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ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEETING

September 9, 1976  
8:30 a.m.  
Roosevelt Room

AGENDA

PRINCIPALS ONLY

1. Tax Reform Bill
2. Economic Outlook

Treasury

EYES ONLY

MINUTES OF THE  
ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEETING

September 7, 1976

Attendees: Messrs. Simon, Seidman, Lynn, Greenspan, Richardson,  
Usery, Cannon, Zarb, Gorog, Malkiel, Walker, Porter,  
Kendrick

1. Tax Reform Bill

The Executive Committee reviewed a memorandum, prepared by the Department of the Treasury, outlining the current status and provisions in the tax bill and their evaluation of the actions of the Conference Committee to date. Secretary Simon reported that he anticipated the Conference Committee would complete their action by the end of this week. The discussion focused on specific provisions in the bill, including the earned income credit and the need to review the bill again following the Conference Committee's actions on Wednesday.

Decision

Charles Walker will prepare a revised memorandum on the evaluation of the Conference Committee action for distribution to Executive Committee members.

The Executive Committee agreed to reconsider this issue at the Thursday, September 9, Executive Committee meeting.

2. Economic Outlook

The Executive Committee reviewed the near-term economic outlook. The discussion focused on the recent patterns of growth in employment and in the labor force, the need to prepare short policy statements and questions and answers on economic policy for use by the President and Presidential spokesmen, and the near-term outlook for the CPI and WPI.

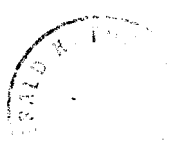
EYES ONLY

Decision

Executive Committee members were requested to provide Mr. Seidman's office with questions and policy areas meriting preparation of a short statement by 2:00 p.m. today. Mr. Seidman's office will work with CEA and other members of the Executive Committee to prepare short answers and simple policy statements for review at the Thursday, September 9, Executive Committee meeting.

3. EPB Attendance

Secretary Simon announced that for the next few weeks Executive Committee meetings would be limited to Executive Committee members except for individuals responsible for presenting a paper to the Executive Committee.



U.S. DEPARTMENT OF LABOR  
OFFICE OF THE SECRETARY  
WASHINGTON

SEP 2 1976

MEMORANDUM TO THE EPB EXECUTIVE COMMITTEE

FROM: W.J. USERY, JR.

*WJ Usery*

ACTING

SUBJECT: The Status of Unemployment Insurance Legislation

Background

On July 20th the House of Representatives passed the Unemployment Compensation Amendments of 1976 (H.R. 10210) by a vote of 237-157. The bill as passed by the House represents a compromised position with wide support. Senate finance staff members have given their opinion that the Senate will accept the bill substantially as passed by the House.

Provisions of H.R. 10210 as passed by the House

o Financing

Taxable wage base is increased from \$4,200 to \$6,000. The net federal tax was temporarily increased from 0.5% to 0.7% increasing the overall rate from 3.2% to 3.4%. The increase is "temporary" in that it is to be in effect until all advances to the Extended Benefits Account from general revenue have been repaid or until 1983.

o Coverage

The bill extends coverage to 59% of farm workers, 25% of domestic workers, workers for nonprofit elementary and secondary schools, and the Virgin Islands. Except for the Virgin Islands which have their own unemployment insurance system, the additional coverage brings under the regular system those currently covered by the Special Unemployment Assistance (SUA) which is currently financed by general revenues.



o National Study Commission

The bill establishes a 13-member commission to study and report on a number of complicated issues facing the unemployment insurance system including long term financing and whether benefit recipients should be required to take specific jobs.

o Benefit standard

No provision.

o Benefit denials

A house amendment denies benefits to illegal aliens and to pro sports performers between seasons.

The bill also provides for a number of noncontroversial technical amendments.

Administration Position

As the bill stands, it is clearly a compromise. However the Administration is supporting H.R. 10210 as passed by the House because (1) efforts to press for changes now would probably diminish support for passage by the Senate and (2) the financing provisions of the bill are urgently needed this year in order to begin the program and give states time needed to amend their laws to increase the tax.

A number of the more difficult questions of interest to the Administration but not addressed by this bill--particularly the question of long term financing--will be examined by the study commission.



THE WHITE HOUSE

WASHINGTON

September 7, 1976

MEMORANDUM FOR

THE EXECUTIVE COMMITTEE  
ECONOMIC POLICY BOARD

FROM: WILLIAM F. GOROG *WFG*

SUBJECT: Update of Selected Economic Statistics

1. Money Stock Measures

		M	(%Change)	M
Change in July from		<u>1</u>		<u>2</u>
April	1976	4.1		9.1
January	1976	6.6		11.2
July	1975	4.4		9.3

2. Total Industrial Production (Real Terms, seasonally adj.)

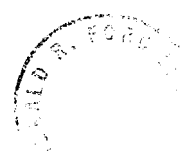
(Index: 1967 = 100)		Index	% Change
July	1976	130.4	+0.2
June	1976	130.1	+0.4
May	1976	129.6	+0.9
April	1976	128.4	+0.2
March	1976	128.1	+0.6
February	1976	127.3	+1.3

(July 1975 - July 1976) +10.1

3. Retail Sales (Current dollars, seasonally adj.)

Total:		\$ Billions	% Change
July	1976	53.21	-1.4
June	1976	53.99	+2.7
May	1976	52.56	-2.1
April	1976	53.69	+0.7
March	1976	53.34	+1.4

(July 1975 - July 1976) +7.7



4. Housing Starts and Building Permits (Seasonally adj.)

Starts (annual rates):		Units	% Change
July	1976	1,387,000	-9.2
June	1976	1,527,000	+7.4
May	1976	1,422,000	+5.5
April	1976	1,367,000	-3.5
March	1976	1,417,000	-8.4

(July 1975 - July 1976) +14.9

Permits (annual rates):			
July	1976	1,219,000	+6.0
June	1976	1,150,000	-0.7
May	1976	1,158,000	+7.0
April	1976	1,082,000	-4.6
March	1976	1,134,000	-

(July 1975 - July 1976) +14.3

5. Employment and Unemployment (Seasonally adj.)

Civilian Labor Force (CLF): Millions of Persons - 16 yrs.+

August	1976	95.49
July	1976	95.33
June	1976	94.64
May	1976	94.55
April	1976	94.44
March	1976	93.72
March	1975	91.88
December	1974	91.64

Employment:

August	1976	87.98
July	1976	87.91
June	1976	87.50
May	1976	87.70
April	1976	87.40
March	1976	86.69
March	1975 (low)	84.11
December	1974	85.05

Unemployment:

		Millions of Persons	% of CLF
August	1976	7.51	7.9
July	1976	7.43	7.8
June	1976	7.14	7.5
May	1976	6.86	7.3
April	1976	7.04	7.5
March	1976	7.03	7.5
May	1975	8.25	8.9
December	1974	6.58	7.2





Unemployment:

Heads of Households:			(% of Group)
August	1976	-	5.2
July	1976	-	5.4
June	1976	-	5.1
May	1976	-	4.8
April	1976	-	4.8
March	1976	-	5.0
December	1975	-	5.7
May	1975	-	6.1
December	1974		4.6

6. Manufacturers' Shipments and Orders (current dollars, seasonally adj.)

Total Shipments:	\$ Billions	% Change
July 1976	94.26	-
June 1976	94.24	-0.3
May 1976	94.51	+0.7
April 1976	93.84	+0.8
March 1976	93.05	+2.3
February 1976	90.91	+1.8

Total Inventories:		
July 1976	151.78	+0.6
June 1976	150.91	+1.2
May 1976	149.17	+0.7
April 1976	148.12	-
March 1976	148.15	+0.6
February 1976	147.32	+0.2

Total New Orders:		
July 1976	95.15	-0.5
June 1976	95.60	-0.5
May 1976	96.05	+2.0
April 1976	94.14	+0.8
March 1976	93.39	+3.5
February 1976	90.20	+2.4

7. Consumer Price Index

All Items - 12 mos. previous to:			% Change
July	1976	(+0.6% for month)	+5.4
June	1976	(+0.5% for month)	+5.9
May	1976	(+0.6% for month)	+6.2
April	1976	(+0.4% for month)	+6.1
March	1976	(+0.2% for month)	+6.1
February	1976	(+0.1% for month)	+6.3
January	1976		+6.8
December	1975		+7.0
September	1975		+7.8
June	1975		+9.3
March	1975		+10.3
December	1974		+12.2

8. Wholesale Price Index

All Commodities - 12 mos. previous to:		<u>% Change</u>
August	1976 (-0.3 for month)	+4.0
July	1976 (+0.3 for month)	+4.9
June	1976 (+0.4 for month)	+5.4
May	1976 (+0.3 for month)	+5.0
April	1976 (+0.8 for month)	+5.3
March	1976 (+0.2 for month)	+5.4
September	1975	+6.3
June	1975	+11.6
March	1975	+12.5

9. Gross National Product (constant 1972 dollars)

Change from previous Quarter:		<u>% Change</u>
Second Quarter	1976	+4.3
First Quarter	1976	+9.2
Fourth Quarter	1975	+3.3
Third Quarter	1975	+11.4
Second Quarter	1975	+5.6
First Quarter	1975	-9.9

10. Real Spendable Earnings

12 Months previous to:		<u>% Change</u>
July	1976	+0.3
June	1976	-0.2
May	1976	+0.2
April	1976	+4.3
March	1976	+4.5
December	1975	+3.8
September	1975	+1.6
June	1975	+0.2
March	1975	-4.6

11. Personal Income (current dollars, seasonally adj.)

Annual Rate:		<u>\$ Billions</u>	<u>%Change</u>
July	1976	1,384.3	+0.9
June	1976	1,370.4	+0.5
May	1976	1,362.9	+0.8
April	1976	1,352.5	+0.8
March	1976	1,341.9	+0.8
February	1976	1,331.4	+0.8
January	1976	1,320.8	+1.0
December	1975	1,308.2	+13.3
December	1974	1,153.3	-



12. Composite Index of Leading Indicators

Change from previous month:

% Change

July 1976  
June 1976  
May 1976  
April 1976  
March 1976  
February 1976  
January 1976

+0.5  
+0.9  
+0.7  
+0.5  
+0.9  
+0.4  
+1.2

THE WHITE HOUSE

WASHINGTON

September 8, 1976

MEMORANDUM FOR ECONOMIC POLICY BOARD  
EXECUTIVE COMMITTEE MEMBERS

FROM: ROGER B. PORTER *RP*  
SUBJECT: Tax Reform Bill Materials

The Treasury has prepared some additional materials for the Executive Committee's consideration of the tax reform bill tomorrow morning. They include:

1. Administration Positions and Conference Action on H.R. 10612
2. A revised " Evaluation of Conference Committee Action" which should replace the earlier evaluation paper in the packet of materials distributed at the Tuesday Executive Committee meeting.

Attachments

Administration Positions and  
Conference Action on  
H.R. 10612

Titles I and II - LAL and Other Tax Shelter Provisions

1-30 - (Open)

Title III - Minimum and Maximum Tax Changes

31-33 - (Open)

Treasury Department  
September 7, 1976

WS-1070

Title IV - Individual Tax Reductions

34. General tax credit

34. -----

Discussion: The Administration is disappointed by the form, duration and extent of the tax cut extension provisions in the House and Senate bills. It continues to support greater tax reductions coupled with a dollar-for-dollar reduction in federal expenditures.

Conference Action: The Conferees adopted the Senate provisions providing for a \$35 per capita tax credit for individuals. The tax credit was extended to January 1, 1978.

35. Standard deduction

35. -----

Conference Action: The Conferees adopted the Senate provisions providing for an increase in the standard deduction to a maximum of \$2400 for single returns and \$2800 for joint returns. The standard deduction changes were made permanent.

36. Earned income credit

36. -----

Conference Action: The Conferees extended the earned income credit to January 1, 1978.

37. Disregard of earned income  
credit

37. No objection to House and  
Senate provisions.

Conference Action: The Conferees agreed to provision providing that refunds from the earned income credit are to be disregarded in determining eligibility for assistance benefits.

## Title V - Tax Simplification

38. Alimony payments

38. Support provision with  
Senate effective date

Conference Action: The Committee voted to make the alimony deduction an above-the-line deduction for taxable years beginning after December 31, 1976.

39. Child care expenses

39. Oppose the refundable  
feature of the Senate  
provision.

Discussion: The credit for child care expenses may be considered a cost of earning income. The credit thereby performs a legitimate tax function in determining the proper amount of tax due. However, refundability has nothing to do with the determination of tax liability; it is simply an addition to the tax system which more properly serves a welfare function.

Conference Action: Open

40. Sick pay and certain military  
disability pensions

40. Support House provision.  
No objection to Senate  
provision for Federal  
employees injured as the  
result of acts of terrorism.

Discussion: The Senate floor amendment retaining sick pay provisions of current law for taxpayers with adjusted gross incomes of \$15,000 or less is contrary to the simplification purpose of Title V. Also, more fundamentally, no justification exists for treating sick pay any differently than other wages.

Conference Action: Open

41. Moving expenses

41. Support Senate provision.

Conference Action: The Committee adopted a December 31, 1976 effective date. The Conferees agreed to limit the increase in the maximum deduction for moving expenses from \$2,500 to \$3,000 (House provision) and to provide special rules (Senate provision) for members of the armed forces on active duty who are moved by military orders.

42. Tax study by Joint Committee

42. No objection to Senate provision.

Conference Action: The House accepted the Senate provision requiring a Joint Committee study on simplification.

43. Treasury report on tax simplification and integration of corporate and individual income taxes

43. No objection to Senate provision.

Discussion: Treasury is presently undertaking a study on basic tax reform.

Conference Action: The Committee deleted this provision on Treasury's assurance that it would attempt to submit its study by 12/31/76.

Title VI - Business Related Individual Provisions

44. Deductions for expenses attributable to business use of homes

44. Support Senate provision.  
Oppose Senate floor amendment of Senator Bartlett expanding definition of business use of home.

Conference Action: The Committee adopted the House provision which would permit the deduction of expenses attributable to the business use of a home only where such expenses are attributable to the portion of the home used exclusively on a regular basis as (a) the taxpayer's principle place of business, and (b) a place of business which is used for patients, clients, or customers in meetings or dealings with the taxpayer in the normal course of his business. The Committee also accepted the Senate modification which would allow a deduction for a separate structure not attached to the taxpayer's dwelling unit which is used exclusively on a regular basis in the taxpayer's trade or business.



45. Deduction for expenses attributable to rental of vacation homes

45. No objection to House and Senate provisions.

Discussion: It is appropriate to replace the present facts and circumstances test of current law with an objective mechanical rule. The Administration prefers the two week rule to the alternative tests of the House and Senate provisions.

Conference Action: The Committee adopted the Senate provision, which would limit the amount allowable for deductions attributable to the rental of a vacation home if the home is used by a taxpayer for personal purposes in excess of the greater of two weeks or 10% of its actual business use. They also accepted the Senate de minimus rule (with a modification) that no business deductions would be allowed if the vacation home was actually rented for less than 15 days.

46. Deductions for attending foreign conventions

46. Support Senate provision (as reported by the Finance Committee). Oppose Senate floor amendment retaining present law.

Discussion: The Senate provision would curb most of the abuse of the deduction allowed for attending foreign conventions. The House provision contains mechanical rules which would be difficult to administer. It also fails to deal with conventions on cruise ships.

The Administration believes that the deduction for attending foreign conventions has been abused and that current law is inadequate to deal with the problem. The Administration, therefore, opposes the Senate floor amendment which would make no change in present law.

Conference Action: The Committee adopted the Senate Finance Committee provision which would disallow a deduction for a convention held outside North America unless, on the basis of certain factors, it were more reasonable for the meeting to be held outside North America than within it. It also would disallow a deduction for a convention held on a cruise ship. The Committee decided to make the provision prospective only, effective with respect to meetings held after October 1, 1977.

47. Qualified stock options

47. Support House provision.

Conference Action: The Committee voted to accept the House provision (with the later Senate effective date) which generally repeals qualified stock option treatment and subjects such options to the same rules as presently apply in the case of nonqualified options. The Committee directed that the Statement of Managers should report that the IRS should value options granted during the lifetime of individuals on the same basis that such options would be valued for Federal estate tax purposes. This was prompted by the concern of Senator Haskell that the IRS always assign a value of options for estate tax purposes; however, for income tax purposes the IRS will often argue that such options cannot be valued.

48. Nonbusiness guaranties

48. Support House provision.

Discussion: Current law creates an arbitrary distinction in the treatment of guaranteed payments depending on whether the guarantor is an individual and on whether the obligation is that of a corporation.

Conference Action: The Senate Conferees accepted the House provision which would allow a taxpayer who has a loss from the guarantee of a loan to treat such loss in the same manner as if such loss arose out of the guarantor's trade or business.

49. Deduction for legislators travel expenses away from home

49. No objection to House provision with Senate modification that the Secretary of Labor (rather than IRS) establish the daily amount of allowable living expenses.

Conference Action: Open

## Title VII - Accumulation Trusts

50. Revision of Method of Taxing  
Accumulation Distributions on  
Trusts

50. Support Senate provisions.

Discussion: The Senate provisions incorporate perfecting amendments to the House bill and thus are preferable.

Conference Action: The Conferees agreed to the Senate provision.

## Title VIII - Capital Formation

51. Extension of \$100,000 limitation  
on used property

51. Support Senate provision.

Conference Action: The Senate Conferees receded from making this item permanent and, instead, adopted the House extension through December 31, 1980.

52. Extension of 10-percent investment  
credit

52. Support Senate provision.

Conference Action: The Senate Conferees receded from making this item permanent and, instead, adopted the House extension through December 31, 1980.

53. First-in-first-out treatment of  
investment credit amounts

53. Support Senate provision  
provided that present treatment retained for pre-1976 carryovers.

Discussion: The FIFO rule improves the incentive to further capital investment. However, present law should be retained for investment credit carryovers from pre-1976 years to prevent wind-falls.

Conference Action: The House Conferees accepted the Senate provision providing for First-in-first-out treatment of investment credit carryovers. The Senate then receded on its provision extending for two additional years the carryover period for investment credits arising in 1966, which would expire (unless used) this year.

54. Extension of expiring investment  
tax credits

54. Oppose Senate provision.

Discussion: The provision provides a windfall  
for a limited number of taxpayers who have unused,  
expiring credits from 1966.

Conference Action: The Conferees deleted the Senate provision.

55. ESOP investment credit provision

55. Oppose Senate provision.

Discussion: The Administration supports tax  
incentives for broadened stock ownership which  
are available to all taxpayers. ESOPs are  
restricted to corporate employees and do not  
afford diversification and investment choice.  
In addition, as among corporate employees,  
ESOPs tied to the investment tax credit favor  
employees in capital intensive industries.

Conference Action: The Conferees accepted a compromise pursuant to  
which an additional investment credit of 1% would be allowed dollar-  
for-dollar for amounts contributed to an ESOP. An additional credit  
of up to 0.5% would be allowed to the employer for amounts contributed  
by employees to an ESOP. The special ESOP credit would apply to taxable  
years through 1980.

56. Retroactive regulations on  
Employee Stock Ownership Plans  
(ESOPs)

56. Oppose Senate provision.

Discussion: To the extent that Congress endorses  
different rules for ESOPs, it should set forth  
specific criteria in legislation developed after  
public hearings and comment.

Conference Action: The Conferees accepted a compromise concerning  
the Senate provision prohibiting retroactive regulations relating to  
ESOPs. Under the compromise, a provision would be added in the State-  
ment of Managers detailing further the ESOP requirements.

57. Study of stock ownership expansion

57. Support Senate provision.

Conference Action: The Conferees decided that a broad based task  
force (rather than a Commission) should be convened to study broad-  
ening stock ownership.

58. Investment credit in the case of  
movie and television films

58. Support Senate provision  
except for "elect out". .

Discussion: The provision provides a compromise investment credit for pre-'75 years in settlement of pending litigation. The "elect out" of the Senate provision frustrates the intent of the compromise to dispose of this litigation.

Conference Action: The House Conferees accepted the first two Senate provisions which delete a restriction on allowable investment credit carryovers in the case of taxpayers electing the compromise method only for pre-72 years and provides that the credit is available for educational, as well as entertainment films. The Conferees agreed to retain the Senate provision whereby certain taxpayers could "opt-out" of the legislative compromise of their investment credit dispute and continue their pending litigations. The Conferees also agreed to include participations in the investment credit base. However, a dispute arose concerning the proper amount of participations which should be included. The Conferees agreed to allow half allowed under the Senate provision.

59. Investment credit in the case of  
certain ships

59. Oppose Senate provision  
(including its retroactive  
effective date).

Discussion: The provision selectively overturns the general tax concept of "basis" underlying the allowance of depreciation and investment credit.

Conference Action: A compromise was agreed to pursuant to which a 5% investment tax credit (rather than the regular 10% credit) would be allowed prospectively from January 1, 1976 for vessels constructed with capital construction funds. However, taxpayers could continue to contest in court their eligibility for a full 10% credit for past and future years.

60. Small fishing vessel construction  
reserves

60. Oppose Senate provision.

Conference Action: The Conferees agreed to reduce the eligibility for the capital construction funds in the case of commercial fishing vessels from 5 tons to 2 tons.

61. Net operating loss carryover election

61. Support Senate provision provided that the election be made on an annual basis for the losses occurring in such year.

Conference Action: The Conferees accepted a compromise whereby taxpayers would have an election to deduct their net operating losses over two carryover periods: either three years back and then seven years forward; or seven years forward. The Conferees agreed that the carryforward period for regulated companies should be extended from the present period of seven years to nine years.

62. Limitation on trafficking in net operating loss carryovers

62. Oppose Senate provision.

Discussion: The provision would significantly alter the tax consequences of certain corporate acquisitions where one of the parties to the transaction has net operating loss carryovers. The Administration strongly recommends that no such basic changes be made without an opportunity for study and comment by the major professional associations and other interested parties. The Internal Revenue Service has indicated that the provision will be difficult to administer due to its uncertainty and complexity. These factors may also impede legitimate business transactions.

If the provision is adopted, the Administration recommends that its effective date be delayed for at least one year and that Congress invite comments and specifically undertake to make necessary substantive and technical modifications prior to its effective date.

Conference Action: The Conferees agreed to the Senate provision substantially revising the present limitations on acquisitions of corporations with net operating losses. A compromise was struck with respect to the effective date which would be delayed until January 1, 1978.

63. Credit for artist's donations of own work to charitable organizations

63. Oppose Senate provision.

Discussion: If a credit is allowed for artist's donations of his own work, the Administration prefers a 5 year holding period before the artist is eligible for such credit.

Conference Action: The Senate provision would provide a 30-percent credit for up to \$35,000 in value of such work. The House Conferees expressed concern about valuation problems, and that the provision might be a precedent for charitable deductions for the value of other personal services. The Senate Conferees agreed to drop this provision.

#### Title IX - Small Business Provisions

64. Continuation of changes in corporate tax rates and increase in surtax exemption.

64. Support Senate provision.

Discussion: Making the tax changes permanent is part of the President's deepened tax cut proposal. Also, the extension of the tax cuts to mutual insurance companies corrects a clear drafting oversight in the Tax Reduction Act.

Conference Action: The Conferees agreed to continue the changes in the corporate tax rate and the increase in the surtax exemption until December 31, 1977. In addition, these changes would apply to mutual insurance companies.

#### Title X -- Changes in the Treatment of Foreign Income

65. Income earned abroad by U.S. citizens living or residing abroad

65-1. Prefer the House bill, but do not object to the Senate version.

65-2. Do not oppose the Senate provision.

Conference Action: The Conferees agreed on a compromise which would reduce the exemption from \$20,000 to \$15,000 for all persons and tighten the eligibility for the exemption.

66. Income tax treatment of non-resident alien individuals who are married to citizens or residents of the United States

66-1. Support.

66-2. Support.

66-3. Support the Senate provision.

Effective date. Prefer Senate effective date.

Conference Action: The Senate provision was agreed to, effective for taxable years beginning after December 31, 1976. A U.S. citizen or resident married to a nonresident alien individual would now be allowed to file a joint return provided that an election is made by both individuals to be taxed on their worldwide income. Also, where the election to be taxed on worldwide income is not made, certain community property laws are to be made inapplicable for income tax purposes.

67. Foreign trusts having one or more United States beneficiaries to be taxed currently to grantor

67-1. Support. Prefer the Senate change.

67-2. Support.

Effective date. Prefer Senate effective date.

Conference Action: The Senate provision was agreed to but with the House effective date of taxable years ending after December 31, 1975. Grantors of foreign trusts will be taxed currently on the income of the trust if the trust has a U.S. beneficiary.

68. Interest charge on accumulation distributions from foreign trusts

68. Support. Prefer the Senate version.

Effective date. Prefer Senate effective date.

Conference Action: The Senate provision was agreed to. An interest charge in the form of an additional tax would be imposed on beneficiaries receiving taxable accumulation distributions from foreign trusts. No charge would be imposed for periods before January 1, 1977.



69. Excise tax on transfers of property to foreign persons to avoid Federal income tax

69. Support. Prefer the Senate version.

Conference Action: The Senate amendment was agreed to. An excise tax of 35% would be imposed on the amount of the unrecognized appreciation of all property transferred to foreign entities. An election to recognize gain in lieu of paying the excise tax would be permitted.

70. Amendment of provisions relating to investment in U.S. property by controlled foreign corporations

70. Support the change from present law, and prefer the Senate bill.

Effective date. Prefer Senate effective date.

Conference Action: The Senate provision was agreed to. There would be excluded from the definition of U.S. property in existing law (1) stock or debt of a domestic corporation (other than a U.S. shareholder) which is not 25% owned by the U.S. shareholders, and (2) movable drilling rigs when used on the U.S. continental shelf.

71. Shipping profits of foreign corporations

71-1. Support. Prefer the Senate version.

71-2. Oppose the House provision.

71-3. Do not oppose Senate provision.

Conference Action: The Senate provision was agreed to. There would be excluded from foreign base company income, income from shipping operations within one country if the ships are registered in that country and owned by a company which is incorporated in that country. The House provision which would have made it clear that debt obligations are taken into account in determining the amount invested in shipping assets, and the Senate provision which would have excluded from a point in a foreign country to a point offshore were not agreed to.

72. Agricultural products

72. Oppose the House provision and support the Senate bill which would make no change in present law.

Discussion: The House provision would change present law to make it more difficult to administer.

Conference Action: The Senate provision which retained current law was agreed to.

73. Requirement that foreign tax credit be determined on overall basis

73. Do not object to the elimination of the per-country limitation. Support the Senate version. Oppose the House provisions which would retain the per-country for possession source income, and delay the effective date for 3 years in the case of mining companies.

Discussion: The House provision would single out possession source income and mining companies for special treatment which discriminates against other taxpayers. The Administration cannot find any reason to single out these two classes of taxpayers for this kind of special treatment.

Conference Action: The Senate amendment was agreed to. The per-country limitation would be repealed and all taxpayers would be required to determine their foreign tax credit limitation on an overall basis. The House bill would have permanently retained the per-country limitation for possession source income and would have provided a three-year transitional rule for mining companies. The latter two provisions were not agreed to.

74. Recapture of foreign losses

74. Support the recapture of foreign losses, and prefer the Senate version.

Conference Action: The Senate provision was agreed to. Foreign losses would be recaptured through the foreign tax credit mechanism when foreign operations become profitable. The taxpayer may have more than 50% of foreign source income recaptured in any taxable year, and the proportionate foreign tax credit disallowance rule is deleted.

75. Treatment of capital gains for purposes of foreign tax credit

75. Support and prefer the Senate version.

Conference Action: The Senate provision was agreed to. In general, the foreign tax credit limitation would be modified so that net U.S. capital losses would offset net foreign capital gains, in the case of corporations, only 30/48ths of the net foreign source gain would be included in the foreign tax credit limitation, and the gain from the sale or exchange of personal property outside the United States would be considered U.S. source income unless one of three exceptions applies.

16. Foreign oil and gas extraction income

- a. Transitional rule for foreign tax credit limit

76a. Oppose the House provision.

Discussion: Generally oppose retroactive relief granted by the House provision.

- b. Definition of foreign oil-related income

76b. No objection to Senate provision.

Discussion: The Senate provision is consistent with the inclusion of interest from foreign corporations and dividends in the definition of foreign oil related income.

- c. Foreign oil and gas extraction income earned by individuals

76c. Support Senate provision.

- d. Tax credit for production-sharing contracts

76d. Do not oppose the Senate provision.

- e. Reduction in amount allowed as foreign tax credit on oil extraction income

76e-1. Support the Senate provision, with modifications.

Discussion: The Administration supports limiting the credit for oil and gas extraction taxes to 48 percent. However, the Administration recommends that the limit be computed not on a country-by-country basis, but by applying the overall limitation separately with respect to oil extraction income and other income using the regular section 904 rules for carryovers, etc.; that the definition of oil and gas extraction income be narrowed to include dividends only when they are from a foreign corporation when taxes are deemed paid with respect to those dividends; that interest be excluded from the definition.

76e-2. Oppose the Senate provision.

Discussion: The Administration opposes the attempt to define the portion of the payment to a foreign government which is a royalty. A new definition would only confuse the issue. It would raise doubts as to the applicability and the effect of recent IRS statements concerning the creditability of taxes. It would cloud the applicability of the law in non-oil and gas areas.

76. Foreign oil and gas extraction income

Conference Action: A compromise was agreed to on the Hartke amendment. The amount of foreign taxes allowable as a credit with respect to foreign oil and gas extraction income would be reduced and limited to 48% on an overall, rather than a per country, basis. However, deductions for losses from extraction activities would be limited to the income from such activities.

77. Underwriting income

77. Support the Senate provision.

Conference Action: The Senate amendment was agreed to. The source of underwriting income would be the place where the risk is located.

78. Third-tier foreign tax credit when section 951 applies

78. Support Senate provision.

Conference Action: The Conferees agreed to the Senate provision providing the same foreign tax credit rules for third-tier subsidiaries as apply to second-tier subsidiaries.

79. Interest on bank deposits earned by nonresident aliens and foreign corporations

79. Support the House provision.

Discussion: The Administration strongly supports the permanent exemption which is contained in the House provision.

Conference Action: The Conferees agreed to make permanent the exemption from U.S. tax for interest earned by nonresident aliens and foreign corporations from deposits in United States banks.

80. Changes in ruling requirements under section 367; certain changes in section 1248

80-1. Strongly support the change in present law, and prefer the Senate version.

80-2. Support the change in present law, and prefer the Senate version.

80-3. Strongly support the change in present law, and prefer the Senate version.

Conference Action: The Senate provision was agreed to. The requirement of an advanced ruling in the case of foreign reorganizations would be eliminated and certain other technical changes in the treatment of the sale of stock of controlled foreign corporations was made.

81. Contiguous country branches of domestic life insurance companies

81. Do not object to either version.

Conference Action: The Senate provision was agreed to. A U.S. mutual life insurance company would be permitted to elect to account for contiguous country business separately from other business to avoid U.S. taxation on contiguous country income to the extent such income is not repatriated. The Senate provision extended this relief to stock companies selling, through contiguous country subsidiaries, policies which are similar to those sold by mutual companies.

82. Tax treatment of corporations conducting trade or business in Puerto Rico and possessions of the United States

82-1. Do not object to the change in present law. Prefer the Senate version.

82-2. Do not object.

Effective date. Prefer Senate effective date.

Conference Action: The Senate provision was agreed to. Under the provision, a qualified corporation would be entitled to a special foreign tax credit equal to the U.S. tax on gross income from sources within a possession. In addition, dividends from a possession's corporation would be eligible for the inter-corporate dividends received deduction.

83. Repeal of provisions relating to China Trade Act Corporations

83. Support the phaseout generally, and prefer the Senate version.

Conference Action: A compromise was adopted. Under the House bill, the China Trade Act Corporation provision would be phased out over a four-year period while the Senate provision provided for a two-year phase-out. The Conference action provides for three-year phase out.

84. Denial of certain tax benefits on international boycotts and bribe-produced income

84. Strongly oppose the Senate provision.

Discussion: The Senate provision is an inappropriate means of dealing with the problems of boycotts and bribes. Moreover, these provisions would create substantial administrative problems.

Conference Action: In the case of bribes the Conferees would provide for the amount of a bribe paid by a foreign corporation to be a deemed distribution to the U.S. shareholders of that corporation without any reduction in earnings and profits of the foreign corporation. A compromise on the boycott provision was accepted by the Conferees.

- The tax benefits would be disallowed only to the extent attributable to boycott activities,
- the limitations would only apply to secondary and tertiary boycotts, and
- no limitations would apply to taxpayers who comply with restrictions on exporting and importing to and from the Middle East belligerent countries.

Title XI -- Domestic International Sales Corporations (DISCs)

85. Amendments affecting DISC

85. Oppose both the House and Senate versions.

Discussion: In the context of the House and Senate bills, the Administration recommends the following compromise position:

1. Incremental rule limiting DISC benefits to the extent current export gross receipts exceed 60 percent of the average for 3 out of 4 base period years (initially 1972-1975);
2. Base period moves forward after 1980;
3. Exception to incremental rule contained in House and Senate versions for DISCs having taxable income of \$100,000 or less for a taxable year;
4. DISC benefits retained for agriculture;
5. DISC retained for military sales;
6. Technical changes with respect to disqualification recapture and producer's loans as in House version;
7. Senate provisions relating to distributions of DISC stock and double counting in the case of distribution to meet qualification requirements;
8. Effective date: for incremental rule - taxable years beginning after December 31, 1976.

Conference Action: A compromise was adopted providing as follows:

1. An incremental rule was adopted limiting DISC benefits to the extent the current export gross receipts exceed 67% of the average for four base period years (initially 1972, 1973, 1974, 1975) which moves forward after 1979.
2. Agricultural products would be eligible for DISC benefits and would be treated the same as other products.
3. DISC benefits would be permitted for military sales but only with respect to one-half of the income from those sales.
4. A small DISC exemption from the incremental rule would be provided for.
5. Upon disqualification of a DISC, the accumulated DISC income is recaptured over a period equal to twice the period that the DISC was in existence not to exceed 10 years.
6. Where DISC benefits with respect to products terminate, loans to a related supplier may still qualify as a producer's loan.

## 85. Amendments affecting DISC

7. Sale or distribution of DISC stock in certain nontaxable transactions will result in recapture of accumulated DISC income.

8. Certain problems relating to double counting in the case of distributions to meet qualification requirements are eliminated.

9. The provision will be effective with respect to taxable years beginning after December 31, 1975.

## Title XII - Administrative Provisions

86. Public inspection of written determinations by Internal Revenue Service

86. Support Senate provision.

Discussion: The Senate provision reflects a compromise worked out among representatives of the tax bar, the accounting profession, the Internal Revenue Service, the Treasury Department and public interest firms. Thus, the provision represents a publicly considered solution to a problem which has been the subject of extensive and costly litigation over the past several years. Certain technical matters, however, should be clarified by the Conference Committee.

Conference Action: The Conferees adopted the Senate provision under which determinations made by the IRS would be made public. However, unlike the House provision, the names of the requesting taxpayers would not be disclosed.



87. Disclosure of returns and return information

- a) In general
- b) Definition of returns and return information
- c) Disclosure to Congress
- d) White House (and other Federal agencies)
- e) Civil and Criminal tax cases
- f) Nontax criminal cases
- g) Nontax civil matters
- h) General Accounting Office
- i) Statistical use
- j) Other agencies - inspection on a general basis
- k) State and local governments
- l) Taxpayers with a material interest
- m) Miscellaneous disclosures
- n) Procedures and records concerning disclosure
- o) Safeguards
- p) Reports to Congress
- q) Enforcement

87. a-c. Support Senate provisions.

d-e. Support Senate provisions.

f. Oppose requirement of - "probable cause" for disclosure to Justice Department and other Federal agencies of taxpayer information in nontax criminal cases. Prefer Finance Committee amendment.

g-h. Support Senate provisions.

i-n. Support Senate provisions with following modification:  
- Tax information disclosed to Federal, State and local welfare agencies should be limited to the tax information available from the IRS individual master files.

o-q. Support Senate provisions.

87. Disclosure of returns and return information

Conference Action: The Conferees adopted the Senate provision which restricts the extent to which taxpayer information may be disclosed. The Conferees agreed to modify the Senate provision so that the Justice Department could more readily obtain tax information in non-tax criminal cases. The Conferees agreed to an amendment of section 1202(f) of the Senate provision which would allow the Justice Department access to tax information in nontax criminal cases under certain prescribed circumstances.

88. Income tax return preparers

88. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision placing specific requirements (and penalties for failure to comply) on income tax return preparers.

89. Jeopardy and Termination  
Assessments

89. Support Senate provision.

Discussion: The Senate provision protects taxpayers against any abusive use of jeopardy and termination assessments, while providing more flexibility than the House provision for a mutually satisfactory disposition. Also, the Senate provision deals with the issues presented by the Supreme Court decision in Laing v. United States.

The Administration recommends that the effective date be February 28, 1977 to provide the IRS time to implement the new provision.

Conference Action: The Conferees adopted the Senate provision under which taxpayers could be afforded an opportunity to contest a jeopardy assessment of the IRS.

90. Administrative summons

90. Prefer Senate provision.

Discussion: The Administration recommends that the effective date be February 28, 1977 to provide the IRS time to implement the new provision. Certain other technical matters should be clarified by the Conference Committee.

Conference Action: The Conferees adopted the Senate provision which provides the taxpayer with a course of action to contest administrative summons issued by the IRS.

91. Assessments in case of mathematical or clerical errors

91. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision providing a procedure under which a taxpayer may request abatement of an assessment attributable to mathematical or clerical errors.

92. Withholding State income taxes from military personnel

92. Support House or Senate provision.

Conference Action: The Conferees accepted the Senate provision.

93. Withholding of State or local income tax from members of the National Guard or ready reserve

93. Support Senate provision.

Conference Action: The Conferees accepted the Senate provision.

94. Voluntary withholding of State income taxes from Federal employees

94. Support Senate provision.

Conference Action: The Conferees accepted the Senate provision.

95. Definition of city for purposes of withholding

95. Enacted into law (Public Law 94-).

96. Withholding tax on certain gambling winnings

96. Support Senate provision but oppose Senate floor amendment excluding State lotteries from withholding requirements.

Conference Action: The Conferees agreed to a compromise under which a withholding tax would be imposed on winnings from State lotteries in excess of \$5,000 and certain horse race winnings. The effective date would be 60 days after enactment of the bill.

97. Withholding of Federal taxes on certain individuals engaged in fishing

97. Oppose Senate provision.

Discussion: The Administration recommends that the exemption be limited to one crewman (in addition to the operator) to deal with the problem of fishermen who own their own boats and hire crewmen on an intermittent basis.

Conference Action: The Conferees agreed to the Senate provision treating as self-employed for Federal tax purposes crewmen on fishing boats with an operating crew of less than 10.

98. Voluntary withholding of State income taxes in the case of certain legislative officers and employees

98. No objection to House provision.

Conference Action: The Conferees deleted the House provision.

99. Minimum exemption from levy for wages, salary, and other income

99. Support Senate provision.

Discussion: The Administration recommends that the effective date be February 28, 1977 to provide the IRS time to implement the new provision.

Conference Action: The Conferees adopted the Senate effective date of January 1, 1977 for the establishment of a minimum amount of income exempt from levy.

100. Joint Committee Refund Cases

100. Support Senate provision.

Discussion: The Administration recommends that the provision be made applicable to refunds submitted to Joint Committee after the date of enactment of H.R. 10612.

Conference Action: The Conferees adopted the Senate provision increasing the jurisdictional amount for Joint Committee refund cases and adding certain matters to its jurisdiction.

101. Use of Social Security numbers

101. Support House provision.

Discussion: The Administration recommends that the use of social security numbers be limited to Federal, State and local tax administrative purposes.

Conference Action: The Conferees adopted the Senate provision expanding the use of social security numbers to include state and local taxes, driver's licenses and motor vehicle registration as well as for the purpose of locating runaway parents.

102. Interest on mathematical errors on returns prepared by IRS

102. Support Senate provision.

Conference Action: The Conferees agreed to a compromise under which the Service would be granted authority to waive interest on mathematical errors on returns it prepared.

103. Award of Costs and Attorneys' Fees to Prevailing taxpayer

103. Oppose Senate provision.

Discussion: With an opportunity for recovery of attorney's fees, which are not normally awarded the prevailing party in litigation, there will be a greater incentive for litigation, even though the amount involved may be small and the taxpayer's case may appear frivolous on its face.

Conference Action: The Conferees agreed to delete the Senate provision under which taxpayers, who prevailed in a civil tax litigation, could recover a maximum of \$10,000 costs and legal fees in certain instances.

Title XIII - Miscellaneous Provisions

104. Certain housing associations

104. Support Senate provision. .

Conference Action: The Conferees adopted the Senate provision including the Javits amendment treating lending institutions which obtain stock in a cooperative housing corporation as a tenant-stockholder for up to three years.

105. Tax treatment of certain  
1972 disaster loans

105. Support provision with  
April 15, 1977 date (Senate  
provision) for payment of  
first annual installment of  
unpaid tax liability.

Conference Action: The Conferees adopted the provision with the April 15, 1977 date (Senate provision) for payment of the first annual installment of unpaid tax liability.

106. Worthless debts of political  
parties

106. Support provision with Senate  
effective date.

Discussion: The Administration opposes the retroactive application of the provision provided by the House bill.

Conference Action: The Conferees adopted the provision with the Senate effective date.

107. Exemption from taxation of  
interest on bonds issued to  
finance certain student loans

107. Oppose Senate provision. -

Discussion: The Senate provision creates an undesirable precedent for the issuance of tax-exempt bonds by private corporations having only a minimal connection with governmental units. The Treasury Department has proposed regulations dealing with this question and is working on them with state and local representatives.

Conference Action: The Conferees adopted the Senate provision.

108. Prepublication Expenditures

108. Oppose House provision.

Discussion: The tax treatment of prepublication expenses should not depend upon the particular past practice of an individual publisher but upon sound tax rules of general application.

109. Income from lease of intangible property as personal holding company income      109. Oppose Senate provision.

Discussion: The Senate provision (adopted as a floor amendment) extends retroactive relief to one taxpayer and reverses through legislation an adverse decision rendered against that taxpayer in the Court of Claims. The Treasury Department would not object to the provision as amended by the Senate Finance Committee on July 23, 1976, if the provision were made prospective only.

Conference Action: The Conferees agreed to apply the personal holding company amendments on a prospective basis only.

110. Work Incentive (WIN) and Federal Welfare Recipient Employment Tax Credits

110. Oppose Senate provision.

Conference Action: The Conferees adopted the Senate provision, but made it effective only through January 1, 1980.

111. Repeal of excise tax on certain parts for light-duty trucks

111. No objection to Senate provision.

Conference Action: The Conferees adopted the Senate provision.

112. Exemption from manufacturers' tax for certain articles resold after certain modifications      112. No objection to Senate provision.

Conference Action: The Conferees adopted the Senate provision.

113. Franchise Transfers      113. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

114. Clarification of an employer's duty to keep records and to record tips      114. Oppose Senate provision.

Discussion: Tip income has presented IRS with chronic compliance problems due to a lack of reliable records from which the correct amount of tips can be verified. The Senate provision obviates sound attempts by IRS to alleviate these problems.

Conference Action: The Conferees deleted the Senate provision and substituted therefor a two year moratorium on the enforcement of the Service's latest revenue rulings in this area.

115. Pollution Control Facilities: 5-year amortization and investment credit      115. Support Senate provision with certain modifications:  
- section 169 should be extended only until December 31, 1980; and  
- the present definition of pollution control facility and the requirement that a facility be added to a plant, etc., in operation by January 1, 1969 should be retained.

Discussion: As modified, the provision carries out the purpose of section 169 by accomodating further upgrading of pre-1969 plants.

Conference Action: Open



116. Qualification of fishing organizations as tax-exempt agricultural organizations

116. No objection to Senate provision.

Conference Action: The Conferees adopted the Senate provision providing that certain fishing organizations would be tax-exempt effective for taxable years after December 31, 1975.

117. Subchapter S corporation shareholder rules

117. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

118. Application of section 6013(e)      118. Oppose Senate provision.

Discussion: The Senate provision extends retro-active relief to a limited number of taxpayers.

Conference Action: The Conferees adopted the Senate provision.

119. Modifications in percentage depletion for oil and gas

119-1,2. No objection to Senate provision.

-3,4. Support Senate provision.

Discussion: The Administration believes that the provisions should apply to all similarly situated taxpayers. There is no justification for the exclusion of certain trusts from these provisions.

Conference Action: The Conferees agreed to accept the Senate provision modifying the limitations on percentage depletion for oil and gas wells to more properly conform the statute with the intent of Congress in enacting the Tax Reduction Act of 1975.

120. Implementation of Federal  
State Tax Collection Act of  
1972

120. No objection to Senate  
provision with certain  
modifications.

Discussion: The Administration opposes the  
provision precluding any user charge and opposes  
reducing from two States to one the number of  
States necessary to start the system.

Conference Action: The Conferees adopted the Senate provision without  
making the modifications recommended by the Administration.

121. Cancellation of certain student  
loans

121. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.

122. Simultaneous liquidation of  
parent and subsidiary corpor-  
ations

122. Support Senate provision.

Discussion: The Senate provision eliminates a  
trap for the unwary.

Conference Action: The Conferees adopted the Senate provision.

123. Prohibition of State-Local  
Taxation of Certain Vessels,  
Barges, or Crafts Using  
Interstate Waterways

123. Oppose Senate provision.

Discussion: The Federal government has, over the  
years, imposed relatively few constraints on the  
power of States to impose taxes. The fact that  
current State practices impose record keeping and  
financial burdens upon barge operations is not a  
sufficient reason for the Federal government to  
prevent the States from imposing taxes on this  
form of transportation.

Conference Action: Open

124. Contributions in Aid of  
Construction for Certain  
Utilities

124. Oppose Senate provision.

Discussion: The Senate provision departs from  
the general tax principle that payments for  
services constitute taxable income.

Conference Action: The Conferees agreed to allow water and sewer  
utilities to treat as contributions to capital rather than as taxable  
income, the payment by third parties of the costs of installing water  
and sewer lines to new developments.

125. Prohibition of Discriminatory  
State or Local Taxes on  
Generation or Transmission  
of Electricity

125. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.

126. Deduction for cost of removing  
architectural and transporta-  
tional barriers to handicapped  
and elderly

126. Oppose Senate provision.

Conference Action: The Conferees adopted the Senate (Senator Dole)  
provision.

127. Publication of statistics  
of income

127. No objection to Senate  
provision.

Conference Action: The Secretary of the Treasury is directed to publish  
statistics of income based on adjusted gross income and economic income.

128. Report on tax increases  
resulting from inflation

128. No objection to Senate  
provision.

Conference Action: The Conferees deleted this provision.

129. Taxation of certified  
historic structures

129. Support Senate provision.

Discussion: The Senate provision provides a variety of measures designed to equalize the tax treatment of new buildings and restored historic structures and has the Administration's full support.

Conference Action: The Conferees adopted this Senate provision which denies certain tax benefits (accelerated depreciation, demolition and loss deductions) to individuals who demolish historic structures.

130. Supplemental Security Income  
for victims of certain natural  
disasters

130. No objection to Senate  
provision.

Conference Action: The Conferees adopted this provision.

131. Exclusion of countries which  
aid and abet international  
terrorists from preferential  
tariff treatment

131. Oppose Senate provision.

Discussion: The trade laws are not an appropriate vehicle for solving complex foreign policy problems.

Conference Action: The Conferees adopted the Senate provision.

132. Net operating loss deduction  
for Cuban expropriation

132. Oppose Senate provision.

Conference Action: The Conferees adopted the Senate provision, with the proviso that this constitutes the very last extension of these net operating loss carryovers.

133. Study of tax treatment of  
married, single persons

133. No objection to Senate  
provision.

Conference Action: The Conferees deleted the Senate provision.

Title XIV - Capital Gains and Losses

134. Increase in amount of ordinary income against which capital loss may be offset      134. Support House provision.

Discussion: There has been no change in the \$1,000 offset since 1942, and the economic value of this deduction has decreased significantly since that time.

Conference Action: A compromise was adopted providing that:

1. In 1977 the maximum amount of ordinary income that could be offset by capital losses would be \$2,000.
2. In 1978 the maximum offset amount would rise to a permanent level of \$3,000.

135. Increase in holding period for long-term capital gains      135. Support House provision.

Discussion: The reasons for distinguishing between long-term and short-term capital gains - the "bunching" problem and the need to differentiate between assets held for investment and speculation - suggest that the distinction should be drawn on the basis of one full year.

Conference Action: A compromise substantially similar to the House provision was adopted providing that:

1. In 1977 the minimum required holding period necessary to qualify gain on the sale of most capital assets for long-term capital gains tax treatment would be 9 months.
2. In 1978 the holding period for long-term capital gains treatment would rise to a permanent period of 12 months.

An exception from these changes in holding period was made for farm commodity future contracts which the Conferees decided to leave at the same 6-month period applicable under current law.

Title XV - Pension and Insurance Taxation

136. Individual retirement account  
(IRA) for spouse

136. No objection to Senate  
provision.

Discussion: The Administration recommends a  
broad study of retirement security which would  
give consideration to the future protection of  
housewives.

Conference Action: A compromise was agreed to pursuant to which an  
individual could contribute up to \$1,750 to an IRA he and his spouse  
own jointly.

137. Limitation on contributions  
to certain H.R. 10 plans

137. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.

138. Deduction for retirement  
savings of private and govern-  
ment employees - limited  
employee retirement accounts

138. Support House provision.  
  
No objection to Senate  
provision.

Conference Action: Open

139. Retirement deductions for members  
of Armed Forces Reserves and  
National Guard

139. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

140. Tax-exempt annuity contracts  
in closed end mutual funds

140. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.

141. Pension fund investments in segregated asset accounts of life insurance companies

141. No objection to Senate provision.

Conference Action: The Conferees adopted the Senate provision.

142. Extension of study of salary reduction and cash or deferred profit-sharing plans

142. No objection to Senate provision.

Conference Action: The Conferees adopted the Senate provision.

143. Consolidated returns for life and mutual insurance companies

143. No objection to Senate provision.

Conference Action: Open

144. Guaranteed renewal life insurance contracts

144. Support Senate provision.

Conference Action: The Conferees adopted on a prospective basis the Senate provision which provides that the time for which a policy is issued includes the period for which the insurer guarantees that the policy is renewable.

145. Tax-free rollover in event of plan termination

145. Enacted into law (Public Law 94-267).

Conference Action: Open

#### Title XVI - Real Estate Investment Trusts

146. Deficiency dividend procedure

146. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

147. Failure to meet income source tests      147. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

148. Treatment of property held for sale to customers      148. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

149. Increase in 90-percent gross income requirement to 95 percent      149. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

150. Change in definition of "rents from real property"      150. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

151. Change in distribution requirements      151. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

152. Manner and effect of termination or revocation of election      152. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

153. Excise tax on distribution made after taxable year      153. Support.

Conference Action: The Conferees adopted the Senate provision.



154. Allowance of net operating  
loss carryover

154. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

155. Alternative tax in case of  
Capital Gains

155. Support Senate provision.

Discussion: The Senate provisions incorporate  
perfecting amendments to the House bill and  
thus are preferable.

Conference Action: The Conferees adopted the Senate provision.

#### Title XVII - Railroad Provisions

156. Amortization of track accounts      156. Oppose Senate provision.

Discussion: The retirement-replacement method  
of accounting for depreciation of track already  
provides significant advantages to railroads.

Conference Action: The Conferees agreed to delete the provision allowing  
railroads to write off their track costs faster (10 years) than under  
present law.

157. Railroad ties

157. Support Senate provision.  
(other than the Senate floor  
amendment of Senator Stone).

Discussion: The Finance Committee amendment provides  
a more uniform application of the retirement-  
replacement method of accounting than the House  
provision or the Senate floor amendment.

Conference Action: The Conferees agreed to the Senate provision providing  
special expensing rules for certain improved railroad ties. They also  
adopted the Stone amendment allowing an immediate write-off for the full  
cost of certain replacement ties.

158. Investment credit for railroads    158. Oppose Senate provision.

Discussion: The problems of railroads and airlines are fundamental. Therefore, meaningful assistance to these industries should be provided by means other than special changes in long-established tax principles governing the investment credit.

Conference Action: The Conferees adopted in slightly modified form the Senate provisions which Treasury opposed. As adopted the provisions would:

1. Allow railroads and airlines investment credits up to 100% of tax liability (instead of 50% under current law) for 1976 and 1977.
2. The percentage would decline by 10% each year after 1977 until it returned to 50%.
3. The "flow through" of the investment credit to leasees would be prohibited.

159. Investment credit for airlines    159. Oppose Senate provision.

Discussion: See discussion under #158.

Conference Action: The Conferees adopted in slightly modified form the Senate provisions which Treasury opposed. As adopted the provisions would:

1. Allow railroads and airlines investment credits up to 100% of tax liability (instead of 50% under current law) for 1976 and 1977.
2. The percentage would decline by 10% each year after 1977 until it returned to 50%.
3. The "flow through" of the investment credit to leasees would be prohibited.

#### Title XVIII - Tax Credit for Home Garden Tools

160. Home garden tool credit

160. Oppose House provision.

Conference Action: The Conferees deleted the House provision.

Title XIX - Repeal and Revision of Obsolete,  
Rarely Used, Etc., Provisions of  
Internal Revenue Code of 1954

161. "Deadwood" provisions

161. Support provision.

Discussion: The Administration recommends a  
clarifying amendment to the definition of  
"Secretary or his delegate".

Conference Action: The Conferees adopted the provision with the  
Administration recommendation.

FINAL EVALUATION: Acceptable/Significant

Title XX - Energy-Related Provisions

162-176 - The energy-related provisions were deleted from the bill.  
The provisions are to be the subject of a separate bill.

Title XXI - Tax Exempt Organizations

177. Modification of self-dealing  
transitional rules in 1969 Act  
relating to leased property

177. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.

178. Private foundation set-asides

178. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.

179. Mandatory payout rate for private foundations

179. Support Senate provision.

Discussion: The present fluctuating payout rate is steadily eroding the endowments of private foundations.

Conference Action: The Conferees accepted the Senate provision reducing the mandatory payout rate to 5%.

180. Extension of Time to Amend Charitable Remainder Trust Governing Instrument

180. No objection to Senate provision.

Conference Action: The Conferees adopted the Senate provision, with the proviso that the extension is the very last.

181. Reduction of private foundation excise tax on investment income

181. Support Senate provision.

Discussion: The excise tax should be limited to the amount required to cover the cost of auditing exempt organizations. The 2% rate of the Senate provision will cover such costs.

Conference Action: The Conferees deleted the Senate provision which would have reduced the excise tax on private foundations from 4% to 2%.

182. Unrelated trade or business income of trade shows, State fairs, etc.

182. Oppose Senate provision.

Discussion: The Administration would have no objection to an exemption for trade shows that did not change the qualification requirements for exempt organizations.

Conference Action: The Conferees accepted the Senate provision exempting from the unrelated business income tax fairs and expositions and accepted a modified version of the Senate provision providing a similar exemption for conventions and trade shows. The latter provision would be effective on a prospective basis only.

183. Declaratory judgments regarding tax-exempt status as charitable etc., organization      183. Support Senate provision with House effective date.

Conference Action: The Conferees adopted the Senate provision, including the Senate effective date.

184. Provision for establishment of alcoholism trust fund      184. Oppose Senate provision. -

Conference Action: The Conferees agreed to delete the Senate provision establishing an Alcoholism Trust Fund.

185. Exclusion of certain companion sitting placement services from employment tax requirements      185. No objection to Senate provision.

Conference Action: The Conferees agreed to delete the Senate provision with a comment in the Statement of Managers that the IRS should not enforce its revenue ruling on babysitters for one year to give it time to study the general problem of employer v. independent contractors.

186. Minimum distribution requirements to include miscellaneous distributions      186. Oppose Senate provision.

Discussion: The special rule for distributions of \$200 or less for "civic or community activities" should be clarified to cover only those activities in furtherance of charitable purposes.

Conference Action: The Conferees deleted the Senate provision.

Title XXII - Estate and Gift Tax Provisions

187-208 - (Open)

Title XXIII - Other Amendments

209. Outdoor advertising displays

209. No objection to Senate provision.

Conference Action: The Conferees agreed to the Senate provision providing an irrevocable election for taxpayers to treat certain outdoor advertising displays as real property for purposes of the condemnation provisions of the Internal Revenue Code.

210. Tax treatment of large cigars

210. Support Senate provision.

Discussion: If the bracket rate were changed to 10%, rather than 8-1/2% (the Senate provision), there would be no revenue loss and administration of the tax would be facilitated.

Conference Action: The Conferees adopted the Senate provision, but did not accept the Administration's recommendation.

211. Gain from sales or exchanges  
between related parties

211. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

212. Uniformed Services Health  
Professions Scholarships

212. Support Senate provision.

Discussion: The Administration supports the floor amendment by Senator Ford which was adopted by the Senate.

Conference Action: The Conferees adopted the Senate provision.

213. Tax counseling for the elderly

213. Oppose Senate provision.

Discussion: Special tax assistance for the elderly is unnecessary in light of the IRS' current, effective taxpayer assistance program. Also, the provision for tax-free reimbursement of expenses furthers the proliferation of statutory exemptions in the tax code.

Conference Action: The Conferees deleted the Senate provision.

214. Commission on value added  
taxation

214. No objection to Senate  
provision.

Conference Action: The Conferees deleted the Senate provision.

215. Exchange funds

215. Support House provision.

Discussion: The Senate provision unnecessarily broadens the "grandfather" clause for partnership exchange funds and provides a special exception for certain family partnerships.

Conference Action: The Conferees accepted H.R. 11920 which prohibits the tax-free transfer of property to so-called exchange funds established as partnerships or trusts. However, they did not adopt the more liberal grandfather clause of the Senate provision.

216. Distributions by subchapter S  
corporations

216. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.

#### Title XXIV

217. Voting by Commission on import  
relief

217. Oppose Senate provision.

Discussion: It is important for the U.S. International Trade Commission to reach definitive majority positions. The Administration therefore supports the objectives underlying the Senate provision. However, the Administration opposes this specific provision because it could have the effect of allowing the vote of a minority of the Commissioners to be binding on the President and the Congress. The problem could best be dealt with in a separate bill after full public hearings and discussion of the problems.

Conference Action: A compromise was agreed to under which a plurality vote of three Commissioners (rather than a majority of four) would be deemed the decision of the Commission. Also, commissioners would remain in office until the newly appointed commissioner was confirmed by the Senate.

218. Increase in number of  
Commissioners

218. Oppose the Senate  
provision.

Discussion: The Administration would support  
reducing the number of Commissioners from  
six to five.

Conference Action: The Conferees deleted the Senate provision.

219. Authorization of appropriations      219. No objection to Senate  
provision.

Conference Action: The Conferees deleted the Senate provision.

220. Administration of the Commission      220. Support Senate provision.

Conference Action: The Conferees deleted the Senate provision.

221. Continuation of reports with  
respect to synthetic organic  
chemicals

221. No objection to Senate  
provision.

Conference Action: The Conferees deleted the Senate provision.

#### Title XXV

222. Contributions of certain  
Government publications

222. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.

223. Lobbying by public charities

223. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.





224. Tax liens, etc., not to constitute "acquisition indebtedness"

224. No objection to Senate provision.

Discussion: The Administration recommends technical revisions to the Senate provision to ensure that it applies only to special assessments of a type normally made by a State or local governmental unit or instrumentality and cannot be utilized as a device for financing improvements to an exempt organization's property.

Conference Action: The Conferees adopted the Senate provision.

225. Extension of private foundation transitional rule for sale of business holdings

225. No objection to Senate provision.

Conference Action: The Conferees adopted the Senate provision.

226. Private operating foundations; Imputed interest; Libraries and museums

226. No objection to Senate provision except for the exemption of libraries and museums from the section 4940 tax.

Discussion: The exemption for libraries and museums from the audit fee tax has no real justification. It creates another species of foundation which is especially difficult to define.

Conference Action: The Conferees agreed to the Senate provision excluding from net income amounts of imputed interest on sales made prior to January 1, 1970. They also agreed to delete the provision providing a 5% payout rule for libraries and museums and the reduction in the amount that a private operating foundation must spend for charitable purposes to 3 percent of its noncharitable assets.

227. Study of tax incentives

227. No objection to Senate provision.

Conference Action: The Conferees adopted the Senate provision.

Title XXVI - Other Miscellaneous Amendments

228. Credit for certain education expenses      228.

Conference Action: The Conferees agreed to drop this Senate provision which would have provided limited credits for expenses incurred by full-time students in undergraduate degree or vocational certification programs.

229. Interest on certain governmental obligations for hospital construction      229. Oppose Senate provision.

Discussion: This selective expansion of current law is not warranted - private hospitals will invest only where a profit is expected. The precedent is bad - other private businesses will seek similar treatment, and such proliferation of tax-exempt industrial development bonds would adversely affect state and local borrowing.

Conference Action: Open

230. Group prepaid legal services      230. Oppose Senate provision.

Discussion: The Senate provision is contrary to the well-established tax principle that deductions for personal expenses are generally not allowed.

Conference Action: The Conferees adopted the Senate provision excluding from income employer contributions and benefits received under qualified group legal services plans. The provision would be prospective and extend for only five years with the Treasury and Labor required to report in four years on the provision.

231. Unrelated business income from services provided by a tax-exempt hospital to other tax-exempt hospitals      231. Oppose Senate provision.

Discussion: The Senate provision will allow certain hospitals to engage in the business of selling services to other hospitals in competition with commercial operators. No provision is made for passing savings on to small hospitals who may be charged more than cost for the services provided. Thus, the Administration opposes this provision.

Conference Action: The Conferees accepted the Senate provision exempting from the unrelated trade or business tax the income of tax-exempt hospitals received for providing certain services to small hospitals. A modification that such services must be provided at cost was agreed to.

232. Clinical services of cooperative hospitals      232. No objection to Senate provision.

Conference Action: The Conferees agreed to the Senate provision allowing clinical services to be performed by a tax-exempt cooperative service organization.

233. Certain charitable contributions of inventory      233. No objection to Senate provision.

Discussion: The limitation of the maximum deduction to twice the manufacturer's basis for the property ensures that a company cannot profit by manufacturing solely to make charitable contributions.

Conference Action: The Conferees agreed to allow corporations a deduction when food, clothing, medical equipment, etc. is donated to charity.

Title XXVII - Additional Floor Amendments

234. Tax credit for expenses for  
certain amateur athletes

234. Oppose Senate provision.

Discussion: The President's Commission on Amateur Athletics has been requested by the President to study further the issue of incentives for amateur athletes. Any tax relief at this time is, therefore, premature.

Conference Action: A compromise was agreed to. The Conferees accepted the Senate provision making tax-exempt organizations whose primary purpose is to foster national and international sports competition and deleted the tax credit for certain costs incurred by individuals in participating in certain athletic competitions.

35. Exemption of certain amateur  
athletic organizations from tax

235. Oppose Senate provision.

Discussion: See discussion #234.

Conference Action: A compromise was agreed to. The Conferees accepted the Senate provision making tax-exempt organizations whose primary purpose is to foster national and international sports competition and deleted the tax credit for certain costs incurred by individuals in participating in certain athletic competitions.

36. Taxable Status of Pension  
Benefit Guaranty Corporation

236. Support Senate provision.

Discussion: The Senate provision rectifies an apparent oversight in the ERISA legislation.

Conference Action: The Conferees adopted the Senate provision.

37. Level premium plans covering  
owner-employees

237. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.



238. Lump-sum distributions from pension plans

238. No objection to Senate provision.

Conference Action: The Conferees agreed to the Senate provision allowing taxpayers to treat certain lump sum distributions as ordinary income, with a 10 year income averaging rule.

239. Tax treatment of the grantor of certain options

239. Support H.R. 12224 with Senate September 1, 1976 effective date.

Discussion: In order to avoid uncertainty for current transactions, it would be appropriate to adopt a date of enactment effective date.

Conference Action: The Conferees agreed to H.R. 12224, which provides that gain from the lapse of an option and gain or loss from a closing transaction in options should be treated as short term capital gain or loss, effective for options written after September 1, 1976.

240. Exempt-interest dividends of regulated investment companies

240. No objection to Senate provision.

Discussion: Will enable investors with limited funds to acquire tax-exempt bonds, thus helping to provide a more efficient market for state and local obligations.

Conference Action: The Conferees adopted this Senate provision which permits tax-exempt interest to "flow-through" mutual funds to their shareholders.

+1. Commission on tax simplification and modernization

241. No objection to Senate provision.

Conference Action: The Conferees agreed to delete the Senate provision.

+2. Common trust fund treatment of certain custodial accounts

242. Support Senate provision.

Conference Action: The Conferees adopted the Senate provision.

243. Oil and Gas Depletion Rules  
Relating to Transfers of Proven  
Property

243. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.

244. Support test for dependent  
children of separated or  
divorced parents

244. No objection to Senate  
provision.

Conference Action: The Conferees adopted the Senate provision.

245. Deferral of gain on involuntary  
conversion of real property

245. Oppose Senate provision.

Conference Action: A compromise was agreed to. The provision which would remove the "like kind" requirement for replacement real estate property was deleted. However, the Conferees agreed to extend the period to three years (from 2 years) within which replacement real property could be purchased to prevent the recognition of gain.

246. Exclusion from gross income of  
gain from sale of residence by  
taxpayer who has attained age 65

246. Support Senate provision.

Conference Action: The Conferees agreed to the Senate provision increasing from \$20,000 to \$35,000 the amount of gain elderly taxpayers could exclude from income on the sale of their principle residence.

247. Exemption from taxation for  
certain mutual deposit guarantee  
funds

247. Support Senate provision.

Discussion: The January 1, 1969 limitation should be deleted. Otherwise, the provision will have to be further amended for corporations organized after 1968. The Administration prefers the approach taken in H.R. 13532 (94th Cong., 2d Session).

Conference Action: The Conferees deleted the Senate provision and agreed to put the provision in a separate bill.

248. Additional changes in subchapter 248. Support Senate provision.  
S shareholder rules

Conference Action: The Conferees adopted the Senate provision.

249. Individual retirement accounts for volunteer firemen      249. No objection to Senate provision.

Conference Action: The Conferees adopted the Senate amendment, with a modification that the benefit from the private plan not exceed \$150 per month.

250. Optional taxable year of inclusion for sale of livestock on account of drought      250. Oppose Senate provision.

Discussion: The present tax deferral rules with respect to livestock provided by section 1033 of the Internal Revenue Code provide adequate relief for farmers in drought areas.

Conference Action: The Conferees agreed to the Senate provision pursuant to which cash method farmers could defer for one year income from livestock sold on account of drought conditions.

251. Sense of the Senate regarding revenue loss of bill in conference      251. -----

Conference Action: Open



Tax Reform Act of 1976 (HR 10612)  
Evaluation of Conference Committee Action

SEPTEMBER 7, 1976

Good: Significant (S) and Not Significant (NS) items  
 Bad: Significant (S) and Not Significant (NS) items  
 Indifferent: (Indif.)

	Good		Bad		Indif.
	S	NS	S	NS	
Titles I and II					
LAL and other tax shelter provisions					
1 - 30 (open issues)					
Title III					
Minimum and Maximum Tax					
31 - 33 (open issues)					
Title IV Individual Tax Reductions					
34			x		
35	x				
36			x		
37					x
Title V					
Tax Simplification					
38		x			
39					
40					
41		x			
42					x
43	-	-	-	-	-



		Good		Bad		Indif.
		S	NS	S	NS	
<b>Title VI</b>						
Business-related individual provisions						
44	Deduction for business use of homes - tightened		x			
45	Deduction for expenses of rented vacation homes - tightened		x			
46	Deduction for attending foreign conventions - tightened		x			
47	Repeal qualified stock option rules		x			
48	Ordinary loss treatment of nonbusiness loan guarantees		x			
49	Legislators' travel expenses (open issue)					
<b>Title VII</b>						
Accumulation trusts						
50	Accumulation trusts - Improvement of throwback rules		x			
<b>Title VIII</b>						
Capital formation						
51	Investment credit - used property limit of \$100,000 extended through 1980 (The Administration urged a permanent extension.)	x				
52	10 percent investment credit extended through 1980 (The Administration urged a permanent extension.)	x				
53	FIFO use of investment credit carryovers	x				
54	Deleted from bill: Extension of expiring investment credits	-	-	-	-	-
55	ESOP - 1 percent investment credit plus 0.5% if employees contribute equal amount - apply through 1980				x	
56	Deleted from bill: prohibition of certain ESOP regulations	-	-	-	-	-
57	Task force to study stock ownership expansion					x

		Good		Bad		Indif.
		S	NS	S	NS	
58	Investment credit for movies		x			
59	5 percent investment credit for vessels constructed with money from tax-free capital construction fund				x	
60	Eligibility for capital construction fund benefits extended from 5 ton to 2 ton commercial fishing vessels				x	
61	Net operating losses: election to use for seven years forward or for three years back and seven years forward		x			
62	Tighten rules to prevent trafficking in operating loss carryovers	x				
63	Deleted from bill: credit for artist's donation of art works to charity	-	-	-	-	-
Title IX						
Small Business provisions						
64	Continues corporate tax rate reduction and surtax exemption increase through 1977 (The Administration urged a permanent extension.)	x				
Title X						
Changes in the treatment of foreign income						
65	Exemption of income earned abroad - tightened and reduced from \$20,000 to \$15,000		x			
66	Joint returns may be filed by U.S. citizen married to nonresident alien		x			
67	Foreign trust income taxed to grantor where beneficiary is U.S. person	x				
68	Accumulation distribution of foreign trust bears additional tax equivalent to interest		x			
69	Unrecognized appreciation in assets transferred to foreign entities subject to increased excise tax or, at taxpayer's option, to income tax on the gain		x			
70	Investment in U.S. property by controlled foreign corporations: permits portfolio investments and investments in certain drilling rigs		x			

	Good		Bad		Indif.
	S	NS	S	NS	
71 Shipping profits of foreign corporations - provisions eased		x			
72 Deleted from bill: would have changed and made difficult to administer rules re base company sales income derived from sales of agricultural products not grown in the U.S.	-	-	-	-	-
73 Foreign tax credit determined on overall basis - per country limitation repealed (some questions may still be open)		x			
74 Permits recapture of foreign losses (transition rules for U.S. possessions and Puerto Rico may still be open)		x			
75 Refinement of foreign tax credit computation in the case of capital gains		x			
76 Foreign oil and gas extraction income - 48 percent cap on foreign tax credit		x			
77 The source of underwriting income is the place of risk		x			
78 Foreign tax credit rules of 2nd tier subs apply also to 3rd tier subs		x			
79 Tax exemption is made permanent for interest on bank deposits of foreign owners	x				
80 Transfers to foreign corporations no longer require advance IRS ruling	x				
81 Income from contiguous country branches of domestic life insurance companies not taxed until repatriated					x
82 Improve tax treatment of corporations conducting business in Puerto Rico and U.S. possessions		x			
83 Repeal provisions relative to China Trade Act corporations - 3 year phase out		x			
84 Denies benefits of DISC, deferral and foreign tax credit to taxpayers participating in Arab boycott of Israel Foreign bribes deemed a distribution to U.S. parent company and may not reduce earnings and profits of foreign subsidiary.			x		

Title XI  
DISC

- 85 DISC - incremental approach adopted. About 2/3 of DISC benefits preserved. Only 1/2 military sales qualify. Agricultural products qualify

Title XII

Administrative provisions

- 86 Publication of private IRS rulings. Taxpayers names not to be disclosed
- 87 Disclosure of tax return information restricted. Justice Department access prescribed in nontax criminal cases
- 88 Income tax return preparers - requirements imposed
- 89 Jeopardy assessment procedures modified - taxpayers afforded opportunity to contest
- 90 Administrative 3rd party summons: taxpayers are given right to contest. Justice Dept. objects
- 91 Tax abatement can be requested by taxpayer whose assessments due to math or clerical error
- 92 Requires Federal withholding of state income taxes from military personnel
- 93 Requires Federal withholding of state and local income taxes from National Guard or Ready Reserve
- 94 Permits Federal withholding of state income taxes from Federal employees so requesting
- 95 Definition of City for purposes of withholding - already enacted - PL 94-355
- 96 Withholding on winnings from state lotteries over \$5,000 and certain horse race winnings
- 97 Self employment status (no withholding) for crewmen on fishing boats with crew less than 10

	Good		Bad		Indif.
	S	NS	S	NS	
			x		
	x				
	x				
		x			
	x				
			x		
	x				
					x
					x
					x
	-	-	-	-	-
	x				
			x		

- 98 Deleted from bill: withholding of state income tax for certain legislative officers and employees
- 99 Minimum amount exempt from levy - \$50/week plus \$15 per dependent
- 100 Jurisdictional amount for Joint Committee referred cases raised from \$100,000 to \$200,000
- 101 Social Security numbers can be used for state and local tax administration, drivers licences, motor vehicle registration and for locating runaway parents
- 102 IRS has authority to waive interest on math errors on returns prepared by IRS
- 103 Deleted from bill: award of costs and attorney fees (max, \$10,000) to taxpayers who win tax litigation

### Title XIII

#### Miscellaneous provisions

- 104 Cooperative housing corporation treated as tax-exempt with respect to its membership dues and assessments. Also, lending institutions which obtain stock in such a company through foreclosure treated as a tenant-stockholder for up to 3 years
- 105 Defer due date of tax owed on certain 1972 disaster relief payments
- 106 Allows deduction for certain types of worthless debts owed by political parties
- 107 Exemption from tax of interest on bonds issued to finance certain student loans
- 108 Pre-publication expenses of publishers (open issue)
- 109 Income from intangible property leased with tangible property is rent, not royalty income for personal holding company purposes
- 110 Accelerates and expands work incentive credit (WIN)
- 111 Repeal excise tax on certain parts for light duty trucks

	Good		Bad		Indif.
	S	NS	S	NS	
98 Deleted from bill: withholding of state income tax for certain legislative officers and employees	-	-	-	-	-
99 Minimum amount exempt from levy - \$50/week plus \$15 per dependent		x			
100 Jurisdictional amount for Joint Committee referred cases raised from \$100,000 to \$200,000		x			
101 Social Security numbers can be used for state and local tax administration, drivers licences, motor vehicle registration and for locating runaway parents			x		
102 IRS has authority to waive interest on math errors on returns prepared by IRS		x			
103 Deleted from bill: award of costs and attorney fees (max, \$10,000) to taxpayers who win tax litigation	-	-	-	-	-
Title XIII					
Miscellaneous provisions					
104 Cooperative housing corporation treated as tax-exempt with respect to its membership dues and assessments. Also, lending institutions which obtain stock in such a company through foreclosure treated as a tenant-stockholder for up to 3 years		x			
105 Defer due date of tax owed on certain 1972 disaster relief payments					x
106 Allows deduction for certain types of worthless debts owed by political parties		x			
107 Exemption from tax of interest on bonds issued to finance certain student loans				x	
108 Pre-publication expenses of publishers (open issue)					
109 Income from intangible property leased with tangible property is rent, not royalty income for personal holding company purposes		x			
110 Accelerates and expands work incentive credit (WIN)				x	
111 Repeal excise tax on certain parts for light duty trucks		x			

		Good		Bad		IF
		S	NS	S	NS	
112	Exemption from manufacturers' excise tax for certain articles resold after certain modifications		x			
113	Apply to partnerships the same tax rule applied to proprietorships on transfer of franchises		x			
114	Deleted from bill: Reversal of IRS ruling on employer reporting of tip income (IRS to defer for 2 yrs enforcement of this ruling)	-	-	-	-	-
115	Pollution control facilities - 5 year amortization and investment credit (open issue)					
116	Defines as "agricultural" the harvesting of aquatic resources, thus permitting a fishing organization to be a tax exempt agricultural organization and to receive lower postal rates					x
117	Subchapter S corporation maximum stockholders increased from 10 to 15. See also item 248		x			
118	Innocent spouse relief provision enacted in 1971 would be made retroactive to 1962 (Relief afforded to one taxpayer)				x	
119	Ease the limitations on percentage depletion in the case of certain retail sales and intra-family transfers - The 1975 statute left these items unclear		x			
120	Make it easier for states to "piggyback" the federal tax provisions		x			
121	Discharge of certain student loans will not be taxed as income					x
122	Tax benefit of 1 year corporate liquidation extended to simultaneous liquidation of controlled subsidiary		x			
123	Prohibits state taxation of barges using navigable waters (open issue)					
124	Contributions to water and sewer utilities in aid of construction will not be taxable to them			x		
125	Prohibits states from taxing generation or transmission of electricity if it is discriminatory - against out-of-state users					x

- 126 Provides deduction for cost of removing architectural and transportation barriers to handicapped and elderly (Senator Dole proposal)
- 127 Statistics of Income published by Treasury must show adjusted gross income and economic income
- 128 Deleted from bill: report on tax increases resulting from inflation
- 129 Historic structures - tax benefits provided for rehabilitation of, and tax advantages denied to taxpayers who demolish, historic structures
- 130 Supplemental Security Income is continued unreduced for an additional 12-months for certain disaster victims
- 131 Exclusion of countries which aid and abet international terrorists from preferential tariff treatment
- 132 Extends net operating loss carryover period for 5 additional years (to total of 20 years) in case of losses attributable to Cuban expropriation
- 133 Deleted from bill: study of tax treatment of married and single persons

#### Title XIV

##### Capital Gains and Losses

- 134 Increase from \$1,000 to \$2,000 in 1977 and to \$3,000 in 1978 the amount of ordinary income against which capital losses may be offset
- 135 Increase holding period for long-term capital gains to 9 months in 1977 and to 12 months in 1978. The 6 month period continues for farm commodity futures contracts. (The sliding scale provision was not in conference; was in neither the House nor Senate bill)

#### Title XV-

##### Pension and Insurance Taxation

- 136 Individual retirement account (IRA) made available for spouse: \$1,750 for worker and spouse jointly

	Good		Bad		Indif.
	S	NS	S	NS	
126				x	
127					x
128	-	-	-	-	-
129		x			
130					x
131				x	
132				x	
133	-	-	-	-	-
Title XIV					
Capital Gains and Losses					
134		x			
135				x	
Title XV-					
Pension and Insurance Taxation					
136		x			

		Good		Bad		Indif.
		S	NS	S	NS	
137	HR 10 plan percentage limitations will not apply where adjusted gross income does not exceed \$15,000					x
138	IRA made available to persons inadequately covered by an employer plan; and to certain participants in a government plan (open issue)					
139	Members of Armed Forces Reserves and National Guard may qualify for an IRA		x			
140	Contributions for tax-sheltered annuities can be made to closed-end investment companies as well as to open-end mutual funds					x
141	Allows a pension fund to invest in a segregated asset account in lieu of a trust					x
142	Extend to 1978 a Congressional study of salary reduction plans; meanwhile freeze status quo for plans established before June 27, 1974					x
143	Permit consolidated returns of life insurance companies with non-life companies (open issue)					
144	For taxation of life insurance companies, the time for which a policy is issued or renewed includes the period for which the insurer guarantees renewability					x
145	No provision - separate legislation (PL 94-267). Pension Plan rollover to IRA	-	-	-	-	-
<b>Title XVI</b>						
Real Estate Investment Trusts						
146-						
155	Real estate investment trusts - technical amendments - no controversy	x				
<b>Title XVII</b>						
Railroad Provisions						
156	Deleted from bill: 10-year amortization of railroad track materials and installation costs.	-	-	-	-	-
157	Special expensing rules for improved railroad ties		x			



		Good		Bad		Indif.
		S	NS	S	NS	
158	Railroads may use investment credits up to 100 percent of tax liability (instead of 50 percent under current law) for 1976 and 1977, declining 10 percent per year after 1977 until returned to 50 percent in 1982			x		
159	Airlines, same use of investment credit as #158 for railroads			x		
Title XVIII						
Tax Credit for Home Garden Tools						
160	Deleted from bill: 7 percent investment credit for first \$100 of garden tool expenses	-	-	-	-	-
Title XIX						
Repeal of Obsolete Provisions						
161	"Deadwood" provisions adopted, including clarified definition of "Secretary or his delegate"	x				
Title XX						
Energy Related Provisions						
162-						
176	Energy-related provisions were deleted from the bill. To be the subject of a separate bill	-	-	-	-	-
Title XXI						
Tax Exempt Organizations						
177	Technical easing of self-dealing rules of private foundations relating to property leased to certain disqualified persons					x
178	Permits private foundation "set-asides" without prior IRS approval under temporary, relaxed rules					x
179	Reduces to 5 percent the mandatory payout requirement of private foundations	x				
180	Extends from December 31, 1975 to December 31, 1977 time in which to modify charitable bequests to qualify for charitable remainder deduction					x
181	Deleted from bill: reduce from 4 percent to 2 percent excise tax on investment income of private foundations	-	-	-	-	-

		Good		Bad		Indif.
		S	NS	S	NS	
182	Exempts from unrelated business income tax the income from fairs and expositions which promote certain public entertainment activities; also exempts income from certain conventions and trade shows		x			
183	Charitable organization may bring suit to determine its right to tax exemption as a charity	x				
184	Deleted from bill: establishment of alcoholism trust fund	-	-	-	-	-
185	Deleted from bill: babysitters as independent contractors and not employees of placement agency	-	-	-	-	-
186	Deleted from bill: private foundation qualifying distributions could include \$200 to unincorporated groups for charitable, civic or community activities	-	-	-	-	-
Title XXII						
Estate and Gift Tax Provisions						
187-						
208	Estate and gift tax (open issue)					
Title XXIII						
Other Amendments						
209	Gain on condemnation of outdoor advertising displays need not be recognized if proceeds are reinvested in real property					x
210	Changes bracket system to an ad valorem excise tax on certain cigars					x
211	Broadens the circumstances denying capital gain treatment on sales between related parties: includes commonly controlled corporations; parents; adult children; trusts, estate or partnership in which taxpayer is a beneficiary or partner		x			
212	Excludes from income through 1979 amounts received under Armed Forces Health Professions Scholarship Program by members participating in program in 1976					x
213	Deleted from bill: tax counseling for the elderly	-	-	-	-	-
214	Deleted from bill: Commission on value added tax	-	-	-	-	-

	Good		Bad		Indif.
	S	NS	S	NS	
215 Exchange funds - Tax-free transfers to partnership and trust funds prohibited	x				
216 Allows distributions of previously taxed income to shareholders of subchapter S corporations before such shareholders will have taxable income from distributions attributable to E & P arising from accelerated depreciation		x			
Title XXIV					
U.S. International Trade Commission					
217 International Trade Commission voting procedure clarified - not tax policy issue					
218-					
221 Deleted from bill: These items to be in separate bill	-	-	-	-	-
Title XXV Additional Miscellaneous Amendments					
222 Government publications received by taxpayers without charge will not be treated as capital assets					x
223 Permits lobbying by public charities (other than churches), subject to certain expenditure tests		x			
224 Exempt organizations: "acquisition indebtedness" does not include indebtedness for state and local taxes secured by a lien on the property until due and payable and the organization has had the opportunity to pay them					x
225 Extends transitional rule for sale of certain non-excess business holdings to disqualified persons					x
226 Excludes from a private foundation's net income amounts of imputed interest on sales made before January 1, 1970					x
227 Joint Committee and Treasury to study tax incentives					x
Title XXVI					
Other Miscellaneous Amendments					
228 Deleted from bill: credit for college tuition expenses	-	-	-	-	-
229 The \$5 million small issue exemption increased to \$20 million for private hospitals. (Open issue)					

230 Contributions to and benefits under qualified group legal services will be excluded from employee's income. Applies for 5 years only - Treasury and Labor to report in 4 years on its effectiveness

231 Tax-exempt hospitals not taxed on unrelated income received for providing certain services to small hospitals, if provided at cost

232 Adds clinical services to services permitted to be performed by cooperative service organizations

233 Permits corporations to deduct certain donations to public charity limited to basis of donated property plus 1/2 of appreciation of inventory property but not to exceed twice its basis

#### Title XXVII

##### Additional Senate Floor Amendments

234 Deleted from bill: tax credit for certain costs of individuals participating in major national or international sports competitions

235 Establishes tax-exempt status for organizations whose primary purpose is to foster national and international amateur sports competition

236 Provides that Pension Benefit Guaranty Corp. is to be exempt from all federal taxes except social security and unemployment taxes

237 Allows owner-employee of HR 10 plan to make level annuity contract payments without regard to the overall 25 percent limitation

238 Permits taxpayer to treat certain lump sum pension distributions as ordinary income with the 10 year income averaging rule

239 Treats gain from lapse of an option and gain or loss from a closing transaction in options to be treated as short-term capital gain or loss, not as ordinary income or loss (H.R. 12224)

240 Permits "flow-through" of tax-exempt interest to shareholders of mutual funds

	Good		Bad		Indif.
	S	NS	S	NS	
230 Contributions to and benefits under qualified group legal services will be excluded from employee's income. Applies for 5 years only - Treasury and Labor to report in 4 years on its effectiveness				x	
231 Tax-exempt hospitals not taxed on unrelated income received for providing certain services to small hospitals, if provided at cost					x
232 Adds clinical services to services permitted to be performed by cooperative service organizations					x
233 Permits corporations to deduct certain donations to public charity limited to basis of donated property plus 1/2 of appreciation of inventory property but not to exceed twice its basis					x
Title XXVII					
Additional Senate Floor Amendments					
234 Deleted from bill: tax credit for certain costs of individuals participating in major national or international sports competitions	-	-	-	-	-
235 Establishes tax-exempt status for organizations whose primary purpose is to foster national and international amateur sports competition		x			
236 Provides that Pension Benefit Guaranty Corp. is to be exempt from all federal taxes except social security and unemployment taxes			x		
237 Allows owner-employee of HR 10 plan to make level annuity contract payments without regard to the overall 25 percent limitation			x		
238 Permits taxpayer to treat certain lump sum pension distributions as ordinary income with the 10 year income averaging rule			x		
239 Treats gain from lapse of an option and gain or loss from a closing transaction in options to be treated as short-term capital gain or loss, not as ordinary income or loss (H.R. 12224)	x				
240 Permits "flow-through" of tax-exempt interest to shareholders of mutual funds			x		

- 241 Deleted from bill: establishment of Commission on Tax Simplification and Modernization
- 242 Extends common trust fund treatment to custodial accounts, such as uniform gifts to minors act accounts
- 243 Permits depletion to be retained on property transferred between certain controlled groups
- 244 Allows noncustodial parent to receive exemption for child if he or she contributes at least \$1,200 for such child
- 245 Extends to 3 years (previously 2 years) period within which replacement real property can be purchased to prevent recognition of gain on involuntary conversion of real property. Deleted proposal to remove the "like kind" requirement for such replacement property
- 246 Increases to \$35,000 (previously \$20,000) amount of gain elderly taxpayers can exclude from income on sale of principal residence
- 247 Deleted from bill: exemption from tax for certain mutual deposit guarantee funds
- 248 In counting the permitted number of shareholders for subchapter S corporations, a spouse and estate of deceased spouse will be one if both would have counted as one before spouse's death. Grantor trusts and voting trusts are eligible shareholders. Eases present law on termination of subchapter S election. See also item 117.
- 249 Extends IRA availability to members of voluntary fire departments if their pension benefit from private plans does not exceed \$150 per month
- 250 Permits cash method farmers to defer for one year income from livestock sold on account of drought conditions

Good		Bad		Indif.
S	NS	S	NS	
-	-	-	-	-
	x			
	x			
				x
				x
	x			
-	-	-	-	-
	x			
				x
			x	