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NOVEMBER 26, 1974

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE HOUSE OF REPRESENTATIVES:

I am returning without my approval H.R. 6191, "To amend the Tariff Schedules of the United States to provide that certain forms of zinc be admitted free of duty, and for other purposes."

This bill would suspend until June 30, 1977, the present duties on zinc ores and concentrates and zinc-bearing materials.

Unfortunately, the Congress attached to this desirable provision unacceptable tax riders which would grant windfall benefits to individuals already compensated for property losses resulting from certain disasters in 1972. Moreover, the most costly of these riders was added by the conference committee; and the significance of this rider was not explored during adoption of the conference report by the two houses.

Under current tax law, individuals are generally permitted to deduct casualty losses not otherwise compensated for by insurance, tort compensation, loan forgiveness, or other means. If individuals choose to deduct these losses, however, and are subsequently reimbursed, the reimbursement must be included as income in subsequent tax returns. Otherwise, the individual could receive a tax break for a loss that had not cost him anything.

H.R. 6191 would provide unwarranted and costly exceptions to the present law by allowing certain taxpayers who have already deducted their casualty losses to also exclude from taxable income any amounts received from tort compensation or Federal loan cancellations based on those losses. The cost of these benefits to the Government in terms of revenue loss would be about \$130 million.

This would result in favored treatment for a select group of taxpayers relative to others with identical or even larger casualty losses. The individuals benefiting from this bill have already been treated more generously by the Federal Government than the present, more equitable law would allow. Finally, this special tax consideration resulting in a windfall to a limited group of taxpayers would be a very undesirable precedent.

If the Congress were to reenact this bill without the undesirable tax riders, I would be glad to approve it.

GERALD R. FORD

THE WHITE HOUSE,

November 26, 1974.

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