The original documents are located in Box 29, folder "Tax Reduction Act of 1975 - General" of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

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THE WHITE HOUSE

WASHINGTON

DETROIT FREE PRESS

"Imperfect but needed for the economy.... Veto would add to the problems of (consumer confidence) and to (Michigan auto-related unemployment)."

KALAMAZOO GAZETTE

Support tax cut in general. Some bad features in bill, but nothing's perfect, so oppose veto.

OPINION LEADER (AND LISTENER) IN OUTSTATE MICHIGAN

"Veto would be well received. Michiganders have their own State Government fiscal problems and now understand that such cuts (as Michigan's sales tax on food repeal) xxxx mean money has to come from somewhere else. So people not really expecting the rebate and therefore would not be "political suicide" to veto. "

Boston

Herald-American--nothing

Globe--"G. F. should sign it now .."
"The President is obviously most concerned about the...
depletion allowance--public wants an end to the allowance..."
"Our own most serious reservation is over the tax credit
for homes--targeted at too narrow a group, not the
Nation's neediest families..."
The President should not now force another lengthy
hassle by vetoing it. "

Philadelphia

Inquirer--nothing

Detroit News--it is a "sprawling mess and we can understand why Mr. Ford might seriously consider a veto. The Congress has lost sight of the main objective...to inject a fast, temporary stimulus into the economy. But, amid the clatter, the tax rebate would stir the blood of recovery. Instead of a bruising and time-consuming fight with the Congress, Mr. Ford might accept the bill, bad as it is and then demand that the public force congress to excercise responsibility in the future.

SAN DIEGO UNION--The bill is self-defeating. The public has not made the correlation between two economic facts of life. One is the reform bill and the stimulus it would provide. The other is that if he signs, he is looking at $100 billion deficits. Congress is proceeding as if there is no tomorrow. The hangover will come when Treasury goes out to borrow the $100 billion and intrest rates soar.

SAN DIEGO TRIBUNE--President is almost certain to sign, despite the inflationary aspects. The urgency of the stimulus is greater that the danger of inflation.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

SUBJECT: TAX CUT BILL

A summary of the tax cut bill enacted yesterday is attached. It would reduce 1975 tax liabilities by approximately $23 billion, which is about $6 1/2 billion more than you requested.

Undesirable Items

The bill contains several items which are especially undesirable:

(1) Changes of a permanent nature in individual liabilities.

The bill increases the standard deduction and provides a new $30 per taxpayer credit in addition to the personal exemption. Together those items lose about $8 billion of revenues. Technically they have been written to apply only to 1975. While the necessity for reenactment may possibly provide an occasion to raise revenues or cut expenditures, past experience does not provide much hope in that connection. In the business area, there are an additional $4.8 billion of changes, also of a permanent nature, part of which are effective for one year and part for two years.

(2) Social security distribution.

A $50 distribution will be made to each person on the social security rolls, for a total revenue loss of $1.7 billion. This is a bad precedent in so far as general revenues are used to make payments to social security recipients. The relief provided will be duplicated later on when the cost of living increase goes into effect. While this does not seem likely to become a permanent program, we can expect strong pressures for such payments in the future whenever tax reductions are enacted.

(3) Earned income credit. $1.5 B

This is a new and undesirable welfare type program, which tends to undercut the insurance concept of social security. Since both the House and Senate bills contained an earned income provision (with differences of detail), we are unlikely to get rid of it unless something worse is put in its place. A redeeming aspect of the earned income credit is that it makes other, worse approaches somewhat less likely.

Payroll taxes are virtually certain to become a major political issue in the next two years. There has been much debate on whether they are too high and too regressive, and the debate is part of the larger issue of whether we can really afford the kind of social security system we have. Something along the lines of the earned income credit may be the best defense to a much more radical change, such as the other proposed funding of a part of social security from the general revenues. It reduces the impact of the payroll taxes, but confines the reduction to a relatively small amount and a relatively small group of persons. At the same time, it operates indirectly through the income tax system, and permits us to keep intact the principle that social security is an insurance scheme under which people get what they pay for.

(4) Housing credit. $600M

This credit is self liquidating because it is confined to new housing built or in progress on March 26. It is a waste of money and will probably serve largely to permit builders to move existing houses without cutting prices. However, in its present form there is a good chance it will disappear completely, although Congress often becomes enamored of such provisions once adopted.

Permanence of the Tax Provisions

As noted, the changes in the standard deduction, the $30 credit, the earned income credit and the business changes are very likely to become permanent. They add up to about $15 billion.

The quasi-permanent nature of these changes has disturbing implications as we consider (1) how to turn off the stimulus later on and (2) how to prevent large inflation-inducing deficits in later years. The latter question is solved only if lesser revenues cause expenditures to be held down. Even if that should be the case, however, there would likely be a lag of several years before the reduction effect on the deficit is fully accomplished. Thus it seems inevitable that in the next couple of years we will have extraordinary large deficits and probably excessive stimulus a little later.

Your original proposals called for a one shot stimulus, and, to that extent, did not need to be "turned off." In order to turn off the stimulus from these "permanent provisions," however, Congress will have to refrain from re-enacting them for 1976. Since the economy will undoubtedly still be operating below par when that issue arises later this year, and since we will be even closer to November 1976, the prospects do not seem auspicious.

While this aspect is possibly the most compelling ground for vetoing the bill, it would be difficult to complain to the public about "permanent" changes when Congress expressly made the provisions applicable for only one year (except in the case of the investment credit, which is for two years).

Chances of a Better Bill

It is not clear that we could expect a substantially better bill even if a veto were sustained. It seems unlikely that Congress would give up the "permanent" changes for individuals. The social security provisions and the earned income credit are attractive to more voters than the business provisions, and there would be considerable pressure to do any cutting in the investment credit area. We might get rid of the housing credit. At best we are likely to get a bill $2 or $3 billion less than the current bill. In the face of projected deficits in the neighborhood of $100 billion, it will be hard to convince Congress and the electorate that it is worth holding up a needed stimulus for that small difference.

Grounds for a Veto

(1) Total Revenue Loss. This is probably the only issue that the man in the street would understand. However, we are in the position of having proposed $16 1/2 billion of it ourselves.

(2) Undesirable Provisions. The reasons for our objections to specific undesirable items are more sophisticated than the ordinary voter will comprehend, but, in combination, would perhaps be saleable.

(3) Permanent Aspects. This is possibly the most important ground for a veto, but it is hard to make it convincing when the provisions are technically effective only for 1975.

(4) A Major Obstacle to Real Tax and Welfare Reform. Difficult to explain but a sound substantive reason for veto.

(5) Eliminates 6 million from the Tax Rolls. Our own proposals in the energy package would eliminate a substantial number of these taxpayers.

(6) Eliminates Oil Depletion Except for Independent Producers. It thus reduces capital available for energy program. Elimination with independent produces exemption substantially complicates law.

Grounds for Signing

(1) Fastest way to achieve fiscal stimulus.

(2) Provides opportunity to draw the line on any new spending programs.

(3) Some of the mostobjectionable provisions can be attacked when law is reconsidered at end of its one year term.

(4) Provides a tax cut as requested in State of the Union tho not of the type requested.

(5) New unemployment figures are expected to be adverse and may give impetus to a worse bill.

SUMMARY OF FACTS ON TAX CUT BILL

1. Rebate of 1974 taxes

--rebate generally equals 10% of 1974 tax liability
--minimum rebate equals lesser of actual tax liability or $100
--maximum rebate equals $200, phased down to $100 between AGI $20,000 and $30,000
--for married persons filing separately, $50 minimum $100 maximum and phase down between $10,000 and $15,000
--rebates disregarded for purposes of other benefit programs

COST: $8.1 billion

2. Standard deduction changes

--minimum standard deduction (low income allowance) increased from $1,300 per return ($650 for married persons filing separately) to $1,900 for a joint return or surviving spouse, $1,600 for single persons, and $950 for married persons filing separately

--maximum standard deduction increased from 15% of AGI (with a maximum of $2,000, or $1,000 for a married person filing separately) to 16% of AGI (with a maximum of $2,600 for a joint return or surviving spouse, $2,300 for a single person, and $1,300 for married persons filing separately
--effective for one year (generally 1975 calendar year)

COST: $2.5 billion

3. Personal exemption tax credit

--new $30 per exemption tax credit (except blind and aged exemptions) in addition to present law personal exemptions
--effective for one year (generally 1975 calendar year)

COST: $5.3 billion

4. Earned income credit

--refundable credit equal to 10% of earned income of an eligible individual with maximum of $400
--to be eligible, must maintain a household within the United States that includes a dependent child
--maximum credit phased down to zero between AGI $4,000 and AGI $8,000
--under AFDC provisions, the earned income credit is taken into account in determining AFDC eligibility
--effective for one year (generally 1975 calendar year)

COST: $1.5 billion

5. Child care deduction

--increases the income level at which the phase out of of the maximum allowable deduction ($4,800) begins. The old phase out began at $18,000, phasing down to zero at $27,600. The new phase out begins at $35,000, phasing down to zero at $44,600 -- permanent change.

COST: $0.1 billion annually

6. Sale of principal residence

--increases from 12 to 18 months the period during which the seller of an old principal residence must purchase a new principal residence, if he wishes to apply section 1034 to avoid recognition of gain. When construction of the new principal residence is begun by the taxpayer himself, the period is increased from 18 to 24 months.
--permanent change - COST: Nominal

7. House purchase credit

--new tax credit for purchases of a principal residence equal to 5% of the taxpayer's tax basis, with maximum credit of $2,000. A taxpayer's tax basis in a new principal residence may be less than cost if, for example, he sold an old principal residence, avoided recognition of gain through the application of section 1034, and was required to reduce his basis in the new principal residence by the amount of gain not recognized.
--applies only to purchases of new houses (including mobile homes and residential units in condominiums or cooperative housing projects). That is, the taxpayer must be the first occupant.

--applies only to new houses, etc., the construction of which was commenced prior to March 26, 1975.

--purchaser must attach to his tax return a certification by the seller that the purchase price is the lowest price at which the residence was ever offered for sale. If the certification is false, the purchaser may recover, in a civil action, three times the difference between the purchase price and the lowest offered price (plus a reasonable attorney's fee) and the seller may be prosecuted.

--effective for acquisitions after March 12, 1975, and before January 1, 1977, but applies to 1976 acquisitions only if constructed by the taxpayer or acquired by the taxpayer under a binding contract entered into before January 1, 1976.

COST: $0.6 billion

8. <u>Withholding</u>

--new withholding tables reflecting standard deduction changes, personal exemption tax credit, and earned income credit to take effect May 1, 1975. IRS advises that employers may be unable to meet that deadline even if new tables made available by IRS in record time.

9. <u>Investment credit</u>

--two year increase in investment credit from 7% (4% in the case of public utilities) to 10%. Upon lapse of the temporary increase, public utilities would again be eligible for a 4% credit only.

--additional 1% credit (for total 11% credit) during the two year temporary period for corporate taxpayers only and on condition that stock of the taxpayer (or a parent corporation) having a value equal to the tax savings generated by the additional 1% credit is transferred to an employee stock ownership plan (ESOP). No deduction is allowed to the employer for the transferred stock, and the employees are not taxed until they receive distributions from the plan. The plan may be a qualified or a nonqualified plan.

--for public utilities, increase in the portion of tax liability that may be offset by the investment credit from 50% to: 100% in 1975 and 1976, 90% in 1977, 80% in 1978, 70% in 1979, 60% in 1980, and back to 50% in subsequent years
--increase from $25,000 to $100,000 in amount of used property that may qualify for investment credit
--provision for credit to be allowed as progress payments are made, a permanent change

COST: $3.3 billion

10. Corporate tax rate changes

--surtax exemption (which determines amount taxable at rates below 48%) increased from $25,000 to $50,000 of taxable income
--rate on first $25,000 of taxable income reduced from 22% to 20% (second $25,000 of taxable income will be taxable at 22% rate, balance of income at 48% rate)
--effective for taxable years ending in 1975

COST: $1.5 billion

11. Accumulated earnings tax

--minimum accumulated earnings tax credit increased from $100,000 to $150,000
--permanent change - COST: Nominal

12. Work Incentive (WIN) Program Tax Credit

--win credit of 20% of wages paid to a new employee during first 12 months of employment extended to employment of welfare recipients if employment lasts at least one month. Under present law, the new employee must be a participant in the WIN program administered by the Departments of Labor and Health, Education and Welfare and must be employed for at least 24 months
--as under present law, the new employee may not displace another employee

--unlike present law, the expanded credit would apply to nonbusiness employees (e.g., domestics), but the maximum credit with respect to each such nonbusiness employee would be $200
--employment of migrant workers not covered
--effective with respect to wages paid to employees hired after the date of enactment for services rendered between the date of enactment and July 1, 1976.

COST: Nominal

13. Certain Pension Plan Contributions

--for H.R. 10 plans, advanced by one year (to 1976 contribution for 1975 plan years) a provision permitting cash basis taxpayers to treat contributions made before April 15 as having been made in the preceding year.

14. Unemployment compensation

--extends the maximum period of benefits from 52 to 65 weeks, for weeks of unemployment ending before July 1, 1975.

COST: $0.2 billion

15. Payment to Social Security Recipients

--provides $50 payment to each individual who for the month of March, 1975, was entitled (without regard to sections 202(j)(1) and 223(b) of title II of the Social Security Act and without the application of section 5(a)(ii) of the Railroad Retirement Act of 1974) to (1) a monthly insurance benefit under title II of the Social Security Act, (2) a monthly annuity or pension payment under one of the Railroad Retirement Acts, or (3) a benefit under SSI
--payments to be made no later than August 31, 1975
--any individual entitled to only one such payment
--only United States residents are eligible
--payments to be disregarded for purposes of other programs

COST: $1.7 billion

Note respecting permanence of changes

As noted above, virtually all of the tax changes and increased benefits are drafted as temporary changes and benefits effective for only one year or at most two years. The only permanent changes are: (1) the provision for the investment credit to be allowed on progress payments, (2) the raising of the phase-out level for the child care expense deduction, (3) the expansion of the tax-free rollover period for sales of a principal residence, and (4) the increase in the accumulated earnings tax credit.

16. Limitation on percentage depletion

- -- eliminated immediately for majors
- -- exception: 22% retained for all producers for regulated natural gas and natural gas sold under fixed contract
- -- royalty interest owners and independents (producers with no retail outlets who refine less than 50,000 bbl/day) have small production exemption
- -- small production exemption: 22% remains for 2,000 bbl/day and phases down 200 bbl/day each year for 5 years, then holds at 1,000 while rate phases down: 20% for 1981, 18% for 1982, 16% for 1983, so that for 1984 and thereafter the exemption is 1,000 bbl/day at 15% (applies alternatively at taxpayer's election to natural gas on 6,000 cu. ft.: 1 bbl. equivalence)
- -- for secondary and tertiary production at the rate under the small production exemption stays at 22% until 1984 when it drops to 15%
- -- except for new fields acquired in section 351 transfer or transfer at death, small production exemption applies to production from new fields only if discovered by taxpayer
- -- aggregation rules prevent multiple exemptions for related entities. Family members treated as one taxpayer
- -- depletion allowance under small production exemption limited to 65% of taxpayer's taxable income (computed without regard to any depletion on small production amount, capital loss or NOL carrybacks)

INCREASED REVENUE: $1.6 billion

17. Foreign Oil-Related Income

-- new limitation on foreign tax credits of oil companies to 110% of the U.S. rate in 1975 (52.8% of income); 105% of the U.S. rate in 1976 (50.4% of U.S. income) and 50% of U.S. income in 1977
-- carryforwards from years prior to 1974 to years after 1974 will be computed as though the foregoing rules were in effect during those years
-- excess credit resulting from the application of these rules can only be used to shelter other oil-related income, including income from shipping, refining, marketing, interest, and dividends
-- requires for taxable years beginning after 1975, the use of the overall limitation in the computation of the foreign tax credits of oil companies
-- new recapture rule for losses incurred in oil operations; foreign oil income earned after December 31, 1975, will be treated as U.S. source income to the extent of any oil-related losses sustained after that date
-- bars use of tax credits with respect to the purchase of oil where the taxpayer does not have an economic interest in such oil and where such oil is not purchased and sold at its fair market value. This provision is effective for years after December 31, 1974

18. Deferral - Changes in Subpart F

-- terminates the minimum distributions exception to subpart F (Section 963)
-- terminates the exception to subpart F which allows deferral where tax haven income is reinvested in a less developed country corporation
-- revises the present rule permitting deferral of tax on foreign tax haven income where less than 30% of such income is tax haven income to terminate such deferral where the tax haven income exceeds 10% of income
-- terminates the exception to subpart F for shipping income except where such income is reinvested in shipping operations
-- allows deferral of income on sales by a foreign sales corporation of agricultural products which are not grown in commercially marketable quantities in the U.S.
-- all of the foregoing changes are effective in taxable years beginning after December 31, 1975

19. DISC

--terminates DISC deferral privileges for sales of energy resources such as coal, oil and uranium
--effective for sales made after March 18, 1975

20. Oil Rigs - Investment Tax Credit

--disallows investment tax credit for oil rigs used in international or territorial waters outside the northern portion of the western hemisphere effective for investments after March 18, 1975, unless made pursuant to contracts binding on April 1, 1974

ADDITIONAL REVENUES: (Sections 17, 18, 19 and 20 combined): $0.1 billion first year, $0.6 billion in following years

COMPARISON

Comparison of the effects on Fiscal Year Receipts of the President's Stimulus Package, The House Bill, The Senate Bill, and The Conference Bill

	Fiscal Years 1975	Fiscal Years 1976
	(. . . $ billions	. .)
President's Stimulus Program[1]	-7.3	-9.0
House Bill	-10.0	-7.3
Senate Finance Committee Bill[2]...........	-13.0	-16.5
Conference Bill[3]........................	-10.7	-10.5

Office of the Secretary of the Treasury
Office of Tax Analysis

[1]Adjusted from original estimate for different timing on the first rebate payment.

[2]Excludes $3.4 billion of payments to social security benefits and $0.2 billion of unemployment payments.

[3]Excludes $1.7 billion of payments to social security benefits and $0.2 billion of unemployment payments.

Comparison of House, Senate and Conference Bills

($ billions)

Tax Reductions	House	Senate	Conference
I. Individuals:			
Refund of 1974 liability..........	8.1	9.7	8.1
Standard deduction increase.......	5.2	---	2.5
Credit............................	---	6.3	5.3
Tax rate reductions...............	---	2.3	---
Earned income credit..............	2.9	1.5	1.5
House purchase credit.............	---	1.1	0.6
Child care........................	---	1.7	0.1
Home insulation...................	---	0.7	---
Total individuals	16.2	23.3	18.1
Business:			
Investment tax credit.............	2.4	4.3	3.3
Corporate surtax exemptions.......	1.2	1.2	1.2
Tax rate reduction................	---	0.7	0.3
Loss carryback, carry forward.....	---	0.5	---
Repeal truck excise taxes.........	---	0.7	---
Total business..................	3.6	7.4	4.8
II. Increased expenditures:			
$100 payment to certain program beneficiaries	---	3.4	1.7
Emergency unemployment benefits...	---	0.2	0.2
Total increased expenditures....	---	3.6	1.9
III. Tax increases:			
Depletion	(2.2)	(1.7)	(1.6)
Foreign oil taxation	---	(1.5)	(0.1)
Deferral of foreign income	---	(0.5)	---
Total tax increases.............	(2.2)	(3.7)	(1.7)
Total net revenue loss	17.6	30.6	23.1

Office of the Secretary of the Treasury
Office of Tax Analysis

I wish to make it clear that this Bill is not the end of my fight to control Federal spending. It is the end of the first successful round of a long battle. I am pleased that the Congress has made a commitment to reduce Federal spending dollar for dollar for any continuation of tax cuts after June of next year. With this firm commitment of the Congress in mind, I will submit a budget in January that is no greater than $395 Billion. I will vigorously press the Congress to adhere to this budget which will permit significant additional tax relief for the American people. Every Bill that the Congress passes which exceeds my budget figure now will be taken directly from the taxpayers pockets. Adhering to my budget will permit a direct dollar for dollar tax cut which will result in the reduction of taxes for the average American family of over two hundred dollars beginning in July of next year.

Ron -
This is for the President's speech - your use
Talking points for
Bill Gorog

12/21/74

TAX PROPOSALS AND OPTIONS

STEP I: Tax cut for temporary economic stimulus.

Despite the enormous budget deficit in prospect for FY 1976 and the continuing serious inflation problem, the weakness of the economy and the anxieties of the American people lead to the recommendation that a tax cut is necessary to provide short term fiscal stimulus to the economy.

Issue 1: Should such a tax cut be tied to

Option A--a moratorium on new spending programs:

Option B--a partially offsetting cut in spending from present levels?

Recommendation -- Option A (opinions mixed).

Issue 2: Should the tax cut continue for

Option A--one year (CY 1975)?

Option B--Two years?

Recommendation -- Option A (opinions mixed).

Issue 3: Should the size of the tax cut be

Option A--$10 billion?

Option B--$20 billion?

Recommendation -- Option B (opinions mixed).

Issue 4: How should the cut be divided between individuals and corporations?

Option A--two-thirds, one third.

Option B--three-quarters, one-quarter.

NOTE: In past this is a matter of strategy and we should consider (a) the views of labor leaders; and (b) probable changes to be made in Congress. At present personal and corporate income tax receipts are divided approximately three-quarters, one quarter.

Recommendation -- Option A.

Issue 5: What form should the tax cut take for individuals?

Option A--Negative surtax.

Option B--increase in personal exemption.

NOTE: The most important consideration here is simplicity. For that reason we rejected other options that would focus more relief for low income taxpayers.

Recommendation -- Option A.

Issue 6: What form should the tax cut take for corporations?

Option A--temporary increase in investment tax credit.

Option B--temporary negative surtax or cut in corporate tax rate.

NOTE: Simplicity is also important here, which argues fcr parellel treatment to the tax cut for individuals. However, we also must take account of tax cut to return the crude oil tax, for which we recommend a change in the corporate tax rate.

Recommendation -- Option A.

STEP II: Cruide Oil Tax and Tariff coupled with a permanent income tax cut.

The need for more effective incentives for Americans to conserve energy calls for a tax and tariff on cruide oil. To keep the impact on overall economic activity approximately neutral, the oil tax increase ($15 Billion) is balanced by a major income tax cut.

Issue 1: Should the crude oil tax and tariff be

Option A--$2 per barrel?

Option B--$3 per barrel?

NOTE: Although the earlier energy proposals used the $2 figure, Frank Zarb supports our recommendation.

Recomendation -- Option B.

Issue 2: Should the proposal include

Option A--windfall profits tax with plow back?

Option B--windfall profits tax with no plow back?

Recomendation -- Option B.

Issue 3: Should the proposal include

Option A--decontrol of all oil prices?

Option B--no change in oil price controls?

Recommendation -- Option A.

Issue 4: Should the proposal include

Option A--continue the depletion allowance?

Option B--end the depletion allowance?

Recommendation -- option A. Our position is that we do not favor ending the depletion allowance as part of this package; the question should be left to the consideration of comprehensive tax reform.

Issue 5: How should the balancing tax cut be divided between individuals and corporations?

Option A--two thirds, one third.

Option B--three quarters, one quarter.

NOTE: The same considerations apply here as for this issue under STEP I; also, the choice should probably be the same as for STEP I.

Issue 6: Should some of the revenues from the crude oil tax be used to support energy-saving incentives such as tax credits for adequate home insulation?

Recommendation: The answer depends on the efficiency of such tax credits. If the FEA and Tr-easury tax people can devise effective ways to do this, we would recommend that part of the revenues be used this way.

Issue 7: What form should the tax cut for individuals take?

Option A: A combination of (a) increasing the minimum standard deduction and (b) proportionate rate cuts, which would neutralize the impact of the crude oil tax by income class and further tilt the tax cut to benefit low-income taxpayers.

Option B: Rebate the oil tax revenues by the same means as in Option A but with no further tilt toward low income taxpayers.

Option C: Proportionate cuts in all rate brackets.

Recommendation: Option A.

Issue 8: What form should the tax cut for corporation take?

Option A: Reduce corporate tax rates, or negative surtax.

Option B: Increase the investment tax credit.

NOTE: Here we should probably not do the same as under STEP I.

Recommendation: Option A.

Issue 9: How are the poor; i.e., nontaxpayers, to be compensated for the crude oil tax?

NOTE: There is no satisfactory answer for this problem. In past, the income transfer programs that assist the poor (e.g., social security) are indexed to the consumer price index, so that they will be compensated (with a lag). But this is only a partial answer. The only complete answer is a comprehensive income maintenance program.

STEP III: Comprehensive Tax Reform to be discussed with the Congress.

January 4, 1975

TAX PROPOSALS AND OPTIONS

Tax cut for temporary economic stimulus.

Issue 1 - Size of temporary tax cut.

A tax cut of less than $10 billion was generally viewed as too small for a significant effect on spending and confidence. A major concern of a larger tax cut is its impact on an already large budget deficit.

Option A: $10 billion.

✓ Option B: $15 billion.

Option C: $20 billion. (Recommendation of Labor-Management Committee.)

Recommendation: Option B. (Opinions mixed)

Issue 2 - Division of allocation of tax reductions between individuals and corporations.

Option A: Two-thirds, individuals, one-third corporations.

✓ Option B: Three-fourths individuals, one-fourth corporations.

Recommendation: Option B.

This is consistent with the recommendation of the Labor-Management Committee. At present personal and corporate income tax receipts are divided approximately three-quarters individuals and one-quarter corporations.

Issue 3 - Form and speed of a temporary tax reduction to provide stimulus.

The basic issue is how rapidly the additional stimulus should be applied and the impact psychologically and on capital markets. There are two basic decisions which must be made: (1) Does the reduction apply to 1974 or 1975 tax liabilities? (2) If it applies to 1974 tax liabilities is it refunded in a lump sum, or in approximately three periodic payments.

Option A: Lump sum negative surtax (i.e. a rebate) for tax liabilities applicable for calendar year 1974.

Option B: Three periodic refund payments for tax liabilities applicable for calendar year 1974.

Option C: Negative surtax on income accruing in 1975 applied by lower withholding rates.

Recommendation: Option B. (Opinions mixed)

Issue 4 - Distribution of temporary tax cut to individuals.

Option A: Same percentage for everyone; i.e., a proportional reduction. Maintains present degree of progressivity.

Option B: Percentage declines as incomes rise; i.e., increase in progressivity. Labor-Management Committee supports increase in progressivity. If reduction is really temporary, increase in progressivity is not important.

Issue 5 - Kind and amount of restructuring of the Investment Tax Credit.

Option A: Increase rate of present credit for utilities from 4 percent to 12 percent and for all other corporations from 7 percent to 12 percent plus temporary restructuring of income limitations for utilities. A basis adjustment would not be included.

Option B: Full restructuring including a basis adjustment which, for the revenue loss as in Option A, would permit an increase in the rate to 8 percent for all corporations and utilities.

Recommendation: Option A. This has the merit of simplicity, not engaging in a major restructuring for a temporary one year credit, and avoiding the controversial basis adjustment issue.

Energy taxes.

Issue 1 - The timing of decontrol and the imposition of a windfall profits tax.

Option A: Announce decontrol of all oil prices effective immediately and request a windfall profits tax which will in the aggregate amount recapture from producers the full amount of the price increase resulting from decontrol.

✓ Option B: Announce decontrol of all oil prices effective April 1 and request a windfall profits tax effective April 1 which will in the aggregate amount recapture from producers the full amount of the price increase resulting from decontrols.

Option C: Institute decontrol as soon as the windfall profits tax and tax rebate program are passed.

Recommendation: Option C.

Issue 2 - Distribution of the refund of energy taxes through individual income tax reduction.

Option A: Tax cuts that roughly offset the extra price burdens for each income class.

Readily understandable.

Burden estimates" soft" and arguable. Congress likely to use higher burden estimates and make larger reductions for lower income classes at expense of amounts proposed for business.

Can't tailor the tax system precisely enough to zero out in each income class.

✓ Option B: Tax cuts that give somewhat more back to bottom income classes.

We agreed to sign Ways and Means Bill which would use same energy revenues to bring the minimum standard deduction up to "poverty levels."

Congress is almost sure to use these revenues to provide additional relief for low income groups anyway. No reason for us to oppose low income relief which is inevitable.

Low income relief funded this way will do "double duty." It will offset increased price burden at the same time that it brings MSD up to poverty level. If we deal separately with low income relief, we will pay for part of it twice (probably at expense of relief elsewhere).

Issue 3 - Distribution of energy revenues to corporations.

48.8 to 75

Recommendation: Temporary rate reduction or negative surtax with understanding that revenues may be reassigned for restructuring of business taxes.

Check

Issue 4 - Termination of the oil depletion allowance.

✔ Option A: Continue to oppose the elimination of percentage depletion.

Option B: Support a phase out of percentage depletion along the lines of the mini-tax reform bill.

Option C: Phase out percentage depletion when the market for oil is completely free.

February 21, 1975

REPRESENTATIVE AL ULLMAN

MARTIN AGRONSKY'S "EVENING EDITION"

MR. AGRONSKY: Good evening.

While the pot continues to boil in the conflict between President Ford and the Congress over economic and energy policy, the state of the economy is not getting any better. The failing health of the economy was demonstrated again today when the Labor Department released its monthly Consumer Price Index. It shows consumer prices up .6 of a percent from last month and caused mostly by higher food prices. So inflation is still going.

This week in the Congress the House Ways and Means Committee has approved a tax cut bill which may bring relief to hard-pressed Americans, but the Congress is still having a lot of difficulty in dealing with the more complex energy problem.

Tonight on "Evening Edition" a discussion of the state of Congressional-Presidential relations as well as economic and energy policy with the new chairman of the powerful House Ways and Means Committee, Democratic Congressman Al Ullman of Oregon, and joining in the discussion is Paul Steiger, the worker for the Los Angeles Times.

Mr. Chairman, Europe's member in the Senate, Russell Long, Chairman of the Senate Finance Committee, said today that he thinks the Senate will sustain President Ford if he vetoes the legislation that delayed his oil tariff. What do you think?

MR. ULLMAN: Well, Senator Long should know. He is close to the action.

It is quite possible. It will be within a vote or two. I hope they don't. I think it is a grave mistake to allow the import fee system to go into place. It is going to put a bulge of inflation into the economy that does not belong there in a time of recession. It is wrong policy and I think it is a mistake not to override the veto.

Q What is your reading, yourself? You must be in touch with your colleagues in the House.

MR. ULLMAN: It is too close to call. It is within one or two votes in the Senate.

I could tell you a little more about the House but in the Senate it is too close to call. It is going to depend on one or two votes that might be switched one way or the other.

Q You figure in the House they would override?

MR. ULLMAN: Yes, in the House we would override.

Q Mr. Ullman, is there any chance that the President might pull back from his promise to veto this bill?

MR. ULLMAN: I talked with the President on two different occasions before he imposed the import fee system and tried to urge him to delay action for 90 days to give the Congress a chance to act.

Now there are some who are urging the President to stop where he is, to keep the $1 in place and not go to the $2 or $3 level.

Q As a compromise?

MR. ULLMAN: As a compromise, I think this would be an ideal way out. He could veto the bill on the basis of not going any further on the import fee structure. I think that would be an ideal way to go.

Q Mr. Chairman, I cannot resist asking you, are you among the some who have urged the President to do this?

MR. ULLMAN: Well, indirectly, yes. But I have taken a solid position against the import fee business and I do not want it imposed at all. I do not feel it is my job to try and offer that kind of a compromise, but I am throwing it out now as what I consider to be under the circumstances the best way out of a difficult situation.

Q You could live with that?

MR. ULLMAN: We could live with that because $1 as it has been imposed is not going to put that bad an inflation bulge in the economy. It is going to have some effect but only one-third the effect of $3.

What I told the President, give us 90 days. Tell the Congress, "All right, put up or shut up. I am putting the monkey on your back. Go ahead and pass an energy bill," and I think he should do that.

I think we would come forth with an energy bill. We are in the process of doing it now.

Q But the President all along, in almost every one of his public statements, has indicated he is determined to go through with the $3, and then to go forward at the start of April and remove price controls on domestic oil.

Do you have any reason to believe, personally, that there might be some sort of compromise now in the offing?

MR. ULLMAN: President Ford has been in the political arena for some time. I served with him in the House. He was there ahead of me. He knows you cannot take fixed positions in Governmental action, that always you have to judge your policy as you go and find answers as you go.

Despite what he said in the past, what is best for the country should be the consideration, and what is best for the country now, I think, is to leave the dollar in place and to allow the Congress to go forward with an energy policy.

Q Let me follow that up a little bit.

You do know the President well from your long service in the House, and I understand you not only know him well but he regards you as a very good friend, and you regard him as a very good friend.

Now, one would think in these circumstances -- now everybody is working for the same country, I mean not matter if you are a Republican or a Democrat, we have a problem -- and I wonder how recently have you talked to the President in an effort to find out if he meant it when he said he believed in compromise, he believed in conciliation rather than confrontation and conflict?

How recently have you talked to him?

MR. ULLMAN: Not since before he imposed the import fee. I made a very dedicated effort at that time. I talked with the President on two different occasions, one just he and I sitting down and putting all the cards on the table.

Q At the White House?

MR. ULLMAN: At the White House, right. But once his course was taken, then the Congress had to take its course.

The Ways and Means Committee passed out a 90-day deferral. It passed the Congress. Now it is back up with the President. If he vetoes it, then we take it up, first in the House we will override, and then in the Senate. It is going to be close.

It is too bad we have to go through that procedure but that is our constitutional system.

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MR. AGONSKY: But once the course was taken, then the Congress had to take its course?

MR. ULLMAN: Well, the Congress passed the 90 day deferral. It passed the Congress. Now it is back up at the President. If it is vetoed then it is taken up first in the House. We will override andthhen it goes to the Senate, and it is going to be close. It is too bad we have to go through that procedure but that is the constitutional system.

MR.AGRONSKY: This may be romantic, but I visualize the phone ringing on your desk,and the voice saying "This is the President and I wonder if we can talkthis over." It doesn't happen that way?

MR. ULLMAN: It does sometimes in this and I guess any other kind of human operation. There is atime totalk and a time to live out the process. Right now we are living out the constitutional process.

There will come a time to talk, but I think we can work a way out of this without a confrontation. I don't thinkthe President wants one. The veto itself is not the ultimate confrontation.

The ultimate confrontation is going to come when the Congresspassesan energy bill, which we will, which will take a different course than the President is suggesting, adn then we are going to have tosit down with the President and say, "Mr. President, this is the will of the Congress. This is a sound, reasonable course of action and an overall energy policy, one that we hope you can buy and hopefully then we can get together.

MR. AGRONSKY: Mr. Ullman, along that line, I am wondering just when you and your Democrat colleagues are going to get your act together on energy policy. We have had a task force in the Senate and a task force in the House and now I understand your own committee has set up a new set of task forces.

We have got this cornucopia of task forces but, as yet, we don't have a Democrat program. When are we going to get one?

MR. ULLMAN: The action takes place in the legislative arena where the jurisdiction lies, and at the moment, the Ways and Means Committee has the bulk of the jurisdiction, so here is where the action has to originate.

MR. AGRONSKY: That is where it begins?

MR. ULLMAN: Well, the policy doesn't necessarily begin there. There is a task force in the Senate and House that has come forth with some general ideas, but we have to perfect them and put them in final legislative form. But remember, the people who criticize the Congress, the Ways and Means Committee has passed three major bills already. We have passed out a couple of bills before most of the Congress was even organized -- on deferring the import fee and on a debt ceiling matter.

We passed out a major tax reduction bill of $21 billion, perfected it. It is a good bill, a sound bill. It is going tobe on the floor this week. We have been busy.

Now, the Committee is engaged in around-the-clock operations with task forces to develop an energy program. I have laid out the parameters for the Committee. We have the task force chairman. They are getting the best brains we have, too.

MR. AGRONSKY: Will you lay out the parameters for us?

MR. ULLMAN: Well, the parameters -- if you are going to really have an energy program, one of the criticisms of the President's program is that it doesn't cover all of the parameters. It is not broad enough to cover the problem. It won't cut back. It will put a couple of brakes on the economy but won't really guarantee any cutback.

So, you have to start with imports. You have to start with the assumption that the country cannot live with the present rate of imports and I think that has been proven. It is obvious. The balance of payments problem will kill us. So, we have to cut back and you start with a sound quota system but you don't cut it off and cut it down and hurt the economy. You put it into effect in an orderly way. In the process of doing that, hopefully, then, you establish some better system of buying oil, maybe some U.S. purchase authority so we can negotiate with the Arabs. We don't even have a negotiating position.

MR. AGRONSKY: What do you mean by that? Instead of each oil company individually purchasing or going ahead with the present system, you would write into being some kind of a Governmental body to do that. I don't understand that.

MR. ULLMAN: I have talked very recently with some top Arab leaders and when they talk confidentially they are rather amazed that we are not setting up some kind of negotiating position. Here, we have a cartel that is operating as a unit. They tell us the price and we are buying it because it goes into the free enterprise system. We are not even in a negotiating posture out of pure self-defense.

We ought to set up a mechanism to buy our oil that will negotiate with the Arabs. How ridiculous not to do it.

Well, once you limit imports, then you have to go to some kind of an allocation system and we are trying to perfect one that is as reasonable and flexible as you can possibly have it so that the truckers will have enough oil.

MR. AGRONSKY: The goal being to save how much? Do you accept the President's goal of one million gallons?

MR. ULLMAN: You can't cut back one million barrels a day. There is no way you can get it and get the economy to come back. But say, over a 3-year period -- this year you are going to have to import a little more than you did last year in order to get the economy going. But then, as the economy comes back, you start cutting back and so you establish a reasonable quota system. And then a good, sound allocation system and then, of course, at the end of the line is the gasoline consumer and so, what do you do if there is a shortage?

MR. AGRONSKY: Allocation does not mean that dirty word "rationing"?

MR. ULLMAN: No.

MR. AGRONSKY: What do you mean by allocation?

MR. ULLMAN: Allocation is for commercial use for truckers, for airlines, and so on. You have to get their legitimate needs and carve out a supply for them.

MR. AGRONSKY: Then suppose you are not left with enough to go around? Then what do you do?

MR. ULLMAN: At the end of the line there is the gasoline consumer. Everyone knows you have to cut back on gasoline consumption, and so how do you do it? What is the most reasonable way/ We are trying to devise the most reasonable way. We think the imposition of some kind of way, and we haven't made a final decision, but our task forces are working on some kind of a tax coupon system that would put into place on a graduated basis 5 or 10 cents the first year; 15 or 20 cents the second, and so on, and build up to 40 cents a gallon.

MR. AGRONSKY: It would take 40 cents a gallon in the end?

MR. ULLMAN: That is four years from now or five years from now, but gradually. What do you do to protect the average user or poor people who can't pay that? You divise a coupon system so that the automobile owner can buy a reasonable amount of gas with that coupon without paying the tax, and the price at the tank in four years will be 70 cents.

MR. AGRONSKY: That is for someone in a certain income level?

MR. ULLMAN: Oh no. Everybody who has an automobile will get the coupons, maybe 10 gallons a week, maybe more. They can present to the gasoline station and he won't have to pay the tax. He will get it at the old price. But then he is not limited. If that isn't enough, then he can pay the gax and buy all he wants. So, it is a flexible system. It doesn't put you in a strait-jacket. It is not rationing at all.

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Q You would take a 40-cent-a-gallon price rise in the end?

MR. ULLMAN: Four years from now, five years from now. But you put it into place gradually. But what you do to protect the average users and the poor people who cannot possibly pay that, you devise a coupon system so the automobile owner can buy a reasonable amount of gas with that coupon without paying the tax, and the price at the tank in four years or in the first year will be 70 ---

Q Someone in a certain income level?

MR. ULLMAN: No, everybody. Everybody who has an automobile will get the coupons, maybe ten gallons a week, maybe more, that he can present to the gasoline station and he won't have to pay the tax. He will get it at the old price.

Q But anything beyond ten gallons ---

MR. ULLMAN: But he is not limited. If that is not enough, then he can pay the tax and buy all he wants. So it is a flexible system. It does not put you in a straight jacket. It is not rationing at all.

I think it is the best means of establishing an economic impact so that you get a discipline in the use of gasoline. But then that is only part of it. Then you have to put that in a trust fund and other windfall profits and other things you put in a trust fund, and we have tremendous need for research and development and pilot plants and conversion.

If we are going to solve this energy problem, it is going to take a massive investment.

Q You would use that money to underwrite research and development programs?

MR. ULLMAN: And all sorts of other programs, conservation programs and everything else that makes sense to put it in place. You use it, though, to solve the energy problem, but then you go from there to conservation.

You have to put in place a lot of conservation practices. We are going to have to have incentives for carpooling and this is complex, but it can be done. We are going to have to have all kinds of other incentives for heating, for the use of subsidies, for instance, for home insulation and all these kinds of things, for solar heating and other things.

And then, possibly, we can say in over a five-year period some kind of an excise tax for the gas guzzler so that at the end of this -- we have to give the domestic industry a chance to develop efficency, but we will say five years from now if you have inefficient machines you are going to have to pay a heavy excise tax if you are going to use them. I think this will force ---

Q Is this in effect a horsepower tax?

MR. ULLMAN: Well, it is an efficiency tax. It is a miles per gallon tax. But these are some of the parameters. I am not saying they will all be a part of it, and variations of them. But it seems to me you have to look at these things. And ~~then you come around~~ and look at deregulation and certainly deregulation is ultimately going to come, because the old oil is going to phase out.

Q You are talking about oil, not natural gas?

MR. ULLMAN: Maybe natural gas, too, on a different basis. It is a tougher political problem. But you -- I would not consider deregulation without a heavy windfall profits tax. In other words, if we deregulate and as a result the price of oil goes up, every dollar that it goes up that is windfall to the oil companies ought to be picked up by the Government in a windfall profits tax.

Q And you would hope that would be an incentive to them not to kick the price up or if they do the Government gets it back?

MR. ULLMAN: That is right. In other words, they don't gain a thing by raising the price, and hopefully you would not get any revenue; the price would not go up.

But you know it would.

What could happen, though, is it could force the general price down on a leveling effect, but at any rate, if they do pick up some profits the Government takes them. That goes into the trust fund, too.

Then you go on further and you need to develop some capital incentive programs. We have a massive conversion program of converting from gas and oil to coal and nuclear. It is going to cost trillions of dollars.

How do we raise the capital? It is almost a superhuman task, developing our coal resources. We have half of the coal reserves of the country and yet our coal industry is still sick. It is not moving. We are not developing nuclear. We are not developing coal. It will take a massive infusion of capital and we are going to have to look at that and look at the problem of conversion.

But unless you look at all of these parameters, you don't have an energy program. But it is our purpose in the Congress to spearhead these efforts. We, on the Ways and Means Committee, do not have all the jurisdiction, but we are working with other subcommittees. We will take our tax part and hope to bring along in this effort the chairmen and the committees that have the other jurisdictions so that we can put into place a total energy program that will do the job.

Q Mr. Ullman, you have thrown out an awful lot of interesting ideas, very interesting ideas, but I would just like to go back over a couple of them and make sure I understand them properly.

You said we might not be able to do any conserving of oil imports this year because the economy is in such bad shape. The program would not begin to bite until when, next year?

Can you give us an idea of how many barrels a day you would be saving under your plan year-by-year? Would it start off with just nothing this year and 500,000 barrels a day next year?

MR. ULLMAN: We have task forces that are looking at this problem, but you know, off the top of my head I would say that within the ballpart might be an objective of over a three-year period, cutting back one million barrels.

Q Just getting up to one million barrels a day in three years?

MR. ULLMAN: Cutback.

Q Instead of the two million barrels a day the President asked for, at the end of three years?

MR. ULLMAN: That is right. That is unrealistic. It is just like you know, being totally independent for production of petroleum in 10 years. It is just there is no way you can get self-sufficiency. We just do not have the petroleum. So this is realistic.

What we are trying to do is build a realistic program and one that won't hurt the economy, one that will allow the economy to recover and still get the job done.

Q But it still will have to contain -- gladly than President Ford has proposed -- but it still, as I read it from what you said, it would have to contain increases in prices to the consumer of certainly gasoline through the ---

MR. ULLMAN: Not for the gas covered by coupons.

Q But that is maybe nine or 10 or 12 gallons a week, but for anything beyond that the price would go to 40 or 50 cents a gallon over what it is now?

MR. ULLMAN: If you have carpooling in price with incentives and business subsidies and other things, then you can get by with that amount of gas a week.

You know, I come to work every day and every automobile has one driver. We have gotten to the point where we cannot afford that any more and I think we are going to have to face up to the fact that this is a critical period in our country where we are turning the corner on national policy. Where if we are going to survive as a free democracy and a free enterprise system, we are going to have to turn the corner on policy and face up to some of these long-term issues and do it on a responsible basis so that we can, in fact, continue after a period of some adjustment, a sound increase in our living standards.

Q Mr. Chairman, I do not say this in any sense in a perjorative way, I am just encouraged to get your reaction to an observation I would like to make.

These are such topsy-turvy times. Here we are with you proposing an energy program for House Ways and Means, presumably for the House. You propose it upon simply because of your position, and I presume the Democrats in the Senate are moving in the same direction.

Now, what is happening here is the Congress in effect undertakes to do a job that normally the White House does, the Presidents do.

MR. ULLMAN: Not true. This Constitutionally is the Congress' job.

Q I don't say the Constitution.

MR. ULLMAN: It is not the President's job. It is the Congress' job to face up to this issue.

Now in the past sometimes when we have been in trouble we have called upon -- we waited for a strong leader to come along and lead us out. That is not the way things work now.

MR. AGRONSKY: Why is it different?

MR. ULLMAN: If we are going to get out of this mess we are in, the Congress is going to have to develop mechanisms for establishing policy. We established a budget committee and I am proud of my part in putting it in place. The first chairman in the House. It is part of the process of reestablishment of Congressional policy decision-making mechanisms.

MR. AGRONSKY: Mr. Chairman, I am delighted to hear it. I could never understand why the Congress did not exercise the Constitutional power of the purchases which is its Constitutional prerogative and obligation.

Now, you are going to reassert that. That is what I am trying to get at. That is what you are telling me.

MR. ULLMAN: I think the circumstances demand that we, that the Congress, moves in and reasserts its policy. In the case of energy, I am so totally convinced that the President is taking us down the wrong road and a disastrous road that won't really get the job done, so where else do you get policy?

We have to rise up in the House and create the policy and I will admit our track record has not been too godd in the past. But this is a new ball game. The country is in trouble. We demonstrated in passing out a $21 billion tax reduction that you can move, move decisively and quickly and we are going to do the same thing in energy.

MR. AGRONSKY: Mr. Ullman, I would like to ask you about that because the real, or the next test at least, of your tax reduction program will be what happens to it when it gets to the floor of the House, which I understand will be perhaps sometime next week, but the first hurdle is the Democratic Caucus.

I understand there is a movement afoot among some of the liberal Members of your committee to attach an amendment or at least to get approval for the House to vote on an amendment that would end the percentage depletion allowance for the oil companies.

MR. ULLMAN: The bill is scheduled for the floor of the House on Thursday. We presume it will go to the Rules Committee on Wednesday -- Tuesday is the Caucus. There are some Members of the House that are, in my judgment, very mistakenly making an effort to attach to this tax reduction package -- which is an economic package -- we are trying to get it out there in place so that we can get the checks in the mail in May and get the reduction and withholding in May so that the people out there will have more purchasing power.

We are concerned about the economy.

MR. AGRONSKY: You are talking about the rebates?

MR. ULLMAN: I am talking about the rebates.

MR. AGRONSKY: $8 billion.

MR. ULLMAN: $8 billion of tax reductions will go into the withholding stream, plus the $4 billion in the corporate stream, all vitally needed to re-establish an economy and this is a crisis.

Whereas, these people now are moving in and putting in extraneous matters, saying, "Well, let's attach the depletion matter to this bill."

Well, all it will do -- certainly it would pass in the House -- but all it would do is delay the final action by two or three months. It would be an invitation to the Senate to go ahead and build a whole new energy policy into it. It is a terribly controversial matter. I am committed to ending the depletion allowance but we must do it responsibly. It does not belong on this package and I am going to tell the Members of the Caucus that if they have unemployed people back home they can in no way afford to put depletion amendments on this bill.

MR. AGRONSKY: Because it would result in a delay?

MR. ULLMAN: It would delay it unendingly and produce all kinds of irresponsible results and I think it is a grave mistake for Members to call the Caucus to do this. I hope we can beat them in the Caucus and hold to a responsible policy.

The Senate has already demonstrated that if we send clean bills over there, as we did in the debt ceiling and the deferral bill, they will take them on and send them out clean. They did not put one single amendment on them. They passed them exactly as we passed them. They will do the same thing if we keep this bill clean and I think that is what we need to do, to send the signal to the American people that the Congress is responsible, that we are responsive, that we care about the country and that we can move decisively when needed.

Q What assurance can you give? You say yourself you want to see percentage depletion ended. What assurance can you give that a bill will come out this year that won't just be talked to death in the Senate, a second bill?

MR. AGRONSKY: That is tax reform.

MR. ULLMAN: This is before tax reform. Where depletion allowance comes is in the next package, the entire bill. We are putting it together and I have told the Committee that we have scheduled it for final action in the Committee on April 18.

That is probably the tightest schedule that we have ever operated on for any committee of the House, that it has ever operated on on a major issue of this scope, but the nature of the problem and the crisis in the country requires that we move decisively.

The ending of the depletion allowance is going to be part of that package. That package in some form must pass, and certainly at that time there will be debate. But that is the arena for the debate. That is what it is all about.

We ought to debate the depletion allowance when we are debating the energy problem. That is where it belongs. That is the road of responsibility that we need in the Congress.

MR. AGRONSKY: You are not shelving this? You are merely postponing it?

MR. ULLMAN: We are putting it where it belongs.

MR. AGRONSKY: Now we have about 30 seconds, and you know we talked about all of our problems. What kind of hope do you have for the future?

MR. ULLMAN: We are going to solve the problems of this country. We are in a crisis, there is no question about it -- an economic crisis, an energy crisis, an inflation crisis, but I think that we and the Congress are going to act responsibly, that the nation is going to go through this period of difficulty but we are going to move out of it, and the country is going to go forward.

MR. AGRONSKY: I hope you are right. Thank you very much, Mr. Chairman. Thank you, and good night for Evening Edition.

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WASHINGTON (UPI) -- SENATE DEMOCRATIC LEADER MIKE MANSFIELD INVITED WHITE HOUSE PRESS SECRETARY RON NESSEN TODAY TO "LEAVE HIS IVORY TOWER" AND COME SEE WHAT CONGRESS IS ACTUALLY DOING ON TAXES AND OTHER MATTERS.

MANSFIELD'S STINGING ATTACK ON NESSEN WAS PROMPTED BY THE PRESS SECRETARY'S DAILY CHIDING OF CONGRESS FOR FAILURE TO PASS TAX LEGISLATION AS QUICKLY AS PRESIDENT FORD WOULD LIKE.

DELIVERING A REBUTTAL IN HIS USUAL EXPRESSIONLESS MONOTONE, MANSFIELD SPOKE SHORTLY AFTER THE SENATE CONVENED AT AN UNUSUALLY EARLY 8 A.M. TO WORK ON THE TAX BILL.

"I WOULD SUGGEST HE TAKE NOTE OF THE HOURS THIS SENATE HAS BEEN PUTTING IN," MANSFIELD TOLD THE EIGHT TO 10 SENATORS IN THE CHAMBER. THE GALLERY WAS NEARLY EMPTY.

A COMMENT BY NESSEN THURSDAY, THE ONE WHICH ANGERED MANSFIELD, WAS: "THE PRESIDENT FEELS IT IS STRANGE THAT SENATORS WHO ARE ABOUT TO GO OFF ON VACATION ... HAVE NOT TAKEN A VOTE ON THE TAX CUT. THE CONGRESS SEEMS TO BE PLAYING TO THE GALLERY."

ACTUALLY, SENATE DEMOCRATS HAVE DECIDED NOT TO RECESS UNTIL THE TAX BILL IS PASSED.

"I WOULD SUGGEST THAT MR. NESSEN LEAVE HIS IVORY TOWER AND COME UP AND SEE JUST HOW FILLED THE GALLERIES ARE WE ARE PLAYING TO, AND TO SEE HOW DEDICATED THE SENATE IS," MANSFIELD TOLD THE SENATE.

PRIOR TO THE SENATE SESSION, MANSFIELD TOLD A REPORTER THAT PERHAPS HE SHOULD GET A CIGAR, A BIG BOWLER HAT AND A HUGE FALSE BELLY SO THAT HE COULD BETTER PLAY TO THE GALLERY.

"HE IS NOT ESTABLISHING GOOD RELATIONS WITH THE CONGRESS," MANSFIELD SAID IN HIS SENATE SPEECH, OBSERVING THAT HE WAS REFERRING ONLY TO NESSEN, NOT TO FORD.

MANSFIELD SAID HIS REMARKS CONSTITUTED AN INVITATION TO NESSEN TO VISIT THE SENATE TO "OBSERVE FIRST HAND RATHER THAN COMMENT IN ISOLATION."

ASSISTANT REPUBLICAN LEADER ROBERT GRIFFIN OF MICHIGAN OFFERED AN INDIRECT DEFENSE OF NESSEN, SAYING THE SENATE'S ACTIONS ON TAXES WERE "NOT ALTOGETHER OF THE HIGHEST RESPONSIBILITY."

UPI 03-21 10:24 AED

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 21, 1975

MEMO FOR RON NESSEN

FROM: JOY CHILES

Re: The Senate

The Senate number of hours in session from January 14, 1975 through yesterday, March 20 is:

202 hours 27 minutes = 5 weeks of 8 hr days

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March 25, 1975

Dear Mr. Speaker:

I am writing you while the Conference Committee is considering the House and Senate versions of H.R. 2166, the tax cut which I urged last January to stimulate the economy. Although I am most anxious to sign a bill along the lines I have proposed, I am now concerned that Congress is trying to do too much in the legislation the Conferees are considering, thereby providing an economic stimulus far beyond that which is needed.

The Conferees and the Members should understand that I will be unable to accept a bill so encumbered with extraneous amendments and of such deficit-increasing magnitude as to nullify the intended effect of a one-time stimulant.

The purpose in asking the Congress to enact a simple tax cut as quickly as possible was to stimulate the economy. I proposed temporary one-time tax cuts totalling $16 billion. My proposal was designed to provide maximum stimulus without setting the stage for a new inflationary spiral when the economy starts to recover. Reasonable men can differ on the exact size of the tax cut, but everyone agrees on the need for prompt action. I indicated my willingness to compromise within reasonable limits.

I regret that the Senate version of H.R. 2166 goes far beyond the purpose of providing a quick stimulus and mortgages our economic future in a way that is unacceptable to me. It is unacceptable because:

(1) The Senate version would increase the size of the tax reduction from $16 billion to more than $30 billion -- roughly doubling the impact on combined fiscal years 1975 and 1976 budget deficits already far too high. That increase must be considered in the context of other Congressional actions and inaction. If Congress continues its present pattern of rejecting the spending cuts I proposed, the deficit would grow by an <u>additional</u> $16 billion. And the minimum cost of the additional spending programs being considered in the Congress would add still another $20 billion. In combination, these Congressional actions would increase these deficits by $50 billion.

Such an enormous increase in an already substantial deficit jeopardizes the prospect of economic recovery and makes us hostage to future inflation.

(2) Although both bills incorporate billions of dollars of tax reductions which are temporary as written, they are of such a nature that they will undoubtedly continue next year and beyond. That is a sure formula for larger deficits and spiralling inflation for years to come, unless offset by other revenues or spending cuts. My proposal was for a one-year stimulant limited to $16 billion. An amount unreasonably larger than the House bill could do more harm than good.

(3) The Senate version would raise major obstacles to badly needed reforms in the tax and welfare systems. I regard both reforms as matters of high priority. Both require the most careful deliberation but not in this emergency anti-recession legislation.

(4) The Senate version distributes the federal income tax burden unfairly by eliminating too many citizens from paying any tax. My January proposal would have distributed tax cuts evenly to those who now carry the tax load. I recommend that the conferees and the members review the bills before you to be sure that they do not discriminate against middle-income Americans, who already carry the major share of the tax burden.

(5) The Senate version, in particular, has several provisions which will not contribute to economic recovery and may cost additional jobs. I have consistently urged an uncomplicated tax refund to put extra purchasing power in the hands of American taxpayers.

I urge the conferees basically to accept the House bill with minor revisions. I am prepared to work with the Committees and the Congress as long as necessary to assure the American people of a reasonable tax cut which will stimulate the economy without jeopardizing its future.

Sincerely,

GERALD R. FORD

The Honorable
The Speaker
U.S. House of Representatives
Washington, D.C. 20515

cc: The Honorable John J. Rhodes
The Honorable Thomas P. O'Neill, Jr.
The Honorable Herman T. Schneebeli
The Honorable Al Ullman

GRF:PAT:ki

CONFERENCE ACTIONS - 3/26/75

Conference was completed at approximately 3:00 p.m. The following agreements were reached:

(1) Foreign source income - agreed to compromise on deferral of foreign source income affecting "tax haven" countries (Treasury indorses). Revenue gain - $225 M.

Agreed to compromise tax credit provision relating to oil income. (Treasury indorses). Revenue gain - $300 M.

(2) Percentage depletion of oil and gas - agreed to compromise with following elements:

(a) 2000 bbl. exemption phased down by 200 bbls. per day each year to a 1000 bbl. permanent exemption:

1975 - 2000
1976 - 1800
1977 - 1600
1978 - 1400
1979 - 1200
1980 - 1000

(b) Percentage holds at 22% to 1980 then phases down over 4 years to 15%:

1981 - 20%
1982 - 18%
1983 - 16%
1984 - 15%

(c) The 50% limitation on amount of depletion that can be taken against taxable income is increased to 65%.

(d) Secondary and tertiary wells keep the 22% depletion until 1984. After 1984 the percentage drops to 15%.
Revenue gain - $1.7B.

(3) Housing tax credit - adopted modified Senate provision. Credit of 5% of purchase price to maximum of $2000 for new houses in being as of 3/25/74. Price must be certified by builder/seller as the lowest price offered. False certification subjects seller to money damages and criminal penalties. Revenue loss - $.6B.

(4) Social Security payment - adopted modified Senate provision cutting payment from $100 to $50. Revenue loss - $1.7B.

(5) Individual tax cuts - adopted compromise:

(a) Minimum standard deduction increased from $1300 to $1600 for single taxpayers and from $1300 to $1900 for joint return taxpayers.

(b) Increased the percentage standard deduction from 15% to 16% and the maximum allowed for singles from $2000 to $25000 and for joint returns from $2000 to $3000.

(c) Provided for a tax credit of $30 per person (dependents). Revenue Loss - $7.8B.

TOTAL REVENUE LOSS - $22.8B

THE WHITE HOUSE

WASHINGTON

March 28, 1975

Mr. President:

Here is a compilation of editorial opinion on whether you should sign or veto the tax bill:

IN FAVOR OF SIGNING	VETO	NO DEFINITE POSITION BUT LEANING TOWARD VETO
Washington Post	Wall Street Journal	New York Daily News
Washington Star-News	San Diego Union	Chicago Tribune
Baltimore Sun		Detroit News
Christian Science Monitor		
Los Angeles Times		
Detroit Free Press		
Kalamazoo Gazette		
Boston Globe		
San Diego Tribune		

Ron Nessen

3/28/75

The Washington Post

AN INDEPENDENT NEWSPAPER

The Tax Bill

Chicago Tribune
THE WORLD'S GREATEST NEWSPAPER
FOUNDED June 10, 1847

THE NEWSPAPER is an institution developed by modern civilization to present the news of the day, to foster commerce and industry, to inform and lead public opinion, and to furnish that check upon government which no constitution has ever been able to provide.

—THE TRIBUNE CREDO

A tax break for everyone . . .

3/28/75

REVIEW & OUTLOOK

A Mickey Mouse Tax Cut

DAILY NEWS
223 East 42d St.
NEW YORK'S PICTURE NEWSPAPER
(212) MU 2-1234

MARCH 28, 1975

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THE EASTER-BASKET BILL

f

THE SUN

A12 BALTIMORE, FRIDAY, MARCH 28, 1975

WILLIAM F. SCHMICK, JR., Publisher • PAUL A. BANKER, Managing Editor • J.R.L. STERNE, Editorial Page Editor

The Easter Basket Tax Bill

The Easter tax basket the congressional bunny sent the President contained some rotten eggs, but Mr. Ford, despite some grimaces, may have to accept it. He was the one, after all, who put the emphasis on speed, speed, speed to stimulate the sagging economy, and now he is somewhat caught up in his own rhetoric. A veto could cause considerable economic uncertainty and confusion. As a Capitol Hill veteran, Mr. Ford had to know that even in the best of circumstances a tax bill passing through Russell Long's Senate Finance Committee is bound to acquire that mixture of special interest provisions and demagogic gimmicks that are are the Louisiana senator's stock in trade. They have appeared year after year on the Christmas Tree tax bills emerging from Mr. Long's committee, and there was no reason to expect an Easter Basket bill to be much different.

In terms of size the new tax measure is close to the outer limits most cautious economists would recommend in trying to counter the recession without re-igniting inflation. Mr. Ford himself asked a $16.2-billion decrease in taxes, later indicating he would go along with something more. But how much more? The measure now on the President's desk would reduce individual and business taxes $24.8 billion, not counting a $2 billion offset in higher oil industry taxes that the administration opposes. That represents more than a 50-percent jump over the President's original request, which is disconcerting in light of the spending proclivities of the Democratic Congress. Senator Edmund Muskie, chairman of the new Senate Budget Committee, has seen fit to warn against "an express train momentum" that could bring the fiscal 1976 budget deficit close to the $100-billion horror evoked by the administration.

Even if the President accepts the size of the congressional Easter basket, he should alert the country to its contents—especially the items dropped in by the Senate. One bearing Mr. Long's inimitable trademark is a 5-percent home-purchase credit, up to a maximum of $2,000, on new houses built or under construction as of last Tuesday and purchased between March 12 and December 31, 1975. Merely stating the provisions shows how capricious this $600-million measure is; Congress would have been better advised to enact the $1.3-billion mortage subsidy bill pending in the House. Another rotten egg is the $100-million Tunney plan to raise from $18,000 to $35,000 the income limit under which working mothers can make itemized tax deductions for child care and household services.

Tucked away in the Easter basket are several eggs long tossed about by tax reformers that probably deserve to be hatched under better circumstances. Most striking is the $5.2-billion provision giving a $30 tax credit on 1975 taxes to virtually every taxpayer. Although this is only a one-year break, it could be the first step toward a switch from deductions to credits that would tend to benefit large families in low and middle income groups. This is a matter worthy of more discussion. Another is the $1.7-billion amendment by Senator John Pastore that will provide a $50 payment to all Social Security recipients. This again raises the question of whether Social Security should be financed from general or special fund taxes.

In defense of the new tax measure, let it be said that it goes a long way toward elimination of the oil depletion allowance—a perennial target of tax reformers. Let it be noted that it increases investment credits and lowers corporation taxes, especially for small business, to a degree that could expand job openings and cut unemployment. Let it be commended for its bipartisan initiative toward a negative income tax, a potential alternative to the welfare system. Finally, let it be stressed that in devising a short-term boost for the economy it is better to do so by tax cuts than through new spending programs that spawn long-lived bureaucracies.

Tools for recovery

Congress deserves kudos for hammering out and stoutly pushing through a tax-cut bill. The $22.8 billion package to fight recession is, on balance, good and it is to be hoped the President will soon sign it into law.

With unemployment still running at more than 8 percent and the economy sagging, a speedy tax relief is in order. It is supported by both conservative and liberal economists, by labor, and by industry. Apart from its tangible benefits, it should help boost public confidence and provide a better psychological climate for economic recovery.

It is true that the size of the tax reduction is some $7 billion greater than Mr. Ford wanted. But the economy has plummeted far faster and deeper than White House advisers forecast. The loss of GNP is now running at a rate of $175 billion or so a year.

The salient feature of the bill is that it will put money quickly into the hands of the buying public. The rebate of between $100 and $200 for taxpayers means almost everyone will receive something. The $50 payment to social security and welfare recipients was in part politically motivated but nonetheless, as a one-shot benefit, makes that much more money available.

An intriguing feature of the program is the provision of a cash payment to low-income persons who owe no tax. The general concept of the so-called "negative income tax" is gaining support as a viable alternative to the very complex, bureaucratized costly system of social welfare benefits. It is favored by many conservatives as well as liberals and deserves serious consideration in the overall welfare debate.

Some items in Congress's tax bill are regrettable. One is the tax credit for house purchasers up to a maximum of $2,000. Housing already receives a big subsidy in the form of the allowable deduction of mortgage interest from taxable income. A better way to help the homebuyer and the housing industry would have been to subsidize mortgage loans or, better still, to give savings and loan institutions more freedom in setting variable interest rates for home mortgages.

Removal of the oil depletion allowance for the major producers is a long-overdue and welcome move. A phase-down of the allowance to 15 percent for smaller companies by 1984 is better than keeping the allowance altogether. But it is still an unnecessary subsidy to so-called "small" producers, many of whom are sizable businesses whose return on equity capital last year exceeded 25 percent.

As President Ford now considers the bill, it is happifying to note that the worst of the problem of inflation seems to be over. It is no longer running at a double-digit level and is expected to come down to between 5 and 6 percent in the next year or two.

Meanwhile, the Federal Reserve Board has come around to priming the economy again, expanding the money supply at a rate of about 11 percent. This policy – combined with the tax-reduction package – should provide the moderate stimulus necessary to reverse the downward slide and get the economy moving once again. It will be a long haul ahead – perhaps a couple of years – but the tools for getting started are now at hand.

L. A. Times

3/28/75

The Tax Bill: Better Now Than Later

The Washington Star

JOE L. ALLBRITTON, Publisher

JAMES G. BELLOWS, Editor SIDNEY EPSTEIN, Managing Editor

FRIDAY, MARCH 28, 1975

An Acceptable Tax Bill

THE WHITE HOUSE

WASHINGTON

March 28, 1975

REJECTED
GRF

MEMORANDUM FOR THE PRESIDENT

FROM: RON NESSEN
JERRY WARREN
DICK CHENEY

SUBJECT: New option for trip to West Coast

1. Remain here, sign or veto the bill on live television Monday night at 7:30 pm EDT. Go to Palm Springs Monday night (if sign) or Tuesday morning (if veto).

2. Extend stay in Palm Springs by two days (returning in time for foreign policy speech to Congress on April 9 or 10).

<u>BENEFITS:</u>

-- President is working while Congress is on vacation

-- Builds public suspense over decision (departure for Palm Springs will lead to conclusion you will sign the bill)

-- Allows time for arguments against the bill to to become known (even editorials urging signing the bill have pointed out the weaknesses in it)

-- Shows the President is giving careful consideration, in a work atmosphere, to an important decision

-- Avoids appearance, which Nixon often gave, of feeling that President has right to take vacation whenever he wants, regardless of pending business

<u>LIABILITIES:</u>

-- President misses Bakersfield (where only small crowd can now be raised) and Elk Hills (which is too late for evening TV shows anyway)

-- President misses 2 to 3 days vacation unless stay in Palm Springs is extended (see option 2 above)

GF

Option [illegible] (Stays here, signs or vetoes bill on TV ~~[illegible]~~ Monday nite 7:30 pm EDT. Go to Palm Springs Monday night or Tuesday.

Suboption = Extend stay in Palm Springs by two days

Benefits = (1) GF ~~[illegible]~~ is working while Congress is away.
(2) Builds public suspense for decision
(3) Avoids appearance, which Nixon often gave, of feeling he had a right to take a vacation whenever he wanted one, regardless of pending business
(4) Shows GF is giving careful consideration, in a work-atmosphere, to an important decision

Liabilities = (1) GF misses Bakersfield (for which only a small crowd can now be raised) on Elk Hills (which would be too late for Evening TV shows anyhow)
(2) GF misses ~~2~~ a 3 days vacation, (which could ~~[illegible]~~ recovered by extending Palm Springs stay)

THE WHITE HOUSE
WASHINGTON

March 28, 1975

Ron,

I didn't send the attached in because it has the same ratio that the earlier rundown reflected.

Jerry

NO POSITION

Atlanta Constitution

"A Hard Decision" -- 50-50 chance. A very hard decision to make, either way it is full of thorns. Takes no stand.

Baltimore Sun

No direct stand. Takes no position.

Veto

Birmingham Morning Paper

"Tax Cut Veto For Policital Gains Urged" -- President Ford is being urged for political as well as economic reasons to veto.

Chicago Sun Times

Sign

"Sign The Tax Cut Bill" -- The principal purpose of the 24.8 billion dollar tax cut package is to inject important sums into the economy, thereby revive it. While the bill contains certain risks, it nevertheless satisfies that purpose and it merits signature by President Ford.

Boston Herald

"Danger Ahead" The compromise tax cut has confronted the White House and the Nation. The economic and political dilemma of major significance. Is it the constructive incentive needed in our economy or a political Easter Basket? Damned if he does -- damned if he doesn't. Takes no stand.

Christian Science Monitor

"Tools for Recovery"-Congress deserves kudos and it is hoped the President will sign the tax bill. He will put money into the hands of the buying people. The worse part of inflation is now over. It will be a long haul ahead but the tools for getting started are at hand.

Boston Globe

"The Tax Bill" -- It's broad importance outweighs the flaws -- it will get us out of recession, and President Ford should now sign it.

Cleveland Plain Dealer

Sign

"Congress Must Ax Spending" -- Congress reacted to President Ford's prodding for an anti-inflation tax cut. The President's veto, however sincere, would delay tax relief and antagonize an already hostile Congress. Congress must vow to cut spending to the bone. The President should approve the bill.

Florida Times Union and Orlando Star

Nothing to report.

Rocky Mountain News - Denver

Concerned with a local police problem. Nothing on tax bill.

Denver Post

Evening paper.

FOR IMMEDIATE RELEASE MARCH 29, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

ADDRESS BY THE PRESIDENT
LIVE ON NATIONWIDE
RADIO AND TELEVISION

THE OVAL OFFICE

7:31 P.M. EDT

Fellow Americans, and Fellow taxpayers:

Eleven weeks ago, in mid-January, I requested the new Congress to pass as its first priority a simple $16 billion reduction in Federal income taxes in order to stimulate economic activity and put people back to work.

I asked for a one-time refund to individual 1974 taxpayers up to a maximum of $1,000, enough to assist in the purchase of new cars, home appliances, or other improvements, thus helping business and workers in areas that have been especially hard hit by the recession.

I also asked for bigger investment credits to encourage businessmen and farmers to expand and make more jobs.

Jobs were then and are now my main concern. Unfortunately, though some other economic signs are improving, the employment picture remains bleak. I want most to help those who want to get back to work in productive jobs. This can best be done by temporary tax incentives to charge up our free enterprise system, not by government handouts and make-work programs that go on forever.

Therefore, over the past few months, I have repeatedly urged the Congress to get a straightforward tax cut bill on my desk by Easter, one that would restore some of the buying power American families lost to inflation and rising prices in 1973 and 1974.

My objective was to put money in the pockets of the American people promptly rather than have the Congress dream up new schemes for more of your money to be spent by the government in Washington.

MORE

Last Wednesday, before recessing, the Congress did pass a tax reduction bill which is here before me.

The tax cut finally adopted by the Congress represents a compromise between the $16 billion I recommended in January and the $32 billion figure passed by the Senate. I said that I would accept a reasonable compromise and the $23 billion tax reduction is within reason.

However, this bill also distributes the cuts differently and, in my opinion, fails to give adequate tax relief to the millions of middle income taxpayers who already contribute the biggest share of Federal taxes.

But the most troublesome defect of this bill is the fact that the Congress added to an urgently needed anti-recession tax reduction a lot of extraneous changes in our tax laws, some well-intentioned but very ill-considered, which should have waited for deliberate action in committee hearings and full debate by all Members. Instead, they were adopted in a hectic, last minute session before recessing.

This is no way to legislate fundamental tax reforms and every Member of the Congress knows it. Upon their return, I will again ask the House and Senate to work with me on a comprehensive review of our tax structure to eliminate inequities and to insure adequate revenues for the future without crippling economic growth.

I commend those Members of the Congress who fought for a clean and uncomplicated tax cut to create more jobs and speed economic recovery.

If I were still in the House of Representatives I would have opposed extraneous amendments and would have voted to send this bill back to committee for further cleaning up.

As President, however, I cannot, under the Constitution, accept a part of this bill and reject the rest. It comes before me on a take it or leave it basis.

The Congress has gone home. I believe my veto would eventually be sustained but I am by no means sure that this Congress would send me a better bill. It might even be worse.

MORE

The people of this country need to know right now how to plan their financial affairs for the rest of this year. Farmers and businessmen have already waited too long to find out what investments they can make to improve their production and put people back on the payroll.

Confidence depends on certainty, and while the Congress deliberated, uncertainty has clouded financial planning throughout the country.

Our country needs the stimulus and the support of a tax cut, and needs it now.

I have, therefore, decided to sign this bill so that its economic benefits can begin to work. I do this despite the serious drawbacks in the bill. Most of the drawbacks are enacted for only one year. I strongly urge the Members of the Congress to calmly reflect upon these provisions and let the worst expire. However, any damage they do is outweighed by the urgent necessity of an anti-recession tax reduction right now.

Even if I asked the Congress to send me a better bill -- and it did -- it would take too long a time to get one back, and I cannot, in good conscience, risk more delay.

I will work with the Congress to not only remedy the deficiencies in this bill, but also the dangerous actions and attitudes towards huge Federal deficits some Members have already shown in other legislative decisions.

The first part of my economic recovery recommendations last January -- a prompt tax cut of reasonable size -- now becomes law.

The second and equally important part of my economic program was to restrain Federal spending by cutting back $17 billion in existing programs and by a one-year moratorium on all new Federal spending programs, except in the critical field of energy.

So far, these proposals have been mostly ignored or rejected by a majority of the Members of the Congress.

Now that we have reduced our tax revenues by some $7 billion more than I proposed, we must move to reduce Federal spending in every way we can.

We cannot afford another round of inflation due to giant and growing deficits that would cancel out all our expected gains in economic recovery.

MORE

Maybe I can show you the situation better on this chart. If Congress had accepted all my economic recovery proposals, both for tax cuts and spending cuts, the estimated Federal deficit for fiscal year 1976 would have been about $52 billion, as represented by this column.

This kind of a deficit is far too high, but most of it was unavoidable and was brought about by mandatory Federal payment programs already on the statute books by increased unemployment compensation and reduced tax revenues due to the recession.

This is where we are today. The tax cuts in the bill I have just signed and other changes will bring the estimated fiscal year 1976 deficit up to approximately $60 billion.

Since January, Congress has rejected, or ignored, most of my requested spending cuts. If Congress fails to make these reductions it will add up to about $12 billion to the contemplated 1976 deficit. On top of that, as I look at the new spending actions which committees of the Congress are already seriously considering, I can easily add up another $30 billion of spending. This would bring the deficit to the enormous total of $100 billion.

Deficits of this magnitude are far too dangerous to permit. They threaten another vicious spiral of runaway, double-digit inflation which could well choke off any economic recovery.

Interest rates, now starting down, would again climb as the Federal Government borrowed from the private money market to finance its $100 billion deficit. Individual citizens would be unable to borrow money for new homes, cars and other needs. Businesses, despite the increased tax credit, would delay investments and expansions to put the unemployed back to work. I am, therefore, serving notice now that this is as high as our fiscal 1976 deficit should go.

I am drawing the line right here. (Points to $60 billion on chart)

MORE

This is as far as we dare to go.

I will insist (resist) every attempt by the Congress to add another dollar to this deficit by new spending programs. I will make no exceptions, except where our long-range national security interests are involved, as in the attainment of energy independence or for urgent humanitarian needs.

In short, in signing this bill, I am keeping my promise to reach a reasonable compromise with the Congress and to provide a needed boost to the economy.

I must say again, this is as far as I will go.

If we use common sense and prudence, I am confident that the present recession will retreat into history. If your Congressmen and your Senators return from their recess with new awareness of your deep concern and desire for caution and care in steering our difficult economic course, we will soon get back on the broad highway of increasing productivity and prosperity for all our people.

Thank you and good evening.

END (AT 7:45 P.M. EDT)

EMBARGOED FOR RELEASE
UNTIL 7:30 P.M. EDT

MARCH 29, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

TEXT OF AN ECONOMIC ADDRESS
BY THE PRESIDENT
TO BE BROADCAST LIVE ON TELEVISION AND RADIO

Fellow Americans and fellow taxpayers:

Eleven weeks ago, in mid-January, I requested the new Congress to pass -- as its first priority -- a simple $16 billion reduction in Federal income taxes in order to stimulate economic activity and put people back to work.

I asked for a one-time refund to individual 1974 taxpayers, up to a maximum of $1,000 -- enough to assist in the purchase of new cars, home appliances or improvements, thus helping businesses and workers in areas that have been especially hard-hit by the recession. I also asked for bigger investment credits to encourage all businessmen and farmers to expand and make more jobs.

Jobs were then and are now my main concern. Unfortunately, though some other economic signs are improving, the employment picture remains bleak. I want most to help those who want to get back to work in productive jobs. This can best be done by temporary tax incentives to charge up our free enterprise system -- not by government handouts and make-work programs that go on forever.

Therefore, over the past few months I have repeatedly urged Congress to get a straight-forward tax cut bill on my desk before Easter -- one that would restore some of the buying power American families lost to inflation and rising prices in 1973 and 1974. My objective was to put money in the pockets of the American people promptly rather than having Congress dream up new schemes for more of your money to be spent by the government in Washington.

Last Wednesday, before recessing, Congress did pass a tax reduction bill which is here before me.

The tax cut finally adopted by Congress represents a compromise between the $16 billion I recommended in January and the $32 billion figure fixed by the Senate.

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However, this bill also distributes the cuts differently and, in my opinion, fails to give adequate relief to the millions of middle-income taxpayers who already contribute the biggest share of Federal taxes.

But the most troublesome defect of this bill is the fact that Congress added to an urgently needed anti-recession tax reduction a lot of extraneous changes in our tax laws, some well-intentioned but very ill-considered, which should have waited for deliberate action in committee hearings and full debate by all Members. Instead they were adopted in a hectic last-minute session before recessing.

(MORE)

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As President, however, I cannot under the Constitution accept part of this bill and reject the rest. It is before me on a take it or leave it basis. Congress has gone home. I believe my veto would eventually be sustained but I am by no means sure that this Congress would send me back a better bill -- it might be worse.

The people of this country need to know, right now, how to plan their financial affairs for the rest of this year. Farmers and businessmen have already waited too long to find out what investments they can make to improve their production and put people back on the payroll. Confidence depends on certainty and while Congress deliberated, uncertainty has clouded financial planning throughout the country. Our economy needs the stimulus and support of a tax cut and needs it now.

I have therefore decided to sign this bill so that its economic benefits can begin to work.

I do this despite the serious drawbacks in this bill. Most of the drawbacks are enacted for only one year. I strongly urge that the Members of Congress, upon calm reflection, will have second thoughts and let the worst of these provisions expire. However, any damage they do is outweighed by the urgent necessity of an anti-recession tax reduction right now.

Even if I asked Congress to send me a better bill, and they did, it would take too long to get one back and I cannot in good conscience risk more delay. But I will work with Congress to remedy the deficiencies not only in this bill, but in the dangerous actions and attitudes toward huge Federal deficits some Members have already shown in other legislative decisions.

The first part of my economic recovery recommendations last January -- a prompt tax cut of reasonable size -- now becomes law.

The second and equally-important part of my economic program was to restrain Federal spending by cutting back $17 billion in existing programs and by a one-year moratorium on all new Federal spending programs except in the critical field of energy.

So far, these proposals have been mostly ignored or rejected by a majority of the Members of the Congress. Now that we have reduced our tax revenues by some $7 billion more than I proposed, we must move to reduce Federal spending in every way we can. We cannot afford another round of inflation due to giant and growing deficits that would cancel out all our expected gains in economic recovery.

Maybe I can show you the situation better on this chart.

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(MORE)

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Since January, Congress has rejected or ignored most of my requested spending cuts. If Congress fails to make these reductions, it will add about $12 billion to the contemplated 1976 deficit. On top of that, as I look at the new spending action which committees of the Congress are already seriously considering, I can easily add up another $30 billion or more of spending. This would bring the deficit to the enormous total of $100 billion. Deficits of this magnitude are too dangerous to permit. They threaten another vicious spiral of runaway double-digit inflation which could well choke off any economic recovery.

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In short, in signing this bill I am keeping my promise to reach a reasonable compromise with the Congress and to provide a needed boost to the economy. I must say again this is as far as I will go.

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If your Congressmen and Senators return from their recess with new awareness of your deep concern and desire for caution and care in steering our difficult economic course, we will soon get back on the broad highway of increasing productivity and prosperity for all our people.

Thank you and good evening.

\# \# \#

SATURDAY - MARCH 29, 1975

TIME PERIOD	ABC	CBS	NBC
7:30 p.m.	local program	local program	documentary INFLATION: Winners and Losers
8:00 p.m.	Kung Fu	All in the Family (very popular show)	Emergency!
8:30 p.m.	Kung Fu (continued)	The Jeffersons	Emergency! (continued)
9:00 p.m.	Easter Movie "The 10 Commandments" (Part 1)	Mary Tyler Moore Show	Easter Movie "The Greatest Story ever Told"
9:30 p.m.	Movie continued	Bob Newhart Show	Movie continued
10:00 p.m.	Movie continued	Carol Burnett Show	Movie continued

SUNDAY - MARCH 30, 1975

TIME PERIOD	ABC	CBS	NBC
7:30 p.m.	Six Million Dollar Man	The Waltons (very popular show) special 2 hours Easter show.	Continuation of movie "The Wizard of Oz"
8:00 p.m.	Six Million Dollar Man (continued)	The Waltons (continued)	Movie (continued)
8:30 p.m.	Movie "The 10 Commandments" (Part 2)	The Waltons (continued)	NBC Sunday Mystery Movie - McCloud
9:00 p.m.	Continued	Continued	Continued
9:30 p.m.	Continued	"Sojourner" Special on Life of Black Woman Leader	Continued

MONDAY - MARCH 31, 1975

TIME PERIOD	ABC	CBS	NBC
7:30 p.m.	NO NETWORK PROGRAMS - AVAILABLE AND DESIRABLE TIME		
8:00 p.m.	Rookies	Gunsmoke	Smothers Brothers
8:30 p.m.	Continued	Continued	Continued
9:00 p.m.	S.W.A.T. Crime Drama	Maude	N.C.A.A. Basketball Championship
9:30 p.m.	Continued	Rhoda	Continued