

Summary Description of Miscellaneous
Tax Bills
Scheduled for a Markup
by the
Subcommittee on Select Revenue Measures
on November 27, 1979

I. INTRODUCTION

The Subcommittee on Select Revenue Measures of the Committee on Ways and Means has scheduled a markup of six miscellaneous tax bills for November 27, 1979. A summary of each bill is presented below. Following the summary descriptions, the revenue effects for the bills are presented.

For a more complete description of present law, the issues, and the bills, copies of hearing pamphlets for September 27, 1979, and November 9, 1979, are attached.

A summary of the Treasury Department positions is also included.

JCX-4-79



II. SUMMARY

1. H.R. 2993--Messrs. Beard (R.I.) and St Germain

Tax Treatment Under Rhode Island Indian Claims Settlement Act

The bill would provide that the lands received by the public corporation established pursuant to the Rhode Island Indian Claims Settlement Act would generally be exempt from Federal, State, or local taxation, except for taxes on income-producing activities. The bill would not prevent the imposition of charges in lieu of taxes for services provided in connection with settlement lands. The bill would also provide that private owners selling land to be conveyed to the corporation pursuant to the settlement could treat the sales as involuntary conversions, thus allowing deferral of tax on the gain if sale proceeds are reinvested.

2. H.R. 3586--Messrs. Rostenkowski, Holland, Campbell, Sabo, Ireland, Watkins, Luken, Lederer, Lehman, Schulze, Downey, Duncan (Tenn.), and Jones (Okla.)

Definition of Youth Participating in a Qualified Cooperative Education Program for Purposes of the Targeted Jobs Credit

Under present law, the targeted jobs credit may be claimed for the hiring of youths who actively participate in qualified cooperative education programs, who have attained the age of 16 but who have not attained the age of 19, and who have not graduated from high school or vocational school. The bill would extend the availability of the targeted jobs credit to the hiring of such youths who have not attained the age of 20.

3. H.R. 3874--Mr. Archer and H.R. 3561--Mr. Dicks

Waiver of Time Limits in Foreign Residence or Presence Requirement for Americans Working Abroad

The bills would permit the waiver of the minimum time limits in the foreign residence or presence eligibility requirements for Americans working abroad to obtain the benefits of the deduction for excess foreign living costs or the exclusion for foreign earned income. The waiver generally would be available to Americans working abroad who could reasonably have been expected to meet those eligibility requirements, but who left the foreign country under conditions of war, civil unrest, or similar conditions which precluded the normal conduct of business.

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4. H.R. 4103--Messrs. Shannon, Bafalis, Cotter, and Kemp

Effective Date of Basis Limitation for Player Contracts Acquired
in Connection with the Purchase of a Sports Franchise

Under present law, the portion of the purchase price paid for the acquisition of a sports franchise which may be allocated to depreciable player contracts is limited to the sum of the transferor's basis in the contracts and the gain recognized by the transferor with respect to the contracts. This rule was enacted by the Tax Reform Act of 1976, and was effective for sales or exchanges of franchises after December 31, 1975.

The bill would provide an exception to the effective date for certain transactions occurring before March 1, 1977, if prior to December 31, 1975, the principal stockholder of the transferee was committed to purchase, and purchased, more than 50 percent of the voting stock of the transferor corporation. The bill is intended to benefit Mr. William H. Sullivan, Jr., and the New England Patriots Football Club, Inc.

5. H.R. 4298--Mr. Rostenkowski

Special Rule for Certain Distributions from Money Purchase
Pension Plans

Under present law, if an employer maintains a tax-qualified defined benefit pension plan and a tax-qualified money purchase pension plan, and if an employee is covered by both plans, a total distribution of the balance of the employee's interest in the money purchase plan to the employee (or the employee's spouse on account of the employee's death) is not eligible to be rolled over tax-free to an individual retirement account or to another qualified plan unless a total distribution is also made from the defined benefit plan in the same taxable year. The bill would allow an employee (or the employee's spouse) to make a tax-free rollover of a total distribution from a qualified money purchase plan where the employee is also covered by a qualified defined benefit plan maintained by the same employer even though a total distribution is not made from the defined benefit plan in the same taxable year.

6. H.R. 4503--Mr. AuCoin

Special Rule Relating to Debt-Financed Income of Exempt
Organizations

Generally, under present law, passive investment income and gains from the sale of investments realized by an exempt organization are not subject to tax as unrelated business income. However, income and gains realized by an exempt organization from "debt-financed property" not used for its exempt function are subject to tax in the proportion in which the property is financed by acquisition indebtedness.

The bill would provide a limited exception to the debt-financed income rules. This exception would allow certain sales of real

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property in 1976 to be made free of the unrelated business income tax if the property had been acquired prior to 1952 and the indebtedness was incurred before 1965. The intended beneficiary of the bill is the Tillamook County YMCA of Tillamook, Oregon.

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ESTIMATED REVENUE EFFECTS OF MISCELLANEOUS TAX BILLS
SCHEDULED FOR MARKUP ON NOVEMBER 27, 1979

		Fiscal Year Receipts (\$ millions)				
		1980	1981	1982	1983	1984
1.	H.R. 2993	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	--
2.	H.R. 3586	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>1/</u>	--
3.	H.R. 3874 and H.R. 3561	<u>3/</u>	--	--	--	--
4.	H.R. 4103	\$2	\$.5	\$.5	--	--
5.	H.R. 4298	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
6.	H.R. 4503	<u>4/</u>	--	--	--	--

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- 1/ Reduction in budget receipts of less than \$1 million.
- 2/ Reduction in budget receipts of less than \$5 million.
- 3/ No budget effects but forgiveness of an unanticipated one-time tax increase of \$10 million in fiscal 1980.
- 4/ Reduction in budget receipts of less than \$50,000 in fiscal year 1980.

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Summary of Treasury Department Positions

1. H.R. 2993--Tax Treatment under the Rhode Island Indian Claims Settlement Act

The Treasury Department does not oppose the bill. It is recommended that the tax exemption for money transferred to the corporation holding settlement lands be deleted as unnecessary.

2. H.R. 3586--Targeted Jobs Credit for 19-Year Olds

The Treasury Department does not oppose the bill.

3. H.R. 3874--Waiver of Time Limits in Foreign Residence or Presence Requirements for Americans Working Abroad

The Treasury Department does not oppose the bill. Technical changes are recommended.

4. H.R. 4103--Effective Date of Basis Limitation for Player Contracts Acquired in Connection with the Purchase of a Sports Franchise

The Treasury Department does not oppose the bill.

5. H.R. 4298--Distributions from Money Purchase Pension Plans

The Treasury Department does not oppose the bill provided it is understood to have only prospective effect.

6. H.R. 4503--Special Rule Relating to Debt-Financed Income of Exempt Organizations

The Treasury Department is opposed to the bill.