House bill as generally constructive steps toward reducing the tax burden on middle-income taxpayers. Endorses the proposed bracket widening as the type of adjustment needed to help offset the impact of inflation. Supports the increased zero bracket amount.

Favors increasing the personal exemption rather than substituting a personal tax credit as proposed by the Administration.

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Supports the House bill tax reduction as needed for the middle-income group. Hopes that this will be the first step to reducing the tax rates in the middle to higher brackets as proposed by the Tax Council (a reduction in the top rate to 50 percent for taxable income of \$100,000 or more).

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Favors tax reduction for individuals totaling \$17 to \$20 billion in 1979, instead of the \$10.4 billion provided by the House bill. (Recommends a total tax reduction of \$25 to \$30 billion for 1979, accompanied by firm limitations on growth of spending.)

Endorses across-the-board tax relief by broadening the tax brackets and by replacing the general credit and \$750 personal exemption with a \$1,000 personal exemption.

Alan Greenspan, President, Townsend-Greenspan & Co., Inc. (Aug. 21)

Indicates that a restraint on Federal expenditures can be accomplished by restraining the growth in tax revenues, such as a gradual reduction of tax rates as in the Roth-Kemp proposal. Notes that under existing law, revenue growth would be large due to the progressive nature of the income tax structure. Maintains that unless this type of revenue growth is controlled expenditure programs will readily absorb such revenues.

American Iron and Steel Institute, Lewis W. Foy, Chairman (Aug. 21)

Supports tax relief for middle-income taxpayers in the House bill.

Manufacturing Chemists Association, Edward Donley, Chairman of the Board (Aug. 21)

Supports reduction in individual income tax rates.

American Paper Institute and National Forest Products Association, Edward J. Spiegel, Jr. (Aug. 21)

Supports the proposed widening of individual tax brackets and the rate cuts.

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), Andrew J. Biemiller, Director, Department of Legislation (Aug. 22)

Opposes House bill. Recommends that the \$35 per exemption general tax credit be increased to \$150 per exemption.

National Taxpayers Union, James Dale Davidson, Chairman (Aug. 22)

Believes substantial tax reductions for individuals are necessary. Supports Roth/Kemp plan to reduce personal income tax rates by approximately 33 percent over the next three years in order to offset the effects of inflation. Also supports indexing the individual income tax schedules for inflation.

National Restaurant Association, Robert Neville, Counsel (Aug. 22)

Supports the reduction of individual tax rates as contained in H.R. 13511.

National Federation of Independent Businessmen James D. McKevitt, Counsel (Aug. 23)

Generally supports reduction of individual tax rates and concentration of these reductions in the income brackets between \$20,000 and \$50,000.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 23)

Supports the House bill provisions with respect to income-bracket widening for individuals, increasing the personal exemption, and repealing the general tax credit. Suggests additional tax cuts for middle-income taxpayers to be made available further up into the middle-income brackets than has been proposed.

National Machine Tool Builders' Association, Leon B. Musser (Aug. 23)

Supports the House-passed individual tax rate reductions.

National Oil Jobbers Council, Deane Stewart Oil Co. (Aug. 23)

Urges that the individual tax rate reductions compensate taxpayers for Social Security tax increases and that the standard deduction and the tax brackets be indexed for inflation.

National Food Brokers Association, Mark M. Singer, President (Aug. 23)

Favors taxing the first \$50,000 of corporate income at a 16% rate, the next \$50,000 at an 18% rate, and corporate income in excess of \$100,000 at a 44% rate.

Reginald Jones, Chairman, General Electric Co. and Chairman of the Task Force on Taxation of the Business Roundtable (Aug. 24)

Emphasizes the need for a significant individual and business tax cut (total of about \$25 billion) beginning in 1979 in order to avoid a recession caused by the erosion of spendable income by the tax structure and inflation.

Public Citizen's Tax Reform Research Group, Robert M. Brandon and Robert S. McIntyre (Aug. 24)

Believes that the tax cuts contained in the House bill should be restructured to give greater relief to taxpayers making under \$50,000, and especially to those in the under \$15,000 income class.

Virginia L. Martin, Executive Director, Parents Without Partners (Aug. 24)

Recommends that heads of household be permitted to use the zero bracket amount (standard deduction) available to married couples filing jointly (\$3,400 under the House bill) rather than that for single persons as provided by present law (\$2,300 under the House bill). This is the provision of S. 1644.

National Realty Committee, Alton G. Marshall, Chairman (Aug. 25)

Supports personal income tax reductions and urges the adoption of a 65-percent maximum rate in lieu of the present 70-percent maximum rate (to be achieved by proportionately reducing the marginal tax rates in the range from 50 percent to 70 percent).

Building Owners and Managers Association International, Gardner McBride, Executive Vice President (Aug. 25)

Urges that the amount of tax reduction for individuals be increased over that provided in the House bill in order to offset the scheduled social security tax increase and the inflation-induced income tax increase in 1979.

B. Itemized Deductions

1. Gasoline taxes

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Opposes repeal of the deduction for gasoline taxes. However, if adopted, urges that the Committee Report contain a statement that this is not to be considered as a precedent for eliminating the deduction for other State-local taxes.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Opposes elimination of the deduction for gasoline taxes or any other State-local tax.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 22)

Opposes the repeal of the deduction for gasoline taxes.

American Automobile Association, Jerry C. Connors, Director of Legislative Affairs (Aug. 24)

Opposes repeal of the Federal income tax deduction for State and local taxes imposed on gasoline, diesel, and other motor fuels.

2. Medical expenses

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Favors retention of the present medical expense deduction.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 22)

Opposes the House bill changes.

3. Political contributions

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Favors continuation of the present deduction/credit option.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Supports the availability of tax deductions and credits for political campaign contributions.

National Association of Realtors, Wallace R. Woodbury, Chairman, Federal Taxation Subcommittee (Aug. 25)

Opposes repeal of the deduction for political contributions.

National Association of Home Builders, James H. Shimberg (Aug. 25)

Opposes elimination of deduction for political contributions.

4. Sales taxes

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Opposes the Administration proposal to eliminate the deduction for State-local sales taxes as violating the Federal Government's neutrality towards the various methods of raising State-local revenues.

5. Personal property taxes

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Opposes the Administration proposal to eliminate the deduction for personal property taxes.

C. Unemployment Compensation

National Association of Manufacturers (Aug. 21)

Opposes taxing unemployment compensation and disability benefits. Points out that the National Commission on Unemployment Compensation is studying the unemployment compensation system, and recommends that Congress take no action regarding taxing such benefits until the Commission's study is completed.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Opposes subjecting unemployment compensation and disability benefits to taxation. Recommends that Congress defer action on this until the National Commission on Unemployment Compensation has

finished its study. Raises questions as how this income would be reported to tax authorities and how taxation would influence a person's practical considerations on whether to accept employment.

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Believes that the present exclusion for unemployment compensation should be eliminated entirely.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 22)

Opposes taxation of certain unemployment compensation benefits.

D. Deferred Compensation

1. State-local government plans

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Endorses the House bill provisions.

Jim Scott, Equitable Savings and Loan Association, Portland, Oregon (Aug. 25)

Proposes amending the House bill to give State-local employees the choice of whether or not to participate in a deferred compensation plan in the month preceding the month in which the deferral would start (instead of in the year preceding the year in which the deferral would start, as in House bill).

L. G. Skip Smith, Counsel, State of Texas Deferred Compensation Plan (Aug. 25)

Supports the House bill. However, believes that the \$7,500 limitation on deferral should be eliminated and that plans should be required to offer participation on a nondiscriminatory basis.

James F. Marshall, Executive Director, Assembly of Governmental Employees (Aug. 25)

Believes that the limitations on deferral adopted in the House bill are fair and equitable to the public employee. Would support a requirement that the programs be made available to all employees of the public entity involved.

Ad Hoc Committee on Public Employee Deferred Compensation Plans (Aug. 25)

Supports the provision of the House bill.

2. Private plans

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Supports the House provision regarding unfunded nonqualified deferred compensation plans maintained by taxable entities. Requests clarification of the tax status of such plans maintained by non-profit organizations.

Urges rejection of proposals to subject contributions to deferred compensation plans maintained by taxable entities to section 415 limits.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Supports House-passed bill.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 22)

Supports the House provisions.

3. Cafeteria plans

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Indicates that extension of the nondiscrimination principle to cafeteria plans could have far-reaching disruptive effects since control over the distribution of the benefits is left with the employees.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Supports the House bill.

Public Citizen's Tax Reform Research Group, Robert M. Brandon and Robert S. McIntyre (Aug. 24)

Supports anti-discrimination rules for "cafeteria plans" contained in House bill, and believes that those rules should be extended to all health and life insurance plans.

TRW, Inc., Michael Monroney, Vice President and Director of Government Relations (Aug. 25)

Supports the House bill with respect to cafeteria plans.

Converse Murdock, Attorney, Wilmington, Delaware (Aug. 25)

Opposes the cafeteria plan provisions of the House bill because of the possibility that the provisions may be applied in situations where employers and employees are unaware that their plans are subject to the provisions. Also, believes that applying nondiscrimination rules to welfare benefit plans will discourage employers (especially small business) from adopting or expanding such plans.

4. Cash or deferred profit-sharing plans

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Endorses provisions of House bill.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 22)

Supports the House provisions.

Herman Biegel, Counsel for the Profit-Sharing Council of America (Aug. 25)

Urges adoption of cash or deferred profit-sharing plan provisions of House bill to eliminate uncertainty for existing plans and permit employers to adopt new plans.

Carroll J. Savage, Counsel for Eastman Kodak Company and Xerox Corporation (Aug. 25)

Urges adoption of cash or deferred profit-sharing plan provisions of House bill unless the Treasury develops an acceptable alternative proposal before the Committee acts on H.R. 13511.

Edwin S. Cohen, Counsel for Irving Trust Company (Aug. 25)

Urges adoption of cash or deferred profit-sharing plan provisions of House bill.

5. Other comments

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Endorses the deferred compensation provisions of H.R. 13511 as timely and constructive.

E. Other Individual Income Tax Reduction Comments

1. Social Security tax credit

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), Andrew J. Biemiller, Director, Department of Legislation (Aug. 22)

Recommends a 5-percent tax credit against income taxes for Social Security tax payments.

National Food Brokers Association, Mark M. Singer, President (Aug. 23)

Proposes that employees be allowed an income tax credit equal to 5 percent of social security taxes paid.

2. Deduction for charitable contributions

Conrad Teitell, Attorney, New York City, on behalf of various tax-exempt organizations (Aug. 25)

Supports giving taxpayers deductions for their charitable gifts whether or not they itemize their personal deductions (as in S. 3111—Moynihan, Packwood bill).

United Way of America, Jack Moskowitz, Vice President for Government Relations (Aug. 25)

Urges allowing taxpayers deductions for charitable contributions whether or not they itemize their personal deductions.

Council of Jewish Federations, Inc., Norman A. Sugarman, Counsel (Aug. 25)

Recommends permitting taxpayers to deduct charitable contributions whether or not they itemize their personal deductions.

II. TAX SHELTER PROVISIONS

A. At Risk Rules

American Hotel and Motel Association, Joseph W. McCarthy and Albert L. McDermott (Aug. 22)

Supports the House bill with respect to the clarification in the law as to whether or not the owning and operating of a hotel or motel is the holding of real property under the "at risk" rules.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Maintains that a limitation on deductions based on the amount the taxpayer is "at risk" complicates the tax law and places taxpayers who must resort to nonrecourse financing at a competitive disadvantage. Believes that the at risk provision should be removed from the tax law.

Klineman Associates, Kent M. Klineman (Aug. 24)

Supports either (1) exemption from the at risk rules for small business concerns regularly engaged in equipment leasing or (2) the adoption of a Limitation on Artificial Loss approach to equipment leasing activities which would apply to shelters but would not affect taxpayers who are regularly engaged in equipment leasing.

Coalition for Low and Moderate Income Housing, William J. Lange-lier, President (Aug. 25)

Supports House provision extending "at risk" rule.

B. Partnership Provisions

National Association of Realtors, Wallace R. Woodbury, Chairman, Federal Taxation Subcommittee (Aug. 25)

Opposes linking the extension of the statute of limitations applicable to partnership items with SEC registration or reporting.

Coalition for Low and Moderate Income Housing, William J. Lange-lier, President (Aug. 25)

Supports House provisions.

C. Other Tax Shelter Comments

National Association of Realtors, Wallace R. Woodbury, Chairman, Federal Taxation Subcommittee (Aug. 25)

Urges repeal of limitation on deduction for investment interest. Also, recommends repeal of "bad debt reserve" deduction of thrift institutions as item of tax preference.

III. BUSINESS TAX REDUCTIONS AND REVISIONS

A. Corporate Rate Reduction

National Association of Manufacturers, Roland M. Bixler, Chairman, Committee on Taxation (Aug. 21)

Considers across-the-board corporate rate reduction as the simplest, most equitable and most stable form of tax cut for business. Recommends a 3-percentage point reduction with a \$100,000 surtax exemption. Believes that such a tax cut would result in increased tax revenue under "feedback" assumptions rather than a revenue loss as under the static estimate.

Contends that the graduated rate approach in the House bill would impose an "ability-to-pay" concept on corporations. Claims that graduation of the rates would compound the adverse impact of inflation on the tax structure, and would increase the clamor for corporate rate adjustments.

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Welcomes the House bill's tax cuts for business. Suggests, however, that the top corporate tax rate be reduced to below 40 percent.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Recommends that an across-the-board corporate tax rate reduction be adopted, with a top rate of 44 percent. In place of the House bill graduated rates, proposes that the surtax exemption be increased to \$200,000, with a 15-percent rate normal tax on the first \$50,000 and 22 percent on the next \$150,000.

American Iron and Steel Institute, Lewis W. Foy, Chairman (Aug. 21)

Endorses the corporate rate reduction and believes a larger reduction would be of great help in generating funds internally for capital investment.

Manufacturing Chemists Association, Edward Donley, Chairman of Board (Aug. 21)

Supports reduction in corporate income tax rates.

American Paper Institute and National Forest Products Association, Edwin J. Spiegel, Jr. (Aug. 21)

Recommends a phased reduction in the top corporate tax rate to 42 percent by 1982. Also, proposes a \$200,000 surtax exemption.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Supports the corporate tax reduction in H.R. 13511.

Edison Electric Institute, William McCollam, Jr., President (Aug. 21)

Supports House bill provision to reduce rate to 46 percent for taxable income in excess of \$100,000.

American Gas Association, George H. Lawrence, President (Aug. 21)

Supports corporate rate reductions, but recommends prohibition of flow-through of rate reduction benefits to utility customers.

Association of American Railroads, Carl V. Lyon, Sr., Vice President, August 21

Supports the corporate tax reduction in H.R. 13511.

National Taxpayers Union, James Dale Davidson, Chairman (Aug. 22)

Recommends reduction of maximum corporate tax rate to 45 percent.

National Restaurant Association, Robert Neville, Counsel (Aug. 22)

Supports the restructuring of the corporate income tax schedule by graduating the rates to two new tax brackets in reducing present law marginal rates.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 23)

Supports the corporate tax reductions in the House bill.

National Machine Tool Builders' Association, Leon B. Musser (Aug. 23)

Proposes increasing the corporate surtax exemption to at least \$100,000, in lieu of the graduated corporate tax contained in the House-passed bill.

Ad Hoc Committee for an Effective Investment Tax Credit, Donald P. Kelly, Chairman (Aug. 23)

Supports the House bill reduction in corporate tax rates.

Hon. John A. Chafee, U.S. Senator, Rhode Island (Aug. 23)

Recommends increasing the corporate surtax exemption from the current level of \$50,000 to \$150,000, and providing a flat tax rate of 20 percent on the first \$150,000 of corporate income.

National Federation of Independent Businessmen, James D. McKevitt, Counsel (Aug. 23)

Recommends a \$150,000 graduated corporate surtax exemption with rates starting at 15 percent on the first \$25,000 and rising to 45 percent on all income over \$150,000 (as proposed by Senator Nelson).

Small Business Legislative Council, Don DeBolt, Chairman (Aug. 23)

Recommends further corporate tax reductions. Proposes a corporate tax rate schedule as follows:

Taxable income	Rate (percent)
\$0 to \$25,000	12
\$25,001 to \$50,000	20
\$50,001 to \$75,000	30
\$75,001 to \$100,000	30
\$100,001 to \$150,000	40
Over \$150,000	45

National Association of Wholesaler-Distributors, William C. McCamant, Executive Vice President (Aug. 23)

Proposes an increase in the corporate surtax exemption to \$150,000, with all income in excess of that amount being subject to the surtax (*i.e.*, a two-tiered corporate tax system).

Martin Feldstein, Professor, Harvard University (Aug. 23)

Maintains that the sluggish performance of the economy over the past decade is due in significant measure to the low rate of capital formation. This in turn reflects the sharp increase in the effective tax rate on corporate profits.

Suggests that a cut in the corporate tax rate to 40 percent, *voted now but becoming effective only in 1981*, would stimulate capital formation now without any concurrent increase in the deficit.

Society of American Florists and Ornamental Horticulturists, Jack Christmas (Aug. 23)

Supports reductions in corporate rates according to the following schedule:

Taxable income	Rate (percent)
\$0 to \$25,000-----	15
\$25,000 to \$50,000-----	20
\$50,000 to \$100,000-----	30
\$100,000 to \$150,000-----	40
Above \$150,000-----	44

Reginald Jones, Chairman, General Electric Co. and Chairman of the Task Force on Taxation of the Business Roundtable (Aug. 24)

Recommends a cut in the top corporate rate to 45 percent in 1979 and an additional point per year until it reaches 42 percent.

Also recommends a simpler corporate surtax system with a 17-percent rate on the first \$75,000 and 45 percent on the excess to avoid the precedent of a graduated corporate tax as in the House bill.

Murray Weidenbaum, Director for the Study of American Business, Washington University in St. Louis (Aug. 24)

Recommends immediate passage of a significant corporate rate reduction phased in over several years. Believes this would reduce the role of government in the economy and in business decisions. Maintains that such reduction would restrain inflation, increase wages, and encourage investment as part of the tax reduction is shifted.

National Association of Home Builders, James H. Shimberg (Aug. 25)

Supports House provision on corporate tax rates.

National Realty Committee, Alton G. Marshall, Chairman (Aug. 25)

Supports corporate income tax rate reductions.

Building Owners and Managers Association International, Gardner McBride, Executive Vice President (Aug. 25)

Recommends increasing the corporate tax reduction over that provided in the House bill.

B. Investment Tax Credit Provisions

1. Extension of credit, increase in percentage limitation, etc.

National Association of Manufacturers, Roland M. Bisler, Chairman, Committee on Taxation (Aug. 21)

Supports making the 10-percent rate permanent as having a favorable impact on investment planning by removing the uncertainty of the rate. Endorses the provision to allow a 90-percent offset instead of the current 50 percent.

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

With respect to the increase in the percentage limit to 90 percent, suggests combining the first two steps in the first year (i.e., increase from 50 percent to 70 percent the first year), to be followed by 10-percentage point increases in the next two years.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Favors making the investment tax credit permanent, but at a 12-percent rate. Urges that the credit be computed *without* limitations based on tax liability, or that the time period phasing in the increase to 90 percent be shortened. Also, proposes that the limitation for qualified used property be increased to \$200,000. Further, recommends that the credit be available in the year the expenditure is made for all qualified property.

American Iron and Steel Institute, Lewis W. Foy, Chairman (Aug. 21)

Supports making the 10-percent credit permanent. Recommends that the present 50-percent limit of tax liability be increased immediately to 100 percent of tax liability including the minimum tax.

Manufacturing Chemists Association, Edward Donley, Chairman (Aug. 21)

Supports permanent 10-percent credit and the increase to the 90-percent limitation on offset against tax liability.

American Paper Institute and National Forest Products Association, Edwin J. Spiegel, Jr. (Aug. 21)

Supports 90-percent limitation but suggests that it be effective immediately. Recommends a permanent 12-percent credit.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Supports permanent 10-percent credit; however, favors an increase to 12 percent. Supports increase of limitation to 90 percent of tax liability.

American Gas Association, George H. Lawrence, President (Aug. 21)

Supports making the 10-percent credit permanent and increasing the income tax liability limitation to 90 percent.

Edison Electric Institute, William McCollam, Jr., President (Aug. 21)

Favors making the investment credit permanent and increasing the percentage-of-tax-liability limitation to 90 percent.

Recommends removing limitations imposed by House bill on pre-1972 credits of electric utilities by reinserting present law language "described in section 50" in paragraphs (1) and (2) of section 46(f).

Requests disregard of Revenue Act of 1978 in determining amount of credit to be flowed through immediately to electing taxpayer.

National Restaurant Association, Robert Neville, Counsel (Aug. 22)

Supports the House bill to make permanent the 10-percent investment tax credit and to extend its application to 90 percent of tax liability.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 23)

Supports the House changes to the general investment credit rules. Also, proposes that the tax liability limitation be eliminated altogether.

Committee for a Uniform Investment Tax Credit, Daniel K. O'Connell, Chairman (Aug. 23)

Proposes the phased-in elimination of the existing rules which limit the investment credit on assets with useful lives of at least 3 years but less than 7 years. Under this proposal, the "applicable percentage" for investment in assets with useful lives of 3 or 4 years would be increased from 33 $\frac{1}{3}$ percent to 50 percent in 1979, 75 percent in 1980, and 100 percent after 1980. The "applicable percentage" for investment in assets with useful lives of 5 or 6 years would be increased from 66 $\frac{2}{3}$ percent to 75 percent in 1979 and 1980, and 100 percent after 1980.

Ad Hoc Committee for an Effective Investment Tax Credit, Donald P. Kelly, Chairman (Aug. 23)

Supports the House-passed provisions to make the 10-percent rate permanent and increase the tax liability limitation to 90 percent. However, proposes a permanent rate of 12 percent and that the increased tax liability limitation apply immediately rather than be phased in. Also, proposes expanding from \$25,000 to \$150,000 the amount of tax which can be fully offset by the credit, and increasing the used property limitation from \$100,000 to \$200,000.

National Machine Tool Builders Association, Leon B. Musser (Aug. 23)

Believes a 12-percent investment credit is necessary to offset the impact of inflation. Prefers a 12-percent credit over a 2-percent reduction in corporate tax rates. Also urges increasing the tax liability limitation to 100 percent.

National Association of Wholesaler-Distributors, William C. McCamant, Executive Vice President (Aug. 23)

Recommends deletion of the \$100,000 limitation on the amount of the expenditure for used equipment eligible for the investment credit. Supports making the 10-percent rate permanent.

Opposes Treasury suggestion that the investment tax credit be allowed to offset only 90 percent of the first \$25,000 of tax liability.

Small Business Legislative Council, Don DeBolt, Chairman (Aug. 23)

Proposes a graduated investment tax credit to give larger benefits to smaller businesses.

Association of American Railroads, Carl V. Lyon, Sr., Vice President (Aug. 23)

Supports a permanent 10-percent credit. Recommends that railroads be allowed to retain their present 90-percent limitation through the phase-in period.

Reginald Jones, Chairman, General Electric Co. and Chairman of the Task Force on Taxation of the Business Roundtable (Aug. 24)

Urges that the investment credit be made permanent to remove the cyclical uncertainty. Suggests that the 90-percent limit be made effective immediately.

Public Citizen's Tax Reform Research Group, Robert M. Brandon and Robert S. McIntyre (Aug. 24)

Opposes allowing the investment tax credit to totally offset the first \$25,000 of tax liability.

National Realty Committee, Alton G. Marshall, Chairman (Aug. 25)

Supports making the 10-percent credit permanent, as well as increasing to 90 percent the present 50-percent limitation on the amount of tax liability in excess of \$25,000 that can be offset by the credit.

2. Credit for rehabilitation expenditures and structures

National Association of Manufacturers, Roland M. Bialer, Chairman, Committee on Taxation (Aug. 21)

Indicates that a 10-percent credit for rehabilitation expenses would seem to be a small encouragement except in marginal cases. Feels that the question of targeting investment tax incentives raises serious questions about discriminatory application of tax law, and that it should be studied further.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Proposes extending the investment credit to new structures as well as to rehabilitation expenditures for existing structures. Recommends that the term "structures" be broadly defined, and that it include manufacturing, utility, retail and commercial structures.

American Iron and Steel Institute, Lewis W. Foy, Chairman (Aug. 21)

Believes that the investment credit should be extended to all industrial structures, and not be limited to rehabilitation expenditures.

Manufacturing Chemists Association, Edward Donley, Chairman (Aug. 21)

Recommends extending the credit to new industrial structures as well as for rehabilitation costs of existing structures.

American Paper Institute and National Forest Products Association, Edwin Spiegel, Jr. (Aug. 21)

Supports extension of the credit to all industrial buildings.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Recommends extension of investment credit to all new industrial structures.

American Gas Association, George H. Lawrence, President (Aug. 21)

Supports extending credit to industrial structures.

National Restaurant Association, Robert Neville, Counsel (Aug. 22)

Supports the decision to extend the investment tax credit to rehabilitation of commercial and industrial structures but urges that it also apply to the construction of new commercial and industrial structures.

Food Service and Lodging Institute, Thomas W. Power, General Counsel (Aug. 22)

Supports broadening the proposed changes in H.R. 13511 with respect to investment credit by extending the credit to all structures including retail units.

American Hotel and Motel Association, Joseph W. McCarthy and Albert L. McDermott (Aug. 22)

Urges extending the investment tax credit to hotel and motel rehabilitation and to hotel and motel construction.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 23)

Proposes that the credit be extended to new industrial structures as well as to rehabilitation expenditures.

Ad Hoc Committee for an Effective Investment Tax Credit, Donald P. Kelly, Chairman (Aug. 23)

Supports the House-passed provision extending the credit to expenditures for buildings. Also, proposes extending the credit to new industrial, office and other business buildings.

Small Business Legislative Council, Don DeBolt, Chairman (Aug. 23)

Supports the provisions in the House bill extending the investment credit to expenditures for rehabilitation of industrial and commercial structures.

National Retail Merchants Association, Donald V. Siebert, Chairman (Aug. 23)

Urges that the investment tax credit be extended to both new and rehabilitated retail structures.

Society of American Florists and Ornamental Horticulturists, Jack Christmas (Aug. 23)

Supports extension of the investment tax credit to the rehabilitation of industrial and commercial buildings.

Reginald Jones, Chairman, General Electric Co. and Chairman of the Business Roundtable Task Force on Taxation (Aug. 24)

Recommends that the investment credit be made available also for new structures.

National Realty Committee, Alton G. Mashall, Chairman (Aug. 25)

Supports extending the availability of the investment credit to rehabilitation expenses for existing buildings.

National Association of Realtors, Wallace R. Woodbury, Chairman, Federal Taxation Subcommittee (Aug. 25)

Supports House bill extending investment tax credit for rehabilitation expenditures.

Building Owners and Managers Association International, Gardner McBride, Executive Vice President (Aug. 25)

Believes that the investment credit should be extended beyond the rehabilitation of existing commercial and industrial structures to new construction as well. In addition, suggests consideration of increasing the rate of the credit for the rehabilitation of older buildings.

International Council of Shopping Centers, Myles H. Tanenbaum, (Aug. 25)

Supports House provision but proposes extending investment tax credit to all structures.

3. Credit for pollution control facilities

National Association of Manufacturers, Roland M. Bizler, Chairman, Committee on Taxation (Aug. 21)

Supports making investments in pollution control equipment eligible for the full 10-percent credit, even if the 5-year amortization is elected.

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Favors the full investment tax credit for pollution control facilities. Also, feels that the public interest would be benefited if, in addition to the full investment credit, pollution control expenditures could be written off as rapidly as desired.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Supports full investment credit for pollution control equipment, but without the industrial development bond restrictions in the House bill or as proposed by the Administration.

Manufacturing Chemists Association, Edward Donley, Chairman (Aug. 21)

Recommends full investment credit for pollution control equipment, regardless of amortization or depreciation methods used.

American Paper Institute and National Forest Products Association, Edwin J. Spiegel, Jr. (Aug. 21)

Favors full investment credit for pollution control equipment, including industrial development and financed equipment.

Edison Electric Institute, William McCollam, Jr., President (Aug. 21)

Supports making full credit available for pollution control facilities subject to rapid amortization.

Ad Hoc Committee for an Effective Investment Tax Credit, Donald P. Kelley, Chairman (Aug. 23)

Supports the House-passed provision to allow the full credit along with 5-year amortization of pollution control facilities, but opposes the industrial development bond limitation under the bill. Also, proposes a special 20-percent tax credit for such facilities and relaxation of the limitations for allowing 5-year amortization under present law.

National Oil Jobbers Council, Deane Stewart, Stewart Oil Co. (Aug. 23)

Supports the House bill provision allowing a full investment tax credit for pollution control equipment.

Public Citizen's Tax Reform Research Group, Robert M. Brandon and Robert S. McIntyre (Aug. 24)

Recommends repeal of the five-year amortization provision for pollution control facilities and urges the denial of tax-exempt status to future pollution control bonds.

4. Investment credit for ESOPs

Food Service and Lodging Institute, Thomas W. Power, General Counsel (Aug. 22)

Recommends increasing to two percent the added investment credit if a corporate taxpayer participates in an employee stock ownership plan.

Ad Hoc Committee for an Effective Investment Tax Credit, Donald P. Kelly, Chairman (Aug. 23)

Proposes a permanent two-percent additional credit where contributions are made to employee stock ownership plans (ESOPs).

5. Other investment credit proposals

American Textile Manufacturers Institute, Louis W. Jenkins (Aug. 21)

Recommends a 25-percent tax credit for business energy property and for capital expenditures in nonproductive facilities to meet Federally-mandated environmental (EPA) and safety (OSHA) standards.

American Paper Institute and National Forest Products Association, Edwin J. Spiegel, Jr. (Aug. 21)

Recommends a 20-percent investment tax credit for capital investments in recycling facilities, and an increase to \$200,000 in the limitation for used equipment qualifying for the investment tax credit.

Association of American Railroads, Carl V. Lyon, Sr., Vice President (Aug. 23)

Recommends for the railroad industry: (1) 20-percent credit for railroad rolling stock and track structure; (2) refundable credit for railroad rehabilitation; and (3) full availability of credit in railroad leasing operations and similar situations for needy railroads.

Society of American Florists and Ornamental Horticulturists, Jack Christmas (Aug. 23)

Proposes that the investment tax credit apply to greenhouses.

Delmarva Poultry Industry, Inc. (and other poultry and egg organizations), Edward H. Ralph, Executive Secretary (Aug. 23)

Recommends provisions which would ensure that the investment tax credit applies to single purpose farm structures that enclose and are an integrated unit with automated equipment for the production of poultry or eggs.

C. Jobs Tax Credit

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Supports the proposed targeted jobs tax credit as a means of refocusing Federal employment policy on the structurally unemployed and away from public jobs toward private sector jobs.

Food Service and Lodging Institute, Thomas W. Power, General Counsel (Aug. 22)

Recommends broadening the proposed jobs tax credit in H.R. 13511 to include as a targeted group teenagers between 16 and 19.

National Federation of Independent Businessmen, James D. McKevitt, Washington Counsel (Aug. 23)

Proposes a simplified version of the general jobs tax credit either coupled with, or as an option to, the targeted jobs tax credit.

Small Business Legislative Council, Don DeBolt, Chairman (Aug. 23)

Recommends extension, expansion and simplification of the current jobs tax credit.

National Association of Wholesaler-Distributors, William C. McCamant, Executive Vice President (Aug. 23)

Generally supports targeted jobs credit, but suggests that provisions not be modified too frequently.

Robert Eisner, Professor of Economics, Northwestern University (Aug. 23)

Asserts that the House-adopted Administration substitute for the temporary new jobs tax credit is a major step backward, likely to do more harm than good.

National Oil Jobbers Council, Deane Stewart, Stewart Oil Co. (Aug. 23)

Urges the extension of the existing jobs credit rather than the establishment of a targeted credit.

Council of Vietnam Veterans, Inc., Robert O. Muller, Executive Director (Aug. 24)

Supports the targeted jobs tax credit and the inclusion of Vietnam veterans receiving food stamps as one of the targeted groups, but raises the concern that some employers may be written out of the program because of inadequate geographic dispersion of the targeted groups. Would support, as an alternative to the proposed targeted jobs tax credit, a combination of the general tax credit under existing law and the targeted credit, but only if a differential is built in to favor hiring from the targeted groups.

D. Industrial Development Bonds

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Proposes that the maximum amount for the small issues exemption be increased and that the time period restrictions be removed. Opposes proposals to repeal tax exemption for industrial development bonds.

Manufacturing Chemists Association, Edward Donley, Chairman of Board (Aug. 21)

Recommends retention of present law relating to financing pollution control equipment with industrial development bonds.

American Paper Institute and National Forest Products Association, Edwin J. Spiegel, Jr. (Aug. 21)

Supports provision in House-passed bill.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 23)

Supports raising the amount of the small issues exemption.

Public Citizen's Tax Reform Research Group, Robert M. Brandon and Robert S. McIntyre (Aug. 24)

Opposes the provision in the House bill which increases the small issue exemption for industrial development bonds from \$5 million to \$10 million. Recommends adoption of the Administration proposals to terminate the tax exemption for industrial development bonds relating to pollution control, industrial parks, and private hospitals (absent a certificate of need) and to limit the small issue exemption to economically distressed areas.

Southwire Company, James Stone, Manager, Planning and Venture Analysis (Aug. 24)

Proposes an increase in the regular small issue exemption for industrial development bonds from \$1 million to \$3 million, and an increase in the elective small issue exemption from \$5 million to \$15 million.

Favors removing the restrictive capital expenditure limitation. So long as that restriction remains in place, however, indicates that inflation since 1968 and projections for continued inflation dictate that the limits on the size of "small issue" IDBs subject to the capital expenditures restriction and those not subject to the restriction must be raised by well over 100 percent to restore and preserve, for at least a few years, the incentive to expansion of productive capacity and increased capital formation provided by "small issue" IDBs at the level intended by Congress when the limitations were imposed in 1968.

Emerson Electric Company, Richard H. Siemsen, Corporate Tax Director Committee on Taxation (Aug. 24)

Requests an increase in the regular small issue exemption for industrial development bonds from \$1 million to \$3 million, and an increase in the elective small issue exemption from \$5 million to \$15 million.

Maintains that the impact of inflation and the capital expenditure limitation on elective small IDBs has decreased the usefulness of IDBs. Notes that the present \$1 million and \$5 million limitations

were adopted in 1968. Since 1968, inflation has increased the cost of machinery and construction by over 200 percent. Indicates that, tripling the small IDB limitations would restore the value of small IDBs to their 1968 levels. Contends that such an increase would facilitate capital formation and stimulate capital investment.

American Industrial Development Council, Thomas E. Bundy, Treasurer (Aug. 24)

Recommends an increase in the regular small issue exemption for industrial development bonds from \$1 million to \$3 million, and an increase in the elective small issue exemption from \$5 million to \$15 million.

States that financing industrial plants through IDBs has created 40,000 jobs annually, but that the effect of inflation has eroded the usefulness of IDBs. Would favor elimination of the capital expenditure limitation, but if not adopted urges an increase in the ceilings for small issue IDBs.

American Greetings Corporation, Paul H. Ozan, Assistant General Counsel and Assistant Secretary, Committee on Taxation (Aug. 24)

Favors an increase in the regular small issue exemption for industrial development bonds from \$1 million to \$3 million, and an increase in the elective small issue exemption from \$5 million to \$15 million.

E. Small Business Provisions

1. Subchapter S provisions

National Association of Manufacturers, Roland M. Bixler, Chairman, Committee on Taxation (Aug. 21)

Supports the House provisions.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Endorses the House provisions to liberalize subchapter S.

American Paper Institute and National Forest Products Association, Edwin J. Spiegel, Jr. (Aug. 21)

Endorses the subchapter S provisions of the House bill.

National Federation of Independent Businessmen, James D. McKevitt, Counsel (Aug. 23)

Supports the House bill provisions on subchapter S.

National Realty Committee, Alton G. Marshall, Chairman (Aug. 25)

Supports increasing the number of shareholders in a subchapter S corporation from 10 to 15, treating a husband and wife as one shareholder, and liberalizing the procedure for election of subchapter S status.

National Association of Realtors, Wallace R. Woodbury, Chairman, Federal Taxation Subcommittee (Aug. 25)

Urges repeal of the passive income test for subchapter S corporations.

National Association of Home Builders, James H. Shimberg (Aug. 25)

Recommends elimination of passive income limitation for subchapter S corporations.

2. Small business corporation stock

National Association of Manufacturers, Roland M. Bixler, Chairman, Committee on Taxation (Aug. 21)

Supports the House provision.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Favors the House bill treatment for "section 1244 stock."

National Federation of Independent Businessmen, James D. McKevitt, Counsel (Aug. 23)

Supports the provisions of the House bill liberalizing the rules relating to small business corporation stock.

National Realty Committee, Alton G. Marshall, Chairman (Aug. 25)

Endorses increasing the amount of stock qualifying as small business corporation stock (sec. 1244 stock) from \$500,000 to \$1 million. Also, supports repeal of the equity capital limitation and written plan requirements under present law. In addition, supports increasing the amount of losses shareholders may deduct from \$25,000 to \$50,000 (\$50,000 to \$100,000 in the case of joint returns).

3. Depreciation for small business

National Association of Manufacturers, Roland M. Bixler, Chairman, Committee on Taxation (Aug. 21)

Endorses the House provision. States that general depreciation reform remains a top priority for industry in general.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Supports the dollar limit increase for the first year depreciation, but believes that it should not be restricted by size of business.

American Paper Institute and National Forest Products Association, Edwin J. Spiegel, Jr. (Aug. 21)

Favors the proposed increase in first-year depreciation allowance.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 23)

Generally supports the House bill changes for small business but opposes the repeal of additional first-year depreciation for larger businesses.

Small Business Legislative Council, Don DeBolt, Chairman (Aug. 23)

Supports the provision in the House bill increasing the deduction for additional first-year depreciation and limiting the deduction to small business. Would also like to have further simplification of the depreciation law and regulations.

National Federation of Independent Businessmen, James D. McKevitt, Counsel (Aug. 23)

Proposes a three-year straight-line depreciation provision for firms with \$100,000 or less in depreciable asset acquisitions per year.

Hon. John A. Chafee, U.S. Senator, Rhode Island (Aug. 23)

Recommends the assigning of shortened "useful lives" to three categories of depreciable property: (1) highway transportation equipment, tools, and dies; (2) machinery, rail, water, and air transportation equipment, and fixtures and leasehold improvements; and (3) certain real estate and real estate improvements. The maximum amount of depreciation for any one year would be \$200,000.

4. Other comments regarding small business

National Federation of Independent Businessmen, James D. McKevitt, Counsel (Aug. 23)

Proposes allowing retailers and wholesalers with under \$1 million in annual gross sales to use the cash method of accounting without inventories.

National Association of Realtors, Wallace R. Woodbury, Chairman, Federal Taxation Subcommittee (Aug. 25)

Supports House bill changes favoring small business.

National Association of Home Builders, James H. Shimberg (Aug. 25)

Supports House small business provisions.

F. Farm Accounting Rules

Society of American Florists and Ornamental Horticulturists, Jack Christmas (Aug. 23)

Proposes clarification of the required "accrual accounting for farm corporation" rules to insure that the exemption for nurseries includes agricultural operations producing field and greenhouse grown flowers, plants, and nursery stock.

Supports the provision of the house bill relating to inventorying of growing crops.

Public Citizen's Tax Reform Research Group, Robert M. Brandon and Robert S. McIntyre (Aug. 24)

Recommend that the "family farm" exception to accrual accounting be eliminated so that all farm corporations (other than subchapter S corporations) with sales exceeding \$1 million annually be required to use the accrual method of accounting.

G. Amortization for Low-Income Housing

National Realty Committee, Alton G. Marshall, Chairman (Aug. 25)

Supports the extension for 3 years of the present special depreciation rules, providing for 5-year amortization of expenditures for rehabilitation of low-income rental housing.

National Association of Realtors, Wallace R. Woodbury, Chairman, Federal Taxation Subcommittee (Aug. 25)

Supports House bill extending 5-year amortization rule for low-income housing.

National Association of Home Builders, James H. Shimberg (Aug. 25)

Supports House provision extending 5-year amortization for low-income housing.

Council of State Housing Agencies, Carl Payne, Director (Aug. 25)

Supports three-year extension of five-year amortization but proposes to make it permanent. Proposes exempting permanently (instead of temporarily) low-income housing from requirement to capitalize construction period interest and taxes. Recommends clarifying definition of low-income housing and extending section 1039 "roll over" to all low-income housing, not just certain federally assisted housing.

National Housing Rehabilitation Association, A. Carleton Dukess, President (Aug. 25)

Favors permanent extension of section 167(k) and modification of 5-year amortization for purposes of the minimum tax to limit preference to amount which would have been a preference if accelerated depreciation rather than 5-year amortization had been used.

Coalition for Low and Moderate Income Housing, William J. Lange-lier, President (Aug. 25)

Recommends permanent extension of section 167(k) and elimination of low-income housing from section 189. Proposes clarification of definition of low-income housing and the extension of section 1039 "roll over" to all low-income housing, not just certain federally assisted housing. Suggests limiting tax preference of section 167(k) amortization to excess of accelerated depreciation over straight-line depreciation.

H. Foreign Tax Provisions

1. Deferral

National Association of Manufacturers, Roland M. Bixler, Chairman, Committee on Taxation (Aug. 21)

Opposes any reduction or elimination of "deferral".

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Approves the omission from the House bill of the Administration proposal for ending deferral.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Opposes any proposals to phase out deferral of earnings of U.S.-controlled foreign corporations as being counterproductive. Asserts that elimination of deferral would have an adverse affect on the balance of payments and would weaken our competitive position abroad.

Manufacturing Chemists Association, Edward Donley, Chairman of Board (Aug. 21)

Recommends retention of deferral for foreign income.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Opposes any change in present law regarding deferral.

Emergency Committee for American Trade, Robert L. McNeill, Executive Vice Chairman (Aug. 21)

Opposes the elimination of deferral because it would harm the competitiveness of U.S. firms operating abroad since they would be subject to higher taxes than their foreign competitors. Also, argues that elimination of deferral would cause U.S. firms to increase their dividends from their foreign subsidiaries in order to minimize overall tax costs and that, because of the foreign tax credits allowed for the foreign withholding taxes paid on the increased dividends, the elimination of deferral would not result in a U.S. revenue gain but in a U.S. revenue loss.

National Machine Tool Builders Association, Leon B. Musser (Aug. 23)

Opposes repeal of the deferral rules.

Reginald Jones, Chairman, General Electric Co. and Chairman of the Business Roundtable Task Force on Taxation (Aug. 24)

Opposes the elimination of deferral because it would impair the competitive position of U.S. overseas affiliates which account for 25 to 30 percent of our exports.

2. DISC

National Association of Manufacturers, Roland M. Bixler, Chairman, Committee on Taxation (Aug. 21)

Contends that it is not in the export and overall economic interest of the U.S. to abandon DISC at a time of the present trade deficit.

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Approves the omission from the House bill of the Administration proposal for phasing out DISC.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Supports the concept of DISC as benefiting U.S. exports and domestic employment.

Manufacturing Chemists Association, Edward Donley, Chairman of Board (Aug. 21)

Recommends retention of present law DISC provisions.

American Textile Manufacturers Institute, Lewis W. Jenkins, (Aug. 21)

Urges retention of present law DISC provisions.

Special Committee for U.S. Exports, David C. Garfield, Chairman (Aug. 21)

Supports DISC because (1) DISC has stimulated a significant portion of the increase in U.S. exports since its enactment and (2) serious reverses in U.S. trade in recent years call for a strong national export policy.

Opposes recent Treasury Department suggestions for the modification of DISC. Urges (1) elimination of the 50-percent "deemed distribution" under DISC and (2) raising the small business exemption to the incremental rule from the current \$100,000 of adjusted taxable income to \$500,000.

National Machine Tool Builders Association, Leon B. Musser (Aug. 23)

Urges retention of the DISC rules.

Reginald Jones, Chairman, General Electric Co. and Chairman of the Task Force of the Business Roundtable (Aug. 24)

Recommends the retention of DISC to offset the government incentives given to foreign companies and to provide working capital for export development.

I. Business Entertainment and Travel Expenses

1. Business entertainment expenses

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Opposes proposals to restrict or eliminate tax deductions for business meals and entertainment expenses. Maintains that present law restrictions are sufficient, and that stricter enforcement of present law is the proper way to deal with abuses.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Opposes artificial restrictions on deductions for business entertainment expenditures.

Hotel & Restaurant Employees & Bartenders International Union, Robert E. Juliano, Legislative Representative (Aug. 22)

Suggests that if the Administration's proposal with respect to the limitation on business meals becomes law, the impact on the International Union and the restaurant industry in general would be enormously negative, and have a profound effect on employment and on the overall economy. Estimates that a repeal of the business meal deduction would cause the termination of 100,000 jobs, over 25,000 of which are now held by members of the Hotel and Restaurant Employees and Bartenders Union.

National Restaurant Association, Robert Neville, Counsel (Aug. 22)

Expresses concern with the Administration's proposal to limit the deductibility of business promotion meals. States that the proposal would adversely affect some 260,000 restaurants employing 3 million people and sales would decline by \$1 billion with a job loss of 50,000 to 70,000. Indicates that most job losses would occur in the ranks of women, teenagers, blacks and other minorities. Believes that proposals to limit the deductibility of business meals rest on arbitrary judgments unrelated to the general principles which govern tax policy.

American Hotel and Motel Association, Joseph W. McCarthy and Albert L. McDermott (Aug. 22)

Urges rejection of the Administration's proposal with respect to entertainment meals. Contends that the Administration's proposal would result in a loss of restaurant revenues in 1978 of \$1.92 billion and a direct and indirect loss of 60,000-93,000 jobs and 20,000-30,000 jobs, respectively.

Foodservice and Lodging Institute, Thomas W. Power, General Counsel (Aug. 22)

Recommends rejection of the Administration's proposal to limit the tax deductibility of business meals.

National Food Brokers Association, Mark M. Singer, President (Aug. 23)

Urges that no changes be made in the rules for deducting entertainment expenses, including expenses for business lunches.

Public Citizen's Tax Reform Research Group, Robert M. Brandon and Robert S. McIntyre (Aug. 24)

Favor disallowance of deductions for entertainment facilities and club dues.

2. Business travel expenses

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Urges retaining of present law allowance for deduction of business travel expenses.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Objects to artificial restrictions on deductions for business travel expenditures and for expenditures in connection with foreign conventions.

American Hotel and Motel Association, Joseph W. McCarthy and Albert L. McDermott (Aug. 22)

Favor repeal of present law Code section 274(h) and believes that expenses incurred in attending foreign conventions should be subject to ordinary and necessary rules for business deductions.

Suggest that if present law foreign convention rules are not repealed, the following changes should be made: (1) the per diem limitation should be repealed or modified; (2) the definition of foreign convention should not include normal business meals; (3) the Caribbean should be excluded from any of the convention restrictions; and (4) the reporting requirements should be made more practical and reasonable.

Oppose the Administration's proposal with respect to limiting the tax deduction in connection with travel to lowest coach or economy fare.

J. Other Business Tax Reduction Proposals

1. Depreciation rules

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Maintains that the depreciation provisions of present law are inadequate and in need of overhaul. Argues that the ADR system should be liberalized to provide for a 40-percent variable capital cost recovery period applied to the 1962 Treasury guidelines. Believes that the goal of depreciation reform should be a complete capital cost recovery system that groups assets in a few general classes, to which a capital cost recovery percentage is applied to assets as a class.

Manufacturing Chemists Association, Edward Donley, Chairman of Board (Aug. 21)

Suggests more liberal depreciation for manufacturing equipment, industrial structures and structural components.

American Paper Institute and National Forest Products, Assn., Edwin J. Spiegel, Jr. (Aug. 21)

Recommends liberalization of depreciation rules, including allowance for construction period depreciation. Also, proposes 5-year depreciation (instead of amortization) for pollution control facilities without loss of other applicable benefits.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Recommends faster capital cost recovery procedures: either (1) 5-year depreciation of new productive machinery and equipment or (2) 40-percent variation in ADR guideline lives.

Also, proposes 3-year depreciation of facilities required to meet EPA or OSHA standards or coal conversion requirements, with full allowance of investment credit.

Recommends 20-year-depreciation of owner-occupied industrial buildings with double-declining balance; indicates that full depreciation recapture could be provided.

American Hotel and Motel Association, Joseph W. McCarthy and Albert L. McDermott (Aug. 22)

Support as quick a capital recovery as possible, so that the true value of the recovery is not eroded by inflation.

Ad Hoc Committee for an Effective Investment Tax Credit, Donald P. Kelly, Chairman (Aug. 23)

Proposes increasing the ADR variance from 20 percent to 40 percent and supports simplification of the ADR system. Also supports, as a desirable long-term goal, depreciation of equipment over 5 years and buildings over 10 years.

National Machine Tool Builders' Association, Leon B. Musser (Aug. 23)

Suggests shortening useful lives for depreciation of capital equipment, and expanding the ADR variance from 20 percent to 40 percent. Also, supports the Administration's original proposal that salvage value be ignored in computing depreciation.

Proposes allowing current expense deductions for the capital costs of complying with federally mandated environmental and safety requirements, and supports inclusion of the provisions of S. 3404 in the bill.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 23)

Feels that more tax relief should be provided for expenditures by business taxpayers for environmental purposes, including pollution abatement and occupational safety and health spending.

Martin Feldstein, Professor, Harvard University (Aug. 23)

Recommends that depreciation rules be based on inflation-adjusted costs.

2. Payroll tax credit

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Opposes proposals for a payroll tax credit as a means for providing social security tax relief, since it would use general revenues to finance social security without any positive impact on the long-range financial integrity of the social security trust funds.

American Federation of Labor and Congress of Industrial Organizations, Andrew J. Biemiller, Director, Department of Legislation (Aug. 22)

Opposes House bill tax reduction for business. Believes that the only tax reduction businesses should get should be provided in the form of 5-percent credit against Federal income tax for Social Security tax payments.

National Food Brokers Association, Mark M. Singer, President (Aug. 23)

Urges that employers and self-employed individuals be provided an income tax credit equal to 5% of Social Security taxes paid.

3. Double taxation of corporate income

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Contends that the double taxation of corporate income should be eliminated in order to remove discriminatory taxation of corporate source income.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Supports reduction in double taxation of corporate earnings and recommends adoption of the Ullman proposal as a first step.

4. Other business tax reduction proposals

American Gas Association, George H. Lawrence, President (Aug. 21)

Supports additional tax relief for regulated utilities by—

(1) providing a permanent 12-percent investment credit for such utilities, but only if utility can retain it for capital expansion; or

(2) allowing certain energy property either (a) a 8-10 year depreciable life with a 20-percent investment credit, with normalization

required; or (b) 5-year amortization for cost of such property with no investment credit but with normalization required; *or*

(3) deferring tax on dividends reinvested in dividend reinvestment programs.

Supports energy tax incentives which—

(1) exclude from gas companies' gross income any customer surcharge to be used for the exploration for, and development and transportation of, new natural gas sources; *and*

(2) allow current deductions for geological and geophysical costs, studies and other pre-operating costs (including training costs) for establishing new domestic energy facilities.

Supports allowing utilities to elect to deduct currently taxes, interest, health and accident insurance, pension costs, vacation pay, and overhead expenses irrespective of regulatory agency accounting treatment.

IV. CAPITAL GAINS PROVISIONS

A. Capital Gains Rates for Individuals

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Endorses the House bill provisions with respect to taking capital gains out of the minimum and maximum tax. Indicates that the alternative minimum tax on capital gains is consistent with the view that capital gains are something apart from income.

Urges that the repeal of the alternative capital gains tax not be done independently of a reduction in all tax rates on capital gains, with a new top rate not higher than 25 percent. Proposes that the exclusion for capital gains be increased from 50 to 65 percent.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist, August 21

Urges adoption of capital gains tax reduction of at least \$2 billion, equivalent in size to S. 3065 (Hansen bill). Supports a reduction in the rate of capital gains tax, expansion of the capital gains tax, expansion of the capital gains percentage exclusion, reduction of tax according to the length of time the asset is held, and a capital gains "roll-over" to permit nonrecognition of gain from the sale of certain small business investments. Maintains that capital gains tax relief will also benefit middle and lower income families.

Opposes the House provision for an alternative minimum tax on capital gains as complicating the tax Code, as well as the repeal of the 25-percent alternative capital gains tax rate. Approves the removal of capital gains from the minimum and maximum taxes.

American Iron and Steel Institute, Lewis W. Foy, Chairman (Aug. 21)

Supports the capital gains tax relief as provided in the House bill.

Manufacturing Chemists Association, Edward Donley, Chairman of Board (Aug. 21)

Approves capital gains tax reductions in House-passed bill.

American Paper Institute and National Forest Products Association, Edwin J. Spiegel, Jr. (Aug. 21)

Supports provisions in House-passed bill.

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Recommends adoption of the Hansen proposal for 25-percent maximum tax on all capital gains. Approves House-passed provision concerning removal of capital gains from the minimum tax and relief from penalty under the maximum tax.

Edison Electric Institute, William McCollam, Jr., President (Aug. 21)

Supports reducing taxes on capital gains.

National Taxpayers Union, James Dale Davidson, Chairman (Aug. 22)

Recommends reduction of capital gains tax rate to a maximum of 25 percent and elimination of capital gains from the minimum tax.

Thomas G. Corcoran, Esquire (Aug. 22)

Supports a graduated exclusion from gross income for a percentage of capital gains. The excluded amount would depend upon the length of the taxpayer's holding period for the asset. Contends that such a reduction in capital gains taxation is necessary to promote capital formation and greater capital activity.

The Honorable Henry H. Fowler, former Secretary of the Treasury, partner in Goldman, Sachs & Co. (Aug. 22)

Favors reducing the percentage of long-term capital gain included in individual income from 50 to 30 percent of the gain, and decreasing the maximum individual income tax rate from 70 to 65 percent. Also supports the House's changes in the minimum and maximum taxes, and the alternative minimum tax. Contends that only removing the \$50,000 ceiling on the alternative capital gains tax would be an inadequate measure to stimulate the provision of risk capital and saving. Argues further that a large capital gains reduction will increase revenues.

Americans for Democratic Action, Leon Schull (Aug. 22)

Maintains that the actual capital gains tax rate paid generally is much lower than the maximum rates discussed by some, and is somewhere in the range of 16-19 percent. Contends that the special tax treatment for capital gains is a part of the basic unfairness of the tax code. Indicates that about 93 percent of the capital gains tax relief under the House bill would go to those earning \$50,000 or more.

Favors the approach contained in Senator Nelson's bill (S. 3410), which would exclude the first \$1,500 of capital gains income from taxation (\$3,000 for joint returns). Asserts that this would be fairer and simpler, and that it would give more tax relief to those in the \$20,000-50,000 bracket (49 percent to this group).

National Restaurant Association, Robert Neville, Counsel (Aug. 22)

Endorses the House bill changes made with respect to the taxation of capital gains and urges approval.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 23)

Supports the reduction in the maximum capital gains tax. Opposes repeal of the alternative tax for capital gains and the imposition of an alternative minimum tax. Suggests complete repeal of the existing minimum tax.

National Machine Tool Builders Association, Leon B. Musser (Aug. 23)

Urges expansion of the capital gains tax cuts contained in H.R. 13511 and supports the House-passed 10-percent alternative minimum tax on capital gains.

Hon. John A. Chafee, U.S. Senator, Rhode Island (Aug. 23)

Recommends allowing investors to defer capital gains taxes as long as they reinvest their holdings in a small business within two years.

Hon. Lowell P. Weicker, Jr., U.S. Senator, Connecticut (Aug. 23)

Recommends reduction of the maximum capital gains tax rate to 25 percent.

National Federation of Independent Businessmen, James D. McKevitt, Counsel (Aug. 23)

Supports provisions in the House bill reducing capital gains taxes, since these provisions would make investment in small business more attractive.

Small Business Legislative Council, Don DeBolt, Chairman (Aug. 23)

Recommends nonrecognition on sale of interest in qualified small businesses if the proceeds are reinvested in another small business within a two-year period.

Asserts that tax rate on capital gains should be related to holding period of the asset (with the rate going down as the holding period increases).

National Association of Wholesaler-Distributors, William C. McCamant, Executive Vice President (Aug. 23)

Supports the reductions in capital gains taxes in the House bill and suggests that further reductions in capital gains taxes be made.

Martin Feldstein, Professor of Economics, Harvard University (Aug. 23)

Asserts that the realization of capital gains is so sensitive to tax rates that reducing the tax rate on capital gains would actually increase tax revenues from this source.

Argues that the plan passed by the House to eliminate the alternative tax method and take capital gains out of preference income would actually cause more tax rate increases than tax rate decreases among taxpayers with 1978 adjusted gross incomes over \$100,000. Believes that the decision to eliminate the alternative tax should be reversed.

Robert Eisner, Professor of Economics, Northwestern University (Aug. 23)

Maintains that capital gains tax relief is last on the list of desirable areas of tax relief. If relief is to be granted, it should extend to those who have had no net gain or have losses. Points out that business investment accounts for a minor share of total growth and that investment depends on demand for business products, not capital gains taxes.

Suggests that no one can predict the effect of capital gains tax relief on the stock market. States that sales may lead to a drop in price especially if funds are invested in areas of high gains such as real estate.

Feels that if a comprehensive revision of capital gains taxes is not considered that the whole area should be left alone. Believes that the proposed changes will do more harm than good. Indicates that if any changes are to be made, Senator Nelson's proposal to exclude the first \$3,000 of gain would be preferable since it would benefit all those with gains, not just the wealthy.

National Oil Jobbers Council, Deane Stewart, Stewart Oil Co. (Aug. 23)

Supports the House bill provisions reducing the effective tax rate on noncorporate capital gains to 35%.

Reginald Jones, Chairman, General Electric Co. and Chairman of the Business Roundtable Task Force on Taxation (Aug. 24)

Endorses the House bill provisions. Suggests that because of the prompt feedback effects, the House bill could be safely liberalized as long as there is assurance that individuals who shelter capital gains pay a reasonable tax.

Public Citizen's Tax Reform Research Group, Robert M. Brandon and Robert S. McIntyre (Aug. 24)

Believe that the capital gains tax reduction in the House bill should be deleted. Indicate that if the maximum rate on capital gains must be reduced, a reduction in the rate could be accomplished by eliminating the reduction of income eligible for the maximum tax because of the treatment of capital gains as a preference item. Recommend that if the minimum tax on capital gains is repealed, the Fisher-Corman approach (application of capital gains exclusion after other deductions) should be followed.

Securities Industry Association, Edward I. O'Brien, President (Aug. 24)

Of the three capital gains proposals analyzed, states that reducing the percentage of long-term capital gain included in gross income from 50 to 30 percent, in conjunction with the tax rates contained in the House bill and a 15-percent alternative minimum tax, would have the most beneficial impact on the economy. The next most beneficial proposal would remove capital gains as an item of tax preference subject to the minimum tax, and thus as an offset of earned income eligible for the maximum tax, and would eliminate the \$50,000 ceiling on the 25-percent alternative tax. The least beneficial of three proposals was the House bill. Maintains that all three proposals would result in an increase in GNP, investment, jobs, and tax revenues.

National Realty Committee, Alton G. Marshall, Chairman (Aug. 25)

Urges adoption of capital gains provision that would provide that 30 percent of net long-term capital gains be included in taxable income, with the excluded 70 percent of gains subject to the alternative minimum tax on capital gains at a tax rate of 10 percent.

National Association of Realtors, Wallace R. Woodbury, Chairman, Federal Taxation Subcommittee (Aug. 25)

Favors proposals to tax only 30 percent of long-term capital gain and to limit tax to 25-percent maximum rate. Supports a type of "alternative minimum tax" in lieu of present minimum tax.

National Association of Home Builders, James H. Shimberg (Aug. 25)

Recommends reducing capital gains rate to a maximum of 25 percent. Alternatively, supports reduction of taxable portion of capital gains to 30 percent.

Coalition for Low and Moderate Income Housing, William J. Langelier, President (Aug. 25)

Favors eliminating capital gains as an item of tax preference.

International Council of Shopping Centers, Myles H. Tanenbaum (Aug. 25)

Proposes reduction in capital gains to not more than 25 percent maximum rate. Supports true alternative minimum tax, but only where a tax benefit is produced.

Council of State Housing Agencies, Carl Payne, Director (Aug. 25)

Favors reducing capital gains tax to a maximum 35 percent (by eliminating capital gains as a tax preference) and continuation of 25-percent "alternative tax" on first \$50,000 of capital gains.

Building Owners and Managers Association International, Gardner McBride, Executive Vice President (Aug. 25)

Believes that the House bill does not go far enough in reducing the tax on capital gains. Supports the provisions in S. 3065 (Hansen bill) to provide a maximum 25-percent tax rate on all capital gains. Opposes repeal of the 25-percent alternative tax rate. Favors a true alternative minimum tax for capital gains if a minimum tax is retained.

B. Capital Gains—Inflation Adjustment

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Endorses the inflation adjustment provision.

Investment Company Institute, Edwin S. Cohen (Aug. 22)

States that the House bill should be amended to permit indexing of a shareholder's investment in common stock of mutual funds, at least where substantially all of the mutual fund's assets are invested in common stocks. Where substantially all of a mutual fund's assets are invested in bonds or preferred stocks, indexing should not be permitted. Indicates that a reasonable rule can be fashioned in the case of funds with portfolios divided between common stocks and bonds or preferred stocks.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 23)

Endorses the House provision for basis adjustment.

National Machine Tool Builders' Association, Leon B. Musser (Aug. 23)

Supports the House-passed provision.

National Association of Wholesaler-Distributors, William C. McCamant, Executive Vice President (Aug. 23)

Expresses concern that indexing may create distortions and institutionalize inflation and urges caution in proceeding on this proposal.

Martin Feldstein, Professor of Economics, Harvard University (Aug. 23)

States that an analysis of corporate stock capital gains in 1973 shows that inflation doubled the overall tax rate on such gains. Taxpayers with incomes below \$100,000 suffered real capital losses on average but were taxed on real gains. Maintains that the inflation adjustment amendment should therefore be retained.

National Association of Realtors, Wallace R. Woodbury, Chairman, Federal Taxation Subcommittee (Aug. 25)

Supports indexing capital gains for inflation.

National Association of Home Builders, James H. Shimberg (Aug. 25)

Supports indexing basis of real estate held for more than one year for inflation.

National Realty Committee, Alton G. Marshall, Chairman (Aug. 25)

Supports an inflation adjustment to the basis of certain assets for purposes of computing taxable gain or loss upon sale.

International Council of Shopping Centers, Myles H. Tanenbaum, (Aug. 25)

Supports indexing for capital gains.

Building Owners and Managers Association International, Gardner McBride, Executive Vice President (Aug. 25)

Supports the indexing provision for capital gains.

Council of State Housing Agencies, Carl Payne, Director (Aug. 25)

Supports indexing of capital gains.

Coalition for Low and Moderate Income Housing, William J. Langelier, President (Aug. 25)

Supports indexing for capital gains.

C. Capital Gains on Personal Residence

The Tax Council, Wallace J. Clarfield, Chairman, Tax Policy Committee (Aug. 21)

Supports the one-time exclusion of \$100,000. Questions, however, the policy of taxing any gain on the sale of a home.

Chamber of Commerce of the United States, Jack Carlson, Vice President and Chief Economist (Aug. 21)

Approves the House provision to exclude \$100,000 of gain.

Hon. Henry H. Fowler, former Secretary of the Treasury, partner in Goldman, Sachs & Co. (Aug. 22)

Supports the exclusion contained in the House bill.

Machinery and Allied Products Institute, Charles I. Derr, Senior Vice President (Aug. 23)

Supports the House provision.

National Association of Realtors, Wallace R. Woodbury, Chairman, Federal Taxation Subcommittee (Aug. 25)

Favors tax-free rollover of home within 18 months where a job relocation is involved.

National Association of Home Builders, James H. Shimberg (Aug. 25)

Supports House provision allowing one-time exclusion of \$100,000 gain from sale of personal residence. Endorses rollover where home is sold because of job relocation within 18-month period.

D. Capital Gains Rate for Corporations

*National Association of Manufacturers, Roland M. Bixler, Chairman,
Committee on Taxation (Aug. 21)*

While supporting a general corporate rate reduction, also supports a reduction in the capital gains tax rate for corporations. States that close attention should be given to the effective dates of capital gains changes to avoid skewing the timing of taxpayer decisions.

*American Textile Manufacturers Institute, Lewis W. Jenkins
(Aug. 21)*

Recommends expansion of Hansen proposal to limit capital gains tax to 25 percent.

Hon. Lowell P. Weicker, Jr., U.S. Senator, Connecticut (Aug. 23)

Recommends reduction of maximum capital gains tax rate to 25 percent.

V. COMMENTS ON OTHER TOPICS

A. Reporting of Employee Tips

Food Service and Lodging Institute, Thomas W. Power, General Counsel (Aug. 22)

Proposes the repeal of that provision of the Tax Reform Act of 1976 which requires employees to report to IRS tips charged by customers on credit cards and then turned over to employees by the employer.

Hotel & Restaurant Employees & Bartenders International Union, Robert E. Juliano, Legislative Representative, (Aug. 22)

Supports the passage of S. 1674, which provides that the only records which an employer shall be required to keep in connection with charged tips shall be charge receipts and copies of statements furnished by employees which are required under the Internal Revenue Code.

B. Dividend Reinvestment Plan

Committee for Capital Formation through Dividend Reinvestment, Herbert Cohen, Morgan, Lewis & Brokhus (Aug. 22)

Proposes a deferral of current Federal income tax on dividends reinvested in original issue stock of any company having a "qualified dividend reinvestment plan". Instead, the stock received under such a reinvestment plan would be regarded as a stock dividend which is not taxable under existing law.

Edison Electric Institute, William McCollam, Jr., President (Aug. 21)

Supports deferral of tax on corporate dividends reinvested in additional new stock of the dividend paying corporation until recipient disposes of the stock.

C. Product Liability Insurance

National Machine Tool Builders Association, Leon B. Musser (Aug. 23)

Urges a combination of deductions for product liability self-insurance reserves (contained in S. 3049) and the Administration's 10-year loss carryback proposal.

Small Business Legislative Council, Don DeBolt, Chairman (Aug. 23)

Supports the allowance of deductions for payments to a product liability trust.

D. Carryover Basis for Estate Tax

Society of American Florists and Ornamental Horticulturists, Jack Christmas (Aug. 23)

Recommends repeal of carryover basis rules.

National Association of Home Builders, James H. Shimberg (Aug. 25)

Urges 3-year postponement of carryover basis provision.

E. State-Local Arbitrage Bonds

Municipal Finance Officers Association, Carl L. White (Aug. 24)

Supports a more finely-tuned approach of S. 3370 which would limit the power of the Internal Revenue Service to issue regulations concerning the issuance of arbitrage bonds only where clear abuses can be established.

C. Willis Ritter, Esq. (Aug. 24)

Supports modifications to S. 3370 which deals with the power of the Internal Revenue Service to issue regulations concerning the issuance of arbitrage bonds. Suggests modifications which would (1) permit existing proposed regulations to remain in effect until December 31, 1978 (except for treatment of bond discount and administrative costs), (2) require any regulations by the Internal Revenue Service on tax-exempt financing to have an effective date at least 120 days after initial publication of the proposed regulations, and (3) would permit judicial review of any adverse administrative determination on the Federal arbitrage rules.

Public Securities Association, Walter R. Chambers, Chairman

(Aug. 24)

Recommends withdrawal of proposed regulations of May 8, 1978, by the Internal Revenue Service concerning arbitrage bonds. Supports legislation to revoke positions of proposed regulations if those regulations are not withdrawn.

National League of Cities and the United States Conference of Mayors, Honorable David Vann, Mayor, Birmingham, Alabama (Aug. 24)

Supports legislation providing for a moratorium of regulations by the Internal Revenue Service on arbitrage bonds if the existing proposed regulations on arbitrage bonds are not modified satisfactorily. Recommends legislation which would permit the judicial review of regulations issued by the Internal Revenue Service.

Jack Giberson, Chief Clerk, General Land Office, State of Texas (Aug. 24)

Indicates that for the State to operate its land loan program for Veterans at a low interest rate, the State needs to be able to invest the sink fund in government securities and use this money to pay back the bond holders. Maintains that this State land loan program would be stymied if the IRS regulations are made effective.

John M. Urie, Director of Finance, Kansas City, Missouri (Aug. 24)

Supports S. 3370 which would revoke proposed regulations by the Internal Revenue Service on arbitrage bonds and prohibit the issuance of any new regulations by the Internal Revenue Service on arbitrage bonds until the end of 1979.

F. Other Proposals

Credit for investment in original issue stock

Hon. Lowell P. Weicker, Jr., U.S. Senator, Connecticut (Aug. 23)

Believes that a stimulus is needed to get individual investors to participate in the solution of the capital formation problem confronting small- and medium-sized businesses. Proposes a nonrefundable 10 percent tax credit for investments in original issue stock of small- and medium-sized corporations (less than \$25 million in equity), with a maximum credit of \$750 for single taxpayers and \$1,500 for married taxpayers filing joint returns.

American Stock Exchange, Arthur Levitt, Jr., Chairman (Aug. 23)

Contends that the House bill fails to provide specific incentives for equity investments in small and medium-sized corporations, and will not supply the necessary stimulus for needed capital formation. Supports a tax credit for investments in new issues of common and preferred stock of small to medium-sized corporations.

Taxable bond option

Public Citizen's Tax Reform Research Group, Robert M. Brandon and Robert S. McIntyre (Aug. 24)

Recommend adoption of Administration proposal for a taxable bond option.

Withholding on interest and dividends

Public Citizen's Tax Reform Research Group, Robert M. Brandon and Robert S. McIntyre (Aug. 24)

Recommend adoption of withholding on interest and dividends.

Exclusion for income earned abroad

American Textile Manufacturers Institute, Lewis W. Jenkins (Aug. 21)

Supports provisions in H.R. 13488 with respect to section 911 changes as reported by the Ways and Means Committee.

Contributions in aid of construction

Edison Electric Institute, William McCollam, Jr., President (Aug. 21)

Supports treating contributions in aid of construction to electric and gas utilities as contributions to capital excluded from gross income.

American Gas Association, George H. Lawrence, President (Aug. 21)

Proposes treating contributions in aid of construction and highway relocation reimbursements as excludable from regulated gas and electric utility income.

National Association of Home Builders, James H. Shimberg (Aug. 25)

Supports proposal to extend capital contribution treatment to cover contributions in aid of construction received by gas and electric utilities.

Employee stock ownership plans

Edison Electric Institute, William McCollam, Jr., President (Aug. 21)

Supports Expanded Employee Stock Ownership Act of 1978 (S. 3241). At a minimum, recommends making present ESOP provisions permanent.

Tax treaties

Carl A. Nordberg, Jr., Attorney, Washington, D.C. (Aug. 21)

Urges that tax treaties be subject to joint jurisdiction of Senate Foreign Relations and Finance Committees. As an alternative, suggests limits on items covered by treaties.

Accumulated earnings tax

National Food Brokers Association, Mark M. Singer, President (Aug. 23)

Proposes that the cumulated earnings tax exemption be raised from \$150,000 to \$200,000.

Other items

National Oil Jobbers Council, Deane Stewart, Stewart Oil Co. (Aug. 23)

Recommends that the payment schedule for Federal gasoline excise taxes be modified to give marketers at least 20 days (instead of 9 days as under present law) to remit the tax. Also urges the approval of a 20% tax credit for solar and other energy conservation devices as included in the Senate energy bill. In addition, supports Senate Finance Committee approved provision regarding the independent contractor status of certain individuals.

Independent Petroleum Association of America, Jack M. Allen, President (Aug. 24)

Urges the elimination for independent producers of intangible drilling expenses as a tax preference under the minimum tax. In addition, argues that the 65% of taxable income limitation on percentage depletion for independent producers should be repealed, that the phase down of the amount of oil eligible for percentage depletion and the percentage depletion rate should be halted, that geological and geophysical expenses should be made deductible and that a tax credit be allowed for expenditures which increase domestic energy supplies.

