

**The original documents are located in Box C53, folder “Presidential Handwriting, 12/20/1976” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

THE WHITE HOUSE  
WASHINGTON

December 20, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: L. WILLIAM SEIDMAN  
FROM: JIM CONNOR *JEC*  
SUBJECT: Tax Policy Issues

The President reviewed your memorandum of December 13 on the above subject and made the following decisions:

Issue 1: Level of personal income tax reductions

Option 1      Reduce tax revenues by approximately \$11 billion in FY 1979 by increasing the personal exemption to \$1,000, lowering marginal tax rates, and raising the low income allowance levels of the current law to the flat standard deduction levels originally proposed (\$1,800 for single returns and \$2,500 for joint returns.)

Issue 2: Social Security Tax Increases

Approved the recommendation to propose increasing the combined employer-employee social security tax 0.6 percentage point on January 1, 1978, a further 0.6 percentage point on January 1, 1979, and a further 0.3 percentage point on January 1, 1980.

Issue 3: Modifying Other Outstanding Proposals to Increase Tax Revenues

Accelerated depreciation in high unemployment areas - Retain

Utility relief package reductions - Delete

2 percentage point surtax rate reduction - Retain

Financial institutions reform - Delete

Broadened stock ownership (BSOP) - Delete

Home insulation credit - Retain

Limited Employee Retirement Accounts - Delete

Education Tax Credit Proposal - Delete

Exclusion of charitable contributions from minimum tax - Retain

No decisions were made on this decision memorandum concerning (1) Proposal to end withholding on dividends to foreigners, (2) Sliding scale capital gains tax and (3) whether to propose additional tax incentives designed to stimulate private investment.

Please follow up with appropriate action.

cc: Dick Cheney

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

December 13, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: Tax Policy Issues

This memorandum supplements my memorandum of December 11 by providing the recommendations of your advisers on the tax policy issues scheduled for discussion at your meeting today with the Economic Policy Board Executive Committee.

Issue 1: Level of personal income tax reductions

Decision

Option 1 NR<sup>9</sup> Reduce tax revenues by approximately \$11 billion in FY 1979 by increasing the personal exemption to \$1,000, lowering marginal tax rates, and raising the low income allowance levels of the current law to the flat standard deduction levels you originally proposed (\$1,800 for single returns and \$2,500 for joint returns).

Supported by: OMB, Treasury, Commerce, Labor, Domestic Council, CEA

Option 2 \_\_\_\_\_ Reduce tax revenues by approximately \$8 billion in FY 1979 by increasing the personal exemption to \$1,000 and lowering marginal tax rates.

Supported by:

Issue 2: Social Security Tax Increases

Recommendation: That you propose increasing the combined employer-employee social security tax 0.6 percentage point on January 1, 1978, a further 0.6 percentage point on January 1, 1979, and a further 0.3 percentage point on January 1, 1980.

Issue 2: Social Security Tax Increases

Approve NY Supported by: OMB, Treasury, Commerce, CEA, Domestic Council

Disapprove \_\_\_\_\_ Supported by: Labor\*

Issue 3: Modifying Other Outstanding Proposals to Increase Tax Revenues

Effects on Fiscal Year Receipts  
(\$ billions)  
1977 1978 1979

Accelerated depreciation in high unemployment areas

\* 0.2 0.4

Retain NY Supported by: OMB, Treasury, CEA, Commerce, Labor, Domestic Council

Delete \_\_\_\_\_ Supported by:

Utility relief package reductions

0.2 0.8 1.1

Retain \_\_\_\_\_ Supported by:

Delete NY Supported by: OMB, CEA, Treasury, Domestic Council, Commerce\*\*  
No Comment: Labor

2 percentage point surtax rate reduction

1.1 2.6 2.8

Retain NY Supported by: OMB, CEA, Labor

Delete \_\_\_\_\_ Supported by: Commerce,\*\* Domestic Council

\* Labor recognizes the need for some tax increase beyond the 0.4 mandated by law in 1978.

\*\* Commerce feels should be tied to integration.

Effects on Fiscal Year Receipts  
(\$ billions)

	1977	1978	1979
<u>Financial institutions reform</u>	0.3	0.7	0.7

Retain \_\_\_\_\_ Supported by: Commerce

Delete RR7 Supported by: OMB, CEA, Domestic Council  
No comment: Labor

<u>Broadened stock ownership (BSOP)</u>	*	0.4	0.5
---	---	-----	-----

Retain \_\_\_\_\_ Supported by: Commerce

Delete RR9 Supported by: OMB, CEA, Domestic Council  
No comment: Labor

<u>Proposal to end withholding on dividends to foreigners</u>	0.1	0.2	0.3
---	-----	-----	-----

Retain \_\_\_\_\_ Supported by: OMB, Treasury, Commerce, Domestic Council

X Delete RR7 Supported by: CEA  
No Comment: Labor

<u>Sliding scale capital gains tax</u>	-0.1	0.6	0.9
--	------	-----	-----

Retain \_\_\_\_\_ Supported by: CEA, Domestic Council, Treasury

X Delete \_\_\_\_\_ Supported by: OMB, Commerce\*\*  
No Comment: Labor

\*\* Commerce feels should be tied to integration.

Effects on Fiscal Year Receipts  
(\$ billions)

	1977	1978	1979
<u>Home insulation credit</u>		0.2	0.2
Retain <u>WR 4</u>	Supported by: OMB, Commerce		
Delete _____	Supported by: Treasury, CEA, Domestic Council		
	No Comment: Labor		
<u>Limited Employee Retirement Accounts</u>	0.1	0.4	0.5
Retain _____	Supported by: OMB, Domestic Council		
Delete <u>WR 4</u>	Supported by: CEA		
	No Comment: Commerce, Labor		
<u>Education Tax Credit Proposal</u>	*	0.3	0.4
Retain _____	Supported by: Treasury, Labor, Domestic Council		
Delete <u>WR 4</u>	Supported by: CEA		
	No Comment: Commerce		
<u>Exclusion of charitable contributions from minimum tax</u>	*	0.1	0.1
Retain <u>WR 4</u>	Supported by: OMB, Treasury		
Delete _____	Supported by: CEA, Domestic Council		
	No Comment: Commerce, Labor		

Issue 4: Possible Stimulative Investment Measures

Decision

Option 1 \_\_\_\_\_ Advance the dividend deduction feature of the integration proposal.

Supported by:

Option 2 \_\_\_\_\_ Increase the benefits provided by the investment tax credit.

Supported by: CEA, Commerce, Labor

Option 3 \_\_\_\_\_ Reduce the corporate income tax rate from 48 percent to 44 percent or 2 percentage points more than your original proposal.

Supported by:

Option 4 \_\_\_\_\_ Do not propose additional stimulative investment measures

Supported by: OMB, Domestic Council

Treasury supports some additional measures to stimulate investment but has no preference for the method of stimulation except that it should include measures to benefit small business. Treasury supports preparing a package of the above stimulative measures at a level of approximately \$4 billion annually.