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Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

Today I have signed into law the Tax Reform Act of 1976. This action reflects my judgment that, on balance, the beneficial effects of the good provisions in this massive piece of legislation substantially outweigh the detrimental effects of the provisions which I find objectionable.

I am pleased that in this bill the Congress has raised the minimum tax and has taken meaningful action to eliminate the use of so-called tax shelters by individuals with high incomes. These actions are consistent with my past proposals and firm support of strong measures designed to close these loopholes. In doing so, we are moving toward a tax system under which each taxpayer bears his or her fair share of the overall tax burden.

I am also gratified that the Congress has adopted the program of estate tax relief which I proposed at the beginning of this year. The Act essentially includes my proposals to increase the basic estate tax exemption from \$60,000 to the equivalent of \$175,000, to liberalize the marital deduction for the transfer of property between spouses, and to provide special relief to the owners of family farms and businesses so that their heirs are not forced to liquidate these enterprises in order to pay estate taxes. The estate tax provisions have both simplified and made much more equitable our system of estate taxation.

Despite the contribution many provisions of this tax bill make to improving our tax system, the bill fails to include several important and necessary changes in our tax structure. We must continue to reform our tax system in three important ways.

First, the best tax reform is tax reduction. Americans currently pay excessive taxes, particularly middle and low income Americans. This Act does temporarily continue the tax reductions enacted last year, but it fails to include my proposals for permanent deepened tax cuts. In particular, I am disappointed that the Congress did not reduce individual income taxes by the additional \$10 billion I recommended. If Congress had adopted this measure together with an equal reduction in federal spending, the American people, rather than the Congress, could decide how that extra \$10 billion should be spent. Accordingly, I will again urge Congress next year to further reduce the tax burden on Americans by increasing permanently the personal income tax exemption from \$750 to \$1,000.

Second, increased investment through appropriate tax incentives is absolutely essential if we are to succeed in creating productive jobs for our growing labor force. Such tax incentives can help focus investment in those areas where new jobs are needed most. I will again propose that Congress

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grant special tax benefits in the form of accelerated depreciation for new plants and equipment in areas of high unemployment. I will also strongly recommend enactment of several other tax measures to aid in capital formation including: enacting a broadened stock ownership plan to increase the participation of low and middle income Americans in the ownership of our free enterprise system; and adopting the proposal I made over a year ago to integrate the corporate and personal income taxes thereby eliminating the present burden of double taxation of dividends which presently inhibits savings and investment and places our nation at a disadvantage in competing for world markets with other industrialized countries.

Third, we must move toward a simplified and more equitable tax code. Last January, I requested the Secretary of the Treasury to study the potential for restructuring and simplifying the present tax code. The Treasury study is well under way. It involves an examination of our present tax code aimed at making it more simple, more fair, and more economically efficient. The Treasury is scheduled to report to me on the project in December. I will carefully review this study as an important part of my Administration's effort to make our tax system fair and equitable for all Americans.

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