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THE WHITE HOUSE
WASHINGTON

Mo- David,
you first
Hopefully, this
is what he wants.

Please return
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Cannon's copy.

Thanks Kris

THE WHITE HOUSE

WASHINGTON

May 26, 1976

MEMORANDUM FOR ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEMBERS

FROM: WILLIAM F. GOROG *WFG*

SUBJECT: Comprehensive Job Creation and Non-Inflationary
Growth Act of 1976

Attached for your review are the following materials scheduled for EPB consideration this Friday:

- o Summary of the bill
- o Draft text of the bill

The purpose of the bill is to pull together existing Administration initiatives related to job creation to serve as a rallying point for Congressional opponents of the Humphrey-Hawkins bill. Although we plan no formal introduction of the bill, we will want to give it high priority in future speeches, press releases, testimony, etc.

EOB

Attachments

2



The Comprehensive Job Creation and Non-Inflationary
Growth Act of 1976

Summary of Provisions

- Sec. 1. Title
- Sec. 2. General Findings

Title 1: General Economic Policy

Sec. 100: Purpose

Different

It is the purpose of this title to ensure sustained growth in the aggregate economy and provide for the continued expansion of productive jobs by the establishment of macroeconomic policies to strengthen consumer demand and encourage business investment. It is recognized by the Congress that overall economic conditions conducive to the creation of jobs are dependent on three primary factors: the sustained confidence in the economy by the consumer, the favorable outlook for reasonable returns for the investor and the adoption of prudent fiscal and monetary policies by the government.

Sec. 101-110: To provide for individual income tax reductions and the simplification of the Federal tax law to ensure continued growth in consumer demand:

- A. Amend the Internal Revenue Code to increase the personal exemption from \$750 to \$1000.
- B. Amend the Internal Revenue Code to substitute a single standard deduction of \$2,500 for married couples filing jointly and \$1,800 for single tax payers replacing the existing low income allowance and percentage standard deduction.
- C. Amend the Internal Revenue Code to provide for a reduction in individual income tax rates.

Sec. 111-128: To ensure the continued growth in capital formation necessary to provide good jobs and increased productivity so as to ensure increased standards of living for U.S. citizens:

- A. Amend the Internal Revenue Code to provide for a permanent 10% investment tax credit.
- B. Amend the Internal Revenue Code to provide for a reduction in maximum corporate income tax rates from 48% to 46%, and to make permanent the current temporary tax cuts on the first \$50,000 of corporate income.



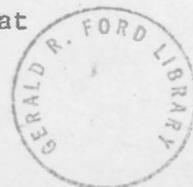
- C. Amend the Internal Revenue Code to provide for a permanent 12% investment tax credit for electric utilities, permit immediate tax credits on progress payments for construction, and extend the five year amortization provision for pollution control facilities.
- D. Amend the Internal Revenue Code to encourage broadened stock ownership by low and middle income working Americans by allowing deferral of taxes on certain funds invested in common stocks.
- E. Direct the Secretary of the Treasury to prepare a legislative proposal for amending the Internal Revenue Act to provide for the integration of the corporate and individual income tax.

Sec. : (12 sections) To provide for expanded investment in small businesses so as to insure continued growth and creation of additional jobs.

- A. (Sections 1-3)
Amend the Small Business Act and the Small Business Investment Act to raise the ceiling on certain SBA loan programs.
- B. (Section 4)
Amend the Small Business Investment Act to provide additional loan authority and an extension of loan term for State and Local Development Companies.
- C. (Sections 5-7)
Amend the Small Business Investment Act to provide increased opportunity and SBA financial assistance for small business through privately owned small business investment companies.
- D. (Sections 7-12)
Amend the Small Business Act and the Small Business Investment Act to provide increased authorization ceilings for the Business Loan and Investment Fund and selected agency programs.

Sec. 129-133: To make it easier to continue the family ownership of a small business or farm:

- A. Amend the Internal Revenue Code to stretch out the estate tax payment period, allowing a five year moratorium and 20 years for full payment at a 4 percent interest rate.



- B. Amend the Internal Revenue Code to increase the personal exemption allowance for estate tax purposes from \$60,000 to \$150,000.
- C. Amend the Internal Revenue Code to permit unlimited marital deductions.

Sec. 134: To ensure continuation of prudent fiscal policies conducive to noninflationary growth and the attainment of a balanced budget by fiscal year 1979, adopt a spending ceiling on Federal outlays of \$395 billion for fiscal year 1977.



Title 2: Countercyclical Policy

It is the purpose of this title to provide for the mitigation of short-run cyclical unemployment. This title recognizes the need to continue to deal with the immediate problem of cyclical unemployment and to develop and strengthen the mechanism to deal with the possibility of such unemployment in the event of future economic cycles.

Section 1: In addition to the emergency measures undertaken to combat hardships caused by the 1974-1975 recession, this section seeks to reform and strengthen certain aspects of the unemployment insurance system. Primarily these reforms are intended to strengthen the financial integrity of the system which has been severely undermined by the combination of an unrealistically low wage base and tax rate and the severity of the recession.

- A. Amend the Employment Security Act to strengthen the financing of the unemployment insurance system.
- B. Amend the Employment Security Act to expand the coverage of the unemployment insurance system to farm workers, certain public employees and others.
- C. Establish a national study commission to examine thoroughly the unemployment insurance system and its impact on the economy and make recommendations to the President and the Congress on further reforms.

Section 2: Amend the Internal Revenue Code to provide for accelerated depreciation for plant construction and equipment in areas with unemployment in excess of 7%. Buildings will be amortized over a period equal to one-half their useful life while capital equipment put in place in such new or expanded facilities would be amortized over five years.

Section 3: Direct the Secretary of Labor to develop a series of evaluations of existing counter-cyclical programs to assess their effectiveness, cost and speed of implementation so as to provide for a more effective response to cyclical fluctuations in the future. Such experiments should include, but not be limited to, the effectiveness of public service employment, public works programs, training and retraining programs and employment tax credit measures.



Title 3: Long Term and Structural Unemployment Remedies

It is the purpose of this title to develop a concentrated policy response to those individuals suffering long term or structural unemployment. This title also seeks to ensure that present policies directed at achieving a smooth transition from school to work are meeting their objectives.

Little progress can be made in achieving a better trade off between unemployment and inflation without attacking the specific causes underlying long term or structural unemployment. It is recognized that attempts to use aggregate economic policy measures to deal with such problems only leads to overstimulation of the economy resulting in inflation and disruptive business cycles.

Section 1: Direct the Secretary of Labor to ensure that Labor Department programs more effectively address the problems of long term unemployment and of structural unemployment stemming from the transition from school to work.

- A. Direct the Secretary of Labor to ensure that Title 1 CETA assistance to State and local governments for institutional and on the job training, work experience, vocational education, job placement services and transitional public service employment for the economically disadvantaged unemployed and underemployed persons is addressing the problem of long term unemployment and the transition from school to work.
- B. Direct the Secretary of Labor to ensure that the CETA national training programs for criminal offenders, Indians, migrants and the severely disadvantaged youths through Job Corps is addressing the problems of long term unemployment and the transition from school to work.
- C. Provide for the continuation of CETA Title 2, State and local public service employment programs in areas of high unemployment.
- D. Provide for continuation of CETA summer youth programs providing jobs for the economically disadvantaged youth population.
- E. Redirect temporary employment assistance for public jobs in areas of substantial unemployment to primarily assist those persons suffering long term unemployment or who have exhausted their unemployment insurance benefits.



Section 2: Authorize through the Supplemental Community Development Act block grants to States and cities and counties with unemployment above 8% earmarking 75% for metropolitan cities and urban counties.

Section 3: Direct the Secretary of Commerce to ensure that the Department's programs are aimed at expanding job opportunities in areas suffering industrial blight or persistent unemployment.

- A. Ensure the effective targetting of EDA public works programs providing grants and loans to build or rebuild and expand public facilities in economically depressed areas to attract private business.
- B. Ensure that the EDA business loan program providing for direct loans for plant and equipment, working capital loan guarantees and direct working capital loans effectively supports efforts at revitalizing economically depressed areas or areas suffering industrial blight.
- C. Ensure a continuation of EDA technical assistance for funding, training, planning and management assistance activities in the support of programs directed at revitalizing economically depressed areas or areas suffering industrial blight.

Title 4: Efficiency of Labor Markets

It is the purpose of this title to promote increased efficiency in labor markets by providing improved information and assistance in developing job opportunities. This will serve to reduce frictional unemployment in the labor force and provide for a smoother transition from school to work or from inactive to active participation in the labor force.

Section 1: Direct the Secretary of Labor to improve the computer job matching system in order to focus its operation more effectively on local job markets and to provide information for those seeking employment opportunities in non-local labor markets.

Section 2: Provide for continued experimentation in relocation assistance and develop programs for implementing such assistance on a larger scale where appropriate.



Section 3: Direct the Secretary of Labor to improve the dissemination of information on projected labor market demand and job opportunities particularly for new entrants into the labor market and those retraining for alternative employment opportunities.

- A. Seek through CETA programs and other mechanisms greater communication and cooperation among employer groups and training activities to provide improved information on shifting demand patterns in labor markets, both geographically and in industry sectors.

Title 5: Reform of Government Regulatory Functions (omitted from earlier drafts)

Title 6: Policy Coordination (involving role of EPB; omitted from earlier drafts)



A BILL

To provide for a comprehensive approach to the problems of job creation through complementary policies which encourage sustained ^{sound economic} non-inflationary growth leading to new job opportunities for the growing American labor force, ^{and increase skill level} to focus government activities ^{to focus on to better work affected} on the unique characteristics of cyclical and structural unemployment, and to assure coordination ^{of} of government policies ^{to} for achievement ~~of~~ these goals.

SECTION 1. SHORT TITLE.

(a) SHORT TITLE.--This Act may be cited as the "Comprehensive Job Creation and Non-Inflationary Growth Act of 1976."

SECTION 2. GENERAL FINDINGS

(a) IN GENERAL.--The Congress finds that the Nation has recently suffered substantial unemployment and underdevelopment concurrent with significant increases in the rate of inflation. While both unemployment and inflation rates have been reduced significantly over recent months, continuing high levels still impose numerous economic and social costs occasioned by reduced levels of national economic growth. Such costs include the following:

(1) The Nation is deprived of the full supply of goods and services, the full utilization of labor and capital resources, and the related increase in individual income and well-being that would exist under conditions of genuine full employment.

(2) Insufficient production is available to meet pressing national priorities.



- (3) Workers are deprived of job security, skill development, and productivity necessary to maintain and advance their standards of living.
- (4) Business and industry are deprived of the production, sales, capital flow, and productivity necessary to maintain adequate profits, create jobs, and contribute to meeting societies' economic needs.

(b) JOBS CREATION.--The Congress further finds:

- (1) Providing meaningful, productive jobs for every American who seeks work in the context of a growing non-inflationary economy is a great goal towards which all Americans strive. Creating such productive jobs to absorb our continually expanding labor force, however, is a complex and challenging task. It involves harnessing the ingenuity and the vast economic resources of this country so as to provide meaningful and productive employment opportunities for all our citizens.
- (2) The cornerstone of such an effort must be the maintenance of sustained real growth in the aggregate economy so as to continue providing job opportunities for new entrants into the labor force or those returning to the labor market, particularly our young workers and the increasing number of women seeking jobs. In the short term and of most immediate concern are those members of the labor force



who are either unemployed or underemployed as a result of the recent business cycle.

- (3) It is also necessary to deal with the more pervasive and long-term problems of structural unemployment --

A. The primary difficulty in dealing with such unemployment is that the causes are numerous and highly differentiated. Pockets of geographic unemployment, industry dislocation due to changing patterns of domestic and international demand, and lack of capital to overcome plant obsolescence which may in part be due to such factors as sharply increased energy costs or safety or environmental regulations are but a handful of examples which have been given as the causes of structural unemployment.

B. We must recognize that where such structural factors are present, excessive stimulation of the aggregate economy will do little to reduce unemployment and will only lead to inflation. Thus, a clear understanding of the underlying reasons for unemployment are necessary if useful policy actions are to be taken.

C. In terms of reducing such pervasive unemployment due to structural factors, the only lasting solution is in creating jobs that are productive and serve the legitimate



needs of society. Creating make-work jobs whether within the government or the private sector will not fundamentally solve the problem. Such make-work jobs only add to inflation in that real wages are being paid for non-productive work. Neither do subsidies provide a lasting solution because in those cases where the recipient is willing and able to work they represent a tragic waste of human resources and inflationary lost output.

D. In the past it has been tempting to deal with such structural and cyclical unemployment through the expansion of jobs in the public sector. While there is a legitimate demand for government services, such as the services of teachers, firemen, policemen, etc., the vast bulk of the goods and services demanded by our citizens are produced by the private sector. Thus, any realistic solution to the problem must rest in energizing the private sector so as to provide meaningful productive jobs in the economy.

(c) CAPITAL FORMATION.--The Congress further finds:

- (1) To provide jobs for those presently out of work and for those who will be entering the labor force in the years ahead more capital investment is essential. Capital formation, through tax incentives and other methods, is one of the



primary ways to create productive, tax generating, and long-term jobs in an environment free from inflation. Unless investment in factories and machines is substantially larger than it has been in the past, it will not be possible for the economy to provide jobs for all who are able and willing to work. We must not condemn our fellow citizens to unemployment because the modern tools needed to compete in world markets are lacking. Consequently, the stimulation of capital formation deserves the highest priority as the necessary means to provide full employment.

- (2) Policies to provide for the investment required must focus on insuring an adequate flow of available savings and on providing sufficient investment incentives. Unless government spending is restrained and the Federal deficit is quickly reduced as the recovery proceeds, the flow of savings into productive investment may threaten to become too small and the recovery could stall before full employment is reached. Investment incentives, however, have been reduced in recent years by high inflation and economic instability, by changing environmental and safety regulations, and by government policies favoring consumption. Actions in the tax area are necessary to remove the bias against job-producing investment



and to insure that private investment incentives are restored. Over the long run tax incentives that increase the inducement to invest will more than repay themselves in terms of increased economic growth and the creation of new jobs.

(d) PRICE STABILITY.--The Congress further finds of equal importance to job generation is the creation of a stable environment with more steady national economic policies. Price stability and a stable economy are prerequisites to attaining the goal of lasting full employment. Consistency of policy will permit employers to invest in an atmosphere of confidence about the future direction of government monetary and fiscal actions. Attempts to achieve our ultimate goals by crash programs of increased deficit financing and excessive money creation assure only the continuation of roller coaster economics--boom followed by recession, inflation followed by more unemployment later. Steadier policies are a prerequisite to the reattainment of stable noninflationary growth.



TITLE I -- GENERAL ECONOMIC POLICY

Sec. 100. PURPOSE

It is the purpose of this title to ensure sustained growth in the aggregate economy and provide for the continued expansion of productive jobs by the establishment of macro-economic policies to strengthen consumer demand and encourage business investment. It is recognized by the Congress that overall economic conditions conducive to the creation of jobs are dependent on three primary factors: the sustained confidence in the economy by the consumer, the favorable outlook for reasonable returns for the investor and the adoption of prudent fiscal and monetary policies by the government.

Sec. 101. AMENDMENT OF 1954 CODE.

Except as otherwise expressly provided, whenever in this amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.



SUBTITLE A -- INDIVIDUAL INCOME TAX REDUCTIONS AND TAX SIMPLIFICATION

Sec. 102. INCREASE IN PERSONAL EXEMPTION.

(a) IN GENERAL. — Subsections (b), (c), (d), and (e) of section 151 (relating to allowance of deductions for personal exemptions) are amended to read as follows:

"(b) TAXPAYER AND SPOUSE. -- An exemption of \$1,000 for the taxpayer; and an additional exemption of \$1,000 for the spouse of the taxpayer if a joint return is not made by the taxpayer and his spouse, and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

"(c) ADDITIONAL EXEMPTION FOR TAXPAYER OR SPOUSE AGED 65 OR MORE. --

"(1) FOR TAXPAYER. -- An additional exemption of \$1,000 for the taxpayer if he has attained the age of 65 before the close of his taxable year.

"(2) FOR SPOUSE. -- An additional exemption of \$1,000 for the spouse of the taxpayer if a joint return is not made by the taxpayer and his spouse, and if the spouse has attained the age of 65 before the close of such taxable year, and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.



"(d) ADDITIONAL EXEMPTION FOR BLINDNESS OF TAXPAYER OR SPOUSE. --

"(1) FOR TAXPAYER. -- An additional exemption of \$1,000 for the taxpayer if he is blind at the close of his taxable year.

"(2) FOR SPOUSE. -- An additional exemption of \$1,000 for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse is blind and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer. For purposes of this paragraph, the determination of whether the spouse is blind shall be made as of the close of the taxable year of the taxpayer; except that if the spouse dies during such taxable year such determination shall be made as of the time of such death.

"(3) BLINDNESS DEFINED. -- For purposes of this subsection, an individual is blind only if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

"(e) ADDITIONAL EXEMPTION FOR DEPENDENTS. --

"(1) IN GENERAL. -- An exemption of \$1,000 for each dependent (as defined in section 152) --



"(A) whose gross income for the calendar year in which the taxable year of the taxpayer begins is less than \$1,000, or

"(B) who is a child of the taxpayer and who (i) has not attained the age of 19 at the close of the calendar year in which the taxable year of the taxpayer begins, or (ii) is a student.

"(2) EXEMPTION DENIED IN CASE OF CERTAIN MARRIED DEPENDENTS. -- No exemption shall be allowed under this subsection for any dependent who has made a joint return with his spouse under section 6013 for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.

"(3) CHILD DEFINED. -- For purposes of paragraph (1)(B), the term 'child' means an individual who (within the meaning of section 152) is a son, stepson, daughter, or stepdaughter of the taxpayer.

"(4) STUDENT AND EDUCATIONAL INSTITUTION DEFINED. -- For purposes of paragraph (1)(B)(ii), the term 'student' means an individual who during each of 5 calendar months during the calendar year in which the taxable year of the taxpayer begins --

"(A) is a full-time student at an educational institutional;

or

"(B) is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational institution or of a State or political subdivision of a State.



For purposes of this paragraph, the term 'educational institution' means only an education institution which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on."

(b) EXCEPTION. — Notwithstanding the provisions of subsection (a) of this section, for taxable years ending after December 31, 1975 and before January 1, 1977, the amount of "\$875" shall be substituted for the amount of "\$1,000" whenever it appears in the amendments made by such subsection.

(c) TECHNICAL AND CONFORMING AMENDMENT. — Section 6013(b)(3)(a) (relating to assessment and collection in case of certain returns of husband and wife) is amended by striking out "\$750" each place it appears and inserting in lieu thereof "\$1000"; and by striking out "\$1500" each place it occurs and inserting in lieu thereof "\$2000". Notwithstanding the previous sentence, for taxable years ending after December 31, 1975 and before January 1, 1977, the amount of "\$875" shall be substituted for "\$1000" each place it occurs in the amendments made by such sentence and the amount of "\$1750" shall be substituted for "\$2000" each place it occurs in the amendments made by such sentence.

Sec. 103. STANDARD DEDUCTION.

(a) INCREASE. — Subsections (b) and (c) of section 141 (relating to standard deduction) are amended to read as follows:

"(b) PERCENTAGE STANDARD DEDUCTION. -- The percentage standard deduction is an amount equal to 16 percent of adjusted gross



income but not to exceed --

"(1) \$2,650 in the case of --

"(A) a joint return under section 6013, or

"(B) a surviving spouse (as defined in section 2(a)),

"(2) \$2,100 in the case of an individual who is not married and who is not a surviving spouse (as so defined), or

"(3) \$1,325 in the case of a married individual filing a separate return."

"(c) LOW INCOME ALLOWANCE -- The low income allowance is --

"(1) \$2,300 in the case of --

"(A) a joint return under section 6013, or

"(B) a surviving spouse (as defined in section 2(a)),

"(2) \$1,750 in the case of an individual who is not married and who is not a surviving spouse (as so defined), or

"(3) \$1,150 in the case of a married individual filing a separate return".

(b) PERMANENT INCREASE. -- Notwithstanding the provisions of subsection (a) of this section, section 141 is amended to read as follows for taxable years ending after December 31, 1976:

SEC. 141. STANDARD DEDUCTION.

"(a) STANDARD DEDUCTION. -- The standard deduction referred to in this title shall be \$2,500 for a joint return under section 6013 or a surviving spouse (as defined in section 2(A)), \$1,800 in the case of an individual who is not married and who is not a surviving spouse (as so defined), and \$1,250 in the case of a married individual filing a separate return.



"(b) LIMITATIONS IN CASE OF CERTAIN DEPENDENT TAXPAYERS. -- In the case of a taxpayer with respect to whom a deduction under section 151(e) is allowable to another taxpayer for the taxable year, the standard deduction shall not exceed his earned income for the taxable year."

(c) CHANGE IN FILING REQUIREMENTS TO REFLECT CHANGE IN STANDARD DEDUCTION. -- Paragraph (1) of section 6012 (a) (relating to persons required to make returns of income) is amended to read as follows:

"(1)(A) Every individual having for the taxable year a gross income of \$1,000 or more, except that a return shall not be required of an individual (other than an individual to whom section 141(e) applies or an individual to whom section 142(b) refers) --

"(i) who is not married (determined by applying section 143), is not a surviving spouse (as defined in section 2(a)), and for the taxable year has a gross income of less than \$2,800,

"(ii) who is a surviving spouse (as so defined) and for the taxable year has a gross income of less than \$3,500,

"(iii) who is a married (as defined in section 143) individual filing a separate return and for the taxable year has a gross income of less than \$2250, or

"(iv) who is entitled to make a joint return under section 6013 and whose gross income, when combined with the gross income of his spouse is, for the taxable year, less than \$4,500 but only if such individual and his spouse, at the close of the taxable year, had the same household as their home.



Clause (iii) shall not apply if for the taxable year such spouse makes a separate return or any other taxpayer is entitled to an exemption for such spouse under section 151(e).

"(B) The amount specified in clause (i) or (ii) of subparagraph (A) shall be increased by \$1,000 in the case of an individual entitled to an additional personal exemption under section 151(c)(1), and the amount specified in clause (iii) of subparagraph (A) shall be increased by \$1,000 for each additional personal exemption to which the individual or his spouse is entitled under section 151(c)".

"(C) Notwithstanding the provisions of subparagraphs (A) and (B) of this paragraph, the following amounts shall be substituted for the amounts set forth in those subparagraphs for taxable years ending after December 31, 1975 and before January 1, 1976 --

- "(i) "\$875" for "\$1,000" in subparagraphs (A) and (B),
- "(ii) \$2,975 for \$2,800 in subparagraph (A)(i),
- "(iii) \$3,525 for \$3,500 in subparagraph (A)(ii),
- "(iv) \$2,200 for \$2,250 in subparagraph (A)(iii), and
- "(v) \$4,400 for \$4,500 in subparagraph (A)(iv)."



(d) CONFORMING AMENDMENT. -- Section 3402(m)(1) (relating to withholding allowances based on itemized deductions) is amended to read as follows.

"(1) General Rule. -- An employee shall be entitled to withholding allowances under this subsection with respect to a payment of wages in a number equal to the number determined by dividing by \$1,000 the excess of --

"(A) his estimated itemized deductions, or

"(B) an amount equal to \$2,500 (\$1,800 in the case of an individual who is not married (within the meaning of section 143) and who is not a surviving spouse (as defined in section 2(a)) and \$1,250 in the case of a married (as defined in section 143) individual filing a separate return."

SEC. 104. PERMANENT REDUCTION IN INDIVIDUAL INCOME TAXES.

Section 1 (relating to tax imposed) is amended to read as follows:

"SECTION 1. TAX IMPOSED.

"(a) (1) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSE. -- Except as provided in paragraph (2) of this subsection, there is hereby imposed on the taxable income of --



"(A) every married individual (as defined in section 143) who makes a single return jointly with his spouse under section 6013, and

"(B) every surviving spouse (as defined in section 2(a)),

a tax determined in accordance with the following table:

"If the amount of taxable income is:

Over 0 but not over \$1,000
Over \$1,000 but not over \$2,000
Over \$2,000 but not over \$4,000
Over \$4,000 but not over \$6,000
Over \$6,000 but not over \$8,000
Over \$8,000 but not over \$10,000
Over \$10,000 but not over \$12,000
Over \$12,000 but not over \$16,000
Over \$16,000 but not over \$20,000
Over \$20,000 but not over \$24,000
Over \$24,000 but not over \$28,000
Over \$28,000 but not over \$32,000
Over \$32,000 but not over \$36,000
Over \$36,000 but not over \$40,000
Over \$40,000 but not over \$44,000
Over \$44,000 but not over \$52,000
Over \$52,000 but not over \$64,000
Over \$64,000 but not over \$76,000
Over \$76,000 but not over \$88,000
Over \$88,000 but not over \$100,000
Over \$100,000 but not over \$120,000
Over \$120,000 but not over \$140,000
Over \$140,000 but not over \$160,000
Over \$160,000 but not over \$180,000
Over \$180,000 but not over \$200,000
Over \$200,000

The tax is:

0 plus 12% of excess over \$0.
\$120, plus 14% of excess over \$1,000.
\$260, plus 15% of excess over \$2,000.
\$560, plus 16% of excess over \$4,000.
\$880, plus 17% of excess over \$6,000.
\$1,220, plus 21% of excess over \$8,000.
\$1,640, plus 22% of excess over \$10,000.
\$2,080, plus 25% of excess over \$12,000.
\$3,080, plus 29% of excess over \$16,000.
\$4,240, plus 34% of excess over \$20,000.
\$5,600, plus 36% of excess over \$24,000.
\$7,040, plus 39% of excess over \$28,000.
\$8,600, plus 42% of excess over \$32,000.
\$10,280, plus 45% of excess over \$36,000.
\$12,080, plus 48% of excess over \$40,000.
\$14,000, plus 50% of excess over \$44,000.
\$18,000, plus 53% of excess over \$52,000.
\$24,360, plus 55% of excess over \$64,000.
\$30,960, plus 58% of excess over \$76,000.
\$37,920, plus 60% of excess over \$88,000.
\$45,120, plus 62% of excess over \$100,000.
\$57,520, plus 64% of excess over \$120,000.
\$70,320, plus 66% of excess over \$140,000.
\$83,520, plus 68% of excess over \$160,000.
\$97,120, plus 69% of excess over \$180,000.
\$110,920, plus 70% of excess over \$200,000.



"(2) For taxable years ending after December 31, 1975 and before January 1, 1977, the tax imposed by this subsection shall be determined in accordance with the following table:

"If the amount of taxable income is:

- Over 0 but not over \$1,000
- Over \$1,000 but not over \$2,000
- Over \$2,000 but not over \$3,000
- Over \$3,000 but not over \$4,000
- Over \$4,000 but not over \$6,000
- Over \$6,000 but not over \$8,000
- Over \$8,000 but not over \$10,000
- Over \$10,000 but not over \$12,000
- Over \$12,000 but not over \$16,000
- Over \$16,000 but not over \$20,000
- Over \$20,000 but not over \$24,000
- Over \$24,000 but not over \$28,000
- Over \$28,000 but not over \$32,000
- Over \$32,000 but not over \$36,000
- Over \$36,000 but not over \$40,000
- Over \$40,000 but not over \$44,000
- Over \$44,000 but not over \$52,000
- Over \$52,000 but not over \$64,000
- Over \$64,000 but not over \$76,000
- Over \$76,000 but not over \$88,000
- Over \$88,000 but not over \$100,000
- Over \$100,000 but not over \$120,000
- Over \$120,000 but not over \$140,000
- Over \$140,000 but not over \$160,000
- Over \$160,000 but not over \$180,000
- Over \$180,000 but not over \$200,000
- Over \$200,000 but not over \$

The tax is:

- 0 plus 13.0% of excess over \$0.
- \$130, plus 14.5% of excess over \$1,000.
- \$275, plus 15.5% of excess over \$2,000.
- \$430, plus 16.0% of excess over \$3,000.
- \$590, plus 17.5% of excess over \$4,000.
- \$940, plus 18.0% of excess over \$6,000.
- \$1,300, plus 21.5% of excess over \$8,000.
- \$1,730, plus 22.0% of excess over \$10,000.
- \$2,170, plus 25.0% of excess over \$12,000.
- \$3,170, plus 28.5% of excess over \$16,000.
- \$4,310, plus 33.0% of excess over \$20,000.
- \$5,630, plus 36.0% of excess over \$24,000.
- \$7,070, plus 39.0% of excess over \$28,000.
- \$8,630, plus 42.0% of excess over \$32,000.
- \$10,310, plus 45.0% of excess over \$36,000.
- \$12,110, plus 48.0% of excess over \$40,000.
- \$14,030, plus 50.0% of excess over \$44,000.
- \$18,030, plus 53.0% of excess over \$52,000.
- \$24,390, plus 55.0% of excess over \$64,000.
- \$30,990, plus 58.0% of excess over \$76,000.
- \$37,950, plus 60.0% of excess over \$88,000.
- \$45,150, plus 62.0% of excess over \$100,000.
- \$57,550, plus 64.0% of excess over \$120,000.
- \$70,350, plus 66.0% of excess over \$140,000.
- \$83,550, plus 68.0% of excess over \$160,000.
- \$97,150, plus 69.0% of excess over \$180,000.
- \$110,950, plus 70.0% of excess over \$200,000.



"(b)(1) HEADS OF HOUSEHOLDS. -- Except as provided in

paragraph (2) of this subsection there is hereby imposed on

the taxable income of every individual who is the head of a household

(as defined in section 2(b)) a tax determined in accordance with the

following table:

"If the amount of taxable income is:	The tax is:
Over 0 but not over \$1,000	12%
Over \$1,000 but not over \$2,000	\$120, plus 15% of excess over \$1,000.
Over \$2,000 but not over \$4,000	\$270, plus 16% of excess over \$2,000.
Over \$4,000 but not over \$6,000	\$590, plus 17% of excess over \$4,000.
Over \$6,000 but not over \$8,000	\$930, plus 19% of excess over \$6,000.
Over \$8,000 but not over \$10,000	\$1,310, plus 22% of excess over \$8,000.
Over \$10,000 but not over \$12,000	\$1,750, plus 25% of excess over \$10,000.
Over \$12,000 but not over \$14,000	\$2,250, plus 27% of excess over \$12,000.
Over \$14,000 but not over \$16,000	\$3,350, plus 31% of excess over \$16,000.
Over \$16,000 but not over \$18,000	\$3,970, plus 33% of excess over \$18,000.
Over \$18,000 but not over \$20,000	\$4,630, plus 36% of excess over \$20,000.
Over \$20,000 but not over \$22,000	\$5,350, plus 37% of excess over \$22,000.
Over \$22,000 but not over \$24,000	\$6,090, plus 38% of excess over \$24,000.
Over \$24,000 but not over \$26,000	\$6,850, plus 40% of excess over \$26,000.
Over \$26,000 but not over \$28,000	\$7,650, plus 43% of excess over \$28,000.
Over \$28,000 but not over \$32,000	\$9,370, plus 46% of excess over \$28,000.
Over \$32,000 but not over \$36,000	\$11,210, plus 49% of excess over \$36,000.
Over \$36,000 but not over \$40,000	\$13,170, plus 53% of excess over \$40,000.
Over \$40,000 but not over \$50,000	\$18,470, plus 57% of excess over \$50,000.
Over \$50,000 but not over \$60,000	\$24,170, plus 59% of excess over \$60,000.
Over \$60,000 but not over \$70,000	\$30,070, plus 61% of excess over \$70,000.
Over \$70,000 but not over \$80,000	\$36,170, plus 63% of excess over \$80,000.
Over \$80,000 but not over \$90,000	\$42,470, plus 65% of excess over \$90,000.
Over \$90,000 but not over \$100,000	\$48,970, plus 66% of excess over \$100,000.
Over \$100,000 but not over \$120,000	\$62,170, plus 67% of excess over \$120,000.
Over \$120,000 but not over \$140,000	\$75,570, plus 68% of excess over \$140,000.
Over \$140,000 but not over \$160,000	\$89,170, plus 69% of excess over \$160,000.
Over \$160,000 but not over \$180,000	\$102,970, plus 70% of excess over
\$180,000 and above	



"(2)" For taxable years ending after December 31, 1975 and before

January 1, 1977, the tax imposed by this subsection shall be determined

in accordance with the following table:

"If the amount of taxable income is:

Not over \$1,000
Over \$1,000 but not over \$2,000
Over \$2,000 but not over \$4,000
Over \$4,000 but not over \$6,000
Over \$6,000 but not over \$8,000
Over \$8,000 but not over \$10,000
Over \$10,000 but not over \$12,000
Over \$12,000 but not over \$14,000
Over \$14,000 but not over \$16,000
Over \$16,000 but not over \$18,000
Over \$18,000 but not over \$20,000
Over \$20,000 but not over \$22,000
Over \$22,000 but not over \$24,000
Over \$24,000 but not over \$26,000
Over \$26,000 but not over \$28,000
Over \$28,000 but not over \$32,000
Over \$32,000 but not over \$36,000
Over \$36,000 but not over \$38,000
Over \$38,000 but not over \$40,000
Over \$40,000 but not over \$44,000
Over \$44,000 but not over \$50,000
Over \$50,000 but not over \$52,000
Over \$52,000 but not over \$64,000
Over \$64,000 but not over \$70,000
Over \$70,000 but not over \$76,000
Over \$76,000 but not over \$80,000
Over \$80,000 but not over \$88,000
Over \$88,000 but not over \$100,000
Over \$100,000 but not over \$120,000
Over \$120,000 but not over \$140,000
Over \$140,000 but not over \$160,000
Over \$160,000 but not over \$180,000
Over \$180,000

The tax is:

13% of the taxable income
\$130, plus 15% of excess over \$1,000.
\$280, plus 17% of excess over \$2,000.
\$620, plus 19% of excess over \$4,000.
\$1,000, plus 20% of excess over \$6,000.
\$1,400, plus 23% of excess over \$8,000.
\$1,850, plus 24% of excess over \$10,000.
\$2,340, plus 27% of excess over \$12,000.
\$2,880, plus 28% of excess over \$14,000.
\$3,440, plus 31% of excess over \$16,000.
\$4,060, plus 33% of excess over \$18,000.
\$4,720, plus 35% of excess over \$20,000.
\$5,420, plus 37% of excess over \$22,000.
\$6,160, plus 38% of excess over \$24,000.
\$6,920, plus 41% of excess over \$26,000.
\$7,740, plus 42% of excess over \$28,000.
\$9,420, plus 45% of excess over \$32,000.
\$11,220, plus 48% of excess over \$36,000.
\$12,180, plus 51% of excess over \$38,000.
\$13,200, plus 52% of excess over \$40,000.
\$15,280, plus 55% of excess over \$44,000.
\$18,580, plus 56% of excess over \$50,000.
\$19,700, plus 58% of excess over \$52,000.
\$26,660, plus 59% of excess over \$64,000.
\$30,200, plus 61% of excess over \$70,000.
\$33,860, plus 62% of excess over \$76,000.
\$36,340, plus 63% of excess over \$80,000.
\$41,038, plus 64% of excess over \$88,000.
\$49,030, plus 66% of excess over \$100,000.
\$62,260, plus 67% of excess over \$120,000.
\$75,660, plus 68% of excess over \$140,000.
\$89,260, plus 69% of excess over \$160,000.
\$103,060, plus 70% of excess over \$180,000.



"(c)(1) UNMARRIED INDIVIDUALS (OTHERS THAN SURVIVING

SPOUSES AND HEADS OF HOUSEHOLDS). -- Except as provided in paragraph (2) of this subsection there is hereby imposed on the taxable income of every individual (other than surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 143) a tax determined in accordance with the following table:

"If the amount of taxable income is:	The tax is:
Over 0 but not over \$500	0, plus 12% of excess over 0.
Over \$500 but not over \$1,000	\$60, plus 13% of excess over \$500.
Over \$1,000 but not over \$2,000	\$125, plus 15% of excess over \$1,000.
Over \$2,000 but not over \$3,000	\$275, plus 16% of excess over \$2,000.
Over \$3,000 but not over \$4,000	\$435, plus 17% of excess over \$3,000.
Over \$4,000 but not over \$5,000	\$605, plus 18% of excess over \$4,000.
Over \$5,000 but not over \$6,000	\$785, plus 19% of excess over \$5,000.
Over \$6,000 but not over \$8,000	\$975, plus 21% of excess over \$6,000.
Over \$8,000 but not over \$10,000	\$1,395, plus 24% of excess over \$8,000.
Over \$10,000 but not over \$12,000	\$1,875, plus 27% of excess over \$10,000.
Over \$12,000 but not over \$14,000	\$2,415, plus 29% of excess over \$12,000.
Over \$14,000 but not over \$16,000	\$2,995, plus 31% of excess over \$14,000.
Over \$16,000 but not over \$18,000	\$3,615, plus 34% of excess over \$16,000.
Over \$18,000 but not over \$20,000	\$4,295, plus 36% of excess over \$18,000.
Over \$20,000 but not over \$22,000	\$5,015, plus 38% of excess over \$20,000.
Over \$22,000 but not over \$26,000	\$5,775, plus 40% of excess over \$22,000.
Over \$26,000 but not over \$32,000	\$7,375, plus 45% of excess over \$26,000.
Over \$32,000 but not over \$38,000	\$10,075, plus 50% of excess over \$32,000.
Over \$38,000 but not over \$44,000	\$13,075, plus 55% of excess over \$38,000.
Over \$44,000 but not over \$50,000	\$16,375, plus 60% of excess over \$44,000.
Over \$50,000 but not over \$60,000	\$19,975, plus 62% of excess over \$50,000.
Over \$60,000 but not over \$70,000	\$26,175, plus 64% of excess over \$60,000.
Over \$70,000 but not over \$80,000	\$32,575, plus 66% of excess over \$70,000.
Over \$80,000 but not over \$90,000	\$39,175, plus 68% of excess over \$80,000.
Over \$90,000 but not over \$100,000	\$45,975, plus 69% of excess over \$90,000.
Over \$100,000 but not over \$150,000	\$52,875, plus 70% of excess over \$100,000.
Over \$150,000	\$87,875, plus 70% of excess over \$150,000.



"(2) For taxable years ending after December 31, 1975 and before

January 1, 1977, the tax imposed by this subsection shall be determined

in accordance with the following table:

If the amount of taxable income is:	The tax is:
Not over \$500	13% of the taxable income.
Over \$500 but not over \$1,000	\$65, plus 14% of excess over \$500.
Over \$1,000 but not over \$1,500	\$135, plus 15.5% of excess over \$1,000.
Over \$1,500 but not over \$2,000	\$212.50, plus 16% of excess over \$1,500.
Over \$2,000 but not over \$3,000	\$292.50, plus 17.5% of excess over \$2,000.
Over \$3,000 but not over \$4,000	\$467.50, plus 18% of excess over \$3,000.
Over \$4,000 but not over \$5,000	\$647.50, plus 19.5% of excess over \$4,000.
Over \$5,000 but not over \$6,000	\$842.50, plus 20% of excess over \$5,000.
Over \$6,000 but not over \$8,000	\$1,042.50, plus 22.5% of excess over \$6,000.
Over \$8,000 but not over \$10,000	\$1,492.40, plus 24.5% of excess over \$8,000.
Over \$10,000 but not over \$12,000	\$1,982.50, plus 27% of excess over \$10,000.
Over \$12,000 but not over \$14,000	\$2,522.50, plus 29% of excess over \$12,000.
Over \$14,000 but not over \$16,000	\$3,102.50, plus 31% of excess over \$14,000.
Over \$16,000 but not over \$18,000	\$3,722.50, plus 34% of excess over \$16,000.
Over \$18,000 but not over \$20,000	\$4,402.50, plus 36% of excess over \$18,000.
Over \$20,000 but not over \$22,000	\$5,122.50, plus 38% of excess over \$20,000.
Over \$22,000 but not over \$26,000	\$5,882.50, plus 40% of excess over \$22,000.
Over \$26,000 but not over \$32,000	\$7,482.50, plus 45% of excess over \$26,000.
Over \$32,000 but not over \$38,000	\$10,182.50, plus 50% of excess over \$32,000.
Over \$38,000 but not over \$44,000	\$13,182.50, plus 55% of excess over \$38,000.
Over \$44,000 but not over \$50,000	\$16,482.50, plus 60% of excess over \$44,000.
Over \$50,000 but not over \$60,000	\$20,082.50, plus 62% of excess over \$50,000.
Over \$60,000 but not over \$70,000	\$26,282.50, plus 64% of excess over \$60,000.
Over \$70,000 but not over \$80,000	\$32,682.50, plus 66% of excess over \$70,000.
Over \$80,000 but not over \$90,000	\$39,282.50, plus 68% of excess over \$80,000.
Over \$90,000 but not over \$100,000	\$46,082.50, plus 69% of excess over \$90,000.
Over \$100,000	\$52,982.50, plus 70% of excess over \$100,000.



"(d)(1) MARRIED INDIVIDUALS FILING SEPARATE RETURNS; ESTATES

AND TRUSTS. -- Except as provided in paragraph (2) of this subsection there is hereby imposed on the taxable income of every married individual (as defined in section 143) who does not make a single return jointly with his spouse under section 6013, and of every estate and trust taxable under this subsection, a tax determined in accordance with the following table:

"If the amount of taxable income is:

- Over 0 but not over \$500
- Over \$500 but not over \$1,000
- Over \$1,000 but not over \$2,000
- Over \$2,000 but not over \$3,000
- Over \$3,000 but not over \$4,000
- Over \$4,000 but not over \$5,000
- Over \$5,000 but not over \$6,000
- Over \$6,000 but not over \$8,000
- Over \$8,000 but not over \$10,000
- Over \$10,000 but not over \$12,000
- Over \$12,000 but not over \$14,000
- Over \$14,000 but not over \$16,000
- Over \$16,000 but not over \$18,000
- Over \$18,000 but not over \$20,000
- Over \$20,000 but not over \$22,000
- Over \$22,000 but not over \$26,000
- Over \$26,000 but not over \$32,000
- Over \$32,000 but not over \$38,000
- Over \$38,000 but not over \$44,000
- Over \$44,000 but not over \$50,000
- Over \$50,000 but not over \$60,000
- Over \$60,000 but not over \$70,000
- Over \$70,000 but not over \$80,000
- Over \$80,000 but not over \$90,000
- Over \$90,000 but not over \$100,000
- Over \$100,000

The tax is:

- 12% of the taxable income.
- \$60, plus 14% of excess over \$500.
- \$130, plus 15% of excess over \$1,000.
- \$280, plus 16% of excess over \$2,000.
- \$440, plus 17% of excess over \$3,000.
- \$610, plus 21% of excess over \$4,000.
- \$820, plus 22% of excess over \$5,000.
- \$1,040, plus 25% of excess over \$6,000.
- \$1,540, plus 29% of excess over \$8,000.
- \$2,120, plus 34% of excess over \$10,000.
- \$2,800, plus 36% of excess over \$12,000.
- \$3,520, plus 39% of excess over \$14,000.
- \$4,300, plus 42% of excess over \$16,000.
- \$5,140, plus 45% of excess over \$18,000.
- \$6,040, plus 48% of excess over \$20,000.
- \$7,000, plus 50% of excess over \$22,000.
- \$9,000, plus 53% of excess over \$26,000.
- \$12,180, plus 55% of excess over \$32,000.
- \$15,480, plus 58% of excess over \$38,000.
- \$18,960, plus 60% of excess over \$44,000.
- \$22,560, plus 62% of excess over \$50,000.
- \$28,760, plus 64% of excess over \$60,000.
- \$35,160, plus 66% of excess over \$70,000.
- \$42,760, plus 68% of excess over \$80,000.
- \$48,560, plus 69% of excess over \$90,000.
- \$55,460, plus 70% of excess over \$100,000.



"(2) For taxable years ending after December 31, 1976 and before

January 1, 1977, the tax imposed by this subsection shall be determined

in accordance with the following table:

"If the amount of taxable income is:

Over 0 but not over \$500
Over \$500 but not over \$1,000
Over \$1,000 but not over \$1,500
Over \$1,500 but not over \$2,000
Over \$2,000 but not over \$3,000
Over \$3,000 but not over \$4,000
Over \$4,000 but not over \$5,000
Over \$5,000 but not over \$6,000
Over \$6,000 but not over \$8,000
Over \$8,000 but not over \$10,000
Over \$10,000 but not over \$12,000
Over \$12,000 but not over \$14,000
Over \$14,000 but not over \$16,000
Over \$16,000 but not over \$18,000
Over \$18,000 but not over \$20,000
Over \$20,000 but not over \$22,000
Over \$22,000 but not over \$26,000
Over \$26,000 but not over \$32,000
Over \$32,000 but not over \$38,000
Over \$38,000 but not over \$44,000
Over \$44,000 but not over \$50,000
Over \$50,000 but not over \$60,000
Over \$60,000 but not over \$70,000
Over \$70,000 but not over \$80,000
Over \$80,000 but not over \$90,000
Over \$90,000 but not over \$100,000
Over \$100,000

The tax is:

0 plus 13.0% of excess over \$0.
\$65, plus 14.5% of excess over \$500.
\$137.50, plus 15.5% of excess over \$1,000.
\$215, plus 16.0% of excess over \$1,500.
\$295, plus 17.5% of excess over \$2,000.
\$470, plus 18.0% of excess over \$3,000.
\$650, plus 21.5% of excess over \$4,000.
\$865, plus 22.0% of excess over \$5,000.
\$1,085, plus 25.0% of excess over \$6,000.
\$1,585, plus 28.5% of excess over \$8,000.
\$2,155, plus 33.0% of excess over \$10,000.
\$2,815, plus 36.0% of excess over \$12,000.
\$3,535, plus 39.0% of excess over \$14,000.
\$4,315, plus 42.0% of excess over \$16,000.
\$5,155, plus 45.0% of excess over \$18,000.
\$6,055, plus 48.0% of excess over \$20,000.
\$7,015, plus 50.0% of excess over \$22,000.
\$9,015, plus 53.0% of excess over \$26,000.
\$12,195, plus 55.0% of excess over \$32,000.
\$15,495, plus 58.0% of excess over \$38,000.
\$18,975, plus 60.0% of excess over \$44,000.
\$22,575, plus 62.0% of excess over \$50,000.
\$28,775, plus 64.0% of excess over \$60,000.
\$35,175, plus 66.0% of excess over \$70,000.
\$41,775, plus 68.0% of excess over \$80,000.
\$48,575, plus 69.0% of excess over \$90,000.
\$55,475, plus 70.0% of excess over \$100,000.



SEC. 105. OPTIONAL TAX TABLES REVISED TO INCLUDE CHANGE
IN THE STANDARD DEDUCTION AND PERMANENT
REDUCTIONS IN INDIVIDUAL INCOME TAXES

(a) IN GENERAL. -- Section 3 (relating to optional tax tables) is amended to read as follows:

"SEC. 3. OPTIONAL TAX TABLES FOR INDIVIDUALS.

"(a) GENERAL RULE. -- In lieu of the tax imposed by section 1, there is hereby imposed for each taxable year ending after December 31, 1976, on the taxable income of every individual whose taxable income for such year is less than \$20,000, and who has elected for such year to pay the tax imposed by this section, a tax determined under tables, applicable to such taxable year, which shall be prescribed by the Secretary of his delegate. In the tables so prescribed, the amounts of tax shall be computed on the basis of the rates prescribed by section 1.

"(b) TAX TREATED AS IMPOSED BY SECTION 1. -- For purposes of this title, the tax imposed by this section shall be treated as imposed by section 1".

(b) CONFORMING AMENDMENTS. --

(1) Section 4 (relating to rules for optional tax) is hereby repealed.



(2) Section 36 (relating to credits now allowed to individuals paying optional tax or taking standard deduction) is amended —

(A) by striking out "PAYING OPTIONAL TAX OR" in the heading; and

(B) by striking out "elects to pay the optional tax imposed by section 3, or if he" in such section.

(3) Subsection (2) of section 144 (relating to election of standard deduction) is amended to read as follows:

"(a) METHOD OF ELECTION. -- The standard deduction shall be allowed if the taxpayer so elects in his return, and the Secretary shall prescribe the manner of signifying such election in the return."

(4) Subsection (c) of section 144 is amended —

(A) by striking out paragraph (2);

(B) by inserting "or" at the end of paragraph (1); and

(C) by redesignating paragraph (3) as paragraph (2).

(5) Subsection (d) of section 144 is hereby repealed.

(6) Section 1211(b)(3) (relating to computation of taxable income for purposes of limitation on capital losses) is amended by striking out the last sentence thereof.

(7) Section 1304(b) (relating to certain provisions inapplicable income averaging) is amended by striking out paragraph (1) and by redesignating paragraphs (2), (3), (4), and (5), as paragraphs (1), (2), (3), and (4), respectively.



(8) Section 6014(a) (relating to tax not computed by taxpayer) is amended —

(A) by striking out in the first sentence "entitled to elect to pay the tax imposed by section 3" and inserting in lieu thereof "entitled to take the standard deduction provided by section 141 (other than an individual described in section 141(e))"; and

(B) by striking out in the second sentence "pay the tax imposed by section 3" and inserting in lieu thereof "take the standard deduction".

(9) Paragraph (5) of section 6014(b) is amended to read as follows:

"(5) to cases where the taxpayer does not elect the standard deduction or where the taxpayer elects the standard deduction but is subject to the provisions of section 141(e) (relating to limitations in case of certain dependent taxpayers)."

(c) CLERICAL AMENDMENTS. —

(1) The table of sections for part I of subchapter A of chapter 1 is amended by striking out the items relating to sections 3 and 4 and inserting in lieu thereof:

"Sec. 3. Tax tables of individuals having taxable income of less than \$20,000."

(2) The table of sections for part IV of subchapter A of chapter 1 is amended by striking out "paying optional tax or" in the item relating to section 36.



SEC. 106. TAXABLE INCOME CREDIT. -- Section 42 of the Internal Revenue Code of 1954 (relating to credit for personal exemptions) is amended to read as follows:

SEC. 42. TAXABLE INCOME CREDIT.

"(a) ALLOWANCE OF CREDIT. -- In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the greater of --

"(1) 1 percent of so much of the taxpayer's taxable income for the taxable year as does not exceed \$9,000; or

"(2) \$17.50 multiplied by each exemption for which the taxpayer is entitled to a deduction for the taxable year under subsection (b) or (e) of section 151.

"(b) APPLICATION WITH OTHER CREDITS. -- The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year. In determining the credits allowed under --

"(1) section 33 (relating to foreign tax credit),

"(2) section 37 (relating to retirement income credit),

"(3) section 38 (relating to investment in certain depreciable property),

"(4) section 40 (relating to expenses of work incentive programs),
and



"(5) section 41 (relating to contributions to candidates for public office),

the tax imposed by this chapter shall (before any other reductions) be reduced by the credit allowed by this section.

"(c) SPECIAL RULE FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS. --

"(1) IN GENERAL. -- Notwithstanding subsection (a), in the case of a married individual who files a separate return for the taxable year, the amount of the credit allowable under subsection (a) for the taxable year shall be equal to either --

"(A) the amount determined under paragraph (1) of subsection (a); or

"(B) if this subparagraph applies to the individual for the taxable year, the amount determined under paragraph (2) of subsection (a).

"(2) APPLICATION OF PARAGRAPH (1)(B). -- Paragraph (2) of subsection (a) shall apply to any taxpayer for any taxable year if --

"(A) such taxpayer elects to have such subparagraph apply for such taxable year, and

"(B) the spouse of such taxpayer elects to have such subparagraph apply for any taxable year corresponding, for purposes of section 142(a), to the taxable year of the taxpayer.



Any such election shall be made at such time, and in such manner, as the Secretary or his delegate shall by regulations prescribe.

"(3) MARITAL STATUS. -- For purposes of this subsection, the determination of marital status shall be made under section 143.

"(d) CERTAIN PERSONS NOT ELIGIBLE. -- This section shall not apply to any estate or trust, nor shall it apply to any nonresident alien individual."

SEC. 107. EARNED INCOME CREDIT.

Subsections (a) and (b) of section 43 of such Code (relating to earned income credit) are amended to read as follows:

"(a) ALLOWANCE OF CREDIT. -- In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 5 percent of so much of the earned income for the taxable year as does not exceed \$4,000.

"(b) LIMITATION. -- The amount of the credit allowable to a taxpayer under subsection (a) for any taxable year shall be reduced (but not below zero) by an amount equal to 5 percent of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds \$4,000.



SEC. 108. DISREGARD OF REFUND.

Any refund of Federal income taxes made to any individual by reason of section 43 of the Internal Revenue Code of 1954 (relating to earned income credit) shall not be taken into account as income or receipts for purposes of determining the eligibility of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds, but only if such individual (or the family unit of which he is a member) is a recipient of benefits or assistance under such a program for the month before the month in which such refund is made.

SEC. 109. WITHHOLDING TAX.

(a) REQUIREMENT OF WITHHOLDING. -- Subsection (a) of section 3402 (relating to income tax collected at source) is amended to read as follows:

"(a) REQUIREMENT OF WITHHOLDING. --

"(1) GENERAL RULE. -- Except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables prescribed by the Secretary or his



delegate. The tables so prescribed shall reflect on an annualized basis the amendments made by sections 101(a), 102(b), 102(d) and 103 of the Permanent Tax Reduction and of 1976 for taxable years ending after December 31, 1976, and wages paid after June 30, 1976, if those amendments were on effect on July 1, 1976. For purposes of applying such tables, the term 'the amount of wages' means the amount by which the wages exceed the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in the table in subsection (b)(1)."

(b) CONFORMING AMENDMENTS. -- Section 3402(c)(6) (relating to wage bracket withholding) is amended by striking out "table 7 contained in subsection (a)" and inserting in lieu thereof "the table prescribed by the Secretary or his delegate".

SEC. 110. EFFECTIVE DATES.

(a) Sections 102, 103(a), 103(c), and 104. -- The amendments made by sections 102, 103(a), 103(c), and 104 shall apply to taxable years ending after December 31, 1975.

(b) Section 103(b). -- The amendments made by section 103(b) shall apply to taxable years ending after December 31, 1976.

(c) Section 105. -- The amendments made by section 105 shall apply to taxable years ending after December 31, 1976.

(d) Section 106. -- The amendments made by section 106 shall apply to taxable years ending after December 31, 1975. Such amendments shall cease to apply to taxable years ending after December 31, 1976.



(c) Sections 107 and 108. -- The amendments made by sections 107 and 108 shall apply to taxable years beginning after December 31, 1975 and before January 1, 1977.

(f) Sections 103(d) and 109. -- The amendments made by sections 103(d) and 109 shall apply to wages paid after June 30, 1976.



SUBTITLE B -- GENERAL BUSINESS TAX CHANGES TO PROMOTE
CAPITAL FORMATION

Sec. 111. PERMANENT INCREASE IN INVESTMENT CREDIT.

(a) IN GENERAL. — Subparagraph (D) of section 46 (a)(1) (transitional rules for 10 percent investment credit) is amended to read as follows:

"(D) TEN PERCENT CREDIT TRANSITIONAL RULES. — The provisions of subparagraph (A) shall apply only to —

"(i) property to which subsection (d) does not apply, the construction, reconstruction, or erection of which is completed by the taxpayer after January 21, 1975, but only to the extent of the basis thereof attributable to the construction, reconstruction, or erection after January 21, 1975,

"(ii) property to which subsection (d) does not apply, acquired by the taxpayer after January 21, 1975, and

"(iii) property to which subsection (d) applies, but only to the extent of the qualified investment (as determined under subsections (c) and (d)) with respect to qualified progress expenditures made after January 21, 1975."

(b) CONFORMING AMENDMENTS —

(1) Section 46(a)(1)(B) (relating to the elective 11 percent credit) is amended by striking out "described in subparagraph (D)" and inserting in lieu thereof "described in subparagraph (E)".



(2) Section 46(a)(1) (relating to determination of amount of investment credit) is amended by adding a new subparagraph (E) to read as follows:

"(E) ELEVEN PERCENT CREDIT TRANSITIONAL RULES.

The provisions of subparagraph (B) shall apply to —

"(i) property to which subsection (d) does not apply, the construction, reconstruction, or erection of which is completed by the taxpayer after January 21, 1975, but only to the extent of the basis thereof attributable to the construction, reconstruction, or erection after January 21, 1975, and before January 1, 1977,

"(ii) property to which subsection (d) does not apply, acquired by the taxpayer after January 21, 1975, and before January 1, 1977, and placed in service by the taxpayer before January 1, 1977, and

"(iii) property to which subsection (d) applies, but only to the extent of the qualified investment (as determined under subsections (c) and (d) with respect to qualified progress expenditures made after January 21, 1975, and before January 1, 1977.



SEC. 112. CHANGES IN CORPORATE TAX RATES, CORPORATE SURTAX
AND SURTAX EXEMPTION

(a) TAX RATES. - Section 11(b) (relating to corporate normal tax) is amended to read as follows:

"(b) NORMAL TAX. -- The normal tax is equal to --

"(1) in the case of a taxable year ending after December 31, 1976, 22 percent of the taxable income, and

"(2) in the case of a taxable year ending after December 31, 1974, and before January 1, 1977, the sum of --

"(A) 20 percent of so much of the taxable income as does not exceed \$25,000, plus

"(B) 22 percent of so much of the taxable income as exceeds \$25,000."

(b) SURTAX. - Section 11(c) (relating to corporate surtax) is amended to read as follows:

"(c) SURTAX. -- The surtax is equal to the following percentage of the amount by which the taxable income exceeds the surtax exemption for the taxable year:



"(1) 25 percent in the case of a taxable year beginning after December 31, 1975 and before January 1, 1977, and

"(2) 24 percent, in the case of a taxable year beginning after December 31, 1976."

(c) SURTAX EXEMPTION. -- Section 11(d) (relating to surtax exemption) is amended to read as follows:

"(d) SURTAX EXEMPTION. -- For purposes of this subtitle, the surtax exemption for any taxable year is \$50,000, except that, with respect to a corporation to which section 1561 or 1564 (relating to surtax exemptions in case of certain controlled corporations) applies for the taxable year, the surtax exemption for the taxable year is the amount determined under such section."

(d) TECHNICAL AND CONFORMING AMENDMENT - Paragraph (7) of section 12 (relating to cross references for tax on corporations) is amended by striking out "\$25,000" and inserting in lieu thereof "\$50,000".

(e) EFFECTIVE DATE.--The amendments made by this section shall apply to taxable years ending after December 31, 1975.



SUBTITLE C -- INCENTIVES FOR THE EXPANSION OF ELECTRIC
POWER FACILITIES

7 SEC. 113 INCREASE IN INVESTMENT CREDIT FOR CERTAIN
8 ELECTRIC UTILITY PROPERTY.

8 (a) INCREASE IN INVESTMENT CREDIT.—Paragraph

9 (1) of section 46 (a) (determining the amount of the in-
10 vestment credit) is amended by adding a new subparagraph
11 (F) to read as follows—

12 “(F) TWELVE PERCENT CREDIT.—Notwith-
13 standing subparagraphs (A), (B), and (C) of this
14 paragraph, the amount of credit allowed by section
15 38 for the taxable year shall be an amount equal to
16 12 percent of the qualified investment (as deter-
17 mined under subsections (c) and (d)) attributable
18 to property described in section 46 (c) (3) (B) (i)
19 which is used predominantly in the trade or business
20 of the furnishing or sale of electrical energy (other



1 than property used as an integral part of a facility
2 for the generation of electricity which uses petroleum
3 or petroleum products (including natural gas) as its
4 principal fuel). This subparagraph shall apply only
5 to qualified investment of a taxpayer who meets the
6 requirements of section 120 of the Comprehensive
7 Job Creation and Non-Inflationary Growth Act of
8 1976."

9 (b) EFFECTIVE DATE.—The amendment made by sub-
10 section (a) of this section shall apply only to—

11 (1) property to which section 46(d) does not ap-
12 ply, the construction, reconstruction, or erection of which
13 is completed by the taxpayer after ^{June 30, 1976,} December 31, 1975,
14 but only to the extent of the basis thereof attributable to
15 construction, reconstruction, or erection after such date,

16 (2) property to which section 46(d) does not
17 apply, acquired by the taxpayer after June 30, 197⁶₅,
18 and

19 (3) property to which section 46(d) applies, but
20 only to the extent of the qualified investment (as deter-
21 mined under subsections (c) and (d)) with respect to
22 qualified progress expenditures made after ^{June 30, 1976.} December 31,
1975.



1 SEC. 114 ELIMINATION OF PHASE-IN OF QUALIFIED
2 PROGRESS EXPENDITURE CREDITS FOR CER-
3 TAIN ELECTRIC UTILITY PROPERTY.

4 Paragraph (7) of section 46(d) (relating to transi-
5 tional rules for qualified progress expenditure credits) is
6 amended by adding at the end thereof the following new
7 sentence: "This paragraph shall not apply to qualified
8 progress expenditures attributable to property described in
9 subparagraph (F) of section 46(a)(1)."

10 SEC. 115 LIMITATION ON FLOW-THROUGH.

11 Section 46(f) (relating to limitation in case of certain
12 regulated companies) is amended by adding at the end
13 thereof the following new paragraph:

14 " (9) PROHIBITION OF IMMEDIATE FLOW-
15 THROUGH.—An election made under paragraph (3),
16 including an election made under paragraph (8) to have
17 the provisions of paragraph (3) apply, shall apply only
18 to the amount of the credit allowed under section 38 with
19 respect to public utility property described in subsec-
20 tion (a) (1) (F) determined as if the Comprehensive Job
21 Creation and Non-Inflationary Growth Act of 1976 had not
22 been enacted. Paragraph (1) or (2) (whichever paragraph



1 is applicable to the taxpayer's property, if any, to which
2 paragraph (3) does not apply) shall apply to any excess
3 credit allowed by such Act, except that if neither para-
4 graph (1) nor (2) is applicable to any of the tax-
5 payer's property, paragraph (1) shall apply to such
6 excess credit unless the taxpayer elects (in such manner
7 as the Secretary or his delegate shall prescribe) within
8 120 days after the date of the enactment of the
9 Comprehensive Job Creation and Non-Inflationary
10 Growth Act of 1976 to have the provisions of
11 paragraph (2) apply. The provisions of this para-
12 graph shall not be applied to disallow such excess
13 credit before the first final determination which
14 is inconsistent with such requirements is made,
15 determined in the same manner as under paragraph
16 (4)."

17 SEC. 116. EXTENSION OF PERIOD DURING WHICH POLLU-
18 TION CONTROL FACILITIES MAY QUALIFY FOR
19 5-YEAR AMORTIZATION.

20 Section 169 (d) (4) (B) (defining new identifiable
21 treatment facility) is amended by striking out "January 1,
22 1976" and inserting in lieu thereof "January 1, 1981".

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1 SEC. 117. AMORTIZATION OF CERTIFIED FUEL CONVER-
2 SION ELECTRIC POWER GENERATING FACILI-
3 TIES.

4 (a) IN GENERAL.—Part VI of subchapter B of chapter
5 1 (relating to itemized deductions for individuals and corpo-
6 rations) is amended by adding at the end thereof the follow-
7 ing new section:

8 "SEC. 189. AMORTIZATION OF CERTIFIED FUEL CONVER-
9 SION ELECTRIC POWER GENERATING FACILI-
10 TIES.

11 "(a) ALLOWANCE OF DEDUCTION.—Every person who
12 meets the requirements of section 120 of the Comprehensive Job Creation
13 and non-Inflationary Growth Act of 1976, at his election,
14 shall be entitled to a deduction with respect to the amortiza-
15 tion of the amortizable basis of any certified fuel conversion
16 electric power generating facility (as defined in subsection
17 (d)), based on a period of 60 months. Such amortization
18 deduction shall be an amount, with respect to each month
19 of the 60-month period within the taxable year, equal to the
20 amortizable basis of the certified fuel conversion electric
21 power generating facility at the end of such month divided
22 by the number of months (including the month for which



1 the deduction is computed) remaining in the period. Such
2 amortizable basis at the end of the month shall be com-
3 puted without regard to the amortization deduction for such
4 month. The amortization deduction provided by this section
5 with respect to any certified fuel conversion electric power
6 generating facility for any month shall be in lieu of the
7 depreciation deduction with respect to such facility for such
8 month provided by section 167. The 60-month period shall
9 begin, as to any certified fuel conversion electric power
10 generating facility, at the election of the taxpayer, with the
11 month following the month in which such facility was placed
12 in service or with the succeeding taxable year.

13 “(b) ELECTION OF AMORTIZATION.—The election of
14 the taxpayer to take the amortization deduction and to begin
15 the 60-month period with the month following the month
16 in which the certified fuel conversion electric power generat-
17 ing facility was placed in service, or with the taxable year
18 succeeding the taxable year in which such facility is placed
19 in service, shall be made by filing with the Secretary or his
20 delegate, in such manner, in such form, and within such time
21 as the Secretary or his delegate may by regulations pre-
22 scribe, a statement of such election.

23 “(c) TERMINATION OF AMORTIZATION DEDUCTION.—
24 A taxpayer which has elected under subsection (b) to take
25 the amortization deduction with respect to any certified fuel



1 conversion electric power generating facility may, at any
2 time after making such election, discontinue the amortiza-
3 tion deduction with respect to the remainder of the amortiza-
4 tion period, such discontinuance to begin as of the beginning
5 of any month specified by the taxpayer in a notice in writing
6 filed with the Secretary or his delegate before the beginning
7 of such month. The depreciation deduction provided under
8 section 167 shall be allowed, beginning with the first month
9 as to which the amortization deduction does not apply, and
10 the taxpayer shall not be entitled to any further amortization
11 deduction under this section with respect to such facility.

12 “(d) CERTIFIED FUEL CONVERSION ELECTRIC POWER
13 GENERATING FACILITY.—For purposes of this section the
14 term ‘certified fuel conversion electric power generating fa-
15 cility’ means any facility for the generation of electricity
16 which does not use petroleum or petroleum products (in-
17 cluding natural gas) as its principal fuel. Such term includes
18 only tangible property (not including a building and its
19 structural components, other than a building which is ex-
20 clusively a generating facility) which is of a character sub-
21 ject to the allowance for depreciation provided in section
22 167, and which is used predominantly in the trade or busi-
23 ness of the furnishing or sale of electrical energy if the rate
24 for such furnishing or sale, as the case may be, have been
25 established or approved by a State or political subdivision



1 thereof, by an agency or instrumentality of the United States,
2 or by a public service or public utility commission or other
3 similar body of any State or political subdivision thereof.

4 “(e) AMORTIZABLE BASIS.—For purposes of this sec-
5 tion, the amortizable basis for any certified fuel conversion
6 electric power generating facility includes only so much of
7 the amount of the adjusted basis of such facility for deter-
8 mining gain (computed without regard to this section)
9 which:

10 “(1) is properly attributable to construction, recon-
11 struction, creation, or acquisition, after ^{June 30,} December 31,
12 ¹⁹⁷⁶ 1975;

13 “(2) is certified by the Federal Energy Adminis-
14 trator (under such regulations as he shall prescribe) as
15 being attributable to the conversion or replacement of a
16 facility for the generation of electric energy which on
17 ^{June 30, 1976} December 31, 1975, used petroleum or petroleum prod-
18 ucts (including natural gas) as its principal fuel into
19 or with a certified fuel conversion electric power gener-
20 ating facility.

21 “(f) TERMINATION.—

22 “(1) IN GENERAL.—Except as provided in para-
23 graph (2), the amortization deduction provided by this
24 section shall apply only to a facility placed in service
25 before January 1, 1981.



1 “(2) PRE-1981 PORTION.—In the case of a facility
2 constructed, reconstructed, or erected by the taxpayer, or
3 for the taxpayer pursuant to a contract which is binding
4 on the taxpayer on January 1, 1981, and at all times
5 thereafter, which is placed in service on or after Janu-
6 ary 1, 1981, the amortization deduction provided by this
7 section shall apply to that portion of the basis which is
8 attributable to construction, reconstruction, or erection
9 before January 1, 1981.

10 “(g) SPECIAL RULES.—

11 “(1) AMORTIZABLE BASIS.—

12 “(A) The amortizable basis of any certified
13 fuel conversion electric power generating facility
14 with respect to which an election has been made
15 under subsection (b) shall not be increased, for pur-
16 poses of this section, for amounts chargeable to capi-
17 tal account for additions or improvements after the
18 amortization period has begun.

19 “(B) The depreciation deduction provided by
20 section 167 shall, notwithstanding subsection (a),
21 be allowed with respect to the portion of the amor-
22 tizable basis which is not taken into account in
23 applying this section.

24 “(2) CONSTRUCTIVE TERMINATION.—If at any
25 time during the amortization period any certified fuel



1 conversion electric power generating facility ceases to
2 meet the requirements of subsection (d) of this section,
3 the taxpayer shall be deemed to have terminated under
4 subsection (b) his election under this section. Such
5 termination shall be effective beginning with the month
6 following the month in which such cessation occurs.

7 “(3) RATEMAKING TREATMENT.—The deduction
8 allowed by this section shall be considered to be a method
9 of depreciation described in section 167 (1) (2) (B).

10 “(h) LIFE TENANT AND REMAINDERMAN.—In the
11 case of any certified fuel conversion electric power generat-
12 ing facility held by one person for life with remainder to an-
13 other person, the deduction under this section shall be com-
14 puted as if the life tenant were the absolute owner of the
15 facility and shall be allowable to the life tenant.

16 “(i) CROSS REFERENCE.—

“For treatment of certain gain derived from the dis-
position of property the adjusted basis of which is
determined with regard to this section, see section 1215.”

17 (b) CONFORMING AMENDMENTS.—

18 (1) Section 48 (a) (8) (relating to amortized prop-
19 erty) is amended by striking out “or 188” and inserting
20 in lieu thereof “188, or 189.”

21 (2) Section 57 (a) (relating to items of tax pref-
22 erence) is amended by adding immediately after para-
23 graph (I) the following new paragraph:



1 “(11) AMORTIZATION OF CERTIFIED FUEL CON-
 2 VERSION ELECTRIC POWER FACILITIES.—With respect
 3 to each certified fuel conversion electric power generat-
 4 ing facility for which an election is in effect under section
 5 189, the amount by which the deduction allowable for
 6 the taxable year under such section exceeds the deprecia-
 7 tion deduction which would otherwise be allowable under
 8 section 167.”.

9 (3) Section 642 (f) (relating to amortization deduc-
 10 tion for estates and trusts) is amended by striking out
 11 “and 188” and inserting in lieu thereof “188, or 189”.

12 (4) Section 1082 (a) (2) (B) (relating to basis in
 13 certain exchanges) is amended by striking out “or 188”
 14 and inserting in lieu thereof “188, or 189”.

15 (5) Section 1245 (a) (relating to gain from dis-
 16 positions of certain depreciable property) is amended—

17 (A) by striking out “or 188” each place it
 18 appears in paragraphs (2) and (3) (D) and in-
 19 serting in lieu thereof “188, or 189”;

20 (B) by striking out “or 185” in paragraph
 21 (2) (D) and inserting in lieu thereof, “185, 188,
 22 or 189”; and

23 (C) by striking out “or 188” in paragraph (3)
 24 (D) and inserting in lieu thereof “188, or 189”.

25 (c) CLERICAL AMENDMENTS.—The table of section



1 for part VI of subchapter B of chapter 1 is amended by
2 adding at the end thereof the following:

✓ "Sec. 189. Amortization of certified fuel conversion electric power generating facilities."

3 (d) EFFECTIVE DATE.—The amendments made by this
4 section shall apply to property placed in service after ^{June} Decem-
5 ber 31, 1975, in taxable years ending after such date.

6 ~~Subtitle C—Depreciation of Qualified~~
7 ~~Progress Expenditures for Certain~~
8 ~~Electric Utility Property~~

Not: 10
§ 406

9 SEC. 118. DEPRECIATION OF QUALIFIED PROGRESS EX-
10 PENDITURES FOR CERTAIN ELECTRIC UTILITY
11 PROPERTY.

12 (a) IN GENERAL.—Section 167 (relating to deprecia-
13 tion) is amended by redesignating subsection (n) as subsec-
14 tion (o) and by adding a new subsection (n) to read as
15 follows:

16 "(n) DEPRECIATION OF QUALIFIED PROGRESS EX-
17 PENDITURES FOR CERTAIN ELECTRIC UTILITY PROP-
18 erty.—

19 "(1) ELECTION TO DEPRECIATE QUALIFIED PROG-
20 RESS EXPENDITURES.—Any taxpayer, who meets the
21 requirements of section 120 of the Comprehensive
22 Job Creation and Non-Inflationary Growth Act
23 of 1976, may elect, in accordance with regula-
tions prescribed by the Secretary



1 or his delegate, to compute an allowance for depreciation
2 for the taxable year under a method described in subsec-
3 tion (b) (1), (2) or (3) based on the adjusted balance
4 (as of the end of the taxable year) of each qualified prog-
5 ress expenditure account with respect to progress expend-
6 iture property using the remaining useful life of such ac-
7 count (including the year for which the allowance is com-
8 puted) and no salvage value. An election under this
9 subsection shall apply to all qualified progress expendi-
10 tures of the taxpayer for the taxable year of the election
11 and for all taxable years thereafter. An election once
12 made may not be revoked except with the consent of
13 the Secretary or his delegate.

14 “(2) PROGRESS EXPENDITURE PROPERTY DE-
15 FINED.—

16 “(A) IN GENERAL.—For purposes of this sub-
17 section, the term ‘progress expenditure property’
18 means any electric utility property which is being
19 constructed by or for the taxpayer and which—

20 “(i) has a normal construction period of
21 two years or more, and

22 “(ii) it is reasonable to believe will be
23 property with respect to which depreciation (or
24 amortization in lieu of depreciation) will be al-



1 allowable to the taxpayer when it is placed in
2 service.

3 Clauses (i) and (ii) of the preceding sentence shall
4 be applied on the basis of facts known at the close
5 of the taxable year of the taxpayer in which con-
6 struction begins (or, if later, at the close of the first
7 taxable year to which an election under this sub-
8 section applies).

9 “(B) NORMAL CONSTRUCTION PERIOD.—For
10 purposes of subparagraph (A) the term ‘normal
11 construction period’ means the period reasonably
12 expected to be required for the construction of the
13 property—

14 “(i) beginning with the date on which
15 physical work on the construction begins (or,
16 if later, the first day of the first taxable year to
17 which an election under this subsection applies),
18 and

19 “(ii) ending on the date on which it is ex-
20 pected that the property will be available for
21 placing in service.

22 “(3) QUALIFIED PROGRESS EXPENDITURES DE-
23 FINED.—For purposes of this subsection—

24 “(A) SELF-CONSTRUCTED PROPERTY.—In the
25 case of any self-constructed property, the term ‘qual-



1 qualified progress expenditures' means the amount
2 which, for purposes of this section, is properly
3 chargeable (during such taxable year) to capital
4 account with respect to such property.

5 “(B) NON-SELF-CONSTRUCTED PROPERTY.—

6 In the case of non-self-constructed property, the
7 term 'qualified progress expenditures' means the
8 lesser of—

9 “(i) the amount paid during the taxable
10 year to another person for the construction of
11 such property, or

12 “(ii) the amount which represents that
13 proportion of the overall cost to the taxpayer of
14 the construction by such other person which is
15 properly attributable to that portion of such con-
16 struction which is completed during such taxable
17 year.

18 “(4) SPECIAL RULES FOR APPLYING PARAGRAPH
19 (3).—For purposes of paragraph (3)—

20 “(A) COMPONENT PARTS, ETC.—Property
21 which is to be a component part of, or is otherwise
22 to be included in, any progress expenditure property
23 shall be taken into account—

24 “(i) at a time not earlier than the time at



1 which it becomes irrevocably devoted to use in
2 the progress expenditure property, and

3 " (ii) as if (at the time referred to in clause
4 (i)) the taxpayer had expended an amount
5 equal to that portion of the cost to the taxpayer
6 of such component or other property which, for
7 purposes of this section, is properly chargeable
8 (during such taxable year) to capital account
9 with respect to such property.

10 "(B) CERTAIN BORROWINGS DISREGARDED.—
11 Any amount borrowed directly or indirectly by the
12 taxpayer from the person constructing the property
13 for him shall not be treated as an amount expended
14 for such construction.

15 "(C) CERTAIN UNUSED EXPENDITURES CAR-
16 RIED OVER.—In the case of non-self-constructed
17 property, if for the taxable year—

18 " (i) the amount under clause (i) of para-
19 graph (3) (B) exceeds the amount under clause
20 (ii) of paragraph (3) (B), then the amount of
21 such excess shall be taken into account under
22 such clause (i) for the succeeding taxable year,
23 or

24 " (ii) the amount under clause (ii) of para-
25 graph (3) (B) exceeds the amount under



1 clause (i) of paragraph (3) (B), then the
2 amount of such excess shall be taken into ac-
3 count under such clause (ii) for the succeeding
4 taxable year.

5 “(D) DETERMINATION OF PERCENTAGE OF
6 COMPLETION.—In the case of non-self-constructed
7 property, the determination under paragraph (3)
8 (B) (ii) of the proportion of the overall cost to the
9 taxpayer of the construction of any property which
10 is properly attributable to construction completed
11 during any taxable year shall be made, under reg-
12 ulations prescribed by the Secretary or his delegate,
13 on the basis of engineering or architectural estimates
14 or on the basis of cost accounting records. Unless
15 the taxpayer establishes otherwise by clear and con-
16 vincing evidence, the construction shall be deemed
17 to be completed not more rapidly than ratably over
18 the normal construction period.

19 “(E) NO QUALIFIED PROGRESS EXPENDI-
20 TURES FOR CERTAIN PRIOR PERIOD.—No qualified
21 progress expenditures shall be taken into account
22 under this subsection for any period before ^{July} Janu-
23 ary 1, 1976 (or, if later, before the first day of the
24 first taxable year to which an election under this
25 subsection applies).



1 “(F) PROPERTY CEASES TO BE PROGRESS EX-
2 PENDITURE PROPERTY.—If during any taxable year
3 any property for which there is currently maintained
4 a qualified progress expenditure account ceases (by
5 reason of sale or other disposition, cancellation or
6 abandonment of contract, or otherwise) to be, with
7 respect to the taxpayer, property which, when
8 placed in service will be electric utility property,
9 then there shall be included in the gross income of
10 the taxpayer for the taxable year of such cessation an
11 amount equal to the sum of all depreciation allow-
12 ances for prior taxable years with respect to such
13 qualified progress expenditure account.

14 “(5) OTHER DEFINITIONS.—For purposes of this
15 subsection—

16 “(A) SELF-CONSTRUCTED PROPERTY.—The
17 term ‘self-constructed property’ means property
18 more than half of the construction expenditures for
19 which it is reasonable to believe will be made
20 directly by the taxpayer.

21 “(B) NON-SELF-CONSTRUCTED PROPERTY.—
22 The term ‘non-self-constructed property’ means
23 property which is not self-constructed property.

24 “(C) CONSTRUCTION, ETC.—The term ‘con-
25 struction’ includes reconstruction and erection, and



1 the term 'constructed' includes reconstructed and
2 erected.

3 "(D) ONLY CAPITAL CONSTRUCTION TO BE
4 TAKEN INTO ACCOUNT.—Construction shall be
5 taken into account only if, for purposes of this sec-
6 tion, expenditures therefor are properly chargeable
7 to capital account with respect to the property.

8 "(G) REMAINING USEFUL LIFE DEFINED.—For
9 purposes of paragraph (1), the remaining useful life of
10 a qualified progress expenditure account shall be the
11 expected useful life of the property when placed in serv-
12 ice (including at the election of the taxpayer a useful
13 life described in subsection (m), which election shall
14 not affect any other election under such subsection), plus
15 the period of time remaining between the first day of the
16 taxable year for which the deduction is being computed
17 and the date on which the property is expected to be
18 placed in service.

19 "(7) ELECTRIC UTILITY PROPERTY.—For purposes
20 of this subsection, the term 'electric utility property'
21 means any tangible property which is being constructed
22 by or for the taxpayer and which it is reasonable to be-
23 lieve will, when it is placed in service, be properly de-
24 scribed in section 46(c)(3)(B)(i) which is used
25 predominantly in the trade or business of the furnishing



1 or sale of electrical energy (other than property used
2 as an integral part of a facility for the generation of elec-
3 tricity which uses petroleum or petroleum products
4 (including natural gas) as its principal fuel).

5 “(8) QUALIFIED PROGRESS EXPENDITURE AC-
6 COUNT DEFINED.—For purposes of this subsection, the
7 term ‘qualified progress expenditure account’ means an
8 account maintained with respect to an item of progress
9 expenditure property, prior to the time such property
10 is placed in service, and to which there is charged the
11 amount of all qualified progress expenditures made by
12 the taxpayer during the taxable year for the construc-
13 tion (by or for the taxpayer) of such property.

14 “(9) ADJUSTED BALANCE.—The adjusted balance
15 of the qualified progress expenditure account at the end
16 of the taxable year shall be an amount equal to the bal-
17 ance of the account at the end of the previous taxable
18 year, increased by the aggregate qualified progress ex-
19 penditure for the taxable year for the item of property
20 with respect to which the account is maintained and re-
21 duced by the depreciation adjustments allowed or allow-
22 able by this subsection with respect to such account for
23 the previous taxable year. If a qualified progress ex-
24 penditure account terminates under subparagraph (11)
25 of this paragraph in any taxable year, then the adjusted



1 balance of such account for such taxable year and all
2 taxable years thereafter shall be considered to be zero.

3 “(10) ADJUSTED BASIS OF PROPERTY TO WHICH
4 THIS SUBSECTION APPLIES.—In the case of any prog-
5 ress expenditure property for which there was main-
6 tained a qualified progress expenditure account with
7 respect to which an allowance for depreciation was
8 allowed for any taxable year, the adjusted basis of such
9 property for the taxable year in which it is placed in
10 service (computed without regard to any adjustment
11 for depreciation allowed under this subsection) shall be
12 reduced for any depreciation adjustments allowed or
13 allowable under this subsection with respect to such
14 qualified progress expenditure account to the extent any
15 amount so allowed has not been required to be recap-
16 tured by reason of paragraph (4) (F) of this sub-
17 section.

18 “(11) TERMINATION OF DEDUCTION.—The deduc-
19 tion for depreciation of a qualified progress expenditure
20 account shall not be allowed for (and the qualified prog-
21 ress expenditure account shall terminate as of the first
22 day of) the earlier of—

23 “(A) the taxable year in which the electric
24 utility property is placed in service, or



1 “(B) the first taxable year for which prop-
2 erty ceases to be electric utility property,
3 or for any taxable year thereafter.

4 “(12) RATEMAKING TREATMENT.—The deduction
5 allowed by this section shall be considered to be a method
6 described in subsection (1) (2) (B).”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 1245 (a) (2) (relating to recomputed
9 basis) is amended by striking out “or” at the end of sub-
10 paragraph (C), by adding a comma and “or” at the
11 end of subparagraph (D), and by adding a new subpara-
12 graph (E) to read as follows—

13 “(E) With respect to any progress expenditure
14 property described in section 167 (n) (2), its ad-
15 justed basis recomputed by adding thereto all ad-
16 justments otherwise required under this paragraph,
17 plus any adjustments allowed under section 167 (n)
18 with respect to a qualified progress expenditure ac-
19 count attributable to such property, to the extent
20 such adjustments have not been required to be re-
21 captured under section 167 (n) (4) (F).”.

22 (2) Section 1250 (b) (relating to definition of ad-
23 ditional depreciation) is amended by adding a new sub-
24 paragraph (5) to read as follows—



1 “(5) The term ‘additional depreciation’ also means
2 in the case of section 1250 property which is progress
3 expenditure property (as defined in section 167 (n) (2))
4 the depreciation adjustments allowed under such section
5 with respect to a qualified progress expenditure account
6 attributable to such property, to the extent such adjust-
7 ments have not been required to be recaptured under sec-
8 tion 167 (n) (4) (F). In the case of progress expendi-
9 ture property held for more than one year after the
10 property was placed in service, it means such adjustments
11 which, when combined with all other depreciation ad-
12 justments attributable to such property, exceed the
13 amount of the depreciation adjustments which would
14 have resulted if all such depreciation adjustments had
15 been determined under the straight-line method of ad-
16 justment, using as the basis of such property for the tax-
17 able year the property was placed in service the basis
18 of such property without adjustment under section 167
19 (n) (10) and as the useful life a period beginning on
20 the date the asset was placed in service.”.

21 (c) EFFECTIVE DATE.—The amendments made by this
22 section shall apply to qualified progress expenditures made
23 after ^{June 30, 1976} December 31, 1975, in taxable years ending after that
24 date.



1 ~~Subtitle D—Encouragement of Invest-~~
2 ~~ment in Certain Public Electric~~
3 ~~Utility Stock~~

4 SEC. 119 ENCOURAGEMENT OF INVESTMENT IN CERTAIN
5 PUBLIC ELECTRIC UTILITY COMMON STOCK.

6 (a) AMENDMENT OF SECTION 305.—Section 305 (re-
7 lating to distributions of stock and stock rights) is amended
8 by redesignating subsection (e) as subsection (f) and by
9 inserting after subsection (d) the following new subsection:

10 “(e) DIVIDEND REINVESTMENT IN CERTAIN PUBLIC
11 ELECTRIC UTILITY COMMON STOCK.—

12 “(1) IN GENERAL.—Except as provided in para-
13 graph (2) of this subsection, paragraphs (1) and (2)
14 of section (b) shall not apply to any distribution of
15 eligible stock by a regulated public electric utility to
16 an eligible shareholder pursuant to a qualified dividend
17 reinvestment plan.

18 “(2) LIMITATION.—The amount of eligible stock
19 distributed to an eligible shareholder in a distribution
20 to which paragraph (1) applies shall not exceed the
21 total amount of property such shareholder would have
22 been entitled to receive in such distribution if such
23 shareholder had not elected to receive stock in lieu of
24 property pursuant to a qualified dividend reinvestment
25 plan, multiplied by a fraction—



1 " (A) the numerator of which is the amount
 2 of gross receipts of the distributing corporation
 3 which are derived from the sources described in
 4 subparagraph (A) of paragraph (4) for the base
 5 period, and

6 " (B) the denominator of which is the amount
 7 of all the gross receipts of the distributing corpora-
 8 tion for the base period.

9 The limitation prescribed in the preceding sentence shall
 10 not apply if at least 70 percent of the amount of the gross
 11 receipts of the distributing corporation is derived from
 12 sources described in subparagraph (A) of paragraph
 13 (4) for the base period. For purposes of this paragraph,
 14 the gross receipts of a distributing corporation which is
 15 a regulated public electric utility solely by reason of sub-
 16 paragraph (A) (ii) of paragraph (4) (relating to a
 17 common parent of an affiliated group) shall be the aggre-
 18 gate gross receipts of the members of the group for the
 19 base period, determined in accordance with regulations
 20 prescribed by the Secretary or his delegate.

21 " (3) ORDINARY INCOME WHEN STOCK IS DIS-
 22 POSED OF.—

23 " (A) If the amount of any distribution of eligi-
 24 ble stock is not includible in the gross income of a
 25 shareholder by reason of paragraph (1), then, not-



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withstanding any other provision of this subtitle other than section 116, such amount shall be included in the gross income of such shareholder for the taxable year in which such shareholder disposes of such stock. Such amount shall be treated as a dividend for purposes of this title. The adjusted basis of such stock immediately before such disposition shall be increased by the amount includible in gross income by reason of this paragraph. For purposes of this title any stock to which this paragraph applies upon the disposition thereof shall be deemed to be disposed of before any other stock of the same class.

“(B) For purposes of this paragraph, a disposition does not include—

“(i) a transfer by gift to an eligible shareholder, or

“(ii) a transfer at death to an eligible shareholder.

“(C) (i) If eligible stock is transferred to an eligible shareholder (other than an organization which is exempt from tax imposed by this chapter but which is not a cooperative described in section 521) in a transaction in which gain or loss is not recognized (determined without regard to this subsec-



1 tion), then such transfer shall not be treated as a
2 disposition for purposes of this paragraph.

3 " (ii) If eligible stock is transferred to an eligi-
4 ble shareholder (other than an organization which
5 is exempt from tax imposed by this chapter but
6 which is not a cooperative described in section 521)
7 in a transaction in which gain or loss is not recog-
8 nized in part (determined without regard to this sub-
9 section), then the amount included in gross income
10 as a dividend under this paragraph shall be deter-
11 mined in accordance with regulations prescribed by
12 the Secretary or his delegate.

Insert →

13 " (D) In the case of a transaction to which sub-
14 paragraph (B) or (C) applies, stock received in
15 such transaction by the transferor or transferee of the
16 eligible stock shall be deemed to have been received
17 in a distribution of eligible stock which was not in-
18 cludible in gross income by reason of paragraph (1)
19 under regulations prescribed by the Secretary or his
20 delegate. The amount includible as a dividend in
21 the gross income of such transferor or transferee
22 upon a disposition of such stock shall be determined
23 pursuant to regulations prescribed by the Secretary



1 or his delegate, except that such amount shall not
2 exceed the difference between—

3 “(i) the amount not includible in the gross
4 income of the distributee of such stock by reason
5 of paragraph (1) of this subsection, and

6 “(ii) the amount previously includible in
7 gross income of any person with respect to such
8 stock by reason of this paragraph.

9 “(E) If during a taxable year an eligible share-
10 holder ceases to be a United States person, then for
11 purposes of this paragraph such person shall be
12 treated as having disposed of any stock distributed
13 or deemed distributed in a distribution to which
14 paragraph (1) of this subsection applies during such
15 taxable year at a time when he was a resident alien.
16 The amount includible in gross income upon such
17 disposition shall be treated, for purposes of part I
18 of subchapter X (section 861 and following, relat-
19 ing to determination of sources of income), as de-
20 rived from sources within the United States.

21 “(F) DEFINITIONS.—For purposes of this section—

22 “(A) REGULATED PUBLIC ELECTRIC UTIL-
23 ITY.—The term ‘regulated public electric utility’
24 means—

25 “(i) A regulated public utility that is a



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domestic corporation at least 30 percent of the gross receipts of which for the base period are derived from the furnishing or sale of electric energy, if the rates for such furnishing or sale have been established or approved by a State or political subdivision thereof, by an agency or instrumentality of the United States, by a public service or public utility commission or other similar body of the District of Columbia or of any State or political or subdivision thereof, or by a foreign country or an agency or instrumentality or political subdivision thereof, or

“(ii) the common parent of an affiliated group of corporations (as defined in section 1504) (whether or not a consolidated return is filed under section 1501), at least one member of which qualifies as a regulated public electric utility under clause (i): *Provided*, That 30 percent or more of the aggregate gross receipts of such group for the base period determined in accordance with regulations prescribed by the Secretary or his delegate is derived from the sources described in clause (i).

If the taxpayer establishes to the satisfaction of the Secretary or his delegate that its revenue



1 from regulated rates described in the preceding sen-
2 tence and its revenue derived from unregulated rates
3 for the furnishing or sale of electric energy are de-
4 rived from the operation of a single interconnected
5 and coordinated system or from the operation
6 of more than one such system, and that the unregu-
7 lated rates have been and are substantially as favor-
8 able to users and consumers as are the regulated
9 rates, then such revenue from such unregulated rates
10 shall be considered as income derived from regulated
11 rates for purposes of this paragraph.

12 “(B) BASE PERIOD.—The term ‘base period’
13 means the lesser of—

14 “(i) all 5 taxable years, or

15 “(ii) all of the taxable years,

16 of the distributing corporation immediately preced-
17 ing the taxable year of the distributing corporation
18 in which the distribution is made.

19 “(C) QUALIFIED DIVIDEND REINVESTMENT
20 PLAN.—The term ‘qualified dividend reinvestment
21 plan’ means a written plan adopted by a regulated
22 public electric utility under which its shareholders
23 may elect to receive a distribution, otherwise tax-
24 able as a dividend and otherwise payable in prop-
25 erty, in whole or in part in shares (including frac-



1 tional shares) of eligible stock equivalent in value
2 (determined as of the record date of such distribu-
3 tion) to the amount of the dividend otherwise pay-
4 able in property.

5 “(D) ELIGIBLE SHAREHOLDER.—The term
6 ‘eligible shareholder’ means any person who im-
7 mediately after the receipt of eligible stock is a
8 United States person.

9 “(E) ELIGIBLE STOCK.—The term ‘eligible
10 stock’ means stock of the same class as the stock
11 with respect to which such stock is distributed.”.

12 (b) AMENDMENT OF SECTION 307.—Section 307 (re-
13 lating to basis of stock and stock rights acquired in distribu-
14 tions) is amended by redesignating subsection (c) as sub-
15 section (d) and by inserting after subsection (b) the follow-
16 ing new subsection:

17 “(c) QUALIFIED REINVESTMENT PLAN OF REGULATED
18 PUBLIC ELECTRIC UTILITY.—If a regulated public electric
19 utility distributes its stock in a transaction to which section
20 305 (c) (1) applies, then subsection (a) shall not apply and
21 the basis of such stock shall be zero.”.

22 (c) AMENDMENT OF SECTION 312.—Section 312 (re-
23 lating to earnings and profits) is amended by adding the fol-
24 lowing new subsection immediately after subsection (m):

25 “(n) QUALIFIED REINVESTMENT PLAN OF REGU-



1 LATED PUBLIC ELECTRIC UTILITY.—In the case of a dis-
2 tribution of stock to which section 305^e (g) (1) applies, the
3 earnings and profits of the corporation (to the extent
4 thereof) shall be decreased by the fair market value of such
5 stock on the record date of such distribution.”

6 (d) AMENDMENT OF SECTION 562.—Section 562 (re-
7 lating to dividends eligible for the deduction for dividends
8 paid) is amended by adding the following new subsection
9 immediately after subsection (d):

10 “(e) QUALIFIED REINVESTMENT PLAN OF REGU-
11 LATED PUBLIC ELECTRIC UTILITY.—The amount of any dis-
12 tribution to which section 305 (e) (1) applies shall be con-
13 sidered a dividend for purposes of computing the dividends
14 paid deduction in the taxable year of the distribution in which
15 such stock is distributed or considered distributed.”

16 (e) EFFECTIVE DATE.

17 The amendments made by this section shall apply only
18 with respect to distributions made after the date of
19 enactment of this section and before January 1, 1981.

20 ~~Subtitle B—Ratemaking Treatment~~

21 SEC. 120 RATEMAKING TREATMENT.

22 (a) INCLUSION OF QUALIFIED PROGRESS EXPENDE-
23 TURES IN RATE BASE.—Sections 16 (a) (1) (F), 167 (n),
24 and 189 of the Internal Revenue Code of 1954, as added or
25 redesignated by this Act, shall apply to a taxpayer only if



1 the rates which the taxpayer is authorized to charge to cus-
2 tomers by an agency described in section 46 (c) (3) (B) of
3 the Internal Revenue Code of 1954 are computed (without
4 any reduction by reason of an allowance for the cost of funds
5 used during construction) by reference to a base (to which
6 the taxpayer's rate of return for ratemaking purposes is
7 applied) that includes qualified progress expenditures (as
8 defined in section 167 (n) of the Internal Revenue Code of
9 1954, as amended by this Act). If (by reason of the preced-
10 ing sentence) the provisions of sections 46 (a) (1) (F), 167
11 (n), and 189 of the Internal Revenue Code of 1954, as
12 amended by this Act, become inapplicable to a taxpayer
13 after having been applicable to such taxpayer, the preceding
14 sentence shall apply to disallow any credit or deduction
15 otherwise allowed by such sections (in excess of the credit
16 or deduction which would have been allowed had such sec-
17 tions not been enacted) for—

18 (1) all taxable years of the taxpayer (for which
19 the assessment of a deficiency is not barred by any law
20 or rule of law) beginning prior to the date on which such
21 sections become inapplicable, and

22 (2) all taxable years of the taxpayer beginning after
23 such date and ending prior to the first subsequent date
24 as of which the taxpayer is authorized by an agency
25 described in section 46 (c) (3) (B) of the Internal Rev-



1 enue Code of 1954 to charge to customers rates com-
2 puted by reference to a base (to which the taxpayer's
3 rate of return for ratemaking purposes is applied) which
4 includes qualified progress expenditures as defined in
5 section 167 (n) of the Internal Revenue Code of 1954,
6 as amended by this Act.

7 (b) EFFECTIVE DATE.—The limitations contained in
8 the first sentence of subsection (a) shall not be applied prior
9 to the earlier of:

10 (1) the date of the first final determination (made
11 more than 90 days after the date of enactment of this
12 section) by an entity described in section 46 (c) (3) (B)
13 of the Internal Revenue Code of 1954 which involves
14 the computation of the base to which the taxpayer's
15 rate of return for ratemaking purposes is applied or,

16 (2) the taxpayer's first taxable year beginning after
17 the later of—

18 (A) December 31, 197⁷~~6~~, or

19 (B) the date 6 months after the opening of the
20 first regularly scheduled session of the legislature of
21 the State (or other political subdivision of the United
22 States of which the entity described in subsection
23 (a) is an agency) following the date of enactment
24 of this section.



SUBTITLE D -- BROADENED STOCK OWNERSHIP PLANS

SEC. 121. BROADENED STOCK OWNERSHIP PLANS.

Subchapter D of chapter 1 ~~of the Internal Revenue Code of 1954~~ (relating to deferred compensation, etc.) is amended by adding at the end thereof the following new part:

"Part III - Broadened Stock Ownership Plans.

"Sec. 428. Broadened Stock Ownership Plans.

"SEC. 428. BROADENED STOCK OWNERSHIP PLANS.

"(a) Broadened Stock Ownership Plan.--For purposes of this section, the term 'broadened stock ownership plan' means a trust created or organized in the United States for the exclusive benefit of an individual or his beneficiaries, but only if the written governing instrument creating the trust.



meets the following requirements:

"(1) Except in the case of a rollover contribution described in subsection (d)(4):

"(A) no contribution will be accepted unless it is in cash;

"(B) contributions will not be accepted for the taxable year in excess of \$1,500 on behalf of any individual; and

"(C) contributions will not be accepted on behalf of any individual for the 2 taxable years succeeding the taxable year in which a payment or distribution taxable to the individual under subsection (d)(2) is made.

"(2) The trust is designed to invest solely in common stock of domestic corporations.

"(3) The trustee is a bank (as defined in section 401(d)(1)) or such other person who demonstrates to the satisfaction of the Secretary or his delegate that the manner in which such other person will administer the trust will be consistent with the requirements of this section, provided that an individual for whose benefit the trust is maintained may be granted, under the written governing instrument, the power to control the investment of the trust funds either by directing investments



(including reinvestments, disposals, and exchanges) or by disapproving proposed investments (including reinvestments, disposals, or exchanges).

"(4) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

"(5) Contributions received by the trustee during a particular taxable year will be allocated to a separate class year account. Dividends and capital gains and losses received or realized by the trustee during a particular taxable year will be allocated among class year accounts on any reasonable basis. The interest of an individual in each class year account may not be paid or distributed before the end of the 7th taxable year following the taxable year for which such class year account was established, except in the case of death or disability.

"(6) The interest of an individual in the balance in his class year accounts is nonforfeitable.

An individual for whose benefit a class year account is maintained may be granted, under the written governing instrument, the right to direct the trustee as to the manner in which the common stock allocated to such account is to be voted.



"(b) Broadened Stock Ownership Annuity.--For purposes of this section, the term 'broadened stock ownership annuity' means a contract for a variable annuity, as determined under regulations prescribed by the Secretary or his delegate (see section 801(g) dealing with contracts with reserves based on segregated asset accounts), issued by an insurance company which meets the following requirements:

"(1) Except in the case of a rollover contribution described in subsection (d)(4):

"(A) no premium will be accepted unless it is in cash;

"(B) the annual premium under the contract will not exceed \$1,500 and any refund of premiums will be applied before the close of the calendar year following the year of the refund toward the payment of future premiums; and

"(C) premiums will not be accepted for the 2 taxable years succeeding the taxable year in which a payment or distribution taxable to the individual under subsection (d)(2) is made.

"(2) All assets attributable to premium payments will be invested solely in common stock of domestic corporations.

"(3) Assets attributable to the contract will not be commingled with other property except in a segregated asset account established for such annuity contracts.



"(4) Premiums that are received by the insurance company during a particular taxable year will be allocated to a separate class year account. Dividends and capital gains and losses on stock attributable to the contract that are received or realized by the insurance company during a particular taxable year will be allocated among class year accounts on any reasonable basis. The interest of an owner in each class year account may not be paid or distributed before the end of the 7th taxable year following the taxable year for which such class year account was established, except in the case of death or disability.

"(5) The entire interest of the owner is non-forfeitable.

The owner may be granted, under such an annuity contract, the right to direct the insurance company as to the manner in which the common stock allocated to him is to be voted, and the power to control the investment of assets attributable to premium payments either by directing investments (including reinvestments, disposals, and exchanges) or by disapproving proposed investments (including reinvestments, disposals, or exchanges).

"(c) Accounts Established by Employers and Certain Associations of Employees.--A trust created or organized in the United States by an employer for the exclusive benefit of his employees or their beneficiaries, or by an association of employees (which may include employees within the meaning of section 401(c)(1)) for the exclusive benefit of



its members or their beneficiaries, shall be treated as a broadened stock ownership plan (described in subsection (a)), but only if the written governing instrument creating the trust meets the following requirements:

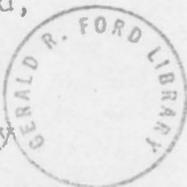
"(1) The trust satisfies the requirements of paragraphs (1) through (6) of subsection (a).

"(2) There is a separate accounting for the interest of each employee or member.

The assets of the trust may be held in a common fund for the account of all individuals who have an interest in the trust.

"(d) Tax Treatment of Distributions.--

"(1) In General.--Except as otherwise provided in this subsection, any amount paid or distributed out of a broadened stock ownership plan or under a broadened stock ownership annuity shall be deemed to have been withdrawn first from contributions accepted for the taxable year in which the payment or distribution is received and then from the earliest class year accounts on a first-in, first-out basis. Amounts deemed to have been withdrawn from a class year account or accounts shall be included in the gross income of the payee, distributee, or individual for whose benefit such plan or annuity was established, as the case may be, for the taxable year in which the payment or distribution is received. The basis of any person in each class year account is zero.



"(2) Capital Gains Treatment.--Any amount deemed to have been withdrawn from a class year account established more than 7 years before the taxable year in which the payment or distribution is received, and any amount paid or distributed on account of the death of the individual for whose benefit the broadened stock ownership plan or broadened stock ownership annuity was established, shall be treated as a gain from the sale or exchange of a capital asset held for more than 6 months.

"(3) Premature Distributions.--

"(A) In General.--If any portion of a payment or distribution from a broadened stock ownership plan or under a broadened stock ownership annuity to or on behalf of the individual for whose benefit such plan or annuity was established is deemed to have been withdrawn from a class year account established during the 7 years before the taxable year in which the payment or distribution is received, then, unless such payment or distribution is made on account of the death of the individual for whose benefit the plan or annuity was established, such individual's tax under this chapter for the taxable year in which such payment or distribution

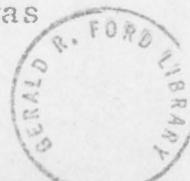


is received shall be increased by an amount equal to 10 percent of such portion of the payment or distribution.

"(B) Disability.--Subparagraph (A) shall not apply if the amount paid or distributed is attributable to the taxpayer becoming disabled within the meaning of section 72(m)(7).

"(4) Rollover Contribution.--An amount is described in this paragraph as a rollover contribution if it meets the requirements of subparagraphs (A) and (B).

"(A) In General.--Paragraph (1) does not apply to any amount paid or distributed out of a broadened stock ownership plan or under a broadened stock ownership annuity to the individual for whose benefit the plan or annuity was established if the entire amount received (including money and any other property) is paid into a broadened stock ownership plan or a broadened stock ownership annuity for the benefit of such individual not later than the 60th day after the day on which he receives the payment or distribution. Any such amount shall, in the hands of the transferee, be deemed to be held in the same class year account as that from which the payment or distribution was made.



"(B) Limitation.--This paragraph does not apply to any amount described in subparagraph (A) received by an individual from a broadened stock ownership plan or under a broadened stock ownership annuity if at any time during the 3-year period ending on the day of such receipt such individual received any other amount described in that subparagraph from a broadened stock ownership plan or under a broadened stock ownership annuity which was not includible in his gross income because of the application of this paragraph.

"(5) Excess Contributions Returned Before Due Date of Return.--Paragraph (1) does not apply to the distribution of any contribution paid during a taxable year to a broadened stock ownership plan or for a broadened stock ownership annuity to the extent that such contribution exceeds the amount allowable as a deduction under section 220 if--

"(A) such distribution is received on or before the day prescribed by law (including



extensions of time) for filing such individual's return for such taxable year,

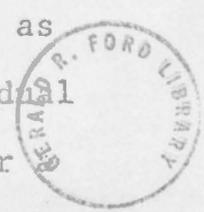
"(B) no deduction is allowed under section 220 with respect to such excess contribution, and

"(C) such distribution is accompanied by the amount of net income attributable to such excess contribution.

Any net income described in subparagraph (C) shall be included in the gross income of the individual for whose benefit the plan or annuity was established for the taxable year in which received.

"(6) Transfer of Plan or Annuity Incident to Divorce.--The transfer of an individual's interest in a broadened stock ownership plan or a broadened stock ownership annuity to his former spouse under a divorce decree or under a written instrument incident to such divorce is not to be considered a taxable transfer made by such individual notwithstanding any other provision of this subtitle, and such interest at the time of the transfer is to be treated as a broadened stock ownership plan or a broadened stock ownership annuity of such spouse, and not of such individual. Thereafter such plan or annuity for purposes of this subtitle is to be treated as maintained for the benefit of such spouse.

"(7) Effect of Pledging Plan or Annuity Assets as Security.--If, during any taxable year of the individual for whose benefit a broadened stock ownership plan or



broadened stock ownership annuity is maintained, that individual uses the plan or annuity or any portion thereof as security for a loan, the portion so used shall not be treated as distributed to such individual except to the extent that the lender forecloses upon the security.

"(e) Tax Treatment of Broadened Stock Ownership Plan.--

"(1) Exemption from Tax.--Any broadened stock ownership plan is exempt from taxation under this subtitle unless such plan has ceased to be a broadened stock ownership plan by reason of paragraph (2). Notwithstanding the preceding sentence, any such plan is subject to the taxes imposed by section 511 (relating to imposition of tax on unrelated business income of charitable, etc., organizations).

"(2) Loss of Exemption.--

"(A) In General.--If, during any taxable year of the individual for whose benefit any broadened stock ownership plan is maintained, the plan engages in any one of the disqualifying transactions described in subparagraph (B), the plan will cease to be a broadened stock ownership plan as of the first day of such taxable year. For purposes of this paragraph, the separate account for any individual within a broadened stock ownership plan maintained by an employer



or association of employees is treated as a separate broadened stock ownership plan.

"(B) Disqualifying Transactions.--For purposes of this paragraph, the term 'disqualifying transaction' means--

"(i) the acquisition of common stock from the individual for whose benefit the plan was established, except in the case of a rollover contribution described in subsection (d)(4);

"(ii) the acquisition of common stock for more than adequate consideration from a 'disqualified person' as defined in section 4975(e), applied as though the provisions thereof related to broadened stock ownership plans;

"(iii) the sale of common stock for less than adequate consideration to a disqualified person as so defined;

"(iv) borrowing to acquire common stock; or

"(v) loaning plan assets to the individual for whose benefit the plan was



established without the receipt of adequate security and a reasonable rate of interest.

"(C) Plan Treated As Distributing All Its Assets.--In any case in which a plan ceases to be a broadened stock ownership plan by reason of subparagraph (A) as of the first day of any taxable year, paragraph (1) of subsection (d) shall apply as if there were a distribution on such first day in an amount equal to the fair market value (on such first day) of all assets in the plan (on such first day).

"(3) Commingling Broadened Stock Ownership Plan Amounts in Certain Common Trust Funds and Common Investment Funds.--Any common trust fund or common investment fund of broadened stock ownership plan assets which is exempt from taxation under this subtitle does not cease to be exempt on account of the participation or inclusion of assets of a trust exempt from taxation under section 501(a) which is described in section 401(a), or of an individual retirement account described in section 408(a).

"(f) Community Property Laws.--This section shall be applied without regard to any community property laws.



"(g) Custodial Accounts.--For purposes of this section, a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 401(d)(1)) or another person who demonstrates, to the satisfaction of the Secretary or his delegate, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute a broadened stock ownership plan described in subsection (a). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

"(h) Reports.--The trustee of a broadened stock ownership plan and the issuer of a broadened stock ownership annuity shall make such reports regarding such plan or annuity to the Secretary or his delegate and to the individuals for whose benefit the plan or annuity is, or is to be, maintained with respect to contributions, distributions, and such other matters as the Secretary or his delegate may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such individuals at such time and in such manner as may be required by those regulations.

"(i) Cross Reference.--For tax on excess contributions to a broadened stock ownership plan or annuity, see section 4976."



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SEC. 220. CONTRIBUTIONS TO BROADENED STOCK OWNERSHIP PLANS.

(a) In General.--Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to additional itemized deductions for individuals) is amended by redesignating section 220 as 221 and by inserting after section 219 the following new section:

"SEC. 220. CONTRIBUTIONS TO BROADENED STOCK OWNERSHIP PLANS.

"(a) Deduction Allowed.--In the case of an individual, there is allowed as a deduction amounts paid in cash during the taxable year by or on behalf of such individual for his benefit --

(1) to a broadened stock ownership plan described in section 428(a), or

(2) to a broadened stock ownership annuity described in section 428(b),

provided, however, that no deduction shall be allowed for the 2 taxable years succeeding the taxable year in which a payment on distribution taxable to such individual under section 428(d)(2) is made. For purposes of this title, any amount paid by an employer to such a broadened stock ownership plan or for such a broadened stock ownership annuity constitutes payment of compensation to the employee (other than a self-employed individual who is an employee within the meaning of section 401(c)(1)) includible in his gross income, whether or not a deduction for such payment is allowable under this section to the employee after the application of subsection (b).



"(b) Limitations and Restrictions.--

"(1) Maximum Deduction.--The amount allowable as a deduction under subsection (a) to an individual for any taxable year may not exceed an amount equal to 15 percent of the compensation includible in his gross income for such taxable year, or \$1,500, whichever is less, multiplied by a fraction, the denominator of which is \$20,000 and the numerator of which is \$20,000 minus the excess of such compensation over \$20,000.

"(2) Recontributed Amounts.--No deduction is allowed under this section with respect to a roll-over contribution described in section 428(d)(4).

"(c) Definitions and Special Rules.--

"(1) Compensation.--For purposes of this section, the term 'compensation' includes earned income as defined in section 401(c)(2).

"(2) Married Individuals.--The maximum deduction under subsection (b)(1) shall be computed separately for each individual, and this section shall be applied without regard to any community property laws."



(b) Deduction Allowed in Arriving at Adjusted Gross Income.--Section 62 (defining adjusted gross income) is amended by redesignating paragraph (11) added by P.L. 93-483, section 6(a), as paragraph (12) and by inserting after such paragraph (12) the following new paragraph:

"(13) Broadened Stock Ownership Plans.--The deduction allowed by section 220 (relating to broadened stock ownership plans)."

123
SEC. 4. TAX ON EXCESS CONTRIBUTIONS TO BROADENED STOCK OWNERSHIP PLANS.

Chapter 43 of ~~the Internal Revenue Code of 1954~~ (relating to qualified pension, etc., plans) is amended by adding at the end thereof the following new section:

"SEC. 4976. TAX ON EXCESS CONTRIBUTIONS TO BROADENED STOCK OWNERSHIP PLANS.

"(a) Tax Imposed.--In the case of--

(1) a broadened stock ownership plan (within the meaning of section 428(a)), or

(2) a broadened stock ownership annuity (within the meaning of section 428(b)),

established for the benefit of any individual, there is imposed for each taxable year a tax in an amount equal to 6 percent of the amount of the excess contributions to such individual's plans or annuities (determined as of the close of the taxable year). The amount of such tax for any taxable year shall not exceed 6 percent of the value of the plan or



annuity (determined as of the close of the taxable year). The tax imposed by this subsection shall be paid by such individual.

"(b) Excess Contributions.--For purposes of this section, the term 'excess contributions' means the sum of--

"(1) the excess (if any) of--

"(A) the amount contributed for the taxable year to the plans or annuities (other than a rollover contribution described in section 428(d)(4)), over

"(B) the amount allowable as a deduction under section 220 for such contributions, and

"(2) the amount determined under this subsection for the preceding taxable year, reduced by the excess (if any) of the maximum amount allowable as a deduction under section 220 for the taxable year over the amount contributed to the plans or annuities for the taxable year and reduced by the sum of the distributions out of the plans or annuities (for all prior taxable years) which was included in the gross income of the individual for whose benefit such plan or annuity was established under section 428(d)(1).



For purposes of this subsection, any contribution which is distributed from the plan or annuity in a distribution to which section 428(d)(5) applies shall be treated as an amount not contributed."

SEC. ⁽¹²⁴⁾ PENALTY FOR FAILURE TO PROVIDE REPORTS ON
BROADENED STOCK OWNERSHIP PLANS.

Subchapter B of chapter 68 (relating to assessable penalties) is amended by adding after section 6690 the following new section:

"SEC. 6691. FAILURE TO PROVIDE REPORTS ON BROADENED
STOCK OWNERSHIP PLANS.

"(a) In General.--The person required by section 428(h) to file a report regarding a broadened stock ownership plan or a broadened stock ownership annuity at the time and in the manner required by section 428(h) shall pay a penalty of \$10 for each failure unless it is shown that such failure is due to reasonable cause.

"(b) Deficiency Procedures Not to Apply.--Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and certain excise taxes) does not apply to the assessment or collection of any penalty imposed by subsection (a)."



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SEC. 6. CONFORMING AMENDMENTS.

(a) The second sentence of section 46(a)(3) ~~of the Internal Revenue Code of 1954~~ (relating to investment credit) and the second sentence of section 50A(a)(3) ~~of such Code~~ (relating to work incentive credit) are each amended by inserting after "certain retirement accounts)," the following: "section 428(d)(3)(A)(ii) (relating to additional tax on income from certain broadened stock ownership plans),".

(b) Subparagraph (A) of section 56(a)(2) ~~of such Code~~ and paragraph (1) of section 56(c) ~~of such Code~~ (relating to minimum tax for tax preferences) are each amended by striking out section "531" and inserting in lieu thereof "428(d)(3)(A)(ii), 531".

(c) Subparagraph (B) of section 801(g)(1) ~~of such Code~~ (relating to contracts with reserves based on a segregated asset account) is amended by adding at the end thereof the following new sentence:

"A broadened stock ownership annuity (as defined in section 428(b)) shall be deemed to meet the requirements of clause (ii)."

(d) Section 801(g)(7) ~~of such Code~~ is amended to read as follows:

"(7) Basis of Assets Held for Qualified Pension Plan Contracts and Broadened Stock Ownership Annuity.--In the case of contracts described in



subparagraph (A), (B), (C), (D), or (E) of section 805(d)(1), or in section 428(b), the basis of each asset in a segregated asset account shall (in addition to all other adjustments to basis) be--

"(A) increased by the amount of any appreciation in value, and

"(B) decreased by the amount of any depreciation in value,

to the extent that such appreciation and depreciation are from time to time reflected in the increases or decreases in reserves or other items in paragraph (6) with respect to such contracts."

(e) The third sentence of section 901(a) ~~of such Code~~ (relating to foreign tax credit) is amended by inserting after "certain retirement accounts)," the following: "against the tax imposed for the taxable year under section 428(d)(3) (A)(ii) (relating to additional tax on income from certain broadened stock ownership plans),".

(f) Section 3401(a)(12) ~~of such Code~~ (relating to exemption from collection of income tax at source on certain wages) is amended by adding at the end thereof the following new subparagraph:

"(E) for a payment described in section 220(a) if, at the time of such payment, it is reasonable to believe that the employee will be entitled to a deduction under such



'section for such payment; or".

(g) Subsection (d) of section 6047 ~~of such Code~~ (relating to information relating to certain trusts and annuity and bond purchase plans) is amended to read as follows:

"(d) Other Programs.--

"(1) Individual Retirement Savings.--To the extent provided by regulations prescribed by the Secretary or his delegate, the provisions of this section apply with respect to any payment described in section 219(a) and to transactions of any trust described in section 408(a) or under an individual retirement annuity described in section 408(b).

"(2) Broadened Stock Ownership Plans.--To the extent provided by regulations prescribed by the Secretary or his delegate, the provisions of this section apply with respect to any payment described in section 220(a) and to transactions of any plan described in section 428(a) or under a broadened ^{stock} ownership annuity described in section 428(b)."

(h) Section 4(b) of the Employee Retirement Income Security Act of 1974 is amended--

- (1) by striking out "or" at the end of paragraph (4),
- (2) by striking out the period at the end of paragraph (5) and by inserting in lieu thereof "; or", and
- (3) by adding at the end thereof the following new paragraph:



"(6) such plan is a broadened stock ownership plan (as defined in section 428(a) of the Internal Revenue Code of 1954) or a broadened stock ownership annuity (as defined in section 428(b) of such Code)."

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SEC. 2. CLERICAL AMENDMENTS.

(a) The table of sections for part VII of subchapter B of chapter 1 ~~of the Internal Revenue Code of 1954~~ is amended by striking out the item relating to section 220 and inserting in lieu thereof the following:

"Sec. 220. Contributions to broadened stock ownership plans.

"Sec. 221. Cross references."

(b) The table of parts for subchapter D of chapter 1 ~~of such Code~~ is amended by adding at the end thereof the following:

"PART III. Broadened stock ownership plans."

(c) The table of sections for chapter 43 ~~of such Code~~ is amended by adding at the end thereof the following new item:

"Sec. 4976. Tax on excess contributions to broadened stock ownership plans."

(d) The table of sections for subchapter B of chapter 68 is amended by inserting after the item relating to section 6690 the following new item:



"Sec. 6691. Failure to provide reports on broadened
stock ownership plans."

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Sec. 8. EFFECTIVE DATES.

(a) The amendments made by sections ^{121 through 123} ~~1~~ through ~~3~~ shall
take effect on July 1, 1976 and shall apply to taxable
years beginning after December 31, 1975.

(b) The amendments made by section ¹²⁴ ~~4~~ through ¹²⁵ ~~7~~ shall
take effect on July 1, 1976.



SUBTITLE E INTEGRATION OF CORPORATE AND INDIVIDUAL
INCOME TAX

SEC. 128. PREPARATION OF LEGISLATIVE PROPOSAL PROVIDING
FOR THE INTEGRATION OF THE CORPORATE AND
INDIVIDUAL INCOME TAX.

(a) The Secretary of the Treasury shall:

(1) prepare a legislative proposal for amending the Internal Revenue Code of 1954 to provide for the integration of the taxes imposed by Subtitle A of that Code on the taxable income of corporations and individuals, and

(2) submit such legislative proposal to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, no later than December 31, 1976.

(b) The legislative proposal referred to in subsection (a) shall incorporate the following features:

(1) approximately one-half of the total tax relief shall be accomplished through allowing corporations a deduction for dividends paid;

(2) approximately one-half of the total tax relief shall be accomplished through allowing shareholders a credit with respect to dividends received; and

(3) the tax relief referred to in paragraphs (1) and (2) shall be phased in over a six year period commencing January 1, 1978.



H.R.

IN THE HOUSE OF REPRESENTATIVES

, 1976

A BILL

To provide estate tax relief for moderate estates and the owners of small businesses and family farms.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Estate Tax Adjustment Act of 1976."

SUBTITLE F ESTATE TAX RELIEF FOR MODERATE ESTATES AND THE OWNERS OF SMALL BUSINESSES AND FAMILY FARMS
SEC. 128. RATE OF ESTATE TAX.

Section 2001 of the Internal Revenue Code of 1954 (relating to rate of estate tax) is amended to read as follows:

"SEC. 2001. RATE OF TAX.

"(a) General Rule.--A tax computed in accordance with the following table is hereby imposed on the transfer of the taxable estate, determined as provided in section 2051, of every decedent, citizen or resident of the United States:



"If the taxable estate is:

The tax shall be:

"Not over \$100,000	30% of the taxable estate.
"Over \$100,000 but not over \$250,000	\$30,000, plus 32% of excess over \$100,000.
"Over \$250,000 but not over \$500,000	\$78,000, plus 34% of excess over \$250,000.
"Over \$500,000 but not over \$750,000	\$163,000, plus 36% of excess over \$500,000.
"Over \$750,000 but not over \$1,000,000	\$253,000, plus 38% of excess over \$750,000.
"Over \$1,000,000 but not over \$1,250,000	\$348,000, plus 41% of excess over \$1,000,000.
"Over \$1,250,000 but not over \$1,500,000	\$450,500, plus 44% of excess over \$1,250,000.
"Over \$1,500,000 but not over \$2,000,000	\$560,500, plus 47% of excess over \$1,500,000.
"Over \$2,000,000 but not over \$2,500,000	\$795,500, plus 50% of excess over \$2,000,000.
"Over \$2,500,000 but not over \$3,000,000	\$1,045,500, plus 54% of excess over \$2,500,000.
"Over \$3,000,000 but not over \$3,500,000	\$1,315,500, plus 57% of excess over \$3,000,000.
"Over \$3,500,000 but not over \$4,000,000	\$1,600,500, plus 60% of excess over \$3,500,000.
"Over \$4,000,000 but not over \$5,000,000	\$1,900,500, plus 64% of excess over \$4,000,000.
"Over \$5,000,000 but not over \$6,000,000	\$2,540,500, plus 67% of excess over \$5,000,000.
"Over \$6,000,000 but not over \$7,000,000	\$3,210,500, plus 70% of excess over \$6,000,000.



"Over \$7,000,000 but not over \$8,000,000	\$3,910,500, plus 73% of excess over \$7,000,000.
"Over \$8,000,000 but not over \$10,000,000	\$4,640,500, plus 76% of excess over \$8,000,000.
"Over \$10,000,000	\$6,160,500, plus 77% of excess over \$10,000,000.

"(b) Transitional Rules.--In the case of a decedent who dies prior to October 1, 1980, the tax imposed under subsection (a) shall be computed in accordance with the following tables:

"TABLE 1 - Death prior to October 1, 1977

"If the taxable estate is:	The tax shall be:
"Not over \$2,000	11% of the taxable estate.
"Over \$2,000 but not over \$12,000	\$220, plus 14% of excess over \$2,000.
"Over \$12,000 but not over \$22,000	\$1,620, plus 18% of excess over \$12,000.
"Over \$22,000 but not over \$32,000	\$3,420, plus 22% of excess over \$22,000.
"Over \$32,000 but not over \$42,000	\$5,620, plus 25% of excess over \$32,000.
"Over \$42,000 but not over \$82,000	\$8,120, plus 28% of excess over \$42,000.
"Over \$82,000 but not over \$232,000	\$19,320, plus 30% of excess over \$82,000.
"Over \$232,000 but not over \$482,000	\$64,320, plus 32% of excess over \$232,000.
"Over \$482,000 but not over \$732,000	\$144,320, plus 35% of excess over \$482,000.



"Over \$732,000 but not over \$982,000	\$231,820, plus 37% of excess over \$732,000.
"Over \$982,000 but not over \$1,232,000	\$324,320, plus 39% of excess over \$982,000.
"Over \$1,232,000 but not over \$1,482,000	\$421,820, plus 42% of excess over \$1,232,000.
"Over \$1,482,000 but not over \$1,982,000	\$526,820, plus 45% of excess over \$1,482,000.
"Over \$1,982,000 but not over \$2,482,000	\$751,820, plus 49% of excess over \$1,982,000.
"Over \$2,482,000 but not over \$2,982,000	\$996,820, plus 53% of excess over \$2,482,000.
"Over \$2,982,000 but not over \$3,482,000	\$1,261,820, plus 56% of excess over \$2,982,000.
"Over \$3,482,000 but not over \$3,982,000	\$1,541,820, plus 59% of excess over \$3,482,000.
"Over \$3,982,000 but not over \$4,982,000	\$1,836,820, plus 63% of excess over \$3,982,000.
"Over \$4,982,000 but not over \$5,982,000	\$2,466,820, plus 67% of excess over \$4,982,000.
"Over \$5,982,000 but not over \$6,982,000	\$3,136,820, plus 70% of excess over \$5,982,000.
"Over \$6,982,000 but not over \$7,928,000	\$3,836,820, plus 73% of excess over \$6,982,000.
"Over \$7,982,000 but not over \$9,982,000	\$4,566,820, plus 76% of excess over \$7,982,000.
"Over \$9,982,000	\$6,086,820, plus 77% of excess over \$9,982,000.

"TABLE 2 - Death after September 30, 1977, but prior to October 1, 1978

"If the taxable estate is: The tax shall be:



"Not over \$4,000	18% of the taxable estate.
"Over \$4,000 but not over \$14,000	\$720, plus 22% of excess over \$4,000.
"Over \$14,000 but not over \$24,000	\$2,920, plus 25% of excess over \$14,000.
"Over \$24,000 but not over \$64,000	\$5,420, plus 28% of excess over \$24,000.
"Over \$64,000 but not over \$214,000	\$16,620, plus 30% of excess over \$64,000.
"Over \$214,000 but not over \$464,000	\$61,620, plus 32% of excess over \$214,000.
"Over \$464,000 but not over \$714,000	\$141,620, plus 35% of excess over \$464,000.
"Over \$714,000 but not over \$964,000	\$229,120, plus 37% of excess over \$714,000.
"Over \$964,000 but not over \$1,214,000	\$321,620, plus 39% of excess over \$964,000.
"Over \$1,214,000 but not over \$1,464,000	\$419,120, plus 42% of excess over \$1,214,000.
"Over \$1,464,000 but not over \$1,964,000	\$524,120, plus 45% of excess over \$1,464,000.
"Over \$1,964,000 but not over \$2,464,000	\$749,120, plus 49% of excess over \$1,964,000.
"Over \$2,464,000 but not over \$2,964,000	\$994,120, plus 53% of excess over \$2,464,000.
"Over \$2,964,000 but not over \$3,464,000	\$1,259,120, plus 56% of excess over \$2,964,000.
"Over \$3,464,000 but not over \$3,964,000	\$1,539,120, plus 59% of excess over \$3,464,000.
"Over \$3,964,000 but not over \$4,964,000	\$1,834,120, plus 63% of excess over \$3,964,000.



"Over \$4,964,000 but not over \$5,964,000	\$2,464,120, plus 67% of excess over \$4,964,000.
"Over \$5,964,000 but not over \$6,964,000	\$3,134,120, plus 70% of excess over \$5,964,000.
"Over \$6,964,000 but not over \$7,964,000	\$3,834,120, plus 73% of excess over \$6,964,000.
"Over \$7,964,000 but not over \$9,964,000	\$4,564,120, plus 76% of excess over \$7,964,000.
"Over \$9,964,000	\$6,084,120, plus 77% of excess over \$9,964,000.

"TABLE 3 - Death after September 30, 1978,
but prior to October 1, 1979

"If the taxable estate is:	The tax shall be:
"Not over \$6,000	25% of the taxable estate.
"Over \$6,000 but not over \$46,000	\$1,500, plus 28% of excess over \$6,000.
"Over \$46,000 but not over \$196,000	\$12,700, plus 30% of excess over \$46,000.
"Over \$196,000 but not over \$446,000	\$57,700, plus 32% of excess over \$196,000.
"Over \$446,000 but not over \$696,000	\$137,700, plus 35% of excess over \$446,000.
"Over \$696,000 but not over \$946,000	\$225,200, plus 37% of excess over \$696,000.
"Over \$946,000 but not over \$1,196,000	\$317,700, plus 39% of excess over \$946,000.
"Over \$1,196,000 but not over \$1,446,000	\$415,200, plus 42% of excess over \$1,196,000.
"Over \$1,446,000 but not over \$1,946,000	\$520,200, plus 45% of excess over \$1,446,000.



"Over \$1,946,000 but not over \$2,446,000	\$745,200, plus 49% of excess over \$1,946,000.
"Over \$2,446,000 but not over \$2,946,000	\$990,200, plus 53% of excess over \$2,446,000.
"Over \$2,946,000 but not over \$3,446,000	\$1,255,200, plus 56% of excess over \$2,946,000.
"Over \$3,446,000 but not over \$3,946,000	\$1,535,200, plus 59% of excess over \$3,446,000.
"Over \$3,946,000 but not over \$4,946,000	\$1,830,200, plus 63% of excess over \$3,946,000.
"Over \$4,946,000 but not over \$5,946,000	\$2,460,200, plus 67% of excess over \$4,946,000.
"Over \$5,946,000 but not over \$6,946,000	\$3,130,200, plus 70% of excess over \$5,946,000.
"Over \$6,946,000 but not over \$7,946,000	\$3,830,200, plus 73% of excess over \$6,946,000.
"Over \$7,946,000 but not over \$9,946,000	\$4,560,200, plus 76% of excess over \$7,946,000.
"Over \$9,946,000	\$6,080,200, plus 77% of excess over \$9,946,000.

"TABLE 4 - Death after September 30, 1979, but prior to October 1, 1980

"If the taxable estate is:	The tax shall be:
"Not over \$28,000	28% of the taxable estate.
"Over \$28,000 but not over \$178,000	\$7,840, plus 30% of excess over \$28,000.
"Over \$178,000 but not over \$428,000	\$52,840, plus 32% of excess over \$178,000.



"Over \$428,000 but not over \$678,000	\$132,840, plus 35% of excess over \$428,000.
"Over \$678,000 but not over \$928,000	\$220,340, plus 37% of excess over \$678,000.
"Over \$928,000 but not over \$1,178,000	\$312,840, plus 39% of excess over \$928,000.
"Over \$1,178,000 but not over \$1,428,000	\$410,340, plus 42% of excess over \$1,178,000.
"Over \$1,428,000 but not over \$1,928,000	\$515,340, plus 45% of excess over \$1,428,000.
"Over \$1,928,000 but not over \$2,428,000	\$740,340, plus 49% of excess over \$1,928,000.
"Over \$2,428,000 but not over \$2,928,000	\$985,340, plus 53% of excess over \$2,428,000.
"Over \$2,928,000 but not over \$3,428,000	\$1,250,340, plus 56% of excess over \$2,928,000.
"Over \$3,428,000 but not over \$3,928,000	\$1,530,340, plus 59% of excess over \$3,428,000.
"Over \$3,928,000 but not over \$4,928,000	\$1,825,340, plus 63% of excess over \$3,928,000.
"Over \$4,928,000 but not over \$5,928,000	\$2,455,340, plus 67% of excess over \$4,928,000.
"Over \$5,928,000 but not over \$6,928,000	\$3,125,340, plus 70% of excess over \$5,928,000.
"Over \$6,928,000 but not over \$7,928,000	\$3,825,340, plus 73% of excess over \$6,928,000.
"Over \$7,928,000 but not over \$9,928,000	\$4,555,340, plus 76% of excess over \$7,928,000.
"Over \$9,928,000	\$6,075,340, plus 77% of excess over \$9,928,000."



129
SEC. 3. CREDIT FOR STATE DEATH TAXES.

Subsection (b) of section 2011 of ~~the Internal Revenue Code of 1954~~ (relating to credit for state death taxes) is amended to read as follows:

"(b) Amount of Credit.--

"(1) General Rule.--The credit allowed by this section shall not exceed the appropriate amount stated in the following table in the case of a decedent who dies after September 30, 1980:

"If the taxable estate is:

The maximum tax credit shall be:

"Not over \$50,000

1.6% of the taxable estate

"Over \$50,000 but not over \$150,000

\$800, plus 2.4% of excess over \$50,000.

"Over \$150,000 but not over \$350,000

\$3,200, plus 3.2% of excess over \$150,000.

"Over \$350,000 but not over \$550,000

\$9,600, plus 4% of excess over \$350,000.

"Over \$550,000 but not over \$750,000

\$17,600, plus 4.8% of excess over \$550,000.

"Over \$750,000 but not over \$950,000

\$27,200, plus 5.6% of excess over \$750,000.

"Over \$950,000 but not over \$1,450,000

\$38,400, plus 6.4% of excess over \$950,000.



"Over \$1,450,000 but not over \$1,950,000	\$70,400, plus 7.2% of excess over \$1,450,000.
"Over \$1,950,000 but not over \$2,450,000	\$106,400, plus 8% of excess over \$1,950,000.
"Over \$2,450,000 but not over \$2,950,000	\$146,400, plus 8.8% of excess over \$2,450,000.
"Over \$2,950,000 but not over \$3,450,000	\$190,400, plus 9.6% of excess over \$2,950,000.
"Over \$3,450,000 but not over \$3,950,000	\$238,400, plus 10.4% of excess over \$3,450,000.
"Over \$3,950,000 but not over \$4,950,000	\$290,400, plus 11.2% of excess over \$3,950,000.
"Over \$4,950,000 but not over \$5,950,000	\$402,400, plus 12% of excess over \$4,950,000.
"Over \$5,950,000 but not over \$6,950,000	\$522,400, plus 12.8% of excess over \$5,950,000.
"Over \$6,950,000 but not over \$7,950,000	\$650,400, plus 13.6% of excess over \$6,950,000.
"Over \$7,950,000 but not over \$8,950,000	\$786,400, plus 14.4% of excess over \$7,950,000.
"Over \$8,950,000 but not over \$9,950,000	\$930,400, plus 15.2% of excess over \$8,950,000.
"Over \$9,950,000	\$1,082,400, plus 16% of excess over \$9,950,000.



"(2) Transitional Rules.--In the case of a decedent who dies prior to October 1, 1980, the credit allowed by this section shall not exceed the appropriate amount stated in the following tables:

"TABLE 1 - Death prior to October 1, 1977

"If the taxable estate is:	The maximum tax credit shall be
"Not over \$72,000	8/10ths of 1% of the amount by which the taxable estate exceeds \$22,000.
"Over \$72,000 but not over \$122,000	\$400, plus 1.6% of excess over \$72,000.
"Over \$122,000 but not over \$222,000	\$1,200, plus 2.4% of excess over \$122,000.
"Over \$222,000 but not over \$422,000	\$3,600, plus 3.2% of excess over \$222,000.
"Over \$422,000 but not over \$622,000	\$10,000, plus 4% of excess over \$422,000.
"Over \$622,000 but not over \$822,000	\$18,000, plus 4.8% of excess over \$622,000.
"Over \$822,000 but not over \$1,022,000	\$27,600, plus 5.6% of excess over \$822,000.
"Over \$1,022,000 but not over \$1,522,000	\$38,800, plus 6.4% of excess over \$1,022,000.
"Over \$1,522,000 but not over \$2,022,000	\$70,800, plus 7.2% of excess over \$1,522,000.
"Over \$2,022,000 but not over \$2,522,000	\$106,800, plus 8% of excess over \$2,022,000.
"Over \$2,522,000 but not over \$3,022,000	\$146,800, plus 8.8% of excess over \$2,522,000.



"Over \$3,022,000 but not over \$3,522,000	\$190,800, plus 9.6% of excess over \$3,022,000.
"Over \$3,522,000 but not over \$4,022,000	\$238,800, plus 10.4% of excess over \$3,522,000.
"Over \$4,022,000 but not over \$5,022,000	\$290,800, plus 11.2% of excess over \$4,022,000.
"Over \$5,022,000 but not over \$6,022,000	\$402,800, plus 12% of excess over \$5,022,000.
"Over \$6,022,000 but not over \$7,022,000	\$522,800, plus 12.8% of excess over \$6,022,000.
"Over \$7,022,000 but not over \$8,022,000	\$650,800, plus 13.6% of excess over \$7,022,000.
"Over \$8,022,000 but not over \$9,022,000	\$786,800, plus 14.4% of excess over \$8,022,000.
"Over \$9,022,000 but not over \$10,022,000	\$930,800, plus 15.2% of excess over \$9,022,000.
"Over \$10,022,000	\$1,082,800, plus 16% of excess over \$10,022,000.

"TABLE 2 - Death after September 30, 1977,
but prior to October 1, 1978

"If the taxable estate is:	The maximum tax credit shall be:
"Not over \$54,000	8/10ths of 1% of the amount by which the taxable estate exceeds \$4,000.
"Over \$54,000 but not over \$104,000	\$400, plus 1.6% of excess over \$54,000.
"Over \$104,000 but not over \$204,000	\$1,200, plus 2.4% of excess over \$104,000.
"Over \$204,000 but not over \$404,000	\$3,600, plus 3.2% of excess over \$204,000.



"Over \$404,000 but not over \$604,000	\$10,000, plus 4% of excess over \$404,000.
"Over \$604,000 but not over \$804,000	\$18,000, plus 4.8% of excess over \$604,000.
"Over \$804,000 but not over \$1,004,000	\$27,600, plus 5.6% of excess over \$804,000.
"Over \$1,004,000 but not over \$1,504,000	\$38,800, plus 6.4% of excess over \$1,004,000.
"Over \$1,504,000 but not over \$2,004,000	\$70,800, plus 7.2% of excess over \$1,504,000.
"Over \$2,004,000 but not over \$2,504,000	\$106,800, plus 8% of excess over \$2,004,000.
"Over \$2,504,000 but not over \$3,004,000	\$146,800, plus 8.8% of excess over \$2,504,000.
"Over \$3,004,000 but not over \$3,504,000	\$190,800, plus 9.6% of excess over \$3,004,000.
"Over \$3,504,000 but not over \$4,004,000	\$238,800, plus 10.4% of excess over \$3,504,000.
"Over \$4,004,000 but not over \$5,004,000	\$290,800, plus 11.2% of excess over \$4,004,000.
"Over \$5,004,000 but not over \$6,004,000	\$402,800, plus 12% of excess over \$5,004,000.
"Over \$6,004,000 but not over \$7,004,000	\$522,800, plus 12.8% of excess over \$6,004,000.
"Over \$7,004,000 but not over \$8,004,000	\$650,800, plus 13.6% of excess over \$7,004,000.
"Over \$8,004,000 but not over \$9,004,000	\$786,800, plus 14.4% of excess over \$8,004,000.
"Over \$9,004,000 but not over \$10,004,000	\$930,800, plus 15.2% of excess over \$9,004,000.
"Over \$10,004,000	\$1,082,800, plus 16% of excess over \$10,004,000.



"TABLE 3 - Death after September 30, 1978,
but prior to October 1, 1979

"If the taxable estate is:	The maximum tax credit shall be:
"Not over \$36,000	8/10ths of 1% of the taxable estate.
"Over \$36,000 but not over \$86,000	\$288, plus 1.6% of excess over \$36,000.
"Over \$86,000 but not over \$186,000	\$1,088, plus 2.4% of excess over \$86,000.
"Over \$186,000 but not over \$386,000	\$3,488, plus 3.2% of excess over \$186,000.
"Over \$386,000 but not over \$586,000	\$9,888, plus 4% of excess over \$386,000.
"Over \$586,000 but not over \$786,000	\$17,888, plus 4.8% of excess over \$586,000.
"Over \$786,000 but not over \$986,000	\$27,488, plus 5.6% of excess over \$786,000.
"Over \$986,000 but not over \$1,486,000	\$38,688, plus 6.4% of excess over \$986,000.
"Over \$1,486,000 but not over \$1,986,000	\$70,688, plus 7.2% of excess over \$1,486,000.
"Over \$1,986,000 but not over \$2,486,000	\$106,688, plus 8% of excess over \$1,986,000.
"Over \$2,486,000 but not over \$2,986,000	\$146,688, plus 8.8% of excess over \$2,486,000.
"Over \$2,986,000 but not over \$3,486,000	\$190,688, plus 9.6% of excess over \$2,986,000.
"Over \$3,486,000 but not over \$3,986,000	\$238,688, plus 10.4% of excess over \$3,486,000.
"Over \$3,986,000 but not over \$4,986,000	\$290,688, plus 11.2% of excess over \$3,986,000.



"Over \$4,986,000 but not over \$5,986,000	\$402,688, plus 12% of excess over \$4,986,000.
"Over \$5,986,000 but not over \$6,986,000	\$522,688, plus 12.8% of excess over \$5,986,000.
"Over \$6,986,000 but not over \$7,986,000	\$650,688, plus 13.6% of excess over \$6,986,000.
"Over \$7,986,000 but not over \$8,986,000	\$786,688, plus 14.4% of excess over \$7,986,000.
"Over \$8,986,000 but not over \$9,986,000	\$930,688, plus 15.2% of excess over \$8,986,000.
"Over \$9,986,000	\$1,082,688, plus 16% of excess over \$9,986,000.

"TABLE 4 - Death after September 30, 1979,
but prior to October 1, 1980

"If the taxable estate is:	The maximum tax credit shall be:
"Not over \$18,000	8/10ths of 1% of the taxable estate.
"Over \$18,000 but not over \$68,000	\$144, plus 1.6% of excess over \$18,000.
"Over \$68,000 but not over \$168,000	\$944, plus 2.4% of excess over \$68,000.
"Over \$168,000 but not over \$368,000	\$3,344, plus 3.2% of excess over \$168,000.
"Over \$368,000 but not over \$568,000	\$9,744, plus 4% of excess over \$368,000.
"Over \$568,000 but not over \$768,000	\$17,744, plus 4.8% of excess over \$568,000.
"Over \$768,000 but not over \$968,000	\$27,344, plus 5.6% of excess over \$768,000.



"Over \$968,000 but not over \$1,468,000	\$38,544, plus 6.4% of excess over \$968,000.
"Over \$1,468,000 but not over \$1,968,000	\$70,544, plus 7.2% of excess over \$1,468,000.
"Over \$1,968,000 but not over \$2,468,000	\$106,544, plus 8% of excess over \$1,968,000.
"Over \$2,468,000 but not over \$2,968,000	\$146,544, plus 8.8% of excess over \$2,468,000.
"Over \$2,968,000 but not over \$3,468,000	\$190,544, plus 9.6% of excess over \$2,968,000.
"Over \$3,468,000 but not over \$3,968,000	\$238,544, plus 10.4% of excess over \$3,468,000.
"Over \$3,968,000 but not over \$4,968,000	\$290,544, plus 11.2% of excess over \$3,968,000.
"Over \$4,968,000 but not over \$5,968,000	\$402,544, plus 12% of excess over \$4,968,000.
"Over \$5,968,000 but not over \$6,968,000	\$522,544, plus 12.8% of excess over \$5,968,000.
"Over \$6,968,000 but not over \$7,968,000	\$650,544, plus 13.6% of excess over \$6,968,000.
"Over \$7,968,000 but not over \$8,968,000	\$786,544, plus 14.4% of excess over \$7,968,000.
"Over \$8,968,000 but not over \$9,968,000	\$930,544, plus 15.2% of excess over \$8,968,000.
"Over \$9,968,000	\$1,082,544, plus 16% of excess over \$9,968,000."



¹³⁰
SEC. 7. ESTATE TAX EXEMPTION AND RETURNS.

(a) EXEMPTION.--Section 2052 ~~of the Internal Revenue Code of 1954~~ (relating to the estate tax exemption) is amended to read as follows:

"SEC. 2052. EXEMPTION.

"(a) General Rule.--For purposes of the tax imposed by section 2001, the value of the taxable estate shall be determined by deducting from the value of the gross estate an exemption of \$150,000.

"(b) Transitional Rules.--In the case of a decedent who dies prior to October 1, 1980, the exemption otherwise allowed under subsection (a) shall be reduced to the amount set forth in the following schedule:

Death after--	:	But prior to--	:	Exemption
---	:	October 1, 1977	:	\$ 78,000
September 30, 1977	:	October 1, 1978	:	\$ 96,000
September 30, 1978	:	October 1, 1979	:	\$114,000
September 30, 1979	:	October 1, 1980	:	\$132,000"



(b) EXEMPTION FOR NONRESIDENTS NOT CITIZENS.--

Paragraph (3) of section 2106(a) ~~of such Code~~ (relating to the estate tax exemption for the estates of nonresidents not citizens) is amended to read as follows:

"(3) Exemption.--

"(A) General Rule.--An exemption of \$40,000.

"(B) Residents of Possessions of the United States.--In the case of a decedent who is considered to be a 'non-resident not a citizen' of the United States' under the provisions of section 2209, the exemption shall be the greater of (i) \$40,000, or (ii) that proportion of the exemption authorized by section 2052 which the value of that part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated.

"(C) Transitional Rules.--In the case of a decedent who dies prior to October 1, 1980, the exemption otherwise allowed under subparagraph (A) or (B)(i) shall be reduced to the amount set forth in the following schedule:

Death after--	:	But prior to--	:	Exemption
---		October 1, 1977 .		\$32,000
September 30, 1977		October 1, 1978		\$34,000
September 30, 1978		October 1, 1979		\$36,000



(Cont'd)	Death after--	:	But prior to--	:	Exemption
	September 30, 1979	--	October 1, 1980		\$38,000 "

(c) ESTATE TAX RETURNS.--Subsection (a) of section 6018 ~~of such Code~~ (relating to estate tax returns by executor) is amended--

(1) by striking out "\$60,000," in paragraph (1) and inserting in lieu thereof "the estate tax exemption allowed under section 2052," and

(2) by striking out "\$30,000," in paragraph (2) and inserting in lieu thereof "the estate tax exemption allowed under section 2106(a)(3)(A) and (C),".

¹³¹ SEC. 5. ESTATE AND GIFT TAX MARITAL DEDUCTION.

(a) BEQUESTS TO SURVIVING SPOUSE.--

(1) Section 2056 ~~of the Internal Revenue Code of 1954~~ (relating to bequests, etc., to surviving spouse) is amended by deleting subsection (c) and by redesignating subsections (d) and (e) as subsections (c) and (d).

(2) Subsection (a) of section 2056 ~~of such Code~~ is amended by striking out "subsections (b), (c), and (d)," and inserting in lieu thereof "subsections (b) and (c),".



(b) GIFT TO SPOUSE.--

(1) Subsection (a) of Section 2523 ~~of such Code~~ (relating to gift to spouse) is amended to read as follows:

"(a) In General.--Where a donor who is a citizen or resident transfers during the calendar quarter by gift an interest in property to a donee who at the time of the gift is the donor's spouse, there shall be allowed as a deduction in computing taxable gifts for the calendar quarter an amount equal to the value of such interest."

(2) Section 2523 ~~of such Code~~ is amended by deleting subsection (f).

(3) Section 2515 ~~of such Code~~ (relating to tenancies by the entirety) is repealed.

¹³²
SEC. 6. GIFT TAX RETURNS.

Subsection (a) of section 6019 ~~of the Internal Revenue Code of 1954~~ (relating to gift tax returns) is amended to read as follows:

"(a) In General.--

"(1) Return Requirement.--Except as provided in paragraph (2), any individual who in any calendar quarter makes any transfers by gift (other than transfers which under section 2503(b) are not to be included in the total amount of gifts for such quarter and other than qualified charitable transfers) shall make a



return for such quarter with respect to the gift tax imposed by subtitle B.

"(2) Gifts of Under \$100,000.--If an individual makes any transfers described in paragraph (1), and for a calendar quarter the aggregate value of such transfers made during such calendar quarter, if any, and the preceding calendar quarters in the calendar year during which such transfers are made, does not exceed \$100,000, no return shall be required for such quarter with respect to the gift tax imposed by subtitle B unless such quarter is the fourth calendar quarter in such calendar year. Any transfer by gift made during a calendar quarter for which no return is required under this paragraph shall be deemed to have been made during or for the subsequent calendar quarter for which a return is required under this paragraph."

¹³³
SEC. 5. INSTALLMENT PAYMENTS OF ESTATE TAX ATTRIBUTABLE TO INVESTMENTS IN CLOSELY HELD BUSINESS ENTERPRISE.

(a) DISCHARGE OF FIDUCIARY FROM PERSONAL LIABILITY.--

(1) Subsection (a) of section 2204 ~~of the Internal Revenue Code of 1954~~ (relating to discharge of fiduciary from personal liability) is amended by deleting the last sentence thereof and inserting in lieu thereof the following new sentence:



"The executor, on payment of the amount of which he is notified (other than any amount the time for payment of which is extended under section 6161, 6163, or 6166), and on furnishing any bond which may be required for any amount for which the time for payment is extended (under provisions other than those of section 6166), shall be discharged from personal liability for any deficiency in tax thereafter found to be due and shall be entitled to a receipt or writing showing such discharge."

(2) Subsection (b) of section 2204 ~~of such Code~~ is amended by deleting the last sentence thereof and inserting in lieu thereof the following new sentence:

"On payment of the amount of such tax for which it has been determined the fiduciary is liable (other than any amount the time for payment of which has been extended under section 6161, 6163, or 6166), and on furnishing any bond which may be required for any amount for which the time for payment has been extended (under provisions other than those of section 6166), or on receipt by him of notification of a determination that he is not liable for any such tax, the fiduciary



shall be discharged from personal liability for any deficiency in such tax thereafter found to be due and shall be entitled to a receipt or writing evidencing such discharge."

(b) BONDS.--Section 6165 ~~of such Code~~ (relating to bonds where time to pay tax on deficiency has been extended) is amended by adding at the end thereof the following new sentence:

"When an extension of time within which to pay any tax or deficiency therein has been granted under the provisions of section 6166, an adequate bond shall, for purposes of this section, be deemed to have been furnished by the taxpayer with respect to such portion of the tax secured by a mortgage or other recorded lien in favor of the United States upon real property included in the gross estate where the value of such real property at the time the lien is imposed equals or exceeds 130 percent of such portion of the tax."

(c) EXTENSION OF TIME FOR PAYMENT OF ESTATE TAX.--Section 6166 ~~of such Code~~ (relating to extension of time for payment of estate tax) is amended--

(1) by striking out subsections (a) and (b) and inserting in lieu thereof the following new subsections:



"(a) Extension Permitted.--

"(1) General Rule.--If the value of an interest in a closely held business which is included in determining the gross estate of a decedent who was (at the date of his death) a citizen or resident of the United States exceeds either--

"(A) 35 percent of the value of the gross estate of such decedent, or

"(b) 50 percent of the taxable estate of such decedent,

the executor may elect to pay part or all of the tax imposed by section 2001 in two or more (but not exceeding 10) equal installments.

"(2) Small Business Interests.--If the value of the interest or interests in a closely held business which qualify under subsection (a)(1) does not exceed \$600,000, the executor may elect to--

"(A) defer the payment of part or all of the tax imposed by section 2001 until the date which is five years after the date prescribed by section 6151(a) for the payment of the tax, and

"(B) pay part or all of the tax in two or more (but not exceeding 20) equal installments.



"(3) Time for Election.--Any such election shall be made not later than the time prescribed by section 6075(a) for filing the return of such tax (including extensions thereof), and shall be made in such manner as the Secretary or his delegate shall by regulations prescribe. If an election under this section is made, the provisions of this subtitle shall apply as though the Secretary or his delegate were extending the time for payment of the tax.

"(4) Value.--For purposes of this section, value shall be value determined for Federal estate tax purposes.

"(b) Limitations.--

"(1) General Rule.--The maximum amount of tax which may be paid in installments as provided in subsection (a)(1) shall be:

"(A) an amount which bears the same ratio to the tax imposed by section 2001 (reduced by the credits against such tax) as the value of the interest in a closely held business which qualifies under subsection (a)(1) bears to the value of the gross estate, minus

"(B) the amount which the executor elects to pay in installments under the provisions of subsection (a)(2).



"(2) Small Business Interests.-- The maximum amount which may be paid in installments as provided in subsection (a)(2) shall be:

"(A) when the value of the interest or interests in a closely held business which qualify under subsection (a)(1) does not exceed \$300,000, an amount which bears the same ratio to the tax imposed by section 2001 (reduced by the credits against such tax) as the value of such interest or interests bears to the value of the gross estate, or

"(B) when the value of such interest or interests exceeds \$300,000, an amount which bears the same ratio to such tax (reduced by the credits against such tax) as--

"(1) \$300,000 minus the excess of the value of such interest or interests over \$300,000, bears to

"(2) the value of the gross estate."

(2) by striking out subsection (e) and inserting in lieu thereof the following new subsection:

"(e) Date for Payment.--

"(1) General Rule.--If an election is made under subsection (a)(1), the first installment shall be paid on or before the date prescribed by section 6151(a) for the payment of tax, and each succeeding installment



shall be paid on or before the date which is one year after the date prescribed by this paragraph for payment of the preceding installment.

"(2) Small Business Interests.--If an election is made under subsection (a)(2), the first installment shall be paid on or before the date which is five years after the date prescribed by section 6151(a) for the payment of the tax, and each succeeding installment shall be paid on or before the date which is one year after the date prescribed by this paragraph for payment of the preceding installment."

(3) by adding at the end of subsection (g) the following new sentence;

"In applying subsections (b)(4) and (k) of section 6601 (relating to interest on payments of estate tax under subsection (a)(2)) in the case of a deficiency, the entire amount, which is prorated to installments payable under subsection (a)(2) shall be treated as an amount of tax the payment of which is extended pursuant to subsection (a)(2)."

(4) by striking out the last sentence of subparagraph (B) of subsection (h)(1) and inserting in lieu thereof the following new sentence:



"This subparagraph shall apply only if, on or before the date prescribed by subsection (e)(1) for payment of the first installment which becomes due after the date of the distribution (determined without regard to any election under subsection (a)(2)), there is paid an amount of the tax imposed by section 2001 not less than the amount of money and other property distributed."

(5) by striking out "fourth taxable year," in subparagraph (A) of subsection (h)(2) and inserting in lieu thereof the following: "fourth taxable year in the case of an election under subsection (a)(1) or after its seventh taxable year in the case of an election under subsection (a)(2),".

(6) by adding at the end of subsection (k) the following new paragraph (3):

"(3) Interest.--For provisions requiring the payment of interest at the rate of 4 percent per annum for the period of an extension under subsection (a)(2), see section 6601(k)."

(d) SPECIAL LIENS FOR ESTATE TAX.--Paragraph (1) of section 6324(a) ~~of such Code~~ (relating to special liens for estate tax) is amended by striking out "10 years" and inserting in lieu thereof "25 years".



(e) INTEREST ON INSTALLMENT PAYMENTS OF ESTATE TAX.--
Section 6601 ~~of such Code~~ (relating to interest on tax) is
amended--

(1) by redesignating paragraph (4) of subsection
(b) as paragraph (5) and inserting the following new
paragraph (4):

"(4) Deferred Payment of Estate Tax.--The last
date prescribed for payment of any tax payable in
installments under section 6166(a)(2) shall be the
last date prescribed for payment of the first install-
ment of such tax."

(2) by adding at the end thereof the following new
subsection (k):

"(k) Extensions of Time for Payment of Estate Tax.--If
the time for payment of an amount of tax imposed by chap-
ter 11 is extended as provided in section 6166(a)(2),
interest shall be paid at the rate of 4 percent, in lieu
of the annual rate established under section 6621."

(f) TECHNICAL AMENDMENT.--Paragraph (2) of section 6161(a)
~~of such Code~~ (relating to extension of time for paying
estate tax) is amended by striking out the period at the end
thereof and inserting in lieu thereof "or, if later, in the
case of an installment payable under section 6166(a)(2), not
in excess of six months from the date fixed for the payment



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thereof."

SEC. ¹³⁴~~E~~ EFFECTIVE DATES.

(a) The amendments made by sections ^{128, 129, and 130}~~2, 3~~ and 4 shall apply to estates of decedents dying after the date of enactment of this Act.

(b) The amendments made by section ¹³¹~~5~~ shall apply with respect to transfers made by gift or decedents dying (as the case may be) after December 31, 1976.

(c) The amendments made by section ¹³²~~6~~ shall apply with respect to calendar years beginning after the date of enactment of this Act.

(d) The amendments made by section ¹³³~~7~~ shall apply to estates of decedents with respect to which the date for the filing of the estate tax return (including extensions thereof) prescribed by section 6075(a) of the Internal Revenue Code of 1954 is after the date of enactment of this Act.



SUBTITLE G - LIMITATION ON BUDGET OUTLAYS

Sec. 134. Maximum Budget Outlays

Maximum budget outlays under the budget of the United States during the fiscal year 1977 shall not exceed \$395,000,000,000.



STATUTORY LANGUAGE

Section 1. Economic Opportunity Loan Limit

Section 7(i) of the Small Business Act is amended by striking from paragraphs (1) and (3) thereof the figure "\$50,000" and inserting in lieu thereof the figure "\$100,000."

Section 2. Development Company Loan Limit

Section 502(3) of the Small Business Investment Act of 1958 is amended by striking out "\$350,000" and inserting in lieu thereof "\$500,000."

Section 3. Regular Business Loan Limit

Section 7(a)(4)(A) of the Small Business Act is amended by striking out "\$350,000" and by inserting in lieu thereof "\$500,000: Provided, that no such loan made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate basis shall exceed \$350,000."

Section 4. Loans for Plant Acquisition

(a) Section 502 of the Small Business Investment Act of 1958 is amended by inserting "acquisition," after "plant."

(b) Section 7(a)(4)(C) of the Small Business Act is amended to read as follows: "(C) no such loans including renewals and extensions thereof may be made for a period or periods exceeding ten years, except that



such portion of a loan made for the purpose of acquiring real property or constructing facilities may have a maturity of twenty years plus such additional period as is estimated may be required to complete such construction."

Section 5. Small Business Investment Company Guarantees

The last sentence of section 305(b) of the Small Business Investment Act of 1958 is repealed.

Section 6. Repeal of 50 Percent Limitation on Bank Investment

Section 302(b) of the Small Business Investment Act of 1958 is amended by striking out all that follows "upon the making of that acquisition," and inserting in lieu thereof the following: "the aggregate amount of shares in small business investment companies then held by the bank would exceed 5 percent of its capital and surplus."

Section 7. Small Business Investment Company Leverage

(a) Section 303(b)(1) of the Small Business Investment Act of 1958 is amended --

(1) by striking out "200" and inserting in lieu thereof "300"; and

(2) by striking out "\$15,000,000" and inserting in lieu thereof "\$35,000,000."



(b) Section 303(b)(2) of such Act is amended --

(1) by striking out "300" and inserting in lieu thereof "400"; and

(2) by striking out "\$20,000,000" and inserting in lieu thereof "\$35,000,000"; and

(c) Section 303(c) of such Act is amended --

(1) by striking out "300" in clause (2)(iii) and inserting in lieu thereof "400"; and

(2) by striking out "200" where it appears in clauses (2)(iii) and (4) and inserting in lieu thereof "300".

Section 8. Business Loan and Investment Fund

Subparagraph 4(A) of Section 4(c) of the Small Business Act is amended by striking out "\$6,000,000,000" and inserting in lieu thereof "\$8,500,000,000."

Section 9. Small Business Investment Companies

Subparagraph 4(B) of Section 4(c) of the Small Business Act is amended by striking out "\$725,000,000" and inserting in lieu thereof "\$1,100,000,000."

Section 10. State and Local Development Companies

Subparagraph 4(C) of Section 4(c) of the Small Business Act is amended by striking out "\$525,000,000" and inserting in lieu thereof "\$575,000,000."



Section 11. Economic Opportunity Loans

Subparagraph 4(D) of Section 4(c) of the Small Business Act is amended by striking out "\$450,000,000" and inserting in lieu thereof "\$550,000,000."

Section 12. Surety Bond Guarantees

Section 412 of the Small Business Investment Act of 1958 is amended by striking out "\$35,000,000" and inserting in lieu thereof "\$88,000,000."



LABOR WILL SUPPLY BALANCE OF STATUTORY
TEXT AT FRIDAY'S EPB MEETING.



THE WHITE HOUSE
WASHINGTON

May 28, 1976

MEMORANDUM TO: JIM CANNON
FROM: DAVID LISSY
PAUL LEACH
SUBJECT: Minimum Wage Issue

David Lissy
Paul Leach

At the EPB this morning it was agreed that this issue would not be discussed with the President at next week's meeting but would at least be tentatively scheduled for presentation to the President the following week.

As we discussed with you, we believe this is unwise. It is possible that the President's views on the indexing question are so firm that there should be no Administration discussion of the issue with interest groups, no matter how informal and low-key the contact.

*Who is
discussing
with whom*



*file
Labor*

THE WHITE HOUSE
WASHINGTON

May 28, 1976

MEMORANDUM TO: JIM CANNON
FROM: DAVID LISS *DL*
SUBJECT: OSHA Task Force

I forgot to mention to you this morning that after Paul MacAvoy's report to the EPB, Bill Seidman suggested he do a summary report for the President. If Paul gives the President the same report he gave this morning I think it will be unhelpful and inaccurate.

delete
Notes -
Mo Talk
to me about
this
Thank you



Collective Bargaining

THE WHITE HOUSE
WASHINGTON

May 28, 1976

MEMORANDUM TO:

DICK CHENEY

FROM:

JIM CANNON *Jimi*

In a Q&A session in Dallas the President seemed to imply the existence - or the planned existence - of a study of the need for some kind of anti-trust law to be applicable to unions. A copy of the President's remarks is attached.

I know of no such study and would anticipate that Bill Usery would strongly oppose any such effort. Unless you advise to the contrary, we will initiate no effort along these lines at this time.

Attachment



THE WHITE HOUSE

WASHINGTON

May 28, 1976

MEMORANDUM TO: JIM CANNON

FROM: DAVID LISSY 

You may recall I brought the President's remarks to your attention before and you responded with a note to me saying, "Please follow."

I don't think there is anything to follow. Art has suggested you might want to send a note to Dick Cheney so I have drafted one for you.



*Walt
Dallas, Tex
11-30-76*

Secondly, what we had to do -- and I think wisely so -- in the New York City situation was to make New York, after a struggle of some six months, to pull itself up by its bootstraps.

Now, they have taken certain actions to put a ceiling on future pay increases, to get revision in their pension contracts with their employees which were way out of line, to get some of the creditors to hold back and to make some modification on the interest payments that were to be made by the city for those security holders.

They have taken some drastic action, including the State of New York putting more money up to help and assist them. They are going to modify the no tuition situation for the city university. They have done a lot of things.

The only problem they had after they had pulled themselves up by their bootstraps was a cash flow problem, and I suspect some of you businessmen know a little bit about the cash flow problem. We finally agreed -- and I think wisely so -- and let me tell you why -- that they do borrow from us on an interim basis with the agreement they would pay us 1 percent over what our borrowing cost would be.

They borrowed money for the first two or three months. They have paid their first payment back and they have to pay everything back by June 30. They paid us back \$270 million, and they paid us back \$5 million in interest. So, it is a good deal for the Federal Government. They bailed themselves out. We are loaning them temporary money, and they are paying us interest on it, and Uncle Sam made \$5 million. That is not a bad deal for us.

QUESTION: Thank you.

QUESTION: Mr. President, my question is simply this: You have a reputation for being an equitable person, and I would like to ask you if you agree that from an equity point of view labor unions should be subject to the same anti-trust laws as business, no more, no less?

THE PRESIDENT: The proposition has been raised that the anti-trust law should be applicable to labor organizations. There is a great deal of controversy on it. There are many people in the business community who don't believe that is the right way to approach the situation.

I personally feel that this whole matter ought to be reviewed in light of the expansion of a number of our labor organizations and the powers that they now seem to have in the economic field.

MORE



I would hope that such a study and analysis on an updated basis would be undertaken both by the Executive Branch and the Congress. We can't just have the views of the past as we meet the problems of the future. But, it is not unanimous in the business community that that should be done.

So, we ought to get the best mind in both management, as well as labor, and take a look at it from the point of view of the executive as well as the Congress. As long as I feel that way, I don't think I should prejudge the decision-making. But, I would like to remind the people here that I have strongly supported the Taft-Hartley Act. I have strongly supported those who would fight repeal. I strongly support the improvements that were made in 1958 of the Landrum-Griffin bill.

So, my views are not any great sympathy for some of the things that I see done by major unions. I think we ought to take into consideration the diversity of views even in the business community, and we will by such an undertaking.

QUESTION: Thank you.

QUESTION: Mr. President, I understand that recently you wrote to Minority Leader John Rhodes objecting to the so-called *parens patriae* concept in antitrust legislation which would allow State Attorneys General to bring large, terribly damaging lawsuits on behalf of the residents in their States.

You said that *parens patriae* was properly a matter for State legislatures rather than for Federal legislation. My question is, do you still hold that view?

THE PRESIDENT: I strongly feel that the Federal Government should not turn over the prosecution responsibilities to State Attorneys in 50 States. I think if there are violations of our antitrust laws, the prosecution ought to be undertaken by the Department of Justice. I don't think we should at the Federal level give this responsibility to a State official who can or cannot use it for his own political benefit.

I think that the Federal Government ought to assume the responsibility and not turn such a major responsibility over to State officials. I think that is a wrong concept and what I said to Congressman John Rhodes I reiterate here today.

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