The original documents are located in Box C17, folder "Presidential Handwriting, 3/29/1975 (2)" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

MAR 27 1975

MEMORANDUM FOR THE PRESIDENT

FROM: Caspar W. Weinberger Cap Weinberger

SUBJECT: Tax Bill

Jack Marsh has requested that I quickly supply my summary views on the tax bill now before you. My more detailed views will follow after the Department has an opportunity to review carefully the language of the bill.

There are four provisions in the bill of particular concern to HEW. I find none of them welcome, and two of them extremely undesirable.

- The 10% Earned Income Credit ("Work Bonus") at a cost of about $1.68 billion.

  This new welfare program in the guise of tax relief is a disaster. This "tax credit" is, in fact, a new categorical welfare program adding to the confusion and jumble we already have with AFDC, SSI, and Food Stamps. It is not need related; it is inequitable in its coverage; it is poorly integrated with the other welfare programs.

  While nominally a one-year provision, it is more than likely to be pushed into permanent law by its author, Senator Long, who views it as the key element of "welfare reform." Once in place, it will develop a constituency for its continuation and expansion. A significant amount will be added to "uncontrollable expenditures" in future years. Most important, it seriously prejudices the welfare replacement proposal you have been considering, because it creates new beneficiaries in the $6,000-$8,000 income range who would be disadvantaged in a reformed system, unless they were "grandfathered" in at a cost of $1 billion. I attach my earlier memorandum on this subject.

- The $50 Social Security bonus at a cost of about $1.7 billion.

  This provision would provide payment of a flat $50 to social security, SSI, and railroad retirement beneficiaries. While the conferees cut the Senate payment in half and cleaned up the technical details, this provision is not only costly, but also a dangerous precedent. For the first time it introduces the concept of using general revenues to finance social security benefits. Further, the provision provides benefits indiscriminately both to those with low income (i.e., SSI recipients) and to others with much higher incomes, many of whom will also benefit from the tax reduction.

- Child care deduction at an estimated cost of $90 million.

  This provision is a vastly pared down version of the Senate amendment. While the cost has been reduced, the least desirable feature has been retained. Specifically, the current law deduction for child care costs starts to phase down at $18,000 and phases out at $27,000. The provision raises these limits to $35,000 and $44,000 respectively. While a big issue with women's groups, the provision confers additional meaningful benefits only for high income couples.

- Employer credit for hiring AFDC recipients at an estimated cost of $3 million.

  Current law provides a 20% credit to the employer of WIN (Work Incentive Program) recipients under a variety of limiting conditions. This provision would expand the credit to hiring of all AFDC recipients, would liberalize the conditions (e.g., reduce the qualifying minimum time of employment from one year to one month), and would include domestic employment

On the basis of the first two provisions reviewed here, I would urge you to veto the bill. At the same time, I recognize that there are overriding economic and political aspects of such a veto which must be considered.