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THE WHITE HOUSE
WASHINGTON

Dear A

A couple of
clips from my brother,
Tom.

Roll-front page
Detroit Free Press

Dick
handle

FISCAL

SENATE



AGENCY

TO:

Jerry

FROM:

Tom Ford

Date:

5/16/75

The reaction on all
radio, T. V. + newspapers
has been Top notch.

Even amongst the
dems there was solid
support. One even said, "
I'm not so happy about
running next year in a
presidential election year."

Wall Street Journal
5/14/75

persuaded. Un-
tion, no one is entit-
except for public ser-
court said, Mrs. Broughton was
for her late husband's services. The
for governors' widows was taxable as just
another benefit to induce people to work for
the state.

A STATE LAWMAKER is denied deductions for living expenses at the capital.

State legislators pose another variant in the ongoing tax debate over deductions for living expenses while "away from home" on business. The IRS disallowed deductions taken by George Montgomery, majority whip in the Michigan lower house and representative of a Detroit district. In 1971, Montgomery spent 151 days in Lansing, Michigan's capital, typically driving up on Monday afternoons and returning to Detroit late Fridays. Instead of the \$3,757 Montgomery claimed as lodging expenses in Lansing, the IRS allowed \$2,000 as deductible expenses for the time he spent in Detroit.

The Tax Court recently agreed with the IRS that Lansing had become Montgomery's principal place of business. "He spent over twice as much time there as he did in Detroit. (Montgomery) was paid to be a legislator, and those duties were primarily performed in Lansing," the court concluded. It made no difference that Montgomery paid Detroit income taxes as a resident, or that Michigan law required him to keep his Detroit domicile, or give up his office.

Years ago, Congress wrote into law that a Congressman's home district is his tax home. But that law doesn't extend to state lawmakers.

THE GIFT NIXON made famous—donator's papers and claiming a charitable value—is no longer permitted cases remain in the

programming, such as "Masterpiece Theatre," and philanthropy to causes ranging from the New York Public Library to a Harlem basketball tournament.
Defending Against "Slander"

The purpose of it all is to defend the oil industry against "slander," as Mr. Warner sees it, and to try to convince the public that a huge (1974 revenue of \$20 billion) and profitable (\$1 billion) oil company can be open-minded, honest and human. Mobil's attempt, however, has drawn the company both praise—for speaking out—and some sharp criticism—for being excessive in what many think is an attempt to brainwash an unsuspecting public.

While public-affairs and corporate-image advertising isn't new, the number and size of such efforts have grown substantially in recent years. Currently, for instance, International Business Machines Corp. and International Telephone & Telegraph Corp. are waging extensive campaigns to better explain themselves to the public. And since the energy crunch, most oil companies have replaced product promotions with some sort of image advertising. According to some ad-industry estimates, the amount spent on what is loosely termed "corporate" advertising has grown to between \$500 million and \$1 billion annually.

Thus, many businessmen and advertising people consider Mobil's campaign to be, at the very least, a sign of the times. But some also think the company's willingness to abandon the traditional low-key public-relations posture is a trait of a new genre, called advocacy advertising. John E. O'Toole, president of Foote, Cone & Belding Communications Inc., a big ad agency, says that as crises multiply and government regulation of business increases, "advocacy advertising will be an essential part of the communications programs of many compa-

2 RS is
screened up

THE WHITE HOUSE
WASHINGTON

Date 5/23/75

TO: DICK CHENEY

FROM: JERRY H. IGLES

Don requested that the attached
be sent to you for handling.

THE QUESTION

A United States merchant ship has been fired upon and seized by the Cambodian Navy in international waters. Do you think President Ford should use any means necessary to recover the ship?

Sound
Off

HOW YOU VOTED

Do. Free Press 5/15

YES, 81.3 percent. COMMENTS: "If I were president there wouldn't even be a Cambodia" . . . "I think that constituents an act of war by them" . . . "If he doesn't no American ship or plane will be safe" . . . "We have the power and the means and it's time we showed the world this" . . . "We don't need another Pueblo incident" . . . "No country can be allowed to kidnap American citizens like that."

NO, 18.3 percent. COMMENTS: "It's probably a spy ship and should be captured" . . . "It's just a set-up to get us involved in another war" . . . "You need diplomacy and tact in such a situation" . . . "We'd take their ship if it was in our waters" . . . "No war is worth one ship" . . . "I'd like to know what an American ship was doing in Cambodian waters?"

Montgomery Battles IRS

By JERRY MOSKAL
Capitol Bureau

House Taxation Chairman George Montgomery says he's ready to battle federal tax men in the U.S. Supreme Court to get credit for thinking about legislation in his Detroit home.

Something of a cause celebre among Michigan lawmakers, the 66-year-old Detroit Democrat was just bouncing back from his latest setback in the U.S. Tax Court that could cost him thousands of dollars.

THE TAX Court stirred Montgomery's wrath when it agreed with the Internal Revenue Service he had to treat his state allowance for Lansing expenses as income.

"They're taking the view that the only work a legislator does is when he attends sessions or committee meetings," he said. "I'm working every hour.

"Hell, how do they know when I'm working? I may be thinking about legislation. My telephone rings when I'm at home, people call me at all hours. I maintain I'm working even when they don't call me."

MONTGOMERY SAYS he'll ask the Sixth U.S. Court of Appeals to review

the Tax Court ruling that Lansing is his principal place of business and as a result owes \$1,100 in back taxes and interest for 1971.

He said IRS has filed for similar deficiency on his 1972 taxes. Montgomery says he expects more of the same on his 1973 and 1974 returns.

What makes Montgomery even angrier is that Congress passed legislation stipulating the tax homes of U.S. House and Senate members were their districts, permitting writeoffs for Washington living expenses.

"THE FACT is those crummy congressmen take care of themselves," Montgomery sputtered. "If it's fair to them, it's fair to me. State legislators aren't second-class citizens to members of Congress."

Legislation to give members of state legislatures the same treatment is still pending in Congress as it has been for a number of years.

"We want to make this a ruling case for the other (Michigan) legislators," Montgomery said. "Some get by. Others don't. It depends on who audits them. Of course, they've got a red tag on me."

HIS LAWYER, Rep. Richard A. Young, D-Dearborn Heights, said some

members of the Legislature are able to claim their districts as their tax homes if their outside income is more than their \$19,000 annual legislative salary. He is one of them.

In addition, members this year draw \$3,300 a year for Lansing expenses, up from \$3,000 in 1974. The allowance goes to \$3,500 next year.

Young, who is providing his services free to Montgomery, says the IRS ruling flies in the face of the Michigan Constitution that says legislators must maintain homes in their districts.

"WHAT THE IRS is really saying," Young said, "is, 'well, we're overruling the Michigan Constitution.'"

Most members of the Michigan Legislature, he said, are confronted with the same problem as Montgomery. He said they are looking to the Montgomery case as a way out of their dilemma.

But, he says he doesn't hold too much hope for a favorable ruling in the Sixth U.S. Circuit Court of Appeals since it has upheld the IRS in the past.

PAST FINDINGS by that court, Young said, are in direct contrast to rulings by the second and fifth U.S. Circuit Court of Appeals that held legislators' tax homes were their districts.

Join - know you have other problems but its just unreal that the 6th court has to continually beat its chest legislators! why cant it be uniform across the country?