

The original documents are located in Box 16, folder “Energy - Proposal by Representative Al Ullman” of the John Marsh Files at the Gerald R. Ford Presidential Library.

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COMPARISON OF PLANS

Ullman PlanPresident's PlanPresent Law

- (1) Rebate on 1974 tax liabilities of approximately 10%. Cap of \$300. Reaches cap at approximately \$20,000 income and will phase out rebate between \$20,000 and \$30,000 by cutting the percent number to 3%. Paid in one lump sum in May.
Estimated cost - \$7+ B
- (2) (a) Increase the low income allowance to \$1,900 for single tax payers and to \$2,500 for married.
(b) Increase the percentage standard deduction from 15% to 16% with a maximum allowable deduction of \$2,500 for a single taxpayer and \$3000 for married.
Estimated cost - \$5+ B
- (3) Provide a 5% credit on earned income (wages and salaries) with a credit ceiling of \$200. Provide for a \$4,000 to \$8,000 adjusted gross income phaseout of the credit.
Estimated cost - \$3+ B
- (4) Increase investment tax credit for all business to 10%. Increase limitation for utilities to 100% for two years and phase back to 50% at 10% per year over a five year period. Limitation for all other business remains at 50%.
Estimated cost - \$3.2 B
- (5) Increase the surtax exemption level for corporate forms of business from \$25,000 to \$35,000.
Estimated cost - \$600 M
- (1) Rebate on 1974 tax liabilities of 12%. Cap of \$1,000. Paid in two distributions - May and September. Provides some rebate to all taxpayers peaking at approximately \$40,000 income bracket.
Estimated cost - \$12.2 B
- (2) Increase the low income allowance to \$2,000 for single taxpayers and to \$2,600 for married.
Estimated cost - \$5 B
- (3) Provide an \$80 cash payment for nontaxpayers.
Estimated cost - \$2 B
[These two are similar in nature.]
- (4) Increase investment tax credit for all business to 12%. Increase limitation on utilities to 75% and phase back to 50% over a five year period. Limitation on all other business remains at 50%.
Estimated cost - \$4 B
- (5) Reduce corporate tax rate from 48% to 42%.
Estimated cost - \$6 B
[Ullman proposal apparently, however, does not preclude rate cut at time of energy package.]
- (1) No provision.
- (2) (a) Low income allowance is \$1,300 for single and married taxpayers.
(b) The percentage standard deduction is 15% with a ceiling of \$2,000.
- (3) No provision.
- (4) (a) 4% credit for utilities
(b) 7% credit for all other business.
(c) Limitation of 50% for all business.
- (5) Tax rate of 22% on first \$25,000 of taxable income and surtax of 26% on all above or marginal rate of 48%.

(6) Utility reinvestment feature whereby there would be no tax paid on utility dividends if recipient reinvested in special issue equity shares of the utility within a limited period of time.
Estimated cost - \$200 - \$300 M

(6) Similar to October 1974 proposal with respect to preferred stock dividend.

(6) No provision.

TOTAL ESTIMATED RELIEF - \$19.4 B

INDIVIDUALS - \$15.3 B

BUSINESS - \$4.1 B

NOTES:

1. Ullman would make items 2 through 6 temporary for 1975 until and unless revenue from energy package is available -- then they become permanent.
2. The Gibbons, Karth, Corman proposal is very similar except the rebate on 1974 taxes would have a higher percentage -- over 12 -- with a cap of \$300 (thus rebate primarily to low income taxpayers) and possibly repeal of the percentage depletion allowance on oil.
3. Apparently the second energy relief package of a permanent nature may include tax reductions for both individuals and business.

[Jan. 1975?]
M

Uhlman Request for Delay in Tariffs

Option #1

No delay, increase tariff as originally announced to \$3 by April 1.

Option #2

Delay any increase for 30-60 days in return for quid pro quo from House Democrats.

Option #3

Impose first \$1 increase on February 1. At the same time announce that the next increase to \$2 will be delayed if, and only if, Congress moves rapidly over the next 30 days to pass the tax cut and begin hearings on the energy package.

Issues

Possibility of Congressional enactment of a resolution requiring a delay of 60 days?

Can a veto be sustained if required?

Are the Democrats really giving up anything in return for delaying first increase of \$1?

Are they more likely to act on the legislation if the February 1 increase is delayed? Or will they be more likely to act if the threat of another increase March 1 is posed?

Assuming the February 1 increase is implemented, what is the likely outcome of expected court challenges?

THE WHITE HOUSE

WASHINGTON

January 28, 1975

MEETING WITH REPRESENTATIVE AL ULLMAN (D-ORE)

Wednesday, January 29, 1975

3:00-4:00 p.m. (one hour)

The Oval Office

From: Max L. Friedersdorf *mf*

I. PURPOSE

To comply with Chairman Ullman's request to meet for a discussion on the President's legislative requests on the economy and energy.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

1. The House Ways and Means Committee has voted 17-16 to request a closed rule with four hours debate on the combination Debt Limit/Oil Tariff Deferral Bill.
2. Chairman Ullman will go before Rules Committee on Tuesday, February 4, 1975, and the bill will be considered on the Floor next Wednesday, February 5.
3. The combination bill would delay for 90 days, the President's authority to impose additional tariffs on imported oil.
4. Following the bi-partisan leadership meeting on Tuesday, January 28, Chairman Ullman requested a private meeting with the President to discuss the legislation. Ullman indicated he may request a series of meetings to seek a compromise.
5. It is believed Ullman may suggest moving ahead with both the economic and energy tax cuts, while delaying the tax raising portions of the energy package. By passing just the "goodies," there would be a tendency by Congress to delay indefinitely the revenue raising tariff and excise taxes, resulting in an even larger deficit.
6. Representative Schneebeli has reportedly "caved" to Ullman on this approach, much to the chagrin of Representatives Conable, Waggoner and Landrum.

B. Participants: The President
Rep. Al Ullman
Max Friedersdorf (staff)

C. Press Plan:

Meeting to be unannounced. White House photos only.

III. TALKING POINTS

1. Al, I am delighted to meet with you again and discuss the economy and energy legislation.
2. I am sure you know how anxious I am to get moving on a good program, and I know you feel the same.
3. I would be interested in hearing your ideas, and then perhaps I could respond.

THE WHITE HOUSE
WASHINGTON

January 29, 1975

MEMORANDUM FOR: THE PRESIDENT
FROM: JACK MARSH

Background:

In considering your meeting with Al-Ullman there are several points that I think are helpful to keep in mind inasmuch as they may affect not only his own attitude but may influence what future action he may take. I refer specifically to the following.

1. This is his first major test as a Committee Chairman.
2. He assumes his duties under the shadow of Mills whose reputation we well know for leadership and legislative skill.
3. There is a division in his own party and in the Committee which he has not overcome.
4. There is no program nor does there appear to be one that is a viable alternative to your own.
5. Facing early Floor action, his situation is somewhat out of control.
6. Severe pressures confront him from constituent and regional interests such as Tip O'Neill; as well as political interests represented by the Caucus and the new members.
7. A way to save face should have appeal.
8. Al suspects he will have trouble overriding your veto on a combined package but he stands a better chance if he can separate the debt ceiling and the tariff suspension.

9. You will deal from a position of strength and it is essential to maintain the firm but subtle pressure you have applied.

In your discussion with him I would suggest the following talking points:

1. Without backing off your own action, that you indicate a willingness to search for common ground.
2. Get him to indicate what that common ground might be. To move in that direction, I would suggest a question for his assessment of how things presently stand.
3. I believe it would be helpful to get him to describe how he sees this moving on the Floor.
4. He will have a tendency to push his economic program and to push the energy program off to the side. It would be best not to let the tax package dominate the conversation but make him focus on the energy package.
5. Make him describe where he thinks we will be if they don't follow your lead on energy or if they suspend your authority.
6. Associated with this, draw out what is his plan and since he has no plan how can you trade off your present action and hope for action three months hence that may not materialize. Emphasize to him that it is to his advantage as well as your to use the pressure you will apply to get his Committee to move now on energy otherwise we will end up with a tax plan and no energy program.
7. Point out that your tariff proclamation really takes the heat off him and provides an umbrella for Committee action without there having to accept the onus of having originated these levies.
8. Get him to tell you what he thinks you should do in light of the critical need for action other than what you are doing.
9. Finally, I believe he will admit in a general way the need for action and that once he accepts this, I believe you can make a convincing argument for action you have taken as the best course when considered against other alternatives.

9. Finally, whatever counter proposal he might make raises the question of whether he can deliver. Consequently, what assurances can he give you that the Committee and the Congress will perform if you would try to make some accommodation.

In summary, I would suggest that rather than your agreeing to any modification, compromise or accommodation today, that you suggest to Al that he get back with you after consulting his own leaders and the Republican leadership with a hard plan that calls for action and one which he knows the Congress will accept. In any event, you will go with the 1 February levy and give consideration to alternatives that provide for action now along the lines you have suggested, but you can't agree to proposals that either defer or reject your energy program. I feel you must use the March and April levies as the continuing pressure for action.

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THE WHITE HOUSE

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January 29, 1975

Meeting with Representative Al Ullman

The President met this afternoon at 3:00 p.m. with Al Ullman together with John O. Marsh and Max Friedersdorf. The purpose of the meeting was to discuss the President's energy program.

After an exchange of pleasantries, Ullman opened the conversation by describing briefly the situation in Committee and to point out that three separate panel sessions has appeared before the Committee and that none of the economists who testified supported the President's energy program, but on the contrary some expressed strong views against his import levy and pricing approach. He pointed out that legislation comes on the Floor on the debt ceiling and the levy suspension amendment next week and that a vote will occur to separate the two measures. He is of the view that Republicans will vote to separate.

The President outlined the stages of his levy program to point out the consideration for the Northeast and mentioned that a omnibus bill, encompassing all of his energy proposals will go to the Hill tomorrow.

Ullman indicated the Speaker was putting together some type of legislative task force which will probably get this bill. This is a new approach. The President inquired if the task force was bi-partisan and Ullman indicated he was uncertain but felt it should be.

Ullman went on to explain that the Congress will not accept the President's \$2 proposal on the price of oil. He said they will head for a quota system on imports with an allocation arrangement (it might be discretionary) backed up with a two-tier rationing system passed on pricing. He added that consideration might be given to banning Sunday sales. He felt that coupons should be redeemable. He pointed out that economist Heller has raised questions about the Administration's program particularly a two-priced system on oil. Ullman said

that it would be necessary to raise the price of domestic crude but on a very gradual basis perhaps \$1 a year.

Ullman stated that the President was not in the best position in a long-run sense insofar as working with Congress. He said the President's position was one of confrontation and he understood that it was necessary to demonstrate action and decision.

The President made a passing reference to his Executive power which could be reviewed and vetoed by the Congress within five days. He pointed out that his main concern was getting something done and his attention and proposals had gotten the action which has occurred thus far.

Ullman mentioned that the Lincoln Day recess was called off and he hoped to have the tax bill out by mid-February.

Returning to the energy program, he urged the President to hold off for 90 days on implementing his \$3 cumulative levy package and if there was no action in 90 days, to go ahead and take the action he proposed to take. Ullman stated he felt the House could act in less than 90 days on QAR (Quota Allocation Rationing) but it may take longer in the Senate and that it could be six months before the President has the bill on his desk.

The President inquired if he withheld the levy for 90 days and the House had acted but the Senate had not, would they seek to rescind his authority? Ullman response was uncertain but indicated there might be some legislation but indicated it would not have strong Ways and Means backing.

In response to a direct question as to what he would do after 90 days if the House had not acted, would he try to rescind the President's authority. Ullman responded that he would not push for a rescission in that event.

In describing his QAR program, Ullman said that the best allocation would be by car and not by driver and that after a basic allowance, a driver could obtain additional gas by paying a higher price. He told the President there is not support in the Congress for the program he has presented which is basically a price mechanism approach. The President inquired how under QAR you stimulate R&D.

Ullman responded that the Committee was aware of this problem and would seek other means legislatively to do based on some type of incentive approach. He stated that they would abolish the depletion allowances. He said that the

proposal for deregulation of gas was in trouble and legislation was not sufficient but he thought a phased deregulation program could be considered.

The President suggested trading windfall profits for deregulation which Ullman said was not a sufficient trade. At this point he mentioned the part that Long would be playing in the legislative process in this field.

In commenting on the six months time frame to get QAR to his desk, Ullman wondered what means could be used to keep pressure on the Congress.

The President pointed out the problem of backing off the Proclamation because of the national security justification that had been cited and the effect it would have on certain court actions. He raised a number of objections to a quota and allocation system as to why he had rejected it. Ullman responded with some of his arguments in favor of such a system. In passing, he mentioned that eventually we would have to place a tax on new cars whereby higher consumption models would cost more but that was five years down the road. The President countered by stating his views on the change in auto emission standards to the California level.

The meeting ended with Ullman expressing his deep concern about the legislation program next week whereby this issue would be voted on. He mentioned this several times during the conversation and indicated he really did not know how to come up with some solution that would be satisfactory to all concerned. It is obvious that his concern about next week is genuine. Nothing came out of the meeting in any way which indicated a modification of his view or the President's, or otherwise was in anyway a compromise acceptable to both parties on the immediate question of the vote next week.

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THE WHITE HOUSE
WASHINGTON

FEB 3 1975



February 3, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF
THRU: VERN LOEN
FROM: DOUG BENNETT **DPB**
SUBJECT: Anticipated Ways and Means Action

In my opinion Ways and Means decisions of this week are critical with respect to the President's economic/energy program. The tax bill Al Ullman introduced last Tuesday could be the cornerstone of diffusing the President's plan. I have reached this conclusion for the following reasons:

(1) The Ullman package (description attached) contains approximately \$12 B of permanent relief for individuals and corporations. Ullman claims it will become permanent only when the "energy tax bill" is acted upon but it will be most difficult, judging from past experience, to repeal any of these "temporary" decisions, particularly in light of their appeal to individuals and business (low and middle income taxpayers, business generally, small business and utilities - a broad political base of support). This package has considerable momentum and may well be fundamentally approved this week.

(2) The President's energy package on the tax side will be difficult to get anyway and with \$12 B of the available revenue already given away by virtue of the Ullman package, the revenue will not be available to offset the price impact of the import/excise taxes and decontrol of oil and gas by cutting both individual and corporate tax rates. In other words, the hard part - asking people to pay more for their energy needs - will not be offset by the "goodie" - individual and corporate tax relief. The "liberals" on the committee are well aware of this and fear there will never be an energy package of any degree (windfall profits tax will be diffused by substantial plowback provisions and exemptions for independents and stripper wells). . . hence, they want repeal of the oil depletion allowance attached to this "quick relief" bill.

(3) Thus Ullman will have, in effect, separated the individual and business tax relief from an energy tax package and make it extremely difficult to find fiscal and political incentive to support the President.

(4) I understand Ullman has in mind, on the energy side, repealing the oil depletion allowance, imposing a windfall profits tax with some plowback for investment, possibly phased in decontrol of oil and gas in order to lessen the blow on individuals and business and an import quota system with allocation. In addition, there may be included a tax on gasoline and some form of tax on automobiles according to weight, horsepower or gasoline consumption.

(5) If no incentive exists for a strong energy tax package and the President decontrols oil and gas giving the companies an extraordinary "windfall" (price of domestic oil will go from \$5.25 a barrel to approximately \$11.00), while this would place some pressure on the Congress to act, with the rise in the price of petroleum products to consumers, the President might be subjected to criticism and be unable to have tax revenues available to offset the rise in the Consumer Price Index. Congressman Jim Corman suggests the President delay for a limited period of time decontrol of oil so as to mellow oil industry opposition to an energy tax bill and still give incentive for Congressional action.

RECOMMENDATIONS

(1) I think among the Republicans, Southern Democrats and responsible liberals the votes are in the committee to keep the permanent tax relief out of this first bill but it will take some real salesmanship. This position should be advocated strongly by the White House and Treasury.

(2) Recognize the possibility of a modified import quota system as a compromise for raising the tariff to the \$2 and \$3 levels (assuming the tariff delay bill is not approved). The Ways and Means Committee seems inclined to do this although it is still early to access this accurately.

(3) Consider in place of a cut in corporate tax rates the "integration concept" which replaces present law taxation of corporations and dividends received by shareholders with a unified tax structure whereby shareholders do not pay taxes on dividends received to the extent that corporations have already paid taxes. This helps greatly capital formation as it serves as an incentive for equity investment and has positive corporate financial results. This concept is advocated by the Joint Tax Committee staff, the committee itself generally (those who have thought about and understand the concept), almost all economists and tax lawyers and the Treasury Department. This would be a very positive step in tax law and would provide the corporate tax relief of the nature the economic/energy program seeks. This decision should be made very soon so that Treasury witnesses can advance it with the committee this week before final action is taken on the "temporary" tax package.

cc: ✓ Counsellor Marsh, F. Zarb, P. O'Neill, C. Leppert, M. Duval

FEB 26 1975

RED TAG

M

THE WHITE HOUSE
WASHINGTON

February 25, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JOHN O. MARSH
MAX L. FRIEDERSDORF

THRU: VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Ullman Energy Plan

In connection with the Task Force Organization on Energy which Al Ullman has structured, attached is a letter and memorandum which Ullman sent to the Task Force Chairmen describing their duties and outlining a possible plan for consideration.

This correlates to the memorandum I wrote last Friday describing both the Wright and Ullman Energy/Economic Plans.

cc: Secretary Simon
Bill Seidman
Frank Zarb
Paul O'Neill
Fred Hickman
Charles Leppert

Congress of the United States

House of Representatives

Washington, D.C. 20515

February 21, 1975

Dear Task Force Chairman:

The attached memorandum outlines in somewhat more detail the plan that I presented to you yesterday morning at the Democratic Caucus. It occurred to me that this might be useful to your task force in the development of the energy program in the area in which you serve as chairman. While in some cases the memorandum presents specific features of a plan, they are intended as suggestions only. I am sure the task force, after analyzing the area you are to develop, will come up with more information and quite possibly significant changes. It is of course important, however, that we develop a comprehensive energy program in which the various parts are closely coordinated. For that reason the memorandum goes not only into areas with which you are directly concerned, but the other areas as well.

The staff members available to work with you are as follows:

1. Quotas: Harry Lamar, Ways and Means staff, Extension 53943.
2. Allocations: Harry Lamar, Ways and Means staff, Extension 53943.
3. Gasoline conservation program: Mike Bird, Joint Committee staff, Extension 56801.
4. Energy trust fund: Herb Chabot, Joint Committee staff, Extension 51896.

Task Force Chairman
Page 2

5. Conservation program: Leon Klud, Joint Committee staff, 51847.
6. Deregulation of oil and gas: Arthur Fefferman, Joint Committee staff, 56801.
7. Capital incentives for energy: Jim Wetzler, Joint Committee staff, Extension 56801.
8. Conversion to other than oil and gas: Albert Buckberg, Joint Committee staff, Extension 56801.

If at all possible, we would like to have your material for the memorandum next Tuesday evening, February 25, so that we can bring together an entire memorandum on Wednesday for presentation to the Democratic Caucus on Thursday morning.

I appreciate the difficulties that you may have in developing the material on this short order, but I think it is vital that we have a program for presentation before the hearings begin.

Thank you for your cooperation.

Sincerely,



Al Ullman

Enclosure

P.S. As I indicated in the caucus, Joe Fisher will serve as my coordinator on this project, and so I hope you will work closely with him and turn your reports in to him on Tuesday.

Also, I am designating Loren Cox to help Larry with the staff coordination, and I hope you will keep him informed of your meetings.

1. Quotas

It is proposed that as an objective import quotas be used, designed to achieve a one million barrel per day cutback over a 2 to 3-year period, with further decreases thereafter and resulting in a reduction to perhaps 25 percent of domestic petroleum consumption by the early 1980's. (In 1974 imports accounted for 37 percent.)

Beginning in 1976 this implies that an annual reduction of 400,000 to 500,000 barrels a day would be required to meet this objective, although the initial savings might be at a somewhat lower rate.

The authority establishing the quotas should operate under broad guidelines designed to decrease quotas at least as fast as the conservation and conversion programs outlined below result in a decrease in demand for oil and other imported energy resources. The quotas could be set on a quarterly quota basis and designed to "keep pressure on" reducing available supplies but without requiring a major rationing program or major price increases (except to the extent provided in the deregulation program set forth below). They should be set in consultation with the President's economic advisors so they will have as little adverse effect on the economy as possible.

Federal control of oil imports through the establishment of an organization to purchase all imports would help assure that a barrel less of consumption means a barrel less of imports, not a barrel less of domestic production. It would also put pressure on the cartel. Authority could be given such a purchasing organization to break down the quota into reasonably-sized allotments which could be bid on each year by the exporting countries, or firms producing in those countries, as a means of encouraging competition among them and ultimately lowering prices. Authorizations could also be granted to purchase on the basis of sealed bids when and if it was concluded that there had been sufficient conservation to make such a program practicable.

2. Allocation Program

Allocations to various categories of petroleum users, necessary as the result of quota restrictions, could be handled by the Federal Energy Administration, which handles allocations and entitlements under existing law.

There should also be enacted a standby rationing authority to be available if a Near East oil embargo program is renewed.

In addition, a strategic reserve stockpile of oil should be developed (possibly making use of various salt domes in various parts of the country or by the Federal Government acquiring or leasing facilities for this purpose) in order to assure the country of a supply of oil for a period of several months in the case of an embargo. This should also provide additional leverage with respect to prices in the future. To make possible the building up of this reserve without interference with the general quota system, the amount set aside here might include production which could be obtained from the Elk Hills Naval Reserve, from the Alaska Naval Reserves, or from off-shore production. In any event, the stockpiling should be considered as in addition to, and separate from, the quotas on imports. During the next few years (to the extent storage facilities are available), oil stocks should be accumulated to the extent of one-half the amount imported

annually, and thereafter maintained at that level. By 1980, such a six-months' reserve would be around 500 billion barrels.

3. Gasoline Conservation Program

A gasoline tax of 40 cents a gallon might be phased in at the rate of 10 cents a year beginning in 1976. However, authority might be provided the President (subject to a House or Senate veto within a specified period of time) to speed up each increase by 6 months or slow it down by as much as one year. However, the first increase probably should not, in any event, occur before January 1, 1976. Since gasoline is the major use of petroleum which can be affected significantly by Federal tax policy, any checking of gas consumption will require a direct approach preferably in the form of an early tax increase. By its third year, one hopes the gas tax increase described above can be expected to exert a strong downward pressure on consumption. Stretching the imposition of the tax out over four years will give people time to replace high gas-consuming cars with gas-economizing cars.

Rebates of a basic allowance could be made to drivers by way of a tax refund coupon system. The basic allowance in this case might well be about 500 gallons per year per driver. The tax refund coupon allowance might be made available for up to two cars per family (where there are two or more licensed drivers). Other variations of this might be worked out. In any event, there should not be so much variation allowed under the system that local coupon boards are necessary to make the proper

determinations. The coupon supply could be issued through local post offices or banks, and coupons not used by drivers could be sold on a "white market."

Exemption from (or credits for) the additional tax might also be provided for gasoline used on farms for farming purposes in much the same way as the exemptions (or credits) in their case are provided for under existing law. Net tax receipts from the additional gasoline tax could be placed in a trust fund (referred to below) and used for the purposes referred to below.

After the tax refund coupon system has been in effect for 5 years, it could be phased out over a period of years by gradually reducing the value of the coupons. As this occurs, in other programs (e.g., income taxes, social security payments and welfare payments) these gradually increasing costs should be taken into account in establishing levels of tax or payment.

4. Energy Trust Fund

An energy trust fund could be established into which would be placed the net receipts from the additional gasoline tax. In addition, it might well be that other committees might see fit to include in this trust fund the funds derived from oil royalties on Government leases. Proceeds from a windfall profits tax might also be included in such a trust fund, as well as revenue derived from the repeal or reduction in percentage depletion.

Trust fund monies might be used for energy conservation and supply-increasing programs. In its legislation the committee might want to block out broad proportions of the fund to be spent for different purposes, leaving specific authorizations and appropriations in these areas to other committees. Examples of how the funds could be used would include:

- (1) increased Federal allotments for improving bus transportation systems and for encouraging carpooling;
- (2) expenditures for the development of efficient automobile engines;
- (3) research in geothermal, oil shale, solar, and nuclear energy;



(4) facilitating mandatory conversion of power plants from oil and gas to coal;

(5) payment of administrative costs in connection with "truth in energy" standards for the labeling of appliances;

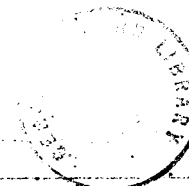
(6) research to help industry meet environmental standards not in conflict with improved energy conservation;

(7) helping to develop industrial efficiency standards for new construction of homes, commercial properties and industrial plants (such standards could differ for differing parts of the country because of different climates);

(8) for Government sponsorship of exploratory drilling on the outer continental shelf; and

(9) to finance demonstration projects for coal liquefaction and gasification and for obtaining oil from shale.

A determination would have to be made as to the proportion of the funds raised from the different sources referred to above which would go into the trust fund, and others which might be used for individual income tax reductions.



5. Conservation program other than the gasoline tax

An automobile efficiency tax might be imposed on cars providing less than 25 miles a gallon. Such a tax, when fully effective, might amount to as much as \$500 for those providing between perhaps 17 and 25 miles per gallon and perhaps \$1,000 for those providing less than 17 miles per gallon. Such taxes probably should be phased in perhaps beginning with the 1977 models and becoming fully effective perhaps with 1980 models. On this basis, 1/4 of the tax referred to above would become effective with each of the 4 model years. Consideration might also be given to imposing similar taxes on other luxury-type equipment using gasoline or diesel fuel, such as pleasure boats, snowmobiles, and general aviation aircraft. A system of exemptions would need to be worked out in these latter cases so that taxes would not be applicable in the case of true business use.

Different methods of encouraging better home, office, and industrial plant insulation might also be explored. One procedure which might be followed in the case of homes, would be to provide that FHA loans could be available in small amounts for insulating homes at low interest rates. In addition, in valuing homes for FHA mortgage purposes, the status of insulating could be given special allowance.

Finally, partial tax credits could also be provided for home insulation improvement up to perhaps \$800.

Other gasoline and oil conserving measures: These could include: strict enforcement of highway speed limits (e.g., 60 on interstate highways, 50 on others); more coordinated signalization of arterial traffic to eliminate stops and starts; encouragement of mass transit, car pooling, and other shared ride arrangements by means of federal matching grants, loans and loan guarantees, parking preferences, subsidies, etc. as appropriate.

6. Deregulation of Oil and Gas

Consideration might be given to encouraging domestic energy production by allowing the price of controlled oil to rise slowly to the free market price so that the regulation is removed over perhaps a 5-year period. This could be done by perhaps allowing an increase in old oil prices by as much as \$1 per year in each of the next 5 or 6 years.

In this connection, consideration would need to be given to limiting the President's authority to raising the price of old oil under present law. The recent court decision in the case of new oil would also need to be examined.

Price increases for "new" natural gas to some level considerably above that now applicable in the case of

interstate gas should be considered. Perhaps this level should be something like 80 cents to \$1.00 but with a stipulation that for a fixed period of years that there would be no further increases except for cost-of-living increases. This would discourage attempts to hold back production in anticipation of further future rises. Consideration might also be given to imposing price controls on intrastate gas on the same levels.

Alternatively, the gradual deregulation of natural gas over a number of years might be considered although this would need to be quite slow in order to prevent the hold-back problem referred to above.

As a part of the deregulation program a windfall profits tax for oil and gas, along the lines of the tax the committee adopted last year might be made applicable during the period of deregulation while the free market was being established. Any plowback feature included for oil and gas might well be more restrictive than those provided last year--probably limiting the tax which could be offset by the plowback to 25 to 50 percent. Such a plowback might also be limited to oil and gas exploration and to research and development of new types of energy resources.

Consideration might also be given to applying the windfall profits tax to coal but in this case permitting a more generous plowback--perhaps most if not all of the tax.

7. Capital Incentives for Energy

The committee will want to consider the possibility of removing percentage depletion for oil and gas at least in the case of the major producers. It may also want to consider expanding the deduction for intangible drilling expense to include geological and geophysical expenses as provided in its bill last year. Last year, the committee also provided for the recapture of intangible drilling expense deductions in the case of sales of oil property. This latter change can be viewed both as a reform in the sense that deductions under such a provision cannot be translated into capital gains, but also may well constitute an incentive for independents to retain and develop properties which they have explored and developed.

Special investment credits (or perhaps 5-year amortization together with the present investment credit) might be considered for projects considered especially favorable from the standpoint of energy. This could include, for example, expenditures to develop oil shale production or other forms of new energy. In addition, special tax credits could be allowed for the conversion of utilities and perhaps other industrial plants from the use of oil and gas to coal and other forms of energy.

To encourage investment in public utilities, the provision for tax deferral (in the Ullman bill) for reinvested dividends paid to shareholders might be considered in the energy bill.

8. Conversion of utilities and industrial plants to other than oil and gas and development of new energy sources.

A program of conversion of public utilities and perhaps also other industrial plants from the use of oil and gas to coal or other forms of energy should be developed. Perhaps the conversion should be mandatory over some period of time when it is established that conversion is practicable in view of environmental standards. In this regard, there needs to be coordination with the Environmental Protection Agency to see where the environmental standards can appropriately be relaxed perhaps for a temporary period of time. It would appear that an agency needs to be established to determine when conversions of particular plants or categories of plants are practicable. In this regard, incentives in the form of larger investment tax credits could be provided (as noted in category 7 above) where these conversions are made.

For the longer term--1980 and beyond--additional domestic sources of oil and gas will be needed as conventional oil and gas become more difficult and costly to develop. Coal constitutes an immense potential reserve for conversion to liquid and gaseous form; so does oil shale. Such conversion processes raise different but still serious environmental problems of air and water pollution and landscape disfigurement that have to be coped with. Nuclear, solar, and geothermal energy sources can also be converted into heat and power, and indirectly substitute for oil or

gas in certain uses. As noted earlier, special tax and other incentives can help to establish energy conversion plants. Federal contracts or even direct investment are alternatives that could be useful in the early, high-risk demonstration phases.



THE WHITE HOUSE
WASHINGTON

being DEXED to
Florida

February 26, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: MAX L. FRIEDERSDORF *m.l.*
SUBJECT: Economic Tax Cut Bill

House Rules Committee has adjourned until 2:00 p.m. on the Ullman tax cut bill with several more witnesses scheduled this afternoon.

Four hour modified closed rule being sought permitting Conable substitute and Green-Wilson amendments.

Green amendment would repeal depletion allowance and Wilson amendment would exempt independents (3,000 barrels or less per day) from repealer.

Green-Wilson will reduce Federal revenues from \$2.2 billion to \$300 million.

John Anderson making strong fight for open rule and may be supported by John Young and Gillis Long.

Ullman requested rule likely to prevail, however, and the House should consider the bill on the Floor Thursday.

Although Senator Russell Long reportedly favors House version exempting independents from depletion repealer, Senate Finance met in executive session today and agreed to move quickly on the bill, without depletion.

Senate Finance plans to drop depletion section and bring a clean tax cut bill to the Floor soon.



MAR 5 1975

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THE WHITE HOUSE

WASHINGTON

March 4, 1975

MEMORANDUM FOR: JOHN O. MARSH
MAX L. FRIEDERSDORF

THRU: VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Ullman Plan

As the Ways and Means moves in the coming weeks to consider the plan developed by the Democratic members of that committee and in light of the fact that it comes closest to the conceptual approach of the President's plan, we should, if a modification to that plan can be worked out, effect a continuing dialogue with the committee and particularly with Dr. Larry Woodworth, who from my experience will be a primary guiding force. Chairman Ullman knows that in view of the diversity between his approach and that of the Wright Task Force, he must have help from the Republicans.

In regard to these points, I think it would be a good idea for Eric Zausner, Frank Zarb's Deputy, and Ernest Christian, Fred Hickman's Deputy for Tax Policy in Treasury, to maintain a continuing and close liaison with Woodworth. Christian is very highly regarded by Woodworth and the Ways and Means Committee and has a close relationship with them already. Although the "big guns" will be calling the shots from our standpoint, the less major modifications to the Ullman plan could be effected through these two individuals. Obviously, because of my background with the Ways and Means Committee I would be glad to work with them.

cc: Charles Leppert

March 4, 1975

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MEMORANDUM FOR: FRANK IARB
FROM: MAX FRIEDERSDORF
SUBJECT: Chairman Ullman/Congressman Schneebeli

Herm Schneebeli called this morning and wanted me to advise you that he and Chairman Ullman would like to have your assistance in executive sessions coming up soon before the House Ways and Means Committee.

Schneebeli said that they did not want to slight Secretary Simon or Rog Morton, but you and the Chairman have established a good rapport and both Schneebeli and Ullman believe that the best chance of working out something mutually acceptable to the President and the Congress would involve your presence at these executive sessions.

I recommend you get back to the Chairman and Herm directly.

cc: Jack Marsh



N105

R

ULLMAN-ENERGY

BY CARL C. CRAFT

WASHINGTON (AP) -- A COMPREHENSIVE ENERGY BILL PROPOSING SHARP HIKES IN GASOLINE TAXES AND A MILEAGE LEVY ON NEW CARS WAS INTRODUCED TODAY BY HOUSE WAYS AND MEANS COMMITTEE CHAIRMAN AL ULLMAN, D-ORE.

ULLMAN SAID THE COMMITTEE HOPES TO HAVE THE BILL READY FOR HOUSE ACTION WHEN CONGRESS RETURNS FROM ITS UPCOMING EASTER VACATION.

THE LEGISLATION WOULD IMPOSE A GASOLINE TAX ON CONSUMPTION OF MORE THAN NINE GALLONS A WEEK. DRIVERS WOULD PAY AN ADDITIONAL SEVEN CENTS PER GALLON TAX STARTING NEXT YEAR, 15 CENTS A GALLON AFTER APRIL 1, 1977, 22 CENTS AFTER APRIL 1, 1978, 30 CENTS AFTER APRIL 1, 1979, AND 37 CENTS AFTER APRIL 1, 1980.

AN INCOME TAX CREDIT FOR EVERYONE AT LEAST 18 YEARS OLD WOULD OFFSET THE TAX ON NINE GALLONS PER WEEK. AT THE SEVEN-CENT RATE, THE CREDIT WOULD AMOUNT TO \$33.60 ANNUALLY. THE TAX CREDIT RISES AUTOMATICALLY WITH INCREASE IN THE GASOLINE TAX.

THE LEGISLATION ALSO CALLS FOR AN EXCISE TAX ON NEW CARS BASED ON THEIR MILES PER GALLON. THIS TAX WOULD BE PHASED IN OVER FIVE YEARS BEGINNING WITH THE 1977 MODEL VEHICLES WITH MILEAGE RATES OF LESS THAN 21 MILES A GALLON.

FOR THE FIRST YEAR, THE TAX RANGES FROM \$200 ON CARS GETTING LESS THAN 14 MILES A GALLON DOWN TO \$40 ON THOSE GETTING LESS THAN 21 MILES A GALLON. THE RATES GRADUALLY INCREASE UNTIL 1981 WHEN THE TAX RANGES FROM \$1,000 ON NEW CARS GETTING LESS THAN 16 MILES PER GALLON DOWN TO \$40 ON CARS GETTING LESS THAN 25 MILES PER GALLON.

THE LEGISLATION ALSO:

--AUTHORIZES QUOTAS ON OIL IMPORTS TO REDUCE AMERICA'S DEPENDENCE ON FOREIGN OIL WITHOUT REQUIRING "A MAJOR RATIONING PROGRAM OR MAJOR PRICE INCREASES," A STATEMENT FROM ULLMAN SAID.

--LIMITS TARIFF RATES ON IMPORTED OIL TO \$1.20 PER BARREL.

--SETS UP A STRATEGIC PETROLEUM RESERVE.

H --PROVIDES FOR A 10-YEAR ENERGY TRUST FUND TO DEVELOPE NEW ENERGY TECHNOLOGY, SEEK NEW ENERGY SOURCES AND FUND LOCAL AND AREA-WIDE TRANSIT PROJECTS.

--ABOLISHES THE CONTROVERSIAL OIL DEPLETION ALLOWANCE FOR MAJOR PRODUCERS EFFECTIVE AT THE START OF THIS YEAR, BUT PHASES OUT THE ALLOWANCE OVER A FIVE-YEAR SPAN FOR SMALLER PETROLEUM PRODUCERS.

--CURBS FOREIGN TAX CREDITS FROM FOREIGN OIL AND GAS PROJECTS TO NO MORE THAN 10 PER CENT ABOVE THE U.S. TAX RATE.

--PHASES IN AN EXCISE TAX ON INDUSTRIAL USERS OF OIL AT 11 CENTS PER BARREL BEGINNING IN 1977 AND RISING AT 11 CENTS A YEAR UNTIL IT REACHES A MAXIMUM OF 66 CENTS IN 1982.

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03-17-75 17:39 EDT



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CONGRESS (TOPS 69)

BY LAWRENCE L. KNUTSON

MAR 17 1974

WASHINGTON (AP) -- COMPROMISE WAS IN THE AIR TODAY BETWEEN ADMINISTRATION AND CONGRESSIONAL TAX CUT PROPOSALS, AND THE SPEAKER OF THE HOUSE SAID HE HOPED FOR FINAL ACTION THIS WEEK.

SPEAKER CARL ALBERT SAID HE HAS TALKED WITH PRESIDENT FORD, AND FORD INDICATED BEING "IN THE MOOD FOR SOME KIND OF COMPROMISE ON THE TAX BILL."

TREASURY SECRETARY WILLIAM SIMON SAID THE HOUSE-PASSED FIGURE OF SOME \$20 BILLION IN TAX CUTS IS "IN THE BALL PARK," EVEN THOUGH IT IS MORE THAN WHAT FORD PROPOSED.

THE SENATE FINANCE COMMITTEE HAS APPROVED A \$29.9 BILLION TAX CUT; THE HOUSE HAS APPROVED A \$19.9 BILLION CUT, AND FORD HAS PROPOSED A \$16 BILLION CUT.

REP. AL ULLMAN, D-ORE., CHAIRMAN OF THE HOUSE WAYS AND MEANS COMMITTEE, TOLD REPORTERS THAT A SENATE PROPOSAL TO GIVE HOME BUYERS TAX CREDITS MUST BE REMOVED FROM TAX CUT LEGISLATION.

IN TESTIMONY BEFORE THE SENATE BUDGET COMMITTEE, SIMON SAID FEDERAL BUDGET DEFICITS IN FISCAL 1976 COULD REACH AN "ENORMOUS" \$80 BILLION AND PERHAPS MORE.

HE WARNED THAT VASTLY INCREASED SPENDING COULD ABORT ECONOMIC RECOVERY.

BUDGET DIRECTOR JAMES LYNN ALSO EXPRESSED CONCERN ABOUT THE BUDGET DEFICIT IN TESTIMONY BEFORE THE SENATE APPROPRIATIONS COMMITTEE.

LYNN SAID THAT ALL BUT \$2 BILLION OF A \$5.9 BILLION EMERGENCY EMPLOYMENT AND PUBLIC WORKS BILL PASSED BY THE HOUSE SHOULD BE REJECTED. HE SAID THE BILL WAS PART OF A PATTERN OF ACTIONS BY CONGRESS WHICH THE FORD ADMINISTRATION FINDS HIGHLY DISTURBING. IF ALL ARE CARRIED OUT, HE SAID, THE FISCAL 1976 BUDGET DEFICIT WILL PASS THE \$80 BILLION MARK.

SIMON SAID HE IS WORRIED THAT SENATE PROPOSALS COULD MAKE THE TAX RELIEF FAR MORE COSTLY AND FAR MORE INFLATIONARY THAN THE ADMINISTRATION INTENDS.

HE SAID THERE IS A REAL POSSIBILITY THAT EXCESSIVE FEDERAL DEMANDS ON CAPITAL MARKETS "WOULD SET IN MOTION A VICIOUS COMPETITION BETWEEN THE GOVERNMENT AND PRIVATE BORROWERS.

THE PRIVATE BORROWERS WOULD INEVITABLY BE CROWDED OUT AND THIS "COULD ABORT THE EXPECTED ECONOMIC RECOVERY AT AN EARLY STAGE AND CAUSE UNEMPLOYMENT TO RISE AGAIN," SIMON SAID.

THE TREASURY SECRETARY SAID THAT AS OF NOW HOWEVER, "THERE ARE SEVERAL PATCHES OF BLUE IN AN OTHERWISE GRAY ECONOMIC SKY."

SIMON POINTED TO SEVERAL OPTIMISTIC ECONOMIC SIGNS AND PREDICTED, FOR EXAMPLE, THAT THE INFLATION RATE WILL NOT BE ABOVE SEVEN PER CENT BY THE END OF THE YEAR AND COULD BE AS LOW AS FIVE PER CENT.

03-17-75 16:36EDT

N102

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EDITORS



THE SENATE HAS ADJOURNED UNTIL 10:30 A.M. TUESDAY WHEN DEBATE ON THE \$29.2 BILLION TAX-CUT BILL WILL BEGIN.

03-17-75 17:17EDT

UP-145

(TAXES)

WASHINGTON (UPI) -- CHAIRMAN AL ULLMAN OF THE HOUSE WAYS AND MEANS COMMITTEE SAID TODAY HE WILL FIGHT A SENATE FINANCE COMMITTEE PLAN TO GRANT HOMEBUYERS UP TO \$2,000 IN TAX BREAKS.

AT THE SAME TIME, PRESIDENT FORD RELAYED WORD FROM SOUTH BEND, IND., THAT HE PLANS TO "KEEP THE HEAT" ON CONGRESS TO APPROVE THE TAX CUT LEGISLATION BEFORE STARTING ITS EASTER RECESS SCHEDULED THURSDAY.

AS CHAIRMAN OF THE TAX-WRITING COMMITTEE, ULLMAN CRITICIZED THE HOMEBUYERS' BREAK AND OTHER PROVISIONS IN THE SENATE COMMITTEE'S \$29.2 BILL SCHEDULED FOR FLOOR ACTION AS EARLY AS TOMORROW.

IN SOUTH BEND, WHERE THE PRESIDENT REPORTED ON TAX-CUT LEGISLATION TO MIDWESTERN NEWS EXECUTIVES AFTER HIS ST. PATRICK'S DAY SPEECH AT NOTRE DAME UNIVERSITY, A SPOKESMAN SAID FORD EXPRESSED BELIEF "THE FORCE OF PUBLIC OPINION" WOULD FORCE BOTH HOUSES OF CONGRESS TO REMAIN IN SESSION UNTIL A TAX REDUCTION IS ENACTED.

FORD ALSO WAS REPORTED STICKING TO A "BALLPARK FIGURE" OF \$16 BILLION TO \$19 BILLION AS AN APPROPRIATE AMOUNT FOR A TAX CUT.

THE FINANCE COMMITTEE BILL ALREADY IS \$9.3 BILLION LARGER THAN THE HOUSE-PASSED BILL, PRODUCED BY ULLMAN'S COMMITTEE, AND IT IS EXPECTED TO BE EXPANDED ON THE SENATE FLOOR.

ULLMAN'S STATEMENTS INDICATE HE WILL TAKE A HARD LINE WHEN THE HOUSE AND SENATE BILLS ARE RECONCILED IN A CONFERENCE COMMITTEE. ALREADY HE HAS PRIVATELY ASSURED HOUSE LIBERALS THAT HE WILL INSIST THAT THE FINAL BILL INCLUDE REPEAL OF THE OIL DEPLETION ALLOWANCE.

SENATE DEMOCRATS HAVE VOTED TO HAVE THE BILL ON PRESIDENT FORD'S DESK BEFORE THEIR EASTER RECESS, SCHEDULED TO BEGIN FRIDAY, BUT DIFFERENCES DEVELOPING BETWEEN THE TWO SIDES MAY FORCE A LONG CONFERENCE.

THE ONLY REQUIREMENT TO RECEIVE THE CREDIT IS THAT THE HOME MUST BE USED AS THE TAXPAYER'S PRINCIPAL RESIDENCE.

ULLMAN SAID HE HOPED THE SENATE WOULD REMOVE THE HOUSING CREDIT FROM THE BILL, BUT HE LEFT LITTLE DOUBT HE WOULD OPPOSE IT IN CONFERENCE IF NECESSARY.

"THIS IS ONE THING THAT MUST BE TAKEN OFF THE BILL," ULLMAN SAID DURING A HEARING OF HIS COMMITTEE ON ENERGY TAXES.

ULLMAN ALSO CRITICIZED A FINANCE COMMITTEE PROVISION WHICH WOULD RESULT IN \$1 BILLION IN TAX BREAKS FOR FINANCIALLY TROUBLED COMPANIES SUCH AS CHRYSLER, LOCKHEED AND PAN AMERICAN WORLD AIRWAYS.

THE WAYS AND MEANS COMMITTEE REJECTED THE SAME PROVISION WHEN IT ORIGINATED ITS TAX CUT BILL.

SUCH BAILOUTS ARE "BAD TAX POLICY," ULLMAN SAID.

THE MAIN SECTION OF THE BILL IS \$8.1 BILLION IN REBATES OF 1974 TAXES, BUT REBATES HAVE BEEN ALL BUT FORGOTTEN IN THE DISPUTE OVER THE OIL DEPLETION ALLOWANCE, THE HOUSING CREDIT AND OTHER 1975 TAX MATTERS.

UPI 03-17 05:12 PED



(ENERGY)

WASHINGTON (UPI) -- CHAIRMAN AL ULLMAN OF THE HOUSE WAYS AND MEANS COMMITTEE TODAY INTRODUCED A COMPLEX ENERGY PROPOSAL CENTERED ON HEAVY TAXES FOR INEFFICIENT OR EXCESSIVE GASOLINE CONSUMPTION.

ULLMAN'S BILL WOULD INCREASE THE TAX ON A GALLON OF GASOLINE BY 37 CENTS UP TO APRIL 1, 1980; OFFER AN INCOME TAX REBATE ON THAT TAX APPLIED TO THE FIRST 9 GALLONS CONSUMED EACH WEEK BY EACH ADULT, AND ASSESS GAS GUZZLERS BY AS MUCH AS \$1,000 PER CAR IN 1981.

TREASURY SECRETARY WILLIAM SIMON, TESTIFYING ON THE FINAL DAY OF HEARINGS BEFORE THE PANEL BEGINS WRITING ITS COUNTERPROPOSAL TO PRESIDENT FORD'S ENERGY PACKAGE, APPEARED TO REJECT A COMPROMISE AND CRITICIZED AS INSUFFICIENT THE RELIANCE ON TAXING AUTOMOTIVE GASOLINE.

THE KEY TO SOLVING THE NATION'S ENERGY PROBLEMS, SIMON SAID, IS TO MAKE THE UNITED STATES INDEPENDENT OF FOREIGN OIL SOURCES. "WE CANNOT BE INDEPENDENT UNLESS WE HAVE A PROGRAM TO LIMIT THE GROWTH OF ALL FORMS OF PETROLEUM PRODUCTS, NOT JUST GASOLINE," HE SAID.

FORD'S PLAN, DELAYED BY EFFORTS TO COMPROMISE WITH CONGRESS, WAS TO TAX ALL OIL IMPORTS, FORCING AN ACROSS-THE-BOARD INCREASE IN ALL PETROLEUM PRODUCTS AT THE SAME TIME THE CEILINGS ON THE PRICE OF DOMESTICALLY PRODUCED OIL WERE LIFTED.

ULLMAN SAID HIS BILL WAS THE RESULT OF SEVEN COMMITTEE TASK FORCES WHICH WORKED ON VARIOUS ASPECTS OF THE ENERGY PROBLEMS OVER THE PAST TWO WEEKS. HE SAID HE HOPED THE COMMITTEE WOULD FINISH WRITING AN ENERGY BILL IN TIME FOR A HOUSE VOTE FOLLOWING CONGRESS' EASTER RECESS.

ULLMAN PROPOSED INITIATING THE GASOLINE TAX INCREASES NEXT JAN. 1 WITH A 7-CENT LEVY. ON APRIL 1, 1977, HE WOULD ADD ANOTHER 8 CENTS AND INCREASE IT BY 7, 8 AND 7 CENTS RESPECTIVELY EACH APRIL 1 THROUGH 1980.

USING 9 GALLONS PER WEEK PER ADULT AS THE BASIC AUTOMOTIVE NEEDS FOR THE AVERAGE AMERICAN, ULLMAN'S BILL WOULD GIVE A TAX CREDIT "FOR EACH U.S. RESIDENT WHO IS 18 YEARS OF AGE OR OLDER." HE SAID THIS WOULD AMOUNT TO \$33.60 NEXT YEAR TO COVER THE INCREASE TO GO INTO EFFECT NEXT JAN. 1.

"AS THE TAX RATE INCREASES THE CREDIT INCREASES CORRESPONDINGLY," HE SAID.

GAS GUZZLERS WOULD BE PENALIZED BY IMPOSING A TAX OF UP TO \$200 ON 1977 MODEL CARS GETTING LESS THAN 14 MILES PER GALLON. THOSE GETTING 21 MILES PER GALLON WOULD BE ASSESSED \$40. THIS WOULD INCREASE UNDER ULLMAN'S PLAN TO \$1,000 ON 1981 MODELS GETTING LESS THAN 16 MILES PER GALLON.

ULLMAN'S PROPOSAL WOULD EXEMPT FARM, COMMERCIAL AVIATION AND LOCAL TRANSIT SYSTEMS FROM THE TAX INCREASES.

THE ULLMAN BILL ALSO WOULD ALLOW THE PRESIDENT TO IMPOSE QUOTAS ON OIL IMPORTS, WOULD LIMIT THE TARIFFS HE MAY IMPOSE TO \$1.20 PER BARREL, AND ALLOW THE PRESIDENT TO ESTABLISH AN IMPORT LICENSING SYSTEM FOR IMPORTERS.

UPI 03-17 04:26 PED



MAR 20 1975

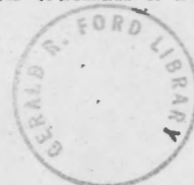
THE WHITE HOUSE
WASHINGTON

March 19, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF
THRU: VERN LOEN
FROM: DOUGLAS P. BENNETT **DPB**
SUBJECT: Ways and Means Consideration
of Energy/Tax Legislation

Since Monday, when Chairman Al Ullman introduced "his" solution to the energy problem, I have had a chance to confer with just about every member of the Ways and Means Committee to get their reactions to that proposal and their feelings with regard to the possibility of its approval in Committee. Clearly there is no consensus. The Republicans are annoyed because they were not included in the Democratic Task Force on Ways and Means development of this proposal. The Democratic members on the Committee itself are not in unanimity with regard to its provisions. And, there is an attitude on the part of some of the members of the Committee that there is no energy problem. This is somewhat a reflection of public opinion resulting from the availability of gasoline even to the extent that "price wars" are going on in some parts of the country. This, obviously, makes it very difficult for those members who recognize the problem to try to convince other members on the Committee as well as the full House that something "tough" must be done.

Some very interesting developments are occurring as voiced by the three "quasi liberal" leaders on the Committee -- I am referring to Joe Karth, Sam Gibbons and Jim Corman (they have emerged as the true opinion leaders on the Democrat side). In effect they told me: (1) the Committee will not approve the Ullman bill, and (2) the President can have his program if he really wants it. This is particularly encouraging as these three are among the smartest on the Committee and can, in fact, guide the direction of the legislation. They may have a few hangups with the program as a whole, but I believe these can be ironed out. These details can be worked out as the Committee proceeds in making up a bill. However, a strategy session within the Administration should probably be held within a few days to get our ducks in line.



(more)

However, we may run the risk of having a legislative program developed which does nothing if a "no energy problem" attitude prevails. It seems to me that it would be very, very helpful if Secretary Kissinger testified before the Ways and Means Committee with specific respect to the international aspects of the problem and the attendant urgency of strong action necessary. The subject could be placed in sharp perspective, particularly, if to the extent possible it were an Open Session with the media picking it up and then for response to any sensitive aspects of the issue, the Committee went into Executive Session. This would in my mind stimulate the Committee into doing the right thing and also serve the purpose through the media of educating the American public of exactly the situation we are in and could expect to face if our reliance on imported oil is not reduced.

If the decision is made to do this, I think from a mechanical standpoint we should float it with Al Ullman and Herb Schneebeli to get their blessings and to establish the parameters of such testimony. I am deeply concerned that in the absence of such a move we might be faced with a "Caspar Milquetoast" bill from Ways and Means.

cc: Jack Marsh ✓
William Kendall
Pat O'Donnell
Charles Leppert



TO - Dany

THE WHITE HOUSE

WASHINGTON

May 23, 1975

Good report!

From: Mac

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THROUGH: VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Energy

On an informal, advice seeking basis I conversed with a few Democrat members of the Ways and Means Committee regarding what they consider appropriate steps for the President to take and what they deem to be the action the Congress will take on the Ullman bill. In general terms, they were highly disenchanted, disappointed and generally down about the lack of ability of the Congress to make the necessary hard decisions to cope with the energy crisis. They further felt that the President should basically do "what he had to do."

All of them strongly favored and felt quite confident that the House would approve a five-year decontrol plan. In addition they indicated they would work very hard to get such a plan adopted.

Specifically, the following Members said as follows:

(1) Joe Karth - Advises a five-year decontrol plan with windfall profits tax, felt the majority of the House would approve it. Advocates a stiff automobile tax such as that which will be offered by Congressman Joe Fisher on the Floor when the Ullman bill comes up the week of June 9. He advocates going ahead with the second dollar and respecting the veto override of H. R. 1767 (the bill to block the President from doing this), Joe said "I will not vote it out of Ways and Means Committee."

(2) Charles Vanik - Strongly advocates a five-year decontrol plan. Is confident that a majority of the House will approve it. Feels this issue can be dealt with. With respect to the second dollar of tariff, he says "I'm OK on the second dollar."

(3) Bill Green - Green stated to me, "The President would be justified in doing what he had to do". With respect to H. R. 1767, recalling that Green is the author of this bill, while not committing himself, he says, "I could not in good conscience ask for an override". He further stated, after I read to him what Mansfield said yesterday, "I agree with Mansfield's statement".

(4) Sam Gibbons - He is totally disenchanted with the lack of ability of the Congress to act. He said, "The President should go ahead with his program. Congress cannot act. That's the way the cookie crumbles". With respect to H. R. 1767, "I would not support bringing this out of committee".

Sam also proposes three things: (1) we need to establish a big reserve; (2) we must conserve by the price mechanism; and (3) must develop alternate sources of energy. I said to him that this is basically the President's program and he said, "Yes, and I fundamentally agree with it".

(5) Dan Rostenkowski - Dan feels the President should go ahead with the second dollar. Does not know if we can sustain a veto or not but this is not based on any headcount. He is uncertain about the Congress' ability to act. Doesn't know if he will vote for bringing out H. R. 1767. He might vote to bring it out but intends to vote to sustain it on the Floor. Very uncertain as to what he will do (in my opinion, Dan will do what Ullman and the Leadership want him to do).

In addition to the twelve Republican members of the Ways and Means who will not vote H. R. 1767 out of committee, I count a minimum of the additional following votes: Landrum, Burleson, Gibbons, Waggoner and Karth. We need eighteen votes for it to fail in committee and at the time of this writing I have not been able to speak to Jones. In the past couple of weeks, he has advocated that the President proceed. In addition, Pike, Cotter and Pickle, who have made statements to me of the Congress' inability to act, think the President's program looks "pretty darn good". While peer pressure could force them to bring the bill out, I feel we definitely have seventeen votes and that there may be as many as five additional votes for preventing H. R. 1767 from coming out of the Ways and Means Committee.

They are in disarray and disillusioned with the Congress on this issue. Clearly, we are ahead of the power curve.