to pledge that we will increase our efforts to achieve the goals of Robert F. Kennedy, even as we find ourselves missing his leadership and strength more each passing month.

CONGRESS HAS SPOKEN CLEARLY TO DISTRICT ON SUBWAYS AND HIGHWAYS

HON. LAWRENCE J. HOGAN

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 6, 1969

Mr. HOGAN. Mr. Speaker, there exists in this Capital City the sad and intolerable situation of a public body, the District of Columbia Council, which, while appointed to be broadly representative of the District of Columbia community, continues to take a position on highways and rapid transit that is not only contrary to the best interests of the residents of the District of Columbia but as evidenced by a recent poll commissioned by the chairman of this body is also contrary to the wishes and desires of those residents.

The Congress directed in clear and unequivocal terms in the 1968 Highway Act that the District of Columbia build roadways required for the Washington metropolitan area, and on two subsequent occasions reemphasized its position that Three Sisters must be built by refusing to appropriate subway funds to the District until it proceeded with the highway construction. However, notwithstanding directives from Congress, the District of Columbia City Council continues to ignore those wishes because, in their view, people of the District of Columbia do not want more highways. And how does the Council obtain its enlightenment on this question?

From a small but vocal anti-highway group whose main power of persuasion comes from its ability to take over with impunity the proceedings of the Council and then to threaten further public disturbances and possible riots if their unreasonable demands were not granted. In brief, in reaching a decision of this question of such great importance to the whole community, the District of Columbia Council has, in the main, followed the unreasoned direction of a small but vocal group of activists.

There has finally come to light two polls, taken in an orderly and professional manner, which indicate that the majority of the District's citizens agree with the Congress on the need for additional highways. Both of these polls, one commissioned by the chairman of the Council and reluctantly released by him, make it abundantly clear that the people want these highway projects. With such evidence before it, I fail to see how the District government can now continue its refusal to comply with the wishes of both the Congress and the citizens of the District of Columbia. If they continue to do so, grave doubts must be raised as to the ability of the District to function under the present form of government.

FREEDOM BECOMES ILLEGAL—VIII

HON. JOHN R. RARICK

OF LOUISIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 6, 1969

Mr. RARICK. Mr. Speaker, the tragic denial of freedom to parents and children continues to kindle repercussions in my district, and rightfully so, for what thinking American today can conceive of our Government callously denying freedom to a segment of our people—of all races.

The empassioned disenchantment of taxpaying American citizens who are the parents of little children is best evidenced by a petition directed to all constituted authority by thousands of citizens of Washington Parish, La.

The question is no longer, "How far will you be pushed, Mr. and Mrs. America?"—it is now, "How long will the American people tolerate tyranny such as this from their own Government"—and that under perversion of the very Constitution adopted to prevent exactly such tyranny.

And to our colleagues who still live in areas of relative freedom, I can but remind you that if our bureaucrats can take such extreme action against the children of my area, it is only a matter of time until your parents and children also will be affected by this erosion of individual liberty—and will cry to you for help.

Mr. Speaker, I include a copy of the petition from citizens from one school district in Louisiana:

A PETITION TO ALL CONSTITUTED AUTHORITY

We, the undersigned citizens of Washington Parish, Louisiana, urge our officials, appointive and elective, local, state and national, in the executive, legislative, and judicial branches of our Government, to hear and to consider our plea for help as we approach a time of desperation and impending chaos in the problem of public education. We employ the simple petition as the right of citizens to "petition for redress of grievances" for it seems to embody the spirit that motivated the early founders of this nation. It is respectfully urged that it be received and considered in the spirit that it is submitted.

In the passing of time and the ultimate easing and settling of the current imposing social and racial problems, history will note that we inherited and did not create the dilemma with which we are confronted. In spite of past history, our heritage and environment, we do believe that all races and creeds are equal in the eyes of God, and further that all children are entitled to the best education available in institutions supported by the public treasury. However, we believe that student placement should be the right of the parent, subject to reasonable and necessary regulation by local school authority.

Our parents, our children and our teachers are bewildered; they are burdened and grieved beyond words in anticipation of the chaotic conditions expected at the beginning of the school year, just a few weeks hence. Our children weep because of the burdens and frustrations imposed on them in the closing of their schools, the prospect of their daily transportation to schools distant from their homes, and in the prospect of being dealt with as displaced persons. They cannot understand; nor can we.

We love our country, some of us have fought for it; some have lost family members as they fought under our Flag; we are dedicated to the obedience of the laws of our land, even though we cannot understand the enforcement practices and policies as currently applied in certain areas.

We love our homes and our environment. We love and cherish our system of public education, and reflect upon the fact that it has brought instruction and a yearning for knowledge to many who would have been denied opportunity. It seems that the public school system is now being undermined; it staggers under the burden of divisive influences and orders; it is on the brink of crumbling. This we seek to avoid.

During the past school year our public schools operated on an integrated basis and in an atmosphere of comparative harmony; in our entire area we have experienced an atmosphere of relative calm, order and mutual helpfulness as between the races; this relationship we seek to maintain; we do not desire to retrogress in racial relations.

In this hour of comparative harmony, hopefulness and progress, we sincerely question the disruptive changes that are in the process of being made in our public school system. We earnestly plead for a moratorium of reasonable duration, or whatever action is necessary to give us more time within which to adjust to whatever may be eventually imposed upon our public school systems and upon us.

HOUSE OF REPRESENTATIVES—*Thursday, August 7, 1969*

The House met at 11 o'clock a.m.

The Reverend James Edmund Schneider, Bethany and Browne Memorial Methodist Churches, Jersey City, N.J., offered the following prayer:

O Gracious God, we commit ourselves to Your loving care. Bless the deliberations of this hour. You do not belong to us, dear Father, we belong to You. Help us to walk with You—not ahead or behind—but with You. Bless these lawmakers gathered together and bring them an understanding of the sacred privilege they have as servants of the people. We commit to Your loving care the souls of those who have made the supreme sacrifice in behalf of their country in the cause of freedom. Bless the President of these United States and all those who are in this great assembly. May peace soon reign throughout the world, and may Your will be done on earth as it is in heaven. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

TRIBUTE TO REV. JAMES EDMUND SCHNEIDER

(Mr. DANIELS of New Jersey asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DANIELS of New Jersey. Mr. Speaker, we were privileged today to have as our Chaplain, the Reverend James Edmund Schneider, of Jersey City, N.J. Reverend Schneider serves as pastor of two churches in Jersey City, Browne Memorial Methodist Church and Bethany United Methodist Church. He is also chaplain for the Hudson County, N.J., Police Department.

He has served as county commander, as well as chaplain, of the Hudson County American Legion and has been chairman of the New Jersey American Legion 40 and 8, which has graced many of the Legion parades.

I would also like to add that Reverend Schneider was most impressed with the sincerity of the many Members of the House with whom he met. He also indicated to me that he was especially moved by the dignity and humility of our honorable Speaker.

THE PRESIDENT'S MESSAGE ON MASS TRANSIT

(Mr. KOCH asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KOCH. Mr. Speaker, today we will receive a message from the President on mass transit. I regret that his message will be, in my opinion, totally inadequate, and it should be unacceptable to this House. The President, badly advised, has not grasped the dimension of the mass transit problem. His proposal will request that we spend only $3.1 billion over the next 5 years and that amount is to be made available through the appropriation method. Almost everyone familiar with this problem who recently testified before the Senate Banking and Currency Committee or who has spoken publicly elsewhere has made the point time and time again that what we need is a much larger expenditure of Federal funds to be committed much sooner than the President proposes; and what is most critical is the assurance that the funds will be available through the establishment of a mass transit trust fund. There is pending before this House, H.R. 9661, now cosponsored by 101 Members, which will meet the dire mass transportation needs of this country. It provides for a $10 billion trust fund to be expended over the next 4 years. It will be funded by the proceeds of the existing automobile excise tax. I urge the Members to join as cosponsors.

To his credit, Secretary John A. Volpe indicated the need for this trust fund approach. His view did not prevail at the White House. I hope that the trust fund concept will prevail in this House and that we ultimately can persuade the President that his advisers are in error so that he too ultimately supports the trust fund concept.

I will be making a more detailed statement on this matter later in the day.

CALL OF THE HOUSE

Mr. CHARLES H. WILSON. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 147]

Ashley	Edwards, Calif.	Murphy, N.Y.
Baring	Flowers	Powell
Biaggi	Green, Pa.	Reid, N.Y.
Blatnik	Halpern	Rivers
Buchanan	Hull	St Germain
Celler	Ichord	St. Onge
Clark	Kirwan	Scheuer
Cunningham	Lipscomb	Schneebeli
Daddario	Long, Md.	Taft
Davis, Ga.	Mailliard	Teague, Tex.

The SPEAKER. On this rollcall, 402 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Geisler, one of his secretaries.

PERMISSION FOR COMMITTEE ON THE DICTRICT OF COLUMBIA TO FILE REPORT ON DISTRICT REVENUE BILL UNTIL MIDNIGHT FRIDAY

Mr. McMILLAN. Mr. Speaker, I ask unanimous consent that the Committee on the District of Columbia have until midnight tomorrow night, Friday, August 8, to file a report on the District revenue bill.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

ENFORCEMENT OF COUNTERVAILING DUTIES LAW FOR DAIRY PRODUCTS

(Mr. THOMSON of Wisconsin asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. THOMSON of Wisconsin. Mr. Speaker, today the dairy industry represents a highly significant sector of our economy. For the Nation, dairying provides a vital source of healthful nutritional milk and dairy products for consumers and of income to farmers. Particularly in Wisconsin, the No. 1 milk-producing State in the Nation, dairying is of great importance to our economy.

Despite the fact that America's farmers, including our dairymen, are the most efficient and productive in the world, however, they are still facing serious economic problems.

In the marketplace, for example, dairying is confronted by ever-greater competition—both domestic and foreign.

For these reasons, it is particularly important, first, that we have adequate laws and policies to guard against unfair competition and, second, that such laws be enforced.

Under section 1303 of United States Code, title 19, duties on import subsidies subsidized by foreign countries are required to be increased—in addition to the regular duty—by the amount of the subsidy.

Unhappily, the U.S. Treasury is failing to enforce this law in relation to dairy products.

As a result, foreign exporters are encouraged, first, to export maximum volume of products to the United States within quota limitations; and second, to circumvent quotas by developing new variations of dairy products not covered by a specific quota limitation.

To protect the American dairy farmer, it is absolutely essential that action be taken as early as possible to plug this hole in the import dike. If such administration action is not forthcoming soon, this should certainly provide additional incentive for Congress to enact more effective dairy import control laws.

TIME TO GIVE AMERICAN BOND BUYER A BREAK

(Mr. MICHEL asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. MICHEL. Mr. Speaker, now that we are about to dispose of the tax-reform bill, it is time for Congress to give the American bond buyer a break. We have had approval by the Nixon administration of proposals to raise the interest rate, and I introduced legislation last February to increase the rate payable to 5 percent. Now it is time that we bring these bonds up to date.

The figures for July repeat a pattern of the past several months—more bonds cashed in than were bought. At this time when we are trying to devise ways to cope with inflation, the Congress can help do the job by making these bonds more attractive to small investors. It is significant that the $419 million in E and H bonds and freedom shares sold in July is a 13-year peak. But offsetting this record is the fact that over a half-billion dollars' worth of these bonds were cashed in by Americans who realize that they are not keeping up with the inflation of their money by holding onto these bonds. Thus, we had a net loss of $53 million for July.

We have extended the surtax. Now let us extend the helping hand of Government to small investors by upping the interest rate on these bonds, thus draining into savings money that might otherwise be pumped into an already overheated economy.

The Treasury recently paid 7.82-percent interest to big investors for Treasury notes. Is it not time that we do something for the wage-earning Americans who are paying the bulk of taxes to support our Government?

I urge my colleagues on the Ways and Means Committee to give this legislation priority consideration when we return from our summer recess.

SECOND LISTING OF OPERATING FEDERAL ASSISTANCE PROGRAM COMPILED DURING ROTH STUDY

Mr. DENT. Mr. Speaker, by direction of the Committee on House Administration, I submit a privileged report (Rept. No. 452) on the concurrent resolution (H. Con. Res. 309) second listing of operating Federal assistance program compiled during Roth study, and ask for immediate consideration of the concurrent resolution.

The Clerk read the concurrent resolution as follows:

H. CON. RES. 309

Resolved by the House of Representatives (the Senate concurring), That there shall be printed as a House document a catalog of Federal assistance programs entitled "Second Listing of Operating Federal Assistance Programs During the Roth Study", and that twenty thousand eight hundred and forty additional copies shall be printed of which ten thousand copies shall be for the use of the Committee on House Administration, eight thousand seven hundred and eighty copies shall be for use by the House of Representatives, and two thousand and sixty copies shall be for the use of the Senate.

SEC. 2. Copies of such document shall be prorated to Members of the House of Representatives and the Senate for a period of sixty days, after which the unused balance shall revert to the respective House and Senate document rooms.

With the following committee amendments:

On page 1, lines 3 and 4, strike out "Second" and insert in lieu thereof "1969".

On page 1, line 4, after Programs insert "compiled".

The committee amendments were agreed to.

The concurrent resolution was agreed to.

A motion to reconsider was laid on the table.

AUTHORIZING PRINTING OF ADDITIONAL COPIES OF BASIC REPORT (PART I) ACCOMPANYING TAX REFORM ACT OF 1969

Mr. DENT. Mr. Speaker, by direction of the Committee on House Administration, I submit a privileged report (Rept. No. 453) on the resolution (H. Res. 510) authorizing the printing of additional copies of a basic report (part I) accompanying the Tax Reform Act of 1969, and ask for immediate consideration of the resolution.

The Clerk read the resolution as follows:

H. RES. 510

Resolved, That there be printed for the use of the House Committee on Ways and Means four thousand additional copies of its basic report (part I) accompanying the Tax Reform Act of 1969.

With the following committee amendment:

On page 1, line 2, strike out "four" and insert in lieu thereof "seven"

The committee amendment was agreed to.

The resolution was agreed to.

A motion to reconsider was laid on the table.

AUTHORIZING PRINTING OF ADDITIONAL COPIES OF SUPPLEMENTARY REPORT (PART II) ACCOMPANYING THE TAX REFORM ACT OF 1969

Mr. DENT. Mr. Speaker, by direction of the Committee on House Administration, I submit a privileged report (Rept. No. 454) on the resolution (H. Res. 511) authorizing the printing of additional copies of a supplementary report (part II) accompanying the Tax Reform Act of 1969, and ask for immediate consideration of the resolution.

The Clerk read the resolution as follows:

H. RES. 511

Resolved, That there be printed for the use of the House Committee on Ways and Means three thousand additional copies of its supplementary report (part II) accompanying the Tax Reform Act of 1969.

With the following committee amendment:

On page 1, line 2, strike out "three" and insert in lieu thereof "five"

The committee amendment was agreed to.

The resolution was agreed to.

A motion to reconsider was laid on the table.

PUBLIC TRANSPORTATION—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 91–145)

The SPEAKER laid before the House the following message from the President of the United States; which was read and referred to the Committee of the Whole House on the State of the Union and ordered to be printed.

To the Congress of the United States:

Public transportation has suffered from years of neglect in America. In the last 30 years urban transportation systems have experienced a cycle of increasing costs, decreasing funds for replacements, cutbacks in service and decrease in passengers.

Transit fares have almost tripled since 1945; the number of passengers has decreased to one third the level of that year. Transit industry profits before taxes have declined from $313 million in 1945 to $25 million in 1967. In recent years 235 bus and subway companies have gone out of business. The remaining transit companies have progressively deteriorated. Today they give their riders fewer runs, older cars, and less service.

Local governments faced with demands for many pressing public services and with an inadequate financial base, have been unable to provide sufficient assistance.

This is not a problem peculiar to our largest cities alone. Indeed, many of our small and medium-sized communities have seen their bus transportation systems simply close down.

When the Nation realized the importance and need for improved highways in the last decade, the Congress responded with the Highway Act of 1956. The result has been a magnificent federally-aided highway system. But highways are only one element in a national transportation policy. About a quarter of our population lack access to a car. For these people—especially the poor, the aged, the very young and the handicapped—adequate public transportation is the only answer.

Moreover, until we make public transportation an attractive alternative to private car use, we will never be able to build highways fast enough to avoid congestion. As we survey the increasing congestion of our roads and strangulation of our central cities today, we can imagine what our plight will be when our urban population adds one hundred million people by the year 2000.

We cannot meet future needs by concentrating development on just one means of transportation. We must have a truly balanced system. Only when automobile transportation is complemented by adequate public transportation can we meet those needs.

THE PUBLIC TRANSPORTATION PROGRAM

I propose that we provide $10 billion out of the general fund over a 12-year period to help in developing and improving public transportation in local communities. To establish this program, I am requesting contract authorization totaling $3.1 billion for the first five years starting with a first year authorization of $300 million and rising to $1 billion annually by 1975. Furthermore, I am asking for a renewal of this contract authorization every two years so that the outstanding contract authorization will never be for a shorter period than three years. Over the 12-year period, $9.5 billion is programmed for capital investments and $500 million for research and development.

The program which I am recommending would help to replace, improve and expand local bus, rail and subway systems. It would help to develop and modernize subway tracks, stations, and terminals; it would help to build and improve rail train tracks and stations, new bus terminals, and garages.

The program would authorize assistance to private as well as public transit systems so that private enterprise can continue to provide public services in urban transportation. It would give State governments an opportunity to comment on project applications in order to improve intergovernmental coordination. It would require local public hearings before any major capital construction is undertaken. And it would permit localities to acquire rights-of-way in advance of system construction in order to reduce future dislocation and costs.

Fares alone cannot ordinarily finance the full cost of public transit systems, including the necessary capital investments. Higher fares usually result in fewer riders, taking much of the "mass" out of mass transit and defeating the social and economic purpose of the system.

One problem with most transit systems operating today is that they rely for revenues on people who *must* use them and make no appeal to those who have a choice of using them or not. Thus

we have the self-defeating cycle of fewer riders, higher fares, lower revenues, worse facilities, and still fewer riders.

The way to break that cycle is to make public transit truly attractive and convenient. In this way, more riders will provide more revenues, and fares can be kept down while further efficiencies can be introduced.

In addition to assistance for capital improvements, I am proposing substantial research and technology efforts into new ways of making public transit an attractive choice for owners of private cars. These would include:

—Advanced bus and train design to permit easier boarding and dismounting.
—Improved interiors in bus and trains for increased convenience and security for riders.
—New traffic control systems to expedite the flow of buses over streets and highways.
—Tracked air cushion vehicles and automated transit.
—Flexible bus service based on computer-forecast demands.
—New bus propulsion systems which would reduce noise and air pollution as well as cost.
—Systems such as moving sidewalks and capsules to transport people for short distances within terminals, and other major activity.

In summary, this public transportation program I am recommending would give State and local governments the assurance of Federal commitment necessary both to carry out long-range planning and to raise their share of the costs. It would meet the challenge of providing resources that are adequate in amount and it would assure adequate duration of their availability.

The bus rider, train commuter and subway user would have better service. The car driver would travel on less congested roads. The poor would be better able to get to work, to reach new job opportunities and to use training and rehabilitation centers. The centers of big cities would avoid strangulation and the suburbs would have better access to urban jobs and shops.

Most important, we as a Nation would benefit. The Nation which has sent men to the moon would demonstrate that it can meet the transportation needs of the city as well.

RICHARD NIXON.

THE WHITE HOUSE, *August 7, 1969.*

THE NEED FOR IMPROVED PUBLIC TRANSPORTATION

(Mr. GERALD R. FORD asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. GERALD R. FORD. Mr. Speaker, today nearly 80 percent of all Americans live in cities. By the year 2000 it will be 90 percent. In the next 30 years our population will increase by more than 100 million and almost all of it will be in our cities. Imagine, if you will, an urban population twice what it is today.

Urban dwellers depend almost exclusively on the automobile to meet transportation needs. There are now more than 80 million cars in use in the United States. An estimated 160 million will be on the roads in 2000.

As automobile use has grown, public transportation has declined in both quality and availability. This heavy reliance on the automobile for urban transportation has greatly disadvantaged the poor. While nearly all families with incomes in excess of $10,000 have a car—and those who do not, rent one as needed—less than half of those with poverty-level incomes own an automobile.

Most new jobs are opening in suburban or rural industrial areas, locations made feasible in most cases by construction of the federally financed Interstate Highway System. If an unemployed person has no car of his own and cannot work out a car pool arrangement, he cannot get the good job unless there is public transportation. If he is lucky enough to have public transportation, it is usually low quality, increasingly expensive, very often so indirect that a 20-mile ride takes an hour and a half and several transfers.

If urban residents are to have a real choice in how they move about, and whether they move at all, an estimated $20 billion is going to have to be spent on public transportation in the next 12 years.

Our cities, alone, cannot carry this burden. State and local public debt now exceeds $100 billion. Over the next 10 years it may well exceed $250 billion. Federal funding for public transportation must be substantial and available on an assured basis.

Funding must be sufficient to help finance major urban transportation projects and to provide aid for medium and small cities.

The need is great and time works relentlessly against us.

This is ample reason to back the public transportation legislation proposed by President Nixon.

With his message on public transportation, President Nixon has laid down a blueprint for action—action not only by the Federal Government but by the States and local units of government. For the legislation he proposes would not simply improve existing facilities and provide for new facilities and more research. It would also supply urgently needed financial support to the States and local bodies for the advance acquisition of property rights-of-way.

The President's proposals would start the country moving to solve its public transportation problems.

This 12-year program proposed by Mr. Nixon would amount to $10 billion in Federal funds, actually a meager sum when compared with our space effort, our war effort and our highway effort.

The time has passed for us to study and restudy our public transportation problems. It is time to act—now.

I ask that this legislation be given speedy approval. We must back up this program with our votes.

There is hardly a State in the Nation that does not have a complaint about transportation. In fact, you now have to go into remote parts of our country to escape from congestion, smog and the masses of people trying to get from their homes to work and back home again.

Now is the time to show the great mass of Americans that we know and recognize their dilemma and that we are determined to do something about it.

Mr. ARENDS. Mr. Speaker, a public transportation program is needed desperately by our country. The expanding population will require greatly improved facilities designed for expeditious movement of the public. As a matter of fact, our population will have tripled by the turn of the century, compared to the year 1945. This persistent and worsening problem in public transportation dates back for 25 years with a history of deficit traffic and revenue operations.

Although public transportation fares have tripled in the past 20 years, they have been more than offset by declining traffic and increasing costs, local political pressures, regulatory practices, social objectives, and keen competition from the automobile.

The industry has not kept pace with the needs and requirements of the riding public. It is regrettable how old and unattractive the equipment has become during the past 25 years. Replacement and modernization has been minimal; research and innovation has also been negligible.

Early consideration of the public transportation problem is vital and necessary.

Mr. HARVEY. Mr. Speaker, we have before us today a very important legislative proposal. President Nixon has reached to the very heart of one of our major urban ills and come up with a solution.

The "Public Transportation Assistance Act of 1969," as it has been termed, will upgrade the woefully inadequate public transportation systems in our cities through infusion of vitally needed Federal funds.

Urban public transportation is a sick industry and has been for a number of years. It has been declining steadily ever since World War II and deficit operations are typical.

Fares have steadily increased—in some instances tripling in a 20-year period—while traffic has declined, equipment has deteriorated, and operating costs increased.

As a result, we have massive traffic jams, pollution, sprawl, ugliness, business decay, tax losses, and strangulation of our inner cities.

The sheer growth of the numbers of automobiles has already begun to limit our very freedom of movement. The only alternative appears to be in upgrading our public transportation systems.

Good, clean, safe and efficient public transportation can serve a number of purposes. It can rejuvenate our central cities. It can take the poor out of the ghettos to where the jobs are. Good public transportation can provided mobility for the very young, the very old and the handicapped.

I believe that passage of this legislation would put Federal moneys to very good use. I urge my colleagues to give it every consideration.

Mr. CAHILL. Mr. Speaker, for the sports world this has been the year of the retirement. While I have viewed with regret the departure of many fine

athletes I would not lament the retirement of what is an urgent national problem. Public transportation has been in trouble for too many years and we must act to save this invaluable national asset. According to one commentator on urban affairs, 194 transit companies went out of business between 1954 and 1963 alone.

A program for saving our public transportation system has been raised to a position of highest importance by President Nixon. Anyone who uses or would like to use public transportation certainly would attach as much significance to an effort to develop swift, efficient, and safe facilities. It is time that we acted quickly and decisively on behalf of such a program. People who do not own cars, the elderly, the infirm, and those too young to drive need public transportation.

Solutions to urban transit difficulties are going to be expensive. Over the next several years we must be prepared to spend in the vicinity of $10 billion. But the benefits to be realized from an investment of this magnitude would be immeasurable. Various cultural and economic opportunities would be made available—indeed expanded—for greater numbers of people from every social and economic level.

Now, this has also been the year of the unretirement for the sports world. Unless we commit the Federal Government to a long-range program for urban mass transit we shall be faced in some near-distant year with an unretired urban transportation crisis.

Our technological skill has demonstrated time and time again that we are capable of accomplishing virtually any task. But without the will to do something we shall accomplish little or nothing. Personal experience and the mere reading of metropolitan newspapers has adequately identified the need for action. What is now required is our determination to apply the resources available to us to resolve the urban mass transit problem.

Mr. ANDERSON of Illinois. Mr. Speaker, there are many colorful and descriptive phrases in use today to describe the country's urban transportation tangle. And I would venture to say most of them undoubtedly are quite capable of buckling the concrete of our roadways.

Anyone who ventures from his home is painfully aware of what one national magazine has appropriately called "the agony of getting anywhere," whether it be a few blocks or several hundred miles.

With nearly 70 percent of all Americans living in or near the cities—seemingly all trying to go to the same place at the same time—we already put severe strains on the urban network. In just 12 years, with little increase in the urban land area in which to make room for them, the network will have to meet the needs of another 70 million people.

The legislative proposal that we have before us today will, in my opinion, go a long way toward alleviating the transportation agony that is rapidly strangling our central cities.

Federal assistance to the States and cities is desperately needed. They simply do not have the fiscal resources needed to meet the needs.

Secretary of Transportation John Volpe has often described urban transportation as his No. 1 problem. President Nixon's administration is only too well aware of the urgency of the situation. And I am sure that the Members of this Congress are also aware of the desperate straits in which our cities find themselves.

Public transportation must be made more attractive, more convenient, more efficient. We must have some means of supplementing the automobile which a distinguished anthropologist has pointed out is "the greatest consumer of personal and public space yet created by man."

I feel that this proposal is soundly conceived and desperately needed. I urge that we give it top priority on the legislative calendar.

Mr. Speaker, our Nation faces a curious and grave paradox today. We have been called the most mobile society on earth, and it is true—not just in the sociological sense of class and status mobility, but in the physical sense of movement from one place to another. We spend more of our waking hours moving than any other nation on earth. We move from home to job, from job to leisure pursuits, to church and civic meetings; we move from job to job and from home to home. The average American may spend up to several hours a day either riding, walking, or otherwise getting from place to place.

And yet, Mr. Speaker, anyone who has spent time in this Capital City, or almost any other of our cities, knows that despite the fact that we are the most mobile society in the world, a large segment of American life is in danger of being brought to a complete standstill. The mass production of the automobile, rising standards of living, urban sprawl and congestion are threatening to bring life in many of our most populated areas to a virtual halt. I need not belabor the point with anyone who has tried to get home in a hurry at rush hour. It cannot be done.

In view of this paradox, I would like to take this opportunity to applaud the initiative of President Nixon and his administration in proposing a public transportation program that will turn attention to the needs we face and begin to meet them in a careful, balanced, farsighted way. This program could not be more timely, and the priority given to it by the President is not misplaced. I am particularly pleased that the President has chosen to act at this time, because as you know, on Monday of this week I was among those Members of the House who joined with the gentleman from Connecticut (Mr. WEICKER) in reintroducing a Federal transportation bill which deals with many of these same problems. I feel this problem is of particular urgency, because if we do not provide now for careful planning and reworking of our public transportation systems, large sections of America will move from crisis to paralysis.

Mr. Speaker, there are several aspects of this proposal that I note with special interest. One is the emphasis given to careful, balanced planning at the local and State level, and the provision made for local public hearings before funds are committed for construction—this I believe will give citizens the opportunity to scrutinize carefully the plans laid before them, and to insure that public transportation planning is integrated with other vital aspects of urban planning.

The second feature I note is the emphasis given to helping those who have no or little access to private transportation. If my memory serves me correctly, the lack of public transportation in the ghetto area of Watts was one of the factors widely blamed for the rioting and destruction which claimed more than 30 lives in the hot summer of 1965. Many of our citizens require public transportation for such simple things as getting to work in the morning and buying food. One way of breaking the grip of the ghetto on the poor is to provide better facilities for transportation in and out, to jobs, to cultural centers, to leisure facilities.

Another important feature of this bill are the provisions for replacing or improving bus and railway and subway systems, with their often crumbling and deteriorating passenger cars and stations. It is a national shame that among the biggest eyesores in many of our cities are railway and local transit stations used by more citizens than almost any other public facilities. It is unnecessary that some of our most persistent backaches should come from riding to and from work on buses and trains that are ancient, uncomfortable, and unfit for public service.

We have waited too long to deal with these problems, and I submit that this bill now provides us with the opportunity to do something concrete and constructive. I hope the House will agree.

GENERAL LEAVE TO EXTEND

Mr. GERALD R. FORD. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the subject of the President's public transportation message.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

TAX REFORM ACT OF 1969

Mr. MILLS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 13270) to reform the income tax laws.

The SPEAKER. The question is on the motion offered by the gentleman from Arkansas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 13270, with Mr. FLYNT in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday, the gentleman from Arkansas (Mr. MILLS) had 2 hours

and 5 minutes remaining, and the gentleman from Wisconsin (Mr. BYRNES) had 1 hour and 49 minutes remaining.

The Chair recognizes the gentleman from Arkansas (Mr. MILLS).

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the distinguished gentlewoman from Michigan (Mrs. GRIFFITHS), a member of the committee.

Mrs. GRIFFITHS. Mr. Chairman, as one of the chief doubters that this happy day would ever come, I am happy to acknowledge that it has come, and it has come due to the diligence of the chairman and, may I say, the ranking minority member, the distinguished gentleman from Wisconsin (Mr. BYRNES), who was one of the most standup votes in the entire committee. Everyone worked hard. Not at every moment during consideration of the bill would all have agreed that this moment would come. There were some afternoons when even the stouthearted must have questioned that we would really bring this bill to the floor. Nevertheless, it is here, and I personally rejoice.

One of the points that has not been sufficiently emphasized in my judgment is the fact that this bill reverses the trend of taxation for the last 30 years. For 30 years the tax code has moved in the direction of taxing only money wages and salaries. This bill reverses that trend. For some it has not gone far enough, but it has gone far enough to stop the increasing flow of wealth through the loopholes. For others, it has gone too far.

Personally, I would be pleased if the other body passed this bill as it is, and I view with horror some of the things I think they can do to it. But if the other body insists upon amending this bill, I would like to point out an amendment I would be happy to see them make. In this bill two exceptions have been made to the divestiture provision for foundations. These provisions were set up to take care of particular foundations. No one knows how many foundations the provisions will take care of. But under the circumstances, I am opposed to making any exceptions whatsoever, and I am opposed to this in spite of the fact that one of the foundations which is excepted from the divestiture provision is a foundation within my own State. It is a fine foundation. No one has any criticism of it.

But let me point out what will happen in the future. One cannot be a politician in America unless he has a friend, and all friends deserve the same treatment. Therefore, it can be anticipated that if exceptions are written into this bill, the way in which they will be equalized will be by further exceptions being written into the bill.

I am opposed to that justice. The way to have made the bill just was to have no exceptions whatsoever. That was the way the bill should have been written, and I regret that it was not written that way. Therefore, if the other body chooses to do something, let it add that amendment, and then let it send the bill back here, and I am sure all of us on mature consideration will be happy to vote for this bill which seeks to make taxation in this Nation more equitable.

I rejoice that both the chairman and the ranking minority member of this committee have pointed out that in the future the committee will again and again review the top tax returns to determine the ways in which Americans escape taxation. Those who have received most from the bounty of America cannot and certainly do not ever justify the fact they pay no taxes. It is the fault of the committee if there are people who do not pay taxes, and we should see to it that it never occurs again.

Mr. MILLS. Mr. Chairman, I yield 12 minutes to the gentleman from New York (Mr. GILBERT).

Mr. BARRETT. Mr. Chairman, will the gentleman yield?

Mr. GILBERT. I yield to the gentleman from Pennsylvania.

Mr. BARRETT. Mr. Chairman, we are confronted with an undesired "either-or" position in voting on the bill before us, H.R. 13270, to reform the income tax laws. A bill having more than 360 pages. A position of either approving the tax reforms contained in this bill or risking the possibility of having no tax reforms whatsoever.

I have stressed the need for tax reform legislation, on a number of occasions, and had hoped that the bill we would be called to act upon would be more comprehensive than the one that is before us. While the bill does deal with many areas of tax avoidance, I believe that many of the "loopholes" are only made smaller rather than closed.

In addition, I find that the continuation of the surtax for the first 6 months of next year to be highly questionable. I have voted against this inequitable tax at every opportunity and would do so again if I had the opportunity.

I know that the members of the Ways and Means Committee have worked diligently in bringing this tax reform bill before the House and for this they are to be commended. I am sure that each of the members of that committee believe this is an equitable way to allot the burden of raising revenue.

It is a broad and complex bill and consequently, it is not difficult to see how problems arise. Of course, I am pleased to see that some tax relief is finally being given to the low- and middle-income wage earners, but at this point I would like to bring to your attention one section of the bill which could have the effect of hurting them.

It is well known that our Nation is witnessing a dangerous decline in home construction and the shortage of housing credit is reaching crisis proportions. At no time in my memory has the home buyer had so much difficulty in obtaining home financing and this is one of the most pressing social and environmental needs of the American people.

Only a small portion of mortgage loans of savings and loan associations are at the current rate and yet they must pay dividends at the current rate—so the difference between their income on mortgage loans and the cost of money makes it most difficult for them to supply the money needed for housing.

Therefore, I was greatly concerned to learn that this tax reform bill would worsen the situation by imposing additional taxes on the Nation's savings and loan associations who are by far the largest providers of home mortgages. Surely it is pennywise and pound foolish to impose additional expenses at this time—on the savings and loan associations who we look to for the bulk of our home loans.

I appreciate the desire to treat all financial institutions in a like manner, but I hope that the tax bill that is eventually enacted will not contain a heavier tax load on the hard pressed thrift and home financing industry so they may continue in the struggle to meet our housing goals. Tax equity is indeed important—provided we do not lose sight of the net effect upon the important national goals established by this Congress.

It is also my fervent hope that the bill finally enacted into law will delete the surtax extension and will be more comprehensive in closing the areas of tax avoidance.

Mr. GILBERT. Mr. Chairman, I rise in support of H.R. 13270, the Tax Reform Act of 1969, which represents a landmark in tax legislation. This bill is a result of steady, determined effort by my colleagues on the Ways and Means Committee, and an outstanding display of legislative skill by our distinguished chairman, the gentleman from Arkansas (Mr. MILLS), and the ranking minority member, the gentleman from Wisconsin (Mr. BYRNES).

H.R. 13270 is a response to the demands of millions of Americans for a more equitable distribution of the Nation's tax burden. It is a direct response by the Congress—without the prodding of the executive branch. It is an imaginative and meaningful reform bill which makes a significant start toward the goal of fairness and equity in our tax laws.

The legislation before the House today falls into three separate categories: tax reform, tax relief, and economic controls.

TAX REFORM

The first category is reform—the effort to close loopholes which have given some wealthy individuals or large corporations the legal method of avoiding their fair share of the tax burden. These are the special interest groups which have carved out their own spheres of influence, their own shelters from taxation. Some of these loopholes have been around for many years. Many thought they had become permanent, that they would never be touched by Congress because of the special interests which called for their preservation.

Perhaps the only reason we have this comprehensive package of tax reform provisions is the outcry from enraged taxpayers who simply have reached the point where Federal, State, and numerous local taxes have created a severe hardship requiring immediate relief. With inflation, with an economy shaken by a seemingly endless war in Vietnam, and a tax surcharge, all hitting the middle and low income taxpayer at once, the time for tax reform is ripe.

In addition to the cry for relief from the cumulative burden of income taxes, property, sales, school and other taxes,

the middle income taxpayer suddenly realized he was being treated unfairly. The man earning $5,000 to $25,000 a year was being asked to pay more and more taxes, while 155 Americans earning over $200,000 paid no tax at all.

The Committee on Ways and Means has heard the views of witnesses from across the country and we have felt the pulse of irrate citizens who want to see the tax burden redistributed in a more equitable manner.

The reform provisions of H.R. 13270 have been carefully drafted after weeks of testimony. All loopholes have not been plugged, but many have been partially closed. Of course, all of us cannot agree with every word in this bill; however, as a package, I am proud that we have taken this great step forward on the road to real tax reform.

In the meantime, I urge my colleagues to support H.R. 13270 and its approach to meaningful reform. Some of the most important sections on loophole plugging are these:

Private foundations would pay a 7½-percent tax on net investment income. In addition, tighter restrictions on foundation activities include a ban on political efforts, a prohibition against self-dealing between the donor and the foundation, a ceiling of 20 percent on corporate stock ownership by a foundation and donor; and a variety of new penalties for violations of these controls.

Tax-exempt organizations such as churches and social clubs would be subject to taxation on unrelated business income.

The ceiling on charitable contributions would be increased from 30 to 50 percent of income, but the special unlimited contribution would be phased out by 1975. The deduction of gifts of property would be limited to the original cost unless a tax is paid on the appreciated value.

The capital gains holding period would be increased from 6 months to 1 year and the 25-percent ceiling abolished.

The oil depletion allowance would be reduced from 27½ to 20 percent and other depletion allowances reduced on a pro rata basis.

Accelerated real estate depreciation would be lowered from 200 to 150 percent for new, nonresidential buildings, and to straight line schedules for old, nonresidential buildings acquired after July 24, 1969.

A minimum tax provision would assure that no individual escapes any taxation by combining tax shelters. Under this limitation on tax preferences, a tax is imposed on one-half the amount of tax-free income which exceeds taxable income. Tax-free income, for purposes of the minimum tax, includes interest on State and municipal bonds, the non-taxed half of capital gains, losses from farms not operated for profit, excess of rapid over straight line depreciation, and untaxed appreciation on property donated to charity. The minimum tax does not apply to taxpayers with less than $10,000 in tax-free income.

In addition to the minimum tax, there is a provision which allocates deductions between taxable income and tax-free income.

Other reforms include changes in treatment of farm losses, foreign tax credits, stock options, deferred compensation, income averaging multiple corporations, corporate acquisitions, taxes on financial institutions, and many others.

This is a truly broad list of reforms and I believe we can be proud of the package being presented and debated here today. By approving this reform bill, we will be saying that our Nation's tax policy is equal treatment and a fair distribution of the burden.

TAX RELIEF

With the great expression of concern over the unfairness of our tax laws and the warnings of a potential taxpayers' revolt, there was some confusion between tax reform and tax relief. We have discussed the need for closing tax loopholes which aid the wealthy and discriminate against middle- and low-income taxpayers. But closing loopholes does not reduce the tax burden of the middle- and low-income family.

H.R. 13270 has, however, provided a measure of tax relief, and, at least, we have combined tax relief with tax reform in this legislation. This is what I have advocated all along.

First, the bill provides an allowance for low-income families of up to $1,100, which will remove from the tax rolls families with incomes below the poverty level.

Second, the bill increases the maximum standard deduction from 10 percent or $1,000 to 15 percent or $2,000. This is effective in three steps beginning in 1970. The increase will help a large number of middle-income taxpayers.

Third, I am delighted that an additional $2.4 billion in tax cuts has been added to the bill, which will provide at least a 5-percent tax reduction for middle-income taxpayers.

Fourth, tax rates on incomes of single persons, 35 years of age and over, will be reduced to correspond with "head of household" rates.

While much remains to be done to bring real tax relief to the hard pressed middle-income taxpayers, we have made a significant start in that direction by including these provisions in H.R. 13270.

ECONOMIC CONTROLS

The final category of provisions in H.R. 13270 relate to restraints or controls on inflation and the economy.

First, the bill further extends the surcharge by imposing a 5-percent surtax from January 1 to June 30, 1970. In addition, the 7-percent investment credit is repealed and excise taxes on automobiles and telephone service are continued.

I have opposed the surtax since it was first proposed. My opposition has been based not only on my belief that tax reform should be enacted first, but also because I was not convinced the surcharge would curb inflation.

The provisions on reform and the commitment to tax relief incorporated in H.R. 13270 make this tax package more acceptable. It is my belief that this bill is an important package of amendments which strive for fairness and a realistic measure of relief for the American taxpayers. I am proud to serve on the Ways and Means Committee and to have made some contribution to drafting this measure.

Mr. McCARTHY. Mr. Chairman, will the gentleman yield?

Mr. GILBERT. I am delighted to yield to my colleague from New York.

Mr. McCARTHY. Mr. Chairman, last Sunday in church the Gospel related to the story of the Pharisee and the tax gatherer. The tax gatherer humbly used the words:

Oh God be merciful to me a sinner.

I am sure that this ancient sentiment is still relevant today, especially in the minds of those who pay the taxes.

For over 2 years now I have campaigned for meaningful reform of our present Federal income tax system. This system today is replete with gross unfairness. It permits, for instance, 155 persons who earned in excess of $200,000 in 1967 to pay no taxes. It permitted 21 persons who earned over $1,000,000 to pay no taxes. It permitted one person who earned $23,000,000 to pay no taxes.

Despite these glaring inequities it was obvious that we who favor tax reform were fighting an uphill battle. But then President Nixon asked for an extension of the 10-percent surcharge. This was our opportunity. We insisted that we would not vote for the surcharge unless it was accompanied by meaningful and comprehensive tax reform. I believe we have just about won this fight.

While the bill before us is not an ideal tax reform measure, it does plug or at least narrow many of the gaping loopholes in the present tax system. For instance, it stops unlimited charitable contributions; requires that civil leagues, social welfare societies and the like institutions pay taxes on income from businesses not related to their work; it removes the 25-percent ceiling on taxes from capital gains and extends the holding period of capital assets to 1 year; it removes double depreciation on industrial and commercial real estate; it requires that presently tax-free foundations be taxed; it cuts the oil depletion allowance from 27 to 20 percent; and it establishes a minimum tax so that everyone, no matter what new loopholes they may discover, will pay taxes on at least 50 percent of their income.

By closing the loopholes and through growth in our economy, we will generate about $7 billion dollars in additional revenue. This amount will be given back to the average taxpayer. So that if one's income is between $3.000 and $5,000, his taxes will be reduced about 27 percent. If his income is between $5,000 and $7,000, his taxes will be cut about 12 percent. If his income is about $7,000, his taxes will be cut about 5 percent. These reductions, in addition to the scheduled removal of the 10-percent surcharge, will represent a significant tax cut for the average middle-income taxpayer in the United States. While I am not completely satisfied, I am the first to recognize that the legislative process requires compromise. I am hopeful that in future years we can continue the tax reform process. And, I do believe that we will help snatch the middle-income taxpayer from the treadmill on which he now rides where inflation and taxes outdistance wage and salary increases.

Having just about completed this measure in the House, I am hopeful that we can turn now to other priority challenges for that is the need to reduce wasteful defense spending and divert more revenue into such critical domestic areas as the war on air and water pollution, the war on crime, and the protection of wildlife and our great natural resources.

Mr. BIAGGI. Mr. Chairman, will the gentleman yield?

Mr. GILBERT. I yield to the gentleman from New York.

Mr. BIAGGI. Mr. Chairman, the opportunity to vote in favor of H.R. 13270, the Tax Reform Act of 1969, gives me a feeling of satisfaction and accomplishment.

I say this with full knowledge that extension of the surtax which I strongly opposed, has been packaged into this legislation. If I continued to maintain my opposition to the surtax at this time, it would mean that I would have to vote against all other provisions of this legislation which is so beneficial to millions of middle-class Americans.

I consider the surtax an onerous tax which has not accomplished its purpose of curbing inflation. Without accompanying tax relief and tax reform, the surtax alone would have been totally unfair to middle-income wage earners who have traditionally paid more than their fair share of taxes.

But now, without prodding from the executive branch, we have taken important strides toward the goal of tax justice. Even the surtax itself has been modified with a provision calling for a reduction from 10 to 5 percent at the end of the year, and abolishment scheduled for June of next year.

Therefore, we have not thrust an extension of the surtax alone into already inequitable tax laws. Instead, we have demonstrated a vivid sense of fair play by undertaking some measures for meaningful tax reform and tax relief. For that, I must acknowledge the determined efforts and skill of my colleagues on the Ways and Means Committee which has the distinguished Mr. MILLS as its chairman.

I am also understandably pleased to find that some of the provisions for tax reform and tax relief which I have advocated are a part of this important legislation.

In the area of tax relief, I am especially delighted that the following measures were incorporated:

An increase in the maximum standard deduction from 10 percent, or $1,000 to 15 percent, or $2,000. This will help many middle-income taxpayers and becomes effective in three steps beginning in 1970.

An additional $2.4 billion in tax cuts which will provide at least a 5-percent tax reduction for middle-income taxpayers.

An allowance for low-income families of up to $1,100, which will remove from the tax rolls families with incomes below the poverty level.

A reduction in tax rates of single persons, 35 years of age and over, which will correspond with "head of household" rates.

In the area of tax reform, we have begun the process of closing loopholes which have enabled wealthy individuals and large corporations to avoid their fair share of taxes. I have been deeply disturbed by the fact that struggling middle-income wage earners have been paying more and more taxes over the years while wealthy individuals have enjoyed less and less taxation. It is shocking, if not scandalous, to find that 155 Americans who earned more than $200,000 last year, paid no taxes whatsoever.

I believe the following tax reform provisions are most significant because they show clearly that we are moving in the right direction:

A reduction in the oil depletion allowance from 27½ to 20 percent.

A 7½-percent tax on the net investment income of private foundations.

Generally tighter restrictions on foundation activities including a ban on political efforts and self-dealing between the donor and the foundation, a ceiling of 20 percent on corporate stock ownership by a foundation and donor, and a variety of new penalties for violations of these controls.

The phasing out of the special unlimited charitable contributions by 1975, but increasing the ceiling on charitable contributions from 30 to 50 percent.

Increasing the capital gains holding period from 6 months to 1 year, along with abolishment of the 25-percent ceiling.

The lowering of accelerated real estate depreciation from 200 to 150 percent for nonresidential buildings, and the establishment of straight-line schedules for old nonresidential buildings acquired after July 24, 1969.

Safeguards to insure that no individual escapes taxation by combing tax shelters.

New measures for the treatment of farm losses, foreign tax credits, stock options, deferred compensation, corporate acquisitions, income averaging multiple corporations, taxes on financial institutions and many others.

It is most important that we continue to move ahead to relieve the tax burden for middle-income families. Presently, I am satisfied that this legislation represents a sound beginning—that we are, at last, correcting some of the injustices of our tax laws.

Mr. TIERNAN. Mr. Chairman, will the gentleman yield?

Mr. GILBERT. I yield to the gentleman from Rhode Island.

Mr. TIERNAN. Mr. Chairman, H.R. 13270 now before this House is in response to the wishes of the American people that we examine the Federal tax laws of our country, more equitably distribute the tax burden, and give special consideration to those segments in our society most deserving of tax relief. The measure reflects the efforts of both this House and the administration to arrive at a tax reform program which would accomplish these worthwhile objectives. I think this tax reform bill does, and because of this I recommend its passage.

H.R. 13270 is a complex measure because it touches upon so many facets of our tax structure, which is multifaceted and extremely complicated. One facet that especially interests me is one that has not received too much attention, but is worthy of attention for the tax benefit it gives to our college youth and their parents.

Under present law, those whose income is at or near the official poverty income level must pay Federal taxes. The low-income allowance incorporated in this measure was primarily designed to provide these citizens with tax relief. The allowance, fortunately, goes beyond this necessary reform: it provides benefit to another class of taxpayers who are in need of some tax relief. These are our students, upon whom the future of this country depends. Under present law the income students earn in summer or part-time employment is often taxed. This increases the difficulty of students and their parents, who supplement their children's earnings in most cases, to meet the rising costs of higher education.

Here is the relief H.R. 13270 provides these students and parents: the low-income allowance for 1970 excludes from tax $1,700 in income. In addition, by reason of the phaseout provisions, it reduces taxes for adjusted gross income between $1,700 and $3,095. After 1970, when the phaseout provisions are eliminated, the tax reductions by reason of the allowance will apply to adjusted gross incomes between $1,700 and $7,857 in 1971. In 1972 and thereafter it will apply to adjusted gross incomes between $1,700 and $7,333.

There is another complementary benefit here that illuminates this aspect. The standard deduction after adjusted gross income is being increased from 10 to 15 percent over a 3-year period. This will result in a great benefit to those who need special help. Greater overall tax reduction will be realized in 1972 than in 1971 or 1970 because of the increase in standard deductions over this 3-year period.

This is not the only good aspect of the tax reform bill now under consideration. They are too numerous to mention in detail, although I am certain that other Members of the House will wish to draw the attention of all to other essential portions of this vital bill. For my part, I am convinced that H.R. 13270 contains necessary tax reforms that will make our Federal tax structure more representative of what we are constantly striving to achieve in our political democracy—equitable taxation with humanitarian relief to those who are economically disfranchised during temporary periods of their lives. I should hope that the House will act favorably and promptly upon this vitally important bill.

Mr. MILLS. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin (Mr. ZABLOCKI).

Mr. ZABLOCKI. Mr. Chairman, at the very outset I would like to commend the chairman of the Ways and Means Committee, the distinguished and able gentleman from Arkansas, the ranking minority member, the Honorable JOHN BYRNES of Wisconsin, and, indeed, the entire committee for the forward steps taken in closing up some loopholes.

Obviously, there is need for further action in this regard.

Mr. Chairman, as I stated in my testimony before the committee, it would be presumptuous of me to pose as an expert on tax laws and the various proposals for reforming our Revenue Code. I know that this subject is very complicated and technical. Further, I realize my limitations on the interpretation of the complex provisions contained in the bill and in the accompanying report.

Therefore, I take this time to seek clarification of what appears to be a contradiction in the committee's report on page 50 dealing with income for advertising, and so forth, activities.

If indeed there is a contradiction then inadvertently instead of closing an intended loophole the language contained therein could operate to extend that loophole. That is what I believe can happen if one sentence of the report means what I interpret it could mean. That sentence, pertaining to the unrelated business tax on advertising, I refer to is the last sentence of the fourth paragraph on page 50 and I quote:

> Where an organization publishes more than one magazine, periodical, etc., the organization may treat any of these on a consolidated basis in determining its unrelated trade or business income so long as each such periodical, etc., is "carried on for the production of income".

Now in the preceding sentence, the report states that advertising in a nonprofit publication should pay a tax if it makes a profit. And in the fifth or next to last paragraph in this section the report states:

> The Secretary, or his delegate to prescribe regulations respecting the allocation of income and expenses and other deductions which are attributable to the unrelated activity, so as to clearly reflect unrelated business taxable income from such activity, *and to prevent avoidance of unrelated business income tax liability.*

The section of the bill to which the report refers, and on page 93 the bill says:

> For purposes of this section, the term trade or business includes any activity which is carried on for the production of income from the sale of goods or the performance of services. For purposes of the preceding sentence, an activity does not lose identity as a trade or business merely because it is carried on within a larger aggregate of similar activities or within a larger complex of other endeavors which may, or may not, be related to the exempt purposes of the organization.

I certainly hope that paragraph (c), activities included as unrelated trade or business, section 513 on page 93 of the bill, will be so administered that each situation or activity is accounted for separately. Otherwise, I think we may have opened a bigger loophole, however inadvertently, than the committee tried to close.

If this section does not undermine paragraph (c) of section 513 of the bill on page 93 of the bill, would it indeed not negate if not undermine the unrelated tax liability provisions in the present original section? I would appreciate it if the chairman would advise the intent of the particular sentence, Mr. Chairman.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. ZABLOCKI. I am delighted to yield to the chairman, the gentleman from Arkansas.

Mr. MILLS. It is the last phrase of the sentence that the gentleman read from the report which makes it certain that there is no negation whatsoever of the language which is in the bill. The language in the bill refers to "any activity which is carried on for the production of income." To me, the language "carried on for the production of income" has a very definite meaning. It does not mean publishing a magazine with no advertising and distributing that magazine for free. That type of magazine is published as a source of public information, not for the production of income. For a publication to be considered an activity carried on for the production of income, it must be contemplated that the revenues from advertising in the publication or the revenues from sales of the publication, or both, will result in income.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. MILLS. Mr. Chairman, I yield the gentleman 2 additional minutes.

The CHAIRMAN. The gentleman from Wisconsin is recognized for 2 additional minutes.

Mr. MILLS. Mr. Chairman, if the gentleman will yield further, I believe the very phrase the gentlemen reads in the report—"carried on for the production of income"—accords exactly with the language in the bill. It is this language which obviates any possibility that the intent of the bill to treat advertising income from publications as taxable unrelated business income could be circumvented by the consolidation of various publications, some of which are carried on at a loss and some of which are carried on at a profit.

Mr. ZABLOCKI. The interpretation then of the chairman is that if an organization would place one ad in a publication that they distributed free of charge prior to this act, this would not be interpreted as for the purpose of income?

Mr. MILLS. I could not possibly so interpret it. I doubt that anyone could consider a publication which is distributed for free and which formerly carried no advertising as being turned into a publication carried on for the production of income—merely because one advertisement was placed in the publication.

Mr. ZABLOCKI. Further, the organization could not lump this into any loss or any other activities?

Mr. MILLS. The organization would not be permitted to consolidate the losses of a publication not carried on for profit with the income from other publications which are carried on for the production of income, so as to reduce the unrelated business income arising from those other publications. Consolidation would be permitted only where each publication to be consolidated was carried on for the production of income.

Mr. ZABLOCKI. I am very happy to have the chairman of the Committee on Ways and Means clarify this point, with this explanation I am satisfied that we would not be opening up a new loophole so far as certain nonprofit organizations are concerned.

Again, I thank the gentleman and I want to again commend the gentleman for a job well done.

Mr. BURTON of Utah. Mr. Chairman, would the gentleman yield for the purpose of addressing an inquiry to the chairman of the Committee on Ways and Means?

Mr. ZABLOCKI. I yield to the gentleman from Utah.

Mr. BURTON of Utah. I thank the gentleman for yielding.

Mr. Chairman, so that some Internal Revenue functionary in the future might not be confused about the intent of the bill to which our distinguished colleague has addressed himself, I would like to make this inquiry:

When a taxpayer elects to adopt an accelerated method of depreciation a part of that election applies to all existing property not yet depreciated for tax purposes. This existing undepreciated property would then be depreciated for tax purposes by inclusion in all subsequent returns for the life of the property.

Mr. Chairman, I would like to be sure, and have the assurances of the chairman that it is the intent in this bill that a utility taxpayer, having made this election, applied to the Internal Revenue Service for permission to adopt this method of accounting and having received the consent of the Internal Revenue Service——

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

Mr. MILLS. Mr. Chairman, I yield 1 additional minute to the gentleman from Wisconsin (Mr. ZABLOCKI).

Mr. ZABLOCKI. I thank the gentleman and I yield further to the gentleman from Utah.

Mr. BURTON of Utah. I thank the gentleman.

Mr. Chairman, to continue, having received the consent of Internal Revenue Service prior to—and I stress the words "prior to"—prior to the July 22, 1969, deadline, that the utility would be permitted to continue the accelerated flow-through method of depreciation for tax purposes on all undepreciated property both existing and in the future.

Could the chairman advise me as to the intent of this bill?

Mr. MILLS. If the gentleman will yield, the first factor that must be ascertained is the type of depreciation which the company claimed for its various types of property in its latest income tax return filed prior to July 22, 1969. The second factor to be ascertained is the manner in which the company treated the tax deferral from the use of accelerated depreciation. This is determined by reference to the company's regulated books of account as of July 22, 1969. If it is determined in this manner that the company was flowing through to its customers the tax deferral benefits of accelerated depreciation, then the company not only is permitted, but in fact must, continue to use accelerated depreciation and continue to flow through to its customers the tax deferral benefits both on existing property and

also on new property of the same kind. There is only one way the company can change and I will talk about that in a moment. But, in answer to the question propounded by the gentleman from Utah, the answer is "Yes"—the company can continue on accelerated depreciation and flow through both on existing property and on new property of the same kind. In fact, as I mentioned, there is only one way that a company in this situation can change from accelerated depreciation and flow through.

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

Mr. MILLS. I yield 1 additional minute to the gentleman from Wisconsin (Mr. ZABLOCKI).

Mr. ZABLOCKI. I thank the gentleman and I yield further to the chairman.

Mr. MILLS. To continue, the only way the company can go off accelerated depreciation and flow through is by securing the permission of the appropriate regulatory agency for a change.

Mr. ZABLOCKI. Mr. Chairman I want to commend the chairman for the language on the same page which I think helps clarify the intent of the committee bill; namely, that it is the intention of the committee to prevent avoidance of unrelated income tax liability.

Mr. Chairman again I want to thank the gentleman from Arkansas (Mr. MILLS), the chairman of the committee, for a job well done.

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

(Mr. BROYHILL of Virginia asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. BROYHILL of Virginia. Mr. Chairman, I rise in support of H.R. 13270. This legislation proposes the most comprehensive reform of our Federal income tax law since 1954, and possibly since its original enactment in 1913. All of the Members of both sides of the aisle are to be commended for the prodigious effort that they made in producing this monumental piece of legislation. The committee began holding hearings on comprehensive tax reform over 5 months ago—on February 18 of this year. During these hearings, the committee received testimony from 365 witnesses on 17 major areas of tax reform, compiling a hearing record that comprises 15 large volumes.

During the past 3 months, the committee has been faithfully meeting during long hours of executive sessions to produce this bill. Mr. Chairman, a bill this broad could not have been produced without the cooperation of each and every Member. It could not have been produced without the full cooperation and extraordinary effort of the staffs of the Joint Committee on Internal Revenue Taxation, the Committee on Ways and Means, the House Legislative Counsel, and the Treasury Department. It has been a privilege and a responsibility to play a role in developing this historic piece of legislation which I recommend to the House today.

Nearly every major area of our Federal income tax law is amended by this legislation. The bill is over 360 pages long, and the committee report is published in two sections. Among the comprehensive reforms recommended are changes in the tax rates governing exempt organizations, charitable contributions, farm losses, capital gains and losses, corporate mergers, foreign taxation, financial institutions, depreciation, State and local bonds, deferred compensation, restricted stock options, and subchapter S corporations, as well as various other provisions of our corporate tax laws.

The bill also extends the surtax at 5 percent for the last half of fiscal 1970, delays the phaseout of the automobile and communication excise taxes, and terminates the investment credit. It would, therefore, be presumptuous of me to attempt to explain the various provisions in any detail. The committee report deals with these issues in detail, and the chairman's excellent statement provides the general contours.

However, I do want to discuss the aspects of this legislation that give it a distinctive stamp. While a general rundown of the sweeping provisions of this bill indicate its comprehensive scope, this fails to tell the whole story. Probably the most significant fact about this bill is that it indicates a new philosophy for our tax laws, and reorders the relative priorities. Various provisions that the committee has reviewed—whether they be accelerated depreciation on real estate, taxation of natural resources, tax rules relating to charitable contributions and private philanthropy, capital gains and losses, or some other provision—were added to our tax laws during its one-half century of existence with the initial purpose of providing economic incentives. These economic incentives were important when these provisions were enacted and in many cases continue to be of real importance today.

If the committee was beginning ad initio, with a clean slate, tax reform might have been the simple task that some uninformed individuals depicted. Instead, these incentives are built into our economy and have a significant impact on our economy—from the allocation of capital to the price of important commodities that our consumers buy. They have a history and life of their own, and are interwoven into our social and economic fabric. Alterating the framework of these incentives necessarily involved the danger of inflicting damaging tears in the fabric.

On the other hand, the committee was also confronted with widespread dissatisfaction among American taxpayers with our present tax structure. The knowledge that some wealthy citizens were able to utilize various provisions of our tax law to avoid paying any income tax disturbed the average taxpayer and impaired his confidence in the fairness of our tax system. Our tax system is a self-assessment system. The confidence of the American people in the basic integrity of this system is indispensable if we are to finance our democratic form of government in a manner consistent with our democratic principles.

This paramount need was a pervasive influence during the committee's deliberations on tax reform. The need for this confidence required the committee to balance the need for various incentives in the tax law against the need for tax equity. The committee was therefore confronted with both theoretical and a practical problem. The theoretical problem required the committee to implement the need for tax equity in a manner consistent with preserving maximum incentives for various activities that the executive departments informed us were essential to our national goal—prime examples being the need to build residential housing and to develop our natural resources. In resolving these apparently conflicting goals the committee was confronted with the practical problems represented by the existing tax structure—a hodgepodge of provisions that grew like Topsy added during the last half century and its intricate relationship to our social and economic structure.

The committee resolved this dilemma by using a two-pronged approach. First, it enacted reforms in the specific provisions that have permitted some individuals and corporations to pay taxes at a rate significantly less than others similarly situated. The committee's bill directly amends the tax laws relating to private foundations, charitable contributions, natural resources, accelerated depreciation of real estate, municipal bonds, capital gains, and farm losses. The tax rules governing these provisions were generally made less favorable, but in order to minimize disruption of existing economic relationships, the committee was very careful in reducing these benefits, both as to the manner of the changes and the magnitude of the changes.

Second, the committee utilized two new devices that it developed with the assistance of the Treasury Department and the staff of the Joint Committee on Internal Revenue Taxation. The provisions are the so-called LTP—the limit on tax preferences—and the new requirements for allocating deductible expenses between tax-exempt income and taxable income. These devices limit the benefits an individual can derive from tax preferences—tax-free interest, capital gains, gifts of appreciated property, accelerated depreciation, farm losses, and in the provisions requiring allocation, percentage depletion, and intangible drilling expenses.

The limit on tax preferences simply requires that an individual include in his income preferred income that is in excess of $10,000 and represents more than one-half of his adjusted gross income. This income would then be taxed at his ordinary tax rate.

The requirement for allocating deductions recognizes that business and investment expenses incurred to produce income are generally attributable to both taxable income and tax-exempt income. The committee's bill requires individuals who have tax-preferred income in excess of $10,000 to allocate their deductions between tax-exempt and taxable income.

This two-pronged approach is both comprehensive in scope and carefully integrated to achieve maximum tax reform with minimum disruption to existing economic and social relationships. By subjecting nearly all the tax preferred items to both the limited tax preference and the allocation of deductions, the

relative attractiveness of investments in these various activities was subjected to minimal disturbance. Additionally, by using this approach to curtail tax abuses by wealthy individuals, the committee was able to carefully tailor direct amendments of these provisions—both in manner and magnitude—to minimize disruption of existing economic and social relationships.

The manner of these changes reflects the careful and studious consideration of both the committee and its staffs. For example, in the area of farm losses, the committee was confronted with the problem of preserving a cash basis of accounting for farmers in order to simplify their accounting chores. However, it was clear that individuals with large nonfarm incomes were utilizing these cash accounting rules to convert ordinary income, which would have been taxed at high rates, into capital gains.

The approach the committee utilized to resolve this is unique. In general, deductions in excess of $25,000 by individuals with large nonfarm incomes will be entered in an "excess deductions account." If the entries in this account are not reduced in the future by farm income, the sale of farm assets will eventually produce ordinary income to the extent of the balance in the excess deductions account. This unique approach enabled the committee to curtail the conversion of ordinary income into capital gains in a manner that preserved the existing features of the law that are attractive to farmers.

Additionally, the committee included farm losses generated by cash accounting principles in the LTP and allocation of deduction proposal. This enabled the committee to include income exemptions making the excess deductions account inapplicable in cases not lending themselves to serious tax abuse.

From this discussion, it can be seen that the committee's two-pronged approach represents a careful attempt to achieve tax equity consistent with achieving other national goals. While the farm loss provisions provide an illustration of the care the committee exercised in all areas of this bill, I realize that the committee is not infallible and we may have taken action that will require changes at a later date. But this is inherent in any fundamental changes like the ones we are considering today, and one that can be properly handled through legislative oversight.

The reforms that I have described have introduced more equity into our tax law and should instill the confidence of the American people. But a tax law must not only be equitable, it must be understandable, compliance with its provisions must be relatively easy for citizens in a democracy, and the burden imposed must not be excessive. In all of these areas, the committee's bill makes improvements.

Our tax law will be more equitable, as I have outlined above. Additionally, the committee made the law more understandable to the average citizen, greatly simplified his problems of compliance, and reduced his burden. By enacting a new low-income allowance that will be added to the minimum standard deduction contained in existing law, the committee reduced or eliminated the taxes now paid on a total of 12 million returns at or near the poverty level. Under the committee bill, a family of four will pay no taxes up to $3,500. The committee's bill reduces the taxes paid by those with income under $3,000 by 64 percent. Many families in this income tax bracket will have to file no return. Those that do will find compliance a relatively simple matter.

The committee liberalized the present standard deduction, which is limited to the lower of 10 percent of adjusted gross income or $1,000. Over the next 3 years, the committee raised this deduction to the lower of 15 percent of adjusted gross income or $2,000. When the standard deduction was enacted in 1944, 82.2 percent—nearly four out of five—of the returns filed were able to utilize the standard deduction and file the short form.

This simple return became unavailable to a large number of these individuals over the years as the income levels increased dramatically and the percentage and ceiling on the standard deduction remained the same. It is estimated that in 1969, only 58 percent of the returns filed will be able to take the standard deduction.

The action taken by the committee will substantially reduce the gap between the standard deduction and the prevailing levels of income. Nearly 34 million returns will benefit from this provision, with over 8 million individuals now itemizing switching to the standard deduction. The number of taxpayers using the standard deduction will increase from 58 percent to nearly 70 percent. Additionally, the committee's bill includes across-the-board rate reductions that will guarantee that all income taxpayers with adjusted gross income of $100,000 and less will receive a tax deduction of better than 5 percent. Provisions are also included that would limit the maximum tax rate applicable to earned income to 50 percent.

The total tax reductions provided by all of the relief provisions will, when the bill is fully effective, approach nearly $10 billion, substantially reducing the tax burden our citizens would otherwise be required to bear.

The committee has tried to make the law fairer, more comprehensible, and administratively simpler to the average citizen. Given the problems the committee was confronted with, it achieved a remarkable degree of success through hard work and careful consideration. It may be too utopian to expect the American people to regard taxes as a "badge of liberty," as did the great English economist, Adam Smith, but the changes should result in improved taxpayer confidence in the integrity of our tax system which provides the essential revenues to run our democratic form of government function.

Many years ago, Mr. Chairman, Mr. Justice Holmes declared that he liked to pay taxes because they are the price of civilization. The average taxpayer may not be as enthused as Justice Holmes, but he will certainly be more willing to bear his fair share of taxes knowing that civilization places a high priority on a "civilized" tax system. This bill should convince the American citizen that the Ways and Means Committee and the Congress have established this priority, and that we will continue to work toward achieving this difficult goal.

Mr. BROYHILL of Virginia. Mr. Chairman, I yield 5 minutes to the gentleman from New Jersey (Mr. FRELINGHUYSEN).

Mr. FRELINGHUYSEN. Mr. Chairman, in the limited time available, I have tried to inform myself about the many complicated changes in our tax structure represented in this bill. It is an almost hopeless task. Copies of the bill itself, which runs to 368 pages, and of the committee report, which has 226 pages have only been available to Members since Monday. A supplemental report of 143 pages was made available yesterday. These do not make easy reading. To evaluate the significance of all the proposed changes is even more difficult.

The 6 hours provided for debate on this bill should provide at least some of the answers needed for a reasonable comprehension of these recommendations. Unfortunately, however, the debate thus far has been far from illuminating. Too few questions have been asked and little has been provided regarding the significance of, and the reasons for, the changes, important as they are. A feeling of inevitability is apparent. There is a feeling that this whole business is too complicated to understand, and even if some of the recommendations are unwise that we in the House could do nothing about them anyway. This is most unfortunate, Mr. Chairman, because detailed discussions are needed, and if this bill has weaknesses—and I personally think it has—they should be discussed and changes should be suggested.

Why the rush to dispose of this bill, Mr. Chairman? Would it not be prudent to give Members—and the public, too—reasonable opportunity to digest the recommendations? That there has been unseemly haste in rushing the bill to the House floor is not arguable. If proof were needed that we are being stampeded, we need look no further than the Ways and Means Committee's astounding performance 2 days ago.

Somehow it seems that some 7 million potential beneficiaries had been overlooked by the committee. These taxpayers, even more astonishingly, were in the $7,000 to $12,000 income group. Well, the "misunderstanding" which caused this substantial group to be neglected was soon corrected. In less than an hour a substantial slice of pie had been set aside for them—resulting in an anticipated loss of revenue to the Federal Government of some $2.4 billion.

What I am saying, Mr. Chairman, is that Congress—and the public—needs reasonable time to digest what is being recommended, both in the field of tax relief and tax reform. If the House acts in undue haste this week—and the signs are clear that it will—those affected by the new proposals will have had literally no time to get their views

known to us. Yet a vital part of the normal legislative process, especially in matters of consequence such as tax policy, is to hear from those who will be affected. By rushing this bill through we give credence to those who argue that we fear to hear from home, that if we took more time we might lose our enthusiasm for at least some of these far-reaching recommendations.

Speaking about the views of those back home, Mr. Chairman, I received a letter only this week from former Gov. Robert B. Meyner which illustrates dramatically how little is known about this bill, and how vast is the ignorance of citizens who might be expected to be well informed.

Mr. Meyner, currently the Democratic nominee for Governor in my State, believes revision of the Federal tax structure may "determine the success or failure of many vital State and local programs." Tax reform, in his opinion, could provide hundreds of millions of dollars for "a new and imposing" Federal revenue-sharing program with the States; it could replenish the coffers of Federal grant-in-aid programs; implement medicaid programs; expand State and local anticrime programs; and give "new financial thrust" for the problems of the cities.

Mr. Meyner's views, Mr. Chairman, may well represent the excessive expectations of many of our citizens—expectations that they will receive substantial tax relief, and that simultaneously major new sources of revenues will be found to finance, and expand, a vast variety of Federal programs. An examination of this bill does not lead to any such optimistic conclusions.

It has been said repeatedly, primarily by members of the committee, that there have been extensive hearings on tax reform. No one denies that. But the specific recommendations now being made were in many cases never discussed so we have no adequate evaluation of the effects of the changes by those who know the problem.

It has been pointed out that changes can be made in the Senate, if changes are needed. Indeed, this process is already underway. We can only hope that the Senate Finance Committee, and the individual Members of the other body, will make a searching evaluation of the recommendations of this bill. My regret is that there must be such heavy reliance on the other body to provide the only meaningful corrective to the work of the Ways and Means Committee.

As an example of why I have misgivings, Mr. Chairman, I shall refer to the proposals affecting foundations. At the outset let me say that I serve as an officer of a foundation myself. Some might claim that for this reason I have some kind of conflict of interest which should keep me from speaking. Nonetheless, Mr. Chairman, I feel compelled to express my concern at the restrictions imposed.

Why, for example, should we impose a 7½-percent tax on the investment income of a foundation? Why does not the same rationale, whatever it may be, apply to the investment income of churches, colleges, and public charities?

When questioned on these points yesterday, the chairman of the Ways and Means Committee answered that he felt a difference in tax treatment was justified because amounts given to private foundations are usually retained in the foundation, with only the income usually being spent.

This is a remarkable response, Mr. Chairman. Perhaps the facts actually show—and I wonder what the evidence is—that foundations usually retain gifts made to them and dispose only of income. But is retention of assets by a foundation considered undesirable? If it is, why not require a gradual disposition of assets over a period of time? And how does a partial tax on the income of foundations affect in any way what disposition they make of the assets which produce that income?

The gentleman from Arkansas compared this 7½ percent tax on the income of a foundation to the tax which a corporation must pay on dividends which it receives from corporate securities. But what relevance has the method of taxing the income of a corporation to the income of a foundation? And if relevance can be found, could not the same argument be applied to the income received by a church or a hospital?

As a final point, the chairman of the committee attempted to justify the tax as a way "to convince the Committee on Appropriations that the Internal Revenue Service should have sufficient manpower to check the operations of these foundations with regularity to see that they live within the rules." This argument was presented in the committee report—on page 19—where the tax was described as "in part a user fee," presumably to help insure the needed "vigorous and extensive administration."

It is an unusual argument, Mr. Chairman, that taxes must be levied so the taxpayer can be adequately supervised. If more adequate supervision is needed, why should those supervised be singled out to finance the costs? On that theory the level of taxation for various classes of taxpayers should be adjusted according to the difficulty which the Internal Revenue Service has in collecting revenues.

If approved, this 7½ percent tax will represent a basic alteration in relations between private, nonprofit groups and the Government. It would be the first time foundations have been taxed. If they can and should be taxed, could not the same reasoning apply also to colleges, churches, private schools, hospitals, and the like? May not a tax, once imposed, be raised in the future? Indeed, the committee's first suggestion of a 5-percent tax has already been abandoned, and they have upped the ante to 7½ percent.

The real burden of this tax, Mr. Chairman, will be borne by those who are recipients of benefits from foundations. It is in effect a "sales tax" on recipients, whether they be hospitals, churches, schools, colleges, or students. Instead of having $100 to spend for reasons which the Federal Government has determined to be useful there will henceforth be only $92.50. Though described as "minimal," this tax represents a fundamental change in policy, and an encroachment by the Government on the private sector.

Some Members, Mr. Chairman, may not have seen the editorial criticizing the 7½ percent tax on the investment income of foundations in yesterday's New York Times:

PRESERVING THE FOUNDATIONS

The House Ways and Means Committee's shotgun approach to the tax-free foundations would buy reform at a very high social cost. It proposes a genuine—and wholly desirable—crackdown on the self-dealing manipulations of foundations that are operated as vehicles for tax avoidance. But great harm would come from the new tax and other restrictions the bill would impose upon the bona fide philanthropic foundations which enrich American life with ideas and innovative social programs.

A leading case in point is the 7.5 percent tax that would be levied on the investment income—dividends, interest, rent royalties and capital gains—realized by foundations. The levy is not sufficiently stiff to discourage the tax-dodgers, but it would put a dent in the useful activities of worthier foundations. About two-thirds of their income now goes in the form of gifts to private universities and local charities. Hence, what the Treasury realized in additional revenues—probably not more than $65 million in the first year—would soon be offset by demands for new or expanded Federal programs in the same fields.

Although the foundations tax is described by the committee as a "user fee" to defray the costs of more vigorous policing, no machinery is proposed or funds earmarked for that purpose. A preferable alternative would be a much lower special registration fee for foundations, the proceeds of which would support a special supervisory office in the Treasury Department. With effective supervision of the foundations, dollars destined for philanthropy would actually get where they are supposed to go.

There has been a softening of some of the very harsh restrictions that the committee originally proposed to prevent foundations from engaging in political activities. The Southern Regional Council is specifically cited in the committee report as a foundation that may continue to finance voter registration drives. But a number of ambiguous and potentially restrictive provisions remain in the bill.

The whole title dealing with tax-exempt organizations should be sent back for redrafting. Its passage by Congress would inhibit creative philanthropic activities, an essential ingredient of a pluralistic society.

In today's Wall Street Journal there is also an interesting editorial, which follows:

FROM CONFUSION TO CHAOS

One thing can be said with certainty, anyway, about the new tax bill. It was born in confusion, and if it is passed in its present form it will spice confusion with chaos.

Beyond that, certainly fades even among tax experts in or out of Government. As Edwin S. Cohen, Assistant Secretary of the Treasury, ruefully put it, the House tax "reform" bill might better be known as "the lawyers and accountants relief act of 1969."

If the members of the House Ways and Means Committee didn't quite know what they had put in the bill when they approved it, which they didn't, and if the Treasury Department officials aren't quite sure yet what some of it says, which they aren't, pity the poor taxpayer trying to figure out what has been done him. Or, for that matter, the newspapermen, poor wretches, trying to explain it all to their readers.

What happened, in case you got lost in the news, was that the Ways and Means Com-

mittee approved the bill last Friday in a great rush to answer the clamor for "reform," which is of course something that everybody's for.

Since many of its provisions had been announced piecemeal, at least in principle, there was a general understanding that the bill would help the low income taxpayer and soak the wealthy taxpayer; but since many of the provisions had not been put into precise language, and no committee report was available, there was considerable confusion as to what had actually been done. In a tax bill, the exact words are more important than the generalities.

Indeed, even Chairman Mills, one of the oldest hands in the taxing business, had to confess himself confused. On Tuesday he had to reassemble his committee to amend the rate schedules for low income taxpayers because of what Mr. Mills called a "misunderstanding." As it turned out, a $2.4 billion misunderstanding.

So don't expect from us this morning any definitive explanation on what it all means. A summary of the bill was finally made available this week (minus, of course, the changes made on Tuesday) but it takes time to digest 226 pages of tax prose and another 143 pages of "technical explanation" even if you're a Philadelphia lawyer.

But a few observations may not be out of order.

One is that there are a lot of happy things proposed, for the future if not the present. By the end of 1972, if you can dream so far ahead, the general tax rates will be reduced by an average of about 5%. If you're in the lowest tax bracket the exemptions have been increased so that you may not have to pay any taxes at all; about 5.2 million people will be removed from the tax rolls entirely. If you're in the top tax bracket, you can keep 35% of your top earnings instead of just 30% as at present—maybe, if you have the right kind of income.

Moreover, if you earn your own income—as distinguished from those lazy fellows, retired or otherwise, who live off of dividends or savings account interest—your top tax won't take more than half of what you earn.

Another observation is that it is a canard to label this a soak-the-rich tax bill, in spite of its heralded provisions for a minimum tax aimed at the rich. Short of Castro confiscation it's hard to write a tax bill that will be more than an inconvenience to Fords, Rockefellers or Kennedys.

The man who gets dunked is the man in the middle, the corporate executive or the doctor or lawyer who may have no real wealth but high earnings for a brief span of years. That is, the man with mixed income, some from salary, some from savings; the man with some capital gains that he has been counting on for his retirement years.

For all the rules on such things as deferred compensation, stock options, many forms of pension plans and almost everything else on which the retirement plans of such men might be based—all these rules would be changed. Some of these changes would even penalize those already retired who planned in good faith on the rules at the time; almost all of them would penalize younger men planning now for retirement. Hardly anybody can figure out yet precisely how the new rules would affect particular cases, but it is clear enough that the punishment is aimed not at the rich but at the successful.

Yet however all this may affect individuals, happily or otherwise, other changes are sure to have far-reaching effects, though uncertain ones, rippling out through the economy.

No one, for example, can anticipate the effects of the new treatment proposed on heretofore tax exempt bonds of states, municipalities, school boards and the like. The uncertainty is acknowledged in the proposed provision that these local authorities will be eligible for a Federal subsidy to offset the effects—but there is a sociological and political effect, as well as an economic one, in forcing them to go hat in hand to Washington. An unmeasurable effect.

Unmeasurable also are the effects of provisions in the bill which would revamp the tax treatment of charitable contributions, stock dividends, the handling of corporate bonds and debentures, depreciation charges for utility firms, cooperatives, foundations, multiple corporations. Some of these may be worthy reforms, some not. The point, rather, is that no one can anticipate now what unexpected, and perhaps untoward, effects all these things may have on that most complicated of mechanisms, the ecology of a complex economy.

Chairman Mills himself admits as much. He has promised that his committee will "later" analyze the impact of the bill he now proposes.

Somehow "later" seems not quite soon enough.

During the debate yesterday, Mr. Chairman, I also expressed concern about the proposed changes in the tax treatment of charitable contributions. I asked the chairman of the Ways and Means Committee why a capital gains tax should be imposed on any gift of tangible personal property. If appreciated securities can be given to a museum without tax, for example, it strikes me as unreasonable that a work of art given to that same museum should be taxed.

The answer to my question was that paintings and other art objects are very hard to value. Mr. MILLS continued:

As a result, very high values are placed on paintings which cost the person very little.

To begin with I fail to see why high valuations should be placed on paintings because they are hard to value. It could more logically be argued that, where works of art are difficult to value, that particular care would be taken to determine a reasonable value. True, there have been instances publicized of inflated valuations being accepted for gifts of works of art. The remedy in such cases is to correct the abuses, not to discourage the practice of giving.

As a practical matter the Internal Revenue Service over a year ago set up a panel of experts, drawn from museums, reputable art dealers, and others to help in these evaluations. This approach should be encouraged, rather than to use the tax laws to discourage gifts of works of art to appropriate institutions.

In this connection, Mr. Chairman, I should like to read the following telegram which I received this morning from Mr. Thomas P. F. Hoving, director of the Metropolitan Museum of Art in New York. As I said yesterday, I am a trustee of that institution. Mr. Hoving's telegram follows:

Hon. PETER FRELINGHUYSEN,
House of Representatives,
Washington, D.C.

On behalf of the Metropolitan Museum of Art, its Board of Trustees and its 6,000,000 annual visitors, I would most strongly and urgently emphasize that the contemplated action to tax by capital gains the appreciated value of works of art to be donated to art museums would cause broad and irreparable damage. Indeed the basic reason for the great and beneficial growth in the past decades of countless local art museums has been the willingness of private citizens to give great art treasures to the public. The government thus far has smiled upon these actions and encouraged them. Unlike Europe where little or no tax advantage exists for private donors art museums in this country have flourished to the point where they have become among the most needed and sought after cultural institutions in the nation. In Europe private citizens give practically no works of art to museums and great national and regional art treasures leave the country at alarming rates.

We cannot allow that the free entry into our national art museums of works of art of national and regional importance be in any way impaired. If the contemplated provision of capital gains on works of art had been in effect for a generation the Metropolitan would not today be anywhere near the great educational institution that it is to its 6,000,000 visitors per annum. Indeed if this provision had existed for a little more than one generation there is real question whether or not the National Gallery, that great institution formed by a handful of dedicated donors, would even be in existence at all, not to speak of thousands of university museums and local art museums around the country. This measure which singles out works of art over other properties is certain to produce grave national repercussions. The proposed measure is partfcularly distressing because first, it has been thought out with only one side in mind, namely, the donor, and has no consideration for thousands of publicly supported art museums in this country; second, it wields an extraordinarily powerful broadside weapon against a minor number of abuses which the Internal Revenue Service Tax Panel of art experts have been solving since it came into existence a year and a half ago.

In conclusion, I can only say that this measure on works of art constitutes a cultural overkill.

Respectfully submitted,
THOMAS P. F. HOVING,
Director, the Metropolitan Museum of Art.
NEW YORK, N.Y.

I have also received a telegram from Dr. Sherman E. Lee, director of the Cleveland Museum of Art. The telegram follows:

AUGUST 7, 1969.

Hon. PETER H. B. FRELINGHUYSEN,
House of Representatives,
Washington, D.C.

The effect of the proposed legislation regarding the giving of works of art to publicly supported cultural institutions will be to deprive these institutions and the many millions of citizens they serve of many works of art of national and regional importance which would otherwise be hidden from public view or sold abroad. The unprecedented rise of American art museums to a position of world leadership in the area of public education has been largely achieved by private support without the often massive government subsidies so characteristic of foreign museums.

Today art museums are more and more subject to financial strain; indeed it may constitute financial peril. The effect of the present bill would be to further endanger these cultural institutions which are so indispensable to the intellectual and cultural lives of our society.

Dr. SHERMAN E. LEE,
Director, the Cleveland Museum of Art, Past President of the Association of Art Museum Directors.

Mr. MILLS, in response to my inquiry regarding the reason for taxing the gift of a work of art, asked why there should be a "double benefit." By this he meant, I feel sure, the tax benefit which the donor would receive from making the gift, and the benefit which is also now available of not having to pay a capital

gains tax on the appreciation in value of a work of art given to a museum. Mr. MILLS pointed out that the donor may have given up, so far as the cost to him is concerned, only a small fraction of what he has deducted.

My response to this would be that the Government's concern should be whether it wants to encourage such gifts or not. If as a policy it favors encouraging gifts, if should not be primarily concerned with the original cost of the specific item to the donor. The item has a certain value today. That value should be determined as precisely as possible, and overvaluations should be avoided. But we should be careful not to dry up major sources of giving.

In addition to my duties as trustee of the Metropolitan Museum of Art in New York, I serve, Mr. Chairman, as a trustee of the John F. Kennedy Center, a hospital in my hometown, and a conservation foundation. I am a former vestryman of my local church and a former trustee of Princeton University. In these various capacities I have come to realize how vital are the voluntary contributions of thousands of individuals to the strength, financial and moral, of these institutions.

How much thought has been given to the effect on these institutions of the major changes in the tax laws regarding charitable contributions?

I would guess, Mr. Chairman, that this bill, if approved as written, will dry up substantial funds which educational, religious, and cultural institutions have been receiving. The needs of these institutions are great, and inevitably are bound to increase over the years. As an example, it seems likely to me that the increase in the standard deduction will almost surely reduce the incentive of the average taxpayer to give to charity. Likewise those in the upper tax brackets will be considerably more restricted in their charitable giving.

If the result is the drying up of badly needed funds, how will the bills be paid? Will the average citizen have gained—or lost disastrously—if the result of these changes should be adverse?

These are sobering questions, Mr. Chairman. At the very least, or so it seems to me, we should give these institutions, all of which play so vital a part in the strong and vigorous society which we have today, a chance to give us their views. It may be said, I realize, that all these groups have already had their opportunity to be heard. True, there are voluminous reports of the committee's hearings, but these are in large part not directed at the specific proposals now embodied in this bill.

In conclusion, Mr. Chairman, I should like to include in my remarks a most enlightening report on the value of foundations in our society by the able president of the Carnegie Foundation, Mr. Alan Pifer:

FOUNDATIONS AT THE SERVICE OF THE PUBLIC

If there is an evident lesson to be learned from the turbulence of the times in which we live, it is that the nation has no higher requirement today than a flexible capacity for rapid change in its social institutions. So forceful is the impact of pervasive new technologies and of new, energetically-pressed expectations of the American people, especially segments of it formerly voiceless and powerless, that intransigence to change can nowadays turn revered, influential, and proud institutions into noisy battlegrounds, or leave them as decaying edifices where the main road used to run.

The kind of conservatism which regards organizational forms and procedures as ends in themselves rather than as no more than present means for accomplishment of the ever changing purposes of society is increasingly doomed. The dodo (*didus ineptus*), a bird with a large, heavy body and tiny wings, could not adapt to the coming of predatory man to its habitat in Mauritius and perished. Our institutions today need slim bodies and well-developed wings!

In the light of this national imperative, every agency which can serve the common good by facilitating the processes of institutional change toward a more just, healthier, better educated, and more universally prosperous national and world society has a very special value, and perhaps none more so than foundations. Indeed, many observers, while denying the foundation a role as *active leader* of the more militant movements of social change, would say that its chief value to society today lies in its capacity to anticipate the need for institutional transformations and help bring these about by speedy deployment of its funds to critical points of leverage and potential breakthrough. In this view, foundations have a restricted ability to lead change but an unusual capacity to help it along. The two are not the same. The former may be more romantic, but the latter, perhaps, more realistic and productive!

The means available to foundations for facilitating change are varied. They include traditional activities such as the support of research and dissemination of its findings, the financing of experimental projects by established institutions, and the organization and financing of special studies and national commissions of inquiry. But they may also include the encouragement and support of aggressive new community organizations which have sprung up as the result of social dissatisfaction and which the comfortable stratum of American life would consider disturbing and perhaps even dangerous.

The types of social institutions affected may be as specific as a university, a nonprofit organization, or a government bureaucracy, or as broad as an entire profession or a great national program. While in some cases a foundation may find it necessary to take the initiative in establishing a wholly new enterprise, in most cases its effectiveness will depend on the availability within an existing institution of a nucleus of able individuals ready to bring about internal reforms. It is the foundation's role to seek out these men and women and give them the support they need.

The willingness to accept a continuous responsibility for the discernment and furthering of required social change provides an exceedingly tough standard against which foundations may be measured. No foundation, obviously, has the prescience or courage to meet this responsibility all of the time. A few try and do reasonably well at it, but most foundations make the effort seldom or not at all. Should they?

THE OBLIGATIONS OF FREEDOM

Among the vast array of institutions, public and private, profit-making and nonprofit, which comprise the fabric of contemporary American society there is none which possesses greater freedom than the foundation. Unlike a business enterprise, it is not subject to the discipline of the market place nor, like public agencies, of the ballot box. It is not dependent on others for funds. It does not have to be responsive to the claims of a membership or of alumni, students, or faculty. It is not subject to periodic accreditation or licensing or obligatory compliance with a set of traditional professional standards. In short, it enjoys less constraint by the usual forms of accountability to society than does, perhaps, any other type of institution.

As a corollary to this freedom the grant-making foundation possesses uncommitted funds which can, within the limits specified in its charter, be directed by its trustees to whatever philanthropic purposes they think best. These funds are in most cases remarkably free both of stated or implied obligations for their use. No particular cause, group, or institution has a "right" to them. No individual has a special claim on them.

It is these two associated characteristics of the foundation, its freedom and the generally uncommitted nature of its funds—not its size, not its prestige, and not its past reputation—which make it a unique agency in our national life and potentially one of such enormous value. No other has as great liberty, and consequently such an awesome responsibility, to diagnose the need for institutional reforms, however controversial these may be, and to help bring them about. The foundation can put itself above the special interests which restrict the vision of most organizations and the parochial concerns of the professions and consider only what is for the common good—tomorrow and on into the more distant future.

This is a noble vision which, if accepted, leads to the conclusion that a foundation does have a special obligation to try to use its particular strengths to help along those types of social change that will make for a better world. Conversely, a foundation would seem to have a special responsibility not to dispense its funds in such a way that they simply perpetuate sterile institutional forms and procedures left over from the past—comfortable and familiar though many of these are likely to be.

These objectives are, perhaps, obvious, but they are more difficult to achieve than they may seem to be. In some cases, foundations are fettered by overly restrictive charters. In others, the close control exercised by individual donors or corporations prevents them from taking full advantage of the unusual freedom given them by society. The capacity of these foundations to support social innovation is often severely circumscribed by the special interests of their sponsors. Foundations with these limitations serve many useful purposes. But the touchstone of the true foundation, some would say, in the form in which it can have its highest value to society, is absolute, unfettered independence protected by trustees and staff whose sole loyalty is toward the long-run public good.

THE PUBLIC STAKE IN FOUNDATIONS

The foundation is, paradoxically, both private and public in its nature. It is private because it is incorporated as a private, nongovernmental institution, derives its assets from private donors, and is privately controlled by a donor-appointed or self-perpetuating board of trustees.

There is a common misunderstanding that the public character of the foundation, and hence the public stake in it, derives from its tax-exempt status. How frequently has one heard it said that foundations are really spending public money, and therefore should be subject to greater governmental control. Such a view, however, is based on fallacious reasoning and reveals either surprising ignorance or a dangerous disavowal of one of the basic tenets of the American system.

Throughout our history we have believed in pluralism and have practiced it. We have recognized that the nation's public purposes are considerably more extensive in scope than its governmental purposes, and, through the

aegis of the state, we have enabled a wide variety of private institutions, including foundations, to be chartered to accomplish certain *public*, though *nongovernmental*, purposes. We have also, through the aegis of the state, given tax exemption to these institutions to facilitate their work and have regarded this as being eminently in the public interest. Therefore, to attribute the public stake in the foundation to its tax-exempt status or to regard this status as a "privilege" is wholly erroneous. It is, in Professor Milton Katz's pithy phrase, "to mistake an effect for a cause."

The true origin of the public aspect of the foundation lies in the nature of its activity. It is public because it devotes its funds to purposes in which the total society has a vital interest, such as education, health, and welfare. Grants in these fields do without question affect the public, and hence the public has a legitimate stake in the foundations which make them.

But there is an even more important sense in which the foundation is public in character. It is public because the public cannot afford to regard with indifference how foundation funds are spent, so precious are they, as we have seen, in the vital process of social change, and so limited are they in amount. The $1.3 billion spent by foundations in 1967 was, for example, less than 0.2 per cent of the Gross National Product, less than 9 per cent of total voluntary giving, and only 3 per cent of the federal government's expenditure for health, education, and welfare.

Foundation funds, in short, offer a case where a technically private asset is of such potential value to the nation that it must, perforce, be regarded as a public asset. The implications of this proposition are far reaching.

THE DILEMMA POSED BY FOUNDATIONS

If, then, the larger society's stake in foundations rests, in its highest form, on the preciousness of their funds for the anticipation and easing of social change, one may well ask how society can be sure these funds are being used as effectively as they might be to that end.

This question probes to the heart of the special dilemma which foundations have always posed to the nation. On the one hand, their principal value derives directly from their unusual freedom. It is to be found in their ability to support controversial causes, to help establish tomorrow's orthodoxy by backing today's heresy, to be bold and of independent mind, even seemingly whimsical or arbitrary. The foundation, as we have seen, cannot in the best sense really be a foundation without freedom.

On the other hand, it is under the generous mantle of freedom with which society has clothed foundations that there can also lurk such anti-social characteristics as mismanagement, short-sighted judgment, complacence, and down-right rascality. With regard to the last of these faults, investigations by the Internal Revenue Service have indicated that the foundation device is unquestionably in a few cases being misused for personal gain. The present rate of establishment of new foundations, nearly 2,000 a year, is in itself enough to make even the casual observer wonder whether foundations are in all instances serving genuinely philanthropic purposes.

It is also apparent that some foundations are ineptly managed. Their funds are not invested in such a way as to provide an adequate balance between annual income and growth of the corpus, their administration is slipshod, or they are unnecessarily secretive in their operations. These are faults which should be put right by their trustees, but sometimes are not. The newly instituted registration of foundations in the State of New York is turning up some uncomfortable evidence along these lines.

Lastly, there is complacence and short-sightedness to be found in some foundations, probably some in all of them. This is not surprising, as these natural human failings are present to some degree in all social institutions.

The dilemma faced by society has, then, always been how to hold foundations accountable without at the same time killing off the very thing that gives them their peculiar value—their freedom. How is their need for independence to be reconciled with society's need that they serve the public interest?

THE LIMITATIONS OF GOVERNMENTAL REGULATION

Committees of Congress have on several occasions, most notably in 1951, 1952, 1954, and currently, investigated foundations and considered the possible need for legislative measures to place them under greater restriction. The Treasury Department, following an intensive study of foundations in 1964, made a number of suggestions for possible legislative measures. From time to time there have been limited modifications of federal tax laws affecting foundations. But, fortunately, Congress has never yet been persuaded that it should pass legislation to bring foundations under substantial federal regulation.

At the state level there has in recent years been a gradual movement to register foundations, and 12 states now require this, including, as we have seen, New York where about 25 per cent of all foundations are located. This appears on the whole to have been a constructive development, although registration can, and does, mean different things in different states and can only be effective if the attorney general or other appropriate state official is provided with adequate authority and sufficient well-trained staff for the job.

What the future may bring in the way of regulation no one can say, but thus far it has seemed to most concerned individuals, inside as well as outside government, that the functions which public authorities, both at the federal and state levels, should perform in the regulation of foundations must be specific and limited. The accepted objectives of regulation include preventing use of the foundation device for personal gain or for control of a profitmaking business, ensuring conformity to charters and deeds of trust, and enforcing regularity in the handling of funds.

If regulation were to extend much beyond these types of controls into the realm of attempting to ensure that all foundations are *effective* in their operations, a number of serious problems would quickly become apparent. In the first place, such regulation would presume that a legislative body had been able to agree on a clear definition of what constitutes foundation effectiveness—obviously a dubious possibility, as each legislator would have a different notion of this based on a particular cause or institution in which he happened to be interested.

Secondly, it would represent a dangerous attack on the basic American belief in pluralism, of trusting private institutions to carry out public purposes with a minimum of interference. True, this attack would, on the face of it, be directed at only one part of the private sector. But, philosophically, on what grounds could regulation of the effectiveness of foundations be justified if other types of private, nonprofit institutions were not similarly subjected to regulation? Furthermore, would not regulation of foundations in effect also constitute a form of regulation of the potential recipients of foundation funds?

Thirdly, it might cause a drying up of private donations to foundations for unrestricted, general purposes, thereby not only throwing a greater burden on government agencies and the public purse but also inhibiting the establishment of new foundations of a type with the greatest potential usefulness.

Lastly, and most importantly, it would destroy the independent character and spirit of foundations, wherein, as we have seen, lies their highest value to society.

And so it would seem that of the four anti-social characteristics exhibited here and there in the foundation field, government has a legitimate role to play only in controlling out-and-out rascality and some aspects of mismanagement. It cannot legislate against myopia and sloth in foundations any more than it can root these shortcomings out of government itself! And even less can government regulate foundations in such a way that the highest test of their effectiveness—their ability to facilitate social change—will be more fully met. This is a responsibility which foundations themselves alone can assume.

DIFFICULTIES IN SELF-REGULATION

The danger which foundations have faced in recent years, and perhaps never more so than today, is that public loss of confidence in them, occasioned by limited, but continuing and well-publicized disclosures of abuses, will become great enough to precipitate Congress into a hasty and clumsy piece of legislation. The suggestion has, for example, been made by Congressman Patman of restricting the life of *all* foundations to 25 years—a remedy tantamount to using a jack hammer to crack a walnut.

It is evident, therefore, that the foundations which are carrying out genuine philanthropic purposes, which are well managed, and are making a strong effort to serve the public interest, must take energetic steps themselves to put the foundation house in better order. They have no grounds for thinking that because they have escaped restriction in the past they will necessarily continue to do so in the future. A field which has grown from less than 200 members 40 years ago to 20,000 today and has an *annual increment* of 2,000 will, of course, come under ever closer scrutiny by public authorities. And the concern of these officials, once aroused, may not stop at regulation which simply prevents wrongdoing or the grosser forms of mismanagement, however inappropriate more extensive government regulation may be.

But for the "good" foundations to take publicly convincing measures to put the foundation house in order is no easy matter and has always proved baffling to those who have contemplated it. The reasons for this are not at all difficult to find.

First, there is the enormous variety of size, purpose, governance, and style of operation among the large and growing number of foundations. No two are exactly alike and most are widely different from each other. Nearly all foundations, some rather strongly, still reflect the strengths, interests—and idiosyncrasies—of their founders and in many cases have an attachment to the founder's domain which makes for a kind of aloofness not only to the public but even to other foundations. The task of building a sense of common identity or community—of common participation in a select activity—which might serve as the basis for collective responsibility and self-imposed standards of conduct, is well-nigh impossible among such a large and heterogeneous group.

The second reason is somewhat akin to the first. Because of their origins, many foundations have a strong orientation toward the realm of personal or corporate private charity. They are essentially simply a useful institutionalization of the giving which a wealthy man or a corporation might otherwise do directly, without the benefit of an intermediary mechanism. Other foundations, however, especially those in being for some length of time, are oriented entirely

toward the public and consider themselves to be semi-public institutions, or in transition toward that status. There is, therefore, a basic dichotomy in the field which tends to work against the development of the kind of unifying elan that might provide a basis for the acceptance of a common set of standards. The gulf between these differing orientations is broad and deep.

Lastly, there is a long tradition, not unlike that found in some other fields, which makes it a breach of good manners for one foundation to criticize another. It is a little like telling a member of your club that he could use a good bath and clean shirt. It just isn't done! An unwritten code such as this can be a powerful deterrent.

EXTERNAL FORMS OF FOUNDATION ACCOUNTABILITY

In the popular mind, the term accountability usually has the restricted meaning of answerability for fiscal regularity in the handling of funds over which one has stewardship. In government it has come to have a wider meaning which includes fiscal regularity but also connotes answerability for adherence to budgetary prescriptions and for efficiency in administration. In the professions, for example medicine or law, accountability implies conformity to certain customary and statutory standards, basically of an ethical nature. Accountability can be of a well-defined, direct, or immediate sort, as to a superior within an administrative hierarchy, or it can be indirect, undefined, or even quite vague—something one simply feels as a consequence of his own professional, moral, or ethical standards. Finally, it can apply either to individuals or collectively to organizations. In all cases it implies the obligation to be prepared to give reasons for and explanations of one's conduct to the public.

There are already in existence several forms of public accountability by foundations, some of which are outside foundation control and some of which are within their control. Among the former the most important is the federal requirement that foundations, in consideration of their tax exemption, file a report annually with the Internal Revenue Service. This report, known as Form 990–A, includes information on income, disbursements, administrative expenses, assets and liabilities, as well as other pertinent matters such as whether any funds have been used to influence legislation or participate in a political campaign. Information in this form, with one exception, is made available to the public. The annual submission of Form 990–A to the federal government is important but is, of course, restricted in the purpose it can serve to the relevant provisions of the Internal Revenue Code. With state regulation, which has been discussed above, it constitutes the only form of governmentally imposed public accountability by foundations and is strictly limited in nature.

A second external form of public accountability by foundations is press comment. Theoretically, this could be a powerful instrument for calling foundations to the bar of an informed public opinion. In fact, the press has generally not shown itself to be well informed or sophisticated in its treatment of foundations. Major exceptions can, of course, be found here and there among writers for certain newspapers, news magazines, and journals of opinion. Blame must also be placed on the foundations themselves. Some have actively, even brusquely, discouraged press interest and others have refrained from trying to interest the press in their activities because of an old-fashioned and virtuous, but perhaps optimistic, belief that good works should be done in secret and will in time provide their own advertisement.

INTERNAL FORMS OF ACCOUNTABILITY

Among internal forms of accountability, there is the type provided by organizations which the foundation field has itself created, chiefly the Foundation Library Center and the Council on Foundations. The former, though having other functions, is essentially what its name implies, a library. The latter is a membership organization open to any grant-making foundation. Both are supported by foundation contributions. Through their meetings, counseling services, research, and publications, these two organizations help to raise standards in the field.

The Council, which has a broad membership of all types of foundations—general purpose, community, family and corporate, both American and Canadian—serves as a general forum for the exchange of views among foundation officers and trustees. The Library Center, by means of the current *Foundation Directory* which it prepares, its collection of annual reports and other reference materials, and its willingness to answer enquiries, provides the public with a readily available source of information about foundations. With headquarters in New York City and a branch in Washington, D.C., it maintains depositories in seven locations in other parts of the country.

But neither of these organizations, valuable as they are, is in a position to criticize foundations directly and specifically by name. Their suggestions and exhortations have to be broad and general in nature, and experience shows that the foundations which could profit most from such criticism are least likely to listen to it.

A second internal form of accountability, tenuous and subtle in nature but nonetheless real, is that imposed on foundations by the concern which their staffs are likely to have for their own professional reputations. These concerns are of two quite different kinds: a desire for distinction as a foundation practitioner, wise, skilled, and fair-minded in discerning the public interest, and for professional recognition within a discipline. Of the two the former is probably the more important to the public. The latter, if it assumes too great importance to a foundation officer, can even be antithetical to the public interest because it may diminish the officer's capacity to recognize the general goods and to give this precedence over the special, and sometimes selfish, interests of a particular discipline or profession. This form of accountability is, of course, limited by the failure of many foundations to employ any professional staff at all, a shortcoming which many informed people regard as one of the principal liabilities of the foundation field.

A third and extremely important internal medium for public accountability is provided by foundation boards of trustees, whose principal duty as directors of a philanthropic agency is to serve the public interest and have a sense of obligation for accountability to the public. But, paradoxically, the trustees are also there to carry on the donor's interests, and, as time goes by and conditions change, these may well begin to fall a good deal short of what independent observers would then consider to be of greatest benefit to the public. Nonetheless, the trustees, out of loyalty to the donor, or a sense of obligation to him or his family, may be reluctant to change with the times.

Andrew Carnegie foresaw this difficulty when in his letter of gift establishing Carnegie Corporation he said:

"Conditions upon the earth inevitably change; hence, no wise man will bind trustees forever to certain paths, causes or institutions. I disclaim any intention of doing so. On the contrary, I give my trustees full authority to change policy or causes hitherto aided, from time to time, when this, in their opinion, has become necessary or desirable. They shall best conform to my wishes by using their own judgment."

There is also the problem of broad composition. If trustees have a responsibility to serve the public interest, should they then be so selected as to be representative of the public? Foundations have been equivocal on this question. Some have denied the need for representativeness and have taken the view that trustees can best serve the general interest precisely by not being representative of special interests. Others have taken tentative steps to provide broader representation in their boards but have not admitted the principle in full. It remains an area of confusion and is one that will probably become increasingly troublesome.

Taking the field at large, one would have to question whether there is to be found today in most foundation boards an adequate variety of trustee experience with current problems of the society. A study of board membership would probably reveal that trustees are largely drawn from the same social class, the same age group, the same professions, the same educational background, the same sex, and the same race.

A final internal form of public accountability is provided by the annual reports which some foundations publish voluntarily. These reports usually include a list of trustees and senior staff, a description of the foundation's program interests, a list of its donations for the past year including the purpose, recipient, and amount of each grant, and a complete financial statement including a breakdown of administrative expenses. Unfortunately, although the issuing of such a report is a basic canon of good foundation practice, most foundations still fail to comply with it. Of the 249 foundations with assets of over $10 million, less than a third ever issued a report and fewer than a quarter do so regularly each year. Various excuses for not publishing reports have been advanced by foundations over the years, none of them convincing. The record has improved slightly with time but is still reprehensible.

Potentially, there is no more important form of accountability than these published reports, especially were they to include some explanation of how the foundation sees its particular program of grants serving the public interest and specifically the public interest as it relates to social change. This, of course, amounts to asking foundations to expose themselves to the full glare of public scrutiny and possibly of public censure or ridicule as well as approbation. But it is not too much for society to expect, and perhaps even require, in return for the unusual freedom which it gives to foundations.

AN INDEPENDENT APPRAISAL

Various suggestions have been made in recent months as to how the foundation field could provide itself with a continuing means of independent, non-governmental appraisal. These proposals clearly reflect a growing feeling that present forms of public accountability are inadequate to the times and a fear of increased governmental regulation. None of the designs for an appraisal mechanism has been able to answer two hard questions: How can it be adequately financed and yet be—and be seen to be—sufficiently independent of the foundations to win public confidence? And how can sharp enough teeth be put into its work to bring about real reforms in the field?

The need for public accountability by foundations presents a complex set of problems to which there is probably no single solution and certainly no easy one. More likely the answer will be in a variety of steps.

Perhaps, for example, the foundations, large and small, which see themselves as semi-public institutions oriented principally toward the public, should find new ways of coming into closer association with one another to further their common belief in the necessity for public accountability. In so doing they might begin to refer to themselves as the "independent foundations," signifying their difference from other types of foundations and giving themselves a separate identity in the eyes of the public.

Perhaps the functions of the Council on Foundations and Foundation Library Center should be considerably expanded and in the process each organization provided with a set of sharp incisors. For example, the Council might develop a code of good foundation practice as a basis for membership in it and the Library Center might make its studies and publications more pointedly critical of certain foundation practices.

Perhaps all foundations over a certain minimal size should be required by law to publish a comprehensive annual report for distribution to the public.

Perhaps the foundation field itself should set up an independent commission to review the present state of the field and make recommendations as to how foundations might more effectively serve the public interest. The purpose of such an enquiry would not be inquisitorial, although the commission should not shrink from calling attention to wrongdoing where found, but a constructive effort to help foundations attain the highest degree of social value of which they are capable.

These and other ideas should be given serious consideration by all who value foundations. For otherwise —that great social invention which has done so much for American life and, indeed, for mankind over the past half century may find itself first fettered and then destroyed by a society which has lost faith in it. It has happened to social institutions before.

Mr. MILLS. Mr. Chairman, I yield 15 minutes to the gentleman from Florida (Mr. GIBBONS).

Mr. GIBBONS. Mr. Chairman, most everyone on the committee can always breathe a sigh of relief when I get up to speak, because I am the last man on the committee, and I am usually the "tail end Charlie" in the discussion. I hope that happens here today, because I think the House has perhaps heard enough about this particular tax bill and it is ready to vote.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I am glad to yield to the distinguished chairman.

Mr. MILLS. I wish to call my friend's attention to the fact that even though he may be at the end of the row on the Democratic side, I know of very few people who have made more contributions than he has to the working of this committee. In the short time he has been on the committee he has always been active and kept us "on our toes."

Mr. GIBBONS. I thank the chairman. I appreciate his statement.

I do not think there is anything I can add to that at all, except that I appreciate it.

I must say this. I had not known the chairman of the Ways and Means Committee very well before I had the opportunity to serve on that committee, and one of the virtues the gentleman has, in addition to his great knowledge of this matter, is the great patience he has particularly with those of us who have very little knowledge of the subject matter on which we discourse. I hope the gentleman will remember that as we discuss the matter here today and be as patient now as he has been in the past.

Mr. FOREMAN. Mr. Chairman, will the gentleman yield?

Mr. GIBBONS. I yield to the gentleman from New Mexico.

Mr. FOREMAN. Mr. Chairman, I appreciate the gentleman's helpful remarks in the informal sessions concerning this tax bill. I know the gentleman has been studying the bill closely and he has answers to many of our questions. The question I have is that we hear much about the tax deduction that is given to the people in the middle-income bracket. After looking at yesterday's RECORD, and after hearing yesterday's debate, we heard about several billion dollars decrease in personal taxes to be paid in the future under this legislation. Can the gentleman specifically tell me what the decrease in taxes will be for an individual making $6,000 to $8,000 per year if this legislation is enacted? What will be his benefit in 1970 and 1971 and 1972? Can the gentleman give me some approximation? I have read in the papers it will be a reduction of about $44 per year. Is that approximately correct?

Mr. GIBBONS. I would say it is a little more than $44. It is not a tremendous amount of money. Unfortunately, the tax bracket the gentleman picked out is the tax bracket where Americans are most numerous. In order to get a lot of money to those people, we would have to have a rather massive tax reform. I say this is not massive tax reform.

I made a statement prior to coming on the floor that this is a sort of Robin Hood and motherhood bill. I cannot find many people who are opposed to it at this stage of the discussion. I think it tends to take away from the wealthy people in our society and give to the less wealthy and to the middle-income people. But let us face it, the most numerous people in our Nation are the least wealthy and the middle income, and we could not take away from the very wealthy and give to the least wealthy and the middle income without massive tax reform. So the gentleman's figures may be approximately correct.

I have not figured it out as the gentleman from New Mexico has. The bill does give relief for most taxpayers for the first time in 30 years, because we are moving in a new direction. We have had a great piece of American fiction going about, year after year, about the direction in which the tax laws have been moving. The gentleman and I may have worried about the fellows who got themselves caught in that 70-percent income tax bracket, but if we take the whole income tax system we have been talking about and analyze it, for instance if we take 100,000 tax returns as a sample, we will find the average taxpayer begins paying at around 7 percent of his real economic annual income and when he reaches $200,000 to $300,000, he would be paying taxes at about 30 percent of his total economic income, and when he hit about the $1 million income mark, he would be paying taxes at only about 25 percent of his economic income.

So we have had a great piece of folklore about many people being caught in the upper economic bracket, at the 70-percent rate. So when we try to help the lower-income and the middle-income taxpayers, it cannot be done as dramatically as we all might hope it could be. So there is some relief for the middle-income taxpayer, although there is not as much as I would like to see for him. I think Congress can do more for him, and I hope it will do more for him in the future.

Mr. FOREMAN. Mr. Chairman, if the gentleman would yield just 1 additional minute, I would like to ask the gentleman another question. I am not so concerned myself, as the gentleman indicated, with the burden on the 70-percent bracket individual right now, as I am concerned about the individual in the $6,000 to $7,000 income bracket. I just have the feeling, if what I read is correct, that this taxpayer is going to be terribly disillusioned when he sees this great tax reform and tax relief bill coming forth and it saves him only 10 cents or 12 cents a day. I would like to ask the gentleman from Florida if this is about what the middle-income taxpayer can expect of this legislation.

Mr. GIBBONS. Mr. Chairman, I have not figured it out on just that basis. If we are saving that taxpayer that little bit, it is far more than we ever have saved him in the past, and it is going in the right direction. We may not be going in that direction fast enough, and it is not enough for me, but we are moving in the right direction. As the gentlewoman from Michigan (Mrs. GRIFFITHS) pointed out, the history of this Congress in the last 30 years has been that we put more burden on the middle- and lower-income taxpayer, and at least this bill reverses that trend.

At least we have reversed that trend.

I said in the beginning that I am the lowest ranking member on the committee, the newest member, and I want to frankly admit I do not know all I ought to know about this tax bill. I have a great deal of respect for the integrity and the ability of my colleagues, particularly the ranking minority member and the chairman, for their diligence and the great work they have done in bringing about this type of reform. It took great courage and great strength to do what has been done.

I believe we can do more. I believe we ought to do more. I hope that the committee, the Congress, and the public as a whole will adopt an agenda which will make it possible for us to continue on this reform, because much needs to be done.

I hope that in the future our tax code will never get as out of date as it has gotten. The gentleman from Wisconsin (Mr. BYRNES) pointed out very tellingly in his opening remarks that the tax code is in pretty bad shape because it had been neglected by the administration, and perhaps by the committee.

Some of the problems we have were not publicly known, and were not known by the committee. But let us resolve not to get in that shape again.

I hope the committee will tackle as soon as possible the problems of estate and gift taxes, and do it in this session of the Congress. The chairman has signified his willingness to go ahead. I, for one, certainly back him.

Let us look at the other tax prefer-

ences which are still left in the code. The fact that we now are adopting something called a "limit on tax preference"—this LTP—is an admission on our part there are still plenty of preferences in the code. I, for one, would like to take up the preferences and examine them one at a time, to see whether or not these preferences are justified as being in the best interest of this Nation and not perhaps in the best interest of a particular taxpayer involved.

I believe just at this point a review of some of the things that look like preferences should be reexamined.

We still tax at full rates, as ordinary income, a man's labor and a man's skill, although in this bill we do make a step at stopping the tax at 50 percent of the man's labor and the man's skill. But we still allow income on accumulated wealth to be taxed at one-half rates. I believe we ought to examine that.

We need to examine the whole area of local government financing. I am talking about local government bonds. We have made a constructive step in the right direction to encourage local governments to issue taxable bonds and perhaps find new ways of financing local endeavors. I believe we ought to look at that more in the future.

Percentage depletion has perhaps been the fire which motivated tax reform as we have it here today. This is percentage depletion for all minerals, and particularly the energy minerals, and it should be reexamined in light of our national need and in light of the economic impact on our society.

The whole area of accelerated depreciation, of depreciation itself, should be reexamined in an orderly fashion.

Then there are those deductions that all of us look for when we itemize our returns. They could stand a reexamination, as to whether they serve worthwhile purposes in our system.

There still is, of course, a great opportunity for some people in our society to receive at least tax-free and interest-free loans because of tax preferences if they participate in some types of farming because of the difference in accounting rules for farming operations and the operations of other normal types of business. I see here on the floor my colleague from the State of Florida (Mr. HALEY) who has fought such a valiant effort to try to do justice in the area of farming in our own State. I know he has contributed to doing something about taking tax gimmickry out of farming and putting it on a sound economic basis.

These are the kinds of substantive things we need to reexamine. In the little remaining time I have I want to talk a little bit about legislative procedure. I hope when the committee meets again we have specific pieces of legislation before us rather than a broad range of subject matter such as we have had in our very extensive hearings this year, because I believe we can elicit more helpful criticism from interested people about specific pieces of legislation rather than broad subject matter.

I hope more of the deliberations of the committee can also be made public. In fact, I have no fear of a markup session of a committee in public. I know of a committee of the Congress I have served on that now marks up their legislation in public. Frankly, I find this a very salutary thing. It is very comfortable to mark up legislation behind closed doors, but I hope that we can mark up future tax bills out in the open. I am prepared to support a modification of the rules of this House as far as debate is concerned for considering tax legislation.

I have always said our amendment process on the floor as being a little bit too haphazard. What I suggest for the Committee on Ways and Means could well be done for some other committees of the Congress. The most meaningful of all debate comes during the amendment process, and I would like to see it made use of in debate on tax legislation. I would not want a helter-skelter type of amendment, dashing it off on a piece of paper and running up to the Clerk and having it read off and voted on, but I would like to see an orderly procedure such as we have in courts of law and in pretrial conferences which develop the issues and the truth. We can do it here, I believe. I would suggest that amendments that are to be offered by Members ought to be printed in the CONGRESSIONAL RECORD far enough in advance so that the committee and the agencies have a chance to comment on them. Then the committee chairman or the committee itself could sit and decide in which order the amendments would be debated. In that way we could do justice to the ideas that the Members have.

I have stood behind the table and the microphone there and made a motion to cut off debate. It always hurts me to think that we had to cut off conscientious Members of this House who had prepared amendments which ought to be debated in a logical and orderly manner but who were unable to present them. This is the kind of agenda that I hope we as a Congress or as a committee will be able to accomplish. What we have done here I feel has been a good step and a step in the right direction, but there is much more to be done. I hope the energy and the momentum that has been generated here for meaningful tax reform will continue. I hope that Members and the public will not be tranquilized by the pill that we are about to swallow here. I hope that we will continue with tax reform. This great Republic can survive if we have people who, as in the past, have paid their taxes largely voluntary and on an equitable basis, largely because they have a love of their country and want to support it. I want to see a tax system that is never burdensome; but one which is honored largely because people have faith in its equity and justice and its definiteness. These are the kinds of things I hope we will stand for.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from California (Mr. UTT).

Mr. UTT. Mr. Chairman, I take this time to propound a series of questions to the chairman of the Committee on Ways and Means with reference to the treatment of depreciation on the regulated public utilities. The first question directed to the chairman of the committee is on section 451 of the tax reform bill which relates to depreciation allowance on certain regulated industries. Is it not true under this new section a utility taxpayer depreciating existing property on a straight line basis must continue to do the same?

Mr. MILLS. The answer is "Yes."

Mr. UTT. The second question is as follows:

Is it not the further intent of this provision that if a utility is normalizing, it may continue to do so, but cannot flow through?

Mr. MILLS. The answer is "Yes" with respect to its inability to flow through the benefit. It may remain on normalization with reference to future assets, unless the regulatory agency requires those on an acceleration basis to go to the flow through procedure. In this case the company can only use straight line depreciation. What we say is that the utility in the future with reference to future assets will be on a straight line unless the regulatory agency permits accelerated depreciation under the normalization method.

Mr. UTT. The third question is this:

Am I correct in my understanding that if a utility taxpayer is already flowing through, it may continue to do so?

Mr. MILLS. The answer is "Yes."

Mr. UTT. Is it not the fact that these conditions arise from the fact that subsection (1)(B), which is added to section 167 of the Internal Revenue Code, added the requirement of subsection (2) only where subsection (2) "is applicable," that is to say in the case of a utility previously using normalization?

Mr. MILLS. In large degree this is true.

Mr. UTT. Is my understanding correct that under the new subsections (3) (A) and (B) relating to new property, a covered utility using straight-line depreciation must continue to do so unless it shifts to normalization?

Mr. MILLS. The answer is "Yes." Of course it can use normalization only if permitted to do so by the regulatory agency.

Mr. UTT. Is it not also correct that utility taxpayers covered under this section previously flowing through may continue to do so for new property?

Mr. MILLS. The answer is "Yes."

Mr. UTT. Now, the final question, Mr. Chairman:

Is it not the intent of the reference of subsection (3)(B) to "property of the same kind" to encompass all new public utility property subsequently added by a utility taxpayer who previously used flow through with respect to its existing utility property?

Mr. MILLS. This means that the taxpayer, if he has property subject to flow through and acquires other property of the same type and kind, may take flow through on this also.

Mr. UTT. I thank the chairman very much.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 1 minute.

Mr. Chairman, I have taken this time while the chairman of the committee is available to call his attention to an in-

quiry that was made of me and the advice that I gave the individual. I want to see whether the chairman concurs that the advice I gave this individual was correct. This relates to the area, Mr. Chairman, of unrelated business income and its relationship particularly to fraternal societies, orders, and associations. You will notice on page 88 of the bill that we provide that "exempt function income" includes funds which are permanently committed to certain general purposes. These purposes are set forth at lines 1 through 5 on page 89.

The question arises with respect to what is "permanently committed." I have advised these people that if action is taken by the governing body of the organization to insure that the funds are to be used for such purposes that they will be considered permanently committed. In other words, it does not necessary have to be permanently committed under some State law or contract. It seems to me that that is a correct interpretation because we do say further on that in the event the funds are used for other than these purposes——

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 2 additional minutes.

The CHAIRMAN. The gentleman from Wisconsin is recognized for 2 additional minutes.

Mr. BYRNES of Wisconsin. As I was saying, it seems to me that that is a correct interpretation because we do say further on that in the event the funds are used for other than these purposes then they shall become taxable.

The reason this question arises, Mr. Chairman, is because some of these associations do have funds that are generated and accumulated and added to surplus under rather general terms such as "unassigned funds," and yet those funds are dedicated and used exclusively for either the basic charitable and benevolent purposes of the organization or for insurance purposes, but the law does not require them necessarily to maintain such funds.

Mr. MILLS. Mr. Chairman, I would say to the gentleman from Wisconsin I agree completely with his interpretation. Let me add this. Neither does the expression "which is permanently committed" mean that there is a legal binding contract involved.

Mr. BYRNES of Wisconsin. It is intended that some action has been taken by the organization itself which makes it clear that these funds are accumulated for these general purposes.

Mr. MILLS. I agree with the gentleman entirely.

Mr. BYRNES of Wisconsin. Mr. Chairman, I thank the gentleman.

Mr. Chairman, at this time I yield 5 minutes to the gentleman from North Dakota (Mr. KLEPPE).

Mr. KLEPPE. Mr. Chairman, the tax reform-revenue legislation before us today deserves overwhelming approval for two reasons:

First. It shifts a considerable tax burden from low- and middle-income taxpayers to those who are better able to pay, including some wealthy people who have paid little or no income taxes in the past.

Second. It is an act of fiscal responsibility which will assure another budget surplus in fiscal year 1970 and will help to put the brakes on inflation.

Not everyone will find H.R. 13270 completely to his liking. In fact, there is strong opposition to some sections of the bill by many groups and individuals.

I know that some State and municipal government officials are concerned over the section relating to their bond issues. I have been personally assured by Treasury Department officials that such bond issues will not be adversely affected.

I have some reservations concerning the provisions relating to oil depletion, savings and loan institutions, and farmer-owned cooperatives. The House Ways and Means Committee has made its decision, however, and it seems to me that the arguments for approving the total package heavily outweigh those which may be made against it. The choice which confronts this body is to approve or reject the measure as it stands, without amendment of any kind. I shall support the bill.

The so-called hobby farming provision undoubtedly meets a popular demand for reform but livestock producers, including both large and small operators, are losing some of the tax depreciation advantages they previously had.

I would have liked to see the 7-percent investment credit continued for small business and farmers on expenditures up to $20,000.

At the same time, I realize that the House Ways and Means Committee had to resolve a myriad of conflicting views to arrive at a measure which represented genuine tax reform and fiscal responsibility. I commend the chairman and the members of the committee for producing what I believe is the greatest overall tax reform measure in history.

The number of Americans who will benefit from this act far exceeds the number who will be adversely affected. The reduction in the 10-percent surcharge to 5 percent next January 1 and its complete phaseout June 30, 1970, represents a significant tax cut for most individuals and corporations. There will be further tax relief this year for those at the lower end of the income ladder. Those in the middle brackets will receive additional reductions beginning in 1970 and there will be some further cuts beginning in 1971 for most taxpayers.

The proposed legislation eliminates some of the tax inequities affecting single persons and especially widows and widowers with children 19 years of age or under and in college.

When this measure becomes fully effective, the Nation will have a tax structure which is infinitely more fair and equitable than the present one. Because of the uncertainty surrounding tax reform, city and State governments have been seriously handicapped in their attempts to issue bonds at reasonable interest rates. I would hope that Congress will approve the tax reform-revenue bill quickly to rectify this situation and to resolve the present uncertainty concerning future tax liabilities by all taxpayers.

It is my further hope that with the passage of this bill there will be a general reduction in interest rates and a cooling of the inflationary forces at work in our economy.

Mr. Chairman, we have before us the most complex and the greatest tax reform bill in the history of our Nation. Many of us can find many questions to ask and have many areas of concern about many sections of this bill. Very specifically, I would like to dwell on just one section that concerns me a great deal, and that is the section on municipal bond treatment, municipal interest treatment.

Mr. Chairman, I am concerned about this section because a number of years ago I used to be the mayor of Bismarck, N. Dak., and I learned then the problems of financing improvements and services in a municipality. It seems to me that anything we might do now that would make it more difficult for municipalities to finance their operations would be a move in the direction of forcing the cities to come to Washington to get their services paid for or financed.

So, Mr. Chairman, I wonder if the gentleman from Arkansas (Mr. MILLS), the chairman of the Committee on Ways and Means, would give the Committee his comments and his interpretations on the changes in this bill regarding financing municipalities and the interest treatment on the bonds.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. KLEPPE. I will be glad to yield to the gentleman from Arkansas.

Mr. MILLS. I thank the gentleman for yielding. And I would also ask for the attention of my friend, the gentleman from Wisconsin (Mr. BYRNES), so that he may also participate in this discussion.

Mr. Chairman, the gentleman from North Dakota has asked me to make a brief statement about what the bill does on the issue of municipal bond interest.

Let me start off by saying that there is nothing in the bill which is before the House that imposes any direct tax upon the interest on outstanding issues or on future tax-exempt issues. There are about 35 percent of the outstanding bonds of the cities, States, and local governments that are owned by individuals, partnerships, and personal trusts. The rest of them are owned by corporations. There is nothing in the bill, directly or indirectly, that affects the 65 percent of the bonds held by other than individuals.

There are two provisions in the bill that have application to the interest received by individuals.

If a person has more tax preference amounts—including interest from these bonds—than he has taxable income, then he would be affected by the limit on tax preference, the LTP provision.

An example of this would be, if the gentleman would yield further, where a person has $100,000 of taxable income. Assume he also has $150,000 of tax preference amounts, including $100,000 of tax-exempt bond interest.

You add the two together making $250,000 and you divide by two in this

instance to get the taxable income. In this way the tax base is increased to $125,000, instead of $100,000, but there is no way of saying what is the origin of the amount added.

Now there are few people in this category and I am sure the gentleman from North Dakota would agree with me. I understand there might be something like 20,000 or 30,000.

Mr. KLEPPE. The gentleman agrees that it is a very small percentage.

Mr. MILLS. It is a very small percentage. Therefore, the only bond ownership that would be affected by this limits on tax preference—which is the outer perimeter against avoiding taxation—is that seeking a preference or a shelter. We will see to it with this provision that no one can use the ownership of tax-exempt bonds or other preference amounts to avoid completely the payment of taxes on sizable incomes.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. KLEPPE. I yield to the gentleman.

Mr. BYRNES of Wisconsin. Mr. Chairman, even to make sure that the impact of this on the outstanding bond was a minimum impact, we said it should be over a 10-year period.

Mr. MILLS. Yes; over 10 years.

Mr. BYRNES of Wisconsin. Over a 10-year period.

So in the first year the individual could only report in his limited tax preference category 10 percent of the interest that he may have received on tax-exempt municipals. So there cannot be any very heavy impact on the market so far as the action taken by this committee is concerned.

Mr. MILLS. Mr. Chairman, will the gentleman yield further?

Mr. KLEPPE. I yield to the gentleman.

Mr. MILLS. The allocation of deductions rule applies only to interest with respect to bonds issued in the future. In that instance, as well as in the case that the gentleman from Wisconsin (Mr. BYRNES) and I talked about, there is again a 10-year period before you get to a full inclusion of new issues of tax-exempt bonds even for the allocation of deductions—10 percent the first year on new bond interest, and so forth. This provision does not apply to issues already outstanding. It only applies to new bonds isued in the future.

To me these two things could have hardly any effect upon the sale of tax-free municipal bonds.

The other thing that we did which caused some people to object, even on the committee, was to offer the mayor, let us say, of Bismarck or Little Rock or any other city, an alternative way to get funds for the purpose of city needs. That is the subsidy route where a city elects or does not elect on its own—as to whether it wants to use this route. There is no obligation to do so unless it wants to. But if it elects, on its own, to issue taxable bonds, then we will pay up to 40 percent of the cost to the city of the interest.

Mr. KLEPPE. I thank the gentleman from Arkansas.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. KLEPPE. I yield to the gentleman.

Mr. MYERS. If this is elected by the city to issue taxable bonds, is the payment by the Federal Government and the percentage of reimbursement of that tax negotiable before the bonds are issued or after?

Mr. MILLS. The city can issue taxable or tax-exempt bonds or issue some of each. It can do anything it wants to do.

Mr. MYERS. Then they could split the issue. For example, if it is a million dollar issue, and then they could issue $500,000 taxable and $500,000 nontaxable?

Mr. MILLS. The city government could do anything it wants to. If they use the subsidy route, it may be used to any extent that they want to.

Mr. BYRNES of Wisconsin. Mr. Chairman, I think there has been a misunderstanding. I cannot conceive of a means whereby we would give more flexibility to a State or locality in providing Federal assistance for financing needed local or State projects. We simply say that if the State or local government elects, the Federal Treasury will subsidize up to 40 percent of the interest cost on its borrowing. All that is required for that subsidy is that bond carry notice that it is a taxable bond and that the municipality does not assert or that the State does not assert its right to have interest on its borrowing tax exempt.

The municipality waives it or the State waives the right to claim exemption and it is a taxable bond. Then we will subsidize a part of the interest. There is no control over whether or not they elect to do so or do not nor is there any discretion on the part of the Secretary of the Treasury or anybody downtown to say, "Oh, no," to Bismarck, "you cannot issue it. We will not do it on this issue. We will do it only on another one."

The determination is made basically by the community or the State itself, and the Federal Government automatically comes into play in terms of subsidizing that interest, and it is funded from the very fact that you collect a tax then on that interest.

Mr. KLEPPE. The gentleman from Wisconsin is then saying that it is going to be no more difficult for municipalities to finance their operation and their services in the future than it has been in the past?

Mr. BYRNES of Wisconsin. Fundamentally, it is our objective to make it easier.

Mr. KLEPPE. That is what I thought the gentleman said. As I understand the gentleman from Arkansas, this is comparable to his thoughts.

Mr. MILLS. That is exactly my thought.

Mr. KLEPPE. I want to express my appreciation to the gentleman from Arkansas and the gentleman from Wisconsin for their explanation of this, because I believe there is some degree of misunderstanding on this, and I do believe that it is a very vital part of this bill. I appreciate the colloquy we have had on it. I wish to compliment the committee. I know the committee has been in a "pressure cooker" for some time on this, the greatest tax reform bill of all. I want to add my compliments and indicate my support for the bill, because I think the good far outweighs the bad, and that is what we have to look at when we look at this legislation.

Mr. ULLMAN. Mr. Chairman, I think it is very important we have in the RECORD a full explanation of the tax exempt bond situation as it appears in this bill.

STATE AND MUNICIPAL BONDS

There apparently is a misunderstanding in some quarters of the impact of the provision in the bill which offers State and municipal governments an opportunity to issue taxable bonds. I want to clarify for my colleagues what the bill offers, what it does not offer and why it is an important innovation which should substantially help in financing local government capital projects.

First, let me explain how the provision works. Actually the provisions are very simple. State and municipal governments are given the opportunity—it is entirely voluntary on their part—to issue new obligations which will be fully subject to Federal income taxation. In exchange, the State and local government issuing the bonds will receive a subsidy from the Federal Government which will more than compensate it for differences in interest yield between a tax-exempt bond and the taxable bond issued.

A permanent appropriation is provided for these payments of the type available for interest on the public debt. As a result, these payments will not be subject to further congressional consideration. The Secretary of the Treasury will simply be required to make the periodic interest payments to the States or localities as they become due. No action by Congress will be needed to appropriate these funds other than the enactment of this bill. After enactment, as I have said, the interest payments will be made in the same manner that the Treasury pays the interest on the debt of the Federal Government.

The interest yield on all new issues of taxable municipal bonds will be determined by the Secretary four times a year, on a calendar quarter basis. Once the interest subsidy for a State or local bond issue is determined, it will remain the same on that particular issue for its entire life. By requiring the Treasury to specify this calculation quarterly, everyone concerned will know immediately what is the base for the subsidy will know immediately what is the base for the subsidy and, from this, can determine the amount of the subsidy.

As it presently stands, the bill provides for a range within which the Secretary of the Treasury may determine the percentage of the taxable yield that will be paid by the Federal Government. The percentage is to be determined quarterly and announced immediately before the beginning of each calendar quarter. The range will be 30 to 40 percent of the taxable interest yield in the case of bonds issued in the first 5 years, and 25 to 40 percent beginning in 1975.

I would prefer a fixed percentage range for the Federal interest payment and I am pleased now with the decision of the Treasury—that was announced by Chairman MILLS before the Rules Com-

mittee Tuesday—to recommend to the Senate that the permanent Federal contribution be a flat 40-percent differential.

When there is a balance of demand and supply of money in the credit markets, the interest differential between tax-exempt and taxable bonds tends to be about 25 to 30 percent. A flat 40-percent rate will recognize the need to make funds available to the States and municipalities at reasonable rates of interest.

Fixing the percentage differential at 40 percent will mean that local governments will be able to undertake their large backlog of needed capital projects even when tight money markets prevail. It means that municipal governments will be able to enter the money markets in all phases of the economic cycle and to obtain funds for the needs of schools, sanitation facilities, antipollution facilities, and streets and highways.

One of the most important aspects of this provision is the absence of any possibility under this provision for Federal evaluation of the purpose of the bond issue. There is no review by the Federal Government, any of its agencies, or a newly constituted authority, of the advisability of the local project or of the issuer's ability to repay. This means that the provision preserves the independent decisionmaking authority of the State and local governments that is so fundamental to the Federal concept of government.

This and other characteristics of the provision in this bill have great advantages over the urban development bank bill and its variations. That type of provision calls for an agency that would review the purpose of the bond issue and the issuing government's ability to pay. Under such a provision, the State or local government would lose its independent financial status.

If the considerable benefits I have discussed are conveyed in this section of the bill, why are there so many complaints? Who are they from? To some extent the complaints reflected the general uncertainty about what the Ways and Means Committee would offer on this subject. Many complaints from local and State officials reflected apprehension and misunderstanding about the provisions. But it seems to me that they should be satisfied since they have seen the language of this section. Moreover, the Treasury's announced intention to request a flat 40-percent differential it seems to me should remove all their doubts about this bill.

Municipal bond dealers have voiced opposition to the bill because they believe it will contribute to a highly unstable market. The uncertainty about what Congress will enact unquestionably leads to an unstable market for a brief period. These gentlemen, however, are concerned about another source of instability. Until now, they have enjoyed a monopoly of the municipal bond market. Only a small number of firms have specialized in the tax-exempt bond market. When taxable bonds are issued by State and local governments, they no longer will require underwriting by a small group of specialists, but any firm that handles taxable bonds will be equipped and experienced to handle them.

This brings me to the last point I want to make on this subject. The market for tax-exempt bonds is rather small, consisting primarily of commercial banks and wealthy individuals who find that the benefits of tax exemption outweigh the lower interest yield. Taxable bonds that carry interest yields competitive with all other taxable bonds of comparable quality will be able to compete in a larger, broader market. The great bulk of taxpaying individuals, residents in the jurisdiction issuing the bonds, will find the higher yield an attractive investment even though taxable because they are not in high enough tax brackets to find tax-exempt bonds a good investment. Many institutions whose income is tax exempt—or taxed at very low rates—will find the higher yield on taxable municipals very attractive; these include State and local government retirement systems, pension plans established under collective bargaining, educational institutions, and various private and charitable foundatons.

Commercial banks which are so large a part of the municipal bond market will not abandon it, as has been so often predicted. The differential—especially when fixed at 40 percent—will more than offset the effective tax rate on bonds that is expected to prevail after enactment of this bill's provisions. And the same will be true, to a lesser extent, of the various forms of savings institutions. Furthermore, many commercial banks are guided by feelings of civic responsibility that will deter their exodus from this market. Many banks are authorized to underwrite local bond issues which places them under some obligation to hold a share of the issue, and since local government funds are deposited with local banks, that is another source of a sense of obligation that will retain commercial banks in the municipal bond market.

In summary, there are well defined advantages to the subsidized and taxable municipal bonds. The issuing governments can choose the tax-exempt or taxable route for each new bond issue; it is entirely a voluntary matter. The provision applies prospectively. The Federal Government's share of the interest cost will be paid from a permanent appropriation, and the Federal Government is not granted any powers to approve or disapprove each issue. In all probability, the taxable bonds will find a broader and thicker market of prospective buyers than the present thin market for tax-exempts.

Mr. DON H. CLAUSEN. Mr. Chairman, will the gentleman yield?

Mr. KLEPPE. I yield to the gentleman from California.

Mr. DON H. CLAUSEN. Mr. Speaker, I am pleased to associate myself with the fitting and timely remarks of my colleague from North Dakota, TOM KLEPPE, relating to the tax-exempt position of State and municipal bonds and related matters dealing with this tax-reform and tax-revenue legislation.

The gentleman from North Dakota has provided a great service to many of us in asking a question of the chairman and the ranking member of the Committee on Ways and Means on the matter of the overall effect of local government's ability to accumulate capital for local public facility requirements.

This reassurance which has been provided to the effect that the treatment afforded State and municipal bonds in this tax-reform measure will not jeopardize local government's ability to accumulate these very vital funds, is most gratifying and I thank the gentleman from North Dakota, as well as Chairman MILLS and Mr. BYRNES for their clear interpretation and clarification of this very vital point of local government's concern.

Certainly, many of our State and local government officials are understandably concerned, as I am and many people in my district are, over the section in the bill relating to their bond issues. This assurance, coupled with that which I understand has been afforded by the Treasury Department that these bond issues will not be adversely affected, should come as good news to those who have written expressing their concern in this area.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Iowa (Mr. GROSS).

Mr. GROSS. I thank the gentleman from Wisconsin for yielding me this time.

Mr. Chairman, if I may have the attention of the chairman, the gentleman from Arkansas (Mr. MILLS), let me say that I realize the figures have been given previously, but I would like to get them into today's RECORD of debate. What is the estimate of the net gain or loss of revenue from this bill?

Mr. MILLS. Is the gentleman referring to the amendment that we will offer or the total of the bill?

Mr. GROSS. I do not know the details of the amendment you are going to offer, but I am talking about the estimated net gain or loss in revenue as a result of this bill.

Mr. MILLS. In calendar year 1970 it is estimated there would be a revenue gain of about $2.4 billion.

In calendar year 1971, there would be a loss, without taking into consideration growth in the economy, based upon the existing situation, of about $1.7 billion.

In 1972 there would be a loss of slightly over $4 billion.

In 1974 there would be a loss of about $3.6 billion.

In 1979 there would be a loss of approximately $2.4 billion—not taking into consideration the $10 to $12 billion of growth in income year after year, which would far more than offset this loss in those years.

Mr. GROSS. All of which means it is vitally important that we have spending reform.

Mr. MILLS. Mr. Chairman, will the gentleman yield on that point?

Mr. GROSS. Yes; I will be glad to yield on that to the gentleman.

Mr. MILLS. Mr. Chairman, this is the first time I have ever recommended anything like this as a member of the committee to the committee or to my colleagues on the floor of the House. I do think, however, that the Congress has as much right with respect to the future to say that some of the increment in taxes from year to year will be returned to the taxpayer, as it has to say that all of that

increment will be used in additional and increased spending. So what we are trying to do here is to tell the taxpayer that after we get through this inflationary squeeze we are in now, we are going to return a small proportion of this fiscal growth money to him; that a little of the fiscal growth money is going back to the taxpayer. It is not going to remain in the till for spending.

Mr. GROSS. The gentleman would not care to put a time frame on the end of inflation; would he?

Mr. MILLS. I am not an economist, as my friend, the gentleman from Iowa, knows, but I do think I see signs of improvement in our existing situation and the leveling out of the inflationary pressures that we have been under. So whether it takes another 6 months or another 4 months or another 12 months in time to halt it completely, I do not know, but I think I see the beginning of our objective.

Mr. GROSS. Mr. Chairman, I sincerely hope the gentleman is right, but I do not share his optimism.

Now I would like to put a hypothetical situation to the gentleman.

A husband and wife, each over 35 years of age, now file a joint income tax return. Suppose the husband has a $40,000 income. We will call the husband A and the wife B. Suppose they, taking into account this bill, manage a friendly divorce, and A pays half his earnings to B, or $20,000 for alimony, but they continue to live together. A files on $20,000 as the head of the household, and B, the wife, files on $20,000 as head of the household. Is this income splitting possible under the terms of this bill, if such an arrangement could be worked out?

Mr. MILLS. Yes; if they do this. But if they are in a State where common law marriages are recognized and they continue to live together in the same house, I would think they would be treated as married for tax purposes. Of course, if they live apart they are incurring the expenses of two households.

Mr. GROSS. But if they live together in the same house?

Mr. MILLS. If the agent found out about it in a State recognizing common law marriages I would think they would be treated as married for tax purposes.

Mr. GROSS. Does the gentleman from Arkansas have a provision in this bill for a man in the house?

Mr. MILLS. No; the bill does not have that.

Mr. GROSS. Or a man in the woodshed?

Mr. MILLS. No; we previously discussed that in another bill—in another context.

Mr. GROSS. Or a man under the bed?

Mr. MILLS. We discussed all those factors when we had the matter of welfare payments before us in 1967. This does not involve the welfare program.

Mr. GROSS. It does not involve welfare?

Mr. MILLS. It does not involve welfare programs.

Mr. GROSS. If I could induce my wife to enter into this sort of arrangement, it seems to me it would be real welfare.

Mr. MILLS. The gentleman is a very persuasive man, but knowing his wife as I do, I know he will never persuade her.

Mr. Chairman, I yield such time as he may consume to the gentleman from Missouri (Mr. BURLISON).

Mr. BURLISON of Missouri. Mr. Chairman, the Ways and Means Committee has reported what will, doubtless, be the landmark legislation of the 91st Congress, the Tax Reform Act of 1969. The sheer enormity of such an undertaking is staggering. The law has not been extensively revised since its inception in 1913 and through pyramiding administrative rulings it has grown to monster proportions, incomprehensible to all but a handful of specialists. Simply to determine what needed to be done, the Committee on Ways and Means held hearings extending over several months. They listened to the testimony of 350 witnesses and the published transcript fills 15 volumes.

Probably no bill in history has had so many conflicting special interest groups compete to protect or improve their status. Many of these special groups are well financed and are capable of exerting terrific pressure. Even though I am not a member of the taxwriting committee, I have been subjected to more pressure than I had thought possible. In view of the subtle and not so subtle coercion that has been directed against Congressmen generally and members of the Ways and Means Committee in particular, H.R. 13270 is a remarkably comprehensive reform, attesting to the integrity and political courage of Chairman WILBUR MILLS and his associates.

In spite of the pressures, I intend to vote for the bill. That is not to say that it is the best of all possible legislation. Many preferences and shelters, more popularly referred to as loopholes, were narrowed without being closed. Nonetheless, one must accept reality and concede that legislation can be approved only through the processes of compromise.

Like all tax bills, this one is being considered under a "closed rule." This means that no amendments other than those offered by members of the Ways and Means Committee may be introduced on the floor of the House of Representatives. The rationale for this policy is that tax legislation is too complex to write on the floor of the House. Since I do not serve on the committee my choice will be either this bill or nothing. Framed in those terms, the decision to vote "yes" is compelling. We have made a dramatic beginning in tax reform. We have done more than virtually anyone thought could be done in view of the manifold influences levied upon the Congress. If this bill passes—and I am confident it will—we will look hopefully to the Senate to do equally as well. Mr. Speaker, my position in the broad area of taxation is, to put it bluntly, complete elimination of all preferences and shelters. This will be my goal throughout my service in the U.S. Congress. It is gratifying to me that the most significant tax reform we have had for 46 years appears to be coming during my first—though hopefully not my last—term of office. To paraphrase a recent quotation:

> We today have the opportunity to take one small step for man; one giant leap for the wage and salary earning American taxpayer.

Mr. MILLS. Mr. Chairman, I yield such time as he may consume to the gentleman from Florida (Mr. FUQUA).

Mr. FUQUA. Mr. Chairman, I rise in support of H.R. 13270 because I am in favor of the tax reform it heralds. The people of my Second District of Florida have long cried for meaningful reform, and this bill represents a strong first step in that regard. It cuts tax rates at least 5 percent in the income ranges, taking full effect by 1972. It sets up bolsters on behalf of the public interest against undue tax preferences. For the vast majority of taxpayers, it simplifies the process of filing returns. Finally, it says the people can speak and be heard by their representatives in this great citadel of responsive government. To these ends, therefore, I congratulate Chairman MILLS and the members of the House Ways and Means Committee.

In rising to support this bill, Mr. Chairman, I take this opportunity to express hope that this committee in its further work on tax reform, and indeed on H.R. 13270, take cognizance of the need to insure that no measure of reform herein provided has the undesired consequence of doing inequity to substantial segments of the public interest.

For example, the significant and needed reduction in bad debt allowance for various financial institutions needs careful study to safeguard against any possible adverse effect on homebuilding in our country. Similarly, charitable contribution deductions, being in need of meaningful reform, must be provided so as not to penalize the great service to our society rendered by State and private institutions of higher education and health.

So, Mr. Chairman, it is my foremost desire to help this all-encompassing reform of our national tax system accomplish the goals it pursues, without inadvertently doing inequity to worthy segments of our society. I urge the committee in further consideration to review this possibility.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Colorado (Mr. ASPINALL).

Mr. ASPINALL. Mr. Chairman, it is historically sound to state that some of the greatest crimes that have been perpetrated on mankind have been committed in search of two of the noblest of mankind's goals; that of liberty and that of religion.

In many respects the legislation now before us presents a similar situation.

It is true that the need for tax reform is long overdue, not only in Federal Government activities, but also in State and local government. The reason we have inequities existing in our taxing procedures at the present time at all levels of government is because some individuals or some groups of individuals have sought special favors from the Government primarily to get out from under

paying what they consider to be an unjust or discriminatory tax burden. These kinds of situations present problems which should be taken care of so that the burden of taxation is placed equitably in all situations and upon the association of citizens alike.

I do not doubt that this was the purpose of those who wrote the legislation now before us. But, just as those who searched for freedom and those who endeavored to promulgate their own religious beliefs committed offenses against society, so now we have a so-called tax reform bill before us which, regretfully will have the same result.

I understand the difficulty in writing such legislation. I understand also that tax reform by and large means "taking the burden off of me and those associated with me, and placing it on another or those associated with another." This, within itself, is not true tax reform. This only further complicates bad situations already in existence.

In my opinion, this legislation which we have before us today is not as fair as it might be. It does not do the job it is intended to do and, because of my sincere belief in this respect, I, for one, shall vote reluctantly for the legislation with the hope that the other body shall correct the inefficiencies and inequities that I consider are present in this bill. If the other body fails in this matter, I shall be compelled to vote against the conference report.

The welfare of this Nation, socially, intellectually, scientifically, economically, and in every other aspect of everyday living that one can think of, depends primarily upon the welfare of its economy. We cannot have the things that we desire so much, in order to advance us in the fields that apparently mean so much to us unless, under a system such as ours, we see to it that our economic base is sound.

We know, or we should know, that natural resources are absolutely basic and fundamental to our civilized and industrialized way of life. Our entire economy—our entire way of life—is based upon our ability to produce and consume natural resources. The most important of these resources are food, fiber, and minerals. They all come from the soil or in some cases from our lakes or oceans. However, no matter what their origin these three very general and broad categories of natural resources form the indispensable physical base from which all other goods are produced. Each bushel of grain, each board foot of lumber, and each ton of iron, copper, lead, or zinc fixes the economic base upon which other activities—manufacturing, transportation, education, recreation and national defense—rest. The production of these natural resources: food, fiber and minerals, together with the industries based upon them, are the only ones that produce new wealth. All other activities, although essential and important, are engaged in the refining, finishing, shaping, manufacture, or modification of these basic three. Two of these resources—food and fiber—are renewable. What is used can be replaced by the natural growth of crops or trees. The third—minerals—is nonrenewable and once used, cannot be replaced unless recycled back into industry through the use of scrap.

This bill now before us tends to handicap and certainly will retard the development of these natural resources, especially the wise and prudent use of our mineral resources. It will undoubtedly increase the cost of mineral products that the consumer uses. Let us not be misled into thinking that costs will not increase. They must and they will if this bill is enacted. These increases will be passed along to the consumer in a manner that will make up for any decrease in profits due to the proposed cut in depletion allowances.

From the standpoint of conservation and wise use of our mineral resources, the proposed bill will also have a detrimental effect. It will force those engaged in the extraction of our domestic minerals to forgo the exploitation of the lower grade deposits because of the increased costs. This will encourage "high grading" or the utilization of the richest deposits while the lower grade ore bodies—which we must ultimately depend on—will be bypassed and lost forever.

I know that there are many in this country who believe we would be as well off if we imported all of our minerals. I do not share this belief. The experience of two world wars and numerous lesser conflicts certainly should have brought home to this Nation the absolute fallacy of depending on foreign imports in time of war or emergency. If we become unnecessarily dependent on foreign imports, one of two things will happen: the materials will cost us dearly or they will not be available at any price. Either way we will lose. I hope we will never become subservient to a one-world domination philosophy. Rather, I hope we will protect ourselves and our own national security which is so necessary if we expect to see our Nation and civilization benefit from those freedoms and liberties which we feel are so important.

It has been stated that the decrease in the mineral depletion allowance proposed in this bill is an attempt to "strike a better balance than now exists between the objective of encouraging the discovery of new reserves and the level and revenue cost of percentage depletion allowances." I cannot agree that this will be the result. I believe that our domestic extractive industries will be weakened by the imposition of additional tax burdens. These industries are now facing their most severe challenge in the history of our country. This challenge results from a growing gap between our increasing consumption of minerals and our decreasing production. In mineral after mineral we have moved from a net exporter to a net importer. In mineral after mineral where we were once the leading producer we are now rated as second, third, fourth, or even lower, in productive capacity. We can never be entirely self-sufficient in all minerals and no one expects this. But what I would like to see is that we maintain our self-sufficiency in as many minerals as we can. Our national economy, our national security, and our future could very well depend on our ability to maintain a strong and viable domestic mining industry. Unfortunately, this increased tax burden will fall most heavily upon those least able to bear the additional burden—the small and marginal producer. Although apparently designed to increase the tax take from the major oil and gas and mineral producers, and thus appeal to the popular demand for a "hit the rich hardest" tax, its real impact will be just the reverse. It will retard the flow of capital to the small producer—the small independent operator—and will reduce his exploration effort and his expansion at a time when additional exploration and expansion are most needed. The small operator is not in a position to pass on the increased costs of operation, nor does he have the ability or resources to obtain financing from a variety of sources. There is no doubt in my mind that this legislation will go a long way toward eliminating the small operator. I have every confidence that the major producers will somehow survive. I wish I could say the same for the small businessman.

During the course of hearings before the House Interior and Insular Affairs Committee, witness after witness has pointed up the precarious situation facing this Nation with respect to our domestic mineral supply. Representatives of the past and the present administrations, speaking in their official capacities, have issued warnings that time is running out and that we face the grim possibility that the growth in our standard of living will be limited due to mineral constraints.

Notwithstanding these warnings of impending domestic mineral shortages and increased imports, this proposal would do nothing but increase these shortages and increase imports. It will export jobs, weaken our capability for national security and make us more dependent upon the uncertain whims of foreign suppliers.

Only five minerals were so fortunate as to survive the meat-ax approach of this proposal's depletion reduction. These five—gold, silver, copper, iron ore, and oil shale remain at 15 percent rather than being reduced to 11 percent. One might well ask why these five were selected. Why was not the same consideration given to many other minerals that are apparently equally deserving of this consideration. In actual practice only four of the five minerals will receive any benefit. Although the oil which can be produced from shale is similar for all practical purposes to oil pumped from the ground the shale oil has never been entitled to the higher depletion rates accorded liquid petroleum. More discriminatory, however, is the fact that the 15-percent depletion allowance heretofore accorded oil shale is allowed on the value of the crushed *shale rock*, not the oil. Crushed shale has little or no real market value. Therefore, 15 percent of nothing is still nothing. The committee amendment which will be offered does help in the correction of the present inequity. I am most appreciative of this action by the committee and I hope that the House will sustain this recommendation by the originating committee.

Examples of other minerals that are either in short supply or where production will be seriously curtailed by the additional tax burden are many and I will mention only a very few.

Natural gas is probably an outstanding example. The proposed reduction from 27½ percent to 20 percent in the depletion allowance can only lessen this Nation's capability to obtain adequate supplies. We now face an impending shortage of natural gas from traditional sources of supply. Unless the declining exploration and discovery rate is reversed, substitute fuels will be necessary or rationing of natural gas will be necessary.

A few of the other minerals that are vital to this Nation's defense and economy, but did not receive any favorable consideration are uranium, lead and zinc, mercury, beryllium, vanadium, tungsten, and molybdenum. All of these, except molybdenum, presently receive a 23-percent depletion allowance, but will be reduced to 17 percent. Molybdenum, although long recognized and classified as a strategic mineral, was never accorded the 23 percent depletion allowance given other strategic minerals. It has been eligible only for a 15-percent allowance. This will now be reducted to 11 percent.

These are just a few of the inequities and inconsistencies that I see in this proposed bill.

I cannot accept this proposal as a well-rounded-out tax-reform bill. I think that in the field of mineral production it will do harm to this country's economy and safety.

The CHAIRMAN. The time of the gentleman from Colorado has expired.

Mr. MILLS. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. FOREMAN. Mr. Chairman, will the gentleman yield?

Mr. ASPINALL. I yield to the gentleman.

Mr. FOREMAN. Mr. Chairman, I wish to commend the distinguished gentleman from Colorado, the chairman of the Committee on Interior and Insular Affairs, for his outstanding statement and explanation of the necessity of preserving the depletion allowance on our extractive industries. I commend the gentleman upon a very fine statement in this respect and share his views and support his views.

I very much disagree with the proposition to consider the tax bill under a closed rule which allows no corrective amendments or changes, just a "yes" or "no," "up" or "down" vote as it is. This will not really permit the House to work its will and correct some of the inequities that exist in the proposed legislation.

Critics attack percentage depletion as one of several tax provisions alleged to be "loopholes." It is not a loophole at all—it is simply a depreciation allowance on a depleting capital asset.

Minerals, such as petroleum, by nature have a dual character. In the earth they are part of their owner's capital assets. When produced and sold, part of the value received represents capital, and part income, making it difficult to establish an equitable taxation basis. In keeping with the basic principle that income, but not capital, should be taxed. Congress adopted the principle of percentage depletion which today applies to over 100 minerals, including oil and gas, as a means of fairly taxing the income derived by extractive industries.

A compelling reason for adoption of percentage depletion was to supply an incentive for owners of capital to accept the great risks involved in the search for, and development of, mineral resources which are so essential to our economy and security. History shows the incentive has worked well in achieving its purpose. It would be risky to discard or weaken a system which has worked well over a long period of years in supplying petroleum and other essential minerals.

Critics maintain that the oil industry does not pay its fair share of taxes. This simply is not true. In addition to income taxes, the petroleum industry pays a number of other direct taxes. One of these, the severance tax, is paid only by industries which extract natural resources. The fact is that in 1966—the latest year for which figures are available—the oil industry paid $2.5 billion in direct taxes, which amounted to 5.1 cents for every dollar of gross revenue. The direct tax burden for all U.S. business corporations was only about 4.5 cents per dollar of gross revenue, or about 10 percent less than petroleum's.

Percentage depletion has benefited the consumer by helping keep petroleum prices low. In fact, the price per gallon of gasoline today, before the taxes levied at the service station pumps, are the same as the price in 1948. This is even more impressive, when you consider the many improvements made to increase the delivery performance of a gallon of today's gasoline as compared to the gasoline of 1948.

That the consumer is the beneficiary is clearly shown by the oil industry's profit record. According to figures compiled by the First National City Bank of New York, from 1925—the first year's taxes to come under percentage depletion—through 1966, petroleum company earnings after taxes averaged 9.9 percent of invested capital. By comparison, the figure for all manufacturing companies was 10.7 percent. In 1966, this comparison was petroleum companies 12.6 percent, and all manufacturing companies 14.1 percent. Of the 25 leading U.S. industrial corporations on the basis of sales, seven are petroleum companies. But not one of these petroleum companies is in the first 75 on the basis of return on invested capital.

Critics charge that because of the percentage depletion provision, petroleum producers recover their costs many times over. The fact is that although the oil industry realizes about $1 billion a year through the operation of this provision, it invests about $5 billion a year in the United States in searching for and developing new petroleum reserves.

Petroleum—oil and gas—supplies 75 percent of our Nation's energy needs. The U.S. Government predicts that demand for petroleum will rise by 50 percent of current levels by 1980 and will more than double between now and the end of the century. Yet, despite the coming requirements, proved domestic reserves of crude oil declined during 1968 for the second year in a row and now stand at the lowest level in 10 years.

Speaking from a more personal point of view, Mr. Speaker, practically every single State in the Union, and a very large percentage of the congressional districts, would be adversely affected economically if we alter these long-proven, time-honored tax principles on the some 100 extractive industries. In my own State of New Mexico, we have substantial production in only seven of these industries—copper, manganese ore, molybdenum, perlite, petroleum, potash, and uranium—but alteration of the percentage depletion allowances will cripple our tax base from which we derive the income for the construction of our roads, the financing of our schools and educational programs, and other important services.

New Mexico is the sixth largest petroleum-producing State with production almost equal to that of Brazil, Chile, and West Germany combined. More than 13,000 New Mexicans are employed in some phase of the petroleum industry. Their payrolls amount to almost $73 million annually, or $73 for every man, woman, and child in the State. The petroleum industry spends almost $274 million annually for production supplies and equipment in New Mexico. Last year, oil and gas operations paid $60,130,000 in direct revenues to the State—not counting local taxes or approximately one-fourth of all New Mexico State tax revenues.

This country needs more capitalists, not fewer. We need to encourage investment, not discourage it. We need to encourage people to create and build and profit; for as they do, the whole country moves ahead, and we have more jobs, and less poverty—more wealth and less Government dependence.

We need to reduce—not increase—the growing, confiscatory taxes on business and industry, so they can expand and grow and develop and create more and better jobs and new ideas and products. Then and only then, will we really be preserving and extending the free enterprise, capitalistic system—the system which has produced the greatest and highest standard of living ever known before in the history of mankind.

Mr. WOLD. Mr. Chairman, will the distinguished gentleman yield?

Mr. ASPINALL. I yield to the gentleman from Wyoming.

Mr. WOLD. Mr. Chairman, I would like to associate myself with the remarks of the distinguished chairman of the House Committee on Interior and Insular Affairs.

Today we are scheduled to vote on what has been called the most substantial tax reform bill since the enactment of the 16th amendment. It is a tribute to the wisdom and judgment of those colleagues who wrote it.

Just as important as the real economic effects of the bill, I think, are the symbolic effects its passage will have. It

will come as a sign to the American people that our political system does respond to their needs.

It is to this very symbolism, however, that I would issue a caveat.

The depletion allowance—in particular the 27½ percent oil and gas depletion allowance—has become the symbol for nearly every person who preaches tax reform. Reduction of the depletion allowance is erroneously seen as a panacea for all our tax ills.

The tax preferences that have been enacted for the mineral industries have been called loopholes which permit a few individuals and the oil industry to escape payment of their fair share of the Nation's taxes.

Yet these preferences perform a vital economic function. They provide the incentive to insure that capital will be invested in the high-risk business of looking for minerals. The ever growing population of our Nation coupled with an increasing level of affluency demands that we undertake an active and expanded level of mineral exploration.

But the tax preferential limitations of H.R. 13270, particularly those relating to the petroleum industry, can only cause mischief. Their ultimate effect can only be to cut mineral exploration in the United States. This decline would come at a time when there is a great need to actively increase our exploration for minerals.

Many minerals can be located by surface exploration. There are even a few shallow petroleum deposits that have been discovered from oil seeps or other surface evidence. But the oil deposits being discovered and developed today are found at much greater depths—ranging generally from 3,000 to 20,000 feet—without benefit of surface evidence. As the search has been extended deeper, the industry has had to supplement surface geology with technical and expensive tools, such as the gravity meter, magnetometer, and seismograph. These tools can only locate geologic structures of a type that may contain deposits of oil and gas. The only way to locate oil finally is to drill exploratory wells to test whether such structures actually contain commercial deposits of oil and gas. If production is discovered, the size of the field must be determined by further drilling. The revenue from this production must pay for the costs of geological and other exploration work; for the drilling of wells, both successful and unsuccessful; for the lifting of the oil and gas to the surface—all of these things; plus a rate of return commensurate with the risks.

The great uncertainty of the exploratory effort is attested by the record of relative success. Of the wells drilled in the search for new fields, only one in 11 finds any production at all. Profitable discoveries are even harder to come by. As a part of my remarks I will include a table setting forth data showing the discovery experience of the industry for the years 1953 to 1962.

AVERAGE NUMBER OF WELLS DRILLED FOR EACH DISCOVERY OF A FIELD WITH A GIVEN ULTIMATE RECOVERY OF OIL OR GAS

	Total new field wildcats drilled	Number of fields discovered		Number of new field wildcats drilled per field discovered	
		1,000,000 or more barrels	10,000,000 or more barrels	1,000,000 or more barrels	10,000,000 or more barrels
1953–57	39,166	825	159	47	261
1958–62	35,004	646	121	54	289

Source: Calculated from data published in Bulletin of the American Association of Petroleum Geologists, "Exploratory Drilling in 1967."

During the 5-year period 1953–57, only one well out of 47 found a deposit of a million barrels or more of crude oil or an equivalent amount of energy in the form of natural gas—the amount usually considered necessary for profitable operation—and only one out of 261 found fields with deposits of 10 million barrels or more. Despite many advances in geology and geophysics, the odds against success have grown worse instead of better. During the 5-year period 1958–62, only one out of 54 wells drilled in search of new fields found deposits large enough to be profitable, while only one exploratory well out of 289 found fields with deposits of more than 10 million barrels of oil or the equivalent in natural gas. Over the period 1952–62, only one well in 1,485 found a field as large as 50 million barrels of oil or its equivalent in gas. Our Nation consumes more than 50 million barrels of oil every 4 days. Such statistics reflect the unique nature of the risks in exploration for oil and gas.

When and if a field is discovered, development expenditures begin. Development of a large field requires the expenditure of tremendous amounts of money and the risk of financial loss continues. Since 1950, more than one-fourth of the wells drilled in developing known fields have resulted in dry holes.

Contrast the oil producer's situation with that of other industries. In manufacturing, in transportation, or in any business other than the production of a natural resource, an investor knows that for an expenditure of a given amount, he can create a facility with an economic value reasonably commensurate with his investment. The petroleum prospector has no such assurance. He does not know at the time his expenditures are made what capital values, if any, will result from the money he risks in the search for and development of oil and gas deposits. What he does know is that a very substantial part of the money he risks will never result in any productive asset, and he can only hope that his successful ventures will return to him an amount sufficient to compensate him for losses on unproductive investments.

The capacity of producing wells cannot be kept up by ordinary maintenance expenditures, as in manufacturing. Although production rates vary from well to well, decline is inevitable as exhaustion of the oil deposit occurs. Thus, the producer of crude oil is faced with the necessity of carrying on a constant program of exploration and development merely to replace his production.

To meet the Nation's constantly increasing demand for petroleum, it will be necessary to find in the next 12 years new oil fields with about 63 billion barrels of reserves. This is more than all the oil produced in the United States prior to 1960—a period of 100 years from completion of the first well in 1859. This task will call for the outlay of enormous amounts of risk capital. In recent years the petroleum industry's domestic expenditures for exploration and development have averaged about $4.4 billion annually. Exploration costs alone exceed $2 billion annually.

Risks in the oil industry have always been inherently great, and they are becoming more so. The shallow deposits of yesterday have been largely depleted. Wells must be drilled progressively deeper at higher costs and in less readily accessible areas. Each additional foot of well costs more to drill than the preceding one. In 1966, the average cost of drilling an additional foot was $11.54 in the 2,500 to 3,749 foot range; but at depths below 20,000 feet it cost $189.17 to drill 1 foot deeper.

Two of the major areas remaining for oil exploration and development are the Outer Continental Shelf and the northern part of Alaska. Off the coast of Louisiana alone, the industry has invested about $7 billion. Operating and capital expenditures have reached a level of over $1.5 million a day. But the costs of exploration and development are much greater in the northern part of Alaska. While wells in the Gulf of Mexico may cost $400,000 to $600,000, wells of comparable depth in Alaska have cost $1 to $2 million. One operater in Alaska has estimated that it will have invested more than $400 million before it sells its first barrel of crude oil from Alaska's North Slope in 1972.

As the search for oil is extended to greater depths and to less accessible areas it becomes increasingly evident that the future growth of our oil reserves, and thus the future growth and security of our Nation, depends upon a still larger flow of capital into the search for new deposits. In view of the unique and constantly increasing risks of the oil business, and in view of the fact that the industry reinvests half of its gross receipts from production in the search for new supplies, it seems quite clear that percentage depletion has provided an effective incentive which must be retained.

Without the incentive provided by the preferential treatment, who would take the risk of putting their capital into the search for oil and gas?

I submit that few persons would.

What would this mean? It would mean that the reserve position of the United States would approach zero within a few years at the present rate of petroleum consumption. Such an eventuality would force us to rely on foreign suppliers or do without. The lesson of World War II, Korea, and the experience of Europe after crises in the Middle East shows that reliance upon foreign petroleum is risky.

A decline in exploration would have an immediate and farflung economic impact. It is an economic truism that a constant or declining supply in the face of increased demand will mean higher prices. Without a high level of exploration we can expect to see a declining supply of petroleum. At the same time the demand for petroleum products will be leapfrogging.

Are we willing to have the taxpayer pay additional millions, perhaps billions, of dollars for the additional $500 million in revenue that limitation of these preferences will provide?

There are other economic distortions that would be caused by the proposed limitations.

In my own district in the great State of Wyoming, the petroleum industry provides employment for 10,000 people. It accounts for a direct 8 percent of the total personal income in the State. Indirectly it accounts for over one-fourth of the total personal income in the State.

I am fearful that the adoption of these limitations will mean a significant decline in the petroleum sector of Wyoming's economy. The decline will have a correspondingly deleterious effect on the livelihood of thousands of the Equality State's citizens. Adoption of the proposals will mean higher unemployment; it will mean lower county and State tax revenues with which to provide social goods and services for our citizens; it will mean the flight of many of our citizens to other areas of this Nation.

Wyoming is not the only section of the country where these economic dislocations will occur. They will happen wherever the mineral industry comprises a significant portion of the local economy.

The limitation on preferences will mean losses of jobs for thousands. It will mean loss of income for even more.

Before we enact H.R. 13270, I would ask: Is Congress prepared to accept these consequences? Or will Congress forgo the passions and pressures of the moment to, as George Washington put it, "raise a standard to which the wise and honest can repair"?

Mr. DON H. CLAUSEN. Mr. Chairman, will the gentleman yield?

Mr. ASPINALL. I yield to the gentleman from California.

Mr. DON H. CLAUSEN. I want to take this opportunity, Mr. Chairman, to associate myself with and compliment the distinguished chairman of the House Interior and Insular Affairs Committee, the gentleman from Colorado (Mr. ASPINALL), for his excellent articulation regarding the depletion allowance on renewable natural resources.

Indeed, I share and repeat the gentleman's warning regarding the possible affects of this legislation in retarding the flow of capital to the small producer and the independent operator at a time when further economic expansion and additional exploration are most needed.

We who serve on the Interior Committee, as the chairman has enunciated so eloquently, have repeatedly heard the warnings expressed in the testimony of witnesses about the fact that time is truly running out—that we do, indeed, face the grim prospect that any future growth in our national standard of living may well be impaired or impeded due to mineral constraints.

America has been built on the principle of putting human and financial resources together, organizationally, to responsibly exploit our renewable natural resources.

In order to attract and hold the necessary capital that small and large businesses require to carry forth long-range planning, sustained yield forestry, mineral exploration, stable enterprise development and proper conservation practices, incentives through depletion allowance and/or fair capital gains treatment are necessary and should be adopted and understood as congressional and executive policy.

The gentleman from Colorado is a very wise man with a lifetime of experience in the resource field. I strongly urge, in fact, plead with my colleagues to listen carefully to what he is saying, heed his warning and, hopefully, follow his leadership.

In conclusion, Mr. Chairman, I share the gentleman's view that many percious minerals, vital to our Nation's economy, were, in my judgment, arbitrarily and indiscriminately omitted from favorable depletion allowance consideration.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 1 minute to the gentleman from California (Mr. DON H. CLAUSEN).

Mr. DON H. CLAUSEN. Mr. Chairman, I take this time, briefly, to direct a question to the chairman of the Committee on Ways and Means, the gentleman from Arkansas (Mr. MILLS), to this effect: There have been comments and the suggestion that this particular bill is inflationary. I would like to have the chairman's comment on this because there has been an editorial written to this effect and I am very much concerned about it. I would like to have the gentleman's response to that question.

Mr. MILLS. It is just to the contrary. The bill is deflationary in that the net effect of the bill in calendar year 1970 is to increase revenue by $2.4 billion. That is deflationary.

If you want to look at calendar year 1971, the charts that I inserted in the RECORD yesterday in connection with my remarks show the bill resulting in a deficit of $1.7 billion but that does not take into consideration any growth in income that occurs from year to year. Instead for purposes of these tables we assumed a static situation. The deficit for 1972 is $4.1 billion, for 1974 is $3.6 billion, and for 1979, $2.4 billion. These amounts are quite small considering the growth in revenues which can be expected. Moreover, if when the years come if we are then faced with inflationary problems we can then consider what tax rates we should have.

Growth in revenues usually amounts to $10 to $12 billion a year. This might be cut into slightly in 1971 and 1972 and later years but I still think that the Congress has as much right to say that some of the growth in this income can go back to the taxpayer, as it does to have a right to say that all of it has to be used in additional spending.

Mr. DON H. CLAUSEN. Mr. Chairman, I thank the gentleman for his remarks.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 10 minutes to the gentleman from New York (Mr. CONABLE).

Mr. CONABLE. Mr. Chairman and members of the Committee, I do not propose to stand here and belabor the technicalities of this bill because there are many technicalities and I will leave that to people who are more skilled technicians than I. I would like to talk a little about the philosophy of tax reform, the philosophy which has actuated the committee in the very long deliberations we have had. I realize that much of the work of the committee seems to other Members to be shrouded in mystery because we are so secluded in the course of our deliberations. I think it is desirable, therefore, to have members of the committee explain their motivations.

Mr. Chairman, let me say first of all that there is no question that one man's loophole is another man's needed national priority. Through our tax law we do express our sense of national priorities. The things that have been identified as loopholes were not originally put in the law to make the rich richer, but to try to help channel the flow of funds into areas of national need.

There has been an attitude prevalent in the popular press that a loophole identified but not immediately slammed shut is evidence that officials are corrupt or that democracy is hopelessly inefficient. Nothing could be farther from the truth, at least as far as the great bulk of the Members of Congress are concerned.

The closing of loopholes is rarely an open-and-shut case. Normally the tax preference which becomes identified as a loophole is something that can be closed only at a cost to the Nation. We have narrowed a number of these loopholes through this legislation. I am proud of what an even-handed job we have done. Only in a few exceptional cases have we failed to limit the preferences which have heretofore been considered by some people national tax scandals.

I will say that we are going to assess the cost of this bill over the years to come in terms of the alternatives which may be necessary. If we are not able to get enough money invested in the oil industry, for instance, or if we are not able to meet our goals in the housing field hereafter, these are important areas of national need which will have to be dealt with in other ways.

Mr. Chairman, I think if we are going to be mature about tax reform, we have to understand there is a cost involved in the narrowing of loopholes.

It has been the goal of the committee, and the chairman expressed this thought very well at the outset of this debate, that our primary concern was equity as among taxpayers.

We all know that the credibility of Government has been brought into question in more and more ways in recent years. There is no more central institution in the relationship of the people and their Government than the tax sys-

tem, through which the people are required to support Government. If that tax system is tainted by stories that wealthy people are not paying any taxes; if tax preferences are foremost in the minds of those taxpayers who do not have tax preferences, then inevitably we are going to have a serious problem of tax collection and in the relationship of the people with the Government generally.

So it is against the problem of credibility that the committee has tried to move. In the future I very much doubt that we will be hearing stories about wealthy people who pay no tax at all. There still are areas with some degree of tax preference, because the manner in which the committee has chosen to move has been essentially a process of compromise. We have understood the national priorities involved in the tax structure as it was and we have tried to narrow the abuses that have sprung up around these tax preferences in the interest of insuring that everyone pays a substantial tax if he has a substantial economic income.

There are many things in this bill that individual members of the committee will not agree with. That is part of the process of compromise also. I am sure there are many things the Members of the House will not agree with. I personally think the compromises we have made in bringing this complicated bill to the floor have been in the national interest. They will not tear the fabric of our social and economic structure, but at the same time they will improve the equity and therefore the credibility of the tax structure.

I hope that the Members will support the bill. I think it is only fair to say that we must expect the high water mark of tax reform is being passed with our passage of this bill today in the House, at least as far as this session of the Congress is concerned.

Inevitably, as this bill goes to the other body, it becomes a target. It is a specific measure with specific provisions, and those who are affected by it can be expected to mount a counterattack. The other body, I am sure, will do its best to preserve equity and return the credibility of reform.

I think inevitably the bill, as it comes back, will be watered down to a degree. Perhaps those of you who are most unhappy with this measure at the present time can console yourselves with that near certainty.

I hope that nevertheless this bill will have strong support here in the House, as it stands.

Mr. Chairman, I would like to thank the chairman of the Committee on Ways and Means and the ranking minority member of that committee for the great patience they have shown in the development of this legislation. I think it is a far-reaching piece of legislation. Whether it is revolutionary or not—and I do not believe it revolutionary—it certainly is a credit to the industry and to the skill and patience of the two great leaders of our committee.

Mr. MIZE. Mr. Chairman, will the gentleman yield?

Mr. CONABLE. I am happy to yield to the gentleman.

Mr. MIZE. Mr. Chairman, would the gentleman please again give us the rationale relative to the changes in tax of mutual savings banks and savings and loan institutions and commercial banks?

Mr. CONABLE. I will say to the gentleman from Kansas that one of the concerns we have had in the banking field has been the effective rate paid by the banking industry. I do not have those figures at my finger tips, but as I recall the effective tax rate for mutual savings banks has been roughly 6 percent, for the savings and loans 16 percent, and for commercial banks 22 percent.

This has resulted largely from the tax handling of reserves. Banks have had a very favorable reserve for losses which has permitted them to maintain this low effective tax rate.

For most corporations and most businesses in the country, the effective rate is closer to 44 percent.

Through their handling of these bank loss reserves, the committee has made an effort to bring up the effective tax rate for the banking structure generally to a level more in line with that paid by other companies.

There inevitably is a cost involved in this, as I said earlier in my remarks, because the banking industry is in an easy position to pass on the increased costs to the consuming public. We need banks. Banks perform a very valuable public service, and quite obviously they cannot run at a loss. So if we increase their costs, through taxes or otherwise, some of those costs are going to be passed on to the banking public. This is something we have to face up to. Still it seemed to the committee that these low effective rates that I have mentioned did impair the credibility of the tax structure, and that is the reason we moved against them in the manner we did.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from California (Mr. CORMAN), a member of the committee.

Mr. CORMAN. Mr. Chairman, being an omnibus bill and dealing with a highly complex subject matter, this bill does not precisely please any Member. Each of us, if he had the authority, would write a slightly different law. Even among the 25 of us on the committee, seven separate views were expressed in the report. We had many 13-to-12 votes. Sometimes I was on the losing side and sometimes on the winning side. But I can tell you that this bill is a substantial improvement over existing law. It is a good bill. It is worthy of our vigorous support. I hope we will give it sufficient support so as to convince the Senate that we do not anticipate the undoing of our good work.

Some have said that this may be the last tax bill for 20 years, and that therefore every provision must be precisely right.

I suggest to you that no piece of legislation can last for 20 years. We have legislated in the tax field a number of times in the last decade, and we will have to legislate again.

I wish we were giving slightly more relief to some people and slightly less to others. I am sure we have missed some of the loopholes. We are conscious of one or two. The tax attorneys will figure out others, and as they do, we will have to come back to the House again and close them up.

But let us look specifically at what this bill does. It gives substantial relief to the people of this Nation who work for a living. To take an extreme example, under present law wage earners who take home fewer dollars than they would receive if they were on public assistance still must pay taxes on their wages. This makes no sense. Under the reform bill, such low incomes are very properly not taxable.

But let us look at some less extreme examples: A man who now earns $2,000 a year pays $176 of that amount in taxes. Under the reform bill he would pay $39. A family of four making $6,000 a year—and I expect we all have many such families in our districts—now pays $495. Under this bill the family will pay $345.

Now, some have said that the new rate schedule is too complex. It has been suggested that we should do away with this complexity and simply increase the personal exemption to $700.

I grant it is true that the $700 exemption would involve approximately the same revenue loss as would the reform bill. But of all the relief measures that have been suggested, an exemption increase is the most regressive. It gives the little man a little bit and the man who makes a substantial income much more than a little bit.

A $100 exemption increase gives those in the 50-percent bracket $50 of relief and those in the 14-percent bracket $14 of relief. This seems a strange kind of reform. Our bill is much more progressive. For instance, that single man at $2,000 gets $38 more in tax relief from the reform bill of 1969 than he would receive from an increase in exemptions to $700. A man who supports his wife on $8,000 a year gets $190 more in relief from our bill than he would from the suggested exemption increase.

Or, to look at the issue in aggregate terms, one-half of the relief on a $700 exemption goes to people who make more than $10,000 a year. Under the reform bill, however, one-third of the relief goes to people who make less than $6,000 a year, one-half goes to those who make less than $8,500 a year, and two-thirds goes to those who make under $12,500 a year.

So I suggest that this bill will mean equity and substantial relief to the millions of citizens who must support their families on very modest incomes. The bill's approach may be complicated, but it is also progressive, efficient and fair.

How about the people we have heard so much about who make hundreds of thousands of dollars a year but pay no taxes? Those people, under the new tax bill, will find it nearly impossible to escape taxes. There is one famous case from 1966 where a man with an adjusted gross income of $14,802,000 paid no taxes at all. Well, under the reform bill, he would pay $4,504,000 in taxes. There is another case where a man had a gross income of $1.8 million and paid no taxes. Under this new bill, he would pay well over a quarter of a million dollars.

Perhaps they should pay even more, and perhaps we should have made even

greater adjustments than we did, but our bill ensures, for the first time in American history, that almost nobody will be able to avoid contributing to the cost of running this Government. That, I submit, is an accomplishment worthy of your approval.

I said earlier that this bill is not the last tax bill in a generation, as some have suggested. We will be talking about taxes for many years to come, if only because we cannot forecast public needs into the indefinite future. We all hope we will live at peace. We hope we can eventually dismantle our military defenses. But no one sees real hope for that in our time. In addition, our domestic problems will surely make substantial, if unpredictable, demands on our public resources.

So I acknowledge that we may well find, at some point, that we need more in the Federal Treasury than we get with this bill. But we do effect substantial reforms in equity among taxpayers with this bill. We say to those who have escaped their responsibility to contribute toward our national needs: You are now going to be taxed. And we say to the very poor: You will get genuine relief, and you will not have to part with the few dollars needed to keep your families alive, intact and healthy. We also say to almost everyone, across the whole rate schedule below $100,000: You are going to pay at least 5 percent less in taxes than you are now paying. We can say all this because we have said clearly to the economic interests: "You must contribute more than you are now contributing."

Some have complained that this would deprive the Government of badly needed revenues. In fact, the revenue effect is not great. And I ask you to consider the enormous revenue loss that would certainly, if not immediately, follow defeat of this bill: Unless we secure fairness in taxation, and very soon, we may well face a nation unwilling to pay taxes at all.

Mr. TUNNEY. Mr. Chairman, will the gentleman yield?

Mr. CORMAN. I yield to the gentleman from California (Mr. TUNNEY).

Mr. TUNNEY. Mr. Chairman, in the press in the last few days we have had the opportunity to read that there is one area of income that is privileged, and that is the oil industry, that it still will be possible to earn a substantial amount of money and not have to pay any tax if the source of the income is oil? Is that correct?

Mr. CORMAN. That is correct. It is the decision of the committee to take income from oil out of the limited tax preference. I hope that decision will be reversed in the Senate.

If I may pose a question to the chairman of the Ways and Means Committee, it is my understanding that H.R. 13270 is intended to accomplish substantially in title II, subsection A, the purposes of H.R. 12135. Is that correct?

Mr. MILLS. Would the gentleman yield? Yes, this does accomplish substantially what was intended by H.R. 12135. It does not automatically provide for the waiving of the penalties where a State attorney general corrects a situation by causing a distribution of the assets of a foundation to a public charity, but it is provided that the Secretary, or his delegate, can delay the imposition of the penalty. He can do this where he has reason to believe the State attorney general's office will correct the situation. After it is corrected by the State attorney general, then of course there is no reason for imposing the penalty. In fact, examples of this type are included in the committee report.

Mr. CORMAN. Mr. Chairman, I often hear it charged that millionaries who pay no taxes are immoral. This is not precisely correct. We cannot easily impugn the integrity of those who maneuver scrupulously, if shrewdly, within the legal boundaries of our tax structure. Still, no one can claim that the end result is moral.

We simply cannot continue to take substantial sums from the paychecks of every worker in the Nation and leave untaxed vast sources of wealth. The immorality does not lie with the taxpayer who takes all that the law will allow. Rather, it lies with us. We have, after all, the authority and the responsibility to change those laws.

This bill does not change them all. Nor does it change any one of them as much as many of us had hoped. Yet, I do not hesitate to call it a sweeping reform. And I do not hesitate to call its effects equitable.

Mr. Chairman, I urge passage of this bill.

(Mr. TUNNEY asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. TUNNEY. Mr. Chairman, it took a war—and the surtax it spawned—to awaken us to the deep injustice of our tax system. The surtax issue jolted us with the awareness that the burdens of the Federal income tax fall most heavily on poor- and middle-income taxpayers. We have suddenly recognized that this simply should not be.

The Tax Reform Act of 1969, as a result of some last minute changes, now faces up to the plight of the middle-income taxpayer. Because it does, it should receive our wholehearted support.

Hopefully we have seen the beginning of a trend toward progressively easing the burdens placed upon the most overtaxed segment of our society—the middle-income homeowner.

Over 90 percent of our taxpayers report incomes of less than $15,000 a year. At least 20 million report incomes below the poverty line. Twenty million more report incomes below amounts established as necessary to live in our large cities with the most minimum kind of comfort. Twenty-seven million report incomes from $7,000 to $15,000, but are denied any real affluence by rampant inflation.

Taken together, this 90 percent pays the lion's share of the $70 billion or so that we collect in personal income taxes. The burden of carrying many expensive programs falls on their backs, although they are little able to afford it.

How do they live? Are they the inheritors of the American dream? Or do they see themselves as participants in some kind of American nightmare?

They live by spending over half their incomes on simple necessities of living—food and shelter. They must spend most of their income, and they save or accumulate little. They pay heavy property taxes and mortgage interest to obtain the security of owning their own home. The property taxes go up, and the interest rates soar, and still their schools and other community services do not significantly improve. In the last few years some services have actually deteriorated. On top of that, they pay a bewildering variety of sales and excise taxes which are hidden in the price of things they buy.

These families are saturated with tax. They are being taxed to death. Still they do not receive high quality services, and every year what they earn buys even less. These families—and the young, the retired, the widows and widowers living on limited, fixed incomes—they are the ones who are hardest hit by inflation.

This 90 percent includes families who supply the majority of the troops in Vietnam. They are the ones who are asked to pay for that tragic conflict three times over: once with the sacrifice of their children; twice as their incomes are scattered to the winds by inflation; and again, with a surcharge on the already stiff taxes which they regularly pay.

That is how we honor those who shoulder the major part of the Federal income tax burden.

Our Internal Revenue Code at the same time rewards another group of taxpayers who pay no tax at all. Since they pay no tax, they pay no surtax. They receive windfall profits from inflation, as investments in land and stocks soar. They spend a small part of their economic income for necessities, and consequently a smaller part of their income on State and local taxes.

Included in this favored group are many millionaires who pay no taxes at all, or who pay them at the very low effective rate of 5 percent. The rate on the first $1,000 of income is 14 percent. Consequently we are faced with the nightmarish fact of men with annual incomes of over $1 million—men with incomes a thousand times higher than the taxable income of a family of four earning only $78 a week—who nonetheless end up paying taxes at a fraction of the rate assessed against the poorest wage earner.

The Tax Reform Act of 1969 strikes hard at the inequities which allowed this result. It is an essential step toward restoring fairness and simplicity to the tax system. It recognizes the inordinate burdens which, in the past, we have placed on middle-income taxpayers, and it makes progress in easing those burdens.

Middle-income taxpayers will benefit from reduced tax rates. They will also be able to use an increased standard deduction which should simplify the preparation of tax forms for millions of persons.

When the tax relief becomes fully effective in 1972, middle-income families will receive significant tax reductions. A family of four earning $5,000 will enjoy a 31 percent tax cut of $90. The same

family, if it earned $10,000, would receive a tax cut of $174 or 16 percent. At $7,500, the saving would also be 16 percent or $111. Such a family earning between $12,500 and $15,000 would pay from $220 to $226 less in taxes.

Other provisions of the bill will benefit single persons over 35, widows and widowers, and the poor.

These changes are encouraging. Progress has just begun, however. We must remain alert to tax avoidance which violates the community's sense of justice and fairness. We must continue efforts to relieve greater numbers of the poor from Federal tax burdens. If a person finds it a hardship or an impossibility to pay for an adequate diet, or obtain adequate housing—and if he already pays significant indirect taxes on his expenditures—we should review carefully the amount of Federal taxes he is required to pay.

We must continue our efforts to bring inflation under control, and remain sensitive to the needs of the middle-income taxpayer. This bill should not spell the end of tax reform for another generation.

The war—and the surtax—have once and for all shattered our complacency and inspired a comprehensive effort to review our national priorities. This bill, however, responds to only half the problem. We must scrutinize how our Government spends, as well as how it collects its revenues. Even an equitable system of tax collection becomes an outrage, where the revenues are spent inadvisedly or ineffectively, while urgent needs are ignored.

That is the situation today. Urgent domestic needs are not being met. Instead Federal budgetary policies give disproportionate stress to financing foreign operations, and to expanding defense outlays at a steady rate of about 9 percent of our gross national product.

The burden of supplying needed community services has fallen on two unjust taxes levied against property and sales—taxes which are unjust because they are not based on a person's ability to pay. Property and sales taxes account for over two-thirds of the taxes collected by State and local governments. Because middle-income families must spend a higher proportion of their incomes than the wealthy, they pay a higher proportion of property and sales taxes to finance our domestic needs.

Although property and sales taxes are as high as they can go, the cost of meeting domestic needs, particularly in education, have been rising faster than our national income. Property and sales taxes have already been increased in a vain attempt to keep up with costs.

While State and local incomes cannot increase as fast as the GNP, it is estimated that for every 1 percent rise in national product, Federal income rises 1.5 percent.

The Federal Government monopolizes the most lucrative tax base—personal and corporate income—and it must begin to share this rising revenue with the States.

I firmly believe in the necessity for this, and I have introduced legislation to accomplish tax sharing. If adopted, the Federal Government would distribute 2 percent of the aggregate taxable income reported on Federal returns. This year such a program would result in the distribution of about $7 billion to the States on a formula basis. California would receive about $650 million under this approach. This would represent about 10 percent of the State's budget, and would be given in addition to other grants-in-aid. Unlike many grants-in-aid, however, there would be no strings attached to these funds. The State would be left to decide how they could be used most effectively. Such funds could provide a needed margin in resolving such local crises as the one in school financing.

The tax reform bill is half the battle. I urge that it be passed, and that we get on with restoring reason and fairness to the rest of the budgetary process.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from New York (Mr. ROONEY).

Mr. ROONEY of New York. Mr. Chairman, as usual, the distinguished chairman of the great Ways and Means Committee of this House, the gentleman from Arkansas (Mr. MILLS), has performed brilliantly in presenting to the House the pending comprehensive and much-needed tax reform. I urge its passage. It is not as much as I would like, but it has something for every one of my constituents.

I would like, too, Mr. Chairman, to take this opportunity to thank the distinguished gentleman from Arkansas (Mr. MILLS) and all the members of his committee for the action they have taken in connection with certain activities of tax-exempt foundations. I want to again thank the committee, too, for granting me the opportunity of appearing before it to testify with regard to the dangers to our constitutional form of government presented by a foundation dabbling in politics. At page 32 of part 1 of the committee report on H.R. 13270 it is stated that:

> In recent years, private foundations have moved increasingly into political and legislative activities. In several instances called to your committee's attention it was made clear that funds were spent in ways clearly designed to favor certain candidates . . . In some cases contributions were made to organizations that then used the money to publicize the views, personalities, and activities of certain candidates . . .

In my testimony before the Ways and Means Committee on February 19 of this year I spelled out just such a case. Unfortunately, I was speaking from first-hand knowledge since one of my opponents in the 1968 primary election had used just such a gimmick. I am gratified that the committee immediately grasped the danger inherent in the use of the "charitable" foundation political business and the fact that no office holder in this body or anywhere else in the country was safe from this sort of thing unless he had access to extreme wealth or could in fact set up his own charitable foundation to aid in his reelection.

Mr. Chairman, I am extremely pleased that the great House Committee on Ways and Means in its wisdom acted in the manner it did to remove the foundation problem from American politics and I am doubly pleased that I was able to play a small part in bringing this to the attention of the committee and through its action, the American public.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Texas (Mr. PICKLE).

Mr. PICKLE. Mr. Chairman, I appreciate the gentleman yielding.

Mr. Chairman, with the tax reform package coming up before us under a closed rule, I would like to make my feelings known on several important points in the bill. Before doing so, however, I would reiterate my sentiment that several of these items, in my judgment, are so important that they should be the object of separate votes. Of course I can see that this may not seem practical in a tax package of this size, and I can realize that fact.

One of the major items concerning me is the treatment afforded in the bill to the oil industry. Those of us from oil-producing States know that this topic has become the center of a hot, emotional conflict, and I firmly believe that the attacks being made on the oil depletion are based more on emotion than on fact. Why single out oil and gas? Why do we give an exemption to iron ore, keeping it at the same level, yet make a 25-percent reduction in oil and gas? On the face of it, thinking people must ask themselves why?

I think it is significant that this item, which has been represented as the high mark for the need for reform, is not presented to the House so that it can cast an independent vote and exercise its will. For years, the depletion has been ridiculed as a fantastic giveaway, and yet rational minds have kept it on the books since 1926. If it is now so bad, why should not the majority of the House be given the opportunity to vote on it directly?

I would also note that the Ways and Means Committee was quite formal in its approach on the depletion question. While they were willing to go back to touch up other aspects of the bill, this part of it was never again reopened.

There is one particular aspect of the depletion changes I would like to note to the House, and that is the provision dealing with foreign operations. I would start by saying that any changes in this area are of doubtful advantage to the U.S. Treasury, and it generally is not clear at all that a reduction in overseas depletion allowances will result in a corresponding increase in domestic tax revenues. Still, the package presented to us completely knocks out overseas mineral depletion as to oil and gas operations, but makes only about one-fourth reductions on most other minerals.

I do not think the overseas allowance should be removed on oil and gas. But if that step is taken, then I say we should certainly do the same for other minerals. We should let the other overseas industries feel the same treatment.

This heavy-handed imbalance is not one which would sit well on our conscience, and I am most hopeful that we will see further actions on this aspect of mineral depletion.

Mr. Chairman, another point I wish to comment on concerns the treatment made in the bill for banks and savings and loan associations. As the matter is presented in most of the summaries which appear on the bill, the committee actions merely involve a new series of formulas to recompute bad debt reserves and scale down percentage deductions, all with the result of raising substantially the taxes on savings and loans, mutual savings banks, and commercial banks.

It is important, however, to look into the background of what is being done, and to measure the impact of this action on one of this country's greatest needs—housing.

Savings and loans started out as being totally exempt from taxation, generally on the theory that the institution was merely acting as a clearinghouse for customers to do business among themselves. When tax liability was initially imposed in 1952, and increased in 1962, there were still substantial advantages left in the law for those institutions which had a sufficient portion of their outstanding loans in the home mortgage market. In fact, these additional advantages would flow to an institution only if they had more than 82 percent of their assets invested in residential real estate, liquid reserves, and certain other assets.

Needless to say, this incentive was quite effective, and in light of the relative uncertainties of the home loan market, it does seem this incentive should be maintained.

The actions of the committee are reportedly designed to close the gap in the taxes paid between the savings and loan associations and the commercial banks. Possibly this does need to be done to a certain extent. But I am most concerned that these actions do not go too far. I certainly hope we do not see a slow deterioration of the savings and loan industry, with the corresponding downfall in the home building industry.

This is an area we need to promote, not impair.

Mr. Chairman, the final topic on which I would like to comment concerns the new steps proposed on the cooperatives. First, I would like to say that I am encouraged by the actions of the committee on this item, when compared to the initial announcements they made in earlier press releases.

As many of my colleagues may have heard, the initial Ways and Means action was to increase from 20 to 50 percent the amount of patronage allocations an exempt cooperative had to pay out at the close of each year of operations. Moreover, there was proposed the requirement that the remaining 50 percent be revolved out as patronage payments within the following 5 years.

I think this initial proposal was too harsh. It effectively precluded any cooperative from acquiring capital for needed expansions and improvements, and it could have worked a hardship on many of these co-ops operating in our rural and agricultural areas.

Rather than pursuing this approach, the final committee action keeps the 50-percent current-year dividend requirement, but lengthens the 5-year requirement to a 15-year pay-out requirement phased in over a 10-year period.

Mr. Chairman, I realize that the operations of cooperatives have been subject to extensive commentary as to the propriety of their existence in our free enterprise system. In some types of cooperative operations, this may well be a valid point, particularly in those instances in which a cooperative competes directly with a small, independent farmer and businesses. But on the other hand, there are certainly those activities in which cooperatives can and do provide a valuable service, and I do not think we should lose sight of this in determining tax reform actions on these groups.

We have been given little time to study this huge measure. Everyone wants tax reform. Everyone wants tax relief. Everyone wants to see the tax burden shifted away from those least able to pay.

I know this has been the objective of the committee, and the bill is a result of a lot of work, study, compromise and action. The committee, however, was making changes in the tax tables as late as yesterday, and I believe this is recognition that we do need more time to clarify and correct this bill.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 2 minutes to the gentleman from Utah (Mr. LLOYD).

Mr. LLOYD. Mr. Chairman, I take this time to ask the chairman of the Ways and Means Committee a question.

Today I have been inundated with communications which charge that the committee did not hold sufficient hearings in order to give those who are interested in the bill sufficient time to appear before the committee with their testimony. I would appreciate it if the chairman would comment on that charge.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. LLOYD. I yield to the gentleman from Arkansas.

Mr. MILLS. I certainly want to comment on that statement, because whoever says that is just not informed about what took place.

We began these hearings February 18. The press release announcing the hearings was released on January 29 so there were 3 weeks of notice before we started. We laid out in our press release every subject matter we have acted upon with one exception. We did not include in our hearing notice any reference to the taxation of cooperatives. We did include in our hearing notice the tax treatment of every other subject matter that is included in this bill.

There were approximately 600 people who appeared before the committee and over another 200 who submitted statements. Their statements appear in these 15 volumes which consist of 5,815 pages.

Now, it is true we did not have a bill before us at the time of the hearings. Our committee develops a bill after the hearings. If they want to charge there was no hearing on this specific bill, I can only say there could not have been, because the bill itself was introduced on August 1, as the gentleman knows.

Mr. LLOYD. As a member I am acquainted with the fact that press releases have been issued periodically. Would the chairman make a comment on the periodic issue of press releases?

Mr. MILLS. Yes. We issued our first, covering what actions we had taken, on May 27, Then we issued another press release on July 11. Then on July 25 we issued another. From that point on, as I recall, we made our releases to the newspapers on a daily basis, because we were moving then quite rapidly.

Mr. LLOYD. Were there any responsible organizations or individuals who were denied the opportunity of presenting testimony to the committee either orally or in writing?

Mr. MILLS. Not that I am aware of. We heard everybody who asked to be heard within the time we fixed for them to file notice. We gave them approximately 3 weeks to do that.

Mr. LLOYD. I thank the gentleman.

Mr. Chairman, the clear and present responsibility of the House of Representatives is to correct inequities which exist in the application of the Federal income tax to the citizens. We must bring tax equity to that forgotten wage earner who bears a full share of the tax burden without sharing in the tax benefits available to wealthy nonwage earners. The revelation yesterday by Chairman WILBUR MILLS here on the House floor of the example of a widow who was left tax exempt securities enabling her to receive $2 million tax exempt income per year is only one of myriad examples of tax injustice. This House cannot be blind to these facts, and this vote for tax reform to achieve equity is imperative.

The Ways and Means Committee has performed a massive service. Those of us in this Chamber know the diligence and dedication which the committee has applied to this task since it began public hearings in mid-February. There were many who said it could not be done. But we have here today a product—not a perfect product—but a product conceived by the best minds and the best effort which the combined talents of the membership of that committee can produce.

The bill reduces certain tax incentives and allowances, such as those pertaining to development of our natural resources and others, which raise grave apprehensions in my mind and perhaps in the minds of every Member. It contains 368 pages. There are 435 Members of this House. If we were to open this voluminous bill up for amendments while 435 Members attempt to serve the particular interest we represent through amendments, we would not be finished by Christmas and we would be able to do nothing else. A closed rule provides us the only opportunity for actual progress.

Section 7 of the Constitution provides that all bills for raising revenue shall originate in the House of Representatives, and this House has properly confronted its responsibility. The bill moves from here to the Senate where under a policy of free and unlimited debate, that body can modify any provision where the removal or reduction of a tax incentive or allowance is adverse to the public in-

terest. I will not attempt to enumerate here all those incentives and allowances which I would wish it were within my power to consider individually on the merits. However, in addition to those tax incentives and allowances essential to develop our natural resources, I may mention those pertaining to local bonds, farm cooperatives, certain financial institutions and the degree of encouragement warranted by private foundations. All these and more, the Senate may properly analyze and pass judgment upon.

It is said a journey of a thousand miles begins with the first step. I would hope this will not be a thousand mile journey. But certainly this House cannot avoid its responsibility to take this first step today toward establishing equity and fairness in the application of the Federal income tax. The free, taxpaying citizens of America demand and deserve no less.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume, to the gentleman from Indiana (Mr. BRAY).

Mr. BRAY. Mr. Chairman, this tax reform bill is generally good legislation. Writing a tax bill is complicated, and the great extent of this bill makes it especially difficult. The bill itself covers 368 pages.

The committee did not have sufficient time to properly work out every change. There is one provision to which I draw your particular attention: that of changing the Federal tax-exempt status of municipal bonds. I believe it is a great mistake.

Every community in America, every school, our streets and highways, flood control and antipollution projects, airports, and scores of other vital community projects are all dependent upon obtaining the necessary money from bond issues. To sell these bonds under this new tax law, it will be necessary to pay an interest rate so high that it will do great injury to the property owners in the respective taxing districts who are already paying backbreaking taxes.

The committee apparently was aware of this for they have worked out a plan whereby the Federal Government, if the taxing unit desires, certifies on the bond that it is not exempt from Federal taxes will pay a part of the interest to the local bonding unit. How are you going to determine what percentage the Government will pay? That means that every township, every village, every city, every county, every taxing unit, if they choose to use this method of issuing bonds, must go to Washington to negotiate as to what, if any, reimbursements they can receive from the Federal Government on their bond issues. This certainly will open a Pandora's box and will mean utter chaos.

By changing the exemption on municipal bonds we will force local governments at every level to look to Washington to solve their problems.

Since this is a closed rule, no amendments can be offered. I trust that when the Senate considers this bill that they will give careful consideration to this section and eliminate it.

The method provided in taxing mutual funds are complicated and it is difficult to understand exactly how it will work, but to relieve that uncertainty, this section should be removed.

As I have stated, this generally is good legislation, but in the interest of local self-government and in the interest of every community in the United States this section should be removed.

Mr. MILLS. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas (Mr. MAHON).

Mr. MAHON. Mr. Chairman, along with other Members of the House I am very deeply interested in this legislation and very concerned that we find the right answers to the problems confronting us.

In the debate of yesterday I made reference to my grave concern over the provisions in the pending measure which I consider highly adverse to the best interests of the oil industry and to the Nation as a whole. I would like to comment further on this most important subject.

It seems more important now than ever before that we have an atmosphere which will encourage exploration and the development of our domestic oil industry. In my appearance before the Committee on Ways and Means on March 20, I stated in part the following:

National security demands that we have a healthy and growing oil industry. Forty percent of the independent oil producers in my area have gone out of the oil business in the last 10 years. There has been a nationwide decline in exploration, a decline in drilling, this in spite of the fact that there are certain incentives, but these incentives have not been adequate to provide the growth that we should have in the development of oil resources.

Mr. Chairman, I quoted to the Ways and Means Committee an excerpt from a study provided by the Department of the Interior which states that in order to meet rapidly growing demands for petroleum during the next 15 years the industry must find and develop 50 percent more oil than has been found and developed during the past 15 years. I went on to state to the committee:

For many good reasons we don't want to precipitate a situation that would bring about a further decline in exploration. What we want to do is to generate more interest in the finding of reserves because we have to find about 50 percent more in the next 15 years than we found in the last 15 years.

So, this is one of the problems here involved. The consumer has been, generally speaking, very fortunate. The price of a barrel of oil 10 years ago was about $3.05 and it is about $3.04 now, despite huge increased costs, inflation, labor, and so on, and the drilling of deeper, much deeper wells than was formerly necessary.

In exploration you find that in wildcat wells 8 out of 9 of them are dry holes. This is a hazardous business and it needs to be encouraged from the standpoint of the national interest, national defense, and otherwise.

Mr. Chairman, there are those who apparently assume that those of us who oppose certain damaging provisions relating to oil are taking a narrow view of the pending measure. I do not believe this is a correct assumption. The overall economic well-being and military security of this country is directly related to the availability of an adequate domestic oil supply for the future. We must take a long-range view if we are to safeguard our best interests.

Earlier this year in testimony presented to the Appropriations Committee, Mr. John O'Leary, Director of the Bureau of Mines of the Interior Department in referring to U.S. production and consumption of mineral resources stated:

Looking at a straight-line extrapolation of the U.S. production and consumption, we find this: Right now we are producing in the range of $25 billion worth of mineral resources and consuming about $31 billion worth. By the end of the century, we will be consuming $90 billion worth annually and producing something in the range of $45 billion worth annually. In other words the present deficit of six or six and a half billion will increase to 45 billion by the end of the century.

Taking this back, in 1950 our deficit was only about 9 percent of our consumption requirements. Our deficit now is in the range of 25 percent of our consumption requirements. By the end of the century, it will be in the range of 50 percent of our consumption requirements.

Mr. Chairman, I realize that this is a projection into the future but the significance of the statement seems obvious. As we all know we already face a critical balance-of-trade problem. The very pertinent question arises, how are we to offset this staggering projected deficit—this huge projected increase in imports to satisfy this anticipated demand.

Of the $25 billion of minerals production Mr. O'Leary refers to, petroleum represents about $10.8 billion; of the $31 billion of consumption, some $13.8 billion is oil. Following this trend down the road to the projected $45 billion deficit in minerals by the end of the century one can clearly see the seriousness of the situation which confronts us.

In 1964 our Nation had in all goods and services a favorable trade balance of over $8 billion. This year we will have little if any surplus. How will we offset the projected increasing deficit in minerals?

We certainly cannot afford to create conditions which stifle domestic exploration. Our immediate and long-range economic welfare just will not permit this.

Mr. Chairman, in the vote on the pending measure today we are confronted not only with the provisions in the bill which relate to oil and minerals but we are also confronted with provisions in the bill which relate to many other areas of tax legislation.

I am concerned, as I know many other Members are, about some of the provisions and implications of the pending measure relating to a number of other tax problems. The 369-page bill is extremely complex and technical and it has not been possible to fully analyze in the brief time since the bill has been available all the various provisions in the measure. Such a far-reaching measure deserves closer study and consideration than we have been able to give it during this brief period.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from New York (Mr. KOCH).

Mr. KOCH. Mr. Chairman, first I wish to thank the gentleman from Arkansas, the distinguished chairman of the Ways and Means Committee, for his graciousness in yielding me this time.

Mr. Chairman, yesterday the distinguished chairman of the Ways and Means Committee was very kind in responding to an inquiry which I made. I asked him what was the committee's rationale for seeking to impose a 7½-percent tax on the investment income of private foundations such as the Ford Foundation, and not similarly taxing the investment income of churches, colleges, and those foundations which are largely supported by the general public such as the March of Dimes. I hasten to add that I do not believe that any of these organizations ought to be subject to this tax. But, in any event, I wanted to ascertain whether there was any legitimate reason for this distinction. I listened very carefully to the chairman again reread his statement this morning and I must confess that I still can discover no valid reason for the distinction. His answer included the rather dubious proposition that colleges and churches who receive contributions from the public turn right around and spend these moneys leaving no balance to tax. This flies in the face of reality when we all know of the tremendous investment portfolios of these institutions arising from bequests and capital fund raising drives. Such institutions, I submit, are no different than private foundations in seeking to make their money grow by prudent investment so as to have greater wealth for their worthy purposes.

As the result of my conversations with others more conversant than myself on this matter, I have come to the conclusion that there is no rationale other than that there are members of the committee and this Congress who do not agree with some of the programs and philanthropic activities of certain private foundations and wish in some way to indicate their displeasure. Surely if the intent had merely been to raise moneys to finance the closer supervision of the activities of all foundations, private or otherwise, then a very modest 1 or 2 percent might have been imposed. The report of the committee describes the tax as a "user fee" to defray the cost of policing the foundations. However, as the New York Times pointed out in yesterday's editorial, the committee proposes no machinery or funds earmarked for such supervision.

Since no adequate explanation can be given for this discriminatory and punitive tax of private foundations, I hope that serious consideration will be given in the other body to the elimination of this provision.

I intend to vote for the bill because I think it has sections which are very helpful to the low and middle income tax payers, and I hope that those sections of the bill which are, in my judgment, still inequitable will be revised by the other body.

Mr. MILLS. Mr. Chairman, I yield 7 minutes to the gentleman from Indiana (Mr. JACOBS).

Mr. JACOBS. I would like to say a word about the forgotten man in this debate—the oilman. "Once there was a little girl with a curl in the middle of her forehead. When she was good, she was very, very good. But when she was bad, she was horrid."

Mr. Chairman, there is much good about H.R. 13270. But, by omission, there is much bad about it, too.

Tax reform in general terms has always been good speech material. Politicians have always known they must either be for tax reform or seem to be for it.

Recently, being specific on the subject has even become vogue. So speaking out against unjustifiable tax breaks for certain privileged citizens may have already become, at best, repetitious and, at worst, passé. It is doing something about it that would prove unique now.

Orwell wrote of a society where all were equal, but some more equal than others. It was left to my college professor of political science to explain that: "Government is that means by which the strong will take what they would have taken anyway. And the weak can retire gracefully."

Until now the weak have been the average taxpayers who year in and year out pay the taxes to make up for the tax break subsidies extended to such conspicuously unneedy interests as the petroleum industry; inheritors of tax depreciated and untaxed appreciated property; holders of vastly appreciated, yet untaxed assets used for charitable deductions and holders of certain kinds of bonds.

But the average taxpayers who have suffered this injustice are not so weak anymore. They are not so weak anymore because of the nature of the weakness which victimized them in the first place. That weakness was a lack of knowledge about what is going on and who is getting away with what under the 1954 Federal Income Tax Code.

But now the cat is out of the bag. And these people who have been paying far more than their fair share of the tax burden can no longer be misled by the nebulous sleight of tongue which mumbles something about the need for tax subsidies to the petroleum industry because the country needs oil, and supposedly no red-blooded American oilman will go out and dig it up if he has to pay the same tax on his huge profits as other businessmen. The average taxpaying citizen might well ask, "How much faith does this argument show in the profit motive of the free enterprise system?"

Nor is this average citizen likely to accept the threadbare argument that, with market-oriented production and import controls, there is a shortage of oil which can be reduced by subsidizing those who sell it to the public.

I hear it said that the petroleum industry risks money when it drills for oil. And so, too, does every other businessman who invests in the pursuit of profit. The oil industry is permitted deductions which do not pretend to relate to the actual cost of doing business. Other businessmen and individuals are allowed tax deductions only to the extent that they represent exact amounts expended in the production of income.

Some will tell you that from the oil businessman's point of view, oil is a depleting asset, salable only once. Can this not be said of the goods of any mercantile operation which is allowed to deduct only the actual cost of goods sold?

With modern accounting methods, there is no mystery about the actual figure of the depletion cost to a given oil company. Indeed, the code provides for cost computation of oil depletion as an optional alternative to the 27½-percent depletion allowance. Obviously, those whose cost depletion exceeds 27½ percent will choose the cost approach for taxes. And those whose actual depletion cost is less than 27½ percent will accept the subsidy of the percentage method. Thus, the Government is saying that if an oil company pays a great deal of its gross income to obtain the product sold, there will be no subsidy. But if that cost is a smaller percentage of the gross income, there will be subsidy.

But after everything is said that can be said, the fact would remain that year in and year out the average income tax paid by the petroleum industry has been considerably less than 10 percent of profits computed as other businesses are required in determining their Federal income tax obligation. And that is a wrong to which no citizen should have a right.

The mythical 27½-percent depletion allowance which at present is only used to the extent of about a mythical 23 percent, is changed by this bill to an also mythical 20 percent. The difference between the cost of depletion and the 20 percent equals the giveaway sanctioned in this so-called reform bill. It seems to me that the reform has been run through a refinery on well-oiled rails. Once again big oil seems to be sliding its slippery way through the closed rule of Congress. And people wonder why there is a grassroots taxpayer's revolt.

Does anyone here really think that the outrage of this daylight robbery from our constituents, the vast majority of American taxpayers, can be kept a secret from them?

As is well known by more and more people in this country, mythical depletion allowances represent only one unjustifiable tax break for the petroleum industry. The intangible drilling cost deduction allows for a complete writeoff in 1 year of a large part of the capital expenditure for drilling. Such an arrangement makes the classic concept of rapid writeoff seem like tax confiscation. The practice should be ended. But the bill before us does not end it. The so-called "50 percent of income must be taxed provision" applies to everyone—everyone, that is, except oil people.

When the unspecially privileged citizen pays tax to a State of the United States, he is allowed—not a tax credit for Federal income tax purposes—but the far less beneficial tax deduction. When an oil company pays royalties to a foreign government, that company is allowed a tax credit mostly in the current year. How American is that? This so-called reform bill allows credit where credit is not due. It continues this petroleum privilege. Other areas of unjus-

tifiable tax breaks besides the petroleum industry remain safely ensconced in the protective harbors of the committee inner sanctum and the gag rule under which mere ordinary mortal Congressmen are not allowed even to offer amendments on the floor. For example, the unjustifiable treatment of inherited property with respect to depreciation and appreciation is well known, but not changed.

Suffice it to say that it is difficult for six men to carry a piano, but especially difficult when some of the biggest of them are riding on it.

Except where legitimate need exists, equal protection under law should include equal treatment under the tax law, but under this bill, it does not.

Mr. MILLS. Mr. Chairman, I yield such time as he may consume to the gentleman from Wisconsin (Mr. OBEY).

Mr. OBEY. Mr. Chairman, I rise in support of this legislation.

If my election to the House on April 1 represented anything at all, it was a reflection of the deeply held desire by the people who reside in Wisconsin's Seventh Congressional District for meaningful tax reform.

When I sought the support of the citizens of my district, I pledged that if I were sent to Washington my No. 1 priority would be tax reform. I intend to fulfill that pledge today. I am pleased to be able to do so because there were times when I doubted the chance would ever come.

I am not so pleased, however, about the conditions under which we are forced to debate and vote on this bill. I think it unfortunate that this bill is being debated under a closed rule which thereby prohibits Members from offering even one amendment.

There is much to justify a vote in support of this bill. This bill will provide some long range tax relief for the lower and middle income taxpayer and it will reduce the disgraceful inequities which in the past have allowed 21 millionaires and 134 other persons with incomes of more than $200,000 to pay no Federal income tax at all, while at the same time 2.2 million taxpayers with incomes below the Government-designated poverty level were required to pay $100 million in income taxes.

There are a number of amendments which I would like to have been able to offer in an attempt to make this bill more equitable.

They would have included—just to mention a few:

First, an amendment to eliminate the 6-month surtax extension from the bill. Admittedly, the surtax extension is at a reduced rate of only 5 percent, but I am reluctant to give my approval even to that without assurance that necessary changes in spending priorities will be forthcoming. It cannot reasonably be denied that the Government is spending a significant portion of our tax dollar in the wrong places;

Second, an amendment to ease the provision in this bill dealing with cooperatives. This provision deals in an unnecessarily harsh manner with cooperatives and the entire matter should be studied more carefully before any action is taken;

Third, an amendment to retain the 7-percent investment tax credit for the cost of new machinery and equipment up to, say, $15,000 a year. While I support the overall attempt to repeal the investment credit in order to help reduce inflationary pressures, I believe a sound case can be made for retaining that 7 percent credit for the first $15,000. Certainly, that limited a credit would have a minimal effect on inflation and would be of great assistance to family farmers and small businessmen;

Fourth, an amendment to crack down even further on high-income taxpayers and corporations who use farm losses to offset nonfarm income. The provision on tax-loss farming originally proposed by the Ways and Means Committee is stronger than the one in the final bill, and I would like to see much stronger provisions to stop corporation from milking the Federal Treasury.

These amendments—along with several others—would have made this a better bill and I am convinced that, if we had been given the chance, at least two of them would have been passed.

In spite of my disagreement with several portions of this bill, I am voting for it because on balance it eliminates many of the inequities which, if allowed to continue, could create a crisis of confidence in this country. The American taxpayer has throughout the years compiled a truly remarkable record of responsibility and generosity. He has reached into his pocket to help support not only his own society, but many others as well, all around the globe. And he has done it—largely on a self-assessment basis—despite his knowledge that for years special privilege loopholes in our tax laws have given help to the well-to-do at the expense of the poor.

The American taxpayer does not ask much of his Government. He does not, by and large, seek to avoid hs responsibility as a citizen so long as he knows everyone else is also doing his share. And so, in that sense, the passage of this bill is a tribute to the American taxpayer's compliance with our tax laws, despite enormous frustrations.

I am greatly pleased that one glaring inequity was eliminated from this bill yesterday when the committee very responsibly adjusted the tax rates to provide some tax relief for low- and middle-income wage earners who itemize their deductions. As originally proposed, the tax reform bill, under certain circumstances, would not have given these people any relief at all while it would have given 88 percent of the $1.8 billion resulting from the rate reductions to taxpayers earning over $15,000 a year. Fortunately, that inequity has now been corrected and the tax relief will be spread out much more evenly over all income groups.

Although the public should be aware that the tax rate reductions in this bill will not take full effect until 1972, the changes in this bill will nevertheless eventually provide a rate reduction for the hard-working and deserving middle-income taxpayers in this country. That is one reason why the passage of this tax reform bill is needed and why I intend to vote for it.

I would caution my colleagues, however, not to believe that passage of this bill will end the struggle for tax justice. In that regard we still have a long way to go.

And there is one other danger present here today and that is that this bill is being considered much too hastily. We are dealing with a 368-page bill and a 226-page committee report which has only been available in final form for some 3 days. The material contained in these documents is complex and it is important; and it is difficult if not impossible for Members—especially those not on the Ways and Means Committee—to dig into the details of this legislation. The possibility exists that in our haste we may be overlooking loopholes or even new inequities which are still tucked away in the far reaches of this bill.

This bill has its flaws and I would hope that the Senate would eliminate at least some of them before they give it final passage. But on balance, if we are to keep faith with the American people, the bill before us today requires our support.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Louisiana (Mr. WAGGONNER).

Mr. WAGGONNER. Mr. Chairman, I would like to say that I agree that the House Committee on Ways and Means has labored all year to produce what is referred to as a tax reform measure. I would suppose as my predecessor in the well, the gentleman from Indiana (Mr. JACOBS) has said, politicians or people who hold political offices always must be for tax reform, but I cannot help but note it depends on whose foot the shoe is. The gentleman from Indiana (Mr. JACOBS) spoke eloquently about the tax advantages and the need to reduce the depletion of the oil industry, but the gentleman took no cognizance of the fact that the percentage depletion for iron ore in the gentleman's State was left untouched and not reduced. So I would suppose that it depends upon whose ox is being gored, and we all attempt to look after the interests of the people that we represent.

To be sure, I represent a State which is, in fact, the second largest oil and gas producing State in the Nation and which acre for acre is the largest oil and gas producing State in the Nation—thank God—because I am happy to have those resources available for our people.

Mr. Chairman, there was some reference to this as a tax reform measure. It would be a more apt description to refer to this legislation as a revenue-producing measure because in my personal opinion it is exactly that, a revenue-producing measure. There are those who have, maybe not as jokingly as it would appear—referred to this measure as the tax lawyer and accountant's relief act of 1969—because it is a complicated measure.

The committee did work long and hard, but I believe the best interests of the people of this country would have been better served had this House had additional time since the committee reported the bill to give a little more consideration to it. I did, believing that to be necessary, appear before the Committee on Rules and asked that consideration of this legislation be delayed until after

our August recess which begins next Wednesday, the 13th of August, but the Democratic process in the Committee on Rules was at work, and the Committee on Rules voted against me, and I abide by their decision.

As you gentlemen know, it was just Monday of this week when we were first handed copies of this bill, 368 pages long. It was accompanied by a 266-page report. Just yesterday, I had my first look at part 2 of the report, an additional 143 pages. This is a total of 777 pages of legislation and report. I do not believe that the House has acted wisely in forcing us to take up and vote on this bill without providing us a decent amount of time to study its provisions and ascertain what its ramifications are. This is the most complex piece of legislation to come before the House in decades, in my opinion.

I, for one, want to know what I am voting for or against. I want to know how this legislation will affect every man, every businessman and every housewife and there is not time for me to find out on my own and no one who can answer the scores of questions many of us have on this bill. I am told to read the digests appearing in the news media, but I am not interested in the snap judgments of some newsman I do not know who has probably had a great deal less contact with this legislation as it was being written than I have had.

I have a number of questions that I would like to get clarified, Mr. Chairman, with regard to this measure. Some of these questions, perhaps most of them, I have handed to the distinguished chairman of the House Committee on Ways and Means—as capable a committee chairman as I have known in my tenure here in the Congress.

Mr. Chairman, I shall proceed with my questions. The first question has to do with section 121 of subtitle B of title I.

Mr. Chairman, do I understand correctly that under the provisions here the investment income which is produced through donations received by fraternal organizations are to be taxed at the same rate as businesses, rather than at the 7½ percent rate accorded to foundations, for instance?

Mr. MILLS. Mr. Chairman, if the gentleman will yield, they would be taxed at the corporate rate—but if the gentleman will pardon me, let me make it clear why the 7½ percent was provided for foundations: foundations of the type we are talking about, private foundations, develop most of their income or revenue from dividends. And if a foundation were a corporation, then the corporate dividends received deduction would come into play, under which the corporation deducts 85 percent of total investment income from the tax, and leaves 15 percent subject to tax, which with a tax rate of 50 percent, means a 7½ percent on the whole income.

Mr. WAGGONNER. What would be the effect of this then? Is it the intent of the bill to penalize lodges and national organizations who decide to file a consolidated return for their affiliate chapters by taxing them at a rate which is greater than that applicable to individuals, corporations, and other associations when an information return is not timely filed?

Mr. MILLS. I believe what you are referring to relates to the requirements for the filing of information.

Mr. WAGGONNER. Does this apply also to organizations like the Boy Scouts, the Girl Scouts, PTA, garden clubs, symphony societies, and so forth?

Mr. MILLS. Yes, that is true. But the Secretary is given the authority to waive these filing requirements and I would anticipate that he would waive the filing on the part of many of those the gentleman pointed out, like the Boy Scouts, Girl Scouts, PTA, and organizations like that.

Mr. WAGGONNER. Mr. Chairman, to move on to another subject—to the subject of hospitals—specifically section 101(j) and section 201(a) of the bill and sections 501 and 170 of the code.

Is the language of the bill adequate to insure their exempt status will not be denied on the basis of the current section 503(c)(3), which I quote and which says: "makes any part of its services available on a preferential basis."

For example, will the denominational hospitals such as hospitals operated by churches or church organizations be penalized or be deprived of their tax-exempt status because they prefer members of their faith over nonmembers?

Mr. MILLS. Apparently, whoever brought this matter to the attention of the gentleman from Louisiana was not aware of the full action taken by the committee.

In taking the hospitals completely out of the private foundation category, the language you read, which I believe is part of the self-dealing provision, becomes inapplicable. Even if it were applicable, it would refer to preferential treatment only in the case of substantial contributors, and certain other limited groups.

Mr. WAGGONNER. Is the gentleman saying that the same is true, then, of hospitals operated by lodges and other organizations?

Mr. MILLS. Yes.

Mr. WAGGONNER. To go to another subject—farm losses—section 211 of the bill and section 1251 of the code.

Is it the intent of this bill to penalize the small farmer who under present law has sustained farm losses for tax purposes? In other words, assume a farmer dies and his property passes to his children who are scattered to the four corners of the Nation and let us assume also that they desire to sell the property. Would they be subject to the recapture provision for the losses sustained by their father?

Mr. MILLS. No, they would not. They are not subject to the recapture provision with respect to the losses of their father when they sell property which passed to them by reason of their father's death.

Mr. WAGGONNER. Let us talk for a moment about the average farmer. Would this bill require the average farmer any extraordinary accounting problems or problems in tracing the character of his income and expenses?

Mr. MILLS. No. If I know anything about the expression "average farmer," the provision would have no application whatsoever to him.

Mr. WAGGONNER. I believe the gentleman knows something about that because we both grew up in farm country.

Mr. MILLS. Let me say that this provision would have no application to such an individual, because for the provision to apply to a person he must have at least $50,000 of nonfarm income a year and, even then, the provision only applies to his farm losses to the extent they exceed $25,000 a year. I think these requirements would eliminate all "average farmers."

Mr. WAGGONNER. Because investment-wise wealthy persons, to which you direct your attention, have in recent years used the farm to obtain operating losses, is it really prudent to destroy the accounting rules well established and understood by most farmers who derive their sole living from farming operations? In other words, would not it be best to prohibit certain investments from nonfarmers in farming operations?

Mr. MILLS. In a way, indirectly, that is what the bill does. It does not destroy the farm accounting rules. It just says that a wealthy nonfarmer cannot receive the special tax benefits of those farm accounting rules. Whether a person is a farmer or a nonfarmer has to be determined by a reasonable and practical standard. The standard adopted in the bill looks to the size of the person's nonfarm income and the size of his farm loss. If the person's nonfarm income is quite large—over $50,000—and his farm loss also is large—over $25,000—the bill in effect classifies him as a nonfarmer.

Mr. WAGGONNER. Mr. Chairman, let me ask another question with regard to farm income which has to do with the subject of capitalization. What would be the situation, for example, say, where we would have a family who buys a piece of land for $100,000. He receives during the lifetime that he owns this land—and it can be for any period of time, but we will say for 20 years—a sum which for example, is $50,000 from the Federal Government in the form of conservation benefits, for seed for his land, for improvements, and that sort of thing, to build watering ponds. At the end of the 20-year period would that farmer be required to capitalize that $50,000 of the nature I described which he received from the Federal Government?

Mr. MILLS. He would not be required to.

Mr. WAGGONNER. He would not be required?

Mr. MILLS. He would not be.

Mr. WAGGONNER. Let us talk for a moment, Mr. Chairman, about the limitation on deductions of interest. Do I understand the committee bill to mean that if a taxpayer does not receive in a taxable year net investment income from an investment property, his maximum interest deduction is $25,000?

Mr. MILLS. No, he can offset the interest deduction against not only his investment income, but also capital gain. Moreover, the limitation does not apply

to interest which is incurred in carrying on a trade or business or to personal interest, such as on a home mortgage. It only applies to interest on moneys used to purchase or carry investment properties. I should also say that if the limitation applies so some part of a taxpayer's interest deduction is disallowed, the bill provides a carryover to future years for the unused amount of interest deduction. The general rule, though, places a limit of $25,000 on the amount of investment interest that a taxpayer can deduct from his other income—that is, his income other than capital gains or investment income.

Mr. WAGGONNER. What the gentleman is saying is that there is a limit of $25,000 for which he can claim a deduction if this interest is related to or applied to investment income and investment income alone.

Mr. MILLS. It is applied there first, and then he can deduct an additional $25,000 from his other income. When I spoke yesterday, I pointed out that 72 of the 154 cases analyzed by the Ways and Means Committee where there was an income of $200,000 or more but no tax paid, benefited primarily from the use of an extremely large deduction for interest. In other words, by borrowing large amounts to make low-income producing investments, taxpayers are able to use the interest deduction on the borrowing to shield their other income from tax. It is these types of situations the limitation in the bill is designed to cover.

Mr. WAGGONNER. Mr. Chairman, I am interested in the oil industry, for reasons I have already stated. Will you tell me what you personally believe the net effect on the oil industry will be with regard to ABC transactions and carve-out transactions? Maybe I can simplify it and you can answer the question in this way: Would the application of the proposed tax law, when all properties are sold under the tax treatment provided here, not tend to reduce the value and thereby limit the ability of the oil operator to borrow under the tax treatment provided for in this legislation in the instance of ABC transactions and carve-out transactions?

Mr. MILLS. I doubt that it would significantly affect their borrowing or their opportunity to borrow.

Mr. WAGGONNER. What about the sales, then, Mr. Chairman?

Mr. MILLS. The proposal should not have a significant effect on sales either. The bill does not prevent the creation of mineral production payments or ABC transactions. It just treats production payments—carve-outs or returned payments—as a loan or mortgage transaction, which in reality is what they are, rather than the way the present law treats them. The present treatment results in an annual revenue loss of $200 million. The bill would eliminate this revenue loss which really results from the improper characterization of production payments by present law.

The effect of these provisions is to make it impossible to avoid the 50-percent net income limitation in the case of percentage depletion, the limitation on the carryover of net operating losses, and the limitations on the foreign tax credit, and to prevent the paying off of what amounts to a mortgage with before-tax dollars.

Mr. WAGGONNER. Talking about other interests, following from my last question, the question has been raised and was asked yesterday by the gentleman from Oklahoma (Mr. EDMONDSON) of one of my colleagues, the gentleman from Louisiana (Mr. BOGGS) whether or not the percentage depletion on coal was reduced by this bill, and his answer was that he did not know, to ask the gentleman from Arkansas. The gentleman from Oklahoma (Mr. EDMONDSON) also asked the chairman that question, and the chairman's answer to the gentleman from Oklahoma was "No." Is that still the answer of the gentleman from Arkansas? I ask this because I think many of the people who worked long and hard on this bill have a misunderstanding themselves about what this bill really contains.

Mr. MILLS. If the gentleman will yield further, the depletion allowance on coal under existing law is 10 percent. Under this bill, it will be 7 percent. I doubt, however, if that will have very much effect, if any, on the coal industry since most properties are controlled in that industry by the net income limitation which means that the percentage depletion rate has little effect. If I said that coal was not appreciably disturbed this is what I meant.

Mr. PICKLE. Mr. Chairman, will the gentleman yield?

Mr. WAGGONNER. I yield to the gentleman from Texas.

Mr. PICKLE. Mr. Chairman, I appreciate the gentleman from Louisiana yielding, but I wanted to ask the chairman of the committee why, when the committee reduced the depletion on foreign production of oil and gas, they made only a limited reduction in other minerals, and they made a total elimination of oil and gas, but they did not do this to the other minerals. Why the decrease, and why single out just two minerals and not the others?

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. WAGGONNER. I yield to the gentleman from Arkansas.

Mr. MILLS. Mr. Chairman, it always takes votes to carry a motion in committee, just as it does on the floor of the House. I thought the depletion allowance for oil and gas should be eliminated on overseas operations and that similarly percentage depletion with respect to the overseas operations of all other extractive industries also should be eliminated. I asked unanimous consent in the committee that we do that—because at that point it took unanimous consent—and I heard a flurry of noes.

Mr. PICKLE. Mr. Chairman, I would assume from what the chairman said that if this bill moves along—assuming it does move along—at a later point the committee and at least the chairman as an individual would give consideration to this, that if we do take away all foreign depletion allowance—I hope we do not—but if we do, we will take all away or none?

Mr. MILLS. That is the fair thing to do, or to restore some foreign depletion on oil and gas.

Mr. PICKLE. Mr. Chairman, I thank the gentleman from Arkansas.

Mr. WAGGONNER. Mr. Chairman, With respect to the minimum standard deduction for a family, is that the same as we debated in the limited surtax provision on June 30?

Mr. MILLS. When the provision passed the House on June 30, it contained a phaseout which applied where the family's income was above the poverty level. In other words, the additional deduction was reduced as the family's income rose above this level. This bill contains the same additional deduction—the low-income allowance—but it removes the phaseout after 1970 so the deduction will benefit more people. The bill that passed the House on June 30 took about 5.8 million people off the tax rolls entirely, and the revenue impact was about $625 million, if my recollection is correct. The provision in this bill will take 5.8 million people off the rolls entirely, and will substantially decrease the taxes of persons who have low incomes which, however, are above the poverty levels. The elimination of the phaseout adds a cost of $2 billion to the $625 million, so the total cost of this part of the tax relief provided by the bill comes to $2.625 billion.

In other words, this provision of the bill will provide $2.625 billion of tax relief to relatively low-income taxpayers. I should note that the bill also differs very significantly from the one we passed on June 30 in that it contains other substantial forms of tax relief. This bill also increases the regular standard deduction and cuts the tax rates for all taxpayers.

Mr. WAGGONNER. Then the chairman will offer this as a committee amendment?

Mr. MILLS. No. This is in the bill already. I will discuss what I am offering as a committee amendment in just a minute.

Mr. WAGGONNER. Then in summary, may I say this. This bill and the idea of tax reform which I certainly support, held out the promise of much-needed tax relief for the people, but it has failed to deliver on that promise. Instead, it is a tax-producing measure. It cripples much of the oil and gas industry by punitive taxation. It takes the first giant Socialist step down the road to a guaranteed annual income to everyone whether they work for it or not. The inclusion of the surtax at 5 percent through June of next year takes money out of the taxpayer's pocket now, yet withholds until April 15, 1972, what little, if any, tax relief there is to be had. The measure is clearly flowing in contrary directions.

The argument was made earlier that we had to take money out of the hands of the people to prevent inflation. Now, this week, the argument is advanced that we have to put money into the hands of the people. Which theory are we to believe since they cannot both be correct?

We repeal in this measure the investment tax credit which is another way of penalizing success. But equally as disturbing to me are the failures of this bill, the things that could have been done which have not been done. For instance, there is no provision for providing relief to the taxpayer with children in school and who is faced with spiraling costs of college expenses. This relief should have been provided. No increase has been provided in the personal exemption which would have benefited every taxpayer across the board. As the author of a bill to increase the deduction from $600 to $1,500, I am naturally disappointed.

So much could have been done. But so little has been done.

It is a deception and I cannot support it.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. MILLS. Mr. Chairman, I yield to the gentleman from Montana (Mr. OLSEN) such time as he may consume.

Mr. OLSEN. Mr. Chairman, I am very disappointed that the tax reform legislation is being presented to the House under a closed rule. Nevertheless, I intend to cast my vote for the omnibus bill because of my belief that some reform is better than no reform at all, and I fear it will be a long time before the House gets another crack at increasing the equity of our tax laws.

I hesitate to resign myself to such a pessimistic view, but it is hard to do otherwise in view of the fact that this is only the third time our tax structure has been revised since income taxes were adopted in 1913. As a matter of fact, fewer than 30 Members of the body have ever had an opportunity to vote on a tax structure that is vitally important to every man, woman and child he represents.

Perhaps I am wrong. Perhaps the public outcry that every one of us has received from hundreds of average wage earners will resume when our citizens come to realize the continued inequity that today's closed rule forces us to accept.

Time and again I have heard reference to "the forgotten American" in this Chamber and elsewhere. This is the average American worker, you know, who goes to church on Sunday. He pays his taxes, of course, without grumbling and never questions the equity of tax laws or how his tax money is spent. The forgotten American accepts a surtax with a shrug of the shoulder and sees his children off day after day to substandard educational opportunities as the men he elected to represent him in Government slash billions of dollars from the authorization for educational spending. And how many of our elected officials speak with mock compassion and admiration for the forgotten American hoping that he will stay forgotten and will not rock the boat?

Mr. Chairman, in case the Members of this body have not noticed, the forgotten American has all the more reason today to feel forgotten, and we do not have to go far to find who forgot him.

This is the reason why I regret that we are forced to consider this measure under the closed rule today and this is the reason why I am taking this opportunity to make my views known. I do not believe an unqualified "Yes" vote, though it will mean some improvement in our tax structure, truly represents the people of my district.

If I could, Mr. Chairman, I would ask the House to consider a greater percentage of tax relief and families with income above the poverty level but below $15,000 annually.

If I could, Mr. Chairman, I would ask consideration of additional tax relief so badly needed by our senior citizens and handicapped Americans and an increase of the $600 personal and dependent exemption to a higher figure. Finally, I would ask that loopholes be eliminated completely, not merely lessened.

There is a great deal of support here in the House and in the Nation for such action, and I believe we could approve an equitable tax structure that would increase revenue, fight inflation, and eliminate any necessity to extend the surtax at 5 percent for an additional 6 months.

Although the legislation we are considering today has many shortcomings, I commend the leadership of the House and the Ways and Means Committee for a great deal of hard work and for the long hours of overtime that were required to prepare these tax reforms. On behalf of the people I represent, I thank my colleagues who argued and voted for the open rule. And finally, I am appalled at the lack of leadership, support, initiative and interest on the part of the administration as these matters have been considered in the Congress.

Mr. MILLS. Mr. Chairman, I yield 3 minutes to the gentleman from Missouri (Mr. RANDALL).

Mr. RANDALL. Mr. Chairman, yesterday on the floor when we were discussing the rule, or perhaps just after we went into Committee of the Whole one of the new Members on our side of the aisle made the comment that one of the singular experiences about being a Member was to be able to hear the chairman of the Ways and Means Committee explain a tax measure.

We all have confidence in the chairman of the Committee on Ways and Means. I asked for this time to try to receive a few assurances by way of some questions to the chairman. I assure him I will be brief.

Mr. Chairman, I have received a lot of mail concerned with the effect this bill will have on our savings and loan institutions. It is said it will impair their ability to serve the homebuilders. Out in our country we have suffered from some long-term strikes. The homebuilding business does not need any more problems.

Would the gentleman be good enough to say if there is anything in this bill which will impair the basic objective of savings and loan associations to serve the homebuilding industry? I know the reserve exemptions have been lowered. Will the result only affect the profits of these associations and with no other adverse result as has been argued? Would the gentleman address himself to that inquiry?

Mr. MILLS. Mr. Chairman, if the gentleman will yield, actually most of the savings and loan institutions have been using only one of the alternate methods for determining what their reserves would be. They have used the method looking to the income before the bad debt reserve deduction, setting aside 60 percent of it for reserve purposes and being taxed on the remaining 40 percent of their total net income. That is the system they have used in most cases.

Over a period of years the losses incurred by these institutions, as well as other financial institutions, have been very low. Some institutions may have lost, but the average in the country has been very low in the past 20 years. I believe for the mutual savings banks and savings and loan associations the average was less than two-tenths of 1 percent of the loan base.

What we did, over a 10-year period, was to convert the reserve portion of net income from 60 to 30 percent, which leaves 70 percent of the net at the end of 10 years that will be subject to tax. This raises the effective rate on the savings and loan people from about 16.9 percent on the average to about 27 percent on the average. But that is still well below the rate to be paid by commercial banks. As a result there still will be plenty of incentive for savings and loan associations to continue investing in housing. This is true because their tax rate will be lower.

Mr. RANDALL. I thank the gentleman.

I have one question on cooperatives. Is this bill going to adversely affect the operation of the average cooperative? What will happen to the patrons? Will the result be beneficial? Will it affect only the manner of administration or management? What will be the true effect on the patrons; by that I mean, the membership of the cooperatives?

Mr. MILLS. I would think that whatever law assures that a patron of a cooperative will get his patronage dividends from a cooperative redeemed in cash would be beneficial to the patron. There is no requirement in law today that the 80 percent that can be retained by cooperative management of the earnings attributable to that particular cooperative will ever be paid out. I understand in some instances it never is paid out.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. MILLS. Mr. Chairman, I yield the gentleman 2 additional minutes.

In this case we say it has to be paid out over a period of not longer than 15 years. Also we have said that gradually over a 10-year period in the place of a cooperative having to pay only 20 percent of its annual earnings it must pay 50 percent. This additional 30 percent—increasing by 3 percentage points a year until the 30 percent is reached—however, may, if the cooperative so chooses, be used in payment of old patronage obligations that it would in the normal course of events be revolving out.

Mr. RANDALL. Then it is your conclusion that the provisions of this bill would be beneficial to the members?

Mr. MILLS. I take it, it would; yes.

Mr. RANDALL. On the question of change in the tax treatment of municipal bonds, it is said a subsidy may be either 40 percent or only 30 percent. Does the chairman believe the administration would accept 40 percent instead of 30 percent?

Mr. MILLS. I would not be surprised, on the basis of the information I have, if the administration would ask in the Senate that this figure be made a statutory 40 percent with no discretion in the hands of the Secretary to vary it.

Mr. RANDALL. May I present a simple illustration; and ask if this is the way the proposed Federal subsidy would work? Take a district, or city or State which issues bonds, let us say, at 8 percent. With this 40-percent Federal subsidy, is it a fair analysis to say that the school district or city would be paying only 4.8 percent and the Federal Government 3.2 percent? Is that a fair illustration of the way the proposal would operate?

Mr. MILLS. That is the way it would work. If the district had issued a tax-exempt bond it might be paying as much as 6 percent interest and this would be interest it is paying itself. So the municipality in this case will be better off if it issues taxable bonds.

Mr. RANDALL. One final question about the new provision on farm losses. Is this going to affect any bona fide farmers? Will they be hurt by this bill, or will the new provisions apply only to persons who make a profession of farm losses or those nonfarmers who welcome such losses?

Mr. MILLS. We think it applies to that individual who is habitually losing money on his farming operation and charging those losses off against other income. Even then it will not apply unless his nonfarm income is large—over $50,000—and his farm losses are large—over $25,000.

Mr. RANDALL. Then the regular deductions and regular farm operations are not affected in any way by this bill?

Mr. MILLS. No, not at all.

Mr. RANDALL. I thank the gentleman. I very much appreciate his assurances. When I receive such straightforward answers from the one man in this body who should know more than any other single Member about our revenue laws I am not only grateful for these answers but I also have some clarification I have never been able to receive from any other service.

Mr. MILLS. Mr. Chairman, I yield such time as he may use to the gentleman from Minnesota (Mr. FRASER).

Mr. FRASER. Mr. Chairman, I want to indicate to the committee that I expect to support this bill. It is a major step forward in introducing more equity and fairness into our tax system. Like many others, I would have liked to have seen certain changes made in the bill. I do not think that the committee went as far as it could have with respect to the oil depletion allowance, for example.

I am concerned about the loss of revenue reflected in this bill. In the face of the growing needs of the United States as shown by the growing cost of government at the State and local level, I do not think it is wise for the U.S. Congress to adopt tax legislation which means a net loss in revenue. We must keep in mind that we have responsibilities to help meet the very urgent and pressing needs of our Nation. We must look for ways of increasing rather than cutting revenue.

I am also concerned about the 7½-percent tax imposed on the incomes of private foundations.

By granting tax exemption to privately governed foundations, we have institutionalized a way of encouraging diversity and innovation. We have laid the basis for independent decisions—independent of government—in the educational, cultural and religious life of our society. We have thus escaped having decisions in these areas made by the monolithic fiat of government. In many societies—including most of those in Europe during the past century—government is the principal—if not the only—source of funds—and therefore of decisions—for educational, scientific, charitable, and even religious activities. Whether by accident or design, our experience over the past half century has committed us to the audacious doctrine that decisions in these areas are beyond the province of government, that such decisions should be made by hundreds of individuals and groups representing widely varied points of view.

The financial basis of this system lies in the tax exemption of these nonprofit institutions.

The great value of foundations lies not in the volume of their assets but in the character of their mandate—as creative forces that exert enormous leverage for progress in human affairs.

This does not apply to every foundation in the United States. For we know better today than yesterday that not all private foundations serve these noble goals. As their number has grown—there are now over 20,000—legitimate regulation has proved difficult and many of the laws are unenforced. In numerous cases, foundations have been brazenly manipulated to achieve personal financial gain, to preserve corporate control and insure family domination of business enterprises.

Certainly there is a need for closer scrutiny of foundation activities, more regular enforcement of existing regulations, and additional selective measures to prevent further abuses. But the foundation tax provision in this bill is too broad in its effect. I would hope that this particular provision could be modified when the reform bill is considered by the other body.

Mr. MILLS. Mr. Chairman, I yield such time as he may desire to the gentleman from Montana (Mr. MELCHER).

Mr. MELCHER. Mr. Chairman, weeks ago, I campaigned throughout eastern Montana in favor of tax reform, but I was not speaking of a tax bill which would raise taxes paid by farmers, ranchers, and small business as a result of investment tax credit repeal, nor a bill that gives me $5 benefit for each $1 benefit to a family with $7,500 per year income.

Mr. Chairman, I am sure that every Member of the House finds much of merit in this tax-revision bill, much that is better tax equity, some items that should be amended or deleted, some objectionable points, and some oversights.

I find myself in that situation. There are provisions in the bill which I want to see enacted. But there are also provisions which would seriously affect the economy and development of my State. They are of such a serious nature that I feel I must vote to recommit the measure and against passage if that becomes necessary to indicate the importance I attach to amendments and revisions.

My major objections are:

First. Failure to increase personal exemptions, which are long overdue.

When exemptions were last adjusted in 1948, they were intended to exempt income sufficient for basic cost of living. Since that time, the basic cost of living has dramatically risen—by 52 percent. But the exemptions have not been increased. As a result, people with low- and medium-level incomes are now required to forgo necessities to pay Federal income taxes assessed against them. The exemptions should be raised at least to the same real value in purchasing power they had in 1948.

Second. Failure to provide a $20,000-to-$25,000 exemption from the investment tax credit repealer for the benefit of farmers, ranchers, and small businessmen.

I am in favor of the consideration given the railroads on rolling stock in the form of an accelerated amortization provision. The needs of farmers and ranchers and small businessmen for equipment to keep themselves sufficiently efficient to survive in competition with abundantly financed large-scale farms and ranches, chain distributors, and conglomerate industries is just as urgent as the plight of the railroads, or more so. If the liquidation of rural areas, including small communities, is to be slowed and migration to the cities arrested, small capital investments in rural areas development—to which everyone pays lipservice—needs every sort of encouragement we can give them. Adoption of a $25,000 exemption from the investment tax repealer is an opportunity to "put our money where our mouths are."

Third. Reduction of the oil and mineral depletion allowance, without at least providing alternative incentives for the risk takers who explore, discover, and develop new oil resources.

Reduction in this allowance in the bill is going to set back development of the petroleum industry in my State, now 10th in the Nation in oil production and potentially an even more significant producer if exploration and development is not discouraged. The independent oil exploration companies, the wildcat operator and the high-risk oil enterpriser are the people who hunt for Montana oil. The recent Bell Creek discovery with 369 new wells since the first discovery in

May 1967, has created hundreds of new job opportunities, provided urgently needed school revenues, and tax receipts. Production of oil in Montana in that one discovery area jumped from 35C barrels in June 1968, to 1,707,000 barrels in June 1969, and has stayed over a million barrels every month since. Together with other oil production in the State, it has kept our economy from declining during a period of national economic growth.

There has been some growth in income in Montana in this decade, but it lags seriously behind the national average. To the extent that future oil discoveries are hampered and discouraged by the tax bill before us, it will mean a loss of new Montana job opportunities, a loss of new tax base for schools, counties, and State, and a brake on economic growth where economic growth is most needed.

If the oil depletion allowance is going to be changed, then the bill before us should be recommitted and amended to give those operators who are bona fide explorers, taking real risks to discover and expand our oil resources and industry, tax allowances equal to the present depletion rate. An allowance should be extended also to stripper wells and operators, working less profitable wells, who are thereby conserving the least profitable, but significant portion of this exhaustible resource.

Fourth. The extension of the surtax, which I have twice voted against, and still oppose without true tax reform.

Unquestionably, the Ways and Means Committee has worked long and diligently on this measure. I am disappointed, however, that this is not a tax reform bill but a set of revisions. It is inevitable that in such a large group of revisions there would be both acceptable and unacceptable features in the view of each of us. I regret that there is no opportunity to offer amendments, to improve the bill, and bring greater tax equity.

I am concerned that in terms of actual dollars, rather than the percentage savings in which our official tables are presented, that the benefits of the bill are still disproportionately in favor of higher incomes. The tax savings to a family of four with $7,500 annual income will be $111. My own tax savings are going to run nearly five times that amount in dollars.

The revision of regulations concerning cooperatives is not a revenue measure. There is no claim it will increase revenues to the Treasury, and in any further consideration of the bill, it may be advisable to drop it as extraneous.

It is apparent this bill is going to pass, but I shall vote to recommit and against passage to register my opposition to features which will have serious consequences in my State, and to show that I believe strongly they should be given further consideration, if not in this body, then by the Senate Finance Committee and the Senate.

I very much favor real tax reform. The tax burden today is not equitably distributed. Wealth escapes its fair share and low- and middle-income people and smaller businesses pay a disproportionate share of the cost of the Federal Government. Big business enjoys tax advantages in an already unequal competition with small business. We must continue to perfect this measure, taking the time necessary to hammer out a meaningful reform measure, rather than make some hasty repairs.

Mr. MILLS. Mr. Chairman, I yield to the gentleman from New York (Mr. CAREY).

Mr. CAREY. Mr. Chairman, I thank the chairman of the committee for yielding this time to me in order to commend the very distinguished Committee on Ways and Means for the long, hard, and effective work they have done in bringing this bill to the committee today.

I take this time also to commend the distinguished chairman and all the members of the committee for taking timely action in a field which I think has long demanded action. This is with regard to the female heads of households.

I have sponsored a bill to give to women who are unmarried or divorced or widows and heads of households, for the past 10 years since I came to the Congress, some kind of consideration. The chairman has always been very helpful to me in trying to get to this legislation when the time arrived. The single ladies and those classified as "grass widows" and those carrying the burdens of heads of households will welcome the relief which has been long due them and which is now incorporated in this bill. I commend the chairman and all the members of the committee for giving them a true reflection of their rights.

Mr. MILLS. Mr. Chairman, I yield such time as he may use to the gentleman from New York (Mr. FARBSTEIN).

Mr. FARBSTEIN. Mr. Chairman, I want to thank the gentleman for yielding and compliment him for having undertaken such a herculean task, completed it, and, I hope, for offering a successful amendment.

For the first time in many, many years we have had a revision of the tax laws, and this is primarily due, in my opinion, to the efforts of the chairman of the committee who has an excellent comprehension of the mood of the American taxpayer.

Important changes are recommended in the committee's bill. One notable revision, which provides greater equity in the structure, is the extension of the head-of-household income tax rates to certain single individuals who maintain their own household. The present rigid requirements to qualify for the more preferential rates have created hardships on many single individuals.

While this action is in the right direction, it does not go as far as it should. I have introduced legislation in past Congresses, and have introduced H.R. 2758 during this Congress, to apply the more liberal head-of-household rates to any single individual, regardless of age, who maintains his or her own household. Setting an age limitation as a requirement is purely arbitrary and will discriminate against many deserving single persons who are less than 35 years of age.

Other provisions which reduce or eliminate the tax liabilities of the low-income groups are also a significant step in providing a fairer tax structure. I am referring particularly to the increase in the standard deduction, the new low-income allowance, and the rate reductions. The committee, however, originally excluded many of the low and lower middle income groups from the rate reduction relief. Only after a concerted effort on the part of many liberal Democrats, including myself, did the committee, in their late action, provide for the reduction in the rates for these income groups.

Some provisions of the bill are designed to require high income individuals to bear a fairer share of the tax burden. We have heard many times how so many individuals over a certain level of income have paid little or no income tax. To prevent this inexcusable escaping of taxes, the bill has limited the advantages of the tax preferences which are enjoyed primarily by wealthy individuals. While the committee's intention in this respect is laudable, the effectiveness of the bill will be quite minimal.

The bill falls far short in the extent to which it will eliminate tax advantages that benefit these high income groups. For example, the reduction in the percentage depletion allowance from 27½ percent to 20 percent for oil and gas is totally inadequate. There is little justification for this unwarranted tax advantage to exist. Percentage depletion should be repealed completely.

Furthermore, under the limited tax preferences section of the bill, the excess of percentage depletion over cost depletion is excluded from the definition of tax preference. This is an unfortunate last-minute reversal by the committee of its earlier tentative decision to include this excess as a limited tax preference.

Remedial legislation is urgently needed in several other specific areas of present tax law which are not covered by the committee's bill. There is no provision, for example, dealing with the taxation of appreciated assets transferred at death. Billions of dollars of appreciated assets are bequeathed and no income tax is paid by the estate or the heir on the amount of appreciation. Since the basis of the property for the heir is stepped up to market value at the time of death of the decedent, the appreciation that accrued in the hands of the decedent is neither taxed to the decedent nor the heir. Some corrective action should have been taken to remedy this glaring inequity.

In the case of dividend income, there is no justification to continue to treat this type of income more liberally than earned income. Present law allows a taxpayer to exclude $100 of dividend income—$200 in the case of a married couple. This should have been repealed—it has no rightful place in the tax structure.

In other areas the committee has taken away a tax benefit and then makes concessions which largely nullify its action. For example, the unlimited charitable deduction will be repealed, but the limit on the deduction of contribution is raised from 30 percent to 50 percent. Another inconsistency in the committee's

objective of requiring the wealthy to pay their fair share of the tax burden is the modification of certain tax preferences and then reducing the maximum rates from 70 percent to 65 percent, and further limiting the maximum rate on earned income to 50 percent.

In the case of foundations, the proposals to tax these organizations at 7½ percent and to apply severe restrictions on their operations will do irreparable harm to our society. The activities in social welfare and other eleemosynary programs have been shared by philanthropic organizations, such as foundations, and by government. This participation by private and public organizations has been good for our country. Any severe curtailment of the role of foundations, however, will certainly lead to a deterioration in these vitally needed welfare, educational, and social programs.

I wish to note at this time only two additional weaknesses of the tax-reform bill. First, the bill should not be used as a vehicle to extend the surtax beyond this year. The surtax has not been successful in achieving its stated objectives. It has not halted inflation. Therefore, little justification exists for burdening the taxpayer additionally with this tax. Secondly, no consideration was made to reallocate the additional tax burden resulting from the large Federal expenditures required to carry out hostilities in Vietnam. The defense industries—which are the primary beneficiaries of the war—should bear a heavier tax on their excess profits. A fair tax structure requires the imposition of an excess-profits tax on these industries.

Thus, while the objective of the Committee on Ways and Means in writing a tax-reform bill were good, the bill which we are debating falls somewhat short of meeting the objective of providing a fair tax system. Much more has to be done to reallocate the tax burden more fairly among the American taxpayers.

Many of these defects could have been overcome if the full House had had the opportunity to offer and vote on amendments to the pending legislation. Unfortunately, the Rules Committee adopted a closed rule, one prohibiting the 435 Members of Congress from offering amendments to the committee bill.

We are told that this bill could not get an open rule, one permitting amendments, because all the interest in the House would join together in eliminating even these minor improvements and we would end up with nothing. Perhaps. But perhaps it would have been worth the chance to have rollcalls on every loophole and every abuse and perhaps we might have gotten meaningful reforms.

But, since the choice is not between limited reform and comprehensive action but between some and no reform whatsoever, I shall cast my vote in favor of the "reform" package with the determination to see that, before this year is out, the 435 Members of the House will have the opportunity to vote on another, more comprehensive tax-reform bill.

Mr. MILLS. Mr. Chairman, I yield such time as he may consume to the gentleman from New York (Mr. PODELL).

Mr. PODELL. Mr. Chairman, the tax reform measure we have considered was brought to the floor of the House under a closed rule, which has the deliberately planned effect of stifling open debate and preventing necessary amendments which many Members of the House feel are essential. The entire concept of a closed rule on a major bill of long-term national importance is wrong—it defeats the central concept of participatory democracy. Anything is amendable, particularly this measure.

We are confronted with a bill which, unfortunately, more often than not taps the worst tax evaders in America gently on the wrist and wallet. One glance at how it affects the heaped-up tax privileges of the oil industry provides ample proof of this contention.

Nothing has been done about ending the foreign tax credit this industry enjoys. For every dollar they pay abroad in taxes, they will still continue to receive a domestic tax credit. What of drilling expenses, which allows the oil crowd to write off everything but the family dog as a legitimate operating expense? What of import quotas, which make every American pay twice the going world price for oil products—from gasoline to home heating oil? Untouched by the hot breath of reform. Is this a change for the better? Hardly.

If we are to allow oil companies to take depletion allowances, why not the average head of a household? Is he not depleting himself daily? Should he not have the right to take a personal depletion allowance? When Atlantic Richfield is able to earn $145,000,000 in pure profit and pay no taxes, what can we say to the average lower- and middle-income taxpayer? When Sinclair can earn over $100,000,000 in profit and receive a tax credit of almost $3,000,000, what excuse can be offered these desperately pressed citizens?

I am one of that significant number of Members who has bitterly fought and voted against the surtax. It is an abominable, unfair tax against those who need tax relief most. Now they are being made to swallow a second 6-month surcharge extension at 5 percent. What a penalty to pay for minimal tax reform. Such deplorable methods can only be labeled shabby, backdoor legislation, aimed at accomplishing indirectly what probably could not be done directly. Success in this endeavor will prevent those who need relief most from taking swift advantage of tax relief provisions.

This measure is a delicately balanced compromise which takes a small amount of tax privilege away from most vested interests. It is a bare beginning at best, and reluctantly acceptable. Should one special interest succeed in eliminating reforms affecting its privileges, the entire balance of the measure will be undone.

I consider this bill an opening incision in an extensive operation which will continue to be performed for some time to come. It is not a fully adequate cure. Rather it is a start. In its present form, I shall reluctantly support it because the people of the Nation require it so much.

Yet we have progressed. To this extent, the chairman, the gentleman from Arkansas (Mr. MILLS), and his committee deserve our praise and recognition for the reform which they have pressed home.

Mr. MILLS. Mr. Chairman, I yield *such* time as he may consume to the distinguished gentleman from Florida (Mr. HALEY).

Mr. HALEY. Mr. Chairman, I, too, want to congratulate this committee which has worked so long and which has given so many hours of its time to bring to the floor of the House a bill with as many things contained in it upon which we may not all agree but, nevertheless, under the circumstances it is possibly the best bill that can be brought to the floor at this time and passed.

Mr. Chairman, I hope the distinguished chairman of the Committee on Ways and Means and other members of his committee will continue to explore the possible loopholes in the future so that we will keep more or less up to date on the tax situation as it exists in this Nation.

Mr. MILLS. Mr. Chairman, I yield such time as he may consume to the gentleman from North Carolina (Mr. TAYLOR).

Mr. TAYLOR. Mr. Chairman, the complex 368-page tax reform bill approved by the House Ways and Means Committee provides sweeping changes in the Federal income tax structure. While it provides some tax changes which I do not favor and which I hope that the Senate will delete, it does remove many tax shelters which should be removed. It restores a greater degree of equity among taxpayers. It contains some provisions beneficial to all taxpayers. It virtually eliminates income taxes for the very poor and provides some gradual relief for the middle-income taxpayers who bear a heavy burden today. The bulk of the reductions go to taxpayers with annual incomes of less than $15,000.

In the past middle-income taxpayers have borne a heavy tax burden out of a sense of responsibility and loyalty to their country. This year well-informed taxpayers know that many American citizens who are earning more than they are getting by with a lighter tax load, and they are smarting under this obvious injustice.

When voting against a surtax extension recently I stated that meaningful tax reform legislation should be passed before or at the same time that the surtax extension is considered. I have spoken out often during the last year concerning the need for tax reform. Earlier this year I introduced legislation which would reduce the oil depletion allowance to 15 percent, and I believe that this depletion allowance is regarded by most taxpayers as the biggest tax loophole.

The 27½-percent oil depletion allowance was established some 40 years ago as an incentive to encourage the investment of capital in the high-risk search for gas and oil. Today we have large established oil companies whose searching and developing program is just a portion of their total operations. The money

that they expend in this manner is tax deductible, just as is the money spent by any other industry in developing a better product or expanding operations.

A recent issue of U.S. News & World Report contained the following statement:

> For big oil companies as a group taxes run at about six or seven percent of profits versus 50% for other industries.

It is my feeling that the oil industries are receiving a break which other industries are not given and that the depletion allowance for oil should be reduced. The 7½-percent reduction in the oil depletion allowance as contained in this bill is needed.

I believe that most people are willing to pay taxes if they are convinced, first, that they are paying only their share; and second, that the money will be used wisely. Now they have doubts on both scores. Many low-income people in western North Carolina have written me and said:

> Everybody knows that wealthy people don't pay taxes.

I tell them that that is not true, that only a limited number of wealthy people are dodging taxes, and send them a copy of the graduated tax rates, but there is just enough truth to it for people to have that impression and that is dangerous for the country.

The backbone of our tax system is the basic honesty of people and their willingness to bear a fair share of the tax load. A tax system that is not fair and just cannot and should not survive.

This legislation is a broad response to a national demand for greater equity in taxation, and I am supporting it.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from Alaska (Mr. POLLOCK).

Mr. POLLOCK. I thank the distinguished gentleman from Wisconsin for yielding to me this time.

Mr. Chairman, I want to talk in favor of America's favorite whipping boy, the oil depletion allowance. There are times when men of good will, normally stable and mature men, are swept up in a furor of emotionalism and make decisions that are unwise. There have been times when even this body has taken actions that are primarily emotional. Today, tax reform has become an emotional issue and it would be well for us to examine carefully and rationally every proposed change in the law to insure that the decisions we make are in the best interests of the Nation. We should guard against any decisions based on misinformation.

This is especially true with regard to percentage depletion for oil and gas. There are a number of myths surrounding this particular tax provision and also the oil industry itself. These should be dispelled so that this matter of percentage depletion can be examined in a realistic and practical way. Some of these myths that I would like to put to rest are:

First. The oil industry is fabulously profitable.

Second. The oil industry does not pay its fair share of taxes.

Third. Percentage depletion, by reducing the taxes of oil producers, has increased the economic burdens of the small- and middle-income taxpayers.

The average person probably thinks of millionaires whenever the oil industry is mentioned. But, as a matter of fact, there are between 10,000 and 15,000 producers of oil and gas in the United States and only very few of them are millionaires. The major companies, including some 25 to 50 companies, are owned by literally millions of ordinary people. These companies do make substantial profits, but they have so much money invested in the oil business that they must make substantial profits in order to realize a reasonable rate return on their investments. In fact, the oil companies generally realize a lower rate of return on their investments—less than 13 percent—than manufacturing companies.

The myth of fabulous profits in the oil business will probably persist until it is generally realized that an oil well does not provide assurance of great wealth. The facts show that the average oil well in the United States produces only 15 barrels of oil a day, which, at an average price of about $3 a barrel, is worth about $45. From this $45, however, the producer must pay the landowner a royalty—which averages about 15 percent—and must pay all operating expenses. What is left is not enough to pay a carpenter, a bricklayer, or an electrician for a day's work. Furthermore, the oil operator must recover his investment in exploration work and the cost of drilling the well before he has a profit. The average well being drilled today costs over $60,000. In Alaska, I can assure you the cost is many times higher.

Percentage depletion does remove a part of the income tax burden from a producer's income. As a result, the income tax paid by an oil producer on each dollar of income is less than the income tax paid by most other businesses. The difference, however, is not as great as we have been led to believe. We have been told that in 1967, 21 of the largest companies in the oil industry paid Federal income taxes equal to only 7.8 percent of profit before taxes. This percentage is improperly determined and is misleading. Since foreign income taxes are imposed of foreign-source income, it is improper to compute an effective U.S. tax rate by relating all income on a worldwide basis to the tax paid on U.S.-source income. When properly related to income from U.S. sources, the income taxes of these companies represented over 19 percent of net income before such taxes. On an overall basis, total direct taxes of the 21 companies amounted to over 64 percent of adjusted income before taxes.

Also, there are a number of other levies, such as severance taxes, which help insure that the industry pays its fair share of total taxes. According to data compiled by the Petroleum Industry Research Foundation, Inc., the oil industry's total taxes are 5.4 percent of gross revenues even if we exclude all motor fuel and excise taxes on petroleum products. This compares with 4.6 percent for all business corporations. If motor fuel and excise taxes are included, the total tax burden as a percentage of gross revenues is almost four times as great as for other businesses.

The Treasury Department told the Committee on Ways and Means that among the returns filed in 1967, they found 154 individuals with incomes over $200,000 who paid no Federal income tax at all. This information led many people to assume that most of these 154 nontaxpayers were oil producers. The records show, however, that less than 1 percent of the income that escaped the Federal income tax in these 154 cases was attributable to percentage depletion.

It is obvious that the depletion provisions have not resulted in excessive earnings for the oil industry. Also, the taxes imposed on the oil industry—other than income taxes—have been substantially higher than those imposed on other industries. As a result, the rate of profits in the oil industry has been lower than in manufacturing companies generally.

Who, then, has benefited from percentage depletion? It has been the average man, the workingman who has benefited. He has had an ample supply of energy at reasonable prices. And it is depletion that has been the effective incentive for developing this adequate supply of energy. It is no mere coincidence that the United States is one of only two industrial nations—the other is Canada—who have developed adequate reserves to supply its own needs.

It is of particular significance that the prices of petroleum products have been low. In 1968, the prices of consumer commodities generally were over twice as high as in 1926. But the price of gasoline—excluding motor fuel taxes—was only about 7 percent more than it had been 42 years earlier. Probably no other essential commodity has such a favorable record. During this same 42-year period, this country has quadrupled its consumption of energy and has led the world in industrial productivity.

The Treasury Department has said that elimination of percentage depletion for oil and gas would serve to increase the Government's tax revenues by $1.3 billion. It has also estimated that reducing the depletion rates for all minerals by 27.3 percent would yield additional tax revenues of $400 million. Let us examine these estimates in the light of other results that might reasonably be expected.

First, if the oil industry is able to increase the prices of gasoline and other petroleum products enough to maintain profits at the same level, it might reasonably be expected that the industry would continue to spend the same amount of money in exploring for new oilfields. In this event, the consumers of petroleum products would be the only ones affected by a reduction in depletion. But who are these consumers? They include almost every person in the country, but a price increase would affect low-income families more seriously than those with relatively high incomes. A recent study [1] indicates that families with

[1] "The Impact of the Percentage Depletion on the Oil Industry and Its Gasoline Customers", Petroleum Industry Research Foundation, Inc., July 1969.

incomes of $3,000 to $5,000 a year spend 3.4 percent of their income for gasoline. On the other hand, families with incomes of over $15,000 a year spend only 1.4 percent of their income for gasoline. This indicates that reducing depletion rates would hit the ordinary workingman hardest.

Another result would follow if the oil companies are unable to raise their prices enough to compensate for a reduction in depletion. In this event, their profits would be reduced and it would be substantially less attractive to invest money in the search for new oil and gasfields. For even with percentage depletion at the 27½-percent rate, there is some doubt whether the oil industry will be able to attract enough capital to find the reserves that will be needed. The Chase Manhattan Bank has estimated that to meet our constantly increasing needs for petroleum, the industry must spend $116 billion in the next 12 years to find and develop 87 billion barrels of oil. In order to do this, annual expenditures must more than double the present level. It is obvious, of course, that the industry's profits must improve markedly to attract this much money.

If the industry cannot spend enough in exploration and development, our present reserves of 40 billion barrels will dwindle and our productive capacity will decline. This would make us increasingly dependent on foreign oil.

Since foreign oil is presently cheaper than domestic oil, it has been suggested that this is the best solution for the American people. At present, our crude oil reserves in the United States are only 7 percent of the world's discovered reserves. On superficial examination, one might wonder if we should not increase our imports of foreign oil and rely on low-cost crude from the Middle East, where about two-thirds of the world's reserves are located. There are two principal reasons why this should not be done:

First. If crude oil import restrictions are removed, development of domestic reserves would be severely reduced. It has been estimated that exploratory wells drilled in the next 15 years would be reduced by 85 percent. As a result, by 1985, we will have to import over 60 percent of our petroleum requirements. When we become this dependent on foreign oil, the price of foregin oil will undoubtedly be forced upward by the foreign governments and there will be no real price advantage in using foreign oil.

Second. Becoming dependent on foreign oil will put us in a very insecure position in any emergency. Our industrial economy and our military security must not be vulnerable to having our supply of energy abruptly cut off.

Once our petroleum exploration and development operations are demobilized, technical manpower would be lost to other challenging employment. It would not be possible to "moth ball" the domestic oil industry and maintain it on a standby basis. It generally requires 6 to 10 years from first exploration to final development of a typical oil field—consequently, as a practical matter, it would never be possible to reactivate the industry quickly enough to take care of an emergency.

Of more particular interest to me, of course, is the effect upon Alaska of any reduction in the depletion allowance. Alaska has only within recent years become a significant member of the group of oil producing States. Oil industry employment and payroll amount in 1968 were approximately double the employment and payroll amounts for this same industry in Alaska during 1966.

We are all aware of the very large discovery of oil made on the north slope of Alaska in 1968. Although this is a very substantial discovery it is small when compared with the needs of the United States for petroleum resources. I hope this is but one of many fields that may be discovered in Alaska, and if such additional fields are to benefit the State of Alaska and our Nation, much exploratory work remains to be done. We should not at this time remove any of the incentives necessary to encourage further exploration and development.

Much of Alaska is a hostile environment in which to carry out operations in the search for oil and gas. The extremes of temperature, the remote location and the large areas of tundra where ground transportation is impossible in the summer months, make the cost of operations significantly higher than in other parts of our Nation. We recognize the need for an adequate oil and gas producing capability within the borders of the United States, free of the uncertainties as to supply and price which follow dependence on oil from foreign nations. The great distance between my State and the "South 48" increases the cost of materials and reduces the price at the well of our oil and gas when they are extracted. The cost of exploring for, producing, and transporting oil from Alaska is high. The unit cost per barrel will decrease if we will continue the incentives necessary to encourage the large outlays required to increase the available production from Alaska.

During 1968 the oil industry provided approximately 3,500 jobs in Alaska with a payroll of approximately $57.5 million. Taxes, royalties, rentals, bonuses, and other direct payments by the oil industry to the State of Alaska amounted to $37.2 million in 1968.

The depletion allowance has been an integral part of our income taxation law for more than 40 years. Through the course of these years it has been a major incentive to the development of our natural resources and has greatly benefited the entire Nation and those States from which the natural resources are extracted. Alaska is a frontier area and exploration has only commenced, which I hope will lead to enjoyment of the benefits flowing from the development of its natural resources. I ask that the incentive which encouraged the development of natural resources in our other States not be withdrawn at the time when exploration is in its early stages in Alaska. Alaska more than any other State, has been disadvantaged by the elements and by remoteness from its markets and source of supplies. It should not be disadvantaged anew by congressional action which deprives it of maximum exploration and development of its mineral resources.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from Washington (Mr. PELLY).

Mr. PELLY. Mr. Chairman, I want to thank the gentleman from Wisconsin for yielding to me at this time.

I support this bill because of the fact that it is a tax reduction bill, and it is a tax reform bill. I have long called for less taxes and also for elimination of tax loopholes.

But, Mr. Chairman, in voting for this bill, let no one think I support all of its provisions. Especially, I oppose the provisions having to do with subsidizing part of the interest on State and local government bonds in order to encourage political subdivisions voluntarily to relinquish the privilege of tax exemption. These partial interest payments must be paid by the Treasury regardless of an appropriation as required by the Constitution. In other words, this is backdoor spending.

In addition, this change in rules on tax exemption on local government bonds will force the subdivisions of government to go to the Federal Government in the future for financing their needs. This is bad and will be very costly and invite central control over local decisions.

There are other objections such as the treatment of gifts in kind which I fear will reduce private contributions to charity and education.

Mr. Chairman, the debate on this legislation to reform the income tax laws is about over. As I said, I will vote for the bill, but I am hopeful that careful study in the Senate will result in some improvement. On the whole, this is desirable and long overdue tax reform. I only wish I could support it 100 percent.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from Indiana (Mr. MYERS).

Mr. MYERS. Mr. Chairman, while the Tax Reform Act of 1969 does not accomplish all I had hoped for when tax reform was first proposed, it does represent the first significant tax legislation in recent years which provides genuine relief for the middle- and lower-income taxpayer.

Although the legislation is not perfect, it does represent the most comprehensive reform of the tax system since 1954. Most importantly, it grants much-needed relief to millions of Americans who have been paying more than their fair share in Federal taxes.

However, this proposed tax relief, alone, is not enough. The need for reduced Federal spending is more urgent today if the tax gains for the middle-income taxpayer and the poor are not to be wiped out by inflation.

If inflation can be halted, and the tax cuts in this bill go into effect, the average family should have more spendable income. However, all of this depends upon our success in the war on inflation.

There are several areas which the

committee did not cover in their bill. As an example, I had hoped tax relief could be granted to those with dependents attending institutions of high learning and to those students who are supporting themselves while in school by allowing deductions for tuition and expenses.

This package does provide much-needed relief for the elderly, the disadvantaged, and the handicapped as well as millions of middle-income families. We have been waiting too long for significant tax reform legislation. This bill represents a significant move in the right direction and deserves the support of both Houses of Congress.

It does seem a shame to me that the Members of this House received the bill and the report only 4 days before we must vote on it and then only with 6 hours of floor discussion. Through necessity, this bill is quite comprehensive and complex. The Ways and Means Committee spent several months studying these provisions and holding hearings. A bill containing 368 pages and the reports containing two volumes and several hundred pages just take more time than we have had to understand this legislation.

Again, I am supporting this much-needed tax reform, but I regret that we have not had adequate time to fully study all of the provisions.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from Colorado (Mr. BROTZMAN).

Mr. BROTZMAN. Mr. Chairman, I intend to vote in favor of H.R. 13270. I believe that, on the whole, the Ways and Means Committee has done a good job under very trying circumstances in reporting out a bill which has been sorely needed in this Nation for many years—a restructuring of our income tax formulas.

The Wall Street Journal termed the bill "the most sweeping revision of the Federal income tax laws in the Nation's history."

But sweeping though it is, I also believe that further revision of the tax laws will be needed in the near future. I do not believe it is humanly possible to pass landmark legislation in such a complex area as taxation without further complications. The test of time will, I believe, demonstrate that passage of H.R. 13270 will have eliminated many inequities and, at the same time, have created several new ones.

The dynamics of taxation are such that we cannot begin to anticipate which problems will require our immediate attention.

However, I would like to suggest two areas which must be watched very carefully for serious complications should H.R. 13270 be enacted.

First, I think there is a very good chance that H.R. 13270 will put a severe crimp in the home mortgage operations of savings and loan associations. If this occurs, the people who suffer the most will be the very lower- and middle-income families to whom H.R. 13270 addresses itself most directly.

Second, the downward adjustment of the oil depletion allowance may, indeed, produce more dollars for the Treasury initially, but the economics of this industry are such that increases in the price of gasoline and other petroleum products are not only possible but probable. Considering the fact that lower-income families spend a higher percentage of their annual income on gasoline than do high-income families, once again the ultimate burden will fall on the shoulders of the lower- and middle-income families.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from North Carolina (Mr. MIZELL).

Mr. MIZELL. Mr. Chairman, I rise in support of the legislation that we have before us today. We have all been anxiously awating this tax reform bill and I would like to commend the illustrious chairman of this committee and its members for the tremendous job they've done in bringing this bill to the House in such a short perioa of time.

As a freshman Member of this body, I am glad to see us taking the action to correct the inequities in our tax program, and I would like to comment on just a few of them here today.

One, if this bill is passed there will be no more situations such as the man who makes $200,000 a year paying little or no taxes. Under this bill, he will have to pay income taxes on a minimum of 50 percent of his total income.

This bill will also affect the "hobby" farmer who has been using the farms as a tax writeoff and who has been competing unfairly with our people who depend on farming for a livelihood.

I am also happy to see, Mr. Chairman, that you have not permitted the trust funds and foundations to escape completely from their responsibilities to pay taxes. And, I trust that this legislation will encourage them to make sure that their conributions are going for humane and charitable investments and not for tax-free trips to Europe for the purpose of counting tombstones such as one trust organization got away with last year. That trip, by the way, cost more than $200,000. If they don't refrain from supporting these types of ventures then maybe we should take a new look at what they should pay.

The part of the reform bill that I am most interested in is that which concerns the personal income tax and I am happy to see that those in the low- and middle-income brackets are finally going to get some of that badly needed relief we all have been working so hard for. These are the people in the country who have been carrying the brunt of the tax load; the people who need the relief the most.

I am also glad to see that within the next 3 years the standard deduction will increase from 10 to 15 percent and the maximum standard deduction from $1,000 to $2,000. At the end of the 3-year period, the married taxpayer with two children in the $5,000-a-year bracket will be paying 31 percent less in income taxes than he is now. The single individual under 35 in the same income bracket will be paying 22 percent less. The single individual over 35 or anyone who qualifies as head of the household in the $5,000 bracket will realize a 26-percent decrease during the next 3 years.

For example, Mr. Chairman, in the city of Winston-Salem alone, in 1966 more than 51,000 persons filed income tax returns with incomes of less than $10,000 a year and more than 20,000 of those were in the $3,000 and less bracket. Winston-Salem has the highest per capita income in the Fifth District, so you can readily see that our people are really going to feel the benefits of this tax reform legislation. Not only in my district, but people all across this country will benefit.

I observe, also, in this package those in the $15,000 bracket, the married couple with two children will see an 11-percent decrease in their tax payments over the next 3 years. So, you can see this bill is really going to offer relief for thousands of people in a wide range of income.

These taxypayers will begin to see the change as early as the first of next year and, then when the income tax surcharge is completely phased out by the 31st of the next July, the middle- and low-income groups will really begin to feel a tax relief.

There is some $9 billion relief to the taxpayers, most of it in the middle- and low-income brackets, and this revenue will be made up from the "fat calf" and by closing loopholes so it will just about balance out the revenue.

When we pass this tax reform bill today, we will have a more equitable tax program. Then, it becomes more essential that we take a responsible attitude toward our spending programs so that we can keep our economy on a sound basis.

I think the next step in tax reform should be to increase the amount of deduction per dependent as further relief to our taxpayers.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from Wisconsin (Mr. SCHADEBERG).

Mr. SCHADEBERG. Mr. Chairman, like all legislation, H.R. 13270, a bill to reform the income tax laws, is a product of compromise. Because it is a compromise between conflicting views about what our tax policy should be, I am not in total agreement with the measure. However, it is because this measure does not contain long lasting actual relief for the low- and middle-income taxpayer, that H.R. 13270 must be only a start and not the end in reaching a national tax basis.

Mr. Chairman, the bill presently before us provides for a 64-percent reduction in those persons who earn less than $3,000 who have to pay taxes. The bill also extends over a period of 3 years a 5-percent increase in the amount of the standard deduction and a $1,000 increase in the maximum level of the standard deduction. These provisions are a start toward reform, but to stop here is to run the risk that the adjustment of existing tax preferences also contained in the bill

will shift the burden once again to those we are attempting to provide with relief. If we stop here, those who are to be eliminated from the tax rolls and those who are to have their burden lessened, might well be forced to bear an indefinite extension of the surcharge along with unheard of new taxes.

The cry has gone up for reform. But sufficient relief will not be provided by measures to maintain the same level of revenue by the adjustment of certain tax preferences. Relief can be achieved only by assuring the lower- and middle-income taxpayers, who are being presently helped, that a complete overhaul of taxes will be linked with meaningful efforts to cut spending. It is a simple matter of mathematics that we cannot continue to spend more than we can realistically collect in one or another form of taxation.

If we do not go farther, and if we do not combine total reform with fiscal responsibility, then Congress will show its unwillingness to face the serious matter of continuing tax relief for those who work with their hands and minds to create the wealth out of which this Nation gets its strength. Our efforts will appear to be only politically motivated.

Mr. Chairman, I support this legislation as a beginning for reform. The members of the House Ways and Means Committee are to be commended for their efforts to bring much needed relief to the low-income taxpayers and middle-income taxpayers. I agree with them in that "more remains to be done." Further tax reforms, the elimination of the surcharge, and a general decrease in Federal spending is the way toward a sound economy.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from Indiana (Mr. DENNIS).

Mr. DENNIS. Mr. Chairman, this bill may very well be the most fundamental and far-reaching measure with which we will be faced during the 91st Congress, and quite possibly it is the most thoroughgoing revision of our tax laws with which we will have to deal for many years.

It is for this reason that I feel very strongly that the average Member ought to have had more than a mere 48 hours in which to study some 700 pages of bill and committee report before being required to enter floor debate and to finally vote on passage. By the same token, our constituents were entitled to more time to inform themselves and to advise us of their views; and there was really no valid reason, to my mind, why a reasonable length of time for these purposes could not have been provided.

These considerations led me to oppose the rule—particularly as the bill came to the floor under a closed rule which prevents amendments, and, in turn, operates to reduce meaningful debate. These same considerations argue in favor of a recommittal of the bill to the Committee on Ways and Means, for further improvements might be made by the committee, and, at all events, Members could study the bill before it was again reported back to the floor.

The bill is the product of much work on the part of the Committee on Ways and Means, under the leadership of a very able chairman and a most capable ranking member, and, on balance, I support its passage.

The great virtues of the bill are that it gives some measure of long desired and strongly demanded tax relief to low- and middle-income taxpayers, and that it does equity by assuring that virtually all citizens of substantial means will pay some Federal income tax and will bear some part of the tax burden.

One of the bill's most attractive and worthwhile features is the 50-percent limitation, or ceiling, which it provides on the taxation of earned income.

There are less desirable features. The provisions regarding treatment of State and municipal bonds are complicated and, in my judgment, highly questionable. The provisions as to charitable donations will probably so operate as to discourage large gifts on single occasions to educational institutions. Probably most questionable of all, in my judgment, is the new treatment of capital gains. By abolishing the so-called alternative method of taxing capital gains and thus raising the tax on such gains from a ceiling of 25 percent to 35 percent—32.5 percent after 1971—the bill tends, in some degree at least, to discourage the accumulation of capital, and we cannot travel too far down that road and still preserve our economic system. There are still other controversial and debatable provisions.

I am hopeful that some of these provisions may be improved in the Senate and in conference so that we may ultimately, and after due deliberation, pass a reform bill which we can be reasonably sure will not unduly discourage private enterprise while still establishing the principle of tax relief and reform.

It is in this spirit and hope that I cast my vote in support of the Tax Reform Act of 1969.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield such time as he may consume to the gentleman from Oregon (Mr. DELLENBACK).

Mr. DELLENBACK. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, H.R. 13270 is certainly one of the most complex, far-reaching pieces of legislation with which we have dealt at this session. It is also one of the most significant.

Every one of us who has studied this measure can certainly find features contained therein of which he disapproves, as I find provisions of which I disapprove and which I would like to see changed. But it also contains many features which most of us, in the name of increased fairness, would like to see become part of the law of the land. The question is how we look at the bill, on balance. On balance, in my opinion, the good features of this bill substantially outweigh any reservations which I have against certain features of the bill.

Each of us is, directly or indirectly, in one way or another, going to be affected by the passage of this measure. Some of us have investments in businesses or industries which will be affected directly by such passage. My family and I, for example, have some stock interest in an oil company which, under the provisions of H.R. 13270, will be required to pay additional taxes. In spite of this fact, I believe that fairness in the payment of taxes calls for this change and for the passage of this measure. So also we have some bank and other stock interests. Under the provisions of H.R. 13270 the businesses involved will also be required to pay additional taxes. Again, however, I believe that fariness in the payment of taxes calls for this change and for the passage of this measure.

I feel that the possible impact of this measure on me personally is of such a qualitative if not quantitative nature that I should add to the filing made some months ago of my family's and my stock-ownership interests under the House of Representatives' financial disclosure law. I shall accordingly do so shortly. The purpose of that law was to make available to the public knowledge of possible conflicts between our duties as Congressmen and any personal financial interests which we might have. If ever any financial interest which my family or I have creates such a conflict of interest, I will either refrain from voting on such measure or pledge myself to vote in the best interests of the Nation and of the people I serve, without regard to such personal financial interest. This is the procedure which I have followed since first beginning my public service in the Oregon State Legislature and continuing into my service in the Congress.

Mr. Chairman, I intend to vote for H.R. 13270 and I urge my colleagues to do likewise.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 3 minutes to the gentleman from Texas (Mr. BUSH), a member of the committee.

Mr. BUSH. Mr. Chairman, if recognized for this purpose, I shall offer a motion to recommit this bill. I have not had many years in this Chamber, but I have never seen a piece of legislation on the floor of this House during the time I have been here where so many Members are saying, "Well, there are some good things about this bill and there are some bad things about it." However, I do feel that certain aspects of it have not been adequately considered.

The relief processes we considered—I think we did it with good intentions but perhaps more study could have been used. We did this in one morning and we made a technical mistake. This was corrected to the tune of $2.5 billion going out to the economy over a period of years. I think that the total reductions came to something like $9 billion, and in my view the way we distributed these deserves more consideration than we gave.

I recognize that coming from Texas that my opposition, if you would put it that way, or my offering this motion to recommit would be considered regional and to a degree I would have to plead guilty for this because I believe in the oil industry and its importance to our Nation. I believe I understand it. I believe taking $600 million out of one industry at this time is inappropriate in the face of the overwhelming evidence that we have had from the Department of the Interior and from the Federal Power Commission that we have a tremendous reserve shortage developing. But my opposition is not regional. My

opposition is national and it stems from the fact that to a degree a couple of days from now we are going to have a message come up from the President, a welfare package, and Congress is going to be asked for some $4 billion. I think it is going to be a good program but I would like to know where we are going to get the money for this program.

So, Mr. Chairman, I offer this motion to recommit reluctantly because I serve on this great Committee on Ways and Means and because I support so many of these reforms. I also support, as I think all the Members do, the efforts of the committee. The bill is not black and it is not white; but we have not come to grips in my view, Mr. Chairman, with the overall provisions of this bill as to whether it is inflationary when we are extending the surtax and then we are going to get a big tax cut. We are not coming to grips with how we are going to solve the problems—we have the great city problems—where do we get the revenue for these?

I know that it is difficult to have to be opposing a tax reform bill. It is, of course, bad politics, but I'm not sure it is wrong.

Again I reiterate that I recognize that this recommital motion will not exactly sail through, and if it fails, as I am confident it will, I hope that there can be some considered thought given—and I know the chairman of the Committee on Ways and Means and the ranking minority member and the other members of the committee will give considered thought to the overall balancing of our economy at a time when we have some tremendously serious pressures.

So, Mr. Chairman, again my position is not one of all-out opposition; certainly it is not opposition to tax reform. I support so much of what we have done in reform. I hope I can leave with you the impression that my concern is not regional, but I do think it is appropriate that each Member in his conscience as he votes will look at what this legislation tends to do directly. The President campaigned on tax credit and he campaigned on revenue sharing. He believes in these and in decentralization. Now, where are we going to get the funds necessary to fulfill these programs if we take the money out of the corporate field and out of the business field and we hand it all plus more to the consumers at a time when we are told we should not be inflationary?

We increase purchasing power and we reduce investment; where does this leave this country? This is a question that I hope we can give appropriate consideration to. The motion to recommit would give us some time to give this consideration.

The CHAIRMAN. The time of the gentleman from Texas has expired.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Chairman, I ask unanimous consent that all Members desiring to do so may extend their own remarks at this point in the RECORD on the bill, H.R. 13270.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. GIBBONS. Mr. Chairman, I am concerned that there be no misunderstanding in anyone's mind as to the overall intent of the committee in drafting the provisions of the bill relating to foundations. There seems to be some feeling that the committee was acting in a punitive manner, and that we were somehow trying to penalize the good and the bad foundations indiscriminately.

This was by no means the case. In the course of the hearings, ample testimony was presented to convince us that some foundations have been created as legal devices for escaping taxes and that these organizations have abused the present laws governing all foundation activity.

In this bill we have sought to close these avenues of financial abuse. Certainly it was never my thought, and I do not think it was the committee's intention, to restrict the great work of the bona fide foundations. There is no way to properly estimate the substantial contributions of the private foundations to the life of our Nation. The activities of some of the foundations have enriched the lives of virtually all our people.

Nor was there any thought in our mind that the foundations should be limited to just the historic types of philanthropy. I think the Members of this House may be more aware than anyone else of the great value of the research, analysis and expert advice on public matters that is made available through foundation activity.

We may not like everything the foundations do, but I think the committee recognized that the good, legitimate ones serve a valuable purpose that perhaps no other type of institution can serve as well. Without them, governments at all levels would have to spend more, do more, and become more involved in areas many of us would rather leave to private initiative.

We have tried to insure in this bill that these worthwhile activities of the good foundations can be continued. I hope we have success.

Mr. CHAMBERLAIN. Mr. Chairman, I include material which I had intended to insert following my statement yesterday with reference to the treatment of State and municipal bonds under this bill. I refer particularly to a resolution adopted by the Board of Supervisors of Jackson County, Mich., a resolution adopted by the City Council of the City of Lansing, Mich., and a letter from the city manager of Owosso, Mich., all expressing concern about provisions under H.R. 13270 affecting the tax-exempt status of State and municipal bonds.

The resolution and letter follows:

RESOLUTION BY THE CITY COUNCIL OF THE CITY OF LANSING

By Committee of the Whole

Whereas, there is presently under consideration legislation which may affect the tax exempt status of municipal bonds; and

Whereas, any change in the tax exempt status of municipal bonds would seriously jeopardize and curtail future capital expenditure and materially increase the cost of borrowing money, thereby increasing the cost of local taxpayers; now, therefore, be it.

Resolved, that the Lansing City Council supports the efforts and policy statement adopted May 28, 1969 by the Municipal Finance Officers Association at their 63rd Annual Conference in Toronto, Ontario, the policy statement being attached and incorporated by reference; and be it further

Resolved, that the Lansing City Council ask their representative and senators in Washington to support this policy; and be it further

Resolved, that a copy of this resolution be sent to the representative and senators in Washington, also the Michigan Municipal League and the National League of Cities.

Adopted by the following vote:

Unanimously.

Attest.

THEO FULTON.

OWOSSO CITY HALL,
Owosso, Mich., May 23, 1969.

Hon. CHARLES E. CHAMBERLAIN,
House Office Building,
Washington, D.C.

DEAR MR. CHAMBERLAIN: The City Council is strongly opposed to any attempts to change the tax exempt status of municipal bonds in any way. We would appreciate your doing battle for us.

Sincerely yours,

F. NEIL JACKSON,
City Manager.

RESOLUTION—TAX EXEMPT BONDS

Whereas, the United States House Ways and Means Committee has announced its intention of eliminating the tax-exempt status of municipal bonds and securities, and

Whereas, such action will result in greatly increased local governmental costs caused by the higher interest rates these governmental units will have to pay in order to sell their bonds and securities, and

Whereas, this can only result in the payment of higher taxes by the citizens of the community or the reduction or elimination of services rendered by the local governmental units,

Therefore, be it resolved; The Jackson County Board of Supervisors strongly oppose the enactment of such a change, and

Be it further resolved, That a copy of this resolution be forwarded to Congressman Wilbur Mills, Chairman of the House Ways and Means Committee, to Congressman Charles E. Chamberlain, and to Senators Philip A. Hart and Robert P. Griffin.

CERTIFICATE OF JACKSON COUNTY CLERK

STATE OF MICHIGAN, COUNTY OF JACKSON

I, Floyd J. Poole, Clerk of the County of Jackson, and of the Circuit Court thereof, the same being a Court of Record, having a seal, do hereby certify that I have compared the attached copy of Resolution adopted May 22, 1969 by Jackson County Board of Supervisors with the original of record in my office, and that the same is a correct transcript therefrom, and of the whole of such original.

In testimony whereof, I have hereunto set my hand and affixed the seal of the Circuit Court for the County of Jackson, at the City of Jackson, this 27th day of May, A.D., 1969.

FLOYD J. POOLE,
County Clerk.

Mr. EDMONDSON. Mr. Chairman, the tax bill now before the House contains a numer of desirable features, including several for which I have personally worked for a long time.

I am particularly pleased that the Ways and Means Committee recommends a rate reduction that will benefit all taxpayers, that head-of-household recognition has been extended to many citizens long deserving of this benefit, and that the standard deduction has been increased. These are long-needed steps, and I commend the committee for including them in the bill.

Although the bill contains other desirable provisions, I cannot vote for it in its

present form, and I sincerely hope it will be improved in the other body of the Congress.

The committee has elected to refuse the tax reform most needed by the average American taxpayer: an increase in personal exemption. The taxpayer with children in school, long due an increase in the exemption allowed for each dependent, will not find that relief in this bill.

As a longtime sponsor of legislation to increase the personal exemption, I share the disappointment of many Members of the House in the bill's failure to provide this measure of equity.

The bill also includes an extension of the surtax, at the rate of 10 percent until December 31, and at the rate of 5 percent until June 30, 1970.

I opposed the surtax when President Johnson first proposed it, and I continue to oppose it. By including it in a bill that reduces rates, the Congress in effect takes back a substantial part of the tax relief which is provided in the rate reduction.

We put money in one pocket for the taxpayer, and take it back from another pocket.

The surtax provision alone makes this bill unacceptable to me.

It is also unacceptable because of its certain impact upon the American mining and minerals industry. I believe the health of that industry is vital to our economy and national security, and I believe this bill does violence to the industry.

The depletion rate reductions provided in this bill are applied to practically all minerals produced in the United States, including such strategic items as vanadium, fluorspar, tungsten, cobalt, nickel, beryllium, mercury, zinc, lead, and uranium.

Oil and gas, long the whipping boy for many critics, are also cut.

I share the view of a majority of members of the Mines and Mining Subcommittee of this House that depletion cuts for such strategic minerals are not in the national interest.

Both the American consumer and our national security will suffer in the long run, unless this decision is modified in the other body.

There are other reasons, Mr. Chairman, for opposing the bill—just as there are other good arguments that can be advanced in its behalf.

In the final analysis, I do not believe it should be necessary to include arsenic in this bottle of medicine, and there is too much arsenic in it for this Member of the House. My vote will be "No."

Mr. ANNUNZIO. Mr. Chairman, the membership of the House will participate today in the greatest improvement in Government of their entire career.

Today we participate in approving the tax program designed by the Ways and Means Committee, with courage, integrity, responsiveness to public needs, and technical skill, fully commensurate with the preeminent power of that committee. Our approval of this tax program, when it has obtained the assent of the other body, will result in great progress toward dividing the price of civilization among the Nation's households and organizations according to their means and their ability to pay, as the Federal income tax originally was intended to do.

The distinctive characteristic of the tax bill reported by the Committee on Ways and Means is not the massive number of changes it makes in the Internal Revenue Code. The tax bill, if it were only evidence that Chairman MILLS, Representative BOGGS, and the other members of the committee and staff, and the public who testified and commented on tax questions, have brought together for thorough review and action all of the problems which have developed in a half century of income taxation, would be an impressive bill to scholars and tax technicians. But it is not the monumental study and diligent rewriting which will make the Federal tax structure become a contributor to the advance of civilization rather than a creator of domestic disturbance. Equitable sharing by all—even the most wealthy and the most cunning in tax avoidance—in the cost of Government, reduction in the price of Government as a proportion of incomes earned, redirection of tax incentives so that they will encourage production and progress and not encourage the proliferation of transactions designed to keep away from contribution to the Federal revenues—these are the characteristics of the tax bill.

The program which this tax bill fits into is clear and sensible: First, maintain the surtax on income tax for the time being, in the interest of fiscal soundness of the Government; then reduce income tax rates throughout the rate structure, in steps over a period of years so that a smaller part of taxable incomes will be contributed to Federal uses; then relieve the hardships which present day living imposes on taxpayers, such as unusual moving expenses required for continuing in employment, and simplified income averaging to take account of unemployment or changes in job or other factors which produce unusual year-to-year fluctuations in income; next, insure the taxpayers against loss of these benefits at the hands of future Congresses, by bringing into the revenues a fair share of the income of many people and organizations who escape such contributions without providing offsetting advantages to the public.

The rate reduction will leave taxpayers with more than $2 billion of their income, above what they would have retained without this tax bill, in the 1971 tax year; in later years, their benefits would rise to more than $4 billion, even if present income levels continued unchanged; the actual benefits in the prosperity which will continue after the present inflation has been stopped, will be greater.

Reliefs other than the rate reduction will leave taxpayers with nearly $5 billion more of their income, than if the Internal Revenue Code were not reformed. These benefits will be available and beneficial to persons at every income level. People with incomes of less than $3,000 per year will be relieved of three-quarters of a billion dollars of taxes by the low income allowance and the special treatment given to single persons. Taxpayers with incomes of more than $100,000 per year will be relieved of three-quarters of a billion dollars by the general rate reductions and special treatment of single persons—but reform provisions will add taxes of more than $1 billion.

Taxpayers in the income brackets between $7,000 and $20,000 per year, where more than half of the Federal income tax revenues originate, will be saved about one and a quarter billion dollars of taxes by the 15 percent standard deduction, replacing the 10-percent standard. The gains in terms of money which can be spent as the taxpayer desires will be valuable, and probably increase in benefit as the taxpayer reduces his debts and other commitments requiring deductible payments. But the gains in terms of relief from recordkeeping, in trying to stretch every deduction, in being free from Internat Revenue harassment about deductions, will be prized more than the monetary gain by many taxpayers.

The tax reliefs are protected by tax reforms. The reforms, counting both those which affect the individual income tax and those which modify the corporation income tax, are expected to produce $1.6 billion added revenue next year, and over $3.5 billion after the period of gradual introduction has been completed, within a decade. The termination of the investment credit will produce more revenue than the reforms, in 1970, and slightly less than the reforms by 1979.

The tax bill protects the reforms which are reliefs from taxes, by a more equitable sharing of the tax load, through removal of or reduction of various tax preferences.

The preferred treatment given some transactions or taxpayers was not the result of some hidden move or conspiracy; the tax law is a complex of special treatments, granted in order to make the law equitable, and to encourage activities such as charitable giving, formation of small business, oil exploration, development of sound financial institutions, investment in risky and potentially profitable capital assets, and so forth. But in some instances, the special inducements which the tax law has offered are no longer necessary; they can be removed, with benefits to the revenues, more equality in competition among business, and no loss of productive activity. The tax law before the House makes a number of such corrections.

The tax bill also proposes to deal with the comparatively small number of astonishing escapes from participation in the financing of government, accomplished by less than 200 very wealthy persons. By combining a number of the features of the income tax law which were intended to make a net income tax equitable, they have totally escaped Federal taxation. That result was never intended by the Congress in any of its efforts to write equitable tax legislation. The present bill cures this problem in part by modification of a number of present relief or special preference provisions; then it assures that all wealthy persons will have an opportunity to contribute to the price of civilization, by requiring a minimum income tax, operated through a limitation on tax preferences.

The tax bill restructures the Federal

income tax to enable persons who are most in need of spending money to be able to use more of their income according to their own wishes; it assures that all who are able to bear the cost of government will participate in doing so; it reduces or terminates special inducements which are needed less than in the past, or not needed now. The reformation of the Federal tax structure is likely to be the most remarkable accomplishment of this Congress.

Mr. ADDABBO. Mr. Chairman, I rise to support H.R. 13270, the Tax Reform Act of 1969.

This legislation is a comprehensive package of measures to close a number of loopholes in the tax law and to make the distribution of the tax burden more equitable. The bill tightens controls over private foundations, reduces the oil depletion allowance from 27½ to 20 percent, and imposes a minimum income tax on those wealthy individuals who now escape all taxes because of large incomes from State and municipal bonds, capital gains, rapid depreciation of real estate, and other tax shelters.

In addition to the loophole-closing provisions, the bill provides some tax relief to middle- and low-income taxpayers. The standard deduction is increased, tax rates for single persons over 35 years of age are reduced, and tax rates are reduced over a 2-year period—1971 and 1972—to give middle-income taxpayers at least a 5-percent tax cut.

As a package, H.R. 13270 represents a meaningful start on tax reform. While I do not support the tax surcharge which is extended for 6 months at a rate of 5 percent, I can support most of the other provisions of this bill.

In voting for H.R. 13270, I hope that we will consider this legislation the beginning of an effort to overhaul our tax system. There is much to be done if we are to really make our Revenue Code work fairly.

Among the measures to which I would assign a high priority in this next session of Congress are simplification of the tax law, relief for parents of children in college through tax credits for tuition, an increase in the personal exemption from $600 to $1,200, a deduction for commuter expenses, and additional allowances for repairs and depreciation for homeowners.

Mr. Chairman, I support H.R. 13270 and will continue to urge additional reforms in the Internal Revenue Code.

Mr. SHIPLEY. Mr. Chairman, I would like to talk about the real bedrock aspects of the current controversy over percentage depletion and related tax provisions of the petroleum industry. Let us take a look at what the proposed cutback from 27½ to 20 percent in the oil and gas depletion rate will mean to every one of our constituents as consumers of petroleum products.

Mr. Chairman, we cannot expect all of our constituents to be experts in the intricacies of petroleum taxation, but we can rest assured that they will understand and react to price increases that must result from a reduction of the incentives to explore for oil and gas. Worse still, can you imagine the reaction of our constituents should they awake some morning and find no gas to cook their breakfast, and no gasoline to fuel their automobile?

Mr. Chairman, this is not just scare talk nor a personal pipedream. It is a very real and present danger that we face. Our country's insatiable appetite for petroleum is such that we can see, right now, impending shortages of domestic supplies of oil and gas unless we substantially increase our efforts to find and develop new supplies. There has been considerable comment in the press about a forthcoming shortage of natural gas as indicated by recent trends in addition to our gas reserves. Our actual consumption of energy has surpassed our most optimistic forecasts, so the danger we face is probably even more serious than most of us realize.

Mr. Chairman, I would point out to my colleagues that domestic reserves of natural gas now represent only a 15-year supply at the present rate of consumption. Only 10 years ago our gas reserves represented a 22-year supply. If we are to maintain a 15-to-1 ratio of reserves to production, discoveries in the next 12 years must be about 50 percent greater than in the past 12 years.

The problems of supplying our needs for crude oil may be even more critical than for gas. Mr. Chairman, 10 years ago, we had a spare producing capacity of 4 million barrels a day. Even if imports had been shut off, we could have supplied all our own needs and still have had enough spare capacity to meet extraordinary demands that might arise from a crisis such as the closing of Suez in 1956.

Let us take a look at our present productive capacity in relation to domestic demand for liquid hydrocarbons. It is now estimated that before the end of 1970, our domestic productive capacity will barely be able to meet our total domestic demand. In other words, our spare producing capacity will have completely disappeared. Even with the large volumes of oil anticipated from the North Slope of Alaska, it is estimated that by 1985 domestic production will be able to supply only 82 percent of domestic demand.

The petroleum industry faces a monumental task in finding new supplies of domestic oil and gas to supply our needs. This is certainly no time to reduce exploration incentives by tampering with our longstanding petroleum tax policy.

Mr. Chairman, some contend that we need not worry about our domestic supplies of petroleum. We can always rely, they say, on imports to supply our needs. Should we ever become largely dependent on foreign oil, I hope those people who advocate such a course of action will step forward to shoulder the blame when one of our foreign suppliers turns off the faucet on shortages and high prices become a hard reality.

The time to recognize this danger is today when we can and must see that it does not happen. The plain truth of the matter is that the petroleum industry needs more incentive, not less. Its sources of exploration capital must be increased if the industry is to invest the $100 billion that is required to find and develop new supplies needed in the next 12 years.

Mr. Chairman, we reduce at great peril the petroleum industry's incentives to explore for oil and gas. We would thereby expose our citizens to shortages of petroleum products, and to prices which would be a serious blow to their family budgets. The consumer has been the greatest beneficiary of our petroleum tax policy in the past. He has an even greater stake in its continuance for the future.

Mr. ADAIR. Mr. Chairman, I rise today to object to section 601 of Tax Reform Act, H.R. 13270, which changes the previous tax-exempt status of State and municipal bonds. In my opinion, this provision is going to impose an additional financial burden on State and local governments and open the way for Federal control of State and municipal bond sales.

Those individuals and institutions who invest in tax-exempt State and local securities are not escaping liability for Federal taxes as alleged by the proponents of this provision. By electing to invest in these securities and, thereby, receive a reduced interest rate, they are indirectly paying Federal taxes and performing a service to local and State governments. The additional revenue which they contribute to local and State governments because of the low yield on their obligations results in lower State and local taxation and avoids the need for additional Federal assistance to these governments.

Section 601 of this act by encouraging the States and their political subdivisions to voluntarily relinquish the privilege of tax exemption for their obligations in exchange for an interest subsidy paid by the United States will markedly shrink the market for such securities. Consequently, State and local taxes will have to be raised. Moreover, the interest rate on these securities will, undoubtedly, be raised and, thereby, make these bonds even less attractive.

The final objection I have to this provision is that the Federal subsidy will not be contributed automatically if requested as has been stated. State and local bond sales will be controlled by the Federal Government because the project giving rise to the debt issue and the ability of the issuer to meet the obligation will be reviewed before the subsidy is granted.

Mr. MINISH. Mr. Chairman, to those of us who have battled for years for tax reform this moment, when the Tax Reform Act of 1969 is offered to the House, must be somewhat akin to the moment Colonel Armstrong stepped on the moon for those who had labored in the space program. This is a moment long anticipated, often despaired of, by those Members who believe with me that comprehensive tax reform and revision is one of the most important issues confronting the Nation. I pledged to myself upon my election to the 88th Congress, in 1963, to champion this cause and, as our esteemed colleagues on the Ways and Means Committee can testify, I have persevered in the struggle since then. If my elation is not so profound and satisfying as that experienced at the space

center, that is understandable. The bill before us fails to meet my definition of truly meaningful, comprehensive tax reform. That, too, perhaps is understandable—it is surely less difficult to place men on the moon than it is to eradicate all the inequities and loopholes in the jerry-built tax structure that has grown through the years. This is an area where vested interests too often dominate and where the people's voice has only lately been heard in any volume.

Tax reform is designed to promote four general goals: one, keeping tax burdens in line with the ability to pay taxes; two, equity of tax burdens among similar taxpayers and between dissimilar taxpayers; three, tax simplicity; and four, neutrality of the tax system in economic decisions.

All of us who serve in Congress have learned the wisdom of Lincoln's words:

> There are few things wholly evil or wholly good. Almost everything, especially of Government policy, is an inseparable compound of the two, so that our best judgment of the preponderance between them is continually demanded.

Tax legislation, of course, deals with an extremely sensitive area and the fine art of conciliation and compromise is put to the test in the shaping, considering, and reshaping of these highly complex provisions.

The traditional closed rule barring floor amendments makes it necessary to accept or reject the committee bill as it stands. In my judgment, the good, although diluted in many instances, does compel support of the bill. It is my earnest hope that improvements will be made in the Senate and that a measure more fully responsive to the demand for greater equity in taxation will be enacted into law.

I should like to discuss briefly certain proposals that will directly affect a great number of my constituents.

One provision in the pending bill to which I must take most vigorous exception is the extension of the surtax at 5 percent for the first 6 months of 1970. I deeply regret its inclusion by the committee and the refusal of the Rules Committee to permit a floor amendment to eliminate this most objectionable provision that is, in fact, extraneous to a tax reform bill. I voted against the imposition of this inequitable and ineffective surtax in June 1968; against its 1-year extension that passed the House this June 30; and against its continuation for 6 months as approved by the Senate and agreed to by the House on August 4. The surtax has failed abysmally to halt inflation and hold down interest rates as we were promised a year ago. The inflationary spiral has been soaring ever since; interest rates have been skyrocketing ever since. Its continuation will simply prolong an evil and aggravate living conditions for the average wage earner and pensioner.

The failure of the committee to increase the individual exemption from the present grossly inadequate $600 to $1,000, as provided in my pending bill, is also a keen disappointment. There is absolutely no justification for keeping exemptions at the rate established in 1948 despite inflation and cost-of-living increases over the years. The Nixon administration has argued that to increase exemptions would cost too much money. I cannot accept that argument—my overtaxed constituents are entitled to an exemption that more accurately reflects the actual cost of support. Closing loopholes more decisively—such as the oil depletion allowance on which the Nixon administration made no recommendations or comments—would more than offset any loss in revenue from the higher exemption rate.

Speaking of the favoritism enjoyed through the years by the oil and gas industry, I am disturbed that the committee's decision to cut the oil and gas depletion allowance from 27½ to 20 percent has been coupled with a decision to permit other loopholes benefiting the industry to remain. As one who believes that the rationale for the panoply of credits and deductions first conferred upon the industry in 1926 has long since evaporated, I find the 7½ percent cut most inadequate. It is not even half a loaf—only a quarter, if that, since knowledgeable observers maintain that the net result is that oil has been touched more in appearance than in substance. I submit, Mr. Speaker, that this is indefensible and I shall continue to fight for the elimination of all the notorious loopholes that have made the oil industry a symbol of entrenched privilege.

Turning to the brighter side, I am gratified at the committee's action in insuring that all taxpayers will enjoy a reduction in tax rates. Although I would favor a greater concentration of the benefits of the rate reduction among the middle-income group, nonetheless, I welcome, as they will, the relief provided in the pending bill. For a homeowner with a wife and four children and an income of $10,000 a year, the reduction would be 6.3 percent. I would urge that the Senate scrutinize most closely the rate reduction schedule with the view of offering greater relief to the average citizen who has long been required to shoulder nearly two-thirds of all personal Federal income tax levies.

I also applaud the more equitable treatment for single taxpayers provided in the bill. As a longtime sponsor of legislation to correct the excessively high liability incurred by this group, I am gratified that the committee has extended "head of household" benefits to single individuals who have reached the age of 35 and widows and widowers of any age maintaining a household. Incidentally, I would have preferred the age of 30 for single persons as stipulated in my current measure. We all recognize that by this time of life the expenses of such a person are not too dissimilar from those incurred by a family. Many single individuals, while they cannot technically qualify for "head of household" status, do make substantial contributions toward the support of an aged father or mother or other relatives by the time they reach this age. Also they frequently maintain their own home, with a significant portion of their income having to be spent for housing, for furnishing their home, for taxes, for interest payments, for food, medical bills, and so forth. These costs are almost as much as for a married couple who enjoy the advantage of being permitted to file a joint return. Yet, despite this fact, the single individual continues to be penalized by a much higher rate of taxation.

Latest population statistics published by the Bureau of the Census report that there are over 19 million individuals aged 35 or over who are either single, widowed, or divorced. Of this total, 13 million are women. And I am sure that all of us will agree that it is imperative that these individuals have enough aftertax income to insure that they can afford decent living quarters.

I am also heartily in favor of the low-income allowance which would remove 5.8 million poverty-level taxpayers from the tax rolls. A major problem of the individual income tax has been that tax is imposed on some people whose incomes fall below the poverty line. Imposing an income tax below these levels is harsh and unjustified, and the proposed relief is urgently needed.

Likewise, the increase in the general standard deduction in three steps to 15 percent in 1972 with a $2,000 limit in place of the present $1,000 limit is eminently justified. This higher standard deduction standard will offer relief chiefly to families and individuals in the $5,000 to $20,000 income range.

While my concern has been primarily to secure equity for low- and middle-income groups, I concur in the benefits conferred upon higher income persons in the form of averaging income that fluctuates from year to year and of a tax ceiling of 50 percent on "earned income." We may not always think the boss is worthy of his hire, but the fact remains that income derived from wages and salaries at all levels warrant greater consideration than the "capital gains class." It is only proper and long past due that a distinction in favor of "earned income"—the expenditure of sweat, skills, or talents—be made as opposed to "unearned income."

Another salutary provision would liberalize moving expenses allowances. As a sponsor of legislation on this subject, I am pleased that the committee has allowed up to $2,500 for expenses of house hunting trips prior to a move, temporary living outlays at the new location, and commissions and other charges of house selling and buying. This is a problem that affects a great many workers in our highly mobile society, and it is only fair to minimize the hardships that inevitably accompany a move from one area to another. Of course, no "sweetener" can really ease the blow for those persons who must move from the great State of New Jersey.

Among the matters to which I trust the Senate will give most careful examination is the impact of certain provisions affecting foundations and charitable contributions. Public minded and enlightened citizens and institutions are gravely concerned about various restrictions imposed in these fields. For example, with respect to the prohibition against private foundations providing funds for vote registration drives, Mrs. Robert Klein, president, League of Women Voters of New Jersey, has pointed out that the kind of money needed to

provide voter services activities is available only through foundations and tax-exempt funds. Mrs. Klein rightly observes:

> It is of the utmost importance, particularly at this point in our history, that all American citizens recognize the power of the vote and feel encouraged to seek changes and reforms in Government through the use of the ballot. Our work in voters' services convinces us that multitudes of Americans have not experienced the value of exercising their voting privilege, that they do not understand many of the complex issues facing our country, and that they are not convinced that the way to seek change is through the ballot box. It is important that full-scale efforts be made to educate citizens in this matter, to help them become registered voters, to provide as much information as possible about issues and choices, and to encourage them to go the polls.

Many private schools and colleges as well as such organizations as the Young Women's Christian Association fear the proposed restrictions on charitable donations will seriously impair their ability to continue their vital services. To inhibit legitimate incentives to support worthy causes would threaten the existence of institutions that serve the public interest in a very real way. As former Health, Education, and Welfare Secretary John Gardner has stressed:

> Tax exemption is a means of preserving the strength of the private sector and insuring that our cultural and educational life is not wholly subject to the monolithic dictates of government.

Mr. Chairman, as I wrote President Johnson on June 27, 1968, on the need for comprehensive tax reform, the American people have the will and fortitude to assume any sacrifice required of them but they must insist that their sacrifice be no greater proportionately than that incurred by other individuals and corporations. Our tax system must be based upon the democratic principle that those who enjoy the most bountiful share of our tremendous national wealth must pay their proportionate share of preserving the society in which they are so blessed. The legislation now before us does implement that principle in many significant ways. It goes far beyond the only two previous revisions made in the Federal tax structure since its adoption in 1913. Those changes in 1939 and 1954 were characterized by a former Commissioner of Internal Revenue as merely "facelifting." It is my hope that this bill will be strengthened as it goes through the further legislative process. But no matter what its final form, the battle for tax equity must not be regarded as closed. In his 1935 Message on tax reform to the Congress, President Franklin D. Roosevelt stated: "With the enactment of the Income Tax Law of 1913, the Federal Government began to apply effectively the widely accepted principle that taxes should be levied in proportion to ability to pay and in proportion to the benefits received. Income was wisely chosen as the measure of benefits and of ability to pay. This was, and still is, a wholesome guide for national policy. It should be retained as the governing principle of Federal taxation. The use of other forms of taxes is often justifiable, particularly for temporary periods; but taxation according to income is the most effective instrument yet devised to obtain just contribution from those best able to bear it and to avoid placing onerous burdens upon the mass of our people." Now, 34 years later, the Tax Reform Act of 1969 before us has laid a good foundation on which to build a tax structure that is worthy of a democratic society. I pledge my continued wholehearted commitment to this cause which must remain high on our list of national priorities and goals.

Mr. GOODLING. Mr. Chairman, I think it unfortunate that a bill of this magnitude—368 pages—should reach the Members of this body 4 days before we are called upon to vote on it.

It is impossible for any Member to familiarize himself with all its features. Our only recourse is to depend upon the members of the committee for information on the various sections.

I have serious reservations and objections to that section dealing with authority bonds. Here the Federal Government is getting into another phase of local financing, and I consider this a bad precedent.

As a nonlawyer, I also question the legality of this section. Here we have, in effect, a legislative committee making an appropriation which simply means back door spending which is always objectionable.

Mr. SKUBITZ. Mr. Chairman, it is with reservations that I support this measure.

This bill is 368 pages long. The committee report which is supposed to explain its provisions is 369 pages long. Both of them became available to us last Monday and here we are today—3 days later—voting upon it.

I must confess that I have not had time to carefully analyze its provisions or determine all of its ramifications. I get some comfort from the fact in knowing that I am not alone. If I were to hazard a guess, I would say that outside the Ways and Means Committee not a single Member of this body can intelligently discuss every provision of it. I might add that I question whether half of the committee can do it.

Fortunately, the bill, if it passes, will go to the Senate, where that body will work its will. If it survives the Senate—it will go to conference—and then we will be given a second chance.

Certainly everyone wants tax reform. Inequities should be corrected. However, in my opinion, little or nothing has been done to correct the biggest inequity of all—the tax bite placed on the average worker who has been carrying the major part of the tax burden. I am hopeful the Senate will do something about this. Frankly, I think the one thing we should have done and did not do is to raise the dependent allowance. Everyone would benefit from such action.

Mr. SHRIVER. Mr. Chairman, we have before us for consideration today the first comprehensive revision of our tax laws since 1954. It has come to the House for debate only 4 days after it was reported by the Ways and Means Committee.

There has been little time for individual Members to read the 226 pages of the committee's report or to study the 368 pages of the bill, H.R. 13270. I had hoped that we would have an opportunity to examine and evaluate the provisions of this tax reform legislation, and to provide ample time for our constituents to express themselves.

Tax reform certainly is long overdue. The mail I received early in this session indicated that the people wanted loopholes closed. They were irritated by reports that some citizens with enormous incomes pay little or no income taxes.

Now there are many good provisions in this bill; but there also are bad provisions. We are told that further tax reforms are under consideration by the committee.

The traditional "closed rule" under which this legislation is being considered bars amendments or changes of any kind. Thus, in making a decision we have to weigh the good against the bad in the bill.

I wholeheartedly support the tax relief provisions contained in this legislation which will reduce, and in many instances, eliminate tax payments for many middle- and low-income families in our country who have been so hard hit by inflation. I had hoped the committee would have taken steps to increase the present $600 income tax exemption, in accordance with legislation which many Members including myself have introduced.

The committee has wisely included in this bill at least two proposals which I have made in legislative form. This legislation provides tax relief for the large number of so-called forgotten taxpayers—those single persons, 35 years of age or more, and persons whose spouse has died. They are to be given head-of-household treatment or an intermediate tax rate treatment which is halfway between those available to married couples and those previously available to these single persons.

In this Congress, and in previous Congresses, I have sponsored legislation to liberalize income tax deductions for moving expenses. I am pleased by the committee's action which adopts the provisions of my bill.

As we wrestle with this tax reform legislation today, it would be well to remember that the most meaningful type of tax reform we could provide the American people would be tax simplification. Tax simplification can be achieved by a broadening of the base and a reduction of the rates.

The confidence of the American people in the integrity of their Government demands a tax structure that is both understandable and fundamentally fair. The Internal Revenue Service has, along with other Government bureaus, swamped the American taxpayer in a paper jungle that has forced him to either become or hire a "Philadelphia lawyer" and accountant.

Mr. Chairman, I also take this opportunity to cite several provisions in this bill which will adversely affect local governments, educational and philanthropic institutions, and vital industries of this Nation.

There is no simple answer to the problem of tax reform. What may be a loophole to one represents equity for another.

For example, the provisions of the bill which drastically alter the tax treatment of municipal bonds comes at the worst possible time and goes far beyond any proposals that are needed to achieve tax equity.

Local governments and local school boards are faced with growing costs of education, maintenance of public order, health, housing and the welfare needs of our citizens. State governments do not have a source of revenue that grows proportionately.

In the face of these expensive problems, the committee has recommended action that will compound the problems that these State and local governing bodies are having.

In another area, that of charitable contributions, we may be eliminating some tax inequities but in so doing we are forcing private charities and all educational institutions to turn more to the Federal Government.

To many of my colleagues who reside on the eastern coast of these United States, tax reform means "let us get the oil industry." The reduction of depletion to 20 percent is a regrettable and dangerous action. Perhaps the oil industry must do more to improve its image with those who would destroy it.

However, there can be little question of the importance of adequate oil and natural gas supplies and reserves to the economy and national security of our Nation. The action against the industry proposed in this bill will drain some $600 million annually from the funds available for domestic exploration and development.

The real loser may well be the American consumer who could end up paying more for gas and oil.

In Kansas the oil industry consists largely of small, independent producers.

Over 27,000 persons earn their livelihood in one phase or another of this industry, and farmers in 92 of the 105 counties have leased their land for oil and gas exploration and production.

In the 1960's both production and reserves of oil in Kansas diminished at an alarming rate. Oil imports, inflation and other economic conditions have damaged the independent industry in Kansas. Taking $600 million out of an industry at this time is not in the best interest of Kansas or the Nation.

While the rule under which this legislation is being considered prevents the offering of amendments, we can only hope that the other body will make the necessary revisions and improve upon the work started here.

Mr. DANIELS of New Jersey. Mr. Chairman, I rise in support of H.R. 13270, the Tax Reform Act of 1969.

We have for too long ignored the needs of middle-income Americans, people working 8 to 10 hours a day and who in the past few years have been forced to take on another job just to make ends meet. For too many years a disproportionate burden of meeting the Government's obligations has fallen on the shoulders of these middle-income taxpayers while a substantial number of the wealthy carry but a small share and a substantial number of millionaires pay nothing.

In recognition of that inequity, I introduced in 1967 and at the beginning of this session, a tax reform bill which would have closed up a number of glaring loopholes. Many of the proposals in my bill were not adopted by the committee as I hoped it would. Nevertheless, I shall support the reported bill which came to the floor of this House under a closed rule even though there are a number of items in this bill with which I am unhappy. I believe the bill does not go far enough in plugging tax loopholes. However, it is a step in the right direction. On the whole the bill is a good one. The worst that can be said for it is that it does not go far enough, that it does not provide a sufficient quantity of relief in certain areas. On the other hand, however, it provides the opportunity for broad relief to middle-income taxpayers who need it most as well as the opportunity to distribute more fairly the burden of taxation on those who can best afford to carry it. Thus, the bill will serve as a strong foundation upon which to build future reform.

I am aware that many of my colleagues are dissatisfied with the reduction of the oil depletion allowance. I am aware that many of my colleagues are dissatisfied with treatment given capital gains and corporate taxes. I am also aware that many of my colleagues are dissatisfied with extent of relief given middle income taxpayers. Having been one of the early supporters of broad tax reform I too, am dissatisfied with parts of the bill.

But I have been fighting for major tax reform for too long to see it fail now because I or someone else is unhappy with one or a few of its provisions.

I am too well aware of the difficulties in drafting a major tax reform bill. I am too well aware of the countervailing pressures which must be satisfied in order to develop equitable relief. For that reason, I offer my congratulations to Chairman MILLS and his committee for drafting a bill which provides a structure for reform. I sincerely believe that it is one which we can all live with, it is one which we can take back to the people as evidence of our good faith and say "we have begun."

The tide that is rising in America today which is demanding tax reform and which is responsible for today's legislation is a strong one. It will persevere long enough to provide the force with which to build a truly equitable tax structure, one in which all citizens will equitably share in the support of their Government. And I am confident that this bill will provide the base upon which that equitable structure can be built.

Mr. CONTE. Mr. Chairman, you may recall that I voted in favor of extending the surtax—but with very serious reservations. My reservations stemmed from the fact that the bill was not part of a comprehensive tax reform package.

I am most pleased to see that today we are considering such a package. I have said many times before, and I repeat now—the time for meaningful and comprehensive tax reform is long overdue.

The bill before us is not perfect—and that is not surprising, in view of its scope. But it is, on the whole, a good piece of legislation. It reflects a great effort on the part of my distinguished colleagues on the Ways and Means Committee to make the tax laws more equitable.

I would like at this time to mention some of the proposals that have special significance for me. I can think of no better place to start than with the oil depletion allowance. I have maintained—time and time again—that this is one of the biggest loopholes in our tax laws.

Earlier this year, I introduced legislation to reduce the allowance to 15 percent in the case of domestic oil and eliminate it in the case of foreign oil. I am pleased that the latter provision has been recommended. I am sorry, however, that the allowance has otherwise only been reduced to 20 percent. But I must concede that even this modest reduction is better than nothing. In my opinion, it does represent a real attempt to make the oil industry pay some of what it should have been paying to the Federal Treasury all along.

One area in which I am very interested is tax-exempt foundations. I testified on this before the Ways and Means Committee. I did not favor then, nor do I now, a blanket tax on the investment income of a foundation. I might note that the term "investment income" is quite broad, and according to the committee report includes interest, dividends, rents, and royalties.

I oppose such a tax because I do not think that is the way to plug up abuses. The way to do it, in my opinion, is through measures directed to specific abuses—and the bill does just this. Therefore, I question whether an overall tax, even assuming one supports the concept itself, is necessary.

One of the best features of this bill is the fact that it helps the little man and at the same time makes the big man pay a more realistic share of the tax burden. The increased standard deduction and the low-income allowance will bring much needed relief to many deserving taxpayers. For example, it is estimated that the low-income allowance alone would remove 5.2 million returns from the Federal tax rolls and result in a tax reduction on another 7 million returns.

The big man, or higher bracket taxpayer, will now have to pay a little more. Under the so-called LTP or limit on tax preferences provision, less income will escape the grasp of the Internal Revenue Code. And under a companion provision, deductions will be allocated between income subject to tax and income not subject to tax.

I think the proposal to liberalize deductions for moving expenses is a very good one. I have introduced legislation to this effect for several years.

The proposal on farm losses should remedy a bad loophole that has hurt many genuine farmers.

I would also note the provision for spreading the cost of pollution control facilities over a 5-year period. I had introduced a somewhat similar bill earlier this year. I think it is a good way to

insure investment in antipollution devices.

Mr. Chairman, I have in this short time focused on a few of the provisions. Overall, the bill is quite impressive. It is the kind of comprehensive tax reform we have all been waiting for, and I am very happy to see it here today.

Thank you, Mr. Chairman, for the opportunity to make these brief remarks.

Mr. BURTON of Utah. Mr. Chairman, many statements have been made in Congress and in the press, in regard to the alleged bonanza the big oil companies receive from percentage depletion, that are inaccurate, misleading, or both. I would like to take a few minutes of this body's time to put some of these erroneous statements in proper perspective and clairfy some of the misrepresentations that are being expounded.

First. Depletion is a loophole: The first of the misrepresentations that is being made, Mr. Chairman, is the use of the word "loophole" in referring to percentage depletion. The percentage depletion provision of the statute in no way meets this definition. As I am sure all of my colleagues know, this provision has been operating since 1926 in a manner that Congress intended and serves to accomplish the purpose for which it was intended—an incentive to encourage exploration.

Second. Only big companies get the advantage of depletion: It is often said that percentage depletion benefits the big oil companies which produce most of the oil rather than the small companies which find most of it. This is not true since approximately 90 percent of all the oil produced is produced by the operators who drilled the wells and developed the reserves. Furthermore, small companies often benefit from extensive geological and geophysical work conducted by large companies before mineral properties are subleased to them for development.

The same rules for determining allowable depletion apply to all sizes of companies and even to individual producers. Percentage depletion is computed separately for each property—usually for each lease—and is the lesser of 27½ percent of gross income or 50 percent of net income before depletion. Cost depletion is always allowed and is used when it is more than percentage depletion. No different rules apply to big companies. Of course, the dollar amount of the deduction is more for big companies but so is the deduction for depreciation, taxes, wages, and so forth. Big companies simply have no advantage.

Third. Some taxpayers pay no taxes because of depletion: Of course, depletion serves to reduce Federal income taxes, but percentage depletion cannot, of itself, eliminate such taxes. The statute limits percentage depletion to 50 percent of net income of each separate property, so, obviously, it cannot reduce the tax more than 50 percent of what it would have been without depletion. Those persons who do not understand the application of the depletion provision of the statute often think taxes are eliminated by percentage depletion—but this simply cannot be. If a producer of oil and gas pays no income tax, it is because that producer has plowed all his profits back into exploration and development efforts. This is precisely what the incentives are designed to encourage.

Fourth. Oil companies do not pay their share of taxes: One of the most frequently heard misstatements, Mr. Chairman, is that oil companies do not bear their fair share of taxes. A reliable research organization has made a study of the tax burden of the petroleum industry in comparison with that of other industries for the years 1964–66, the latest years for which comparative data is available. Their report shows that the petroleum industry's domestic tax burden, exclusive of motor fuel and other excise taxes, was 5.4 percent of gross domestic revenues, as compared with 4.6 percent for all business corporations.

The oil industry paid $2.5 billion taxes in 1966, exclusive of $8 billion in motor fuel and excise taxes. Including these latter taxes, the total domestic tax burden on the petroleum industry and its products was about 21 cents on each dollar of gross domestic revenue—about four times that of most other industries.

Fifth. Big companies know exactly how many holes will be dry: It is obvious that a company, big or little, would not drill a hole large enough to produce oil if it was known it would be dry. Based on past experience, some explorers may be better able than others to estimate the percentage of holes that will be dry. Only by actual drilling can it be determined whether a particular well will be dry. A dry hole represents a substantial after-tax net loss to the one who drills it.

The industry spends nearly a billion dollars per year on dry holes. If the large companies could determine in advance which ones would be dry, they would drill no dry holes, and thus eliminate such losses. So far, scientific developments only make it possible to determine a possible producing rock structure and not whether any oil exists in a particular location. As a matter of fact, some companies, by excelling in judgment and use of scientific expertise, do have better results than others. But, even so, using the best technical know-how they drill several times more exploratory dry holes than producing wells in search of new oil and gas deposits. It is still a fact of life that oil companies, large or small, on the average have to drill 11 wildcat wells to find an oil or gas deposit.

Sixth. The public is subsidizing oil companies through the depletion provisions: This statement is based on the idea that the oil industry does not pay a fair share of taxes and, as a result, the general taxpaying public must take up the slack. It is not true because the oil companies do pay a fair share of total taxes, as I have already explained. In fact, the public is actually getting the benefits of depletion through an ample supply of energy at reasonable prices. The fact that the benefits of depletion have been passed on to the public through prices of petroleum products is evident by—

The price of gasoline has increased less than 10 percent since 1926, while the prices generally have increased 100 percent, and

The profits of oil companies have been relatively low, representing a lower rate of return on investment than for manufacturing companies.

Mr. Chairman, the six misleading statements which I have discussed are only a few of the erroneous ideas that have developed on the subject of percentage depletion and its application to the oil and gas industry. An attempt to explain them all would not be feasible. It is hoped, however, that these comments will serve to correct some of the misunderstanding surrounding this subject.

Mr. SCHWENGEL. Mr. Chairman, I would like to take this opportunity to commend my distinguished colleagues on the Ways and Means Committee for their outstanding efforts on behalf of tax reform. In January, it was said that the job could not be done, but you have done it, and done it well.

H.R. 13270 is historic legislation. It is the first major revision of our tax laws in the last half century. It constitutes a real milestone in the history of our system of self-assessed taxation.

Over the years, a number of inequities have worked their way into our tax laws. Some were due to court decisions, some were due to administrative rulings, some were due to changes in economic conditions, and still others were the result of the efforts of powerful special interest groups who secured passage of legislation creating loopholes. These inequities have reached the point where the system is grossly out of balance, especially with respect to middle- and low-income families. The inequities and loopholes, coupled with the current problems of high prices caused by inflation have finally forced an outcry from the taxpayers most severely affected by the loopholes. Fortunately this outcry was loud enough, and the committee strong enough, to overcome the various special interest groups.

The bill incorporates most of the features of my own tax reform program introduced earlier this year. For this reason, I will give the bill my fullest support.

I was disappointed that the committee did not see fit to increase the personal exemption to $1,200. The increase in the standard deduction will be some help, and does give some recognition to the effect of inflation on the cost of raising a family and maintaining a home.

I was also disappointed on the action taken with respect to cooperatives. I am not convinced that the cooperative provisions were really a loophole, and certainly not such as to justify the rather drastic changes contained in the bill. It seems to me that the committee could have dealt much more firmly with what I consider to be a real loophole, the oil depletion allowance. The reform bill should have gone much further in reducing the allowance.

On balance, it seems to me, the bill does give significant tax relief to a majority of the taxpayers, and will thus receive my support.

Mr. JARMAN. Mr. Chairman, the proposal in the Tax Reform Act of 1969 to reduce the oil and gas depletion allowance is based on several rather familiar criticisms. First, some critics have attacked it because that 27½-percent rate for oil and gas is higher than that for most other minerals. As you know, the producer may deduct 27½ percent from the gross annual income of a lease or property. However, producers are prevented from taking the full 27½-percent deduction because this figure may not exceed 50 percent of the net income of the lease and this restriction, in practice, allows the producers an average allowance of only 23 percent and, in many cases, much less than that.

Other familiar arguments against maintaining the depletion allowance at its present level are that the oil and gas producers are not paying their share of taxes, and their rate of return on investment is too high. These arguments simply are not justified as the following comparisons will show. The oil and gas industry annually pays into the Federal treasury $2.5 billion indirect taxes or 5.1 percent of gross revenue from all operations. On the other hand, the direct tax burden for all business corporations in the United States on gross revenue is 20 percent less than that of the petroleum industry. Likewise, the average profit of 99 oil companies in 1968 was equal to an 11.5-percent return on net worth while 2,250 manufacturing companies earned a 12.1-percent return on net worth. Although my purpose is not to defend the depletion allowance by comparing it with other industry standards, I think these comparisons completely answer these criticisms.

Mr. Chairman, as you know, depletion is a tax provision that encourages people to risk their money in the search for new oil and gas fields. It was established at a time when ready reserves were easy to obtain and the Nation's demand for oil and gas was relatively low. However, in the past 110 years since the discovery of petroleum in this country, we have used approximately two-thirds of our readily recoverably supply, and expect to use 2⅓ times as much in the next 30 years. This increased demand for the product and the added difficulty in obtaining it makes it even more important that the present depletion allowance be retained. Each year, our oil and gas companies spend 3½ times as much on the search for new reserves as they receive as a result of the depletion allowance.

Exploration is a high risk venture in which chances of an exploratory well producing any oil or gas are only 1 out of 9. And, the chances of discovering a commercially profitable oil or gas field are 1 in 48. It is obvious that any reduction in the depletion rate would discourage exploration. It would, therefore, become necessary for the producers to be more cautious and selective in their drilling plans in order to eliminate the high risk attached to discovering commercially profitable wells.

The risk in discovering the hard to find but commercially profitable oil and gas deposits would be too great to justify the large capital investment. And, if the companies find it necessary to cut back on exploration, the resulting oil and gas shortages would have a shattering effect on our economy. While this effect might not be felt immediately because of our Nation's reliance on an uncertain foreign oil supply, our economy would be stricken in the event of a crisis that would cut off the availability of this foreign oil.

There is no doubt that a financial weakening of the oil and gas industry will certainly cause economic disturbances in my State of Oklahoma and other major oil and gas producing States. Any reduction in the depletion allowance would have a far-reaching effect that would be harmful to our Nation. The relatively small amount of tax that would be collected would not possibly offset this disturbance.

Mr. Chairman, the only recourse for our continued sound oil and gas economy, on which our Nation so heavily relies, is to maintain the oil and gas depletion allowance at its present 27½-percent level.

Mr. Chairman, since House rules prevent any effort to amend this bill when it is considered in the House of Representatives, I intend to vote against the entire bill as a protest vote to the cut in the oil and gas depletion allowance contained in said bill. If this bill passes the House, my earnest hope is that the Senate will retain the 27½-percent figure and that the House conferees will accept that figure.

Mr. FASCELL. Mr. Chairman, 15 years ago, aware that our tax laws were failing to respond to the needs and conditions of the day, we fashioned what is today one of the world's most comprehensive tax codes. Before and since, the American taxpayer has compiled an unparalleled record of voluntary compliance with the law probably because of an abiding belief that the substance of the law and its administration are impartial.

Recently, that belief has been under severe challenge. Rightfully so, I am convinced. The pressures of inflation, the constant search for new tax sources by State and local governments, and imposition of the surcharge all have had the effect of focusing attention on provisions of our tax laws which enable many citizens to escape their fair share of the cost of Government.

Thus, tax reform is an idea whose time has come. Not merely because the public is incensed about the increasing tax bite, nor because the promise of reform has gone unfulfilled for so long, but simply because the tax structure, as it now stands, fails to meet all objectives of fairness, equity, and simplicity.

The reform bill reported by the Ways and Means Committee constitutes a significant attempt to cure that situation. I applaud the outstanding work of the committee and consider its bill a first big step toward halting erosion of respect for our tax laws.

However, in all candor, it must be said that the cause of simplicity is not served by the committee bill. There is no denying that our tax laws have the dual purpose of raising revenue and advancing social policies. Nevertheless, we should not lose sight of the fact that by reducing the tax burdens of those in need without simplifying the procedures by which to comply we may be neutralizing the beneficial effects. Worse yet, enlargement of substantive benefits without simplification of procedures and forms may result in reluctance by some of our citizens to avail themselves of new tax benefits and a misunderstanding of their consequences. Such a situation now exists among our elderly who are confronted yearly by a hodgepodge of complex forms and formulas.

I am very pleased that the committee has adopted the heart of my tax reform proposals which have the purpose of assuring that all Americans in similar circumstances pay approximately the same amount of tax. It is necessary that we eradicate the injustice by which the effective rate of tax paid by the poor often exceeds that paid by the wealthy.

My proposals to the Ways and Means Committee called for lessening of the tax burdens on the poor, for liberalization of the general standard deduction, for a mandatory graduated minimum income tax and for an optional maximum tax. Their inclusion in the tax package of the Ways and Means Committee and, hopefully, their imminent enactment into law will enhance the promise of tax justice at every income level.

Even with passage of this tax bill the job of reform is far from completion. The disparity in rates and presumptions between estate and gift taxes, the tax treatment accorded to the elderly, and the possibility of greater revenue sharing between Federal and State governments are but three areas which still require scrutiny and possible action by Congress. I am pleased by the announcement that the Ways and Means Committee will soon continue the great reform work it has commenced.

I will vote for enactment of H.R. 13270 because it is a first dramatic step toward the goal of tax justice. I am concerned, however, that the task of the average taxpayer in wending his way through its provisions has not been made simple.

By voting for enactment of this measure I will be reiterating my support of a 1-year extension of the surtax. Equally essential to control of inflation is continuation of cutbacks in nonessential Federal spending and repeal of the 7-percent investment tax credit. It is perfectly clear that use of high interest rates as a brake on spending and consumption has not dampened inflation. The Consumer Price Index showed a rise of six-tenths of 1 percent in June. Other indicators reflect no reversal of the inflationary spiral.

I am convinced that unless we continue applying these fiscal tools to our overheated economy the benefits expected from a reformed tax code may prove to be illusory. As I said on June 24:

> The national economy requires retention of the surtax for a reasonable time and the American taxpayer requires more equal treatment from our tax laws. Both are indispensable goals.

Mr. HANLEY. Mr. Chairman, this is the day many of us have been waiting for for years, the day when we finally say to the special interests of this coun-

try: "You're going to start paying your fair share of the national tax liability." But, Mr. Chairman, it is not the sweet day that those of us who have been urging reform had hoped it would be. Indeed, some of the anticipated sweetness has been distinctly soured in the last minute maneuverings of the Ways and Means Committee. There are some hookers in this bill and there are some items that I definitely do not like, but I intend to vote for the bill because, on balance, it is a good one, and, on balance, it is the only one we will get a chance to vote on this year, or perhaps for many years to come.

I, for one, am disturbed over the fact that the Ways and Means Committee issued a 300-plus page report on the bill on Monday and then insisted on bringing the bill to the floor less than 48 hours later. If there are any red eyes in the Chamber today, it is probably because so many Members spent such long hours reading the fine print in the committee report.

Mr. Chairman, I am gratified over many of the reforms we are going to achieve today. In my statement before the Ways and Means Committee several months ago, I outlined a number of areas in the Internal Revenue Code which I felt demanded a restructuring. Specifically, I was concerned over the abuses of self-dealing which have crept into some private foundation operations. These have been covered in the present bill. I was concerned over the activities of nonfarming "farmers" who used these operations as tax losses. Again, this matter has been dealt with in the bill. And I was disturbed over the inequitable oil and mineral depletion allowances which have been on the books for years. These also have been dealt with, although not as stringently as I would have desired.

There are several items of special interest to the average taxpayer in this bill, which I also favor, Mr. Chairman, and among them are the increases in the minimum standard deductions, deductions for moving expenses when changing jobs, and a new head of household treatment rate for single persons. These are long overdue.

But as I said a few moments ago, Mr. Chairman, there are some sour aspects to the bill which I reluctantly accept. Not the least of them is the extension of the surcharge at 5 percent from next January to next June. I have vigorously fought and on two occasions voted against the surcharge this year. And were it not for the fact that we have finally achieved these long-sought other tax reforms, I would vote against the surcharge again. But we all realize that this is a package bill, and that amendments are not permissible. We realize that we cannot pick out the items we want in the bill and reject the ones that are unpalatable. And so my vote for the bill today will be coupled with a plea to the Senate that they amend the bill when it comes before them; that they will eliminate the provision extending the surcharge beyond next January and that they will include a specific provision increasing taxpayer and dependent exemptions.

Mr. EVINS of Tennessee. Mr. Chairman, I want to commend and congratulate the chairman of the Committee on Ways and Means, the gentleman from Arkansas (Mr. MILLS) and other members of this committee for their remarkable achievement in drawing and introducing this landmark legislation, the Tax Reform Act of 1969.

Tax reform has been long delayed and is much needed.

Most taxpayers pay their fair share of Federal income taxes but there are those few who consistently evade their responsibilities—and this bill is aimed at correcting these inequities and closing these loopholes.

Several of the provisions of this bill are similar to those in H.R. 11017, the tax reform measure which I introduced May 7 last.

The provisions in H.R. 11017 which in varied form have been incorporated in H.R. 13270, the Tax Reform Act of 1969, include broad-based relief for taxpayers, repeal of unlimited charitable deductions, sharp curtailment of "hobby farming" as a tax shelter and evasion of regular income and limitations on tax-exempt foundations, among others.

While my bill recommended the raising of the personal exemption from $600 to $1,000, the Committee on Ways and Means in its bill chose a different approach to achieve essentially the same objective.

The Tax Reform Act—the committee bill—seeks to accomplish this same result by raising the amount of the standard deduction from 10 to 15 percent—with a new maximum of $2,000 rather than $1,000 becoming effective over a 3-year period.

In addition, the committee bill provides for reductions in tax rates of at least 5 percent throughout the entire income range with one-half the reduction taking effect in 1971 and the full reduction taking effect in 1972. Another provision will remove from the tax rolls some 6 million persons in the lowest income brackets.

This bill provides a great range of needed corrections in our tax structure. I am advised that if this bill becomes law, no longer will certain individuals be able to escape their taxes and responsibilities through various loopholes. This bill will close the major loopholes. This is a major step forward. The ccrrections are long overdue. Equity, or more near equity in tax treatment of taxpayers is achieved.

By requiring taxpayers who have resorted to tax avoidance to pay their share, the great majority of the taxpayers who pay their just shares can be given some relief in the form of increased standard deductions, the increase in rates, liberalized moving expenses, assistance to single taxpayers, and low income allowance, among others.

Repeal of the 7-percent investment credit will also increase revenue. In my bill I attempted to retain this credit for small businessmen but the committee in its wisdom did not see fit to concur in this recommendation. Perhaps this relief can yet be achieved in the Senate.

Overall, however, this is a landmark bill—a historic bill—a bill which will go a long way toward creating a fairer, more equitable tax system.

I shall support its passage.

Mr. BURLESON of Texas. Mr. Chairman, the 368-page bill now before us is here under the label of "reform." I do not suppose there are very many things which could not stand some reforms but in this instance I believe the word and its application are overly used.

Assuming that all of us understand the complicated and technical provisions of this legislation, I seriously question whether even the experts in this field can, with any satisfactory degree of certainty, know the long-range effects of its application.

There is no question that there are abuses in a great many areas of our present tax law. There is no question but that, in these areas, there should be a tightening of so-called loopholes. To find ways of paying as little tax as possible is the business of those who specialize in this field. This has always been true and it always will be. As a matter of fact, one of the high officials of the Treasury Department has termed this bill as one for tax lawyers and accountants.

It is impossible to spell out every detail in most any bill presented to this Congress, and especially one as technical as this measure of 368 pages. To attempt to do so would produce volumes the size of a mail-order catalog. This being the case, it becomes necessary that the Secretary of the Treasury "or his delegate," which is the term used and meaning the Internal Revenue Service, may "promulgate such rules and regulations as he deems necessary" for carrying out the many provisions of this measure.

Now, Mr. Chairman, in most all laws, and especially in our tax laws, regulations applied many times appear to be entirely different than what was presumably intended when the law was enacted. Throughout this bill before us appears this provision of wide latitude delegated to these officials.

It is my feeling that the underlying philosophy in these proposals before us is not healthy to continued freedom of our free enterprise system under democratic Government. It seems to me there is an erosion of this concept. There are already under present law limitations on this basic idea but this measure goes considerably beyond what we now have and the application of it gives me a very great concern.

To be more specific, I cite these examples.

The increased taxes on capital gains strike at the very heart of the free enterprise system by discouraging the accumulation of capital for investments. Under our Government's obligations, including our huge national debt, economists estimate we need and must expect an increase in our gross national product of about $12 billion annually. To maintain this level there must be huge capital investments to provide new employment opportunity and to have new taxes.

In the case of municipal bonds, the provisions in this bill are, in my judgment, absolutely needless. According to Treasury officials we cannot expect any Federal revenue gains by what is proposed here. It is proposed that the State and local governments issue taxable

bonds which, of course, carry a higher rate than if they continue the present practice of issuing tax-free bonds. By issuing taxable bonds it means the local taxpayer is going to be charged a higher rate of local taxes than now imposed. If the local school district, a municipality, a water district, or whatever it may be, votes and issues bonds, the higher tax will cost every citizen from 2½ to 3½ percent more.

It is provided in this bill that the purchaser of these bonds will then be federally taxed, and the Federal Government returning the difference in the tax-free rate and the taxable rate to the local government. This does not mean a reimbursement to the individual paying a higher tax rate on the bonds. A municipality may continue to issue tax free bonds, but selling them at the lower rate is something else. The local government is offered a subsidy as an incentive for issuing taxable bonds but it does not say how much.

The result of this provision, in my opinion, is to have the Federal Government impose its authority as to when and how much and how many bonds are issued and, more seriously, will force local governments to look more and more to Washington for grants for those purposes which they are now willing to finance by their own bond issues. I see no other result than added cost to every citizen when improvements are made for schools, city buildings, water improvement or whatever it may be.

Our local oil industry is hit hard by the provisions of this bill. The depletion allowance, which has a solid historic reason behind it, is being reduced at a time when the industry is having serious trouble. Our reserves are already alarmingly low and these provisions will further discourage exploration. Natural gas is in short supply and, unless exploration and production are expanded, prices will inevitably increase.

Our defense posture is dependent on oil. A lack of adequate production in this country will cause us to depend more and more on foreign sources.

In this connection, foreign oil production has also been severely treated, by reducing the benefits of applying taxes paid to foreign governments against the overall income of producers abroad.

The oil industry pays approximately 40 percent of the expenses of our State of Texas. If it is discouraged to expand and remain healthy, it means every taxpayer will be required to make up the difference. Right now our State legislature is trying hard to find new sources of revenue.

In the case of charitable contributions, the so-called allocation of deductions will limit gifts to our colleges, churches, hospitals, and other charities.

No one can successfully argue that there have not been numerous abuses by some of the thousands of foundations. Many have been created for the purpose to avoid paying taxes. In this area there is need for limitations. At the same time, many of the foundations have helped build, and continue to support, some of our finest institutions.

The provision in this bill for "self-dealing," which means a foundation owned by an individual or individuals who profit from its operations, would now prohibit such arrangements. This is as it should be. Foundations with tax-free income, in competition with private business, need limitations as provided in this bill. Those which stay strictly within charitable, religious, scientific research, and other worthwhile missions for which they were created, should not be injured or hampered, but it is difficult to measure, at the moment, just how far the provisions of this bill actually go.

The tax relief granted in this bill may turn out to be a myth. It appears that some relief is being given by adjusting tax rates to be effective in 1971, but while relief is supposedly being given with one hand, what amounts to a minimum tax, worked through a limited tax preference concept together with allocation of deductions, is the hand which takes it away.

Another section of this bill deals with the treatment of nonrelated farm income. Here, again, there have doubtless been abuses by the "hobby" farm and the "play" ranch. Losses in these instances are charged against other income to the extent it makes no difference whether a profit is realized off the operation or not. The provisions of this bill place limitations on this sort of practice, but create a very complicated formula to reach it. It is not expected to injure the bona fide rancher or farmer, but it may have the effect of limiting certain conservation practices and the upbreeding of livestock, which would be a disservice to everyone.

This bill has yet to travel through the legislative process. I had hoped there might be more opportunity to study and explore the effects before we reached the point we are today, but such is not the case. Even though the Ways and Means Committee has spent a good part of 6 months in producing this we are called to vote on today, it is surrounded with many question marks. As a matter of fact, there are certain sections of this bill on which there were no public hearings at all, but which were dropped in without proper study. It deserves the most careful study in depth to really know what the effects of it may be. Whatever is done will affect the lives of our people for a long time to come.

These are but a few of the many subjects dealt with in this measure. From the debate that has gone on these 2 days, it is obvious there are considerable differences of opinion as to the meaning and application of the provisions in the several titles and many sections of this bill. As those of you know who appeared before the Rules Committee for a rule to bring this measure to the floor, some consideration was given to permitting separate votes on each title. This, of course, was not done but it would seem to me that if permitted a vote on the many separate issues, but not subject to an amendment, this House of Representatives could better have worked its will. A tax bill, of ccurse, with all the technicalities involved, cannot be written on the floor of this House, but it does impose a burden of judgment to only be able to accept or reject the whole package when the final vote occurs.

I hope the Senate will give long and careful study to this matter and that improvements can be made. It is my hope that what comes out of the conference, which will resolve the differences in what we do here and what may be done in the other body, will result in a measure which I can support.

Mr. FLOWERS. Mr. Chairman, since coming to the Congress in January, I have received more mail, more telephone calls and more personal contacts from my constituents concerning tax reform than any other issue before us. This is a matter of paramount importance to the citizens of the Fifth District of Alabama and to the Nation as a whole.

I believe that their concern is certainly justified and as Representatives of the people it is our duty to respond. The forgotten men and women—middle-income, hard-working, law-abiding, taxpaying majority in our Nation have had about all they can stand, and perhaps more, of an unequal and unfair distribution of the tax burden.

I wish to commend the Ways and Means Committee and its distinguished chairman for their diligent and painstaking efforts in producing the bill which we have before us now. I take nothing away from their work when I say that I do not agree with all of its provisions and when I say that I wish that this body had an opportunity to propose amendments at this time. However, Mr. Speaker, I am convinced that the bill must be passed, even considering some of its imperfections, for it is certainly a vast improvement over present existing laws. Loopholes are being closed—inequities are being removed—and in the process, the taxpayer is receiving a well-deserved break in tax rates. I have long advocated and supported tax reform and, therefore, I urge the passage of H.R. 13270.

Mr. JONES of Tennessee. Mr. Chairman, the Tax Reform Act of 1969 is a monumental piece of legislation. It represents the most extensive revision of the Internal Revenue Code in history, and I wish to commend the Committee on Ways and Means for the sustained and dedicated work that they have done on this bill since the very beginning of this Congress. The committee has been in public hearings or executive sessions almost incessantly since January, and all Members of the House owe the committee a debt of gratitude for its diligent and faithful labors.

This is not to say that I agree with or support each and every provision in the bill. Indeed, there are sections of it that if it were in my power to amend, I would certainly do so. The parliamentary situation and the rules of the House preclude such action at this time, however, and regrettably, I will have no such opportunity today.

On balance, however, it is a good bill with the desirable provisions in it far outweighing those portions with which I do not agree. The bill closes or reduces precipitously the size of a number of notorious tax preferences, which should enhance measurably taxpayer confidence in our self-assessment tax system in this country, which is still by far on the whole the greatest revenue system in the world.

The revenues that will be gained by the removal or reduction of tax preferences

are to be wisely used in reducing the tax burdens of our citizens. The lessened tax burdens will take the form of rate reductions all up and down the schedules as well as other specific provisions of the bill, such as the low-income allowance and liberalization of the standard deduction and the other provisions which will have the effect of reducing tax liabilities. I personally had hoped that tax reduction could have been made effective earlier than in 1971 and 1972. I understand, however, that the budgetary and economic situations are such that an earlier effective date would not be prudent under the circumstances, and I am gratified that at least by 1972 the full effect of the rate reductions will be available to the taxpayers of this country.

Mr. HANNA. Mr. Chairman, 2 years ago, when the tax surcharge proposal was first presented to Congress, I stated that no surcharge should be accepted unless it went hand in hand with a sweeping across-the-board reform that would create a more equitable system of taxation. I said then—and I believe these words are just as appropriate today—that it is clear that our citizens are not satisfied with the fairness of the current system. I believe there are meaningful reforms that can be made. I for one want to make it abundantly clear that I will not consider any tax proposal which fails to include in it significant, meaningful proposals for reform.

That was what I said 2 years ago. Then, last year, when I announced my grudging support for the surtax measure, it was under the clear understanding that some genuine movement would be made in the area of tax reform.

However, after the surtax proposal passed, no genuine effort at tax reform was made.

It was with this in mind that I considered the surcharge when it came up for extension this year. I found that still no meaningful reform had been introduced before the House. I reluctantly felt it was necessary to re-state the same theme of a year and a half before.

On April 2, I recommended a number of methods by which the system could be made more equitable—ways in which loopholes could be closed. I should like to briefly repeat some of the proposals I made then:

I called for the establishment of a minimum income tax for everyone above the poverty level—so that a few individuals at the very top income brackets would not be able to escape Federal taxation. I was not the only one making this proposal. Economist Paul A. Samuelson made a similar statement in a national magazine. And, in February of this year, the tax reform study submitted to the Ways and Means Committee emphasized the same point.

In addition, I called for the allocation of deductions between both taxable and nontaxable income, so that an individual would have to charge his personal income tax deductions against both his taxable and nontaxable income.

I proposed that a limitation be placed upon farming expenses that could be deducted from nonfarm income.

I recommended a repeal of the unlimited charitable deduction.

I called for a revision of capital gains and loss taxation laws.

I suggested that new tax laws were needed to deal with multiple corporations. In accordance with this proposal, I asked that multiple surtax exemptions be withdrawn for all related corporate units of a parent company.

I asked for a removal of the tax-exempt status for municipal industrial development bonds.

I proposed a revision in real estate depreciation tax laws.

I declared that the 7-percent investment tax credit for new equipment be repealed, as a means of checking inflation.

I called for tighter controls over transactions between tax-exempt organizations and their donors.

I asked that tax-exempt foundations be required to distribute all their net income to charity.

I proposed the taxation of unrelated business income of tax-exempt foundations.

I declared that a revision should be made in the tax laws concerning a charitable income trust with a noncharitable remainder.

The next proposal was for the placing of restrictions upon the activities of tax-exempt foundations, to guard against their unwise or irresponsible use of their own assets.

I asked, finally, for the placing of a tax on the net investment income of private foundations.

These proposals, of course, were not new. The need for their implementation had been evident for a long time. But no action had been taken upon them.

The Ways and Means Committee has now acted upon all of these 15 proposals I have just mentioned. In addition other measures for reform have been presented by the committee.

In the past, I have withheld my support from a surtax extension. I said on June 30 that I would not accept the extension unless it was accompanied by a basic, across-the-board tax reform proposal.

Such a proposal has been long overdue. President Roosevelt called for it. So did Presidents Truman, Eisenhower, and Kennedy, and each of them, to some extent, did make some headway.

But when President Johnson broke with this tradition, in 1967; when he called for the 10-percent surcharge, without an accompanying tax reform—it was then that we lost sight of our true goal, and we were asked to throw our support behind a tax program which we realized was not equitable.

Therefore, in 1967, and again in 1968, and once again this year, many of us stood up and asked for a return to the tradition of equity. We asked for a realization of the tax reform goals of Franklin Roosevelt, of Harry Truman, and of John Kennedy. Despite our deep respect for both our party's leadership, and the leadership of the Committee on Ways and Means—and they are the most distinguished panel of tax experts ever assembled in the history of Congress—we voted against the surtax. The needed reform had not yet come.

But now, the vehicle for that reform has been placed before us. This is what we have been asking for, and all that we have been asking for, during all these years.

I said, almost 2 years ago:

> If the citizen believes that the share of the tax burden he is being asked to assume is unjust, democratic government is in trouble. Such a view erodes the quality of citizenship by breeding a contempt for the law and distrust for those who enact and enforce it. It invites a mentality which finds it easy to rationalize tax evasion on the basis of the belief that since the tax law is basically unfair there is nothing really wrong with breaking it.

In the 2 years since that speech, American citizens have continued to live with the inequity of these tax laws. At the same time, two consecutive Presidents have failed to come forth with any meaningful proposals for tax reform, and these two Presidents have tried to place an even greater burden upon the shoulders of the middle-income American, through the passage, and then the extension, of the 10-percent surtax.

We all remember how one candidate, in last year's election, talked so ceaselessly about how much he was for the average citizen, of how deeply he felt about the plight of the average American, who did not riot, who did not complain, who paid his taxes, and obeyed the law.

Yet, what happened to this heartfelt concern over the predicament of the "average citizen" during this year's debate on the surtax extension?

Did we hear any proposals emanating from the White House for a meaningful tax reform?

We only heard that the oil depletion allowance should be kept at 27½ percent.

But let us not place all the blame upon one administration. Paul Samuelson tells us how long this struggle for tax reform has been going on, and for how long it has been ignored:

As he put it—

> It is three decades since experts in public finance—people like the late Henry C. Simonds of the conservative University of Chicago, Harold M. Groves of the progressive University of Wisconsin, and Joseph Pechman of the neutral Brookings Institution—have presented a united front in pointing out the glaring inequities in our present laws.

Were they heard? No. Was their message difficult to understand? No. Did the masses of voters in both parties, those in the heavily exploited middle-income ranges, respond mightily to proposals that were overwhelmingly in their best interests? No.

Samuelson was speaking about the way things were in the past. But the situation has changed since then. The citizens in the middle-income ranges have spoken out. They have recognized the inequities. They have asked for a change.

The record will show, that the men who answered them—the men who gave them that change—were not the self-appointed champions of the average American, who have sat downtown for 6 months without coming forth with any meaningful call for tax reform. The men

who have answered the citizens' call for change are the men who produced H.R. 13270, the men of the Committee on Ways and Means, who gave such painstaking and thorough consideration to the tax reform proposals.

The names on this bill are Mr. MILLS and Mr. BYRNES—it is their bill, and it is they who, after all these years, have taken the task into their own hands. The tax reform of 1969 is the child of Congress.

Let me now explain how it came about that I voted for the 6-month surtax extension, a few days ago. For the past 2 years, whenever the issue of the surtax has been brought before this body, I have asked that such a measure be coupled with a genuine tax reform.

On June 30, during the debate on the extension, I restated my position. I would not support the extension without an accompanying reform of the tax structure.

Now, the Ways and Means Committee has responded to the call for reform. H.R. 13270 is testimony to that fact.

It was with this in mind that I voted for the 6-month extension. Many of us, who either flatly opposed, or else grudgingly supported, earlier surtax measures, asked only that equity be done—that the surtax be accompanied by a meaningful reform.

With the knowledge of what a reform bill would mean to the middle- and lower-income families of America, with the knowledge of how broad a scope of reform would be established by this bill, I was able to support the 6-month extension.

We have finally been given a measure that will insure a minimum income tax for all those above the poverty level. Never again will we be faced with the inequity of a situation where 155 people all with incomes of over $200,000 a year, escape paying a Federal income tax completely—while a taxpayer supporting two children, and making only $3,500 a year, does have to pay income tax.

We have finally been given a measure that eliminates the possibility of upper-income individuals escaping tax liability by allocating all of their deductions to taxable income.

We have finally been given a measure which establishes more justifiable tax policies toward private foundations—so that such foundations cannot escape from being taxed for their unrelated business income.

We have finally been given a measure that combats inflation by eliminating the 7-percent investment tax credit.

The benefits of this bill will be realized by taxpayers as soon as the first of next year, when withholding tax rates will drop.

The longer range benefits of the provisions of this bill—such as the increase in the standard deduction—will become evident by 1972. By then, under the final step contemplated by this bill, the standard deduction will have been raised to 15 percent. This one measure will, by itself, benefit more than 50 percent of the taxpayers in this country.

These measures are long overdue. That, in part, explains the reluctance of so many of us to support the surtax in the past.

The bill does not provide a final answer to the problem of tax reform. It does not provide for needed reforms of the estate tax structure. It does not broaden the base of foundation management. An argument could be made for raising the 7½-percent investment income tax rate for some private foundations to a higher figure.

However, after all the years in which so many of us have pleaded for reform, after the efforts of a long succession of Presidents to institute needed reforms; and after Congress, in the face of current executive inaction, took the initiative upon itself to institute needed reforms—after all this, there can be no doubt that this bill is at least a step in the right direction.

It is a step in the direction of more equitable allocation of taxes between upper, middle, and lower income families. Perhaps it does not go far enough in offering increased exemptions to those taxpayers who are supporting children. But at least this bill does point in the direction of some tax relief—through the increase in standard deductions, and the low income allowance.

And yet, as strongly as I may feel about the general merit of this bill, there are, in my opinion, three defects which will greatly weaken its overall effect. One of these imperfections will operate to the detriment of the small businessman and the incorporated professional firm. The other two defects will, in the long run, impose additional burdens upon the Federal Government—burdens that will outweigh whatever benefits the two measures involved will bring about. I should like to discuss these defects, one by one.

First, I must place a strong objection to section 541 of this bill. This section takes the partnership rule of present law, limiting the amounts that can be set aside for pensions for a partner, and applies it to subchapter S shareholders.

The committee's rationale for section 541, and I am quoting directly from the committee report, is as follows:

> Your committee believes that if an enterprise wants to incorporate for business purposes but wants to be taxed in a manner similar to a partnership, then it should be subject to the same H.R. 10 limitations as partnerships in the case of tax treatment of pension plans.

It seems to me, that what the committee is saying here is—a dichotomy for purposes of tax treatment of pension plans, has been set up between partnerships and corporations and the committee feels that this dichotomy is unfair to partnerships, and should thus be changed.

And yet, what does the committee replace this dichotomy with? It replaces it with a far more inequitable dichotomy—it separates the small business corporation from the large business corporation; and it places a burden upon the former which is not shared by the latter.

Section 541 unjustly discriminates against the small business, and the professional corporation. Its logic flies directly in the face of the intentions of the 45 States that have statutes allowing professionals to practice in the corporate form.

The new bill thus establishes an inequitable dichotomy, between large companies which can offer attractive retirement benefits, and smaller business enterprises incorporated under the subchapter S provisions. Under section 541, of these latter companies do opt for subchapter S treatment, the benefits of corporation retirement programs are withheld from their shareholder employees.

Why is it that a small businessman, or the incorporated attorney or physician, should not be entitled to the same retirement benefits as an employee of General Motors, or Du Pont, or United States Steel? What does a high official of a large union have that entitles him to a special retirement benefit that is not available to the small merchant, or the member of the small incorporated medical firm? Where is the equity in a system that permits special benefits for big business and big labor, and denies these same benefits to the small businessman, the lawyer, or the doctor?

Thus, I believe that section 541 ought to have been deleted from this bill.

Second, we face a problem with section 442 of the bill. The result of this section will be to seriously deplete the reserves available to savings and loan institutions, and to mutual savings banks.

The repeal of the 3-percent qualifying real property loan method of bad debt reserve accounting, will virtually destroy the accounting method now used by mutual savings banks.

The change in the method by which taxable income can be placed in a bad debt reserve account, by reducing the income available for this account from 60 to 30 percent, will result in a drastic reduction in the amount of funds available from savings and loan institutions to the homebuilding sector of the economy. Such a change shall ultimately affect not only the homebuilder, but contractors, architects, and dealers in building supplies.

How can the committee possibly justify such a change, at a time when the Government is calling for greater efforts to be made in homebuilding? President Johnson, on January 17, described the Housing and Urban Development Act of 1968, as affirming the goal of "a decent home and a suitable living environment for every American family," and he said:

> This goal can be achieved by constructing or rehabilitating 26 million housing units in the next decade, 6 million of which will be for low and moderate income families.

According to the President's report, "the supplies of residential mortgage funds appear to be adequate in terms of expected demands." But this estimate was most likely made operating under the assumption that the 60-percent method would still be available and used by savings and loan institutions, and that the 3-percent method would still be available and used by the mutual savings banks.

The President's report set the Nation's housing needs at 28.2 million new and rehabilitated housing units between July 1,

1967, and June 30, 1977. Under this program, the peak for total private units, unassisted by public funds, will reach 2,600,000 units in 1978. This is only a year before the savings and loan institutions will feel the full impact of the limitations placed upon them by the tax reform bill.

Our current rate of production of publicly unassisted private dwellings, is already far short of the 2,600,000 unit goal set for 1978. And I am talking about our current rate, given the current funds made available to the homebuilding industry by the savings and loans institutions. For 1968, the production figure for privately owned dwellings unassisted by public funding was 1,334,000 units. The estimated figure for 1969 is 1,450,000 units.

Under section 442, this figure will have to be cut down. And thus, the 1978 goal of 2,600,000 units will become even more difficult to reach.

Elimination of the 60-percent and 3-percent reserve accounting methods will tighten the amount of funds flowing from savings and loan institutions to homebuilders. That means the production rate over each of the next 9 years for privately owned dwellings financed without public assistance, will be reduced below the estimates of the President's Housing Report.

The outcome of this is obvious. As private funding becomes more scarce, the difference between the 2.6 million unit goal and the actual production figure, will increase. Only Government will be able to make up for this increase.

Under section 442, then, either one of two things must happen, the Nation's housing goals will have to be cut back drastically—and this will hit hardest at low- and moderate-income families—or else, the Federal Government will have to step in with additional housing project funds.

The former alternative, I would hope, would be unacceptable to the Nation at the present time. The latter alternative is, at the very most, the better of two evils.

Neither alternative then is really acceptable. But we are confronted with choosing between these two alternatives, if we adopt section 442 of this bill.

I am not saying that, taken in and of itself, a change in the bad debt reserve accounting methods of savings and loan institutions is wrong. But I simply do not see any way around the dilemma that we will face if we do, at this time, institute a drastic change in the 60- and 3-percent methods. The housing goals which America has set for itself are, in my opinion, too vital to the interests of this Nation, to allow them to suffer the setback that would inevitably come as the result of section 442.

This leaves one final defect in the bill yet to be discussed. We must face the unhappy fact that funds available to public universities will be reduced as a result of this bill.

At least two provisions of this bill will effectuate such a decrease in university funding: First, the denial of Federal income tax exemption to some forms of State and municipal bond issues; and second, the section of the bill which will place a tax upon the appreciated value of charitable gifts of property.

I realize that we are in the midst of a period in which colleges and universities may not be held in the generally high esteem which they once were. I realize also that the welfare of American universities is quite a distance removed from the area of expertise of the committee which has considered the tax reform bill.

However, when one considers the support to education given by this body only last week, it seems unfortunate that one of the side effects of the tax reform bill will be to weaken the financial base of our State-supported university and college systems.

I join my distinguished colleague from Maryland, and my distinguished colleague from Texas, in their criticism of the committee's attitude toward private university funding. I would like to repeat the warning that Mr. MORTON and Mr. BUSH issued in their supplementary views to the committee's report:

> As we reduce charitable contributions, we again force the recipients to turn to Washington to get the Federal Government to solve our problems in education, health, and charity.
>
> The limitations on gifts of books, papers, and art at appreciated value will hurt our libraries, universities, and art galleries. People won't give as much with the removal of the full incentive.
>
> And so, once again, through charging valid incentives to charitable giving, we are moving toward reliance on Washington.

I agree with these views as expressed by Mr. BUSH and Mr. MORTON.

Although section 101 of the bill excludes private universities from the 7½-percent tax placed on investments of private foundations, other provisions will damage private universities. The one that will particularly hurt is section 201. This provides, among other things, that taxpayers making contributions of appreciated property must either reduce their charitable contribution deduction to the cost basis of the property, or else pay a tax on the appreciated value of the property.

This provision applies to gifts of tangible personal property, no matter who the recipient is.

Many universities presently obtain between 40 and 80 percent of their income from gifts of appreciated property. The effect of section 201 upon taxpayers making charitable contributions of appreciated property, will be to seriously reduce this income base.

An additional result, as Mr. MORTON and Mr. BUSH pointed out, will be fewer gifts of books and art works.

In addition, while section 201(a) raises the charitable contribution deduction ceiling to 50 percent, it stipulates that contributions of appreciated property will be subject to a 30-percent deduction limitation.

The people who will be hurt by section 201 are the ones who normally give a great deal to charity. It is extremely unfair for the Committee on Ways and Means to consider such people as tax evaders, making charitable contributions only to get the benefit of tax loopholes.

Section 201 strikes, and strikes hard, at both public and private institutions of higher learning. I simply cannot approve of this provision.

I will support H.R. 13270. I wish that the three provisions I have just discussed had been left out. But as serious as these defects may be, I believe that they are outweighed in the long run by the many reforms that will be established by this bill.

My only criticisms of the bill, besides the three objections I have just raised, are that it does not go far enough in the area of tax reform, and that it should have been originally presented to us a long time ago.

But it is a beginning, and if it does not go nearly far enough, in the opinion of some Members such as Mr. VANIK, let me remind my distinguished colleague from Ohio of what an old friend of ours said a long time ago, quoting Confucius: "A journey of a thousand miles begins with a single step."

Mr. HALPERN. Mr. Chairman, the power to tax and the fairness of that tax is surely one of Congress' most potent weapons. This power must be handled judiciously and responsibly, for we in Congress represent the will of those who must carry the burden of revenue collection: the taxpaying American public.

Today, for the third time since this Nation adopted the Federal income tax in 1913, we are attempting to revise and adjust any malfunctioning parts of the Internal Revenue Code. That we at long last have this opportunity to plug many of the loopholes and inequities of the existing tax system is indicative of Congress' sensitivity to the demands of the taxpayers.

I like to think of this tax bill before us today as only a first step in truly making our democratic form of taxation the progressive structure it was intended to be. Broader, more comprehensive reforms must emanate from today's bill. And, let me emphasize as I have done time and time again, that genuine tax reform for the average working family can only have meaning if it is tied to a real liberalization of the deduction and exemption provisions, bringing them into line with the realities of our economy.

The gentleman from Arkansas himself, the able and distinguished chairman of the Ways and Means Committee, has made clear that:

> Every 10 years every tax situation needs to be reviewed. . . . we should start from scratch. We should start as if there were no income tax and decide how we would want it. That should be the ultimate goal of what we try to do.

Does the tax package before us really reach out toward this goal of thorough review? And, despite all the commendable first steps toward checking the privileged tax sanctuaries of the rich and the profiteers, how much does this bill really extract from these tax dodgers?

The tax bill is welcome evidence that Government is receptive to the overwhelming public mandate for reform. But after all these years of abuse, is not it time that the average American, forced to shoulder an unfairly large share of the tax burden, be given just consideration?

What is needed now is a complete reevaluation of how we set tax standards on the average working taxpayer. For instance, families with modest incomes spend almost all of their earnings on food, clothing and life's necessities—which are all taxed. Such taxes take 5 percent of the earnings of modest family incomes, yet only 2 percent for families earning over $15,000 annually.

Similarly, social security taxes are also regressive. A third of all families with two or more children pay more social security taxes than they do Federal income taxes, according to the Tax Foundation.

A family taxpayer earning at least $7,800 annually pays 4.8 percent of his income to social security taxes, while a taxpayer earning over $15,000 yearly only pays 2.5 percent.

Property taxes also bite deeply into the average family budget, ultimately affecting a taxpayer's ability to cope with Federal income taxes. Homeowners earning at least $7,000 yearly pay an average 8 percent of their income for property taxes, while those earning $25,000 only pay about 3 percent.

The plight of the average taxpayer is further dramatized by recent studies in New York City which indicate that many of my constituents are fighting a standoff battle against the effects of rising taxes and rising prices on their income.

Federal and State levies combined with social security taxes drained away at least a quarter of salary increases in the last 3 years—and when the impact of inflation is included, many wage increases were either halved or wiped out completely.

Clearly then, Congress must be cognizant of these present day economic and tax realities if tax reform is to include the "forgotten man"—the average taxpayer.

Until and unless the inadequacies of our tax structure are overhauled, Congress will be viewed as irresponsible and insensitive to the fiscal straitjacket that is playing havoc with the lives of American taxpayers.

Mr. Chairman, I commend this bill and compliment the committee on its painstaking work in bringing forth legislation in a most complex field which, even in its limitation form is a long step toward meaningful tax reform. I trust the bill will pass overwhelmingly.

Mr. HUNGATE. Mr. Chairman, the tax reform bill is before us on a "take it or leave it" basis. While I supported an effort to permit an amendment to be offered to the bill, no amendment is possible. Consequently, it contains some features which I would vote to change if we had the opportunity. For example, the extension of the surtax until June 30, 1970, seems to me an unnecessary and unwise extension of a device that has significantly failed to halt inflation while imposing a continued burden on the taxpayer.

Some of the tax reform features may impose new difficulties for certain segments of our economy. In particular, I would prefer to see an increase in the $600 exemption to a more reasonable figure such as $1,000 or $1,200. This would be meaningful relief that the average taxpayer could understand without consulting his lawyer or accountant.

Nonetheless, this bill represents a significant step in the right direction of tax reform in so many areas and in particular its recognition of the fact that those who benefit most from our society should not be the ones who pay the least in taxes. Therefore, I urge its passage.

Mr. DADDARIO. Mr. Chairman, I would like to compliment the distinguished chairman of the committee (Mr. MILLS) for the amount of time and effort that has gone into developing this tax reform legislation. While I am not in agreement with all of the provisions proposed by the committee, I would like to commend the chairman and the committee on one particular provision which was of considerable concern to me and to my Subcommittee on Science, Research, and Development.

As the gentleman will recall, I wrote to the chairman and to the other members of the committee on July 15 expressing my concern regarding certain tentative decisions announced by the committee. These decisions would have had the effect of prohibiting tax exempt scientific and technical organizations from communicating with the Congress or any other governmental body at a time when we need the most knowledgeable and up-to-date science information we can get.

I am pleased, therefore, to see that the committee in section 509 of the bill has defined a private foundation to exclude those organizations which normally receive one-third of their support in each taxable year from gifts, grants, contributions, or membership fees and which normally do not receive more than one-third of their support from gross investment income. Section 509(a)(3) would also include a federation of these organizations.

I made a brief survey of some of these scientific and technical organizations, the other day, and from what I can understand, they generally would fall within these classifications. The situation, therefore, in respect to offering advice to Congress, would remain the same as it has in the past, and I commend the committee.

The letter referred to follows:

JULY 15, 1969.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I appreciate the action taken by the Committee on Ways and Means in announcing its tentative decisions on tax reform and inviting comment. I believe this is an entirely responsive and responsible method of preparing legislation, and I commend the Committee.

I would like to comment on one provision which is of great concern to me, and which I believe affects our entire research and development effort. This concerns paragraphs 6(a) on page 4 of the report which states that private foundations may not "directly or indirectly engage in any activities intended . . . to influence the decision of any governmental body (whether or not such activity is substantial)."

This is considerably stronger than the present language in the Internal Revenue Code, and it would prohibit scientific and technical societies from communicating not only with Congress, but also the various government agencies, and presumably even including local government bodies. The Congress and the Executive Branch are dealing with increasingly complex scientific and technical issues these days, and in order to legislate properly we must have the latest and most up to date science information. To inadvertently cut off a source of this information would be, I believe, most unfortunate.

When the Subcommittee on Science, Research and Development was formed in 1963, one of the first things we did was to conduct a study to determine how Congress could get the best scientific and technical information necessary to deal effectively with the many research and development programs. Our inquiry sought to determine the type of scientific and technical information required by Congress, and also where this information could be obtained.

One obvious source was the various scientific and technical societies, and we conducted interviews with a number of these organizations. When talking with the representatives of one of these societies, they mentioned their reluctance to take an active role because of their tax exempt status under section 501(c)(3). Subsequently, we went into this issue in some depth, and concluded that tax exempt organizations could take a more active role in formulating science policy.

As you are aware, section 501(c)(3) provides that "no substantial part" of the activities of these organizations may be devoted to "carrying on propaganda or otherwise attempting to influence legislation." The problem was that these organizations, because of their coveted tax position, were taking an extreme position and reading "no substantial part" to be, in effect, "no part".

It was our position that this was neither necessary from the tax standpoint, nor desirable from a national point of view. Since 1963 we have urged the organizations to take a more active role, and there has been a noticeable improvement. We have explained the guidelines to these organizations, and have told them that if they do have any questions concerning their participation to contact the Exempt Organization Branch of the IRS in Washington.

I believe the situation which has developed over the years is a healthy one, and I would recommend that the current language in the Act be retained.

However, to provide additional guidance on what is permitted and what is not, I would suggest that the Committee define more precisely in the report what it means by "substantial". In the case of Seasongood v. Commissioner of Internal Revenue [227 F2d 907 (1955)], the Court found that when an organization devoted less than 5 percent of its time and effort to *political* activities, that this did not constitute a "substantial part" of its activities. On the other hand, in denying section 501 (c)(3) status to the Sierra Club in 1966, the IRS found that the Sierra Club engaged in political activities in almost every month covered by the ruling, including the placing of full-page newspaper advertisements and the employment of a professional legislative representative in Washington. I think it would be helpful if the Committee would give these organizations some guidance as to the dividing line between the permitted and the unpermitted, preferably in percentage terms of effort, money, time, manpower, or a similar quantitative measurement.

I also would like to stress that I believe it is a mistake to extend this provision from legislative bodies to "any governmental body". These organizations frequently are called upon by the agencies to evaluate programs in certain disciplines such as chemistry or physics because they have the expertise within their organizations, and they perform a valuable function for the agencies in this regard. In addition, the local chapters of these organizations can perform

a valuable function at the local government level. Air and water pollution are problems to many localities, and these local chapters have members with the experience and knowledge to help local officials solve some of these problems which they otherwise would be unable to afford.

Finally, Mr. Chairman, I would like to comment upon a provision which may cause some confusion and perhaps inequities. Paragraph (9) on page 5 defines a private foundation as any organization exempt under section 501(c)(3) except "(d) an organization which normally receives a substantial part of its support from a governmental unit or from contributions from the general public."

Besides the inherent difficulties in defining what is "substantial", this provision could provide certain inequities as it applies to scientific and technical organizations which, in their organization and purpose, should be treated the same. In particular, there are certain organizations now exempt under section 501(c)(3) which receive funds from the National Science Foundation to operate the Foundation's discipline oriented science information systems and participate in the up-dating of the National Register of Scientific and Technical Personnel. These funds can average between $1 and $2 million per year, and probably these organizations also receive funds from other government agencies. The question then arises, would these funds be considered "substantial" thereby removing them from the limitation on political activities? I do not believe there is any real reason why these organizations which do frequent business with the government should be treated differently in respect to communicating with Congress than other organizations which do only periodic business.

Similarly, although I understand it is not the intention of the Committee to exempt Sierra Club type activities from the limitation, it could be argued that since such an organization receives contributions from the general public, that this type of organization could qualify under section 501(c)(3) if the contributions were substantial because it would then not be subject to the limitation on political activities. Again, I think this point should be clarified in the Committee report.

In summary, Mr. Chairman, I commend the Committee for the responsible way it has gone about its business, and would appreciate your consideration of my suggestions. If I can be of any help, particularly in regard to some of the points I have raised, or if you need any additional information, please let me know.

Sincerely yours,

EMILIO Q. DADDARIO,
Chairman, Subcommittee on Science, Research and Development.

Mr. DERWINSKI. Mr. Chairman, I wish to briefly but somewhat sharply comment on the bill pending before us.

This so-called tax reform measure has predictably come before us as a huge complex package which, we recognize, reflects the legislative as well as the political facts of life There are balancing sections with enough sweeteners to overcome the uncoordinated opposition to those provisions which are not appreciated by particular segments of our economy.

As a matter of principle I feel that the use of the absolute closed rule by the Ways and Means Committee has become a legislative abuse. However, I did not support the challenge yesterday to the closed rule since it would have been a backward step in processing of the surtax extension. My major concern is the decision to repeal the 7-percent corporate investment tax credit. In my opinion the tax credit is a very practical provision and is not a "loophole." I predict that within 2 years the investment tax credit will be restored. I trust that the Congress and Treasury Department officials will appreciate its value and keep it as a permanent item rather than removing and restoring it in efforts to manipulate the economy.

I feel it is necessary to point out the possible complications affecting the future sale of municipal bonds. Here again this tax reform may have to be corrected if there are adverse results from this section.

May I also remind my colleagues that heaven only knows what the other body will do with the bill. Our dedicated members of the Ways and Means Committee may not even recognize their creation when it comes back for a conference.

It seems to me we could strengthen the President's position and help produce the leadership in tax reform that the Senate has not shown. If we were working on this bill under a limited open rule four or five of the major provisions would be subject to debate and separate vote.

However, since the bill does provide long overdue relief for many taxpayers I support the measure.

Mrs. MINK. Mr. Chairman, I rise in support of H.R. 13270, the Tax Reform Act of 1969.

Adoption of this bill is a necessary "first step" toward the long-overdue reform of our unjust Federal income tax laws. The bill removes many loopholes and inequities which have caused tremendous concern among our average wage earners, who have been shouldering more than their fair share of the tax burden.

By adopting this bill, we will be telling the thousands of taxpayers who have written to us this year, that we are responding to their pleas. We are telling them that we will not allow the tax laws to favor certain groups of people, notably higher income brackets which have been able to take advantage of various tax "shelters" and other benefits. No longer will we allow the complex provisions of the tax code to be used to avoid payment of one's equitable share of the cost of our National Government.

I am delighted that our Committee on Ways and Means has included tax relief provisions in the bill which will benefit virtually every taxpayer. As the principal sponsor, along with the gentleman from Rhode Island (Mr. ST GERMAIN) of recent legislation to provide tax relief, I am particularly pleased with the committee's recommendations.

The committee took up the subject of tax relief shortly after my tax relief legislation was introduced. While the form of relief recommended by the committee was not an increase in the taxpayer's exemption, as sought in my bill, the 100 cosponsors of this timely legislation are entitled to feel that their efforts helped stir the committee's interest in tax relief. I am informed that the dramatic impact of this bill had a strong effect on the committee's subsequent actions and was an important factor in the decision to grant tax relief. Until then, the discussion was limited to reform subjects.

Under the Tax Reform Act, the standard deduction is increased from the present 10 percent with a $1,000 limit to 13 percent and a $1,400 limit for 1970, with further increases in 1971 and 1972. In addition, the low-income allowance feature of the tax legislative passed by the House earlier this year has been expanded to give a minimum standard deduction of $1,100 for all taxpayers.

New income tax rates are also included in the bill. In combination with the low-income allowance and the increase in the minimum standard deduction, they will provide some tax relief to all income levels other than the very highest.

This tax relief will be most welcome by all of those workers struggling to make ends meet during this period of escalating costs. To a large degree, the tax reductions will offset the adverse effects of the extension of the income tax surcharge, which, unfortunately, is also contained in this legislation.

In supporting this Tax Reform Act overall, I wish to make it crystal clear that I continue to be opposed to the surtax. I hope and expect that this undesirable feature will be removed from the bill by the other body, so that the final version of the Tax Reform Act that is enacted into law will not contain a surtax extension.

I am also concerned with some tax reform provisions of this legislation, but under our rules the bill is not open to amendment on the House floor. Thus, we must vote either "yea" or "nay" on the total package. There are misgivings about the impact of certain provisions among various groups and organizations affected by the changes, but I feel that on balance the bill's good features outweigh the bad.

There is a tremendous need for closing up loopholes which have been abused by a few segments of our population. The bill makes a meaningful effort in this direction, and its adoption should go a long way toward restoring the faith of millions of Americans in the impartiality and equity of their tax system.

The tax relief provisions are also a vital benefit to the people of this Nation. Because of these far-reaching accomplishments I am happy to support the Tax Reform Act of 1969 and urge its adoption by my colleagues.

Mr. REID of New York. Mr. Chairman, I rise in support of H.R. 13270, the Tax Reform Act of 1969, in spite of my feeling that the measure before us is less than perfect.

In my judgment, the taxpayers of this country are chiefly interested in seeing three things accomplished with regard to the tax system—tax equity, tax simplification, and tax relief. The bill which we are considering today would implement some long-needed tax reforms, including the imposition of a minimum tax on individuals, some modest reductions in depletion allowances for oil and other minerals, and revision of the rules relating to farm operations. Some tax simplification is provided through the increase

in the standard deduction percentage and by raising the minimum standard deduction allowed; the income averaging provision has also been simplified and made more generally available. However, the Internal Revenue Code has not been made any less confusing or complicated in most respects, and I would, therefore, consider this bill deficient with regard to the need for greater tax simplification.

It is certainly unconscionable that, under our present tax code, 154 persons with adjusted gross income in excess of $200,000 paid no taxes in 1966. No American, no matter how great his philanthropy, should completely escape taxation. The minimum tax which would be imposed by this measure would help correct that abuse, and I am pleased that the committee adopted that provision.

The bill which we have under consideration today has other good features. For example, the allowance of moving expense deductions, when changing jobs, for househunting trips, for temporary living expenses prior to locating a new home, and for the expense of selling an old home—subject to a ceiling of $2,500—will be beneficial to many middle-income taxpayers. I am also pleased that charitable contributions will continue to be encouraged under the committee's bill, in spite of changes in some of the regulations governing them. It is particularly gratifying that the committee was responsive to the needs of education and that the rules governing gifts of appreciated property to educational institutions will be unchanged.

Two aspects of the bill we have before us today are, however, disturbing to me, and I would like to discuss them in some detail. My primary concern resides in the fact that this bill does far too little to provide relief for the middle-income family. While the increase in the standard deduction will help some middle-income families, it will provide little relief for the taxpayer with a mortgage on his home and children in college. As several of my colleagues have pointed out in recent days, that taxpayer already itemizes his deductions and thus achieves a 15-percent deduction under the present law. The measure before us, therefore, provides relief only insofar as it simplifies the chore of filling out the tax form.

The slight lowering of tax rates will provide some relief for the middle-income taxpayer, but this still does not meet the problem of thousands of Americans who are caught in the squeeze between inflation—now at a rate of 6 to 8 percent per year—and rising Federal, State, and local taxes which in many instances support programs which do not benefit those who bear the financial burden for them. Middle-income Americans will have to wait until 1972 for the full impact of the rate deduction to take effect. In the meantime they must continue to suffer the added burden of a 10-percent surtax in 1969, and perhaps a 5-percent surtax through half of 1970, although I have opposed extension of the surtax.

It must, therefore, appear to most Americans that they are suffering a tax increase in 1969—for the surtax has effectively risen by 2.5 percent and even symbolic relief is 2 years away, for the first reduction in tax rates will not take place until 1971.

For example, a married taxpayer with two children, an annual income of $7,500, and itemized deductions of $750 would have paid taxes of $687 for 1967—before imposition of the tax surcharge. For 1968, when the effective rate of the surtax was 7.5 percent, such a man would have paid taxes of $738. For 1969, when the surtax will be 10 percent, he will owe his Government $756—an increase of $18 over last year and $69 over 1967. He must wait until 1972 for his taxes to drop to $576.

A married man with two children, with an income of $15,000 per year, would have paid taxes of $2,062 in 1967—before imposition of the tax surcharge. For 1968, when the effective rate of the surtax was 7.5 percent, such a man paid $2,216 in taxes. For 1969, when the surtax will be 10 percent, he will owe his Government approximately $2,268—an increase of $52 over last year and $206 over 1967. He must wait until 1972 for his taxes to drop to $1,846—a decrease of only $216 from his 1967 taxes, and one which comes after 2 years when his taxes were more than $200 higher than normal. It seems to me that the "relief" provided in this bill is too little, too late. There follows a table, taken in part from today's New York Times, which will illustrate this point:

[Table is applicable to a married taxpayer with 2 children and assumes itemized deductions of 10 percent of income]

Income (all from wages or salaries)	Tax under present law (1967)	Present tax plus 10 percent surtax (1969)	Tax under H.R. 13270 (1972)
$3,000	0	0	0
$3,500	$70	$77	0
$4,000	140	154	$65
$5,000	290	319	200
$7,500	687	756	576
$10,000	1,114	1,225	958
$12,500	1,567	1,724	1,347
$15,000	2,062	2,268	1,846
$17,500	2,598	2,858	2,393
$20,000	3,160	3,476	2,968
$25,000	4,412	4,853	4,170

The low-income allowance included in this bill, which will remove 5.8 million taxpayers from the tax rolls, is an improvement on the present tax system; but we now need comparable relief for the 11.8 million middle-income taxpayers who are supposedly being helped by the increase in the standard deduction. A first step would be discontinuation of the surtax after December of this year, and perhaps, ultimately, an increase in the dependents' exemption and a further lowering of the tax rate.

It is illusory to think that we can contain inflation simply by continuation of the surtax, without reductions in spending. The fact that the President and the majority of the Congress have seen fit, in their wisdom, to continue the surtax seems to me to give added impetus to the importance—which I have long emphasized—of ending the war, curbing the military-industrial complex, and reducing farm subsidies. It would seem far better to achieve spending reductions of several billion dollars annually through these steps, and thus make additional funds available for relief to the cities and necessary programs in health, education, job training, and housing, than to continue interminably a tax which merely extends the present inequities of the tax system.

Middle-income Americans should not have to wait indefinitely for tax relief, and I hope the other body will take appropriate steps in this direction.

My other concern is with regard to the provisions which relate to the activities of foundations. Although those provisions do, as the committee has pointed out, include many highly desirable steps to regulate self-dealing, tax dodging, and other abuses by foundations and their benefactors, they also include some provisions which would discourage socially beneficial philanthropy and restrict some foundation activities which have been of great value to the innovative thrust in America.

The worst of these is the provision which severely limits foundation supported voter registration activity. It saves only organizations operating in five or more States which are supported by five or more funding sources no one of whom gives more than 25 percent. In practical effect, this means that only the voter education project of the southern regional council and the league of women voters are saved. While it would be wise to discourage foundations from supporting voter registration drives that are clearly directed at electing or unseating a certain individual, the prohibition which we are considering goes too far. It makes it impossible for concerned community groups who wish to organize a continuing concerted regular nonpartisan registration effort to obtain foundation money for that program. Laudable as the goal may be of registering hitherto disenfranchised minority citizens, we have now said that can only be done if it is done in five or more States at once. That does not seem to me to make very much sense. I hope the other body will modify this provision so that bona fide nonpartisan continuing voter registration efforts can receive foundation assistance.

There are other problems with these new foundation regulations as well. One example is the total prohibition on lobbying activity by either foundations or foundation grantees, the slightest misstep from which will cause prohibitive fines to be levied on every individual who had some decisionmaking role in making the guilty grant. This flat ban is unnecessary, and, because it seems also to preclude efforts to bring to the public's attention problems needing legislative action, it may well frighten foundations away from supporting and disseminating the results of wholly legitimate studies on pressing national problems.

Another example is the tax on foundations, which only serves to lower the magnitude of private charitable activity at a time when government is not doing nearly enough to solve America's urgent domestic problems. The rationale that no one should escape tax is simply inapplicable here. The original purpose of sanctioning foundations was to encourage private philanthropy. All that the 7½ percent does is to slow the price of private philanthropic activity by 7½ percent.

Mr. Chairman, I hope the other body will take notice of these deficiencies and will take steps to correct them.

Mr. WILLIAM D. FORD. Mr. Chairman, the public outcry for tax reform has finally been heard loud and clear here in Congress and the Ways and Means Committee has brought forward a bill, H.R. 13270. On Wednesday, August 6, with this bill before the House, I voted against ordering the previous question. I did so in an effort to allow amendments to make changes in the bill that would provide further relief for middle-income taxpayers, the wage earners who are being hit hardest by our present income tax structure.

H.R. 13270 deals with the plight of the middle-income taxpayers and does give them tax relief by increasing the standard deduction and providing a reduction in their tax rate of approximately 5 percent. However, the bill fails to provide relief through increased dependents' allowance—an approach that many of us have been advocating, and will continue to work for.

Our efforts to permit amendments to the bill now before us failed, and we are now faced, on a take-it-or-leave-it basis, with a complex 368-page bill which has been available for study only 2 days.

Mr. Chairman, many of us have been working for several months for a 13-point tax reform package. Some of the much needed reforms in the package were included in H.R. 13270 and I am certainly happy to see them. Major provisions of the bill close loopholes used by many wealthy industrialists to escape payment of income tax. They include:

Phasing out of the unlimited charitable deduction over a 5-year period;

Repeal of the 7-percent investment credit;

Federal payment of between 30 and 40 percent of the interest yield on State and municipal bonds which are issued as taxable obligations; and

Elimination over a 7-year period of multiple surtax exemptions for related corporations.

There are other much needed reforms in this bill which, unfortunately, have been somewhat watered down.

The hobby farm losses provision bars hobby farm losses altogether. I am glad to see this but, unfortunately, the bill only raises a presumption that losses are for a nonbusiness or hobby farm when these losses have exceeded $25,000 for 3 out of 5 consecutive years. It had been proposed that farm losses to be offset against nonfarm income be limited to $15,000 in any one taxable year. This proposal seems to me to be a more effective way to control the abuse.

The oil depletion allowance was only reduced to 20 percent. I have repeatedly heard it argued that exploration and discovery of oil will be hampered if the oil depletion allowance is cut. It is argued that the more adventuresome operators will be deterred from discovering new deposits. What those making this argument fail to realize is that the oil depletion allowance is limited to 50 percent of net profits and it is precisely these high-risk drillers who so often have low net profits. I see no threat to our Nation's oil production in the long overdue reduction in this tax windfall, and I am sure the American taxpayer will have more confidence in his tax system if we can show with this, and the other changes I have mentioned that the burden of the Federal income tax is being distributed more fairly upon those best able to pay.

While the bill eliminated accelerated real estate depreciation for commercial properties, the committee wanted to continue incentives for investment in much-needed low-cost apartments and rehabilitation of older properties. Unfortunately, no way was found to separate the bonus to speculators building luxury apartments from this provision.

It is unfortunate that the bill does not include any of the following reforms which we had proposed:

Elimination of the stock option tax preference;

Elimination of the $100 stock dividend exemption;

Removal of the tax exemption on municipal industrial development bonds;

Establishment of similar rates for gift and estate taxes;

Elimination of payment of estate taxes by redemption of Government bonds at face value; and

Raising the personal income tax exemption.

However, the bill is a start. It cannot be changed here now, so I will vote for it. I do so with the hope that the other body will be able to include some of the needed reforms which are not now in the bill, and that the Ways and Means Committee will continue to consider the additional reforms that I have been urging.

Mr. ROBISON. Mr. Chairman, as with any measure as broad, and as technically complex, as this one—the Tax Reform Act of 1969—it is inevitable that each one of us finds some item or items contained therein to which we object, or to which we have reservations, or which, if the parliamentary situation permitted, we would specifically oppose by way of excising or corrective amendment.

On balance, however, I find this a much better vehicle for true tax reform than I had anticipated—and I intend to vote for it.

Nevertheless, some general observations would not be out of order.

I do deplore the fact that the issue of tax reform became entangled earlier this year with the question of whether or not the surtax should be extended and, if so, for how long. I see no direct relationship between the two matters—much less the "chicken or egg" debate over which matter ought to receive action first.

Instead, I aline myself with those who have said that we clearly need both tax reform and an extension of the surtax. We have needed tax reform for a long, long time; so long, indeed, that I have despaired of the day when we would see a bill such as this before us. Accordingly, in previous Congresses I have sponsored legislation to create a tax-reform commission to do the groundwork necessary to achieve some sort of national consensus about the shape of tax reform because I saw this as the only way to overcome the natural indisposition of Congress to tackle a job as big and as complicated as this.

Though we have heard and read much in recent months about Congress lacking the courage necessary in standing up to the pressures of the vested or special interests; that is, to produce what many have been calling meaningful tax reform, I personally doubt, Mr. Chairman, that our previous inaction can be explained away in any such fashion, and suggest that it can better be understood in terms of simple lethargy toward what everyone appreciates as an uncommonly difficult chore.

At the same time, all who appreciate the difficult nature of this effort ought to also fully understand its technical complexities, and therefore the care and caution with which it ought to be approached.

Unfortunately—as matters have worked out here this year—much of that need for care and caution have been swept away in the fervor for tax reform, and almost any kind of tax reform, that has seemingly gripped this body if not the Nation, as well. As one who has voted for this year's extension of the surtax—because I saw that as a necessary step to take in our continuing effort to bring inflation under control—I can well understand the urgency with which the Ways and Means Committee has sought to bring us a tax reform bill in order to pry that matter out of the other body. Perhaps there was really no other way in which all this could have been brought about except through following the scenario we have—one will never know.

And, as I have suggested, I am not altogether unhappy with the way matters have worked out. But I wish to stress, as strongly as I can, my hope, now that the surtax has been extended for at least that 6-month grace period, that all of us who want to do our part in bringing sound and lasting tax reform to the remarkably patient taxpayers of this Nation can now relax a bit. In other words, I hope that the other body, in manner befitting the serious and, in many ways, uncertain nature of what we are trying to accomplish, will now take the time needed to review all of the countless decisions encompassed in this one, sweeping package, permit public hearings as to the probable effect thereof and, with the administration's help and advice, perfect the work of our Ways and Means Committee upon which we are about to put our stamp of tentative approval.

Nevertheless, Mr. Chairman, I do not wish these words to be considered as being critical of that committee. For, instead, my regard for that committee and its hard-working members has never been higher than it is today. I believe they would have wished for more time, and would have taken more time under other circumstances, and have therefore done the best they could under unusually trying conditions.

And, as I have said, when viewed in the broader perspective I find their work exceedingly good. Not all tax loopholes have, of course, been plugged, but many of the more-celebrated ones have, and certainly the protection heretofore af-

forded by what Chairman MILLS has been calling tax-shelters has, nearly everywhere, been reduced. As one who has previously sponsored legislation in this connection, I heartily endorse the committee's recommendations for changes in the treatment of the oil and gas depletion allowance procedure, and the decrease in the depletion rate from 27½ percent to 20 percent; similarly, as a sponsor of legislation in another area of concern, I endorse the committee's recommendations for limiting farm losses insofar as the deductibility by persons with substantial nonfarm income—hobby farmers—is concerned.

On the positive side, as one who has submitted bills to liberalize the tax treatment of moving expenses incurred by employees in this increasingly mobile economy of ours, I endorse the committee's recommendations in this respect, and I am especially pleased and happy to see that the principle I have long espoused in granting head-of-household tax treatment to single persons over 35—my bill suggested over 30 years of age—has been adopted by the committee.

As those of us not on the committee watched this bill taking shape, week after week, we were naturally curious as to the eventual committee decision concerning how to dispose of the additional revenues that plugged loopholes and reduced tax shelters would bring into the Treasury. Though a case could have been made for applying a substantial portion thereof against our continuing heavy load of national indebtedness, the committee has decided that it is possible to apply that gain in revenue to tax relief and tax reduction, with particular emphasis being given to the lower-income and middle-income tax brackets. I support this decision. As Chairman MILLS told us on yesterday, by 1979 when all the changes made by this bill have become fully effective, the revenue gain under it will be $6.9 billion—a year—and the revenue loss, by virtue of the tax relief and tax reduction features, $9.3 billion, and I am confident, as is he, that the continued growth of our economy over the intervening years will permit us to easily absorb this $2.4 billion difference.

So there is, with the passage of this measure, hope at last for tax relief to the long-suffering middle-income tax brackets who have especially been caught in a painful squeeze between ever higher State and local taxes on the one hand, and rampant inflation on the other.

If that tax relief is not as substantial as many of us might wish, it is, nevertheless, the best I believe we can do under the circumstances. And if, simply because there are so relatively many of them, the middle-income taxpayers will continue to shoulder by far the largest share of the overall Federal tax burden, once this bill becomes law at least they can do so with the certain knowledge that, by virtue of its other provisions, the higher bracket taxpayers will now be paying a far fairer share of that burden with them.

In this connection—though from a different angle—I understand that tomorrow night President Nixon may be suggesting to Congress and the Nation a tax-sharing plan, on a no-strings basis, whereby some portion of the moneys collected by the efficient Federal tax system will, in future years, be passed back to our financially strapped State, city, town, and county governments. I look forward to the details of this proposal and, although I expect it will have a tough row to hoe in Congress, I hope for its eventual enactment as, otherwise, the need of State and local governments being what they are, the Federal tax relief and reduction offered by this bill will be unhappily short lived as government at such levels moves to gobble up what Uncle Sam is voluntarily relinquishing.

Briefly, now, on other features in the bill, I endorse and welcome the committee decision to give railroad management a 7-year depreciation allowance on purchase of rolling stock—both freight and passenger cars. In effect, this offsets the loss of the 7-percent investment credit device for our hardpressed railroads; and, as one who has recently expressed his deep concern for the future of intercity railroad passenger service, I would hope this would help at least the more enterprising rail systems to endeavor to continue to provide the public with such service.

As others have mentioned, the committee has made sort of an end run around the other body's failure to include any of the other provisions of the surtax-extension bill we passed in June in their separate 6-month extension of the surtax. The other provisions, including the final 6 months of the surtax at 5 percent and the repeal of the investment credit, are again before us. Having voted for them once, I have no objection to voting for them again but, in doing so, I would express the hope that the other body would consider, as we have not, whether or not small business and farmers should have some temporary exemption from the repeal of the investment credit, or at least a phasing out of the same over a period of years insofar as they are concerned.

Similarly, while I am being specific about it, I would also hope the other body will carefully review this bill's provisions with respect to increasing the taxes to be paid by mutual savings banks and savings and loan associations—both of which are a major source of funding that ought not be unduly burdened if our Nation's housing needs are going to be met. In the same manner, while most of the bill's provisions dealing with foundations are constructive and much needed—in view of the self-dealing and abuse that has crept into a portion of this largely tax-exempt field—the other body should also review our work with care to make sure we have not, inadvertently, intruded on the principles of private, social initiative that has become a part of American life.

And, finally, of course—like many others here—I am concerned over whether or not we have too much disturbed the municipal bond market. The perils of local financing are self-evident—and have grown more so as money has become tighter. That money squeeze already has brought a slowdown in State and local spending on public projects—projects that the Federal Government may well have to finance if State and local government cannot. There can be no doubt that, for some affluent Americans, tax-exempt bond interest has been a major tax loophole that needs to be plugged. But with our population expected to expand by an estimated 22 million persons in the next 10 years—and municipal financing needs expected to double in the 1970's—that loophole should only be plugged with extreme care lest we not only add to our Federal fiscal problems but, far worse, impede the progress that must be made to meet the public facility needs of our growing Nation.

So, again, I hope the other body will carefully review our work in this respect.

Mr. Chairman, I could go on—expressing, for instance, my disappointment that the committee did not see fit to include at least a partial tax deduction for tuition paid by parents of college-age children—but it is true that this is probably as much in the way of tax reform the Nation could digest for the moment. Now that the momentum for reform has reached the strength it now has I doubt if we will end here. There are more areas demanding reform yet to be looked at, as the Ways and Means Committee has promised to do—and the other body will undoubtedly spend many weeks in considering the bill before us, as well as several more weeks debating and amending it.

So, suffice it to say again that I believe this to be an effective, meaningful vehicle for tax reform; better, by far, than most of us expected.

I therefore welcome its presence here today—and I shall be most pleased to vote for it.

Mr. DINGELL. Mr. Chairman, earlier this year I introduced a tax reform measure which would raise $9 billion by closing 13 loopholes in the Federal income tax system. The Committee on Ways and Means in the present bill deals with nine of these 13 loopholes, and reserves three for further study and possible action later this year. Only one of my proposals is not dealt with in H.R. 13270.

Naturally I am gratified. The Ways and Means Committee recommendations are less sweeping than mine; I realize they reflect compromises within the committee. But the big thing as I see it is that the committee has acted. It has released these proposals for consideration and action by the whole Congress. We all know that the final product of the legislative process will differ from the bill we are voting on now. But we are moving from discussion to decisionmaking, and I welcome this step forward.

The topics in my earlier bill which the committee has included in H.R. 13270 are: Investment tax credit; oil and mineral depletion allowance; tax exempt bonds; real estate depreciation; hobby farmers' loss claims; unlimited charitable deductions; special treatment of stock options; and creation of multiple corporations.

The committee reserved for further study the problem of taxing capital gains at time of death; the gap in tax

rates on gifts and on estates; and the use of certain Federal bonds to pay estate taxes at a considerable savings. The topic not dealt with was the $100 dividend exclusion.

I regard the closing of loopholes which give business and wealth special advantages as essential to continued popular support of income taxation. Americans pay income taxes because by and large they think it is fair to do so. And so to deserve this popular support the tax must continue to be fair.

Earlier this session I introduced a bill increasing personal tax exemptions as a means of lifting some of the burden of income taxation from those least able to pay. The committee has chosen another approach—broadening the standard deductions and cutting tax rates—toward the same goal. Millions of Americans will benefit.

Mr. RODINO. Mr. Chairman, I rise in support of H.R. 13270. Though far from perfect and far from what I had hoped we could achieve in tax reform, it is nevertheless a significant and important step in the effort to develop a system that will equitably and realistically distribute the tax burden upon all Americans.

For years I have sought changes to eliminate the tax loopholes that benefit an affluent minority of citizens and corporations and to relieve the vast majority of taxpayers in low- and middle-income brackets who now carry a disproportionate share of the tax burden. I have explored all avenues of approach to urge action: The Ways and Means Committee, Presidents Johnson and Nixon and the Democratic Platform Committee.

And throughout this long struggle I have made clear my strong conviction that there should be no surcharge unless it is coupled with comprehensive tax reform. Until now we have had no progress toward tax reform and I have therefore consistently opposed the tax surcharge.

Mr. Chairman, I fully recognize that the Ways and Means Committee has labored long and hard to develop the final provisions of the bill before us, and I commend the committee for its efforts.

H.R. 13270 contains many long overdue changes to benefit the majority of individual taxpayers who need relief the most. Its provisions include a low-income allowance that will remove almost 6 million poverty level families from the tax rolls—a genuinely landmark action to eliminate a flagrant inequity. And then the bill, through a three-step increase in the general standard deduction, will aid moderate-income taxpayers who do not itemize deductions. A late, but most welcome and urgently essential action by the committee, was approval of provisions to benefit the initially forgotten people—the great number of taxpayers with $7,500 to $13,000 income who itemize their deductions.

For individual taxpayers the bill also contains long sought objectives such as extension of head of household benefits to single taxpayers and widowed people and the liberalization of tax deduction allowances for moving and house-hunting expenses.

In the tax avoidance area, the bill makes a number of important changes to eliminate loopholes or limit unfair preferences, several of which were proposed in the tax reform bill I introduced. Among these are the reduction of mineral depletion allowances, elimination of the unlimited charitable deduction, repeal of the 7-percent investment credit and limitation on the use of hobby farm losses to offset other income.

In addition, the bill includes a new limit on tax preferences that will result in the payment of some tax—however small—on all kinds of tax-free income. There is also a provision setting a new maximum tax for individuals in high-income brackets.

Mr. Chairman, the undoubtedly progressive steps taken in this bill are welcome and I certainly support them.

But at the same time I must express my great disappointment that the committee bill did not include provisions for action in other areas where changes are urgently needed.

In particular, I would single out the lack of any provision to increase the present unrealistic $600 personal exemption to a proper level. In addition, the bill fails to deal with the acute problem of tax relief for the many citizens who are over 65 and living on inadequate and often pitiful retirement incomes, and those who are deaf or otherwise severely handicapped.

Unfortunately, too, the committee did not touch upon changes relating to capital gains presently untaxed at death, the payment of estate taxes by redemption of government bonds at par, or to establishing the same rate for gift and estate taxes, all of which I have proposed in my bill.

Of the greatest concern to me, however, was inclusion in the bill of provisions to extend the surtax, at a 5-percent rate, for a 6-month period beginning January 1, 1970. As I have stated, I have opposed the surtax in the absence of comprehensive tax reform, and I firmly believe that the two issues should be considered separately. Therefore I urged the Rules Committee to approve a modified rule, and supported the effort during debate on the floor yesterday to achieve the opportunity to have a separate vote on the two issues. Regrettably, we were unsuccessful.

So it is now a question of accepting this objectionable surtax extension, and other questionable provisions of the reform bill which we have not had adequate time and opportunity to thoroughly study, if we are to obtain the tax relief and the initial reforms that H.R. 13270 will provide.

Mr. Chairman, I shall vote for the bill, in the interests of the millions of taxpayers to whom it will render a measure of justice and equity. But I also pledge that I will continue to work for further tax reform so we can ultimately achieve a sound and equitable tax structure based on the traditional principle of taxation in accord with ability to pay.

Mr. WOLFF. Mr. Chairman, my strong, continuing opposition to the Federal income tax surcharge is well known to my colleagues and to my constituents. I have consistently voted against the surcharge and shall exhaust all efforts to prevent the inclusion of the surcharge extension into 1970 in the Tax Reform Act of 1969.

Because of my belief that the surcharge should not be included with desirable tax reforms, I voted against the rule that prohibits amendments to this bill; I would have welcomed an amendment to delete the surcharge extension. Also, I intend to vote to recommit this bill to the committee in the hope that it could be brought back to the floor with the surcharge excluded.

My opposition to the surcharge is not a blind, simplistic approach to lower taxes, although lower taxes when responsibly achieved are always desirable. But I do oppose the surcharge in principle because it has not been, nor will it be, a solution to the very real problem of inflation. Were it the answer to inflation I would have to reexamine my position. But the surcharge is not going to solve the painful inflation that confronts us and I continue to oppose it.

Just as I have exhausted all avenues in my opposition to the surcharge, so have I pursued every means at my disposal to provide totally comprehensive tax relief for the American people. To achieve this goal I have submitted testimony to the Ways and Means Committee and I have introduced several bills for tax relief. In addition I have voted whenever the opportunity arose for the broadest possible tax reform in the sincere belief that everything in our power should be done as promptly as possible to establish the most equitable tax system within our reach.

Thus it is that I regret the absence in the Tax Reform Act of 1969 of certain provisions for tax relief that I recommended to the committee. I shall briefly list these items in the hope that the committee might return to its difficult task and continue modernization of the Federal tax structure.

The $600 individual deduction is perhaps the most glaring anachronism in the Federal tax system. No one would suggest for a moment that $600 is even close to the actual costs incurred for individual maintenance during the course of a year. I would urge the distinguished chairman of the Ways and Means Committee, who has done such an outstanding job in managing the destiny of this bill before us, to consider revision of this out-of-date figure in the near future.

Higher education has become a necessity in our modern, highly complex society. I have introduced legislation to provide deductions for certain of the expenses incurred in higher education so that more of our young people would be able to pursue the necessary education provided in our colleges, vocational schools, and universities. The absence in the bill of tax relief for the soaring costs of higher education is, indeed, a disappointment.

Just today the President has sent us a message on our great national transportation needs. Certain of the problems involved in our web of long and short

distance public transportation are directly traceable to the state of our metropolitan mass transportation facilities. I have long favored and asked the committee to consider as part of the Tax Reform Act of 1969 a tax deduction for the costs of commuting to work by mass transportation. This is another area of tax relief that I regret to note the committee has not dealt with at this time.

But, Mr. Chairman, with the exception of the surcharge, the items that trouble me about this bill are not a result of their inclusion, but rather of their exclusion.

The Tax Reform Act of 1969 is, of itself, not an "end all" or "be all" of tax reform. We do not have a panacea, but we do certainly have here a forward step in the direction of tax equity for all Americans. By virtue of the many provisions for tax relief contained in the legislation it might properly be viewed as a landmark bill and I shall vote for the bill.

Countless loopholes will be closed through this bill.

No longer will individuals with extremely high incomes be able to escape all income taxation. The minimum income tax will solve this problem.

No longer will the oil and gas companies have their excessive 27.5-percent depletion allowance. Revision of this sacred cow, though minimal, is a most welcome change and signals the desire for ultimate true depletion allowances. As one who has long opposed the 27.5-percent depletion allowance I am gratified to see the new, lower rate of 20 percent.

No longer will individuals be able to establish private foundations for the express purpose of exploiting the advantage provided to legitimate foundations.

No longer will an estate owner be able to create the illusion of farming to take advantage of tax benefits designed to aid our small family farmers, victims of inflation and sharp seasonal fluctuations in their income.

Beyond the closing of these and other tax loopholes, the most important provisions of the Tax Reform Act of 1969 are in the tax relief provided on a broad scale over a 3-year period for all Americans. By closing the existing loopholes additional billions will be raised and this will, in turn, enable us to lower the tax rates for all Americans.

Those reductions for a married person with two children, taken as an example, would be 13.5 percent if the yearly income is $10,000; 11 percent if the yearly income is $15,000; and 5.5 percent if the yearly income is $25,000.

I have cited here just one example of the sort of tax relief that would be realized for all persons in all income levels. A more detailed analysis has been outlined by previous speakers. This is a comprehensive, welcome revision of our tax structure and the committee, led by the able chairman, is to be thanked for its arduous work.

Mr. Chairman, I vote for the Tax Reform Act of 1969 in the honest belief that there is much here that improves our tax system. It is a first step and deserves our support.

Mr. HELSTOSKI. Mr. Chairman, as we conclude debate upon the Tax Reform Act of 1969, I wish to make clear that I shall vote for this measure, but with reservations.

I have listened very carefully to the debate on this bill and find that there is still much to be desired in a way of a genuine tax reform measure. Only twice, since the income tax was adopted in 1913, was there any revision of the Federal tax structure; once in 1939 and again in 1954. However, these were of a "face-lifting" nature and not as comprehensive as the measures before us today. Even this could have gone farther in all of its aspects.

However deficient it may be, it does represent a step forward to distribute more equally the burden of the taxpayer in accordance with his ability to pay his fair share of the money which is needed to continue the functions of our Government. I am fully aware that there are many Members of this body who share with me the fact that we are hampered by the closed rule procedure under which this bill is being debated. We have hope that the Senate will make some additional changes and revisions in this legislation when it reaches that body, and provide a further extension of relief to the sorely pressed taxpayer.

Mr. Chairman, I have introduced H.R. 6233, the Tax Reform Act of 1969. My bill presented a 13-point program to eliminate loopholes which cost the Government some $9 billion each year in tax income, and at the same time would redistribute the burden of Federal income tax payments which are unfairly placed upon the ordinary wage earner. The bill which I am sponsoring contains the following provisions:

First. Provide for taxation of capital gains upon death, to prevent wealthy persons from passing large amounts of accumulated wealth to their heirs, without payment of capital gains tax. This would increase Federal revenues by an estimated $2.5 billion annually.

Second. Eliminate the unlimited charitable deduction, a little-known device used by millionaires which costs the Federal Government some $60,000,000 a year in tax income.

Third. Eliminate the special tax treatment on stock options, which enables top executives of large corporations to pay taxes on part of their incomes at low capital gains rate, rather than the full income tax rate. This loophole deprives the Government of an estimated $150,000,000 a year.

Fourth. Eliminate the $100 dividend exclusion, by which taxpayers with stock holdings get their first $100 of dividends tax free. This benefit is not available to the average person, whose savings are in bank accounts or savings bonds. Tax loss to the Government through this loophole has been estimated at $150,000,000.

Fifth. Eliminate the multiple-corporation gimmick, which permits large corporations to be split into a number of smaller corporations, for the purpose of evading full taxation. This loophole cost the Treasury $200,000,000 annually.

Sixth. Remove the tax exemption on municipal industrial development bonds, which subsidize plant construction for large corporations that are fully capable of financing the costs themselves. Closing this loophole would bring in at least $50 million a year.

Seventh. Establish a municipal bond guarantee corporation to guarantee State and local bonds against default, and pay an interest subsidy sufficient to reduce interest payments by one-third. This would discourage the issuance of tax-exempt State and municipal bonds, which are purchased primarily by high-income persons as a tax-savings device. Estimated savings—$900 million.

Eighth. Reduce the oil depletion allowance from 27½ percent to 0 percent, and the mineral depletion allowance from 23 percent to 0 percent. These depletion allowances permit big oil corporations to pay Federal income taxes of only 4 and 5 percent, and some oil companies with multi-million-dollar incomes have used this loophole to avoid payment of any Federal income tax. Reduction of the depletion allowances would mean a revenue gain of nearly $2 billion a year.

Ninth. Establish similar rates for gift and estate taxes. The present law sets a gift tax rate 25 percent lower than estate taxes, which permits wealthy persons to give away some of their holdings during their lifetime and thus reduce their estate taxes. This reform would mean $150 million in additional Federal revenues.

Tenth. Eliminate payment of estate taxes by redemption of Government bonds at face value. The treasury loses $50 million a year through this little-known gimmick, which is used only by wealthy families with large estates.

Eleventh. Limit the use of farm losses to offset other income. Wealthy persons use "hobby farms" with no intention of making money from them, and then use their loss to reduce the tax rate on their regular income. This is not only a $400 million annual drain on the Treasury, but it provides unfair competition for genuine farmers who depend on farming for their livelihood.

Twelfth. Eliminate the accelerated depreciation on speculative real estate, a loophole that permits real estate speculators to reduce their income tax payments by surprisingly large amounts. Repeal of this gimmick would bring in an estimated $150 million annually.

Thirteenth. Repeal the 7-percent investment tax *credit*, which permits business firms to subtract, from their tax bills, 7 percent of the value of certain new equipment installed during the year. Originally intended to stimulate the economy, it is now helping to overheat an already inflated economy, as well as costing some $3 billion annually in tax income.

In comparison to the provisions of my bill, the bill H.R. 13270 which we are presently debating contains provisions which can be summarized as follows:

PRINCIPAL PROVISIONS OF H.R. 13270

I. TAX REFORM PROVISIONS

1. *Private foundations.*—The permissible activities of private foundations desiring to preserve the benefits of tax exemption, as well as the benefits to their contributors, are substantially tightened to prevent self-dealing between the foundations and their substantial contributors, to require the distribution of income for charitable purposes, to limit their holdings of private businesses, to

give assurance that their activities are restricted as provided by the exemption provisions of the tax laws, and to be sure that investments of these organizations are not jeopardized by financial speculation. In addition, these private foundations are called upon to make a small contribution, 7½ percent of their investment income, toward the cost of government.

2. *Tax exempt organizations, generally.*—The activities of exempt organizations generally are limited so that they cannot participate in debt-financed leaseback operations, wherein they, in effect, share their exemption with private business. Second, the unrelated business income tax is extended to virtually all tax-exempt organizations not previously covered by this tax, including churches. Third, the bill extends the regular corporate tax to the investment income of tax-exempt organizations set up primarily for the benefit of their members, such as social clubs, fraternal beneficiary societies, etc.

3. *Charitable contributions.*—Charitable contribution deductions are substantially restructured. The general charitable deduction limitation is increased to 50 percent but the so-called unlimited charitable deduction is phased out over a 5-year period. The extra tax benefits derived from charitable contributions of appreciated property, are restricted in the case of gifts to private foundations, gifts of ordinary income property, gifts of tangible personal property, gifts of future interests, and in the case of so-called bargain sales. Also, the 2-year charitable trust rule is repealed and a number of changes are made limiting charitable contribution deductions where there are gifts of the use of property and in the case of charitable remainder and charitable income trusts.

4. *Farm Losses.*—The deduction of farm losses is restricted in the case of those with farm losses of $25,000 or more and with incomes of over $50,000 from nonfarm sources. Other provisions of the bill, primarily relating to farm operations, provide for the recapture of depreciation upon the sale of livestock, the extension of the holding period for livestock, and a revision of the treatment in the case of hobby losses.

5. *Interest Deductions.*—The deduction of interest on funds borrowed to carry investments is generally limited to investment income plus $25,000.

6. *Moving Expenses.*—Moving expense deductions are allowed when changing jobs for househunting trips, for temporary living expenses prior to locating a new home, and for the expenses of selling an old home or buying a new one.

7. *Limit on Tax Preferences.*—In those cases where tax preferences are not fully subject to tax, provision is made for a minimum tax on individuals having tax preferences in excess of their taxable income. The additional tax in this case is determined by adding to the regular income subject to tax, one-half of the tax preferences but only to the extent they exceed the regular income.

8. *Allocation of Deductions.*—Where taxpayers have substantial tax-free income, provision is made to allocate itemized personal deductions between this tax-free income and the individual's taxable income.

9. *Income Averaging.*—The income averaging provision of present law is substantially simplified and also made more generally available.

10. *Restricted Stock.*—In the case of so-called restricted stock plans, the interest in the property is taxed at the time of receipt, unless there is a substantial risk of forfeiture. In the latter event, the value of the property is taxed when the possibility of forfeiture is removed.

11. *Deferred Executive Compensation.*—Other deferred executive compensation is, in general, subject to tax rates as if taxed when earned, although the tax is not payable until the income is received.

12. *Multiple Trusts.*—In the case of accumulation trusts (including multiple trusts), the beneficiary, generally, is to be taxed on the distributions in substantially the same manner as if he had received these amounts of income when they were earned by the trust (taking into account any taxes paid by the trust on the income).

13. *Corporate Mergers.*—In the case of corporate mergers, a number of changes are made. The principal change establishes tests to be used in determining when amounts cast in the form of "debt" have sufficient characteristics of "equity" to be denied the deduction of interest, where this so-called "debt" is used in the acquisition of other companies. Included among the other provisions is one which limits the availability of the installment method for reporting gains, where the debt can be readily traded on the market, and also where the installment payments are not spread relatively evenly over the period during which part of the debt is outstanding. Other restrictive changes are also made in the case of original issue discount and premiums paid on the repurchase by a corporation of its indebtedness which is convertible into its own stock.

14. *Multiple Corporations.*—Multiple surtax exemptions in the case of related corporations are withdrawn over a 7-year period.

15. *Stock Dividends.*—The rules applicable in determining when stock dividends become taxable are revised generally to provide for taxation where one group of stockholders, directly or indirectly receives a disproportionate distribution in cash while the interests of the other shareholders in the corporation are increased.

16. *Foreign Tax Credit.*—The foreign tax credit is revised in two respects. First, it is provided that where losses of a corporation operating abroad are offset against domestic income (either of the same corporation or as the result of filing a consolidated return), subsequent earnings from the foreign operations to the extent of one-half of these earnings remaining after foreign tax, are to be recaptured until the tax benefit for the domestic operations derived in the case of the initial offset of the foreign losses is recovered. Secondly, a separate limitation under the foreign credit is provided in certain cases with respect to foreign mineral income.

17. *Commercial Banks.*—The tax advantages of commercial banks, relating to special reserves for bad debt losses on loans and to capital gains treatment for bonds held in their banking business are withdrawn.

18. *Mutual Savings Banks and Savings and Loan Institutions.*—The tax treatment of mutual savings banks and savings and loan associations is revised to remove a series of tax advantages presently available to these financial institutions.

19. *Depreciation in Case of Regulated Industries.*—Action is taken generally to limit the depreciation, which may be taken in the case of certain regulated industries to straight line depreciation unless the appropriate regulatory agency permits the company in question to take accelerated depreciation and "normalize" its tax reduction. However, in the case of existing property, no faster depreciation may be taken than is presently taken. Companies already on "flow through" may not change without permission of their regulatory agencies.

20. *Use of Depreciation in Computing Earnings and Profits.*—In computing earnings and profits—which determine whether dividends are taxable or not—corporations are required to make the computation on the basis of straight line depreciation. As a result, this tax benefit cannot be passed on to stockholders.

21. *Capital Gains of Corporations.*—The alternative capital gains tax on corporations is increased from 25 to 30 percent.

22. *Depletion, Etc.*—The percentage depletion rate for gas and oil wells is reduced from 27½ percent to 20 percent. Other depletion rates are comparably reduced (with five minor exceptions). Percentage depletion also is eliminated with respect to foreign oil and gas wells. Additionally, carved out production payments, as well as retained production payments (including ABC transactions) are treated as if they were loans, or the sale of property subject to a mortgage. The effect of this generally is to prevent such payments from artificially increasing the percentage depletion deduction and foreign tax credits or giving rise to income which can offset net operating losses. In addition, this eliminates the possibility of buying mineral property with money which is not treated as the taxable income of the buyer. Finally, recapture rules are applied to certain mining exploration expenditures to which the rules of present law are inapplicable.

23. *Capital Gains.*—Capital gain and loss treatment is revised in several respects. First, the alternative capital gains tax for individuals was repealed, with the result that in the case of those in the top tax brackets, the rates may rise to as much as 35 percent (or 32½ percent under the new rate structure provided by this bill); second, long-term capital losses of individuals are reduced by 50 percent before being available as an offset against ordinary income; third, the offset against ordinary income in the case of husbands and wives filing separate returns is limited to $500 for each or to the same aggregate amount as if they filed a joint return; fourth, the sale of papers by a person whose efforts created them, or by a person for whom they were produced, is to give rise to ordinary income; fifth, the holding period for capital gains is increased from 6 months to 12 months; sixth, employees' contributions to pension plans, when paid out as a part of a lump-sum distribution, is to be taxed as ordinary income; seventh, life interests are not to be accorded a cost basis when sold; eighth, casualty losses and gains are to be consolidated in determining whether they give rise to ordinary loss or to gain which is consolidated with other section 1231 gains or losses; and ninth, transfers and franchises are not to be treated as giving rise to capital gains if the transferor retains significant rights.

24. *Real estate depreciation.*—Real estate depreciation is revised in several respects. The 200-percent declining balance (or sum-of-the-years-digits) method is limited to new housing; other new real estate is limited to 150-percent declining balance depreciation; and all used property is limited to straight line depreciation. However, 5-year amortization is allowed for certain rehabilitation expenditures on low-cost rental housing. Finally, the so-called recapture rules of present law, in the case of real estate, are revised so that they apply to depreciation in excess of straight line depreciation. In other words, upon the sale of property, depreciation in excess of straight line will be recaptured at that time by converting the capital gain to ordinary income to the extent of this excess.

25. *Cooperatives.*—The tax treatment of cooperatives is revised to require patronage dividends and per-unit retains to be revolved out over a period of no more than 15 years. In addition, the required case payout in any year, on either current or prior years' patronage, must at least equal 50 percent of the amount of the current year's patronage (taking into account the 20 percent which under present law must be paid in cash on the current patronage).

26. *Subchapter S corporations.*—In the case of subchapter S corporations (that is, the corporations treated somewhat like partnerships) amounts set aside under qualified pension plans for shareholder-employee beneficiaries may not exceed 10 percent of the compensation paid or $2,500, whichever is smaller.

27. *State and municipal bonds.*—State and local governmental units are given an oppor-

tunity to issue taxable obligations and in turn receive from the Federal Government a payment equal to between 30 and 40 percent of the interest yield of the bond (on issues brought out after 5 years, the payment will be between 25 and 40 percent). Additionally, the interest on so-called arbitrage bonds of State and local governments are denied Federal income-tax exemption.

II. EXTENSION OF SURCHARGE AND EXCISES, TERMINATION OF INVESTMENT CREDIT, AND CERTAIN AMORTIZATION PROVISIONS (CONTAINED IN H.R. 12290 BUT WHICH HAVE NOT YET PASSED THE SENATE, AND WHICH ARE IN H.R. 13270)

1. *Surcharge.*—The income-tax surcharge at a 5-percent rate is extended by this bill from January 1, 1970, through June 30, 1970.

2. *Excises.*—The present excise taxes on communications services and automobiles are extended for one more year and future reductions of these taxes are postponed.

3. *Investment Credit.*—The 7-percent investment credit is repealed.

4. *Pollution Control.*—Five-year amortization is provided for pollution control facilities.

5. *Railroad Rolling Stock.*—Seven-year amortization is provided for railroad rolling stock, other than locomotives.

III. ADJUSTMENTS OF TAX BURDEN FOR INDIVIDUALS

1. *Standard deduction and maximum standard deduction.*—Over a 3-year period the standard deduction is increased from 10 percent to 15 percent and the maximum standard deduction is increased from $1,000 to $2,000. This rate and amount are effective for 1972 and later years. In 1970 the percentage is 13 percent and the maximum, $1,400. In 1971 the percentage is 14 percent and the maximum, $1,700.

2. *Minimum standard deduction and low-income allowance.*—The minimum standard deduction is increased to a level of $1,100, by adding to the present minimum what is called a low-income allowance. This amount is phased out for the income levels above the taxable levels. This phaseout, however, is used for only 1 year. After 1970 the full $1,100 allowance will be available for all taxpayers whose standard deduction without regard to the minimum is not in excess of $1,100.

3. *Top rate on earned income.*—In the case of earned income, a maximum rate of tax of 50 percent is provided. This is a maximum marginal rate, with the result that no earned income will be taxed at a rate in excess of 50 percent.

4. *Tax treatment of single persons.*—Single persons, 35 years of age or more, and persons whose spouse has died, are provided income tax rates which are halfway between those available to married couples and those previously available to these single persons. This intermediate tax rate treatment is the category formerly known as head-of-household treatment. In addition, in the case of widows and widowers with dependent children, age 19 or less attending school or college, full income splitting is to be available.

5. *Rates.*—In 1971 and 1972 tax rate reductions aggregating slightly over $1 billion in each year are provided. The 1972 rates provide slightly over a 5-percent reduction for those whose income levels are above the levels where the low-income allowance and increase in the standard deduction provide substantially greater reductions.

Even with all these reforms we still must consider added reforms which will permit additional earnings for social security beneficiaries, tax deduction for college tuition payments, further reduction of the oil depletion allowance, and others of equal importance.

The legislation presently before the House is a result of long hours of work on the part of the Ways and Means Committee, finally being reported out last Friday and making the two long reports available to us only Monday. Therefore, I feel that we are acting upon some very technical legislation with haste which is uncalled for and without permitting the Members of this House to fully study each provision contained in it. You can readily see the effect that this haste has already produced, when it was pointed out to the chairman of the Ways and Means Committee (Mr. MILLS), that no relief was provided for homeowning families in the $7,000 to $12,000 income bracket. To correct this "omission" a special and hurried meeting of the committee was called and the necessary language was inserted into the bill to readjust the burden on these taxpayers.

Further, Mr. Chairman, I know that many of us are concerned with the manner which this tax bill is being presented tied in with the proposed extension of the surtax at the 5 percent rate from January 1 to June 30, 1970. It was only a few days ago that the House had agreed to having the surtax extended to December 1, 1969. It seems hard to believe that this tax reform bill would be a vehicle to carry this surtax into 1970. The tax surcharge, if it merits any consideration, which I seriously doubt, should be considered as a separate matter.

When the idea of this surtax was first presented to the Congress, I voted against it. When it was again the subject of House consideration for extending it, I again voted against it. The argument in favor of enacting this additional tax was that it would prevent inflation. The results of the past year have shown us, beyond a shadow of a doubt, that this surtax has not helped to halt inflationary trends. I can see no reason why the tax reform provisions of this bill and the surtax should be lumped together. The surtax provision of the bill seems to say, "you will have tax reform, you will pay less in taxes in 1971 and 1972, but you will pay for this reform now with 5 percent added to your present tax bill."

Mr. Chairman, the oil depletion portion of this tax reform bill does not go far enough, and at this point I would like to insert a table of the taxes paid by some of the Nation's largest refining companies during the years 1967 and 1968, which shows the low proportionate share of taxes paid by the oil industry.

TAXES PAID BY A SELECTED GROUP OF THE NATION'S LARGEST REFINING COMPANIES, 1967 AND 1968

[Dollar amounts in thousands]

	Net income before tax	Federal tax	Percent	Foreign, some States' tax	Percent	Profit after tax
Standard Oil (New Jersey):						
1967	$2,098,283	$166,000	7.9	$700,000	33.0	$1,232,283
1968	2,303,587	223,999	9.7	802,907	34.8	1,276,681
Gulf:						
1967	955,968	74,142	7.8	303,539	31.8	578,287
1968	977,321	8,005	.81	342,997	35.1	626,319
Texaco:						
1967	892,986	17,500	1.9	121,100	13.5	754,386
1968	1,019,930	23,800	2.4	160,600	15.8	835,530
Mobil:						
1967	594,593	26,900	4.5	182,300	30.7	385,393
1968	673,739	22,000	3.3	223,500	33.2	428,239
Standard Oil (California):						
1967	513,067	6,000	1.2	85,400	16.6	421,667
1968	569,431	16,700	2.9	100,900	17.	451,831
Standard Oil (Indiana):						
1967	366,847	74,021	20.2	10,576	2.8	282,250
1968	395,064	74,678	18.8	10,892	2.7	309,494
Shell:						
1967	$342,022	$44,940	$13.1	$12,233	3.6	$284,849
1968	387,767	63,378	16.3	12,298	3.2	312,091
Cities Service:						
1967	165,289	32,347	19.6	5,105	3.1	127,837
1968	138,613	12,683	9.2	4,594	3.3	121,336
Union:						
1967	163,820	10,400	6.3	8,457	5.2	144,963
1968	164,232	5,955	3.6	7,045	4.3	151,232
Sun:						
1967	146,946	24,700	16.8	13,670	9.3	108,576
1968	227,790	44,290	19.4	19,070	8.4	164,430
Atlantic-Richfield:						
1967	145,259	----------	0	15,254	10.5	130,005
1968	240,272	2,999	1.2	37,713	15.7	193,560
Marathon:						
1967	138,520	3,700	2.7	60,962	44.0	73,858
1968	155,335	4,350	2.8	67,659	43.6	83,326
Sinclair:						
1967	130,017	10,585	8.1	24,060	18.5	95,372
1968	101,265	−2,747	0	27,429	27.0	76,583

Mr. Chairman, I repeat that the bill, in its present state, has a long way to go to achieve adequate tax reform. First, it must face the scrutiny of the other body and then face the deliberations of a conference committee. I hope that by that time we will have a more meaningful bill to send to the President for his signature.

However, this should not be the end of our quest for a proper tax reform. We must continue until all the loopholes and unjustifiable preferences are stricken from the Federal tax laws.

By late afternoon of this day, Mr. Chairman, we will have passed this legislation, but whether we have achieved our objective in tax reform is dependent on what the other body does. I hope that we can improve on this bill and tell our constituents that they have a meaningful tax reform bill which provides a better measure of tax payment by those who at present are enjoying the fruits of the labors of others without paying a just and proportionate share.

Mr. BROWN of California. Mr. Chair-

man, over the past year, whenever the House acted on the income tax surcharge—through both the original passage and the recent extension of the surtax—I have consistently voted against this additional tax burden. Today, with the utmost reluctance, I find myself forced to approve extension of the surtax as a means of getting this tax reform package.

It has taken 25 years to come up with the tax reforms before us today, and I would not be surprised if it takes another 25 years before another such attempt is made. And because these bills are so rare. I was hoping that the Ways and Means Committee would be able to present us a much stronger version of tax reform than we will vote on today.

Ideally, tax reform should be vaster than just a simple closing of major loopholes combined with down-the-line rate cuts. In a number of areas, the committee has given us a superb piece of legislation, but there are many topics on which the bill does nothing more than chip away at prime problems of tax equity and balance.

Yesterday, I voted for an open rule on this bill, and today, I vote for recommittal. I do this because I believe that the bill must be broken down in two areas:

First, the surtax. Tacking the 6-month extension onto this bill is not a new maneuver in legislative tactics. However, its not being new does not make it less reprehensible. The surtax continues to be nothing more than a means of financing this country's disastrous military adventures at home and abroad, and I have opposed these distortions of national priorities in all past votes.

The surtax should stand or fall on its own singular merits, and I hope that the Senate has the wisdom to ceremoniously dump the 6 months' extension when that body considers this legislation.

Second, the "attempt" at tax relief. No one is unaware that any lowering of tax rates—especially in the middle-income levels at which are found most of this country's taxpayers—means major drops in revenues. And, of course, we all realize that tax equity should apply to upper brackets as well as for lower-and-middle-income groups. Yet, even with the additions granted middle-income taxpayers by Tuesday's committee amendments, I still find it hard to justify 4- to 5-percent cuts for wealthy persons, while only giving 1- to 2-percent comparable decreases for the middle. I would favor sending the tax relief portions of the bill back again to the Ways and Means Committee and instructing the committee to readjust the relief so that the 4- to 5-percent cuts be for the middle and the 1- to 2-percent reductions given the higher brackets.

But, even without these two needed changes, I shall vote for passage of H.R. 13270. And I am happy that many of the reforms brought out by the committee reflect proposals I have made both during the current Congress and in earlier sessions.

Specifically, I find in the areas of moving expenses, hobby farming, charitable deduction, tax-free State and municipal bonds, mineral depletions, investment credit, capital gains, stock option provisions, dividend exclusions, and the multiple surtax exemption this bill includes many provisions from legislation I have sponsored.

Indeed, there are areas which this bill does not touch, and I am not going to run down a long list because it is evident that no action will be taken on these problems. Still, I feel that the bill as such—as a tax reform measure—is more than adequate, and despite my severe reservations linked to the surtax and relief segments, I will cast my vote for this legislation.

Mr. MORSE. Mr. Chairman, I want to applaud the job which the Committee on Ways and Means, under the able leadership of its chairman, the distinguished gentleman from Arkansas (Mr. MILLS), has done in developing a comprehensive tax reform bill. On the whole, I think they have accomplished a herculean task and the American people—the average American taxpayer—will be the principal beneficiary.

It is long past time that we took this kind of action to bring greater equity into our tax structure, to equalize the burden among all citizens, and for that reason I support this bill.

I am, however, gravely disturbed about one particular aspects of the committee's proposal and I am compelled to speak out against it. There is no question but that there have been financial malpractices on the part of some charitable foundations. Because such foundations operate as tax-exempt organizations, they have an especially acute responsibility to be open and scrupulously honest in their activities.

Unfortunately, the miscreant activities of a very few foundations have brought punitive action—action which could prove to be disastrous to the many worthwhile and necessary projects to which they contribute—against all foundations.

I refer, of course, to the committee's decision to place a 7½-percent tax on investment income. Several of the other decisions the committee has reached with regard to the tax treatment of foundations are, I believe, wise responses to to the need for some regulations. For example, the prohibition on self-dealing, or sales and purchases, loans and borrowings between the foundation and those who control it, is a proper revision of the law. The requirement that foundations must distribute every year a sum equal to at least 5 percent of their investment assets is also a beneficial change which will redound to the benefit of charity generally, since it will assure that the foundations carry out the functions they are intended to. Another wise change in the law is that which prohibits foundations from holding more than 20 percent of any business corporation's voting stock, unless it can be shown that control of the business is in the hands of someone else. This assures that foundations will not hold controlling interest in business corporations.

But, while these regulations will help to assure that foundations do not abuse their privileges, and do make a contribution to charity, the imposition of a tax on investment income will directly hamper them from carrying forward with the myriad of vitally important projects they are able to fund.

The tax, Mr. Chairman, is effectively placed against the charities—universities, medical schools, scientific and medical research, and so forth—which depend on the foundations for much of their financial support. It will only mean less private money for such worthwhile recipients—and inevitably more public money.

As my distinguished colleagues, Messrs. MORTON and BUSH, pointed out in their supplementary views to the committee report on H.R. 13270:

> Private philanthropy is more innovative than government. It can move more quickly and it is more imaginative. By imposing this tax we are simply cutting down on the volume of good the private sector can do. We should be moving away from centralization but, alas, by this tax we take one more step toward it.

I agree wholeheartedly with that sentiment. I think perhaps we tend to forget the really massive contributions which have been made by the private sector, and particularly through foundation support, to the growth and development of our society and to the solution of some of its most urgent problems.

Last month we watched, fascinated, on our television sets as two men walked around on the moon. What a fantastic achievement, we all agree, that was for us to make in just 9 short years. But we forget that the pioneering work which took place decades ago and which was carried on by Dr. Robert Goddard, was financed solely, from 1934 to 1941, by a private foundation—the Guggenheim Foundation. The Rockefeller Foundation's support enabled doctors to eradicate hookworm in the South and to conquer malaria and yellow fever. The revolution in medical education was financed from a private foundation.

The list is long. And it is up to date. Today, we all recognize the importance we must attach to the solution of our great urban problems. The cities have become a new focus for our attention. It is largely due to the foresighted activities of the Ford Foundation that we have become so aware.

Government can never do as well all these kinds of activities which are so necessary to the progress and growth of a free society. When we hamper the ability of our great foundations to foster the expansion of knowledge and to contribute to the solution of social problems, we hamper ourselves and those who suffer from societies deficiencies.

Mr. Chairman, I think my colleagues would be interested in an article which appeared in a recent issue of Fortune magazine by Irwin Ross which relates to this question. I include Mr. Ross' article at this point in the RECORD:

LET'S NOT FENCE IN THE FOUNDATIONS

(By Irwin Ross)

The men who run America's foundations are worried. As custodians of great wealth wielding unique influence in the nation's life, they have long been accustomed to criticism. But in recent months the critical chorus has grown louder, and foundations now face the likelihood of legislation that could conceivably limit their freedom and scope of operation.

Two unrelated developments have contributed to the change in atmosphere. On the one hand, foundations have become increas-

ingly involved with the controversial problems of poverty and race relations, provoking charges that they have become "too arrogant, too biased, and too political," as one syndicated columnist put it. Even the usually friendly New York *Times* has urged foundations to adopt "informal rules" to avoid "the role of a shadow government . . . not responsive to the electorate." At the same time, the growing public clamor for tax reform has focused attention on the financial malpractices of some foundations, stirring demands for drastic curbs on the way they do business.

In February, the House Ways and Means Committee, which initiates all tax legislation, began a long-heralded investigation of foundations. During several days of public hearings, committee members heard every criticism, prejudice, and vagrant anxiety currently voiced about foundations: they were blatant tax dodges; they had surreptitiously invaded the political arena; they spent their money frivolously, often rewarding favored friends; they squandered vast sums abroad. Some witnesses proposed reforms or punitive measures. For example, Representative Wright Patman of Texas, who has been conducting a personal crusade against foundations since 1961, called for a 20 percent tax on gross income and capital gains.

Sensing the mood, top Treasury officials in the Nixon Administration presented an elaborate packet of proposals, largely dealing with the financial operations of foundations. With this in hand, Chairman Wilbur Mills took the Ways and Means Committee into closed session at the end of April to write the legislation it will ultimately report out to the House.

Some reform is undoubtedly needed; but the danger is that in its zeal to eliminate abuses of the tax-exemption privilege, Congress could end up crippling a valuable American institution. If the basic philanthropic operations of foundations should be curtailed or hampered, we would all be impoverished. At their best, foundations are a great source of initiative and experiment that enormously enrich the life of nations. In the U.S., they have developed into a powerful force for social change and human betterment—a third force, as it were, independent of business and government.

Even the most reputable foundations are guilty of lapses of judgment, but the broadest possible freedom of action is an essential ingredient of their successes. They have often provided the seed money, the risk capital for enterprises that neither government nor business has the interest or capacity to pursue. Sixty years ago a mere $18,000 grant from the Carnegie Foundation for the Advancement of Teaching launched Abraham Flexner's famous survey of the deplorable state of American medical education, a study that ultimately led to a revolutionary upgrading of standards. In its early years, the Rockefeller Foundation sponsored a public-health program that eliminated the debilitating disease of hookworm from the southern U.S. and from fifty-two foreign countries.

In recent years, sizable financial support from the Ford and Rockefeller foundations has led to the development of new strains of rice and wheat that will soon enormously increase the food supply in all of Asia. Birth-control programs in the populous countries of the underdeveloped world would never have got beyond the pilot stage without foundation support. Here in the U.S., grants from the Taconic, Ford, and Carnegie foundations financed preschool projects for impoverished youngsters that became the inspiration for Head Start, the most popular undertaking of the federal antipoverty program. In the early Sixties, Ford Foundation money backed a new concept in legal aid for the poor—neighborhood law offices in slum areas—which flowered into a large scale program under government auspices a few years later. The examples can be multiplied endlessly.

DOLL LIBRARIES AND STATUS SYMBOLS

Much of the current criticism tends to overlook the fact that foundations come in various shapes and sizes. There are an enormous number of them. According to the Foundation Center, the chief information-gathering agency in the field, some 22,000 foundations were in existence at the end of 1968, and they are proliferating rapidly; in 1950 there were only 1,000, and last year alone 2,000 new ones were created. (The Internal Revenue Service counted more than 30,000 foundations in 1968, but some of the organizations it regards as foundations either lack endowments or do not make grants.)

The best known are the large, general-purpose foundations, which support a wide range of causes. More numerous, and generally much smaller, are the special-purpose foundations (some of which are quite narrow in their interests, like the International Doll Library Foundation of Greenwich, Connecticut). There is a separate category of over 200 community foundations, whose endowments come from a variety of local donors and whose income is distributed almost exclusively to local charities. About 2,000 company foundations constitute still another group; these are sponsored by corporations and serve as conduits for corporate charity. Though they are nominally independent, their trustees are mostly officers of the sponsoring corporation.

Well over half of all the foundations are small family operations, most of which lack a professional staff or even an office; they are usually run by the donor, his children, and perhaps the family lawyer. Indeed, about two-thirds of all foundations are very small, with assets of less than $200,000 or annual grants totaling under $10,000. In many instances they are little more than status symbols for their donors—or tax shelters.

All told, U.S. foundations control $20.5 billion in assets and give out about $1.5 billion a year. Nearly 18 percent of those assets are held by the Ford Foundation, which is by far the biggest, with well over $3 billion in its portfolio. The Rockefeller Foundation comes next with $890 million, then the Duke Endowment with $629 million. Twenty-six foundations have assets of over $100 million each, fifteen of over $200 million. Fewer than 7 percent of the foundations control 90 percent of all assets.

All of which amounts to a vast agglomeration of wealth, pledged to public charity but under the exclusive control of private individuals—a condition that inevitably inspires concern and sometimes controversy about the way foundations spend their money. The concern is natural, but some of the criticism is eccentric, not to say absurd. Thus Patman, testifying before the Ways and Means Committee, decried the vast sums the Rockefeller Foundation spent abroad in 1966: "The Foundation spent $1,693,762 in India, but not a penny in Arkansas. It spent half a million dollars in Uganda, but not a cent in Idaho. It spent more than $1 million in Nigeria, but it could bring itself to spend only $1,000 in Kentucky."

Patman was equally outraged about grants made by the Bollingen Foundation, a Mellon creation, which operates one of the most distinguished cultural programs in the country. He accused Bollingen of specializing in "the development of trivia into nonsense," because it financed such research projects as "the phenomenology of the Iranian religious consciousness" and "the origin and significance of the decorative types of medieval tombstones in Bosnia and Herzegovina." Said Patman: "If the Mellons are more interested in medieval tombstones than in Pittsburgh poverty . . . that is the Mellons' affair. However, there is no obligation upon either the Congress or the American citizenry to give the Mellons tax-free dollars to finance their exotic interests."

EDUCATION OR SEVERANCE PAY

Congressmen had considerably more reason to be disturbed by some recent activities of the Ford Foundation. Notable were the voter-registration drive that Ford financed during the 1967 mayoralty election in Cleveland, and the "travel and study" awards totaling $131,069 that it gave to eight aides of Robert Kennedy after the assassination last year. McGeorge Bundy, president of the foundation, spent four and a half hours before the Ways and Means Committee, in the course of which he defended both actions.

The grants to the Kennedy staff stirred up more of a fuss in Washington than any other single foundation action. Bundy explained that he and his colleagues wanted "to help" the men after the tragedy. The most appropriate method seemed to be to invite several of them to participate in the foundation's long-established "travel and study" award program, a species of advanced adult education "designed to develop the abilities and educational backgrounds of persons . . . in fields in which the foundation works." The generous grants covered both compensation and travel expense. For example, Jerry Bruno, who had been in charge of planning Kennedy's campaign trips, was given $19,450 for a seven-month study of "methods and styles" of national political campaigning in the United States." Bundy stressed that all eight individuals were eminently qualified for the awards, which had previously been given to more than 2,000 people.

He had trouble, however, in persuading the committee that with the Kennedy men the project was truly educational. "It looks to me like severance pay," remarked Representative John W. Byrnes of Wisconsin, the ranking Republican member. Other Washington observers suspected political favoritism—an unwarranted assumption, given the coolness of Bundy's relation with the late Senator—or what *Life* called "intra-Establishment clubbiness." Bundy was clearly vulnerable when he invoked compassionate reasons, rather than resting his case on the personal qualifications of the recipients. The Ford Foundation had not previously been in the business of personal charity.

In the Cleveland episode, the foundation had made a $175,000 grant to the local chapter of CORE. A portion of the money went for a voter-registration drive in three Negro slums—at a time when a Negro candidate, Carl Stokes, was running for mayor. In many quarters, the foundation grant was held to be partly responsible for Stoke's victory. Bundy's congressional inquisitors wanted to know whether *this venture* was educational or political, and if political was it not inappropriate for a tax-exempt foundation?

Bundy defended voter-registration drives as a proper field for foundation activity, since they extended democratic participation. He insisted that the foundation had never examined the connection between a particular registration campaign and the election of a specific individual; he thought that would be improper. The fact was, however, that in Cleveland the registration drive could only redound to the advantage of one candidate. Once again, Bundy was vulnerable. The foundation would have been beyond criticism had it also financed voter registration drives in three white areas of Cleveland.

The testimony before the committee left a number of Congressmen with the feeling that foundations had too much freedom. "The area of foundations' activities is almost wide open," Representative Byrnes later complained. "Anything that anybody can conceive of can be said to be educational. We must develop some guidelines."

The Internal Revenue Code already lays down some guidelines, but they are quite vague. Oddly, the code does not even define foundations, but lumps them with a variety of other tax-exempt organizations that also receive tax-deductible gifts. (According to the generally accepted definition, a foundation is a private, nonprofit organization with a principal fund and its own board, whose money comes from private sources—not from public appeals—and which makes grants to outside organizations; it may also operate certain programs of its own.) The code specifies that foundations and other philanthropic organizations can have the privilege of tax exemption if they engage in religious, charitable, scientific, literary, or educational activities, as well as "testing for public safety" and "the prevention of cruelty to children or animals." They are prohibited form participating in election campaigns and from devoting a "substantial part" of their activities to lobbying—defined in the code as "carrying on propaganda, or otherwise attempting, to influence legislation." There is no definition of "substantial," however. The Internal Revenue Service makes such a determination on an ad hoc basis, depending on the amount of lobbying and the volume of other activities.

The regulations also define "scientific," "educational," and "charitable" pursuits in broad terms. Educational activity is not necessarily confined to the classroom, and an organization is regarded as educational even if it advocates a particular viewpoint, "so long as it presents a sufficiently full and fair exposition of the pertinent facts." If it merely presents unsupported opinion, its tax exemption can be revoked—as happened to H. L. Hunt's Life Line Foundation, whose principal activity was sponsoring conservative radio commentators. As for "charitable" activities, the Internal Revenue definition comprehends the normal meaning of the term as well as efforts "to lessen neighborhood tensions," to defend human and civil rights, and "to combat community deterioration and juvenile delinquency."

The difficulty about "tightening up" the language of the law, as Byrnes and some others have suggested, is that the exercise can easily become too restrictive; in an effort to eliminate one undesirable type of activity, the prohibition may be drawn too sweepingly. The problem is illustrated by one of the Treasury's recent proposals. Responding to the criticism of the Ford Foundation's voter-registration drive in Cleveland, the Treasury has included in its recent proposals a recommendation that foundations be forbidden to engage in any activity "directly connected" with an election campaign, no matter how educational in purpose. Such a blanket prohibition would encompass *all* voter-registration drives, as well as all educational programs about the issues and panel discussions involving the candidates. In other words, foundations would have to refrain from doing what even radio and television stations are free to do under the "equal time" law.

Once the government starts to regulate the program area of foundations, it is impossible to foresee where the process will end. Congressman Patman would presumably prohibit sending foundation money abroad; he would also, one gathers, like to eliminate "trivia" and "nonsense" from the cultural programs of foundations. How could that be done without setting up some national arbiter to judge the worthiness of a symphony orchestra or an art museum?

One of the great virtues of foundations is the broad charter now permitted them in law. Their freedom is essential to their leavening role in society. They must be free to pioneer, to aid projects that lack majority support, indeed to aid unpopular causes. Without such freedom there would be little point in maintaining private philanthropy.

A ROLE GOVERNMENT CANNOT PERFORM

It can be argued, of course, that there is something undemocratic in the institution of the private, tax-exempt foundation. Here is a vast reservoir of wealth in private hands, answerable to no one but self-perpetuating boards of trustees. It is wealth that was privately created, of course, but inasmuch as estate duties range up to 77 percent, most of it would have gone to the federal Treasury had it not been donated for philanthropy. Even the few foundations, like Carnegie and Rockefeller, that were created before the estate tax was passed in 1916, have benefited from tax exemption on their portfolio earnings. The retention of these enormous funds in private hands can be justified only on the grounds that there is a role for private philanthropy that government cannot perform. That role is to help provide a dispersion of initiative in society, a multiplicity of sources furnishing support for all the winds of doctrine.

In the end the best justification of foundations is their results. Sometimes the results are so evident as to be beyond argument, as with the Rockefeller Foundation's malaria-control program or with the Ford Foundation's generous grants ($180 million to date) that kept educational television alive through many lean years. Even the science of rocketry and space exploration, on which the government has since spent billions, was dependent in its early years on the slender but sturdy reed of foundation support. From 1934 to 1941, the Daniel and Florence Guggenheim Foundation was the sole backer of Dr. Robert H. Goddard, whose pioneering discoveries in rocketry laid the basis for the new technology. During most of Goddard's life, the U.S. Government lacked the vision to finance him.

THEY CAN'T STAY ABOVE THE BATTLE

It often takes years, of course, before the final outcome of foundation efforts becomes apparent. In the interim the test is whether foundations are undertaking worthwhile projects that otherwise might not get done. The relevance and utility of foundation programs are nowhere more apparent than in their current involvement with the problems of poverty, race relations, and urban conflict. In the early 1960's the large foundation spent timidly, if at all, in these areas; civil-rights groups, for example, received their only wholehearted support from such small foundations as Taconic, New World, Field, and the Stern Family Fund. In the last few years, however, the large foundations have devoted an increasing proportion of their resources to urgent domestic problems. As a group, in 1968 American foundations spent an estimated $270 million—more than 18 percent of their total outlays—on programs dealing with poverty and race relations.

The Rockefeller Foundation, for example, now commits about a quarter of its funds to its Equal Opportunity Program, which aids Mexican-Americans and Indians as well as Negroes in combating discrimination and developing more effective leadership. The Ford Foundation, which last year allocated over $62 million to its National Affairs division—about 30 percent of its total programs—is all over the lot, helping to finance the rehabilitation of the Bedford-Stuyvesant slum area in Brooklyn, supporting income-maintenance experiments among the poor, trying to encourage reform in big-city police departments, educating the clergy in urban problems, aiding a church-sponsored effort to combat prejudicial radio and TV broadcasts. Ford also gave sizable assistance to a host of minority-group organizations, including $1,050,000 for the National Urban League's "New Thrust," an effort to develop stable new leadership in Negro slums.

The foundations' increasing involvement in the domestic arena underscores a simple fact that was less apparent in the past: to be effective a foundation must make choices, take sides, support causes. In such matters as population control, civil rights, and school decentralization, a foundation takes sides by merely funding a project. To be above the battle is to be irrelevant; to be relevant is to risk controversy.

Is there any danger or impropriety in such one-sided involvement on the part of organizations spending quasi-public funds? There might be if U.S. foundations were a monolithic force. But in fact, they vary greatly in their interests, preferences, political predilections. Right now, to be sure, some of the biggest and most visible foundations—Ford, Rockefeller, Carnegie, Danforth—are liberal in their orientation. But there are also some large conservative foundations, such as the Pew Memorial Trust in Philadelphia, the Lilly Endowment in Indianapolis, and the Moody Foundation in Galveston. Pew, for example, supports such conservative organizations as the Christian Anti-Communism Crusade, Americans for the Competitive Enterprise System, the Freedoms Foundation at Valley Forge, and Harding College of Searcy, Arkansas. None of the conservative foundations happen to be as activist as the liberal ones, but this condition need not be immutable.

The great strength of American foundations is the availability of an organization for every taste and cause. The Charles Stewart Mott Foundation, whose $413 million assets make it seventh in the national ranking, is almost exclusively devoted to the interests of Flint, Michigan, where the ninety-three-year-old benefactor makes his home. Mott's youngest son, Stewart, runs an entirely different kind of foundation in New York called Spectemur Agendo ("Let us be known by our deeds"). It supports programs that Stewart Mott proudly proclaims to be "unconventional, controversial, and unacceptable to traditional sources of foundation support." Among them: abortion education, and research in extrasensory perception.

The great freedom and discretionary powers of foundations obviously lead to error at times. While further legal restraints on programs would be unwise, foundations might profitably rethink some of their own guidelines to prevent such blunders as those Ford made with the Kennedy staff awards and the Cleveland voter-registration drive. Significantly, help in this task may come from the recently established Commission on Foundations and Private Philanthropy, a panel of distinguished private citizens headed by Peter G. Peterson, chairman of the board of Bell & Howell Co. The commission is planning to study the matter of appropriate guidelines regarding "controversial public policy issues," as well as the whole range of foundation activities, in the hope of warding off ill-considered regulatory action.

WHERE ACTION IS NEEDED

This plea for freedom embraces only the program area of foundations. But when it comes to the financial operations of foundations, there is a compelling case for tighter government regulations. In this area many abuses have occurred, particularly on the part of small foundations. The more blatant abuses can be reached by present law, which requires that a foundation "be operated exclusively" for religious, educational, charitable, or the other permissible purposes. If a foundation is used for the palpable benefit of the people who control it, the Internal Revenue Service can crack down by revoking its tax exemption.

A celebrated example is the Public Health Foundation for Cancer and Blood Pressure Research, which was controlled by the late James H. Rand Jr. of Remington Rand. In 1965 Internal Revenue alleged that Rand

sold his Connecticut home to the foundation for over $231,000—for use as a research center—and then continued to live in it. The foundation also paid the household expenses and the salaries of Rand's servants. Nearly $160,000 was spent to construct a research laboratory in Stuart, Florida, to grow vegetables free of toxic insecticides; the vegetables were consumed by Rand and his friends. Three grants totaling $650,000 went to close personal associates of Rand, for use in the "advancement of human welfare"—apparently their own. The I.R.S. claimed a tax deficiency of $11,700,000 plus a $5,900,000 fraud penalty. Rand is dead; the foundation, whose assets don't cover the tax bill, is litigating the matter and prefers not to talk about the entire unpleasantness.

In general, however, the Internal Revenue Code has been too permissive. It does not deal, for example, with the conflict between public and private interest that arises when a foundation is used to preserve control of a corporation. This is commonly done by giving the foundation a controlling block of stock, much of which would otherwise have to be sold off to pay estate taxes. Thus the W. K. Kellogg Foundation controls Kellogg Co., through a trust that owns about 51 percent of the cereal company's shares; the John A. Hartford Foundation exercised effective control of A & P; the Lilly Endowment, which owns 23 percent of Eli Lilly & Co., ensures that the Lilly family is not likely to be dislodged from control.[1]

When a foundation is used in this way, its public obligations do not necessarily get slighted. The Ford Foundation, which originally held 88 percent of the motor company's stock (in nonvoting shares), has over the years given away $3.4 billion, a sum nearly as great as its current assets. The foundation regularly distributes capital gains as well as income and in every one of the last ten years has cut into its principal to finance its programs. And its holding of Ford stock has dwindled to 25.5 percent.

Philanthropy does get shortchanged, however, when the corporate stock that a foundation holds for control purposes produces meager income. For instance, the Lilly Endowment keeps virtually all its assets in low-yielding Eli Lilly stock (whose market value, however, has advanced an average 23 percent in the last five years); last year the endowment's disbursements amounted to only 1.2 percent of its assets. The James Irvine Foundation owns over 53 percent of Irvine Co., which in turn owns a sixth of the land in Orange County, California; it gets only enough income to make charitable contributions of about $1 million a year—though it modestly values its assets at $123 million.

HOW TO MAKE THEM GIVE AWAY MORE

To get at this kind of problem, the Treasury has proposed certain changes in the law. One would make it mandatory for a foundation to distribute every year a sum equal to at least 5 percent of its investment assets. (A two-year transition period would be allowed.) Another would require foundations to divest themselves of controlling interests in businesses within five years of receiving such control. Ownership of 35 percent of the voting shares of a corporation would be regarded as conclusive evidence of control; if the equity was between 20 and 35 percent, Internal Revenue would examine the facts and determine whether effective control existed. The public interest would assuredly be served by both these measures. Many more millions would be available for philanthropy if foundations with low-yield assets were forced to spend principal or to diversify holdings.

REPORTING TO THE PUBLIC

The other main area of foundation abuse is in what is called "self-dealing"—sales and purchases, loans and borrowings between the foundation and the people who control it. Under present law, if a foundation rents property or makes a loan to its donor, it must charge a "reasonable" rent or interest rate, and demand "adequate" security. The regulation, however, is very difficult to police. In a case cited by the Treasury, the William Clay J. Foundation of Fort Worth lent money to a corporation controlled by its donor. The only security for the loan was an oral promise that the corporation would execute a mortgage on its real estate if the foundation so requested. The foundation never made such a request. The I.R.S. challenged the transaction on the grounds that there was no adequate security: if the corporation went bankrupt, its promise to produce a mortgage would be valueless. The court, however, held that the security was adequate. In another case, a donor contributed $65,000 to a foundation; the money was then lent back to the donor's firm. He was thus in the neat position of getting an income-tax deduction for money invested in his own business.

The Treasury advocates abolishing all self-dealing. It also recommends that mandatory civil penalties be imposed on foundation personnel who violate any of the proposed new rules, and that the federal courts be given the authority to ensure that foundation assets are used for charitable purposes. Among other things, the courts could fine or remove trustees, rescind transactions, and divest assets. Up to now, the states alone have had this power, and only a dozen states have enforcement programs.

One significant area is not covered by the Treasury proposals: the obligation of foundations to let the public know what they are doing. Most of the large foundations feel this obligation keenly; they publish detailed annual reports and answer almost any question about their activities. But many foundations are amazingly hostile to public scrutiny. The Pew Memorial Trust, the fifth-largest foundation in the country, publishes no report and will not even receive reporters. In rebuffing FORTUNE's inquiries, Allyn R. Bell Jr., who runs the trust, referred blandly to "our announced desire of remaining anonymous as far as possible."

Of the 22,000 U.S. foundations, only 140 publish annual reports; for the rest, the only publicly available information about their finances and program is to be found in the skimpy data that they file with Internal Revenue. Form 990A lists the recipient of each grant and the money involved, but provides no descriptive data about the purposes for which the funds were expended. The paucity of information from the great majority of the foundations is scandalous, but is unlikely to be rectified until they are legally required to produce annual reports.

The abuses of foundations can readily be eliminated, without prejudicing the integrity of the institution. The institution deserves to be preserved, whatever the loss of revenue to the Treasury from estate taxes. The full record shows that foundations are worth their price.

[1] The Henry Luce Foundation has owned 12.1 percent of the common stock of Time Inc., publishers of Fortune, since the death of Henry R. Luce in 1967. In 1968 the foundation had assets of $87 million and distributed almost $2 million to various projects in public affairs, education, religion, and the Far East.

Mr. OTTINGER. Mr. Chairman, the tax revision measure before the House today represents the first step toward urgently needed reform, but it is only a first step and a very small one at that.

The bill does not go as far as it should and could have. It does nothing to relieve the burden on our elderly. It does not correct the unrealistically low exemptions for dependents.

It does not go as far as it should in closing legal loopholes which cost the U.S. Treasury more than $40 billion annually. For example, it purports to reduce the lush benefits of the oil companies with an insignificant 7-percent reduction in the depletion allowance but fails to do anything about the far more lucrative deduction allowed for intangible drilling assets.

On the other hand, it goes much farther than it should have in extending the unnecessary and ineffectve surtax at 5 percent through June 30, 1970.

In short, Mr. Chairman, there is much about this bill that is not satisfactory. In spite of this, however, I intend to support it because it does make some first hesitant steps toward reform. It includes a measure I proposed in the 89th Congress which provides more equitable tax treatment for single persons, the most inequitably overburdened of all taxpayers. It raises the standard deduction significantly, expands the deduction for moving expenses and brings minor tax relief to the middle-income family.

At the other end of the tax spectrum, the measure makes at least a token effort to close some of the more glaring loopholes. It restricts the use of rapid real estate depreciation by speculators and provides an alternative to unfair and inequitable municipal financing through tax exempt bonds. It also levies a "minimum tax" under which those fortunate millionaires who have been avoiding taxes entirely will now have to assume at least a small portion of the national burden.

Because of these advances I will support the bill, but only on the assumption that we recognize that it does not fulfill our commitment for broad, meaningful tax reform.

On March 16, 1967, when I introduced a package of reform measures, I warned the administration and my colleagues not to dismiss lightly the rising tide of protest against our internal revenue system. I pointed out that this was not an expression of irritation from people who do not want to pay their fair share of the Government cost, but a growing protest by middle-income Americans who are sick and tired of paying more than their share. I want to repeat that warning here today. Let none of us who are voting for this bill think that we have answered that demand. We have made a start, but only a small one, and millions of Americans are waiting now to see whether we will redeem our pledge for real reform.

Mr. QUIE. Mr. Speaker, strong cooperatives are essential to the economic well-being of our Nation's farmers. It was of great importance that the Ways and Means Committee changed their tentative proposal. A 5-year payout would have been disastrous to most co-ops. I think these decisions should be left to each co-op, but the final bill will not be too difficult for most co-ops to abide with.

I submit for the RECORD a letter from the National Milk Producers Federation, which very cogently outlines the adverse effects the bill may have on cooperatives:

NATIONAL MILK
PRODUCERS FEDERATION,
Washington, D.C., August 1, 1969.

Hon. ALBERT H. QUIE,
House of Representatives,
Washington, D.C.

DEAR MR. QUIE: On behalf of dairy farmers and their cooperatives, I want to express our great appreciation for your well-founded opposition to proposed changes in the tax treatment of cooperatives as recommended by the Ways and Means Committee.

Farmer cooperative associations are the most effective tools the farmer has operating in his behalf in the marketplace. This is especially true in the dairy industry where farmers have made the greatest use of cooperatives. To maintain a healthy American agriculture, therefore, it is extremely important not to discriminate against—or create unnecessary financial problems for—such cooperatives.

Under the committee recommendations, cooperatives would be required to increase cash payments of patrons refunds from 20 to 50 percent over a 10-year period. The proposal would also require patronage refunds not currently paid in cash, but held in revolving funds, to be paid in cash to patrons within 15 years.

The proposed changes—in our judgment—would be extremely damaging to cooperatives for a variety of reasons:

First: It would require far-reaching changes in the financial structure of cooperatives by disrupting their method of financing;

Second: It would weaken the competitive position of cooperatives, since it would require higher deductions from current proceeds to farmer patrons;

Third: Imposing a definite due date on patronage refunds retained in the cooperative as equity capital would convert the capital structure to debts; as such they would jeopardize a cooperative's ability to borrow money and meet financial obligations;

Fourth: Currently, patronage refunds are taxed to patrons on the full value. Increasing the cash portion of the payment, therefore, would not increase tax revenue.

In addition to highly adverse effects on cooperative financing, there are real questions as to whether or not this is really tax reform or just "handicapping" regulations relating to the internal financing methods of cooperatives.

We, as representatives of dairy farmers and their cooperatives, warmly commend you for your leadership in this cause. Moreover, we sincerely hope that you can acquaint other members of Congress with the need for their support. It is our hope that they will join you in opposing the proposed change in the tax treatment of cooperatives.

Sincerely,

PATRICK B. HEALY,
Secretary.

Mr. STEIGER of Wisconsin. Mr. Chairman, I rise in support of the tax reform act of 1969, H.R. 13270 The issue of tax reform has achieved prominence in the last few months. The mail in my office, for example, finds this issue one most frequently mentioned. In the questionnaire which was sent to households in the sixth district, tax reform ranks second in the opinion of the more than 20,000 constituents who have thus far responded. Each time I am in my district, many people have taken the time to pass on to me their views and opinions regarding the question of taxes and tax reform.

Thus, this legislation represents, in my judgment, an accurate reflection of the views of people in the sixth district and I suspect across the country who have called for meaningful tax reform. In my weekly report to the people of the sixth district which I released on April 2, 1969, I discussed this issue in the following way:

The federal tax laws have not been intensively reviewed or really revised since 1954. The House Ways and Means Committee is currently in the midst of comprehensive hearings on various aspects of the Internal Revenue code, particularly those which affect personal income taxes.

The American people generally are paying higher taxes at every level of government. Local property taxes, state income and sales taxes, municipal taxes and fees are rising at a rapid rate. Unrest of rising property and school taxes is reflected in the increased number of school bonding referendums that are being defeated by the voters in municipal elections. Taxes and tax reform are the subjects of the greatest number of letters received by my office.

Mounting pressure for tax reform today can be traced to the high taxes people are paying as well as to the apparent inequities in our Internal Revenue code. The recent news, for example, that 155 people who had a personal income of over $200,000, and yet paid no taxes, has resulted in charges of inequality. Not only are the high taxes burdensome in themselves, but they lead to complicated tax laws. High taxes result in pressures for relief for various causes and purposes. These relief provisions are often complex. The law is further complicated by what appear to be "loopholes." A loophole is not an accurate description for those provisions of the law designed to encourage charitable gifts or mineral conservation.

But taxpayers today resent the complicated laws because the advantages derived from them can only be achieved by using highly trained legal talent and such talent is itself expensive (and deductible) and not generally available to middle and lower income taxpayers. Not only do taxpayers appear to resent the complex laws, they resent those who are able to benefit from them.

Taxes are high because the needs and demands for public supported services is great and growing. For this reason, we must make the system of collecting taxes as fair, simple and equitable as possible. Public confidence in the fairness of the tax laws must be maintained or our whole system will become victim to abuse. A review and reform of the tax laws is essential.

The Milwaukee Journal on Monday, August 4, said:

The tax reform bill that cleared the House Ways and Means Committee Thursday promises a good start toward greater equity in the Nation's tax system . . . generally the package seeks greater fairness by closing or narrowing some of the most glaring loopholes, increasing tax burdens for those best able to absorb them, providing relief for those who need it.

This statement on this legislation by this newspaper outlines quite simply the reasons why I vote for this bill. There are obviously provisions of the bill with which I disagree but on balance H.R. 13270 does provide for a greater degree of equity in our tax system as well as more simplification than exists in our present Internal Revenue Code.

The comprehensive nature of this bill is an indication of the diligence and hard work put in by the members of the Committee on Ways and Means. I want to pay special tribute, Mr. Chairman, to two distinguished and able people in particular, the chairman, the gentleman from Arkansas (Mr. MILLS), and my good friend the gentleman from Wisconsin (Mr. BYRNES). To these two gentlemen must go, it is my belief, the major credit for this bill and for the fact that the House is considering this legislation prior to the August recess. Subjects covered in the legislation are many and the bill itself, 368 pages in length is difficult and complex. I have spent the last two days intensively reviewing the committee report and the legislation before deciding to vote in favor of the bill. The subjects covered such as private foundations, other tax exempt organizations, charitable contributions, farm losses, interest on loans, moving expenses, limitation on tax preferences—LTP—allocation of deductions, income averaging, restricted stock plans, deferred compensation, stock dividends, multiple corporations, debt-financed corporate acquisitions, foreign tax credit, financial institutions, depreciation in regulated industries, depreciation allowances, depletion allowances, capital gains, real estate depreciation, the new low-income allowance, standard deduction, maximum alternative tax, rate reduction and changes in the rates for single taxpayers are all subjects which deserve to be a part of a massive tax reform plan. This bill is of the greatest significance and worthy of support.

In all honesty, Mr. Chairman, I must admit that there are certain portions of it with which I have disagreement such as the tax on foundations of 7½ percent. The Milwaukee Journal editorial to which I referred earlier commented on this provision by saying:

In its zeal the committee threatens some of the very legitimate operations of many of the nation's most spirited foundations.

I have received, as have all Members of the House, numerous letters, telegrams, and phone calls regarding certain of the provisions of this bill. I would hope that the other body would, in fact, review fully such things as the change in the method of taxation on savings and loan associations. Letters I have received from savings and loan associations in the Sixth District all point to the difficulty which these institutions see in maintaining their position in the home financing field should the provisions of this legislation become law.

In addition to that, I must admit I have serious reservations about the effect on local government financing as a result of any change in the tax-exempt status for municipal bonds. While I recognize that the legislation does not per se make the change since it will continue to allow municipalities to issue tax-exempt bonds, nevertheless, alternative B as it exists in the bill to provide for financing by Washington does, it seems to me, make for a greater possibility that local government will have to be more reliant on Washington, D.C. This is not, in my view, the way to move and this whole matter deserves the review of the other body and, will, I hope, be changed.

A telegram I received from the city attorney of the city of Fond du Lac stated this question well when he said that "we do feel that any plans by which municipal borrowing rates are increased will cause a heavy burden on local taxpayers by increasing the cost of construction."

In addition, Mr. Chairman, a number

of cooperatives and individual farmers have wired or called me regarding the possible changes in current cooperative regulations contained in this bill. The point that has been made by those who have talked with me is that this is a subject that was not covered by the hearings before the Committee on Ways and Means, and thus I hope the other body will provide an opportunity for cooperatives to appear to discuss their views on the changes contained in this legislation.

There are two other matters about which I have some concern, Mr. Chairman; namely, the changes in lump-sum distribution for employee benefit plans. Dirk S. Van Pelt, president of the Reuping Leather Co., wrote to me saying:

> If this proposed change is permitted to become law it means that it would seriously affect the many pension retirement benefit plans that have long been established in the many corporations across our land. I believe that it would deplete these funds through taxation which have been accumulated to provide retirement benefits for many millions of employees.

The same thought is contained in a telegram I received from C. F. Hyde, of Oshkosh B'gosh, who went on to ask that a satisfactory review and study be made of present law with a public hearing before a change is made.

The other matter is one which has been referred to by many of my colleagues; namely, the impact on colleges and universities and other charitable institutions in terms of the changes in capital gains. Letters from the Wisconsin State University Foundation, Lakeland College, and Ripon College all express a very grave concern about the impact on their institutions if all of the provisions of this bill were to become law. The committee has wisely looked at this whole question but private philanthropy has been, I believe, of significant help to the development of private institutions in this country. In this I agree with my colleagues, Mr. BUSH and Mr. MORTON, who, in their supplemental views attached to the committee report, correctly point out that in this we are moving toward a greater reliance on Washington which is not appropriate.

Lastly, Mr. Chairman, may I say that there is one feature which is missing. That is the increase in the personal exemption from the present $600 to a higher figure. In my questionnaire to which I referred earlier, when I asked "do you favor an increase in the personal tax exemption from $600 to $1,000?": the answer came back uniformly and resoundingly "Yes." In Calumet County, Sheboygan County, and Winnebago County, 100 percent yes—0 percent no. The district average was 97 percent yes; 3 percent no. Petitions, letters, telegrams, and personal visits from hundreds of people throughout the Sixth District clearly indicate to me the overwhelming support of the people in my district for this change in our present tax code. I am disappointed and distressed that it is not included in this bill and could not let this opportunity pass without referring to it or making clear my own commitment to continuing to push for an increase in the exemption.

The other portions of this bill which do give tax relief to low- and middle-income taxpayers are laudable and steps in the right direction.

This bill is a good bill, Mr. Chairman, and I shall vote for it and am encouraged by the words of the members of the Committee on Ways and Means who have indicated that this is not the last step toward tax reform, but a first step. More can, I know, be done. I look forward to working with the Members of this House in their efforts to achieve fair and equitable taxation.

As President Nixon said in his message to Congress in April of this year:

> We shall never make taxation popular, but we can make taxation fair.

This bill goes a long way toward that goal.

Mr. MONAGAN. Mr. Chairman, I support the Tax Reform Act of 1969. The issue of tax reform is of paramount domestic importance. The strength of our internal revenue structure depends on the voluntary cooperation of all our citizens. Because of widespread shelters from tax liabilities for certain individuals, numerous taxpayers in the middle and lower income brackets have justifiably leveled increasingly critical attacks upon the Federal income tax structure. I have received letter upon letter from constituents who question the justice of a tax system which allows one individual with an income of $23 million to pay no tax at all. Is it just for 21 individuals with incomes of $1 million or more to pay no tax at all? Is it just for 155 individuals with incomes in excess of $200,000 to pay no taxes at all? Is it just for 24,000 individuals with income in excess of $10,000 to pay no taxes at all? These are the questions put to me by my constituents. I answer them all saying, "No, it is not fair and it is not just. I am working and this Congress is working to produce a Federal tax structure which will be more equitable and more efficient."

The bill before us now—the Tax Reform Act of 1969—represents a substantial effort to make income taxes more equitable and more productive. For this reason, I support the bill.

This bill, I am pleased to say, incorporates several of my own tax reform proposals as contained in my bill H.R. 7744 and supported in my testimony before the House Ways and Means Committee earlier this year. I recommended as far back as February the closing down of those "tax shelters" most commonly used by high-income individuals and corporations to avoid paying their fair share of the Federal income tax. I also strongly urged provisions which would require every taxpayer who was able, to pay a minimum tax. The Tax Reform Act of 1969, I am pleased to say, does institute minimum taxes in those areas which I had recommended. These areas most commonly utilized by individuals and corporations to avoid tax liability are:

The unlimited charitable contribution deduction.

The exclusion of interest on tax-exempt State and municipal bonds.

Charitable contributions of appreciated property where the contribution deduction includes gains which have not been taxed to the individual.

Percentage depletion derived from income from the extractive industries.

Large amounts of income taxed at capital gains rates.

Depreciation on real estate making use of the accelerated depreciation rates as opposed to the straight line method of depreciation.

Farm losses which have been offset against nonfarm income by individuals or corporations only peripherally involved in farming.

Credits allowed individuals and corporations for taxes imposed by foreign countries.

I am also grateful that the Tax Reform Act of 1969 makes four other changes in our tax laws which I had recommended as necessary to produce tax equity. These are:

Tax reductions of 5 percent for persons in the middle-income brackets. This reduction for those citizens who earn between $7,000 and $20,000 and who pay the great proportion of our taxes is in addition to the reduction and elimination of the 10-percent tax surcharge and will take effect gradually between 1971 and 1972;

Disallowance of the unlimited deduction for interest paid on certain bonds and debentures issued in exchange for at least two-thirds of another company's stock. This deduction had provided a major but unforeseen tax incentive for conglomerate mergers; its removal will provide a greater degree of stability to the corporate merger field;

Increase of the minimum standard deduction an amount sufficient to raise a family's exempt income to $1,100 plus the number of $600 regular personal exemptions available to the family. The starting level of taxation is thereby raised above the poverty level. The allowance removes 5.2 million returns from the Federal tax rolls and provides a tax reduction on another 7 million returns; and

Repeal of the 7-percent investment credit for business equipment purchases. This measure was enacted in 1962 to stimulate a lagging economy; the economy is now overstimulated and thus the investment credit should be retired.

In conclusion, I support the Tax Reform Act of 1969 as legislation which will make our Federal tax structure more equitable. This is a goal of the highest domestic priority. I urge the passage of this bill.

Mr. BINGHAM. Mr. Chairman, the tax legislation currently before the House is the culmination of long and persistent efforts on the part of many House Members. I introduced the Tax Equity Act, which provided for the closing of a great many of the most gaping loopholes in the tax system, in August 1967. Since that time I have sponsored or cosponsored several additional pieces of legislation calling for other improvements in the tax system in addition to those in my 1967 bill. I persistently urged the Johnson and subsequently the Nixon administration to endorse sweeping tax legislation, and along with many of my colleagues insisted that any action to increase tax revenues in the past 2 years as an anti-inflationary measure be ac-

companied by action to reform the tax system. In April of this year, I was pleased to be the first congressional witness to testify on behalf of tax reform legislation after the Ways and Means Committee started its hearings last April.

As is likely with any legislation that involves such numerous and complex elements, the legislation reported for House consideration by the Ways and Means Committee is weaker in some respects than proponents of sweeping tax reform have urged, but is quite adequate in other respects. In general, while it extends the surtax at a 5-percent rate for the first 6 months of 1970, it provides significant long-range tax relief for nearly all individual taxpayers who have for so long been staggering under an inequitably heavy tax burden. Furthermore, it represents a victory for those of us who have insisted that any extension of the surtax be accompanied by extensive reform of the tax system. It is unquestionably the strongest and most comprehensive tax reform and relief legislation to come before the Congress in many years. More reform needs to be effected, but the legislation before us now is certainly a major push in the right direction.

The reductions in tax rates contained in this legislation will provide substantial relief for taxpayers in nearly every income bracket—especially for those in the middle and lower income groups. Nearly 6 million very low-income taxpayers will be dropped from the tax rolls entirely. I am particularly pleased that the failure of the version of this legislation originally reported to the House to provide any substantial tax relief for taxpayers in the middle-income range—those with adjusted gross incomes roughly from $7,500 to $13,000—has been remedied. Various Members of the House, particularly the members of the Democratic Study Group, voiced strong disappointment and intense concern over this critical omission the moment it was discovered. The unity and strength of the "liberal" outcry, and our resolve to press for an amendment to the legislation on behalf of middle-income taxpayers, was very substantially responsible for the rapid action of the committee to respond to the needs of this group by adding a middle-income tax relief provision. This middle-income relief is provided by means other than what I feel is most appropriate in view of the current inflationary condition of the economy. I feel this relief should have been provided by shifting relief already in the bill from higher income to middle-income taxpayers, leaving the total amount of relief constant. Instead, it was achieved by adding rate reductions that will greatly increase the cost of the legislation in lost revenues. But I think those of us who voiced these criticisms can take satisfaction in the fact that the legislation now provides middle-income taxpayers an average 11-percent tax saving. In addition, it contains tax relief ranging from 100 percent for individuals with adjusted gross incomes in the neighborhood of $3,500 to about 3.6 percent for individuals with adjusted gross incomes over $25,000.

In the legislation I have introduced over the past several sessions of the Congress, and in my testimony before the Ways and Means Committee last spring, I have cited a great many areas of inequity in our tax system which needed reform. A good many of those are effectively dealt with in this legislation.

I have particularly emphasized the need to readjust the total proportion of the tax burden borne by individual taxpayers in relation to the total borne by corporations and other group taxpayers. This legislation, H.R. 13270, offers a significant readjustment of the current imbalance in individual and corporate taxation in favor of overburdened individual taxpayers. The tax relief and reform provisions of this legislation—including the investment credit repeal—will produce an estimated increase of $1.5 billion in the tax burden borne by corporations in 1970, while there will be no increase at all in projected total tax receipts from individuals. In 1971, receipts from corporations derived from tax measures affected by these provisions will increase by $2.9 billion, while receipts from individuals will actually be reduced by about $2.4 billion. Such a redistribution of relative tax burdens is long overdue, and I am pleased that the overall effects of this legislation include such a great improvement in the balance of individual and corporate tax payments.

Various specific tax changes contained in this legislation are responsible for this most encouraging overall effect. In the Tax Equity Act, I introduced in 1967, I proposed a reduction from 27½ to 15 percent in the scandalous depletion allowance on taxes afforded the oil and mineral industries. This legislation reduces these allowances to 20 percent—less than I feel is desirable, but still a significant cut in this highly questionable tax preference.

Similarly, I have strongly supported the imposition of a minimum income tax to prevent further instances in which very wealthy taxpayers pay little or no taxes. The legislation before the House limits to 50 percent the total proportion of a taxpayer's income that can be excluded from taxation. It also restricts the allocation of deductions to reduce the possibility that a taxpayer with large amounts of tax-free income who also has taxable income might wipe out all or most of his tax liability by careful allocation of his deductions. In combination, these provisions promise to guarantee that all taxpayers, no matter how wealthy they are or how many preferences might apply to their earnings, will pay a significant tax and that no wealthy taxpayers will get off tax free.

Several provisions similar to those I proposed in the Tax Equity Act and other legislation regarding specific loopholes used mostly by wealthy individual taxpayers are included in this bill. New limits on the proportion of an individual's charitable contributions which can be exempted from taxation are included in the bill, along with a provision to limit the favorable treatment accorded to stock options given by corporations to their top executives. In addition, the tax treatment of capital gains are significantly trimmed, and the tax advantages for the wealthy in purchasing farms and speculative real estate on which they often claim losses will be similarly cut back by enactment of this legislation. The stiffer provisions on capital gains include an increase in the rate ceiling—formerly 25 percent—which I have specifically urged for some time.

With regard to taxation on corporate income, demands by me and other Members to end the 7-percent investment tax credit and the multiple corporation tax dodge have been heeded by the committee. In addition, various other corporate tax loopholes will be closed by this legislation.

In my testimony before the House Ways and Means Committee, I stressed the need for a simplification of the tax system as it applies particularly to middle income taxpayers. Here again, this legislation offers substantial improvements. By increasing the standard deduction from 10 percent with a $1,000 ceiling to 15 percent with a $2,000 ceiling by 1972, it will be possible for many more taxpayers to employ this simpler method of computing taxes. Losses of tax advantages that many individual taxpayers might have claimed had it not been for the difficult computations required in itemizing deductions will be prevented. This simplification will be particularly advantageous to taxpayers who reside in apartments and therefore have no home mortgage interest deductions to claim. In all, an estimated 11.8 million taxpayers who now have to itemize deductions will find it advantageous to use the simpler standard deduction.

There are, admittedly, several potential disappointments in this legislation. No substantial revision is provided in the laws governing either gift taxes, or taxes on property—particularly involving capital gains—at death. I have urged that taxes on gifts be increased to the same level as taxes on estates to prevent individuals from avoiding estate taxes by giving assets to his heirs before death. I have also urged that unrealized capital gains be fully taxed at the time of an individual's death. These are very complex matters which the committee has not confronted in this legislation. It has promised, however, to go to work on these aspects of tax reform in the immediate future, and to report legislation for House action soon.

The committee failed to include in this legislation provisions to provide special tax relief for older citizens, such as the proposal I have introduced and supported to exempt pension and annuity income up to $5,000 from taxation. Many of the general tax relief provisions in the bill, however, will provide considerable tax relief to citizens over 65, along with all other taxpayers in similar income brackets. Many older citizens will be among the 38 million taxpayers who will benefit from the low-income allowance included in this bill. Therefore, while I intend to continue to press for further tax relief directed specifically at senior citizens, I feel that this legislation contains such significant initial relief that it deserves the full support of all retired citizens.

Finally, the new tax treatment of foundations proposed by this legislation raise serious questions in my mind. The committee, in my view, has made a sincere and careful effort to curb abuses of their tax status by foundations and

to insure that they make a minimum contribution to government—from which they, like all other taxpayers, receive various real benefits—without unduly limiting their operating flexibility or their ability to raise needed funds. With that in mind, I regard the provisions to tax unrelated business incomes of various non-profit organizations, to impose a 7½-percent tax on net investment income of foundations, to require minimal income distribution of nonoperating foundations, and to prohibit self-dealing by foundations as both sound and consistent with the best interests of all taxpayers. I have some doubt, however, about the potential impact of the provisions prohibiting foundations from various political activities, such as those relating to foundation influence on decisions of governmental bodies. As in the case of the other provisions affecting foundations, I do not doubt the sincerity of the committee in trying to achieve an equitable formula balancing the need to curb abuses with the need to preserve the freedom of foundations to perform innovative and relevant work in a society, such as ours, which thrives upon innovation and which has already benefited greatly from the contributions of foundations both large and small. I conclude that the most prudent action to take is to support the provisions in the committee bill and to monitor their effects with an eye toward future revision if they prove to have unintended or unduly limiting effects on either the financial or operating viability of foundations.

In total, it is my judgment that this legislation, despite its limitations, is truly a milestone in our efforts to provide real tax equity. It is by no means the end of the struggle to refine and perfect the tax system. But the revisions it offers include a great many improvements, and it is my feeling that it merits the support of the Congress.

Mr. KOCH. Mr. Chairman, last week on a street corner in my district, I was confronted by an angry constituent who told me:

Either close those tax loopholes, Mr. KOCH, or tell me how I can use them too.

What is the answer you give to an angry Mr. Jones who pays about the same percentage of his annual income to the Federal Government as the average paid by the millionaires of this country—25 percent.

This week, my answer is to vote for the tax reform bill. Of course the bill has its defects and omissions but it is a darn sight better than the Tax Code we have now. I wholeheartedly agree with Chairman MILLS that we must enact these tax reforms now if we are to avoid a breakdown in our tax system—a tax system which depends on the voluntary compliance of the American taxpayer. Taxpayer morale is not a political or partisan matter.

Mr. Jones does not enjoy paying taxes. No one does. But he pays them nonetheless and he expects everyone else to pay their fair share.

A majority of the tax reform proposals that I have cosponsored are in some form a part of this bill. Those reforms include:

The gradual elimination of the unlimited charitable deduction;

The gradual elimination of multiple surtax exemptions in the case of related corporations;

The reduction of the oil depletion allowance;

The limitation on the use of hobby farm losses to offset other income;

The repeal of the 7-percent investment tax credit;

The limitation on the use of accelerated depreciation on commercial real estate investments;

The imposition of a tax on interest from bonds issued by States and municipalities which elect to receive a Federal subsidy to pay for their higher borrowing costs; and

The imposition of a tax on the amount of preference—loophole—income which exceeds 50 percent of a wealthy taxpayer's total income.

Many of these reforms do not go far enough. By no ways or means will this bill entirely satisfy Mr. Jones' expectation of tax equity. Loopholes have been attacked but not mortally wounded. Still, progress has been made and precedents established for further loophole closing at some future date. I was encouraged by the statement of Chairman MILLS that his committee will do some additional work on the tax code next year, if it appears that some taxpayers are still avoiding the payment of their fair share of taxes.

But tax reform alone does not directly affect Mr. Jones' tax bill. It may improve his morale but that has little to do with the tax burden he now bears; and in my district that tax burden includes a State income tax, a city income tax and a 6-percent State sales tax.

Mr. Jones wants tax relief and this bill makes a start in giving it to him.

Some of the tax relief proposals that I have cosponsored are in some form a part of this bill. That relief includes:

An increase in the standard deduction from 10 to 15 percent and an increase in the maximum standard deduction from $1,000 to $2,000 over a 3-year period;

A provision that gives head-of-household tax rates to single persons 35 years of age or older. I regret that the committee did not see fit to give this relief to all single persons, regardless of age, who maintain their own home;

A provision that gives married-couple tax rates to widows and widowers with dependent children; and

A modest reduction in the tax rates of low- and middle-income taxpayers over a period of 3 years.

The apartment house tenants, like Mr. Jones in my district, living in the cities of this country have at long last been given due consideration in this tax bill. The homeowner has long been considered Mr. Average American. Recognition has now been given to the tenant and his needs. His standard deduction has been raised from 10 to 15 percent because tenants as a rule do not itemize their deductions as do homeowners. In addition, this bill will also give him, along with other taxpayers, a modest reduction in his tax rate.

I regret the bill does not include my proposals to increase personal exemptions from $600 to $1,200; to provide limited deductions for rent paid by apartment house tenants; or to remove the family income limitation for working mothers who seek to deduct child care expenses. I hope such proposals will eventually be given serious consideration.

Finally there is the issue of the surtax. I have opposed the extension of the surtax without meaningful tax reform. After I satisfied myself last weekend that the committee had indeed reported out a meaningful tax reform bill certain of House passage, I voted on Monday for a six month extension of the surtax.

At this time, I oppose any further extension beyond that date and regret that a 1-year extension is included in this bill. However, tax reform must not be delayed and though there are several objectionable provisions in this legislation. I shall nonetheless vote for the bill. The surtax is now due to expire on December 31, 1969. I trust that neither the Nixon administration nor the Congress will find it necessary to extend it beyond that date. And with respect to objectionable provisions which can be found in any omnibus tax bill, it is hoped that the Senate will deal with them without seriously affecting the general scope of tax reform which our constituents now so rightfully demand.

Mr. VANIK. Mr. Chairman, the House today will vote on, and I am sure pass, the most significant tax reform bill to be considered during my 15 years of service in the Congress. My first speech in this Chamber was on one of the most glaring tax abuses and loopholes in the Internal Revenue Code, the oil depletion allowance. I have worked and waited 15 years for this day—the day when some of the most glaring tax loopholes and inequities in our tax laws are to be corrected. It is my belief that in many ways the quality of a society can be measured by the justice of its tax laws. Today's bill takes major steps toward tax justice and equity among all Americans.

This bill is a commendable achievement—imperfect in many respects—the fusion of many minds—too much for some, too little for others. But no one can deny the integrity of the Ways and Means Committee efforts or the sincerity of its purpose.

I must pay special tribute to our distinguished chairman, the Honorable WILBUR MILLS, whose patient, deliberate wisdom guided every action of the committee. The Honorable JOHN BYRNES of Wisconsin was constant in his dedication for a balanced reform program. The Honorable HALE BOGGS of Louisiana displayed special courage in guiding the bill over its most difficult hurdles. Every member of the committee had a vital contribution to make. We have been tried—but we are not torn. This bill is a manifestation of our unity of purpose.

Special tribute should be paid to the staff work done by Dr. Lawrence Woodworth and his associates of the Joint Committee on Internal Revenue and Taxation, and John Martin and his Ways and Means Committee staff. These men and women are among the most competent, diligent, and patient staff members in any legislative body.

Yet there are features of this bill to which I object. I regret that this reform bill has been made the wagoncart for a further extension of the surtax at a

rate of 5 percent during the first 6 months of 1970. The extension of this unwanted, unneeded tax simply continues some of the existing inequities of the tax code. Further, there is no immediate relief we can give the hard-pressed taxpayers of this country which would be more effective than the removal of this tax.

Last Tuesday, I appeared before the House Rules Committee to urge a modified rule which would permit the House to vote separately on section 701 of the bill, which would extend the surtax beyond December 31, 1969, at a 5-percent rate between January 1, 1970, and June 30, 1970.

Traditionally, the Rules Committee reports out tax and revenue measures under a closed rule which generally gives the House no right to amendment, no other option but to vote the bill up or down. Since the Senate has no comparable rule, it appears that this policy precludes the membership of the House from exercising a proper legislative judgment.

The Members of the House are certainly as capable as the Members of the other body in approving, disapproving or amending a bill reported out by any committee. Are we to assume that the individual Members of the House are not capable—or sufficiently responsible to urge or support an amendment which can improve this bill. Are the Members of the House lesser men than their counterparts in the other body? The record does not support this.

The Ways and Means Committee is termed the prestigious committee of the Congress. Its status is derived from the extent of its legislative jurisdiction and by the intensity, the integrity of its legislative effort, and by the quality of its product.

If the work of our committee is as good as it is purported to be, it should not have to be sheltered and protected by a rule which makes the judgment of the committee absolute, and immune from any kind of an amendment.

Certainly in a bill of this magnitude which covers the whole spectrum of income taxation, there is room for some opportunity to express a vote on major features of the bill without destroying its primary purpose.

Our judgments are not necessarily perfect—nor have they been tested. After many months of discussion of tax reform, the tax relief features of the tax bill which were developed by staff and Treasury—in secret—were given to the membership of the Ways and Means Committee on last Thursday—for the first time. At that time, I pointed out that tax rates were reduced from 70 to 65 percent for the wealthy—5 percentage points or a 7-percent reduction for the wealthy and a 1-percentage point for the middle-class taxpayers or about 3 percent. This provision builds in more injustice in the burdensome tax rates and should be amended. And this was done to some extent by the Ways and Means amendment of Tuesday.

On Tuesday, the Ways and Means Committee met to modify the injustice of the tax rates which I protested 2 minutes after they were presented to the committee and which I protested in my separate views. Let me make one thing clear; the 5-percent rate in reduction in the tax schedule for all taxpayers is infinitely less relief than the elimination of the 5-percent surtax in 1970.

I am among those Members of the House who favored tax relief by increased exemptions as an alternate approach to the committee-Treasury proposal. Even a two-step increase in the exemptions from $600 to $700 per dependent in the first year and $700 to $800 per dependent in the second year would serve as a more realistic alternative to what the majority of the committee has recommended. It would be understood—it is fiscally practicable—it would be more equitable. Tax justice is affected by how a taxpayer divides his income among dependents.

I simply refuse to believe that the membership of the House has to be force-fed to move toward tax reform. A few votes on some of these pertinent issues would make it possible for individual Members to make a record on those areas where they support tax reform and those which they do not. It may be heresy, but I simply happen to believe that every Member of the House stands in equal right to every other Member. He should have the right to express his position.

There is therefore no reason why Members of the House should not be allowed to vote on at least the major provisions of this tax bill which may remain as the law of the land—not only beyond our tenure—but beyond our life span.

If there is concern over the distorted effects on the bill which may result from unrestricted amendment, perhaps this committee in its judgment could permit the House to vote on any section of the bill, section by section, without changing the language of any section.

The closed rule should be on its way out. Tomorrow, next month, next year—whether it helps or hinders a bill—the closed rule should be abolished. To say an open rule will not work on tax matters is to say that Members of the House are not equal.

I refuse to believe this. Every Member of the House has a contribution to make on all bills and deserves a part of the action which is denied him under a closed rule.

On Wednesday, I endeavored to provide a modified rule which would permit the House to vote on the surtax issue. It was defeated by a vote of 265 to 145.

Although these efforts to remove the surtax extension from the bill have failed, I will vote for the bill in the hope and expectation that the Senate will remove this provision and that the reform bill will be returned to the House in substantially its present form without an extension of the surtax. If the surtax extension is included and if reforms which have been written in by the House are diluted, I may be compelled to oppose the surtax extension. My fear is that the surtax may be extended into 1970 and into 1971. There is danger that it might become a permanent part of the tax code. I want it removed.

Despite some disappointments, I would like to list some of the features of today's bill which are major steps toward tax justice. The bill provides that every taxpayer will have their taxes reduced in some way in 1971 and 1972. By 1972, there will not be a single taxpayer with up to $100,000 in taxable income who will not be able to benefit from tax rate savings of at least 5 percent. There will be some, even in this group, however, who will have total increased taxes due to the elimination of tax privileges and preferences.

This bill largely removes the burden of tax from low-income and poverty-level-income Americans. It has long been an anomaly and absurd feature of our tax laws that we should be collecting money from low-income Americans while spending hundreds of millions of dollars in the struggle against poverty. People in the zero to $3,000 income level will have a savings of 66 percent in the taxload, while those in the $3,000 to $5,000 bracket will have a savings of 31 percent. This is accomplished through increases in the standard deduction. The present standard deduction amounts to 10 percent of adjusted gross income with a ceiling of $1,000. Today's bill increases the standard deduction to 15 percent with a ceiling of $2,000. These new levels will be reached in stages by 1972. It is estimated that nearly 34 million returns—over half the total returns—will benefit from these increases in the standard deduction. The low-income allowance is also raised to remove all Americans below the official poverty level from Federal tax payments. This is done by increasing the minimum standard deduction to $1,100 plus the sum of $600 personal exemptions. While this is a major improvement, and will remove 6 million poverty-level Americans from the tax rolls by 1971, the figures involved reveal once again how dated—how out of date—the Government statistics are on what constitutes poverty.

While these provisions will be particularly helpful to senior citizens on fixed retirement income, college students working part time, and low-income Americans, other provisions of this bill will benefit higher income groups. Tax rates will be cut at least 5 percent throughout the entire tax schedule with half of the reduction taking effect in 1971 and the full reduction taking place in 1972. This will be accomplished by reducing the present rates ranging from 14 to 22 percent by 1 percentage point. This reduction will be on taxable income of a single person between $500 and $6,000 and on taxable income of married couples filing joint returns between $1,000 and $12,000.

Another major reform is tax relief for single persons. Widows, widowers, and single persons age 35 or over will be allowed one-half of the income splitting benefits available to married persons filing joint returns. A surviving spouse will continue to receive the full income splitting benefits allowed married couples filing joint returns during the period in which a dependent child is supported. Below is the table of tax for single persons, 35 and over, as well as the general tax schedule.

TABLE 15.—INDIVIDUAL INCOME TAX RATE SCHEDULE UNDER PRESENT LAW, UNDER H.R. 13270 AS MODIFIED, FOR CALENDAR YEARS 1971 AND 1972

(P. 212 OF THE COMMITTEE REPORT)

Taxable income bracket		Tax rate (percent)		
Single person not eligible for inter. rates (thousands of dollars)	Married (joint) (thousands of dollars)	Present law	Committee bill 1971	Committee bill 1972
0 to 0.5	0 to 1	14	[1] 13.5	[1] 13
0.5 to 1	1 to 2	15	[1] 14.5	[1] 14
1 to 1.5	2 to 3	16	[1] 15.5	[1] 15
1.5 to 2	3 to 4	17	[1] 16.5	[1] 16
2 to 4	4 to 8	19	[1] 18.5	[1] 18
4 to 6	8 to 12	22	21.5	21
6 to 8	12 to 16	25	24.0	23
8 to 10	16 to 20	28	27.5	27
10 to 12	20 to 24	32	[1] 30.5	[1] 30
12 to 14	24 to 28	36	[1] 34.5	[1] 34
14 to 16	28 to 32	39	38.0	37
16 to 18	32 to 36	42	41.0	40
18 to 20	36 to 40	45	43.5	42
20 to 22	40 to 44	48	46.0	44
22 to 26	44 to 52	50	48.5	47
26 to 32	52 to 64	53	51.0	49
32 to 38	64 to 76	55	52.5	50
38 to 44	76 to 88	58	55.0	52
44 to 50	88 to 100	60	57.0	54
50 to 60	100 to 120	62	60.0	58
60 to 70	120 to 140	64	62.0	60
70 to 80	140 to 160	66	63.0	60
80 to 90	160 to 180	68	64.5	61
90 to 100	180 to 200	69	65.0	61
100 to 120	200 to 240	70	66.0	62
120 to 150	240 to 300	70	66.5	63
150 to 200	300 to 400	70	67.0	64
200 and over	400 and over	70	67.5	65

[1] Changed in Aug. 5 modification.

TABLE 11.—TAX BURDENS UNDER PRESENT LAW,[1] UNDER H.R. 13270,[2] AND PERCENT TAX CHANGE (ASSUMES NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME)

(P. 18 OF THE COMMITTEE REPORT)

Adjusted gross income (wages and salaries)	Single person, 35 and over (widow or widower at any age)		
	Present tax law	H.R. 13270 tax	Percent tax change
$900	[3] 0	[4] 0	0
$1,700	[3] $115	[4] 0	−100.0
$3,000	[3] 329	[4] $175	−46.8
$4,000	[5] 500	[4] 331	−33.8
$5,000	[5] 671	[4] 501	−25.3
$7,000	[5] 1,168	[6] 957	−18.1
$10,000	[5] $1,742	[6] $1,399	−19.7
$12,500	[7] 2,398	[6] 1,905	−20.5
$15,000	[7] 3,154	[8] 2,532	−19.7
$17,500	[7] 3,999	[8] 3,250	−18.7
$20,000	[7] 4,918	[8] 4,042	−17.8
$25,000	[7] 6,982	[7] 5,643	−19.2

[1] Does not include 10 percent surcharge.
[2] Use provisions effective for tax year 1972.
[3] Uses minimum standard deduction of $300.
[4] Use minimum standard deduction of $1,100.
[5] Uses 10-percent standard deduction.
[6] Uses 15-percent standard deduction.
[7] Itemizes deductible nonbusiness expenses.
[8] Uses $2,000 limit on 15-percent standard deduction.

I will urge the Senate to provide tax relief by increasing personal exemptions for the support of dependents. No taxpayer can support his dependents on a $600 exemption. The alternate form of tax relief provides a Treasury loss equal to the cost of increasing dependency exemptions from $600 to $800 per dependent. This kind of taxpayer relief would have been more understandable and meaningful. In the Ways and Means Committee, I fought to increase exemptions at the rate of $100 per year for four years until they would total $1,000 per dependent. It is my hope that the Senate will more seriously consider this approach.

These tax relief provisions of the bill will be largely financed through revenue gained from the termination of tax shelters and the closing of tax loopholes, as well as a limitation on tax preferences which an individual can claim. This has been accomplished largely by such provisions as measures to limit the amount of tax that individuals can avoid through offsetting "hobby" farm losses, reduction of percentage depletion allowance, and limitations on the extent that accelerated depreciation on real estate can be used to offset other income. Corporate tax preferences which are being limited include the number of virtually dummy corporations or offices a company can set up to take advantage of lower tax rates on initial income—the so-called multiple surtax exemption. Tax advantage in interest treatment which has encouraged the rapid expansion and creation of conglomerates is removed. Other provisions attempt to prevent self-dealing and needless accumulation of funds in tax-exempt foundations, while income from tax-exempt bonds is gradually removed from the category of tax preferences and placed in the category of taxable income for purposes of figuring an individual's minimum tax.

Thus, it is clear that more reforms will be needed. It is clear that the American people have become aware of the abuses and loopholes which the tax year 1966 enabled 154 individuals with incomes over $200,000—including 21 millionaires—to pay no tax. It is clear that this should be only the first of a series of tax reform bills. It is my hope that the next Congress, and the Congress after it, and Congress after that, will pass tax reform bills. As elected officials of this Nation, we cannot stop now. The journey which we begin today must not be interrupted until we achieve complete and equitable treatment for all Americans.

Mr. STOKES. Mr. Chairman, there is an ubiquitous law working in the universe which seems to demand that man swallow some bitters if he wishes to partake in the sweet. Clean up your plate if you want dessert. Sacrifice some freedom if you wish to marry. Give up your law practice to become a Congressman. Vote for the HEW appropriations bill despite the Whitten amendment. Your mother called the acceptance of this law maturity; young revolutionaries call it sell-out; politicians call it compromise.

Never since I first entered this body in January have I been so aware of the workings of this eternal rule than during the past few days as I examined the piece of legislation currently pending before the House. For while I have often spoken out in behalf of tax reform, and remain a stanch supporter thereof, there are several aspects of this bill which I do not at all care for.

I am very upset, for example, that even after the band-aid work done on the bill by the committee on Tuesday, the rate reductions for upper-income taxpayers still exceed those for middle-income payers. In light of the overwhelming amount of evidence which we have all heard about the unmerciful burdens the middle-income citizen is currently being asked to assume for the support of his governments, it seems incredible to me that the proposed relief would be apportioned out in this manner.

Equally disturbing is the provision dealing with the participation of charitable foundations in voting registration drives. Section 501(c)(3) of the present code, especially in view of the strengthened sanctions added by new section 4944, would seem to clearly circumscribe all activities with which 4945 pretends to deal, except for voter registration drives. Thus, 4945 appears to be a poorly disguised device for curtailing such activities. Why would the committee wish to do this? Well, Mr. Chairman, it is no secret who are the prime beneficiaries of voter registration drives. They are the black voters of the South and our cities who for years had been effectively disfranchised by a callous and bigoted white majority. Voter registration drives have done much in the past few years to correct this disparity. For example, the 800,000 Negro voters of the South who have been registered since the passage

of the 1965 Voting Rights Act are chiefly products of prolonged registration drives in that area of the country.

Thus, while I realize, and am grateful, that such activities can be continued by certain organizations, it does seem a shame that the provision was written at all. It can only be harmful to the cause of equal rights for all Americans.

Other provisions in the bill are acceptable in part, but just do not go far enough in plugging the particular loophole for which they are intended. First on this list is the minimal deduction proposed for the oil depletion allowance. A decrease from 27½ to 20 percent sounds impressive. Unfortunately, the facts indicate that it is not. Because of the 50 percent of taxable income limitation on the allowance for any well, many do not now qualify for the full deduction. In fact, estimates are that the average rate currently used by the entire industry is 23 percent. Immediately the reduction loses much of its luster. And it is a little difficult to believe that the cut, be it 7½ or 3 percent, will effectively close the loophole when the U.S. Treasury calculates that the companies save roughly 19 times in taxes the cost of drilling an average hole.

Likewise, while the reduction in allowable bad debt reserves for mutual savings institutions is admittedly substantial, one's mind still boggles a bit that 30 percent of taxable income can be set aside for this purpose.

Those are some of the "bitters." I do not like them, and if they were to reach the floor separately, I would vote against each of them. But they have not reached the floor separately, and because they have not, I will vote for them. I do so not out of choice but out of necessity, for to vote against these proposals would be to vote against many excellent provisions which the committee has brought to the floor in this package. So many good provisions, in fact, that I am willing to swallow the bad.

I am delighted, for example, that the committee has decided to greatly restrict "quickie" real estate depreciation deductions, while carefully writing the section to protect the building and rehabilitation of homes.

I have examined the section dealing with the taxation of State and municipal bonds, and believe that it can only aid those governments in raising revenue while limiting one of the present law's largest loopholes.

Likewise, the repeal of the alternative capital gains tax, the reduction of convertible capital losses, and the increase in the required holding period for long-term capital gains treatment, should substantially equalize the tax treatment of security holders without jeopardizing public contribution to the capital market.

The list of positive contributions could go on for some time: other sections at least deserving mention are the elimination of self-dealing in private foundations; the increase in the charitable deduction provision; the elimination of hobby farm writeoffs; the limitation of surcharge exemptions available to multiple corporations; the cutback on foreign tax credits; and the limitation on interest deductions for merging corporations.

And so, Mr. Chairman, I shall support the committee proposal, with some reservation but with even more enthusiasm. This bill is worth voting for. That universal law has worked its course. We can now only hope that the other body which must consider this proposal will at least preserve the gains which I have discussed. If it does not, I fear many of us who back this measure will be forced to reassess our positions. We will not vote for a sham.

Mr. RYAN. Mr. Chairman, the action of the House in adopting House Resolution 513 precludes a separate vote on section 701 which extends the surtax through June 30, 1970. Since 205 Members of the House voted against a 12-month extension on June 30 of this year, it seemed only fair that a vote on the surtax independent from the tax reform sections of the bill should be permitted, especially since the two issues are conceptually separate. However, the adoption of a closed rule on the entire package means that we must now consider whether or not the tax reforms afforded by this bill are sufficiently substantive to warrant support for the entire package even with the inclusion of the extension of the surtax at the rate of 5 percent from December 31, 1969 through June 30, 1970.

Because H.R. 13270 is a very complicated and lengthy piece of legislation, I will not examine each of the proposals made by the Committee on Ways and Means. Rather, I will discuss only those specific aspects of the bill which I believe do offer substantive tax relief for low and middle income individuals now burdened with an excessively high and disproportionate share of the national tax load, and those areas of the bill which, to my disappointment, fail to close off lucrative tax loopholes or will create new problems in areas of vital public interest.

Let me first turn to those areas of the bill which do offer significant and substantive relief for low and middle income taxpayers.

RATE REDUCTION

The original schedule of income tax reductions recommended by the Committee on Ways and Means would have applied almost entirely to upper income taxpayers, specifically, to taxpayers with incomes of $15,000 or above. The fact that those who itemize deductions include many homeowners in the $7,500 to $13,000 bracket—a group in obvious need of tax relief—underscores the inadequacy of the original schedule of rate reductions.

The committee amendment which revises the original rate schedule will provide $2.4 billion in additional tax relief for individuals in the middle-income categories by 1972.

According to the Ways and Means Committee, these rate reductions, which were approved as a committee amendment on August 5, are intended to insure that all taxpayers receive rate reductions of at least 5 percent in 1972.

INCREASE IN GENERAL STANDARD DEDUCTION

The committee's recommendation that the present 10-percent deduction, with a $1,000 limit, be increased in three steps to 15 percent, with a $2,000 limit by 1972, will offer additional tax relief approximating $870 million during the current fiscal year. While this increase will not benefit those individuals who itemize deductions, it will give relief to those who do not keep detailed accounts and itemize their returns, a group which includes many low-income taxpayers.

The inadequacy of the present standard deduction level is testified to by the fact that while 82 percent of all taxpayers utilized the general standard deduction rather than itemizing in 1944, when the general standard deduction was first introduced, only 59 percent of all taxpayers utilized this method in 1965 and, while exact figures are not available, estimates indicate that even fewer used the general standard deduction this year. Among the reasons for declining use of the general standard deduction are increased deductions for State and local taxes and homeownership interest and the continued practice of permitting a taxpayer to take a general standard deduction only on the first $10,000 of income.

The increase in the level of general standard deduction will benefit those with less than 10 percent in allowable deductions as well as many low-income taxpayers who do not itemize their returns.

LOW-INCOME ALLOWANCE

With more than 2 million families and individuals now paying Federal taxes despite the fact that their incomes are below the federally defined poverty level, and many others with low incomes paying substantial taxes, it is clear that tax reform in this area is urgently needed. The low-income allowance would provide a variable amount which, when added to the minimum standard deduction, totals $1,100. When this amount is added to the $600 exemption per person, it would bring the maximum amount of deduction to almost exactly that of the federally defined poverty level.

The relief which this low income allowance would bring to low income citizens is acutely needed, particularly by families in inner city areas, where the cost of living is rising constantly. Other steps must be taken by Congress to provide greater opportunities for families in these areas to increase their incomes. However, the low income allowance will at least prevent low income people from having to pay Federal income taxes from an income that is barely adequate, even by official Federal standards, to provide for their needs.

These three areas of tax relief—rate reduction, an increase in the general standard deduction, and the kind of relief that would be truly substantial—will at least provide some measure of relief for low- and moderate-income taxpayers. As such, they are at least a partial answer to the demand for reducing taxes which has grown stronger and stronger during the past few years.

Let me turn now to the several parts of H.R. 13270 which do not adequately root out long enjoyed tax privileges and to other provisions which would work to the disadvantage of the public in important areas of public concern.

TAX PREFERENCES

The limitation on tax preferences—LTP—which was proposed by the administration and adopted by the committee, fails to yield the amount of Federal revenue which a truly comprehensive attack on tax privileges would have produced. While $15.3 billion in potentially taxable income falls into tax free categories, only $40 million in additional revenue will result in fiscal year 1970 from the application of the committee's LTP proposal. Even in fiscal year 1971, when the LTP approach is to be fully operable only $85 million—five-tenths of 1 percent of present total tax free income possibilities—will be yielded.

One important reason for this low yield is that the committee did not apply the LTP approach to such significant areas as tax exempt corporate income, nor to the percentage depletion, or intangible drilling costs, the latter two of which are extensively used by the petroleum industry.

Hence, while some revenue will be gained from the tax free income which will be taxed under the LTP approach, the opportunity which exists for getting at the billions of dollars which go untaxed through several loopholes used to avoid paying taxes was missed.

OIL, GAS, AND MINERAL INDUSTRIES

While the basic oil and gas depletion allowance was reduced from 27½ to 20 percent by the committee, it was not reduced to the 15 percent advocated in the Reuss tax reform bill. As a result, only $400 million in additional revenue will be collected as compared with the $600 million which would have been produced if the percentage depletion were lowered to 15 percent.

The basic weakness of the bill with respect to the oil and gas industries, however, is that the tax deduction provided for intangible drilling costs on an oil or gas well was left untouched.

The Committee on Ways and Means also exempted intangible drilling costs or excess percentage depletion from the limitation on tax preference provision of the bill.

The result, while it is difficult to estimate exactly, is that the oil and gas industry will still be able to avoid paying taxes on much of its income by coupling the 20-percent depletion allowance with intangible drilling cost deductions.

Had the committee voted a reduction in the percentage depletion allowance to 15 percent and at least made intangible drilling costs subject to the limitation on tax preference provision in the bill, a substantial step might have been taken toward eliminating the lucrative tax advantages which the oil and gas industry has enjoyed for over four decades.

TAXATION OF FOUNDATIONS AND LIMITATION ON THEIR ACTIVITIES

I believe the 7½-percent tax which the committee recommends be levied on the investment income of foundations—which includes dividends, interest, rent, royalties, and capital gains—will in the end result in greater cost to the Federal Government rather than less.

As an editorial in the August 6 New York Times points out, the tax proposed by the committee is not sufficiently stiff to discourage tax dodgers but it would significantly hamper the activities of those foundations that are intimately engaged in assisting public areas in need of aid. About two-thirds of the income of these foundations is currently given to private universities and charities in the form of gifts. If the investment income of these foundations is to be taxed, then, less money will be available to be spent on areas of public need. The $65 million which the Treasury estimates would be gained through this tax would probably, hence, be more than outweighed by the need for Federal aid in these public areas which will now arise.

I am pleased to note in the committee's report that organizations like the Southern Regional Council have been singled out as organizations which will be able to continue to receive foundation support for voter registration activities. However, I am concerned about the requirements that the organizations be active in at least five States, be supported by at least five foundations, and do not limit their activities to one geographical area.

I believe this is a tremendous step backward, one which will slow the march of our black and brown fellow citizens toward equal participation in our society, and one which will certainly increase the frustration and the dangerous divisions which now separate us one from another. I am particularly anxious that this draconian measure be modified before Congress finishes its work on the pending tax reform legislation. By calling the attention of the other body to our errors, I hope that the other body will correct them.

While I am gratified that the committee's recommendations will not affect the work of the Southern Regional Council, I fail to see the justification for prohibiting private foundations from directly sponsoring voter registration activities. In view of the limited amounts of Federal funds which have been allocated to eliminating those impediments to full and equal political participation by all citizens which still exist, it makes no sense to hamper a private foundation seeking to directly sponsor a vital program such as voter registration.

I am also deeply concerned about the other new categories of "taxable expenditures" by foundations which are created by the legislation. Now, for the first time, any and all legislative effort, however insubstantial, by a foundation or by one of its grantees will subject all concerned to heavy penalties. Indeed, the bill also prohibits foundations from supporting grassroots efforts with regard to specific legislation. While the committee report indicates that this provision should be read narrowly, it will undoubtedly nonetheless discourage foundations from taking any chances and, therefore, might inhibit future efforts like the highly valuable "Hunger, U.S.A." report which was issued in 1968. This would be extremely unfortunate.

The 7½-percent tax which the bill imposes on foundations is simply shortsighted. At a time when Government is doing far too little to deal with our serious problems here in the United States and when President Nixon is encouraging voluntary efforts in the private sector, we come along and say that such efforts are to be cut down by 7½ percent. That, I submit, is not terribly rational. I am hopeful that these mistakes can be corrected before Congress finally sends the overall tax reform legislation to the President.

INCREASE OF THE PERSONAL EXEMPTION

An area of tax relief which would provide additional assistance to low- and middle-income taxpayers—in fact, it would directly increase the low-income allowance proposed by the committee—is raising the personal exemption from the present $600. Several proposals were before the committee to increase the personal exemption, including the proposal of the gentleman from Ohio (Mr. VANIK) which would have increased the personal exemption by $100 per year until it reached $1,100. In this and past Congresses, I have introduced legislation to increase the personal exemption to $1,000—H.R. 4306 in the 91st Congress. It is clear that the $600 now allowed for personal exemptions falls far below the actual costs of maintaining even a small child. In view of the need to increase the personal exemption to a more realistic figure, it is unfortunate that the committee did not deal with this area of tax relief at all.

ELIMINATION OF LIMITATION ON DEDUCTION FOR MEDICAL AND DENTAL EXPENSES

With all the deductions now allowed for such things as business and moving expenses, I can see no reason why an individual should not be able to deduct all of his medical and dental expenses from his income tax. Total tax deduction of medical and dental expenses is particularly important for low-income people who, especially in the inner city areas, suffer a higher incidence of disease than more affluent taxpayers.

In this and past Congresses I have introduced legislation which would allow an individual to deduct all of his medical and dental expenses from his income tax—H.R. 645 of the 91st Congress. In view of the substantial tax relief which this would bring many low-income taxpayers, I am disappointed that the committee's bill fails to deal with this issue.

REGULATED INDUSTRY DEPRECIATION

Section 451 of H.R. 13270 would require regulated industries to depreciate new properties on a "straight line" basis rather than through accelerated depreciation of assets, for which they are now eligible. The basic weakness of this proposal is that, since publically regulated industries recover their costs from the public through rate charges, the increased tax payments this section will produce for the Federal Government will simply be passed on directly to the consumer. By contrast, nonregulated industries will continue to be able to choose accelerated depreciation.

The result in New York City is that rate stability of two of the three largest utilities serving New York City—Consolidated Edison and Brooklyn Union Gas Co.—may be threatened. Both companies utilize accelerated depreciation.

Hence, the committee's proposal to require "straight line" depreciation rather than accelerated depreciation would increase operating expenses for rate purposes.

CONCLUSION

Mr. Chairman, it is unfortunate that the closed rule prevents us from amending sections of the committee's bill which I have already indicated I believe are deficient. The closed rule has traditionally been used to prevent just such action by the House in the apparent belief that Members not on the Ways and Means Committee are not capable of making responsible improvements on tax legislation.

The fact that the closed rule on H.R. 13270 means we will be unable to vote separately on the surtax or on any of the other provisions of this bill demonstrates the coercive effect of the use of the closed rule.

However, we are faced today with the choice of voting for the entire bill, with the surtax, or voting against it. While I strongly object to extending the surtax through fiscal year 1970, I believe the tax relief granted by the committee's bill, particularly that which would aid low- and moderate-income individuals and families, requires that H.R. 13270 be supported.

The surtax is a war tax, and it is regressive in that it extracts the same percent of income from every taxpayer regardless of his income. But even with the extension of the surtax into 1970 contained in this bill, the surtax will expire on July 1, 1970. On the other hand, the reduction in income tax rates, the low income allowance, and the increase in the general standard deduction will become an incorporated part of our tax system. Even with the surtax, the average taxpayer of low and middle income will pay less taxes as a percent of his income this year than he did last year. Thus, to vote against this bill would be in effect to vote against at least partial tax relief for those groups which most urgently require a reduction in taxes.

I would hope that the other body will correct the several weaknesses in H.R. 13270, which I have outlined when they consider this bill, including the elimination of the extension of the surtax into 1970, the unwise restrictions on foundations, and the exclusion from taxation of those sources of tax free income which have been ignored by the Committee on Ways and Means. The rules of the other body are more amenable to amending tax legislation, and I hope the other body will take advantage of the opportunity to improve upon the bill before the House today. For truly substantive tax reform requires that Congress eliminate all tax loopholes which allow individuals to escape their fair share of the tax burden and, concurrently, reduce the disproportionate tax burden now borne by low- and middle-income taxpayers.

Mr. RARICK. Mr. Chairman, the present income tax laws are reported to be an accumulation of tax laws since 1913—or over 56 years.

For this reason, it is unbelievable that we in Congress have been allowed a little over 3 days to analyze its provisions; especially since the bill contains 368 pages of legal terminology in order to determine what changes are to be found in a bill almost as big as the phone directory in the capital city of my State.

The bill has been rushed before us for a vote while denying any Member the opportunity to offer any amendment or alteration. The bill, as offered by the Committee on Ways and Means, must either be accepted as is or rejected entirely. After 56 years of waiting for needed tax reforms, it is absurd that we Members—as the representatives of our people—are only given 6 hours for debate and even then under a closed rule.

One would expect that a meaningful tax reform bill would not only close the various loopholes being used to dodge taxes, but would also provide for a fairer sharing of the tax burden by more of our people. This should then result in the working, productive citizens paying less taxes and enable the industrious citizen to keep a greater portion of his earned income.

The tax bill we are now considering is being sold to the people at home as a long promised tax reform measure—a part of the program to equalize the tax burden and correct many of the inequities brought about principally by inflation.

But the truth of the matter is that everybody here in Washington has received the message from the people at home—and we have all heard the same demand—a demand for relief from the load of the highest taxes ever borne by the American people.

Honest relief from high taxes—and the reversal of inflation as well—can only be brought about by curtailment of runaway Federal spending. This body and this administration have already demonstrated that they are unwilling to control Federal spending or even reduce the budget. We have created a monstrous Federal apparatus and we must now fund it to continue revolutionary programs and experimental ideas. If we were not throwing the money away, we would not have to seek devious ways to raise funds.

Since the majority of the Congress and the administration will not attack the money problem at its source, they now face the decision of either fighting the people or fooling them. This so-called tax reform bill is designed to fool the people—to take the pressure off.

Anyone expecting a notable increase in the amount of his take-home pay as an outcome of the tax bill before us will probably be disappointed. There is no change whatsoever in the $600 exemption or dependency deduction—which would have been the most honest and direct way to grant tax relief to the individual. And the tax rate itself does not even change until 1971—2 years from now.

The withholding tax used to figure taxes withheld from paychecks will not alter moneys withheld enough to notice until 1971.

Likewise to those who estimate their taxes, there will be no significant change in the quarterly payments.

Consider what the bill before us does provide for the individual tax-paying citizen:

First. Over a 3-year period, the optional standard deduction will be inceased fom 10 to 15 pecent up to a maximum of $2,000 if the taxpayer does not itemize his deductions. For example, if the taxpayer is paying taxes of $1,000 per year and does not itemize his deductions, by 1972 his tax deduction would be about $5 per week maximum.

Second. Another item in the bill is a complicated low-income allowance which in reasonable explanation means that if the individual had not been paying taxes under the old law, he will not have to under the new law.

Third. In the case of earned income the maximum rate of tax is 50 percent. This means if the individual is married and earning over $44,000 per year the Government will not take more than one-half of his earnings. On the other hand, if his earnings are less than $44,000 the reform does not apply to him.

Fourth. If the individual is single, age 35 or older—or a widow or widower—he would then be entitled to an intermediate tax rate in the category formerly known as head of household. In this category he would benefit by a very small reduction in taxes.

Fifth. By 1972—3 years from now—this bill would provide for about a 5-percent tax rate reduction on the average. This means that if the taxpayer is paying $1,000 a year in taxes, by 1972 his taxes would be reduced about $1 per week.

The total of all these deductions—so highly publicized as tax reform—do not add up to as much as the actual dollars witheld from earnings under the surtax which was just extended.

Just another sleight-of-hand—an old operation under a new name.

Most of the proposals have to do with technical changes which affect computations involving large commercial businesses and other specialized organizations. But these changes will not be reflected, for the most part, in any savings to the people.

On tax-free foundations, a field wide open and demanding tax reform, few or no control provisions are contained in the bill to protect against abuses by the tax-free foundations and organizations.

Any reasonable evaluation in such a short period of time on the overall effects of H.R. 13270 leaves serious doubt as to whether this is a tax reform bill or just another tax bill.

I plan to cast my people's vote against this bill and to continue to work for a meaningful tax reform measure which will offer my people honest, across-the-board relief from their tax burden.

Mr. BRADEMAS. Mr. Chairman, I wish to discuss one aspect on the subject of the Tax Reform Act of 1969—its effect on the hundreds of millions of people who visit museums in America every year. Although I strongly support reform of our Federal tax system and I shall vote for this bill, I must note that certain portions of the bill pose a serious threat to museums and their ability to obtain private contributions in order to keep their doors open to the public.

This bill is very complex, and few of us can be considered expert on all its contents. However, as chairman of the Select Subcommittee on Education, which has jurisdiction in the House over legislation on arts, culture, and education, I should like to make the following points.

First, museums in America are largely dependent upon private support for their existence. Last year, it was estimated by the American Association of Museums that over 560 million visits were made to museums in the United States, while less than 1 percent of the total income of museums came from the Federal Government. According to a study recently completed by the Brookings Institution at the request of the Associated Councils of the Arts, endowments provide 34 percent of museums' budget income. Endowments constitute the largest single source of museum income in this country, and this fact, I must note, indicates the necessity of continuing our national philosophy of encouraging private support for museums.

At present, 90 percent of America's museums do not have enough funds to cover their operating expenses. Our museums cannot begin to acquire objects of art, history, and science in the future unless these objects are donated to them. Federal tax provisions to date have provided some encouragement for such gifts, but the inclusion of "tangible personal property" under contributions of appreciated property (2) (B), page 123 of H.R. 13270, will force a taxpayer to elect either the fair market value of his donated property gift or its adjusted basis, usually cost, when he attempts to deduct the value of his gift for tax purposes. This provision is based on the assumption that every donated work of art, history, or science has appreciated in value. This is not the case. Many donated properties have decreased. And regardless of the increase or decrease, the Internal Revenue Service has the expert help of its Art Advisory Panel, Department of the Treasury, to check the fair market valuations listed on Federal tax returns.

It seems to me, Mr. Chairman, that (2) (B) of the section on contributions of appreciated property should be eliminated or at the very least amended to exclude gifts of objects to museums which are nonprofit, essentially educational or esthetic in purpose, operated with a professional staff, owns or utilizes tangible objects and cares for them, and most importantly of all, exhibits them to the public on some regular schedule.

Second, H.R. 13270 does not correct a longstanding discrimination in the tax treatment of museums. Churches, colleges and universities, hospitals, and governmental units presently enjoy benefits under section 170(b) of the 1954 code as amended. Because museums have also long served the cultural and educational needs of Americans, the Federal Government should recognize this service by equal tax treatment. I note, however, that a contribution under the special rule of section 201 of H.R. 13270, page 109, permitting a deduction up to 30 percent of a taxpayer's contribution base, allows contributions to these other institutions, but not to museums unless they receive local or Federal Government support on a regular, operating basis, or unless they can fit within the complex definition of publically supported charity.

Mr. Chairman, I think it is time that the Federal Government recognize that museums also play an important educational role in our society, working with schools, colleges, and universities. Qualified museums should, therefore, be treated equally on this important matter of taxes.

It is for this reason, Mr. Chairman, that on page 112 of H.R. 13270, I would add another subdivision (vii) for this special rule as to charitable contributions and individual deductions. This new subdivision would insert museums as defined above.

Third, Mr. Chairman, in the committee's haste to close the loopholes which permit use of certain types of private foundations for sheltering individual income, the committee included in the definition of private foundations those qualified museums that do not meet the complex formula required for the special rule mentioned above. I am confident this is an oversight and not an intentional effort to impose a 7½-percent tax on those qualified museums which are already struggling to make ends meet on operating costs alone, to say nothing of having to postpone programs of acquisition to update exhibitions and begin to meet the ever-increasing demands from the public for more and better exhibits and educational programs.

Therefore, Mr. Chairman, on page 16 of H.R. 13270, I would hope there could be added a fifth provision under the exceptions to the definition of a private foundation. Museums simply cannot afford to be taxed on their endowment income. This income constitutes the prime source of museums' operating funds, as I have already noted. According to America's Museums: The Belmont report, published this year by the American Association of Museums,

> Inflation has seriously reduced the spending power of endowments [museum] which when made seemed ample for all time to come.

Mr. Chairman, the test for equitable tax treatment of America's museums by the Federal Government should not rest on the source of funds so much as on the museum's service to the public. By treating museums for tax purposes like private foundations, this bill will add further to the burdens of museums located in cities which are not able to afford financial assistance for museum operations. So I ask the questions, Mr. Chairman: Is the museum a qualified, nonprofit institution, professionally staffed, making its exhibits available to the public on a regular schedule? If so, then it should be treated as a public charitable institution and specifically included in the appropriate provisions of H.R. 13270.

Mr. Chairman, I regret that the rule under which this bill is being considered does not permit these amendments. I hope very much that the Senate will take notice of these deficiencies and will correct them, and that the corrections will be accepted when the bill again comes before the House of Representatives.

Mr. RANDALL. Mr. Chairman, as the House nears the end of debate on H.R. 13270, described as the "Tax Reform Act of 1969," it is with a mixture of approval and disapproval that I intend to vote for this bill.

Several years ago, one of our colleagues announced after the conclusion of long debate on a certain bill, that he was 51 percent for it and 49 percent against it. At this point I cannot assign any such fixed percentages, but I am convinced that there is more good in the bill than the bad contained in those portions which are distasteful.

On Wednesday, I was one of 145 Members who voted against the previous question in order that the closed or gag rule might be defeated and the full membership of the House be given an opportunity to work its will according to the privilege of the other body of the Congress and with the privilege of amendment which the House enjoys on such equally important matters as appropriations bills.

But once again, we are faced with the oft repeated legislative package, its mixture of bitters and sweeteners somewhat like the collection of famous relishes of the Pennsylvania Dutch country known as the seven sweets and seven sours.

The most distasteful provision of all is the extension of the 5-percent surcharge from the 1st of January 1970 through June 30 of 1970. Some of us at the very last had hoped we might have an indication that an opponent of the bill might offer a motion to recommit with instructions that section 701 continuing the extension of the surtax be stricken. But, if we are confronted with only a general motion to recommit without instructions then an affirmative vote on such a general motion could be construed as being against, or trying to kill those portions of the bill which provide the long-needed tax breaks for our middle-income groups.

Time or space will not permit comment on each of the 27 principal tax reform provisions. Comment at length is even hazardous because we are considering a bill 360 pages in length and a report in two sections 370 pages in length. Bear in mind the bill and the first section of the report were not available until 3 days ago and the second section of the report only 2 days ago. Even if a Member who had not served on the Ways and Means Committee were able to abandon all of his other duties and responsibilities and devote his full concentration to the study of all of this material, I am not sure in this short time he could become completely and accurately informed of all that is in the bill. It is for this reason that a Member must realize and take heed of the admonition suggested to a witness who is about to testify that anything he may say may be used against him.

We are all grateful for the summary list and brief description of the provisions contained in the bill as furnished by the Ways and Means Committee. It has enabled some of us to digest most of the important provisions of the measure.

As the starting point of this whole discussion of tax reform we have to turn back to the revelations in January of 1969 by a former Secretary of the Treasury. I refer to my good friend and former colleague, Joe Barr, who was with us in the 86th Congress and who served as Secretary of the Treasury from December 27 to January 20. It was most significant that Joe, as a former Member with privileges of the floor, sat with us on Wednesday to listen to the able presentation of Chairman MILLS. It is most appropriate that Secretary Barr was present because it was his revelation about all of the millionaires who pay no tax that produced and gave impetus to what has been called the taxpayers revolt. In my opinion it was his revelations that were responsible for the demand by the public for tax reform.

The most readily acceptable portions of the bill are those adjustments which provide for the easing of the tax burdens on individuals. The standard deduction is increased from 10 to 15 percent over a 3-year period, and the maximum standard deduction is increased from $1,000 to $3,000. The minimum standard deduction is increased to $1,100. The top rate unearned income is fixed at the maximum rate of tax of 50 percent with the result that no earned income will be taxed at the rate in excess of 50 percent. For the first time single persons and persons whose spouse has died are provided income tax rates midway between those of married couples and previous rates applicable to single persons. This new treatment will be known as head-of-household treatment. For widows and widowers with dependent children under 19, or even over that age attending school, will have available full income splitting.

Because of the substantial reduction in rates, the Tax Reform Act of 1969 could most appropriately be described as the "Tax Reduction Act of 1969." For 1971 and 1972 the rates are reduced by at least the amount of 5 percent throughout the entire range of income, with one-half of the reduction taking effect in 1971 and the full benefits available in 1972.

Then on Tuesday, August 5, Chairman MILLS called his committee into an unusual special session which quickly approved an amendment that would reduce the rates now paid by taxpayers in five income brackets left out of the original bill. Critics of the bill refer to this action as a "patch-up job," and they charge the last minute action was erratic. But the facts are that the committee gave some needed relief to the long forgotten middle-class or middle-income taxpayer, meaning those homeowners or married couples with incomes ranging from $7,300 to about $13,000 who have not benefited from increases in the present standard deduction or would even benefit in the increased standard deduction because their itemized deductions all exceed the higher standard deduction proposed in the bill.

When object appraisers look back upon this measure after all the debate is finished and the vote has been taken, I am sure it will be these last added provisions which will earn the bill the plaudits, because it has finally provided the long needed and much deserved tax break for "John Doe" or as cartoonists so frequently depict the long suffering middle-income taxpayer, as "John Q. Public." With the last-minute amendment provided by the authors and with the additional benefits for the middle-income Americans, who were accidentally left out of the original bill, no one can deny that this last improvement was better than anyone ever expected to see made.

It will be almost impossible to comment upon each of the 27 sections of the reform provisions. In an earlier colloquy today, when the chairman of the Ways and Means Committee was good enough to answer some of our questions, I feel that I received some answers on the so-called reform provisions which were most helpful. One such concern was the provisions for a new tax treatment for our savings and loan associations. Another concern was about our cooperatives and finally about the new treatment for State and municipal bonds, as well as new provisions for farm losses.

It must be recognized, if one intends to be realistic and practical, that tax reform is something that cannot be accomplished suddenly. Even if all of the inequities could be attacked at one time, consideration must be given to the effects of such reforms on revenues. It is not simple; indeed, it is most complex to make reforms and reductions in rates and yet find a way to offset these by a closing of the tax loopholes and thus providing for corresponding increases which will add up to or total out to, enough revenue to provide for the essential expenditures of government.

As nearly as I can conclude, those tax reforms which could be regarded as plugging loopholes will increase revenues about $1,650 million, and when the $2.5 billion provided by the repeal of the investment tax credit are added together, this should yield a revenue increase of $4.1 billion. Offset against this will be the reduction in rates in the various areas of tax relief which will reduce revenues by $1.7 billion and leave a figure in the black of a nearly $2.5 billion increase in revenues for 1970.

On the desirable or beneficial side of the ledger are the new provisions concerning charitable contributions which are substantially restructured. The original unlimited charitable contribution deduction goes back to the case of the Philadelphia nun who, as one of the Drexel heirs in 1927, was sworn to poverty. Her case was responsible for legislation which was the beginning of rule allowing unlimited charitable deductions. This loophole has grown to the point where thousands of others have utilized this provision and received credit for their contributions, not at the cost of those contributions but at their present day market value. The unbelievable extent to which thousands of persons have taken advantage of this loophole will no longer be available. In our opinion, this privilege has been quite rightly removed. We do not impugn the good intentions of contributors but at the same time this worst of all loopholes should be eliminated because of the privilege to give away at the appreciated value rather than its original or low cost basis and then utilize this as an unlimited deduction against other income, all under the shelter of giving to charitable causes.

Although there has been some criticism I believe there is merit in section 521 which brings under control the growing practices of dealing in tax losses produced by depreciable property and substantially reduces the opportunity to avoid taxes as a result of accelerated depreciation for real estate. These practices have for a long time discouraged long-range stewardship and adequate maintenance of property. These provisions have discouraged private construction of low- and middle-income housing where there are currently the greatest shortages. The new present tax treatment of tax in real estate should stimulate activity in the remodeling and general upgrading of existing housing.

Our office has received quite a large volume of mail against the reduction of the depletion rate for gas and oil from 27½ to 20 percent. There may be some justification in the argument that the loss of part of this tax shelter may be reflected in increased gas prices. I do not know. I do know of the astounding and almost unbelievable fact that for one recent year, Atlantic-Richfield Oil Co. had profits of $145 million and yet paid no tax at all at a time when a blue collar worker or even a low-salaried white collar worker was paying a substantial income tax because he had no such tax shelter. That type of inequity should not continue.

I am strongly in favor of an incentive to continue exploration for oil and gas in this country, but I salute the committee for their closing of loopholes or eliminating the depletion for foreign oil and gas wells or, put differently, to take advantage of the depletion allowance and then charge this off against foreign operations in areas where oil is so plentiful that the risk of dry holes is almost negligible. I am convinced that there is a need to continue to explore for alternative sources of energy in this country, particularly for production of oil from shale deposits and the reduced percentage should not prove to be a barrier to such exploration.

There are some aspects of this mammoth bill to which I strongly object. The approach taken by the repeal of the 7-percent investment tax credit is, in my opinion, far too rigid. Putting this repeal in the law may be a painful body blow to the hours of work and study by some of us to improve life in the small towns and rural areas of America. At the last session and again this year, I introduced a bill called the Rural Revitalization Act, which provided incentives to private industry to locate in

rural areas which had been adversely affected by the out-migration of rural businesses from the farms to the cities.

We had all hoped that this 7-percent tax credit could have an additional 7-percent credit added to those industries that would move into rural sections and thus rekindle hope and restore the productiveness of these people. I stoutly maintain it will cost far less to rebuild a declining small town in our rural areas by encouraging light industry to locate there and, in the process, to provide employment to those who might return to such areas than it would cost to rebuild the slums of our cities.

Another great disappointment of H.R. 13270 is the 7½-percent tax imposed on the investment income of foundations with only a slight narrowing of other activities by foundations. How can we expect such a provision to prevent the activities of the Ford Foundation, as recently described in the Washington Post article? Remember the "Indoor Forest" in the foundation building headquarters in New York recently, the $60 silver thermal flasks for employee coffee breaks. You have read of the steer hide tops on Honduran mahogany desks, costing $700, in a building where square foot cost was $65 compared to the $10 to $12 cost of buildings occupied by less well-heeled businesses. The article said the cost of housing comes to $30,000 for each worker. But I can find nothing in this bill to stop that kind of expenditure of tax free money.

The bill does impose taxes at the corporate rate on an unrelated business income of tax income organizations. This is probably good, except for the small churches located in downtown areas whose membership has moved to the suburbs and who cannot survive if they have to pay taxes on some rental income from their parking lots used on Sundays by those members who come back, but during the week as a commercial enterprise.

I cannot be convinced that sections 601 and 602, concerning the repeal of tax of exempt features of municipal bonds, will be without its problems and, in the long run, create far more problems than they will cure. I hoped until the last that we would have the opportunity to vote on this proposal on its merits, rather than having to accept it in order to get the benefits contained in other sections of H.R. 13270.

For the record, let me repeat once again that I have recorded my objections to the surtax first on June 30 and on July 30 of this year. On rollcall votes, each time I have voted against the 10-percent surtax extension.

Although the rate will drop to 5 percent under this bill from its present 10 percent, I am just as strongly opposed to the continuation of this tax after December 31 as I was to the other extensions.

In all fairness, however, those who support this bill are not voting for a tax increase, because even though it contains the 5-percent surtax, remember a surtax is only a tax upon a tax and not a 5-percent increase in the basic tax rate. Offset against this surtax provision and clearly on the constructive side and certainly in the interest of equity to the low-income and middle-income taxpayers is the provision for a reduction in tax rates. I suppose it would be most difficult, if not nearly impossible, to reach a figure which would average out or bring into one point of perspective the various rates of tax reduction contained in this bill. But I would hazard that the tax break for John Doe, our well-known John Q. Public, is in the approximation of a 6.5-percent tax break and that is the most unexpected and most welcome provision which we have recently had the chance to salute and embrace. In any final appraisal, while a 5-percent surtax extension is distasteful, it is overshadowed by comparison with the permanent tax break of about 6.5 percent to those taxpayers who need this reduction the most.

As we come to the end of this debate we find ourselves either compelled to vote against the good features in order to defeat provisions that are too obnoxious for us to take or to vote "yea" and reluctantly accept those provisions that we either oppose with vigor or agree to with great reservation. It is that latter course that I find I have to take as I vote for passage of this bill. With repeal of the investment credit, we trade this and the benefits to be derived from this credit to our rural areas for the tax reforms and the tax relief granted in the bill. We find that we have to trade tax relief for individual taxpayers but yet lose the more selective kind of tax break under the present system of investment tax credits.

Mr. Chairman, we all hope that if this bill passes the other body without great violence done from that side of the Capitol, it will have the beneficial, wholesome, advantageous and salutory effects, that the highly respected chairman of our Ways and Means Committee predicts will result.

As I vote for this bill, I do so because it is the only tax reform bill in sight and the only vehicle we can hope for this year or next to give the little taxpayer and the middle-income taxpayers the break they deserve.

Mr. BENNETT. Mr. Chairman, I am pleased to support the tax reform legislation before the House of Representatives today. It was on October 20, 1951, in the first session of the 82d Congress, that I introduced H.R. 5856, a tax reform bill pointed to assisting lower and middle income families and reducing the oil-depletion allowance. In this session of the 91st Congress, I again have a tax reform bill, H.R. 11353, which I testified for in the Rules Committee, and which is similar to the bill before the House today.

The tax reform bill we are debating today is the most far reaching and important tax measure to come before the Congress in my 21 years in the House. It brings greater equity into the tax picture, especially in the lower and middle income groups. It makes our tax law fairer to the vast majority of taxpayers. One good effect of this bill will be to boost contributions from the wealthy to educational institutions. The foundation tax break for contributions will be closed and these gifts will probably go to schools.

The chairman of the House Ways and Means Committee, WILBUR MILLS, of Arkansas, and the members of the committee deserve great credit and gratitude from the House and all American citizens for the work they have done. We have a good bill, perhaps the most significant bill to come before us this Congress, and I urge its adoption.

Mr. GAYDOS. Mr. Chairman, the tax reform bill before us today is the culmination of years of unrelenting efforts by many Members of this body to correct many basic inequities in our tax structure. While not the ultimate solution to admitted tax injustice, it certainly is a most important and significant step toward achieving eventual tax equity.

It is unfortunate, however, that this important legislation is brought before the House encumbered by a closed rule. I am among those Members of the House who have opposed continuance of the surtax and I feel that Members should be afforded the opportunity to vote separately on the surtax issue. It is also regrettable that this bill does not include an increase in the personal exemption allowance. Over 200 Members of the House have sponsored legislation providing an increase in the personal exemption in response to the wishes of their districts. The message came through from my district unmistakably clear. I have received thousands of letters and tens of thousands of signatures on petitions urging an increase in the personal exemption from $600 to $1,200. Although this proposal is not included in the bill, it is gratifying to know that the average taxpayer's cry for tax relief was not completely ignored. The increase of the standard deduction from the present 10 percent of adjusted gross income with a ceiling of $1,000 to 15 percent with a $2,000 ceiling by 1972 will ease the tax burden for millions of Americans. This is particularly helpful for senior citizens on fixed incomes and for people in the low income and poverty level group. In addition, the middle-income taxpayer was granted a 5-percent reduction in the tax rate.

Despite the imperfections of this bill and my strong opposition to extension of the surtax, the need for some tax reform is so urgent, I will cast my vote for passage of this limited bill. I would hope that the other body will strengthen and refine this bill and return to the House a more meaningful, substantive, tax reform bill.

Mr. MILLS. Mr. Chairman, I have no further requests for time.

Mr. BYRNES of Wisconsin. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. There being no further requests for time, general debate is considered as having expired.

Under the rule, the bill will be considered as having been read for amendment.

No amendments to the bill are in order except amendments offered by direction of the Committee on Ways and Means.

Are there any committee amendments?

COMMITTEE AMENDMENTS

Mr. MILLS. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. MILLS: On page 358, strike out line 13 and all that follows down to (but not including) line 1 on page 364, and insert in lieu thereof the following:

"(3) TAXABLE YEARS BEGINNING IN 1971.—In the case of a taxable year beginning after December 31, 1970, and before January 1, 1972, there is hereby imposed on the taxable income of every individual (other than an intermediate tax rate individual to whom subsection (b) applies) a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $500	13.5% of the taxable income
Over $500 but not over $1,000	$67.50 plus 14.5% of excess over $500
Over $1,000 but not over $1,500	$140 plus 15.5% of excess over $1,000
Over $1,500 but not over $2,000	$217.50 plus 16.5% of excess over $1,500
Over $2,000 but not over $4,000	$300 plus 18.5% of excess over $2,000
Over $4,000 but not over $6,000	$670 plus 21.5% of excess over $4,000
Over $6,000 but not over $8,000	$1,100 plus 24% of excess over $6,000
Over $8,000 but not over $10,000	$1,580 plus 27.5% of excess over $8,000
Over $10,000 but not over $12,000	$2,130 plus 31% of excess over $10,000
Over $12,000 but not over $14,000	$2,750 plus 35% of excess over $12,000
Over $14,000 but not over $16,000	$3,450 plus 38% of excess over $14,000
Over $16,000 but not over $18,000	$4,210 plus 41% of excess over $16,000
Over $18,000 but not over $20,000	$5,030 plus 43.5% of excess over $18,000
Over $20,000 but not over $22,000	$5,900 plus 46% of excess over $20,000
Over $22,000 but not over $26,000	$6,820 plus 48.5% of excess over $22,000
Over $26,000 but not over $32,000	$8,760 plus 51% of excess over $26,000
Over $32,000 but not over $38,000	$11,820 plus 52.5% of excess over $32,000
Over $38,000 but not over $44,000	$14,970 plus 55% of excess over $38,000
Over $44,000 but not over $50,000	$18,270 plus 57% of excess over $44,000
Over $50,000 but not over $60,000	$21,690 plus 60% of excess over $50,000
Over $60,000 but not over $70,000	$27,690 plus 62% of excess over $60,000
Over $70,000 but not over $80,000	$33,890 plus 63% of excess over $70,000
Over $80,000 but not over $90,000	$40,190 plus 64.5% of excess over $80,000
Over $90,000 but not over $100,000	$46,640 plus 65% of excess over $90,000
Over $100,000 but not over $120,000	$53,140 plus 66% of excess over $100,000
Over $120,000 but not over $150,000	$66,340 plus 66.5% of excess over $120,000
Over $150,000 but not over $200,000	$86,290 plus 67% of excess over $150,000
Over $200,000	$119,790 plus 67.5% of excess over $200,000

"(4) TAXABLE YEARS BEGINNING AFTER 1971.—In the case of a taxable year beginning after December 31, 1971, there is hereby imposed on the taxable income of every individual (other than an intermediate tax rate individual to whom subsection (b) applies) a tax determined in accordance with the following table:

"If the 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% of excess over $1,000
Over $1,500 but not over $2,000	$210 plus 16% of excess over $1,500
Over $2,000 but not over $4,000	$290 plus 18% of excess over $2,000
Over $4,000 but not over $6,000	$650 plus 21% of excess over $4,000
Over $6,000 but not over $8,000	$1,070 plus 23% of excess over $6,000
Over $8,000 but not over $10,000	$1,530 plus 27% of excess over $8,000
Over $10,000 but not over $12,000	$2,070 plus 30% of excess over $10,000
Over $12,000 but not over $14,000	$2,670 plus 34% of excess over $12,000
Over $14,000 but not over $16,000	$3,350 plus 37% of excess over $14,000
Over $16,000 but not over $18,000	$4,090 plus 40% of excess over $16,000
Over $18,000 but not over $20,000	$4,890 plus 42% of excess over $18,000
Over $20,000 but not over $22,000	$5,730 plus 44% of excess over $20,000
Over $22,000 but not over $26,000	$6,610 plus 47% of excess over $22,000
Over $26,000 but not over $32,000	$8,490 plus 49% of excess over $26,000
Over $32,000 but not over $38,000	$11,430 plus 50% of excess over $32,000
Over $38,000 but not over $44,000	$14,430 plus 52% of excess over $38,000
Over $44,000 but not over $50,000	$17,550 plus 54% of excess over $44,000
Over $50,000 but not over $60,000	$20,790 plus 58% of excess over $50,000
Over $60,000 but not over $80,000	$26,590 plus 60% of excess over $60,000
Over $80,000 but not over $100,000	$38,590 plus 61% of excess over $80,000
Over $100,000 but not over $120,000	$50,790 plus 62% of excess over $100,000
Over $120,000 but not over $150,000	$63,190 plus 63% of excess over $120,000
Over $150,000 but not over $200,000	$82,090 plus 64% of excess over $150,000
Over $200,000	$114,090 plus 65% of excess over $200,000"

(b) INTERMEDIATE TAX RATES.—Section 1 (b) (1) is amended by inserting "and before January 1, 1971," after "December 31, 1964," each place it appears and by adding at the end thereof the following new subparagraphs:

"(C) TAXABLE YEARS BEGINNING IN 1971.—In the case of a taxable year beginning after December 31, 1970, and before January 1, 1972, there is hereby imposed on the taxable income of every individual who is an intermediate tax rate individual a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $1,000	13.5% of the taxable income.
Over $1,000 but not over $2,000	$135 plus 15.5% of excess over $1,000
Over $2,000 but not over $4,000	$290 plus 17.5% of excess over $2,000
Over $4,000 but not over $6,000	$640 plus 19.5% of excess over $4,000
Over $6,000 but not over $8,000	$1,030 plus 21.5% of excess over $6,000
Over $8,000 but not over $10,000	$1,460 plus 24.5% of excess over $8,000
Over $10,000 but not over $12,000	$1,950 plus 26.5% of excess over $10,000
Over $12,000 but not over $14,000	$2,480 plus 29.5% of excess over $12,000
Over $14,000 but not over $16,000	$3,070 plus 31% of excess over $14,000
Over $16,000 but not over $18,000	$3,690 plus 34% of excess over $16,000
Over $18,000 but not over $20,000	$4,370 plus 35.5% of excess over $18,000
Over $20,000 but not over $22,000	$5,080 plus 38.5% of excess over $20,000
Over $22,000 but not over $24,000	$5,850 plus 40% of excess over $22,000
Over $24,000 but not over $26,000	$6,650 plus 42% of excess over $24,000
Over $26,000 but not over $28,000	$7,490 plus 43% of excess over $26,000
Over $28,000 but not over $32,000	$8,350 plus 44% of excess over $28,000
Over $32,000 but not over $36,000	$10,110 plus 46.5% of excess over $32,000
Over $36,000 but not over $38,000	$11,970 plus 48% of excess over $36,000
Over $38,000 but not over $40,000	$12,930 plus 49.5% of excess over $38,000
Over $40,000 but not over $44,000	$13,920 plus 50.5% of excess over $40,000
Over $44,000 but not over $50,000	$15,940 plus 52.5% of excess over $44,000
Over $50,000 but not over $52,000	$19,090 plus 54.5% of excess over $50,000
Over $52,000 but not over $60,000	$20,180 plus 55.5% of excess over $52,000
Over $60,000 but not over $64,000	$24,620 plus 56.5% of excess over $60,000
Over $64,000 but not over $76,000	$26,880 plus 57.5% of excess over $64,000
Over $76,000 but not over $80,000	$33,780 plus 59% of excess over $76,000
Over $80,000 but not over $88,000	$36,140 plus 60% of excess over $80,000
Over $88,000 but not over $100,000	$40,940 plus 61% of excess over $88,000
Over $100,000 but not over $120,000	$48,260 plus 63% of excess over $100,000
Over $120,000 but not over $140,000	$60,860 plus 64% of excess over $120,000
Over $140,000 but not over $160,000	$73,660 plus 65% of excess over $140,000
Over $160,000 but not over $200,000	$86,660 plus 66% of excess over $160,000
Over $200,000 but not over $240,000	$113,060 plus 66.5% of excess over $200,000
Over $240,000 but not over $300,000	$139,660 plus 67% of excess over $240,000
Over $300,000	$179,860 plus 67.5% of excess over $300,000

"(D) TAXABLE YEARS BEGINNING AFTER 1971.—In the case of a taxable year beginning after December 31, 1971, there is hereby imposed on the taxable income of every individual who is an intermediate tax rate individual a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $1,000	13% of the taxable income.
Over $1,000 but not over $2,000	$130 plus 15% of excess over $1,000
Over $2,000 but not over $4,000	$280 plus 17% of excess over $2,000
Over $4,000 but not over $6,000	$620 plus 19% of excess over $4,000
Over $6,000 but not over $8,000	$1,000 plus 21% of excess over $6,000
Over $8,000 but not over $10,000	$1,420 plus 24% of excess over $8,000
Over $10,000 but not over $12,000	$1,900 plus 26% of excess over $10,000
Over $12,000 but not over $14,000	$2,420 plus 28% of excess over $12,000
Over $14,000 but not over $16,000	$2,980 plus 30% of excess over $14,000
Over $16,000 but not over $18,000	$3,580 plus 33% of excess over $16,000
Over $18,000 but not over $20,000	$4,240 plus 35% of excess over $18,000
Over $20,000 but not over $22,000	$4,940 plus 37% of excess over $20,000
Over $22,000 but not over $24,000	$5,680 plus 39% of excess over $22,000
Over $24,000 but not over $26,000	$6,460 plus 40% of excess over $24,000
Over $26,000 but not over $28,000	$7,260 plus 41% of excess over $26,000
Over $28,000 but not over $32,000	$8,080 plus 43% of excess over $28,000
Over $32,000 but not over $36,000	$9,800 plus 45% of excess over $32,000
Over $36,000 but not over $38,000	$11,600 plus 46% of excess over $36,000
Over $38,000 but not over $40,000	$12,520 plus 47% of excess over $38,000
Over $40,000 but not over $44,000	$13,460 plus 48% of excess over $40,000
Over $44,000 but not over $50,000	$15,380 plus 51% of excess over $44,000
Over $50,000 but not over $60,000	$18,440 plus 53% of excess over $50,000
Over $60,000 but not over $80,000	$23,740 plus 55% of excess over $60,000
Over $80,000 but not over $100,000	$34,740 plus 57% of excess over $80,000
Over $100,000 but not over $120,000	$46,140 plus 60% of excess over $100,000
Over $120,000 but not over $160,000	$58,140 plus 62% of excess over $120,000
Over $160,000 but not over $200,000	$82,940 plus 63% of excess over $160,000
Over $200,000 but not over $300,000	$108,140 plus 64% of excess over $200,000
Over $300,000	$172,140 plus 65% of excess over $300,000."

Mr. MILLS. Mr. Chairman, this is the amendment agreed to in committee when it was realized that the reported bill did not provide a tax reduction for all of those in the income level of say $7,000 to $18,000 in those cases where they would continue to claim itemized deductions.

This conforms the bill to the general understanding when the bill was reported—namely, that every taxpayer under this bill would get at least a 5-percent tax rate reduction, spread out over the years of 1971 and 1972. This amendment does that.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. MILLS. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. MILLS. On page 281, immediately before line 4, insert the following:

"(e) TREATMENT PROCESSES IN THE CASE OF OIL SHALE.—Section 613(c)(4) (relating to treatment processes considered as mining) is amended by striking out 'and' at the end of subparagraph (G), by redesignating subparagraph (H) as subparagraph (I), and by inserting after subparagraph (G) the following new subparagraph:

"'(H) in the case of oil shale—extraction from the ground, crushing, loading into the retort, and retorting, but not hydrogenation, refining, or any other process subsequent to retorting; and'."

Mr. MILLS. Mr. Chairman, this amendment has to do with the cutoff point for the 15-percent depletion allowance in the case of oil shale.

At the present time the depletion allowance is applicable to the value of the rock itself—which has very little if any

value. As a result the industry will never develop unless we change the cutoff point, as we are doing in this bill, so oil taken from oil shale will get more nearly the same percentage depletion allowance as oil produced from a well. As a result, this bill extends the point at which percentage depletion is computed in the case of oil shale to after extraction from the ground, through crushing, loading into the retort, and retorting, but not to hydrogenation, or any refining process or any other process subsequent to retorting.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. Are there any further committee amendments?

Mr. MILLS. Mr. Chairman, there are no further committee amendments.

The CHAIRMAN. There being no further committee amendments, under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. FLYNT, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 13270), to reform the income tax laws, pursuant to House Resolution 513, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. BUSH

Mr. BUSH. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. BUSH. I am in its present form, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. BUSH moves to recommit the bill H.R. 13270 to the Committee on Ways and Means.

Mr. MILLS. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

The question was taken; and the Speaker announced that the noes appeared to have it.

Mr. PICKLE. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 78, nays 345, not voting 9, as follows:

[Roll No. 148]

YEAS—78

Abernethy	Fisher	Pickle
Ashbrook	Foreman	Poage
Belcher	Gettys	Pollock
Bray	Goldwater	Price, Tex.
Brown, Calif.	Gonzalez	Purcell
Brown, Mich.	Harsha	Rarick
Bush	Hébert	Reid, Ill.
Cabell	Hosmer	Rhodes
Caffery	Hunt	Roberts
Camp	Hutchinson	Rogers, Colo.
Casey	Jarman	Roudebush
Cederberg	Johnson, Calif.	Ruth
Chappell	Johnson, Pa.	Saylor
Clancy	Jonas	Scherle
Clawson, Del	Kazen	Smith, Calif.
Collins	King	Teague, Tex.
Colmer	Landgrebe	Utt
de la Garza	Long, La.	Waggonner
Dennis	McKneally	Watson
Derwinski	McMillan	Whalley
Devine	Melcher	White
Dickinson	Miller, Ohio	Wilson, Bob
Dowdy	Minshall	Wolff
Edmondson	Montgomery	Wright
Edwards, La.	Passman	Wydler
Eshleman	Pettis	Wyman

NAYS—345

Abbitt	Cohelan	Griffin
Adair	Collier	Griffiths
Adams	Conable	Gross
Addabbo	Conte	Grover
Albert	Conyers	Gubser
Alexander	Corbett	Gude
Anderson, Calif.	Corman	Hagan
Anderson, Ill.	Coughlin	Haley
Anderson, Tenn.	Cowger	Hall
Andrews, Ala.	Cramer	Halpern
Andrews, N. Dak.	Culver	Hamilton
Annunzio	Cunningham	Hammer-schmidt
Arends	Daniel, Va.	Hanley
Ashley	Daniels, N.J.	Hanna
Aspinall	Davis, Ga.	Hansen, Idaho
Ayres	Davis, Wis.	Hansen, Wash.
Baring	Dawson	Harvey
Barrett	Delaney	Hastings
Beall, Md.	Dellenback	Hathaway
Bell, Calif.	Denney	Hawkins
Bennett	Dent	Hays
Berry	Diggs	Hechler, W. Va.
Betts	Dingell	Heckler, Mass.
Bevill	Donohue	Helstoski
Biaggi	Dorn	Henderson
Biester	Downing	Hicks
Bingham	Dulski	Hogan
Blackburn	Duncan	Holifield
Blanton	Dwyer	Horton
Blatnik	Eckhardt	Howard
Boggs	Edwards, Ala.	Hungate
Boland	Eilberg	Ichord
Bolling	Erlenborn	Jacobs
Bow	Esch	Joelson
Brademas	Evans, Colo.	Jones, Ala.
Brasco	Evins, Tenn.	Jones, N.C.
Brinkley	Fallon	Jones, Tenn.
Brock	Farbstein	Karth
Brooks	Fascell	Kastenmeier
Broomfield	Feighan	Kee
Brotzman	Findley	Keith
Brown, Ohio	Fish	Kleppe
Broyhill, N.C.	Flood	Kluczynski
Broyhill, Va.	Flowers	Koch
Buchanan	Flynt	Kuykendall
Burke, Fla.	Foley	Kyl
Burke, Mass.	Ford, Gerald R.	Kyros
Burleson, Tex.	Ford, William D.	Landrum
Burlison, Mo.	Fountain	Langen
Burton, Calif.	Fraser	Latta
Burton, Utah	Frelinghuysen	Leggett
Button	Frey	Lennon
Byrne, Pa.	Friedel	Lloyd
Byrnes, Wis.	Fulton, Pa.	Long, Md.
Cahill	Fulton, Tenn.	Lowenstein
Carey	Fuqua	Lujan
Carter	Galifianakis	Lukens
Celler	Gallagher	McCarthy
Chamberlain	Garmatz	McClory
Chisholm	Gaydos	McCloskey
Clark	Giaimo	McClure
Clausen, Don H.	Gibbons	McCulloch
Clay	Gilbert	McDade
Cleveland	Goodling	McDonald, Mich.
	Gray	McEwen
	Green, Oreg.	McFall
	Green, Pa.	
Macdonald, Mass.	Philbin	Stafford
MacGregor	Pike	Staggers
Madden	Pirnie	Stanton
Mahon	Podell	Steed
Mailliard	Poff	Steiger, Ariz.
Mann	Preyer, N.C.	Steiger, Wis.
Marsh	Price, Ill.	Stephens
Martin	Pryor, Ark.	Stokes
Mathias	Pucinski	Stratton
Matsunaga	Quie	Stubblefield
May	Quillen	Stuckey
Mayne	Railsback	Sullivan
Meeds	Randall	Symington
Meskill	Rees	Talcott
Mikva	Reid, N.Y.	Taylor
Miller, Calif.	Reifel	Teague, Calif.
Mills	Reuss	Thompson, Ga.
Minish	Riegle	Thompson, N.J.
Mink	Robison	Thomson, Wis.
Mize	Rodino	Tiernan
Mizell	Rogers, Fla.	Tunney
Mollohan	Ronan	Udall
Monagan	Rooney, N.Y.	Ullman
Moorhead	Rooney, Pa.	Van Deerlin
Morgan	Rosenthal	Vander Jagt
Morse	Rostenkowski	Vanik
Morton	Roth	Vigorito
Mosher	Roybal	Waldie
Moss	Ruppe	Wampler
Murphy, Ill.	Ryan	Watkins
Murphy, N.Y.	St Germain	Watts
Myers	St. Onge	Weicker
Natcher	Sandman	Whalen
Nedzi	Satterfield	Whitehurst
Nelsen	Schadeberg	Whitten
Nichols	Scheuer	Widnall
Nix	Schneebeli	Wiggins
Obey	Schwengel	Williams
O'Hara	Scott	Wilson, Charles H.
O'Konski	Sebelius	Winn
Olsen	Shipley	Wold
O'Neal, Ga.	Shriver	Wyatt
O'Neill, Mass.	Sikes	Wylie
Ottinger	Sisk	Yates
Patman	Skubitz	Yatron
Patten	Slack	Young
Pelly	Smith, Iowa	Zablocki
Pepper	Smith, N.Y.	Zion
Perkins	Snyder	Zwach
	Springer	

NOT VOTING—9

Daddario	Kirwan	Powell
Edwards, Calif.	Lipscomb	Rivers
Hull	Michel	Taft

So the motion to recommit was rejected.

The Clerk announced the following pairs:

Mr. Daddario with Mr. Taft.
Mr. Hull with Mr. Lipscomb.
Mr. Kirwan with Mr. Michel.
Mr. Rivers with Mr. Edwards of California.

Mrs. DWYER and Messrs. ERLENBORN and ESCH changed their votes from "yea" to "nay."

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The question is on the passage of the bill.

Mr. MILLS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 395, nays 30, not voting 7, as follows:

[Roll No. 149]

YEAS—395

Abbitt	Andrews, N. Dak.	Betts
Abernethy	Annunzio	Bevill
Adair	Arends	Biaggi
Adams	Ashley	Biester
Addabbo	Aspinall	Bingham
Albert	Ayres	Blackburn
Alexander	Baring	Blanton
Anderson, Calif.	Barrett	Blatnik
Anderson, Ill.	Beall, Md.	Boggs
Anderson, Tenn.	Bell, Calif.	Boland
Andrews, Ala.	Bennett	Bolling
	Berry	Bow
		Brademas

Brasco	Galifianakis	Meskill
Bray	Gallagher	Michel
Brinkley	Garmatz	Mikva
Brock	Gaydos	Miller, Calif.
Brooks	Gettys	Miller, Ohio
Broomfield	Gialmo	Mills
Brotzman	Gibbons	Minish
Brown, Calif.	Gilbert	Mink
Brown, Mich.	Goldwater	Minshall
Brown, Ohio	Goodling	Mize
Broyhill, N.C.	Gray	Mizell
Broyhill, Va.	Green, Oreg.	Mollohan
Buchanan	Green, Pa.	Monagan
Burke, Fla.	Griffin	Montgomery
Burke, Mass.	Griffiths	Moorhead
Burlison, Mo.	Gross	Morgan
Burton, Calif.	Grover	Morse
Burton, Utah	Gubser	Morton
Button	Gude	Mosher
Byrne, Pa.	Hagan	Moss
Byrnes, Wis.	Haley	Murphy, Ill.
Cabell	Hall	Murphy, N.Y.
Cahill	Halpern	Myers
Carey	Hamilton	Natcher
Carter	Hammer-schmidt	Nedzi
Casey	Hanley	Nelsen
Cederberg	Hanna	Nichols
Celler	Hansen, Idaho	Nix
Chamberlain	Hansen, Wash.	Obey
Chappell	Harsha	O'Hara
Chisholm	Harvey	O'Konski
Clancy	Hastings	Olsen
Clark	Hathaway	O'Neal, Ga.
Clausen, Don H.	Hawkins	O'Neill, Mass.
Clawson, Del	Hays	Ottinger
Clay	Hechler, W. Va.	Patman
Cleveland	Heckler, Mass.	Patten
Cohelan	Helstoski	Pelly
Collier	Henderson	Pepper
Colmer	Hicks	Perkins
Conable	Hogan	Pettis
Conte	Holifield	Philbin
Conyers	Horton	Pickle
Corbett	Hosmer	Pike
Corman	Howard	Pirnie
Coughlin	Hungate	Poage
Cowger	Hunt	Podell
Cramer	Hutchinson	Poff
Culver	Ichord	Pollock
Cunningham	Jacobs	Preyer, N.C.
Daniel, Va.	Joelson	Price, Ill.
Daniels, N.J.	Johnson, Calif.	Price, Tex.
Davis, Ga.	Johnson, Pa.	Pryor, Ark.
Davis, Wis.	Jones, Ala.	Pucinski
Dawson	Jones, N.C.	Quie
de la Garza	Jones, Tenn.	Quillen
Delaney	Karth	Railsback
Dellenback	Kastenmeier	Randall
Denney	Kee	Rees
Dennis	Keith	Reid, Ill.
Dent	King	Reid, N.Y.
Derwinski	Kleppe	Reifel
Devine	Kluczynski	Reuss
Dickinson	Koch	Rhodes
Diggs	Kuykendall	Riegle
Dingell	Kyl	Rivers
Donohue	Kyros	Robison
Dorn	Landrum	Rodino
Downing	Langen	Rogers, Colo.
Dulski	Latta	Rogers, Fla.
Duncan	Leggett	Ronan
Dwyer	Lennon	Rooney, N.Y.
Eckhardt	Lloyd	Rooney, Pa.
Edwards, Ala.	Long, Md.	Rosenthal
Eilberg	Lowenstein	Rostenkowski
Erlenborn	Lujan	Roth
Esch	Lukens	Roudebush
Eshleman	McCarthy	Roybal
Evans, Colo.	McClory	Ruppe
Evins, Tenn.	McCloskey	Ruth
Fallon	McClure	Ryan
Farbstein	McCulloch	St Germain
Fascell	McDade	St. Onge
Feighan	McDonald, Mich.	Sandman
Findley	McEwen	Satterfield
Fish	McFall	Saylor
Flood	McKneally	Schadeberg
Flowers	McMillan	Scherle
Flynt	Macdonald, Mass.	Scheuer
Foley	MacGregor	Schneebeli
Ford, Gerald R.	Madden	Schwengel
Ford, William D.	Mailliard	Scott
Foreman	Mann	Sebelius
Fountain	Marsh	Shipley
Fraser	Martin	Shriver
Frelinghuysen	Mathias	Sikes
Frey	Matsunaga	Sisk
Friedel	May	Skubitz
Fulton, Pa.	Mayne	Slack
Fulton, Tenn.	Meeds	Smith, Iowa
Fuqua	Michel	Smith, N.Y.
Gallagher	Mikva	Snyder
Garmatz	Miller, Calif.	Springer
Gaydos	Miller, Ohio	Stafford
Gettys	Mills	Staggers
Gialmo	Minish	Stanton
Gibbons	Mink	Steed
Gilbert	Minshall	Steiger, Ariz.
Goldwater	Mize	Steiger, Wis.
Goodling	Mizell	Stephens
Gray	Mollohan	Stokes
Green, Oreg.	Monagan	Stratton
Green, Pa.	Montgomery	Stubblefield
Griffin	Moorhead	Stuckey
Griffiths	Morgan	Sullivan
Gross	Morse	Symington
Grover	Morton	Talcott
Gubser	Mosher	Taylor
Gude	Moss	Teague, Calif.
Hagan	Murphy, Ill.	Thompson, Ga.
Haley	Murphy, N.Y.	Thompson, N.J.
Hall	Myers	Thomson, Wis.
Halpern	Natcher	Tiernan
Hamilton	Nedzi	Tunney
Hammer-schmidt	Nelsen	Udall
Hanley	Nichols	Ullman
Hanna	Nix	Van Deerlin
Hansen, Idaho	Obey	Vander Jagt
Hansen, Wash.	O'Hara	Vanik
Harsha	O'Konski	Vigorito
Harvey	Olsen	Waldie
Hastings	O'Neal, Ga.	Wampler
Hathaway	O'Neill, Mass.	Watkins
Hawkins	Ottinger	Watson
Hays	Patman	Watts
Hechler, W. Va.	Patten	Weicker
Heckler, Mass.	Pelly	Whalen
Helstoski	Pepper	Whalley
Henderson	Perkins	Whitehurst
Hicks	Pettis	Whitten
Hogan	Philbin	Widnall
Holifield	Pickle	Wiggins
Horton	Pike	Williams
Hosmer	Pirnie	Wilson, Charles H.
Howard	Poage	Winn
Hungate	Podell	Wold
Hunt	Poff	Wolff
Hutchinson	Pollock	Wright
Ichord	Preyer, N.C.	Wyatt
Jacobs	Price, Ill.	Wydler
Joelson	Price, Tex.	Wylie
Johnson, Calif.	Pryor, Ark.	Wyman
Johnson, Pa.	Pucinski	Yates
Jones, Ala.	Quie	Yatron
Jones, N.C.	Quillen	Young
Jones, Tenn.	Railsback	Zablocki
Karth	Randall	Zion
Kastenmeier	Rees	Zwach
Kee	Reid, Ill.	
Keith	Reid, N.Y.	
King	Reifel	
Kleppe	Reuss	
Kluczynski	Rhodes	
Koch	Riegle	
Kuykendall	Rivers	
Kyl	Robison	
Kyros	Rodino	
Landrum	Rogers, Colo.	
Langen	Rogers, Fla.	
Latta	Ronan	
Leggett	Rooney, N.Y.	
Lennon	Rooney, Pa.	
Lloyd	Rosenthal	
Long, Md.	Rostenkowski	
Lowenstein	Roth	
Lujan	Roudebush	
Lukens	Roybal	
McCarthy	Ruppe	
McClory	Ruth	
McCloskey	Ryan	
McClure	St Germain	
McCulloch	St. Onge	
McDade	Sandman	
McDonald, Mich.	Satterfield	
McEwen	Saylor	
McFall	Schadeberg	
McKneally	Scherle	
McMillan	Scheuer	
Macdonald, Mass.	Schneebeli	
MacGregor	Schwengel	
Madden	Scott	
Mailliard	Sebelius	
Mann	Shipley	
Marsh	Shriver	
Martin	Sikes	
Mathias	Sisk	
Matsunaga	Skubitz	
May	Slack	
Mayne	Smith, Iowa	
Meeds	Smith, N.Y.	
Meskill	Snyder	
Michel	Springer	

NAYS—30

Ashbrook	Fisher	Passman
Belcher	Gonzalez	Purcell
Burleson, Tex.	Hébert	Rarick
Bush	Jarman	Roberts
Caffery	Jonas	Smith, Calif.
Camp	Kazen	Teague, Tex.
Collins	Landgrebe	Utt
Dowdy	Long, La.	Waggonner
Edmondson	Mahon	White
Edwards, La.	Melcher	Wilson, Bob

NOT VOTING—7

Daddario	Kirwan	Taft
Edwards, Calif.	Lipscomb	
Hull	Powell	

So the bill was passed.

The Clerk announced the following pairs:

Mr. Daddario with Mr. Lipscomb.
Mr. Hull with Mr. Taft.
Mr. Edwards of California with Mr. Powell.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may have 3 legislative days in which to extend their remarks in the RECORD on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

PERMISSION FOR THE COMMITTEE ON RULES TO FILE CERTAIN PRIVILEGED REPORTS

Mr. COLMER. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file certain privileged reports.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

INTEREST EQUALIZATION TAX EXTENSION ACT OF 1969

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 12829) to provide an extension of the interest equalization tax, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. UTT. Mr. Speaker, reserving the right to object——

The SPEAKER. The gentleman from California reserves the right to object.

Mr. UTT. Mr. Speaker, I do so for the purpose of asking the chairman of the Committee on Ways and Means to give the Members an explanation of the bill which the gentleman proposes for immediate consideration.

Mr. MILLS. Mr. Speaker, we are again confronted with the necessity of extending the interest equalization tax to protect our balance of payments. Although our balance of payments has improved since the tax was first enacted, it is still in a precarious position. Moreover, the situation is made more precarious by the fact that we no longer have a large favorable balance of trade to backstop our capital transactions with the rest of the world. If the tax is not extended, we can anticipate an outflow of capital which—taken together with our balance-of-trade situation—would mean a substantial deficit in our balance of payments.

The interest equalization tax still is intended as a temporary measure and as a transitional device to help in the period before we attain a long-run solution to our balance-of-payments problems. A solution to these is largely dependent on obtaining better control of the inflationary pressures here at home so our prices can become more competitive in the world markets. I believe that when we passed the 6-month extension of the surcharge, last Monday, and when we passed the additional 6-month extension of the surcharge, at a 5-percent rate, and the repeal of the investment credit a few moments ago, we took important steps to bring our inflation under control. This should improve our export position and hence our balance of payments. When this occurs, we will be in a better position to let the interest equalization tax expire. However, we are not yet in that position.

The purpose of the interest equalization tax is to aid in the protection of our balance of payments during the interval while we are correcting the more fundamental problems underlying the imbalances. The purpose of the tax during that interval is to discourage foreigners from obtaining capital in the United States, and, in that manner, limit the amount of capital flowing abroad. The tax accomplishes this result by increasing the cost to foreigners of funds obtained in the United States. The tax presently is imposed at rates which are equivalent to a three-fourths of 1 percent increase in the rate of interest foreigners must pay to obtain funds in the United States. This increase in the interest cost to foreigners discourages their borrowing in the United States by narrowing the differential between foreign interest rates and the somewhat lower rates in the United States.

The bill before us today, H.R. 12829, has two major provisions.

First, it extends the interest equalization tax for 20 months from its originally scheduled expiration date of July 31, 1969, to March 31, 1971. The Members will recall that in the latter part of July we extended the tax, in H.R. 13079, to August 31 so as to allow Congress additional time to complete its action on this bill.

Second, the bill modifies the President's discretionary authority to vary the rate of tax by permitting him to lower the rate of tax on new issues without lowering it for outstanding issues. This modification, in fact, is intended—if conditions permit—as a step toward the eventual elimination of the tax. The reason for this is that a lower rate of tax for new issues may be possible at some time in the near future. However, the present tax rate on outstanding securities is likely to be necessary in order to prevent the flooding of our capital markets with the large backed-up volume of already outstanding foreign securities.

EFFECTIVENESS OF THE TAX

One of the questions most frequently asked is, "Does this tax really help in our balance-of-payments problems?"

I believe the evidence is clear that the interest equalization tax has strengthened our balance of payments by decreasing the foreign demand for U.S. capital. This can be seen by comparing U.S. purchases of foreign securities before and after the tax went into effect in the middle of 1963.

Before the middle of 1963 long-term private capital outflows from the United States had increased from the $2.9 billion level of 1962 to a $4.6 billion annual rate in the first 6 months of 1963, an increase of 60 percent. Increased purchases of new foreign securities accounted for a substantial part of this increase. In the first half of 1963, these purchases rose from the $1 billion level of 1962, to a $2 billion annual rate. Since 1963, purchases of new foreign securities from countries subject to the interest equalization tax have declined to practically zero. The tax clearly has been the primary factor responsible for this decrease.

An additional source of evidence of the effectiveness of the tax, and an indication of what might have occurred in its absence, is the increase in purchases by U.S. citizens of new securities from countries not subject to the interest equalization tax. These purchases have more than doubled since the first half of 1963, increasing from an annual level of $1,312 million to $1,656 million in 1968. If there had been no tax and had purchases from countries where the tax was, in fact, imposed, increased at the same rate as in the case of the exempt countries, these purchases would have amounted to $865 million in 1968. In other words, our balance-of-payments position would have been almost a billion dollars worse than it was in 1968 in the absence of this tax.

The interest equalization tax also has caused a decrease in purchases by U.S. citizens of outstanding foreign securities. In the first half of 1963, net purchases were at an annual rate of $300 million. The tax reversed this and up until 1966 U.S. citizens were net sellers of foreign securities. In 1967 and 1968, however, U.S. citizens became net purchasers again—about $110 million on the average—which is still some $200 million less than before the tax, and probably is much more than that below the level which would have existed without the tax.

Commercial bank loans to foreigners also have been restrained by the interest equalization tax. Originally bank loans were not subject to the tax, but the law granted the President discretionary authority to apply the tax to them if it became clear that bank loans were being substituted for the sale of foreign securities in the United States. In late 1964 it became apparent that this substitution, in fact, was occurring and on February 10, 1965, the President applied the tax to loans with maturities of 1 year or more. The effect of the tax, the voluntary program to limit loans to foreigners, and tight money, has been to reduce the amount of long-term bank loans extended to foreigners and to substantially cut back the increase in short-term loans, as the comparison of the 1962 and 1968 levels shows. In 1962, long-term bank loans increased by $126 million; in 1968 they decreased by $358 million. Short-term bank loans increased by $324 million in 1962, and by 1968 the increase was down to $89 million, although data for the first quarter of 1969 indicates the 1969 level will be somewhat higher.

To summarize the case as I see it: without the interest equalization tax our balance-of-payments position in 1968 might have been close to $2 billion worse than it was.

EXTENSION OF THE TAX IS NECESSARY

Even though we have made progress toward eliminating the deficit in our balance of payments, we cannot be complacent while a substantial deficit still exists. Furthermore, much of the improvement that has been made would be eliminated if the interest equalization tax were permitted to expire, at the present time. We must be particularly careful to avoid the large increase in capital outflows, which would result if the tax were allowed to expire, because, as I said earlier, we no longer have the trade surplus of former years to offset capital outflows. Any sharp increase in capital outflows would, therefore, add directly to an otherwise already precarious balance-of-payments situation.

Some have argued that since our interest rates are already so high we need no longer fear foreigners borrowing here to get cheaper money. Unfortunately, we cannot look for any relief on this ground. Although our interest rates certainly are at a high level, interest rates abroad are at a still higher level. For example, the average interest rate for U.S. domestic corporate bond issues in June was 7.21 percent, while the rate abroad was about 7.63 percent, still a significant differential. Moreover, this differential has been increasing since the early part of 1969.

In addition, we are likely to be faced with still another transitional problem. When our inflation is brought under control, we can reasonably expect our interest rates to decrease. However, we have no basis for expecting a corresponding decrease in foreign interest rates. As a result, for a period of time there is likely to be a further widening of the differential and a further increase in the attractiveness of the U.S. capital markets.

Even with the present differential, there would be substantial borrowing by foreigners in the absence of the tax. One only has to look at the large amount of borrowing from countries which are not subject to the tax to be convinced of this. The fact is that our securities markets are still attractive to foreigners because they are more effectively organized than capital markets abroad, even though the markets abroad have grown because the interest equalization tax has compelled foreigners to place increased reliance on them as a source of funds.

In addition, it must be pointed out that, in the absence of the tax, it can be expected that there would be substantial purchases from foreigners by Americans of securities which American companies have issued abroad to finance foreign direct investments. In 1968 alone, these issues by American companies totaled $2.1 billion. Any significant amount of purchases by Americans of these securities would have a substantial adverse balance-of-payments effect.

The extension of the tax also is necessary to support the program of voluntary cooperation to reduce capital outflows that was begun in 1965. The voluntary program is designed to reduce the amount of credit supplied to foreigners by banks and other financial institutions. Without the interest equalization tax, those participating in the voluntary program would feel that they were shouldering an inequitable share of the burden of reducing our capital outflow.

Finally, I think it is important to emphasize the significance of this tax to foreign holders of dollars. The willingness of foreigners to hold dollars, and their view of the dollar's stability as a reserve currency, are dependent in large measure on how they regard our attitudes and intentions toward our balance-of-payments deficit. Failure on our part to extend the interest equalization tax would be regarded by them as evidence that we are not concerned about the balance-of-payments deficit and do not intend to control it. This reaction by itself would endanger our chances of successfully carrying out our programs to improve the international monetary and trade system, such as the special drawing rights under the International Monetary Fund designed to provide an expansion of international monetary reserves and, thus, facilitate the growth in world trade.

PRESIDENTIAL AUTHORITY TO REDUCE THE TAX RATE ON NEW ISSUES

As I have already indicated, this bill also modifies the President's existing authority to vary the rates of tax by permitting him to apply a lower rate to new issues of foreign securities than to outstanding issues. Under present law, the President has the authority to vary the rate of tax between zero and the equivalent of a 1½-percent increase in the annual interest rate which must be paid to obtain funds in the United States, but the rate must be the same for both new and outstanding securities.

The Treasury Department indicated that it was requesting this modification so it could be used to reduce our reliance on the interest equalization tax. Reducing the rate of tax on new issues is a

step in reducing our reliance on the entire tax. It would be most unwise, however, to decrease the rate of tax for outstanding securities, when there is such a large volume of them and when U.S. citizens are still net purchasers even at the present rate of tax. Such an action, no doubt, would result in a large increase in purchases by Americans of outstanding foreign issues. On the other hand, purchases of new foreign securities, however, have been nearly nonexistent. Therefore, it seems appropriate to permit the rate of tax on new issues to be reduced to a lower level than the rate for outstanding securities.

The remaining provisions of the bill involve minor amendments which are technical in nature. Generally, these amendments are designed to make the provisions of the interest equalization tax more workable and to aid in the enforcement of the tax. I will summarize these minor amendments in the RECORD later in my remarks.

The adverse effect on our balance of payments of not extending the interest equalization tax as provided in this bill would be substantial. We just cannot allow that substantial adverse effect on our balance of payments to occur.

I urge that the bill be adopted.

SUMMARY OF OTHER PROVISIONS OF H.R. 12829

First. Under present law the tax applies where an American transfers money to a foreign trust which then acquires otherwise taxable foreign stock or debt obligations. The bill strengthens this provision by presuming that upon a transfer of funds to a foreign trust, the trust made a taxable acquisition of foreign stock or debt obligations unless, and to the extent, the transferor proves to the Treasury that such an acquisition has not occurred.

Second. An exclusion is presently provided for loans by a U.S. person to a foreigner for the purpose of constructing a foreign mineral facility, where a substantial portion—35 percent—of the minerals or ores processed in the facility are extracted outside the United States by the U.S. person or by an affiliated company. The bill modifies this rule to provide that the exclusion will be applicable where the U.S. person's loan covers only part of the cost of constructing the facility, if more than 50 percent of the minerals processed in the proportionate part of the facility represented by the U.S. person's loan in relation to the total cost of the facility are extracted by him or an affiliated company.

Third. Under present law, an exclusion is provided for acquisitions of debt obligations arising in specified export credit transactions. The exclusion is lost, however, if the debt obligations are subsequently transferred other than to specified persons or in specified ways. The bill adds an affiliated company to the permitted transferees.

Fourth. U.S. dealers in foreign stock or debt obligations presently may acquire these securities without payment of tax—through a credit or refund—if they resell them to foreign persons within a prescribed time. A similar rule applies in the case of U.S. underwriters who resell to foreign persons. The bill provides that certain foreign branches—engaged in the commercial banking business—of U.S. corporations which, in effect, are treated to a limited extent as foreign persons for purposes of the tax—they may acquire foreign stock or debt obligations free of the tax up to a specified amount—also are to be treated to the same extent as foreign persons for purposes of the dealer and underwriter resale exclusions.

Fifth. Present law provides that a domestic company engaged in the business of financing sales of products manufactured by affiliated companies in the United States or abroad may elect to be exempt from the tax on the foreign debt obligations it acquires as the result of its financing activities. The bill modifies or eliminates certain restrictions in this provision which have made it unworkable, but retains the basic framework of the provision including the concept that the financing company must obtain the funds it uses in its business from foreign sources.

Sixth. Under present law, a transaction tax return must be filed prior to the sale of foreign stock or debt obligation which was subject to the tax when acquired, if the sale occurs prior to the time for filing the regular quarterly interest equalization tax return. The bill clarifies the application of the requirement to U.S. dealers or underwriters by providing that they need not file a transaction tax return with respect to sales of foreign securities under the dealer or underwriter resale exemptions.

Seventh. The bill conforms the reporting and recordkeeping requirements for "nonparticipating firms" to the procedures established by the Interest Equalization Tax Extension Act of 1967 in connection with the exemption for prior American ownership and compliance. This amendment generally conforms the requirements imposed on these firms to those imposed on "participating firms" insofar as specified types of sales or acquisitions of foreign stock or debt obligations are concerned, and confirms that nonparticipating firms must continue to file quarterly information returns.

Eighth. The bill prescribes a $1,000 penalty for each failure to file—or inadequate filing—by a nonparticipating firm pursuant to the requirements imposed under the conforming amendment discussed above.

Mr. GROSS. Mr. Speaker, will the gentleman from California (Mr. UTT) yield so that I may ask the gentleman from Arkansas (Mr. MILLS), chairman of the Committee on Ways and Means, a question.

Mr. UTT. I yield to the gentleman from Iowa.

Mr. GROSS. Does this bill in any way aid or abet the circulation of "paper gold" which is now being run through the printing presses and coming out in the form of paper?

Mr. MILLS. No; it does not directly relate to that problem. What the bill does is reduce the demand that otherwise would increase for the conversion of our dollars abroad into gold and withdrawing the gold from Fort Knox. It enables us to hold on to our gold.

Mr. GROSS. We do not have very much of that left, do we?

Mr. MILLS. No, and we need to hold on to it.

Mr. GROSS. If I may ask the gentleman another question: What is the situation with respect to our balance of payments? Can the gentleman give us a brief and approximate idea of that situation?

Mr. MILLS. The latest information available is that for the first quarter of this year the deficit was $1.7 billion, an annual rate of nearly $7 billion on the liquidity basis.

Mr. UTT. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas (Mr. MILLS)?

There was no objection.

The Clerk read the bill, as follows:

H.R. 12829

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

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "Interest Equalization Tax Extension Act of 1969".

(b) AMENDMENT OF 1954 CODE.—Whenever in this Act an amendment is expressed in terms of an amendment to a section or other provision, the reference is to a section or other provision of the Internal Revenue Code of 1954.

SEC. 2. EXTENSION OF INTEREST EQUALIZATION TAX.

Section 4911(d) is amended by striking out "July 31, 1969" and inserting in lieu thereof "March 31, 1971".

SEC. 3. MODIFICATION OF TAX RATES BY EXECUTIVE ORDER.

(a) MODIFICATION PROVIDING LOWER RATES FOR ORIGINAL OR NEW ISSUES.—Section 4911 (b)(2)(A) is amended to read as follows:

"(A) IN GENERAL.—If the President of the United States determines that the rates of tax imposed by paragraph (1), or provided in any prior Executive order issued pursuant to this paragraph, are lower or higher than the rates of tax necessary to limit the total acquisitions by United States persons of stock of foreign issuers and debt obligations of foreign obligors within a range consistent with the balance-of-payments objectives of the United States (including achieving a minimum reliance on the tax), he may by Executive order (effective as provided in subparagraph (C)(ii)) increase or decrease such rates of tax. To the extent specified in such Executive order, the rates applicable to acquisitions of stock or debt obligations which are part of an original or new issue may be lower than the rates applicable to acquisitions of stock or debt obligations which are not part of an original or new issue. An Executive order which has the effect of establishing lower rates for original or new issues may be applicable to all original or new issues or to any aggregate amount or classification thereof and to acquisitions occurring during such period of time as may be stated therein, and may provide for other limitations and implementing procedures. In determining whether stock or a debt obligation shall be treated as part of an 'original or new issue' for purposes of this subparagraph, the provisions of section 4917(c) shall apply."

(b) TECHNICAL AMENDMENT.—Section 4911

(b)(2)(C)(i) is amended by striking out "Each increase" and inserting in lieu thereof "Subject to the authorization to establish lower rates with respect to acquisitions of stock or debt obligations which are part of an original or new issue, each increase".

SEC. 4. OTHER AMENDMENTS.

(a) TRANSFERS TO FOREIGN TRUSTS.—

(1) Section 4912(b)(1) is amended to read as follows:

"(1) CERTAIN TRANSFERS TO FOREIGN TRUSTS.—

"(A) EXTENT OF TAX LIABILITY. Any transfer (other than in a sale or exchange for full and adequate consideration) of money or other property to a foreign trust shall, if such trust acquires stock or debt obligations (of one or more foreign issuers or obligors) the direct acquisition of which by the transferor would be subject to the tax imposed by section 4911, be deemed an acquisition by the transferor (as of the time of such transfer) of stock of a foreign issuer in an amount equal to the actual value of the money or property transferred or, if less, the actual value of the stock or debt obligations so acquired by such trust. Contributions made by an employer to a foreign pension or profit-sharing trust established by such employer for the exclusive benefit of employees (who are not owner-employees as defined in section 401(c)(3)) who perform personal services for such employer on a full-time basis in a foreign country, and contributions to a foreign pension or profit-sharing trust established by an employer, made by an employee who performs personal services for such employer on a full-time basis in a foreign country (and is not an owner-employee as defined in section 401(c)(3)), shall not be considered under the preceding sentence as transfers which may be deemed acquisitions of stock of a foreign issuer.

"(B) PRESUMPTION OF ACQUISITION OF FOREIGN SECURITIES.—Whenever money or other property is transferred to a foreign trust in the manner described in the first sentence of subparagraph (A), it shall be presumed, with respect to the calendar quarter in which the transfer took place and each succeeding calendar quarter beginning prior to the termination date specified in section 4911(d), that such trust subsequently acquired stock or debt obligations the direct acquisition of which by the transferor would be subject to the tax imposed by section 4911, in an amount equal to the actual value of the money or other property transferred. The transferor may rebut this presumption with respect to each such calendar quarter by submitting, on or before the 30th day following the close of such quarter, documents or other proof which will establish to the satisfaction of the Secretary or his delegate that, during such quarter, liability for such tax has not been incurred or any liability which has been incurred has been paid."

(2) The amendment made by paragraph (1) of this subsection shall apply with respect to transfers made after June 9, 1969.

(b) FOREIGN MINERAL FACILITIES.—

(1) Section 4914(c)(5)(B) is amended by adding at the end thereof the following new sentence: "If the proceeds of the loan by such United States person constitute only a part of the cost of the installation, maintenance, or improvement of such facilities, the substantial portion requirement in the preceding sentence shall be satisfied if the percentage of the total capacity of such facilities which will be used in connection with ores or minerals (or derivatives thereof) extracted or obtained in the specified manner is more than one-half of the percentage of the cost of such facilities represented by the amount of such loan and in no event is less than 10 percent of such total capacity."

(2) The amendment made by paragraph (1) of this subsection shall apply with respect to acquisitions made after the date of the enactment of this Act.

(3) TRANSFERS OF EXPORT CREDIT PAPER.—

(1) Section 4914(j)(1)(A) is amended by redesignating clauses (iii) and (iv) as clauses (iv) and (v), respectively, and by inserting after clause (ii) the following new clause:

"(iii) to an includible corporation in an affiliated group (as defined in section 48(c)(3)(C)) of which such person is a member;".

(2) Section 4914(c)(7) is amended by striking out "(j)(1)(A)(iii)" and inserting in lieu thereof "(j)(1)(A)(iv)".

(3) The amendments made by this subsection shall apply with respect to subsequent transfers (within the meaning of section 4914(j)(1)(A) of the Internal Revenue Code of 1954) occurring after the date of the enactment of this Act.

(d) DEALER RESALE EXEMPTION.—

(1) Section 4919(c) is amended by striking out "and" at the end of paragraph (1), by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; and", and by adding at the end thereof the following new paragraph:

"(3) the term 'persons other than United States persons' includes any foreign branch whose acquisition of stock or a debt obligation of a foreign issuer or obligor from an underwriter or dealer is excluded from the tax imposed by section 4911 by reason of the last sentence of section 4914(b)(2)(B), but only with respect to the acquisition of stock or debt obligations to which such exclusion applies."

(2) The amendments made by paragraph (1) of this subsection shall apply with respect to acquisitions made by foreign branches after the date of the enactment of this Act.

(e) CERTAIN FINANCING COMPANIES.—

(1) Section 4920(a)(3B) is amended to read as follows:

"(3B) CERTAIN DOMESTIC FINANCING COMPANIES.—The terms 'foreign issuer,' 'foreign obligor', and 'foreign issuer or obligor' also mean a domestic corporation to the extent provided in subsection (d)."

(2) Section 4920 is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new section:

"(d) CERTAIN DOMESTIC FINANCING COMPANIES.—For purposes of this chapter, the terms 'foreign issuer,' 'foreign obligor', and 'foreign issuer or obligor' include a domestic corporation if—

"(1) such corporation is exclusively engaged in the trade or business of—

"(A) acquiring, servicing, or acquiring and servicing—

"(i) debt obligations arising out of the sale of tangible personal property produced, manufactured, assembled, or extracted by one or more includible corporations in an affiliated group (as defined in section 48(c)(3)(C)) of which such corporation is a member,

"(ii) debt obligations arising out of the sale of tangible personal property received as part or all of the consideration in sales of property described in clause (i),

"(iii) debt obligations arising out of the sale of tangible personal property received as part or all of the consideration in sales of property described in clause (ii),

"(iv) debt obligations arising out of the sale of tangible personal property or the performance of services (or both), if not less than 85 percent of the purchase price is attributable to the sale of property manufactured, produced, grown, or extracted in the United States or the performance of services by any United States person (or both),

"(v) debt obligations arising out of loans to dealers or distributors primarily engaged in the business of selling property described in clauses (i), (ii), and (iii), the proceeds of which are used by such dealers or distributors in such business,

"(vi) debt obligations arising out of loans to an includible corporation in an affiliated group (as defined in section 48(c)(3)(C)) of which such corporation is a member, if such obligations are secured by debt obligations described in clauses (i) through (v), or

"(vii) any combination of the foregoing,

"(B) acquiring, servicing, or acquiring and servicing debt obligations otherwise arising out of sales of tangible personal property,

"(C) carrying on other incidental activities in connection with its sales finance business, or

"(D) any combination of the foregoing,

"(2) except for debt obligations arising out of deposits in commercial banks having at the time of the deposit a period remaining to maturity of less than one year, and debt obligations of one or more includible corporations in an affiliated group (as defined in section 48(c)(3)(C)) of which such corporation is a member acquired as payment for stock, or as a contribution to the capital, of such corporation—

"(A) at least 90 percent of the face value of the debt obligations owned by such corporation at all times during the taxable year consists of debt obligations described in paragraph (1)(A), and

"(B) all debt obligations owned by such corporation at all times during the taxable year are debt obligations described in paragraph (1)(A) or (1)(B), or both,

"(3) all debt obligations acquired by such corporation (whether or not described in paragraph (1)) are acquired solely out of—

"(A) the proceeds of the sale (including a sale in a transaction described in section 4919(a)(1)) by such corporation (or by a domestic corporation described in section 4912(b)(3) which owns all of the stock of such corporation) of debt obligations of such corporation (or such other domestic corporation) to persons other than—

"(i) a United States person (not including a foreign branch of a domestic corporation or of a domestic partnership, if such branch is engaged in the commercial banking business and acquires such debt obligations in the ordinary course of such commercial banking business),

"(ii) a foreign partnership in which such corporation (or one or more includible corporations in an affiliated group, as defined in section 1504, of which such corporation is a member) owns directly or indirectly (within the meaning of section 4915(a)(1)) 10 percent or more of the profits interest, or

"(iii) a foreign corporation, if such corporation (or one or more includible corporations in an affiliated group, as defined in section 1504, of which such corporation is a member) owns directly or indirectly (within the meaning of section 4915(a)(1)) 10 percent or more of the total combined voting power of all classes of stock of such foreign corporation, except to the extent such foreign corporation has, after having given advance notice to the Secretary or his delegate, sold its debt obligations to persons other than persons described in clauses (i) and (ii) and this clause and is using the proceeds of the sale of such debt obligations to acquire the debt obligations of such corporation),

"(B) the proceeds of payment for stock, or a contribution to the capital of such corporation, if the payment or contribution was derived from the sale of debt obligations by one or more includible corporations in an affiliated group (as defined in section 48(c)(3)(C)) of which such corporation is a member to persons other than persons described in clauses (i), (ii), and (iii) of subparagraph (A) and such debt obligations, if acquired by United States persons, would be subject to the tax imposed by section 4911,

"(C) retained earnings and reserves of such corporation, or

"(D) trade accounts and accrued liabilities which are payable by such corporation within 1 year from the date they were incurred or accrued, and which arise in the ordinary course of the trade or business of the corporation otherwise than from borrowing,

"(4) such corporation does not acquire any stock of foreign issuers or of domestic corporations or domestic partnerships other than stock of one or more includible corporations in an affiliated group (as defined in section 48(c)(3)(C)) of which such corporation is a member acquired as payment for stock, or as a contribution to capital, of such corporation,

"(5) such corporation, in a manner satisfactory to the Secretary or his delegate, identifies the certificates representing its stock and debt obligations, and maintains such records and accounts and submits such reports and other documents as may be necessary to establish that the requirements of the foregoing paragraphs have been met, and

"(6) such corporation elects to be treated as a foreign issuer or obligor for purposes of this chapter. The election under paragraph (6) shall be made, under regulations prescribed by the Secretary or his delegate, on or before the 60th day after the organization of the corporation or the 60th day after the date of the enactment of the Interest Equalization Tax Extension Act of 1969, whichever day is the later. Any such election shall be effective as of the date thereof and shall remain in effect until revoked. If, at any time, the corporation ceases to meet any requirement of paragraph (1), (2), (3), (4), or (5), the election shall thereupon be deemed revoked. When an election is revoked, no further election may be made. If an election is revoked, the corporation shall incur liability at the time of such revocation for the tax imposed by section 4911 with respect to all stock or debt obligations which were acquired by it during the period for which the election was in effect and which are held by it at the time of such revocation; and the amount of such tax shall be equal to the amount of tax for which the corporation would be liable under such section if it had acquired such stock or debt obligations immediately after such revocation. For purposes of sections 4912 and 4915, a corporation which has made an election under paragraph (6) shall, during the period for which such election is in effect, be treated with respect to acquisitions from such corporation as a foreign corporation which is not formed or availed of for the principal purpose described in section 4915(c)(1)."

(3) Section 4915(c)(3) is amended to read as follows:

"(3) FOREIGN FINANCING COMPANY.—A foreign corporation—

"(A) 50 percent or more of the voting power of all classes of stock of which is owned directly or indirectly (within the meaning of subsection (a)) by a domestic corporation (or by one or more includible corporations in an affiliated group, as defined in section 48(c)(3)(C), of which such domestic corporation is a member),

"(B) which, if it were a domestic corporation, would be eligible to make an election under section 4920(d), and

"(C) gives notice to the Secretary or his delegate within the period for making an election under such section,

shall, during the period after the date of such notice during which it would, if it were a domestic corporation, meet the requirements of paragraphs (1), (2), (3), (4), and (5) of section 4920(d), be treated as not formed or availed of for the principal purpose described in paragraph (1) of this subsection. If such corporation ceases to meet such requirements, such corporation shall be treated as having been availed of for the principal purpose described in paragraph (1) of this subsection at the time of such cessation."

(4) The amendments made by this subsection shall take effect on the date of the enactment of this Act.

(f) TRANSACTION TAX RETURNS.—Section 6011(d)(1)(B) is amended by inserting after "subparagraph (A)" the following: "(unless such disposition is made under circumstances which entitle such person to a credit under the provisions of section 4919)".

(g) REPORTING REQUIREMENTS OF NONPARTICIPATING FIRMS.—Section 6011(d)(3) is amended to read as follows:

"(3) REPORTING REQUIREMENTS FOR CERTAIN MEMBERS OF EXCHANGES AND ASSOCIATIONS.—Every member or member organization of a national securities exchange or of a national securities association registered with the Securities and Exchange Commission, which is not subject to the provisions of section 4918(c), shall keep such records and file such information as the Secretary or his delegate may by forms or regulations prescribe in connection with acquisitions and sales effected by such member or member organization, as a broker or for his own account, of stock of a foreign issuer or debt obligations of a foreign obligor—

"(A) with respect to which a validation certificate described in section 4918(b)(1)(A) has been received by such member or member organization; or

"(B) with respect to which an acquiring United States person is subject to the tax imposed by section 4911."

(h) FAILURE OF NONPARTICIPATING FIRMS TO FILE CERTAIN INFORMATION RETURNS.—

(1) Section 6680 is amended to read as follows:

"SEC. 6680. FAILURE TO FILE INTEREST EQUALIZATION TAX RETURNS.

"In addition to the penalty imposed by section 7203 (relating to willful failure to file return, supply information, or pay tax)—

"(1) RETURN REQUIRED UNDER SECTION 6011(d)(1).—Any person who is required under section 6011(d)(1) (relating to interest equalization tax returns) to file a return for any period in respect of which, by reason of the provisions of section 4918, he incurs no liability for payment of the tax imposed by section 4911 and who fails to file such return within the time prescribed by section 6076, shall pay a penalty of $10 or 5 percent of the amount of tax for which he would incur liabiilty for payment under section 4911 but for the provisions of section 4918, whichever is the greater, for each such failure unless it is shown that the failure is due to reasonable cause. The penalty imposed by this paragraph shall not exceed $1,000 for each failure to file a return.

"(2) RETURN REQUIRED UNDER SECTION 6011(d)(3).—Any person required to file a return under section 6011(d)(3) who fails to file such return at the time prescribed by the Secretary or his delegate, or who files a return which does not show the information required, shall pay a penalty of $1,000, unless it is shown that such failure is due to reasonable cause."

(2) The amendment made by paragraph (1) of this subsection shall apply with respect to returns required to be filed after the date of the enactment of this Act.

COMMITTEE AMENDMENT

Mr. MILLS. Mr. Speaker, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. MILLS: On page 2, line 2, strike out "July 31" and insert in lieu thereof "August 31".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

House Resolution 499 was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Speaker, I ask unanimouse consent that all Members desiring to do so may extend their remarks on the bill just passed.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate insists upon its amendments to the bill (H.R. 10595) entitled "An act to amend the act of August 7, 1956 (70 Stat. 1115), as amended, providing for a Great Plains conservation program," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. EASTLAND, Mr. HOLLAND, Mr. JORDAN of North Carolina, Mr. AIKEN, and Mr. COOK to be the conferees on the part of the Senate.

LEGISLATIVE PROGRAM

(Mr. ARENDS asked and was given permission to address the House for 1 minute.)

Mr. ARENDS. Mr. Speaker, I have asked for this time in order to ask the majority leader if he will announce the legislative program for next week.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. ARENDS. I yield to the gentleman.

Mr. ALBERT. Mr. Speaker, in response to the inquiry of the distinguished gentleman from Illinois, the Republican whip, we have finished the legislative business scheduled for this week.

The program for next week is as follows:

Monday is District Day. There is one bill—H.R. 12982, to provide additional revenue for the District of Columbia.

Also, H.R. 10420, to permit certain real property in the State of Maryland to be used for public purposes generally. It will be called up by unanimous consent.

For Tuesday and the balance of the week:

H.R. 4813, extension of U.S. Fishing Fleet Improvement Act, under an open rule with 1 hour of debate;

House Resolution 269, supplemental investigative authority, Committee on Post Office and Civil Service; and

House Resolution 495, amending rule XXXV of the Rules of the House of Representatives to increase fees of witnesses before the House or its committees.

Then, of course, as previously announced, we will expect to adjourn over at the close of business on August 13 until noon, Wednesday, September 3.

This announcement is made subject to the usual reservation that conference reports may be brought up at any time, and that any further program may be announced later.

I would like to take this time to advise Members that we will need Members here to finish the business next week. It is important that Members be on hand to finish the business.

I wish also to advise the Members that we will expect to commence business immediately at the end of the recess on Wednesday, September 3.

Mr. ARENDS. I thank the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, will the gentleman yield further?

Mr. ARENDS. I yield to the gentleman from Oklahoma.

Mr. ALBERT. I have just been advised that the gentleman from West Virginia (Mr. STAGGERS) will call up a conference report at this time. That will be the balance of the business. I was not aware of that when I made the announcement.

ADJOURNMENT TO MONDAY, AUGUST 11, 1969

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourns to meet on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

DISPENSING WITH BUSINESS IN ORDER UNDER THE CALENDAR WEDNESDAY RULE ON WEDNESDAY NEXT

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

ACQUISITION OF AIR CARRIERS

Mr. STAGGERS. Mr. Speaker, I call up the conference report on the bill (S. 1373) to amend the Federal Aviation Act of 1958, as amended, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of August 5, 1969.)

(Mr. STAGGERS asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. STAGGERS. Mr. Speaker, I bring up for consideration the conference report on S. 1373. Conferees met on August 5 and for the most part the legislation is reported back in conformity with the House version of the bill. I believe that the most substantial difference was one in which the Senate would have changed existing law and vested the Civil Aeronautics Board with exemption powers as to acquisitions of control between air carriers. The Senate receded and the CAB must continue to hold evidentiary hearings with respect to acquisitions involving certificated air carriers, common carriers, or those engaged in a phase of aeronautics.

The managers on the part of the House receded on a provision specifically calling for notice of acquisitions to the Attorney General and giving him the right to a hearing on any acquisition. We have been assured that the Civil Aeronautics Board has traditionally kept contact with the Attorney General on acquisitions and some of the conferees were concerned that mentioning the Attorney General would affect antitrust laws which was not the intent of either body.

The House managers receded on the difference defining presumption of control and would adopt the Senate version which is beneficial ownership of 10 percent or more of the voting securities or capital of any air carrier, rather than 10 percent or more of any class of the capital stock or capital.

Finally, the Senate conferees receded on the retroactive effective date of March 7, and it was agreed that the effective date would be the date of the conference August 5, 1969.

I am satisfied that the action taken is consistent with the intent of the House and recommend that the conference report be accepted.

(Mr. SPRINGER asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. SPRINGER. Mr. Speaker, the conference between the Houses on the bills relating to acquisition of control of air carriers considered five differences between them and resolved them in such a way that the House should be satisfied with the resulting legislation.

The first, and in the opinion of your conferees the most important, issue involved authority for the CAB to make exceptions and exempt certain transactions from a requirement for hearing. As the law now stands, it is mandatory that a hearing be held in any case wherein an air carrier, or anyone else in the air business, proposes to take over an air carrier. To accept the language from the other body would be to change to a more liberal practice in this regard than we have insisted upon previously. The House version made it possible for the CAB to exempt transactions which do not involve certificated carriers, thus limiting the authority to air taxis and other small carriers. At the insistence of your conferees, the House version was accepted.

The second difference which dwelt with expedited procedures was directly linked to the first issue and was resolved in the same manner.

The House version of the bill required the CAB to notify the Attorney General of any pending actions on acquisitions. That is standard practice now, and since it is not the intention of either bill to make any change in the antitrust aspects of acquisitions, it is probably best not to confuse the issue by language in this legislation. The House conferees agreed to remove that provision.

At the time this legislation was considered by the House it was thought that ownership of a substantial portion of any class of the stock of an air carrier could be detrimental to its operation and possibly result in serious disruption if not outright control. Since the section did not declare such ownership to constitute control but merely to raise a presumption that control was possible, it was put into our version of the bill. After that time the Securities and Exchange Commission and the Civil Aeronautics Board indicated that only voting interests made any significant difference to control of a carrier. At the same time it appeared that the presumption raised by ownership of 10 percent of any class of stock could, in many instances, pose problems in airline financing. The bill passed by the other body had limited the presumption to ownership of voting securities or capital, and this was accepted by your conferees as reasonable and workable. It is still possible for the CAB to look into a situation wherein control may result from acquisition of other kinds of stock or lesser amounts than 10 percent, but the presumption will not operate to require a full-scale investigation and proceeding leading to a formal approval of such transactions.

When first the suggestion to curb acquisitions of air carriers was presented, it seemed that time was of the essence. The situations then at issue were resolved. The House removed any reference to an effective date from the legislation. The other version still retained a date of March 7, 1969. It was pointed out that present market conditions and other factors might make some air carriers tempting targets within the next few weeks. While Congress is in recess a takeover could occur to the detriment of the air industry. To avoid any such possibility, the conference inserted an effective date of August 5, the date the conference was held. That should keep everything on an even keel without resorting to retroactive legislation.

The bill as it now comes to the House for approval should accomplish the objectives for which it was designed and be a good and effective piece of legislation. I recommend that the conference report be adopted.

Mr. STAGGERS. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

PERMISSION FOR COMMITTEE ON FOREIGN AFFAIRS TO FILE REPORT ON H.R. 11039, TO AMEND PEACE CORPS ACT

Mr. MORGAN. Mr. Speaker, I ask unanimous consent that the Committee on Foreign Affairs may have until mid-

night tonight to file a report on the bill H.R. 11039, to further amend the Peace Corps Act, as amended.

Mr. SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

REFUSAL OF UNRESTRICTED VISA FOR SOUTH AFRICA

(Mr. WOLFF asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WOLFF. Mr. Speaker, while I appreciate the willingness of the South African Government to provide me with an unrestricted visa, I could not in good conscience visit a country that has denied freedom of travel to two of my colleagues, Representatives DIGGS and REID. Therefore, in protest, I have refused the offer of an unrestricted visa for South Africa and have withdrawn my application for that visa.

There is nothing purposeful that could be gained by my visiting a country in which freedom is a meaningless term and in which Members of the U.S. Congress cannot travel.

NEWS REPORTS ON PRESIDENTIAL COMMISSION ON MORTGAGE INTEREST RATES

(Mr. PATMAN asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. PATMAN. Mr. Speaker, unfortunately there have been published reports distorting the views of some members of the Presidential Commission on Mortgage Interest Rates.

Mr. Speaker, this morning I issued a news release in an attempt to clarify my position on mortgage interest rates. Contrary to the published reports, I do not support a permanent abolition of the interest rate ceiling on Government-backed mortgages.

Mr. Speaker, I place in the RECORD a copy of the news release:

WASHINGTON, D.C., August 7.—Chairman Wright Patman of the House Banking and Currency Committee charged today that false versions of a Presidential Commission report were being leaked in support of an industry campaign for permanent abolition of interest rate ceilings on Government-backed home mortgages.

Mr. Patman said he was convinced that the false versions were being leaked by key aides in the Nixon Administration who are anxious to please the mortgage lending industry. Mr. Patman's comments came after publication of news stories quoting an unnamed source about the contents of a report to be issued by the Presidential Commission on Mortgage Interest Rates. Mr. Patman is a member of that Commission.

Mr. Patman branded as "totally false" a published report that he was in agreement with the key proposal of the Commission for abolition of the ceilings on FHA and VA insured mortgages.

"This is the most blatant propaganda, without one shred of evidence to support it," Mr. Patman charged. "As every member of that Commission knows, I opposed this proposal from the first to the last meeting of the Commission."

Mr. Patman said that he and Representative Leonor Sullivan of Missouri have prepared lengthy dissenting views to the Commission majority which will be published as part of the report.

"These dissenting views will spell out alternatives to the majority's belief in higher interest rates on Government-backed mortgages," he said.

In addition, Mr. Patman called attention to the fact that the majority report contains specific footnotes plainly spelling out the opposition to a permanent abolition of the interest rate ceiling. The footnotes are entered on behalf of Mr. Patman and Mrs. Sullivan.

STOP, LOOK, AND THINK

(Mr. WHITTEN asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. WHITTEN. Mr. Speaker, having responsibility of handling appropriations for the U.S. Department of Agriculture, as chairman of the Appropriations Subcommittee, I have recognized for years the absolute dependence of all our people on pesticides, insecticides, and herbicides for our food supply; and having sponsored an investigation by the staff of the Appropriations Committee several years ago on the "Effects, Uses, Control and Research of Agricultural Pesticides," which later I used to support my book, "That We May Live," D. Van Nostrand Co., Inc., Princeton, N.J., I am well aware of the absolute necessity we have for chemical pesticides in the protection of human health.

With this background I am especially disturbed at today's climate of fear and anxiety concerning all chemical pesticides in general, and DDT in particular.

We have a tendency to overlook the reasons why these materials were developed and used in the first place. Some of the most vocal antagonists of DDT seem to have lost perspective in viewing with alarm and fail to evaluate the contributions to the health and well-being of mankind that this remarkable chemical has provided during the past 30 years.

The July 1969 issue of Farm Chemicals magazine includes an article by R. G. Van Buskirk entitled "Requiem for an Old Friend." This article outlines some of the reasons why we should be grateful for the benefits of DDT. In the interest of reviewing all the facts on both sides of the question before we take precipitous action to deprive man of its benefits, I should like at this point to insert in the RECORD "Requiem for an Old Friend." The article follows:

REQUIEM FOR AN OLD FRIEND

(By R. G. Van Buskirk)

It's unusual, old friend, to write a requiem for you before you are dead. But, maybe you'd like to know what some of us think about you before you depart. Right now, you stand where Davy Crockett stood during the closing hours at the Alamo. The mob has you surrounded, you're all but deserted by your allies, and the end is in view.

Michigan has dealt you a telling blow, and Wisconsin is slashing at you. Arizona and California are unloosening their slings and arrows. Many others, some large and some very small, are shooting their verbal barbs at you. It's over—all over.

Let's review your life. You are a Nobel prize winner and you deserve a review. You gestated for a long time before you were born. You were synthesized in Germany in 1874. But you were really born in 1939 when Dr. Paul Müller discovered your amazing powers as an insecticide. You were named DDT. By 1948 you had become an outstanding success and you, through Dr. Müller, were awarded a Nobel prize.

Mankind had been waiting for you for eons. It's easy to picture prehistoric man slapping mosquitos and tsetse flies, squashing ticks, and eating vermin-laden food. Later, as his stooped body became wracked with pain and as it burned with fever, he probably thrashed and rolled around, and struck out with his long arms while trying to fight this unseen enemy which was destroying him. But his unschooled, primitive brain never reasoned that it was a bug which had felled him.

Primitive man needed you.

However, conjecture on prehistoric man isn't necessary. Recorded history tells us about the hazards of insects and viruses. The Bible speaks of locusts causing ruined fields and lost harvests. History records how the black plague spread across the land during the Middle Ages. For centuries, typhus, plague, malaria, yellow fever, sleeping sickness, and other dread diseases retarded civilization.

Through numerous centuries man stood and fought *hostile* nature with inept weapons. They used beating sticks, flails, and fans—and later resorted to bug-picking machines!

HISTORIC MAN NEEDED YOU

Historic man could have used you.

When you arrived, contemporary man was waiting and in need of your help. In the U.S., as recently as 1920, there were 200,000 cases of malaria each year. There were still over 60,000 cases annually in 1945. Then *you* went to work on the problem! By 1950 the number of cases dropped to 2000 per year. You are primarily responsible for this wonderful record.

In Greece, and Turkey, in the early 1940s, the number of cases of malaria exceeded ½ million. Deaths from malaria numbered in the thousands each year. By 1951, deaths were reduced to just seven for the year!

Your great work in combating malaria was one of the reasons you won the Nobel prize.

Man needed more help from you. In the U.S., in 1945, there were over 5000 cases of Murine Typhus. By 1952, principally because of your assistance, cases had dropped to about 400. All together, you have been used in the control of 28 dangerous diseases. Currently you are credited with having prevented 500 million illnesses and saving 25 million lives.

But fighting disease has only been a part of your history. While man struggles to control disease, another phenomenon is present. From the earliest beginning of man, the world population has been growing. Growth was slow at first. It took many centuries for man to become the dominant creature on earth, and he gained his dominance tortuously. According to the best possible estimates, based upon archeological and historical evidence, it took hundreds of thousands of years for the world population to reach about 250 million by the time of Christ. It took another 1600 years for this population to again double to 500 million.

As man learned how to survive, he began to get a stronger foothold on this planet. By 1900 there were 1¾ billion people in the world. By 1960, this total had jumped to 3 billion. It is estimated that there will be over 6 billion people on earth by the year 2000.

Population control is undoubtedly a subject which must be decided upon. *Meanwhile, food production, in quantity, is vital if these teaming billions are to be fed.* And

this, too, is why contemporary man called upon you for help.

Insects have voracious appetites, arable land is finite, and our population increases in geometric proportions. Each minute seven people die of hunger and malnutrition. This is 10,000 per day who die for lack of food.

Even you can't solve this problem. But you tried, and you've helped stem the tide. During the '60s you have been recommended for the control of over 100 insects which ravish vegetable, berry, fruit, flower and ornamental, tobacco, and livestock crops.

You have helped man control such pests as army worms, blister beetles, caterpillars, cutworms, corn borers, flea beetles, lice, cankerworms, alfalfa weevils, and about 90 other damaging insects. By doing this you gave man clean, healthy fruits, vegetables, berries, and other foods for his table.

Without your good work, and the assistance of other chemicals, it is estimated that in five years the cost of a *very inferior* food would double. In 10 to 15 years the people of this nation would be short of essential foods.

ALWAYS HAD ENEMIES

But you've always had enemies. The hard core of your opposition is a cult which believes that nature is always friendly. These people have been around for many years. They opposed pasteurization, chemical fertilizers, insecticides, and fluoridation. They formed clubs for organic gardeners, and anti-fluoride leagues. They are worshippers of "natural" foods. Their spokesmen are usually pseudo-scientists and fadists.

They began their attack on you almost as soon as you appeared. Through speeches, articles and books, they threw out numerous scare reports concerning your threat to man's health. They alleged that you contributed to a virus disease, a psychoneurotic syndrome, poliomyelitis, hepatitis, cardiovascular disease, and cancer.

You've always had friends. Some of them were *true scientists*. They began to check up on you very thoroughly. They found that it was impossible to confirm *any* of these allegations made by your enemies.

Your scientific friends went further. They called for human volunteers. These volunteers were fed DDT in oil at doses of 0, 3.5 mg., and 35 mg. per man, per day. These doses were 1, 20, and 200 times the ordinary dietary level intake. Along with four controls, 10 men ate the DDT daily for a year. The experiment was repeated later with dosage continuing for 21 months. Close observation was made for 27 months.

It was found that DDT storage in fatty tissues reached a point of equilibrium at about one year. *No chemical effect associated with the various dosages was detected.* Not by the men themselves. Not by careful physical examination and laboratory testing by the scientists and technicians involved in the study. In short, you caused no damage *even when eaten at 200 times the normal dietary intake.*

THE WEAPONS

But your enemies shrugged aside these findings and stepped up their attacks through newspapers and magazine articles, books, and television. They used effective weapons: Innuendo, guilt by association, and sophistry.

You *are* vulnerable to these weapons. You *are* a poison. You *must* be used properly. We can say the same for iodine, aspirin, table salt, and hundreds of other products.

You have killed birds—but the bird population is increasing. You have killed fish—but fish abound.

In short, studies indicate that wildlife population all over the nation are bigger and healthier than ever. One study maintains that this is not in spite of pesticides, but in many cases because of them!

Nevertheless, your enemies have found a method of attack. They pictured a fluttering robin, apparently dying because of you. Millions viewed the picture.

Your enemies uncovered a few Peregrine Falcon eggs, and demonstrated that the shells were not of standard thickness. They blamed this on you. The eggs must be durable because various newspaper article writers have picked this up over a period of years. A careful reading of the articles indicates these are the same few eggs originally reported. You have been charged with causing the decline in the Bald Eagle population. Again, studies show that 99% of the wildlife habitat of eagles has never been touched by pesticides.

Your enemies charged you with guilt through association. Dead woodcocks have yielded traces of DDT in their bodies. Therefore, they imply, woodcocks were killed by you. No measurement of tolerances were used, no quantities of DDT taken from the bodies were stated. Yet, every living thing has *some* tolerance for any chemical.

One critic of this guilt-through-association attack has said that, "Blaming the death of a bird on chemicals is analogous to conducting an autopsy on a human who died after breakfast and then blaming the demise on the presence of bacon and eggs!"

Your friends came to your defense on these various and numerous charges. But your enemies renewed their attack on the point where you are most vulnerable. You are persistent. You endure, and you spread. Again, you are guilty by association.

"If you are where you're not supposed to be," your enemies say, "you must be doing some damage."

They demand negative proof. They ask that scientists say that no dosages, however great, will cause harm. This can't be done. It's doubtful it can be stated that anything, if taken in huge dosages, will not, ultimately, cause damage.

The enemy, the hard-core cultists, have picked up an army of supporters. Many people respond to a good scare story—and your enemies write some good ones! If a threat *seems to* involve them directly, they act. If the threat is indirect, or doesn't appear to involve them at all, they are often apathetic.

One thing the cultists' army understands is that specific biologicals would be a very good thing. All of us agree. Considering all that's been said for and against you, the following is a tip-off to what you are up against: There is a new viral insecticide ready for the market. This is a biological. It's name is VHZ, and it is specific to the cotton bollworm. It may prove to be an effective weapon. We hope so.

Recently a prominent business weekly stated that human experiments with VHZ were conducted in 1965 on nine men and one woman. The subjects, volunteers at USDA, ate the virus. No adverse effects were noted during the *five-day project.*

Compare this five-day test with the one concerning you. Scientists ran one test for one year, and another test for 21 months, with observations carried on for a great length of time. But such are the times that the five-day test will be believed, the multi-year test discounted.

The next stage is here. The politician, acutely aware of his constituents' feelings, is moving into the scene. He knows most of the facts. He has the scientific reports on file. One of them was titled "Effects, Uses, Control and Research of Agricultural Pesticides." The report was issued by a subcommittee of the House of Representatives. It was a comprehensive, objective report. Some of its findings were:

1. Only a few pesticidal chemicals reach man's body, and then only in minute traces, except by accident, suicide, and murder.

2. The effects of a chemical are proportional to the dose and, for the most toxic chemicals known, no detectable toxic effects occur below a certain dose level.

3. The American Medical Association advises that there is no evidence to date that humans are appreciably affected by long-term ingestion of the minute traces of pesticide present in raw and processed foods.

But all this is of no consequence now. The climate is wrong. Espousing your cause loses votes and loses jobs.

WE FAILED YOU

Could we have helped you? Could we have been better defenders of your good name? Perhaps. *And we must try now to do justice to the work of those chemicals which have followed you. If we don't, the cult will attack them one by one as soon as you have disappeared.*

During the '60's we tried to help, but we went about it the wrong way. We wrote articles to each other. We told each other what we already knew. *It's the public who must know the true facts.* It's the public your enemy has gone to, most effectively.

Our task is harder. We must take facts and write about them imaginatively and dramatically. We've a wealth of background in the history and projections of hunger, famine, pestilence, and the world population explosion.

But our task *is* more difficult. Your enemy doesn't need to use facts. He works with a facile pen, a fertile imagination, conjecture, and half truths. Sophistry is his way of doing combat.

INDUSTRY MUST SPONSOR NAME WRITERS

Our industry needs *to sponsor name writers.* We must get these men and women acquainted with the facts. Then enlist their aid. They'll need not only facts, but a great gift for colorful word pictures. They will have to be better than the enemy. But I'm convinced that many writers exist today who *are* better writers than *any* of your enemies were.

This approach has been used before by Paul DeKruif in the '30s. He wrote of the Hunger Fighters and the Microbe Hunters. He dramatized the benefits of science and medicine while writing in terms the laymen understood. His books were very successful.

Our writers must write books which become candidates for the best-seller list. They must write articles for mass distribution. They must sway those who are swayed by radio reports of the Martian invasion (the 1930s).

They must excite those who believe California is going to slide into the ocean (the 1960s). They must win over those people who don't scare, don't believe in Martians—and do think that California will be around for awhile—but these people do feel that, somehow, pesticides are not helpful to mankind.

Our professional writers must be even better than Paul DeKruif was.

And if we don't succeed, at least we can be able to say: "We tried."

So, good-bye, old friend. Know this: You've been a man saver, not a man killer.

Rest in peace.

RIGHTS OF CONSUMERS MUST BE CONSIDERED ON PERCENTAGE DEPLETION

(Mr. MIZE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MIZE. Mr. Speaker, the fundamental purpose of the present drive for tax reform is to protect the interests of the average citizen—the consumer. Specifically, we are shaping legislation to in-

sure that our constituents with moderate or low incomes are not forced to carry an unjust share of the tax load.

This is an urgent and necessary goal; precisely because of its importance, we must be extremely careful how we set out to achieve it. It would be a travesty, indeed, if we unwittingly placed a heavier burden on the American consumer than he already bears.

That, I am certain, is exactly what may happen by the elimination or reduction of the percentage depletion allowance.

The depletion provision is widely known, and roundly criticized, as a technique that has helped a handful of oil wildcatters become extremely wealthy. Unfortunately, it is less well known for what it does best.

It is seldom thought of as an economic device that has helped 210 million people enjoy history's highest standard of living. It is seldom mentioned as the major guarantee of our ample supplies of bargain-rate petroleum energy. It is seldom praised for helping make the United States become the most secure and powerful nation in the world. Yet, in the 43 years since depletion was enacted, these consumer benefits have been its most important contributions.

Some of the most striking evidence that depletion has been good for the American people can be found in the price of petroleum and the products made from it. A few poorly informed critics have recently suggested that oil prices gouge the consumer, but the facts simply do not bear this out. Instead, incentives such as depletion have helped keep oil prices remarkably stable for more than 10 years; in fact, oil products today cost little more than they did when percentage depletion became law.

For example, the barrel of crude oil that cost an average of $3.09 in 1957 brings only $3.10 in today's market. This represents a slight increase in an inflationary period. At the consumer level, price stability has been even more dramatic. If we exclude sales and excise taxes, the average price our constituents paid for a gallon of gasoline 10 years ago was 21½ cents; today, excluding taxes, gasoline averages out to about 23 cents a gallon, just 7 percent more than it was in 1958. During this same period, the cost of most other necessities skyrocketed, and the consumer price index leaped more than 20 percent.

The price of gasoline is now about the same as it was in 1922, exclusive of taxes, and only about 2 cents higher than the price in 1926. This is especially remarkable in view of the fact that today's superior motor fuel is about 75 percent more efficient. During this period prices of other commodities have doubled.

I am sure no other essential product can match this record of low price and high quality; and I am equally sure the oil industry could not have held these price levels without the stimulus of percentage depletion.

It inevitably follows that any cutback in depletion will result in higher prices at the gas pump and elsewhere. The price of all petroleum products will be forced up, as will the costs of all industries that depend on petroleum energy.

If percentage depletion is reduced, the oil industry must cope with a major new expense. There are only three possible ways of recovering this cost:

First, dip into net earnings; second, stop searching for new oil reserves; and third, increase product prices.

Now, if it were true that the oil industry is piling up excessive profits, we could reasonably expect it to take the first of these courses. But, if we look at the record, we find that the oil industry's return on investment for 20 years has been consistently lower than the average of all manufacturing. As a percentage of capital invested, petroleum profits are modest, and could not absorb the additional tax expense.

The second alternative—curtailing exploration and development—would be suicidal for the industry, with tragic results for the Nation and the consumer. What we desperately need now is more, not less, oil—at least 63 billion barrels more by the year 1980. Our present discovery rate is simply not satisfactory, and must be increased if tomorrow's demand is to be met. In 1957, we had a 13-year supply in the ground; today, this has shrunk to 10 years; at present levels of discovery and consumption we will have a slim 5-year margin by 1980. Obviously, this is no time to hold back on exploration.

But with incentives the discovery task is by no means hopeless. The Department of the Interior believes that perhaps 2,000 billion barrels of liquid hydrocarbon reserves are in place in the United States, the producible fraction of which will depend on economics. Only about 40 percent of that figure has been found. Hence, we still have opportunities for exploration; and, I am confident that—with continued economic opportunities—the industry will respond to the increasing demand with a vigorous exploration program and with redoubled efforts to raise the recoverable percentage of existing reserves.

A depletion cut, therefore, would leave the oil business no real options. The only way it could continue to serve both its markets and its stockholders would be by increasing oil prices. And the consumer—the constituent whose lot we are trying to improve—once again would be presented with the bill.

He would not only pay more for gasoline, he would pay more to heat his home, to buy vegetables shipped by truck, to send parcels by rail or air, or to purchase almost any manufactured goods. He would probably eventually pay more for the plastic pocket comb he carries, for his wife's lipstick, his children's medicine, and the carpeting on his patio.

Because petroleum is so basic to our way of life, so versatile, and so plentiful, we tend to take it for granted. Yet, before considering such a serious move as a reduction in depletion, we should recognize how truly omnipresent petroleum is in our daily existence. It literally is the energy to make thousands of products, and is the raw material for thousands more. Because of this, an increase in the price of oil and gas would reverberate throughout the economy.

I am convinced that the people I represent would be the losers if the depletion provision were taken away. At the very least, they would lose a great deal of purchasing power.

At the worst, they could lose much, much more. Fiddling with this necessary tax incentive could ultimately wreck the domestic oil industry, forcing U.S. reliance on overseas petroleum sources. The consumer then stands to lose the ample supplies of convenient, low-cost energy that have created our amazing standard of living.

In fact, it is difficult to see what anyone—industry, government, or the public—would gain by such action. The loss of depletion would hobble the oil industry, and make it impossible to attract enough fresh capital to do the mammoth exploration job that lies ahead. It would in effect impose a new and heavy tax on the consumer.

Finally, the expected increase in Federal revenues would be immediately offset by a host of new deductions in other industries—deductions caused by the increase in the price of vital petroleum energy and raw materials.

Over the years the question of oil depletion has unfortunately become an issue charged with great and conflicting emotions. It has seldom been scrutinized in a cold, objective fashion. Many of both its critics and its champions have been guilty of tunnel vision—viewing it as an unforgivable "loophole," others seeing it as a sacred right of the mineral industries, and still others as a regional matter that is a boon to oil producing States.

I suggest that it is none of these things. Instead, it is a tested and effective part of our natural resource policy created to serve the citizen in his role as consumer.

By providing this country with more energy than any other nation has ever used—and doing so at reasonably low prices—it has served him well.

I cannot imagine that our constituents want higher-priced gasoline, more inflation, or a generally increased cost of living, and I, therefore, urge you all to consider very seriously the consumers' rights in the matter of percentage depletion.

INTERGOVERNMENTAL REVENUE ACT OF 1969

(Mr. ROTH asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. ROTH. Mr. Speaker, the Intergovernmental Revenue Act, H.R. 13353, which I introduced yesterday, represents a creative new approach to the fiscal problems our cities and States face today. In brief, the legislation will couple revenue sharing with a program of tax relief.

I have long been concerned with finding a way out of the mass of redtape that surrounds the Federal bureaucracy, and I firmly believe that revenue sharing is a step in the right direction. When the Federal Government returns a substantial amount of money to the States, we bypass all the administrative and overhead expenses that are so costly in Washington.

I made this comment in the CONGRESSIONAL RECORD, volume 114, part 16, page 21489—and I would like to repeat it

now—I believe revenue sharing and broad block grants are the way of the future because they would return decisionmaking to the local communities. They would enable systematic planning, both short and long range, and permit better meshing of Federal, State, and local resources. They would place responsibility with those in the best position to know and understand local needs.

The other major provision of the act would permit a taxpayer to deduct 40 percent of his State income tax bill from his Federal income tax payment, in lieu of the itemized State tax deduction. This would offer considerable relief to the middle-class taxpayer, who now bears the brunt of the total income tax payments. In addition, however, the revenue-sharing and tax credit plans work hand in hand: the bill mandates that Federal money will be returned to the States according to the total of State income and estate taxes collected. State and local governments will thus be encouraged to strengthen their own tax systems, and will in turn receive more funds from Washington. As we here are working to achieve some measure of fiscal responsibility, this would encourage States to work toward a sound fiscal footing of their own.

This piece of legislation was introduced earlier in the session as S. 2483 by the distinguished junior Senator from New York, Mr. GOODELL, and the distinguished junior Senator from Maine, Mr. MUSKIE. I have been working on this concept with Senator GOODELL for some time now, and we both agree that this measure will go a long way toward easing the fiscal crisis at home.

Mr. Speaker, the Intergovernmental Revenue Act is a significant and complex piece of legislation that will require careful study and thorough hearings to make certain that the basic objectives are achieved. To help my distinguished colleagues understand the full ramifications of the bill, I would like to insert at this point in the RECORD the text of the bill, a title by title analysis, a summary of the bill's major provisions, and tables of money figures prepared by the Advisory Commission on Intergovernmental Relations:

H.R. 13353

A bill to establish a system of general support grants to State and local governments; to allow partial Federal income tax credit for State and local income tax payments; to authorize Federal collection of State income taxes; to enlarge the Federal estate tax credit for State death tax payments; and to permit States or local taxing authorities to tax property located in Federal areas

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Intergovernmental Revenue Act."

DECLARATION OF POLICY

SEC. 2. (a) The Congress affirms that the governments of the United States and of the several States and their political subdivisions bear jointly and severally the duty and responsibility to safeguard the quality of American life; that the States and local communities have and must retain control over and primary responsibility for the provision of most domestic public services and facilities for the population of the Nation; and that to fulfill these commitments the States and their political subdivisions must have access to an equitable share of the Nation's fiscal resources which the Congress now commands and influences through the tax system of the Federal Government.

(b) Therefore, the Congress hereby declares it to be the policy of the United States to federalize the Federal income tax; to reduce impediments to the use of personal income taxes by the several States; to facilitate the exercise of adequate powers of taxation by the several States and their political subdivisions; and to provide general support payments to help States, cities, and counties to finance their own programs and set their own priorities to help solve their unique and most crucial problems.

TITLE I—GENERAL SUPPORT PAYMENTS TO STATES AND THEIR POLITICAL SUBDIVISIONS

DEFINITIONS

SEC. 101. For purposes of this Act—

(1) "Secretary" means the Secretary of the Treasury;

(2) "State" means the several States and the District of Columbia;

(3) "trust fund" means the General Support Trust Fund established by this Act;

(4) "taxable income" means taxable income as defined in section 63 of the Internal Revenue Code of 1954 as shown by returns made by individuals of the tax imposed by chapter 1 of such Code;

(5) "total personal income" means the aggregate personal income for residents of a State as reported in the official reports of the Department of Commerce;

(6) "local revenue ratio" of a city or county means the ratio, for the most recent annual period for which usable data are available, between—

(A) the total receipts from all taxes imposed by such city or county; and

(B) the total receipts from all taxes imposed by the State and all its political subdivisions;

(7) "population ratio" of a city or county having a population between fifty thousand and one hundred thousand shall be the percentage by which the population of the city or county exceeds fifty thousand; and

(8) "local school tax ratio" means the ratio between—

(A) the total receipts from all taxes imposed by public school systems which are administratively and fiscally independent of any other government and are classified for Census Bureau reporting of governmental data as independent school district governments; and

(B) the total receipts from all taxes imposed by such independent school districts and the State government.

GENERAL SUPPORT TRUST FUND

SEC. 102. (a) There is hereby established in the Treasury of the United States a trust fund to be known as the General Support Trust Fund. The trust fund shall consist of such amounts as may be appropriated to such fund as provided in this section.

(b) There is hereby appropriated to the trust fund, out of any money in the Treasury not otherwise appropriated, for the fiscal year beginning July 1, 1969, and for each fiscal year thereafter, an amount, as determined by the Secretary equal to the amount obtained by adding (A) 1 percent of aggregate taxable income reported on Federal individual income tax returns filed during the preceding fiscal year, and (B) 25 percent of State personal income tax collection for the preceding fiscal year and dividing the sum by two. In no event shall the amount so appropriated for any fiscal year be less than any amount appropriated for the preceding fiscal year.

(c) Beginning with the first quarter of the fiscal year beginning July 1, 1969, the Secretary shall, not less than once each quarter, transfer from the general fund of the Treasury to the trust fund the amounts appropriated by subsection (b). Such transfers may, to the extent necessary, be made on the basis of estimates by the Secretary of the amounts referred to in subsection (b). Proper adjustments shall be made in the amounts subsequently transferred to the extent that prior estimates were in excess of or less than the amounts required to be transferred. Computations by the Secretary under this section shall be final and conclusive.

(d) In each of the first three years following the enactment of this Act, the Secretary shall deduct an amount not to exceed 1 percent of the amount appropriated to the trust fund for the purpose of enabling the Secretary to carry out his duties and responsibilities, including the provision of any requisite statistical or data gathering activities required under this Act. The Secretary is hereby authorized to spend the amount so deducted for such purposes as in his discretion will facilitate the equitable distribution of the General Support Trust Fund established by this Act.

BASIC PAYMENTS

SEC. 103. (a) Subject to the provisions and qualifications of this Act, the Secretary shall, during the fiscal year beginning July 1, 1969, and during each fiscal year thereafter, pay to each State from amounts appropriated to the trust fund for the fiscal year in which payments are made, a total amount equal to the entitlement of the State under section 104. Such payments shall be made in installments periodically during any fiscal year but not less often than once each quarter. Proper adjustments shall be made in the amount of payment to each State to the extent that payments previously made were in excess of or less than the amounts required to be paid. Adjustments in payments by the Secretary under this section shall be final and conclusive.

STATE ENTITLEMENT

SEC. 104. (a) The Secretary shall determine the basic entitlement of each State to an amount of the trust fund during the fiscal year beginning July 1, 1969, and during each fiscal year thereafter as provided in this section.

(b) The total entitlement for each State for each fiscal year shall be the amount equal to the amount appropriated to the trust fund multiplied by the ratio of the product obtained by multiplying the total resident population of each State by the tax effort factor for the fiscal year and the tax effort ratio factor of each State and then dividing such product by the sum of such products for all States.

(c) For purposes of subsection (b), a State's tax effort factor for any fiscal year is the result obtained by dividing (1) the annual total of taxes plus the net profits from the operation of State-owned liquor stores collected by the State and its political subdivisions by (2) the total personal income of individuals residing in the State for a closely related annual period.

(d) For purposes of subsection (b), a State's tax effort ratio factor for any fiscal year is the ratio of the State's tax effort factor as defined in subsection (c) for the latest fiscal year to the State's tax effort factor for the immediately preceding fiscal year.

QUALIFYING AGREEMENTS WITH THE SECRETARY

SEC. 105. (a) In order to be qualified to receive the payments provided for by this Act, the Governor of a State, with the approval of the legislature, shall enter into an agreement with the Secretary to undertake—

(1) to adhere to the same methods of public scrutiny and debate over the use of funds and the same budgetary process, laws, and responsibility with respect to the fiscal control and accountability for all payments received under this Act as it does with respect to State funds derived from its own

taxing powers and to report annually to the Secretary at such time as he may prescribe, on the disposition of such payments. This report shall include a five-year projection of State government expenditures. The Secretary shall have no power either to approve or disapprove State expenditures of payments received under this Act;

(2) to impose no restrictions on the use of funds distributed to political subdivisions which are not applicable to the use of funds which its political subdivisions derive from their own taxing powers other than to prohibit a political subdivision from spending any portion of the funds distributed to it for purposes which are in conflict with any State plan enacted into law dealing with the utilization and development of the State's human and physical resources or particular aspects thereof;

(3) to confirm by annual reports filed with the Secretary following each of the first three years after the effective date of this Act, that the State distributed to each city and county government for which an allocable share is specified in this Act, a total amount not less than the sum of the annual amount allocable to that government under this Act plus all amounts it received from the State during the State fiscal year that ended in calendar 1969 or to demonstrate to the satisfaction of the Secretary that any failure to meet this requirement is entirely offset by the intervening transfer from the local government to the State of financial responsibility for direct support of particular services or facilities;

(4) to adhere to all applicable Federal laws in connection with any activity, program, or service provided solely or in part from any funds received by a State or its political subdivisions under this Act;

(5) to make reports to the Secretary, the Congress, and the Comptroller General in such form and containing such information as they may reasonably require to carry out their functions under this Act; and

(6) to make the distributions out of the payments of the State entitlement received by it to certain cities and counties as provided under subsection (b) and to school districts as provided under subsection (e).

(b) Each State shall distribute in each fiscal year out of payments of the State entitlement—

(1) to each city and county having within its boundaries a population of one hundred thousand or more an amount not less than the product obtained by multiplying (A) the general support entitlement for the State under section 104 by (B) twice the local revenue ratio of the city or county; and

(2) to each city and county having within its boundaries a population between fifty thousand and ninety-nine thousand nine hundred and ninety-nine an amount not less than the product obtained by multiplying (A) the general support entitlement for the State area under section 104 by (B) a fraction representing the product of (i) twice the local revenue ratio of the city or county, and (ii) the population ratio of the city or county.

(c) To encourage States to take the initiative in strengthening the fiscal position of major cities and counties and to maximize flexibility in the use of the authorized general support payments for meeting the particular needs of differing State-local fiscal systems, the Secretary shall accept an alternative plan for the use of general support funds made available to major cities and counties under this section provided the plan is enacted by the State legislature and conforms to at least one of the following conditions:

(1) Each major city and county receives a total amount under the State alternative plan equal to or greater than the general support payment it would otherwise have allocated to it under the provisions of this section.

(2) The city and county councils or governing bodies, representing at least half of the cities and counties entitled to receive at least 50 percent of general support payments otherwise required to be distributed, concur by formal resolution, that the State's alternative plan will result in the use of general support funds that accords better with the requirements of the State and its cities and counties than could be achieved by distributing the funds to cities and counties in accordance with the formula set forth in this Act.

(d) The proposed State alternative plan as authorized in subsection (c) shall be submitted to the Secretary with such supporting information as he may require annually not later than ninety days preceding the fiscal year to which the plan pertains. In the event of the acceptance of such an alternative plan, its provisions shall govern the use of funds otherwise allocated by this Act to cities and counties.

(e) Each State shall distribute to school districts in each fiscal year out of the State entitlement an amount not less than the product obtained by multiplying the local school tax ratio by the amount of the State entitlement remaining after the distribution to cities and counties under subsection (b).

(f) Determination under this section of this Act shall be made by the Secretary on the basis of the most recent acceptable data available from the Department of Commerce.

POWERS OF THE SECRETARY

SEC. 106. (a) The Secretary is authorized to obtain from other Federal agencies statistical data, reports, and other materials which he deems necessary to discharge his responsibilities under this section, and Federal agencies shall carry out their statistical functions in such manner as will, to the maximum extent permitted by other applicable law, assist the Secretary in carrying out his duties and responsibilities under this section. For the first three fiscal years following the enactment of this Act, the Secretary shall reimburse, with funds provided to him in section 102(d), Federal agencies for the cost of providing any data which in his discretion are necessary for the proper administration of this Act. For subsequent fiscal years there are authorized to be appropriated sums sufficient to enable Federal agencies to provide information required by the Secretary for the administration of this Act.

(b) Whenever the Secretary finds, after reasonable notice and opportunity for hearing to the Governor of a State, that there is a failure by such State to comply substantially with any undertaking required by section 105, the Secretary shall notify the Governor that further payments under this Act will be withheld until the Secretary is satisfied that appropriate corrective action has been taken and that there will no longer be any failure to comply. Until he is satisfied, the Secretary shall make no further payments to such State under this Act.

JUDICIAL REVIEW

SEC. 107. (a) Any State which receives notice under section 106 that payments to it will be withheld may, within sixty days after receiving such notice, file with the United States Court of Appeals for the circuit in which such State is located a petition for review of the Secretary's action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary. The Secretary shall file in the court the record of the proceedings on which he based his action as provided in section 2112 of title 28, United States Code.

(b) In accordance with the provisions of this subsection, the court shall have jurisdiction to affirm the action of the Secretary or to set it aside, in whole or in part. The findings of fact by the Secretary, if supported by substantial evidence, shall be conclusive. However, if any finding is this consistent with preceding sentence and is not supported by substantial evidence, the court may remand the case to the Secretary to take further evidence, and the Secretary may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

(c) The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

REPORT BY SECRETARY

SEC. 108. The Secretary shall report to the Congress not later than the first day of March of each year on the operation of the trust fund during the preceding fiscal year and on its expected operation during the current fiscal year. Each such report shall include a statement of the appropriations to, and the disbursements made from, the trust fund during the preceding fiscal year; an estimate of the expected appropriation to, and disbursements to be made from, the trust fund during the current fiscal year; and any changes recommended by the Secretary concerning the operation of the trust fund.

CONGRESSIONAL STUDY

SEC. 109. (a) The Appropriations Committee and the Finance Committee of the Senate and the Appropriations Committee and the Ways and Means Committee of the House of Representatives shall conduct full and complete studies, at least once during each Congress, with respect to the operation of the trust fund and its relation to the financing of State and local governments and report findings to each House, respectively, together with recommedations for each House, respectively, together with recommendations for such legislation as they deem advisable.

(b) This section is enacted by the Congress as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, with full recognition of the constitutional right of either House to change such rules (so far as relating to the procedure in such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

TITLE II—PARTIAL FEDERAL INCOME TAX CREDIT FOR STATE AND LOCAL INCOME TAX PAYMENTS

STATE AND LOCAL TAX CREDIT

SEC. 201. (a) Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits allowable) is amended (1) by renumbering section 40 as 41; and (2) by inserting after section 39 the following new section:

"SEC. 40. STATE AND LOCAL INCOME TAXES.

"(a) ALLOWANCE OF CREDIT.—If an individual chooses to have the benefits of this section, there shall be allowed to such individual as credit against the tax imposed by this chapter for the taxable year, an amount equal to 40 percent of the State and local income taxes paid or accrued for such taxable year.

"(b) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) STATE AND LOCAL INCOME TAXES.—The term 'State and local income tax' means only—

"(A) a tax imposed upon the income of the taxpayer, after the deduction of an amount for personal exemptions and dependents allowances or the subtraction of a tax credit or credits equivalent in amount to the amount allowed for this purpose under part V of subchapter B of chapter 1 (relating to deductions for personal exemptions);

"(B) the taxpayer's distributive share of a tax imposed upon the income of a partnership of which the taxpayer is a member; and

"(C) the taxpayer's pro rata share of a tax imposed upon the income of an electing small business corporation (as defined in section 1371(b)) of which the taxpayer is a shareholder, by a State or any political subdivision thereof or by the District of Columbia. In the case of a separate return by a married individual, the amount of State and local income taxes imposed upon the income of such individual shall be determined under regulations prescribed by the Secretary or his delegate.

"(2) CHANGE OF ELECTION.—The choice as to whether an individual shall elect to have the benefits of this section may be made or changed at any time before the expiration of the period prescribed for making a claim for credit or refund of the tax imposed by this chapter for the taxable year with respect to which such State or local income tax was paid or accrued.

"(3) ADJUSTMENTS ON PAYMENT OF ACCRUED TAXES.—If accrued taxes when paid differ from the amounts used by an individual as the basis for claiming a credit under this section, or if any tax paid is refunded, in whole or in part, such individual shall notify the Secretary or his delegate, who shall redetermine the amount of the tax for the year or years affected. The amount of tax due on such redetermination, if any, shall be paid by such individual on notice and demand by the Secretary or his delegate, and the amount of tax overpaid, if any, shall be credited or refunded to the individual in accordance with subchapter B of chapter 66 (section 6511 and following). In the case of a State or local income tax accrued but not paid, but used as the basis for claiming a credit under this section, the Secretary or his delegate, as a condition precedent to the allowance of such credit may require such individual to give a bond, with sureties satisfactory to and to be approved by the Secretary or his delegate, in such sum as the Secretary or his delegate may require, conditioned on the payment by the individual of any amount of tax found due on any such redetermination; and the bond herein prescribed shall contain such further conditions as the Secretary or his delegate may require. In such redetermination by the Secretary or his delegate of the amount of tax due from such individual for the year or years affected by a refund, the amount of the taxes refunded with respect to which credit has been allowed under this section shall be reduced by the amount of any State or local income tax imposed with respect to such refund; but no credit under this section, and no deduction under section 164 (relating to deduction for taxes), shall be allowed for any taxable year with respect to such State or local income tax imposed on the refund. No interest shall be assessed or collected on any amount of tax due on any redetermination by the Secretary or his delegate, resulting from a refund to the individual, for any period before the receipt of such refund, except to the extent interest was paid on such refund by the State or local government for such period.

"(c) CROSS REFERENCES.—

"(1) for deductions of State and local income taxes, see sections 164 and 275.

"(2) for right of each partner to make election under this section, see section 703 (b)."

(b) DISALLOWANCE OF DEDUCTION.—Section 275(a) of such Code (relating to certain taxes not deductible) is amended by adding at the end thereof the following new paragraph:

"(6) State and local income taxes, if the individual chooses to take to any extent the benefits of section 40 (relating to State and local income taxes)."

TECHNICAL AMENDMENTS

SEC. 202. (a) The table of sections for subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 is amended by striking out the item relating to section 40 and inserting in lieu thereof the following:

"Sec. 40. State and local income taxes.
"Sec. 41. Overpayments of tax."

(b) Section 37(a) of such Code (relating to retirement income) is amended by striking out "and section 35 (relating to partially tax-exempt interest)" and inserting in lieu thereof "section 35 (relating to partially tax-exempt interest), and section 40 (relating to State and local income taxes)".

(c) Section 46(a)(3) of such Code (relating to amount of credit) is amended—

(1) by striking out "and" in subparagraph (B);

(2) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof a semicolon and the word "and"; and

(3) by adding after subparagraph (C) the following new subparagraph:

"(D) section 40 (relating to State and local income taxes)."

(d) Section 703 of such Code (relating to partnership computations) is amended—

(1) by relettering subparagraphs (D), (E), and (F) of subsection (a)(2) as subparagraphs (E), (F), and (G);

(2) by inserting after subparagraph (C) of paragraph (2) the following new subparagraph:

"(D) the deduction for taxes provided in section 164(a) with respect to State and local income taxes;" and

(3) by amending subsection (b) to read as follows:

"(b) ELECTIONS OF THE PARTNERSHIP.—Any election affecting the computation of taxable income derived from a partnership shall be made by the partnership, except that the election under sections 40 (relating to State and local income taxes) and 901 (relating to taxes of foreign countries and of possessions of the United States), and any election under section 615 (relating to exploration expenditures) or under section 617 (relating to additional exploration in the case of domestic mining), shall be made by each partner separately."

EFFECTIVE DATE

SEC. 203. The amendments made by this title shall apply to taxable years beginning after the date of the enactment of this Act.

TITLE III—FEDERAL COLLECTION OF STATE INCOME TAXES

FEDERAL COLLECTION

SEC. 301. (a) Chapter 77 of the Internal Revenue Code of 1954 (relating to miscellaneous provisions) is amended by adding at the end thereof the following new section:

"SEC. 7517. FEDERAL COLLECTION OF STATE INCOME TAXES.

"(a) GENERAL.—Where the law of any State or possession of the United States imposes an income tax, on the request of the proper officials of such State or possession authorized to make such request pursuant to State law the Secretary or his delegate is authorized in his discretion to enter into an agreement with such State or possession, under which, to the extent provided therein, the Secretary or his delegate will administer and enforce such income tax in behalf of such State or possession.

"(b) COSTS.—As a part of any agreement entered into pursuant to subsection (a), the Secretary or his delegate shall require that such State or possession pay to the Treasury Department the cost of the work or services performed (including material supplied) in administration and enforcement of such tax."

(b) The table of sections for chapter 77 of such Code is amended by adding after the item relating to section 7516 the following new item:

"Sec. 7517. Federal collection of State income taxes."

(c) Subsection (c) of section 7809 of such code (relating to deposit of collections) is amended—

(1) by striking out "and" in paragraph (2);

(2) by renumbering paragraph (3) as paragraph (4); and

(3) by inserting a new paragraph (3) immediately following paragraph (2) as follows:

"(3) Work or services performed (including material supplied) pursuant to section 7517 (relating to Federal collection of State income taxes); and"

TITLE IV—LARGER FEDERAL CREDIT FOR STATE DEATH TAX PAYMENTS

ALTERNATIVE CREDIT

SEC. 401. Section 2011 of the Internal Revenue Code of 1954 (relating to credit for State death taxes) is amended by adding at the end thereof the following new subsection:

"(f) ALTERNATIVE CREDIT.—

"(1) ALLOWANCE OF CREDIT.—In lieu of the credit authorized by subsection (a) for estate, inheritance, legacy, or succession taxes, the tax imposed by section 2001 may be credited with the amount of any estate tax actually paid to any State in respect of any property included in the gross estate (not including any such tax paid with respect to the estate of a person other than the decedent) of a decedent dying after December 31, 1971.

"(2) MAXIMUM AMOUNT OF CREDIT.—The credit allowed by this subsection shall not exceed the appropriate amount stated in the following table:

"If the taxable estate is—	The maximum credit shall be—
Not over $5,000	2.4% of the taxable estate.
Over $5,000 but not over $10,000.	$120 plus 5.6% of the excess over $5,000.
Over $10,000 but not over $30,000.	$400 plus 10% of the excess over $10,000.
Over $30,000 but not over $50,000.	$2,400 plus 16% of the excess over $30,000.
Over $50,000 but not over $100,000.	$5,600 plus 22% of the excess over $50,000.
Over $100,000 but not over $150,000.	$16,600 plus 24% of the excess over $100,000.
Over $150,000 but not over $500,000.	$28,600 plus 6% of the excess over $150,000.
Over $500,000 but not over $1,000,000.	$49,600 plus 7% of the excess over $500,000.
Over $1,000,000 but not over $2,500,000.	$84,600 plus 9% of the excess over $1,000,000.
Over $2,500,000 but not over $5,000,000.	$219,600 plus 12% of the excess over $2,500,000.
Over $5,000,000 but not over $8,000,000.	$519,600 plus 14% of the excess over $5,000,000.
Over $8,000,000 but not over $12,000,000.	$939,600 plus 15% of the excess over $8,000,000.
Over $12,000,000	$1,539,600 plus 16% of the excess over $12,000,000.

"(3) REQUIREMENT OF STATE CERTIFICATION.—The provisions of this subsection shall apply in the case of the estate of a decedent dying before January 1, 1972, only if his death occurs after the Governor of the State imposing the tax for which the credit is claimed certifies to the Secretary or his delegate—

"(A) that the estimated annual revenue level of the death taxes of such State has

been increased by an amount which is not less than the amount which the Secretary or his delegate shall have certified to the Governor as the amount by which (i) the estimated aggregate credits determined under this subsection on the basis of Federal estate tax returns filed during the calendar year 1968 from his State exceed (ii) the aggregate credits claimed under subsection (a) on such returns, and

"(B) that under the applicable provisions of law such increase in death taxes is effective with respect to estates of decedents dying before January 1, 1972.

"(4) DEFINITION.—As used in this subsection with respect to the District of Columbia, the term 'Governor' means the Commissioner of the District of Columbia."

TECHNICAL AMENDMENTS

SEC. 402. (a) Section 2011(b) of the Internal Revenue Code of 1954 (relating to amount of credit for State death taxes) is amended by striking out "the credit allowed by this section" and inserting in lieu thereof "the credit allowed by subsection (a)".

(b) Section 2011(e) of such code (relating to limitation in cases involving deduction under section 2053(d)) is amended—

(1) by striking out "subsection (a)" each place it appears in paragraphs (1) and (2)(B) and inserting in lieu thereof "subsection (a) or (f)(1)";

(2) by striking out "subsection (b)" in paragraphs (2)(A) and (2)(B) and inserting in lieu thereof "subsection (b) or (f)(2)"; and

(3) by inserting "in any case where the credit is determined under subsection (a)" after "subparagraph (A) of that paragraph" in paragraph (3).

TITLE V—TO PERMIT STATE AND LOCAL TAXING AUTHORITIES TO TAX PROPERTY LOCATED IN FEDERAL AREAS

SEC. 501. Title 4, United States Code, is amended by inserting after section 105 the following new section:

"§ 105A. Same; property tax

"(a) Subject to the provisions of subsection (b), no person shall be relieved from liability for payment of any otherwise applicable property tax levied by any State, or by any duly constituted taxing authority therein, having jurisdiction to levy such a tax, on the ground that all or part of the property taxed is located in a Federal area. Such State or taxing authority shall have full jurisdiction and power to levy and collect any such tax in any Federal area within such State to the same extent and with the same effect as though such area were not a Federal area.

"(b)(1) Before a State or taxing authority may levy and collect a tax as provided in subsection (a), an agency designated for that purpose by the President must have certified that persons owning property subject to taxation under this section or living or working in areas under the exclusive Federal legislative jurisdiction within the State are afforded substantially the same rights, privileges, and tax-supported services, as if the area were not under exclusive Federal jurisdiction. In no case shall such certification be given unless those persons permanently residing within such areas are afforded the same rights to vote and to hold public office as those available to persons permanently residing in such State outside of such areas.

"(2) The designated agency shall have the authority to revoke certification upon its determination that the State no longer adheres to the requirements of paragraph (1) of this subsection.

"(c) For the purpose of this section, a property tax means any Tax imposed directly on, or measured by the value of, real or personal property or any interest in real or personal property.

"(d) Nothing in this section shall affect—

"(1) any of the rights, privileges, and protections afforded by section 514 of the Soldiers' and Sailors' Civil Relief Act of 1940 (50 U.S.C. App. 574); or

"(2) the provisions of section 408 of the Housing Amendments of 1955 with respect to the taxation of an interest of a lessee from the Federal Government in or with respect to any property covered by a mortgage insured under the provisions of title VIII of the National Housing Act in effect prior to August 11, 1965.

"(e) The provisions of this section shall apply only to taxes levied on or after January 1, 1971."

SEC. 502. The analysis of chapter 4 of such title, immediately preceding section 101, is amended by inserting between items 105 and 106 the following new item:

"105A. Same; property tax."

SEC. 503. (a) Section 107(a) of title 4, United States Code, is amended by inserting immediately after "105" a comma and "105A,".

(b) Section 108 of such title is amended by striking out "sections 105–110" and inserting in lieu thereof "sections 105, 105A, 106, 107, 108, 109, 110".

(c) Section 109 of such title is amended by inserting immediately after "sections 105" a comma and "105A,".

SEC. 504. Section 1343 of title 28, United States Code, is amended—

(1) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon; and

(2) by adding after paragraph (4) the following new paragraph:

"(5) To secure equitable or other relief to prevent the collection of taxes contrary to the provisions of section 105A of title 4 or other provisions of law."

SECTION-BY-SECTION ANALYSIS OF THE INTERGOVERNMENTAL REVENUE ACT OF 1969

Section 1 provides that this legislation may be cited as the "Intergovernmental Revenue Act of 1969."

Declaration of policy

Section 2 affirms the "federal" character of the governmental system of the United States and contains the declaration of Congressional policy to federalize the Federal personal income tax, reduce Federal tax impediments to more intensive use of State personal income taxes, facilitate the exercise of adequate powers of taxation by States and localities and establish a system of general support (revenue-sharing) payments to the States and major units of local government.

Confronted with the diversity of objectives in fashioning a program into aid State and local governments, this legislation proposes that a variety of techniques including revenue sharing and income and death tax credits be combined into a remedial measure that will:

Redress the unequal distribution of taxable resources and thereby help create a fiscal environment that will enable States and localities to exercise wider latitude in determining their budgetary priorities.

Strengthen the financial base of State and local governments with revenue sources that grow as the national economy expands.

Reward States and major local units that go the extra mile on tax effort to respond to their own expenditure requirements.

Arm States with the revenue source that enables them to enlarge their fiscal flexibility, diversify their tax systems, and adjust the distribution of tax burdens for family size as well as other equity considerations.

Reduce State vulnerability to and political leaders concern with tax competition from other States based solely on their making intensive use of the personal income tax.

TITLE I—GENERAL SUPPORT PAYMENTS TO STATES AND THEIR POLITICAL SUBDIVISIONS

Section 101 defines several terms used in this title of the Act.

General support trust fund

Section 102 establishes the General Support Trust Fund in the Treasury of the United States and provides for annual appropriations to the trust fund. The section directs the Secretary of the Treasury to determine the annual appropriation to the trust fund as an amount equal to either (a) the result obtained by adding (i) [1] percent of Federal individual taxable income and (ii) [25] percent of State personal income tax collections and dividing the sum by 2 or (b) the amount appropriated to the trust fund for the preceding year, whichever is greater. This proviso protects States and localities from a cutback resulting from a recession. The section also requires the Secretary to transfer amounts from the general fund to the trust fund quarterly on the basis of estimates and subsequently adjust the trust fund transfers to reflect the precise formula determination.

In fiscal 1970 the appropriations to the trust fund under this act would approximate $2.8 billion determined as follows:

[In billions]

A. 1% of Federal individual taxable income	$3.8
B. 25% of State Personal Income Tax Collections	1.8
Sum of A and B	5.6
Result of dividing sum by Z	2.8

Initially, growth in the State income tax collections factor will outrun growth in the Federal individual taxable income factor because of State tax rate increases and new State income tax enactments. Thus, in the near term, the general support fund will rise faster than the growth of the Federal individual income tax base. The trust fund appropriation will continue to grow at a fairly rapid pace even after all the States have entered the personal income tax fold because of the responsiveness of this tax to growth in the national economy.

This section further provides a percentage set aside, for the first three years following enactment, to be used by the Secretary of the Treasury to fulfill his administrative and data gathering responsibilities under this title.

Basic payments

Section 103 requires the Secretary of the Treasury to make quarterly payments from the trust fund to the qualifying States and adjust subsequent payments to reflect any previous over or under payments.

State area entitlement

Section 104 directs the Secretary of the Treasury to determine by formula, the amount of the entitlement to the trust fund for each "State area." A State area is defined as the State government and all political subdivisions of the State. The formula specified in this section allocates to each State area an amount that depends on the population and relative tax effort in each State area. This approach assumes that State and local governments comprise a system in each State area. It recognizes that responsibilities are divided in different ways as between State and local governments in each State area. Each State area thus shares in the fund in proportion to its population and State-local-tax effort—the respective indicators of a State area's revenue needs and the response made to these needs.

The Secretary would obtain for each State area its:

(A) resident population;

(B) tax effort, i.e., the result of dividing the annual total of State and local taxes plus profits of State-owned liquor stores by the total personal income of individuals in the State area; and

(C) tax effort ratio, i.e., the result of dividing the current tax effort (B) by the tax effort for the previous period.

After multiplying each of the factors (A, B, and C) for each State, the products are added to determine the sum for the 50 States and the District of Columbia. This total becomes the denominator for calculating a ratio between each State's population-tax effort product and the total population-tax effort product for all States. The amount of the trust fund multiplied by this ratio for any State yields the amount of that State area's entitlement.

The use of two tax effort factors in the formula provides a bonus to States which maintain and increase thier tax effort. The factors also protect the National Government against attempts by States to replace State-local tax efforts with funds from revenue sharing.

Distribtuion of State area entitlement

Section 105 requires Governors to pay over to cities and counties of 50,000 population a portion of the State area entitlement in accordance with a formula that varies the payment to each city and county on the basis of its local revenue ratio, i.e., the ratio between its tax receipts and the total tax receipts of the State and its localities plus State liquor store profits.

The amount of local tax receipts is assumed to implicitly reflect variations in local tax effort.

Specifically, the pass-through requirement in this act provides that (a) cities and counties of 100,000-plus population receive an amount equal to the product of multiplying the State area entitlement by two times the local revenue ratio, and (b) cities and counties of 50,000-plus population receive an amount equal to the product of multiplying the State area entitlement by two times the local revenue ratio multiplied further by the percentage by which the city or county population exceeds 50,000. This population modification for the cities and counties in the 50,000 to 100,000 size class avoids the possibility of drastically different treatment for cities and counties just below and just above the minimum population of 50,000.

The 50,000 population cutoff figure is designed to reconcile the competing demands of "federalism" and "urbanism." By drawing the line at 50,000, Congress still leaves each State with considerable discretion in the allocation of revenue sharing payments to its units of local government, a policy that accords with the tenets of federalism.

By specifying payments to the 872 counties and cities above the 50,000 mark which account for approximately 75 percent of the nation's population, Congress includes virtually all of the local jurisdictions experiencing the most severe fiscal tensions. The use of the multiplier of two times the local revenue ratio is designed to reflect the national urgency of the urban fiscal crisis.

It is estimated that on a nationwide basis. This formula allocates 22 percent of the trust fund to cities and 13 percent to counties.

To encourage States to take the initiative in strengthening the fiscal position of cities and counties and to maximize flexibility in the use of general support payments for meeting the particular needs of differing State-local fiscal systems, this section requires the Secretary to accept an alternative State plan that meets either of two conditions:

(1) Each city and county will receive more under the State alternative plan than it is entitled to under the statutory formula; or

(2) An alternative State plan is accepted by formal resolution of the city and county legislative bodies representing, at one and the same time, half of those entitled to receive payments under the statutory formula, and those entitled to receive at least 50% of the amount designated by the statutory formula for cities and counties.

Under the second of these conditions, a State with the concurrence of cities and counties, may carry out a plan that would shift financial responsibility for a major function such as support for public schools or public assistance from the local governments to the State.

In recognition of the contribution that locally imposed school taxes make to aggregate State and local tax effort, this section further designates part of the State area entitlement for support of local schools. The amount spent for this purpose is determined by multiplying the payment to the State (after subtracting the amount allocated to cities and counties) by the ratio of separate school taxes to State and separate school taxes. It is estimated that on a nationwide basis this requirement allocates 16 percent of the trust fund to school support.

Qualifying agreements with the Secretary

Section 106 requires the Governor of a State with the approval of the State legislature to enter an agreement with the Secretary in order to qualify to receive revenue sharing payments. States would pledge to adhere to seven conditions:

(1) Financial control and accountability over payments to the State of the same type the State gives to State funds;

(2) Preparation and submission to the Secretary of a five-year projection of State government expenditures along with a report on the disposition of revenue sharing payments in order to subject the spending of the funds to the usual budgetary processes. The Secretary has no power either to approve or disapprove the plan or the expenditures.

(3) Maintenance of the unrestricted character of the funds distributed to cities and counties, except that a State could prohibit cities and counties from spending the money for a purpose that conflicts in whole or in part with a State's plan dealing with the utilization and development of its human or physical resources;

(4) Confirmation by report to the Secretary that in each of the first three years after the effective date of the act that the State did not reduce its grants out of its own funds to eligible cities and counties because of the Federal aid assured to these governments under this act. It is thus the intent of the act that the States not reduce their grants out of their own funds to eligible cities and counties.

(5) Adherence to all Federal laws in connection with any activity or program supported by funds provided in this Act so that these funds do not perpetuate practices that conflict with national policy.

(6) Submission of reports as necessary to the Secretary, the Congress, and the Comptroller General to help them carry out their responsibilities under this act:

(7) Distribution of the funds within the State required under Section 105.

Powers of the Secretary

Section 107 directs the Secretary to obtain the requisite statistical data, reports and other materials he needs to discharge his responsibilities under this title and requires Federal agencies to carry out their statistical functions in a manner that will assist the Secretary in administering this title. This section also gives the Secretary authority to reimburse Federal agencies for the cost of providing any data necessary to the administration of this act from the funds allocated for the Secretary by a percentage set aside in the first three years following the enactment of the act. It further authorizes appropriations after the first three years to support the continuing information requirements of the Secretary under this act.

This section also empowers the Secretary after giving notice and conducting a hearing, to stop payments to a State that fails to comply with the agreements required under the act until such time as corrective action is taken.

Judicial review

Section 108 permits a State to file a petition for review of the Secretary's action in the appropriate United States Court of Appeals. The scope of the judicial review authority is spelled out and includes final appeal to the Supreme Court.

Report by the Secretary

Section 109 requires the Secretary to report to the Congress on the operation of the trust fund for the preceding and current fiscal years. He must file a statement of the actual and estimated appropriations and disbursements from the trust fund and may recommend changes in its operation.

Congressional study

Section 110 charges the respective Appropriations and Legislative committees of both the House and the Senate to conduct a full and complete study with respect to the operation of the trust fund at least once during each session of Congress. This section explicitly provides that the Congress retains the same rule-making authority with respect to these rules as it does with other rules.

TITLE II—PARTIAL FEDERAL INCOME TAX CREDIT FOR STATE AND LOCAL INCOME TAX PAYMENTS

Section 201 amends the Internal Revenue Code by renumbering Section 40 as 41 and inserting a new Section 40 that permits individuals to elect, in lieu of deductions, to take full credit against their Federal income tax liability an amount equal to [40] percent of their State and local income tax payments. The section defines State and local income taxes so as to include only those that apply to net income (after personal exemptions and dependent allowances). It pins down the period in which the taxpayer changes his election of the Section 40 credit or deductions. It spells out the methods to be used in accounting for adjustments on payments of accrued taxes claimed as Section 40 credits. It also incorporates cross references and the necessary technical and conforming amendments to other sections of the Internal Revenue Code.

The effect of the partial Federal tax credit on State use of the income tax cannot be predicted with certainty. Nonetheless, the thrust of the credit will be to encourage greater State use of this revenue source. Assuming the credit stimulates State income tax effort to a moderate degree, the Federal revenue foregone during the second year of the operation of the credit may be more than offset by the increasing State income tax receipts. Once State income tax receipts pass this threshold, State gains should overshadow Federal revenue loss because the States will be collecting one dollar for each forty cents of Federal credit.

Section 202 makes the amendments to the Internal Revenue Code contained in this title effective with taxable years beginning after the date of the enactment of this act.

TITLE III—FEDERAL COLLECTION OF STATE INCOME TAXES

Section 301 adds a new section to Chapter 77 of the Internal Revenue Code to allow the proper officials of any State and the Secretary of the Treasury to enter into an agreement for Federal administration and enforcement of that State's income tax. It requires that the State pay to the Treasury Department the cost of any work or services performed as a result of the agreement.

If the States, on their part, evidence a willingness to enter into the agreements authorized under this section, the day may come when taxpayers of a State can discharge both Federal and State tax liabilities with a single set of tax officials. States have tended increasingly to conform their income tax laws to the Federal Internal Revenue Code. The prospects of working out a mutually accepted agreement have thereby been enhanced. Currently, several States are considering the enactment of a personal income tax for the first time. If the Secretary of the Treasury had this authority one or more of these States might immediately take steps to enter into an agreement in order to avoid the cost

of establishing its own income tax administrative machinery.

TITLE IV—LARGER FEDERAL CREDIT FOR STATE DEATH TAX PAYMENTS

Section 401 amends the Internal Revenue Code by adding a new subsection at the end of section 2011 to restructure and liberalize the Federal credit for State death tax payments in return for State enactment of: (a) an estate tax in States now using an inheritance tax in order to ease taxpayer compliance and tax administration burdens; and (b) revised estate tax rates to pick up the increases in the Federal credits so that their effect is to raise State revenue rather than to reduce State taxes.

Taxpayers compliance and tax administration are frequently difficult under the present system of Federal estate and gift taxes and State estate, inheritance, and gift taxes. Jurisdictional conflicts frequently arise. State revenue from death taxes fluctuates from year to year. This section replaces the present Federal estate tax credit for State death tax payments with a two-bracket credit. This two-step credit gives the States a larger part of the revenue produced by the lower tax brackets—taxable estates up to $50,000—and reserves for the Federal government the portion of the revenue produced by the larger estates. This section would make the liberalized credit applicable to decedents dying after December 31, 1972 to give States time to make appropriate adjustments in their tax laws to obtain the revenues involved. The budgetary impact of this section would build up gradually after the first few years.

TITLE V—PROPERTY TAXES IN FEDERAL ENCLAVES

Section 501 adds a new section 105A to Title 4 of the United States Code. This new section permits the imposition and collection of property taxes on privately owned real and personal property within Federal areas, such congressional consent to take effect (or terminate) State-by-State upon certification (made or withdrawn) by an agency designated by the President that persons living and working in areas under the exclusive Federal legislative jurisdiction within the State are afforded substantially the same rights and privileges and tax supported services as those available to other residents of the State.

Under the provisions of Title V the National Government would permit States and their localities to tax the personal property of private individuals located in areas under exclusive Federal jurisdiction. This privilege would be accorded only if the State could demonstrate to the satisfaction of the Department of Justice that all persons residing in such Federal enclaves enjoy the same rights and privileges accorded to residents of the State. Adoption of this provision would not result in a direct revenue loss to the National Government—it would, however, result in some personal property tax gain to those local governments that have Federal enclaves located within their jurisdictions.

In view of recent economic trends, the rise in local tax rates and an estimate that States and localities in 1961 would have gained about $10 million a year, it seems reasonable to estimate the current revenue gain would be on the order of $20 million annually.

SUMMARY OF H.R. 13353, THE INTERGOVERNMENTAL REVENUE ACT

TITLE I—GENERAL SUPPORT PAYMENTS TO STATES AND THEIR POLITICAL SUBDIVISIONS

This Title establishes a General Support Trust Fund to receive each year an amount equal to half the sum of 1% of Federal individual taxable income plus 25% of State personal income tax. This sum would be distributed to qualifying State governments quarterly, and to protect them, subsequent payments would not be lower than for previous years. Estimates indicate the fund would distribute $2.8 billion in FY 1970, $3.35 billion in FY 1971, and $3.9 billion in FY 1972.

This total fund would be allocated among the various States using a formula based primarily on population. This formula, however, would be weighted upward for poorer States and for those States with a higher relative local tax effort.

For a State to qualify for such aid it would have to meet legal standards designed to maintain proper control of the funds. The State would also have to continue efforts to help local governments.

The funds a particular State receives are to be allocated to the State, counties, cities, and school boards, based roughly on their relative tax efforts, but weighted to favor urban concentrations. To maintain the role of the State, all money is funnelled through it, but to protect and help large cities and counties, a mandatory pass-through assures them of a share of the funds. To maintain flexibility, alternative allocations within the States are possible if those State and local governments involved agree.

TITLE II—PARTIAL FEDERAL INCOME TAX CREDIT FOR STATE AND LOCAL INCOME TAX PAYMENTS

This Title permits individuals to take, in lieu of the itemized tax deduction, in full credit against their Federal income tax liability an amount equal to 40% of their State and local income tax payments. In effect, certain funds will not be collected by the Federal government, if the States collect these themselves. This would support local and State governments, cutting out Federal red tape and overhead.

TITLE III—FEDERAL COLLECTION OF STATE INCOME TAXES

This Title allows a State and the Secretary of the Treasury to enter an agreement to have State income taxes collected by the Federal government. For those States who base their local tax on the Federal income tax, this provision would be of great help and would simplify local tax administration.

TITLE IV—LARGER FEDERAL CREDIT FOR STATE DEATH TAX PAYMENTS

This Title permits the restructuring and liberalizing of the Federal credit for State death tax payments. As a result, the State receives a larger share of the total estate tax levied, while the net burden on the individual's estate does not change.

TITLE V—PROPERTY TAXES IN FEDERAL ENCLAVES

This Title permits the collection of property taxes from privately owned property within Federal enclaves, if persons living and working in areas under exclusive Federal legislative jurisdiction are given substantially the same rights and privileges and tax-supported services as those available to other residents of the State.

INTERGOVERNMENTAL REVENUE ACT OF 1969

EXHIBIT A.—ESTIMATED FEDERAL TRUST FUND APPROPRIATION FOR FISCAL YEARS 1970, 1971, AND 1972 UNDER THE PROPOSED FORMULA FOR GIVING EQUAL WEIGHT TO 2 FACTORS—1 PERCENT OF FEDERAL TAXABLE INCOME AND 25 PERCENT OF STATE PERSONAL INCOME TAX COLLECTIONS

[Amounts in billions]

	1 percent of Federal taxable income (estimate)	25 percent of State income tax collections [1]	Trust fund cols. 1+2÷2
Fiscal year:			
1970	$3.8	$1.8	$2.8
1971	4.1	2.6	3.35
1972	4.4	3.5	3.9

[1] Assumes adoption of Federal tax credit proposal in 1969 and that its acceleration effect on State personal income tax collections is moderately strong as shown in exhibit E for 1970 and 1971 and that collections for 1969 are $7,200,000.

Source: ACIR staff estimates.

EXHIBIT B.—SUMMARY OF STATE-AREA ENTITLEMENTS WITH $3,000,000,000 OF SHARED REVENUE

State	Population, 1967		State-area entitlement				Percent effect of relative-effort provisions		Per capita personal income, 1967	
	Number (thousands)	Percent of United States	Amount (thousands)	Percent of United States	Per capita	Per $100 S–L taxes	As applied	Current effort only	Amount	Percent of U.S. average
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
United States	197,863	100.000	$3,000,000	100.000	$15.16	$4.88			$3,159	100
Alabama	3,540	1.789	47,490	1.583	13.42	6.93	−12	−10	2,163	68
Alaska	272	.137	3,750	.125	13.79	4.48	−9	−11	3,738	118
Arizona	1,634	.826	30,150	1.005	18.45	5.80	+22	+21	2,720	86
Arkansas	1,968	.995	27,720	.924	14.09	7.08	−7	−6	2,099	66
California	19,153	9.680	333,000	11.100	17.39	4.19	+15	+16	3,665	116
Colorado	1,975	.998	33,090	1.103	16.75	4.83	+11	+14	3,135	99
Connecticut	2,925	1.478	37,710	1.257	12.89	3.88	−15	−13	3,969	126
Delaware	523	.264	7,560	.252	14.46	4.27	−5	−7	3,642	115
District of Columbia	809	.409	10,410	.347	12.87	3.78	−15	−18	4,123	131
Florida	5,995	3.030	93,660	3.122	15.62	5.69	+3	+1	2,853	90
Georgia	4,509	2.279	62,100	2.060	13.77	6.13	−9	−9	2,541	80
Hawaii	739	.373	15,090	.503	20.42	5.02	+35	+28	3,331	105
Idaho	699	.353	12,570	.419	17.98	6.00	+19	+17	2,565	92
Illinois	10,893	5.505	126,600	4.220	11.62	3.90	−23	−19	3,750	119
Indiana	5,000	2.527	73,920	2.464	14.78	4.80	−2	−4	3,196	101
Iowa	2,753	1.391	41,220	1.374	14.97	4.49	−1	+5	3,109	98
Kansas	2,275	1.150	34,800	1.160	15.30	4.86	+1	+4	3,060	97
Kentucky	3,189	1.612	44,280	1.476	13.89	6.52	−8	−10	2,426	77
Louisiana	3,662	1.851	59,670	1.989	16.29	6.25	+7	+10	2,456	78
Maine	973	.492	14,910	.497	15.32	5.60	+1	+4	2,657	84
Maryland	3,682	1.861	58,320	1.944	15.84	4.87	+4	−2	3,421	108

EXHIBIT B.—SUMMARY OF STATE-AREA ENTITLEMENTS WITH $3,000,000,000 OF SHARED REVENUE—Continued

State	Population, 1967		State-area entitlement				Percent effect of relative-effort provisions		Per capita personal income, 1967	
	Number (thousands)	Percent of United States	Amount (thousands)	Percent of United States	Per capita	Per $100 S–L taxes	As applied	Current effort only	Amount	Percent of U.S. average
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Massachusetts	5,421	2.740	$91,230	3.041	$16.83	$4.56	+11	+7	$3,541	112
Michigan	8,584	4.338	122,430	4.081	14.26	4.35	−6	−3	3,396	108
Minnesota	3,582	1.810	63,300	2.110	17.67	4.95	+17	+17	3,116	99
Mississippi	2,348	1.187	36,930	1.231	15.73	7.92	+4	+6	1,896	60
Missouri	4,603	2.326	62,880	2.096	13.66	5.25	−10	−12	2,993	95
Montana	701	.354	11,340	.378	16.18	5.29	+7	+10	2,765	88
Nebraska	1,435	.725	19,290	.643	13.44	4.95	−11	−11	3,081	98
Nevada	444	.224	7,470	.249	16.82	4.43	+11	+7	3,583	113
New Hampshire	686	.347	9,690	.323	14.13	5.15	−7	−6	3,053	97
New Jersey	7,003	3.539	96,960	3.232	13.85	4.40	−9	−12	3,668	116
New Mexico	1,003	.507	16,230	.541	16.18	5.86	+7	+10	2,477	78
New York	18,336	9.267	367,380	12.246	20.04	4.38	+32	+25	3,759	119
North Carolina	5,029	2.542	70,200	2.340	13.96	6.24	−8	−6	2,439	77
North Dakota	639	.323	10,110	.337	15.82	5.93	+4	+5	2,487	79
Ohio	10,458	5.285	121,470	4.049	11.62	4.57	−23	−20	3,213	102
Oklahoma	2,495	1.261	38,460	1.282	15.41	5.97	+2	0	2,643	84
Oregon	1,999	1.010	33,060	1.102	16.54	5.07	+9	+8	3,063	97
Pennsylvania	11,629	5.877	161,790	5.393	13.91	4.89	−8	−9	3,187	101
Rhode Island	900	.455	12,060	.402	13.40	4.54	−12	−7	3,328	112
South Carolina	2,599	1.314	35,370	1.179	13.61	6.91	−10	−9	2,213	70
South Dakota	674	.341	11,010	.367	16.34	5.68	+8	+12	2,590	82
Tennessee	3,892	1.967	53,550	1.785	13.76	6.50	−9	−9	2,394	76
Texas	10,869	5.493	137,490	4.583	12.65	5.53	−17	−14	2,744	87
Utah	1,024	.518	17,340	.578	16.93	5.76	+12	+14	2,604	82
Vermont	417	.211	6,840	.228	16.40	5.28	+8	+15	2,825	89
Virginia	4,536	2.292	65,160	2.172	14.37	5.91	−5	−10	2,804	89
Washington	3,087	1.560	49,980	1.666	16.19	4.45	+7	+9	3,521	112
West Virginia	1,798	.909	27,360	.912	15.22	6.65	0	−1	2,334	74
Wisconsin	4,189	2.117	69,180	2,306	16.51	4.66	+9	+14	3,156	100
Wyoming	315	.159	6,450	.215	20.48	5.59	+35	+26	3,002	95

EXHIBIT C.—SHARED REVENUE ALLOCATIONS BY TYPE OF GOVERNMENT (WITH $3,000,000,000 TOTAL)

State	Amounts (thousands)					Percent				Exhibits State taxes as percent of S–L taxes
	Total	State governments	Major cities	Major counties	School districts	State governments	Major cities	Major counties	School districts	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
United States	$3,000,000	$1,476,443	$666,292	$374,532	$482,765	49.22	22.12	12.48	16.09	52.4
Alabama	47,490	33,248	5,917	5,324	3,001	70.10	12.46	11.21	6.32	71.3
Alaska	3,750	2,977	----------	772	1	79.39	----------	20.60	.02	68.5
Arizona	30,150	15,273	4,661	3,935	6,281	50.66	15.46	13.05	20.83	57.3
Arkansas	27,720	21,138	704	529	5,348	76.26	2.54	1.91	19.29	72.5
California	333,000	121,689	54,679	90,443	66,190	36.54	16.42	27.16	19.88	43.8
Colorado	33,090	15,553	5,526	3,805	8,206	47.00	16.70	11.50	24.80	49.0
Connecticut	37,710	26,660	11,034	----------	16	70.70	29.26	----------	.04	48.1
Delaware	7,560	5,446	921	637	557	72.04	12.18	8.42	7.37	78.8
District of Columbia	10,410	----------	10,410	----------	----------	----------	100.00	----------	----------	----------
Florida	93,660	49,201	11,014	16,559	16,885	52.53	11.76	17.68	18.03	53.2
Georgia	62,100	40,031	5,850	7,862	8,357	64.46	9.42	12.66	13.46	65.8
Hawaii	15,090	8,153	6,815	122	----------	54.03	45.16	.81	----------	73.2
Idaho	12,570	9,576	----------	334	2,660	76.18	----------	2.66	21.16	63.4
Illinois	126,600	54,794	26,662	10,229	34,915	43.28	21.06	8.08	27.58	44.6
Indiana	73,920	38,010	7,362	8,870	19,677	51.42	9.96	12.00	26.62	50.0
Iowa	41,220	22,151	2,786	2,993	13,290	53.74	6.76	7.26	32.24	50.9
Kansas	34,800	20,078	2,436	3,619	8,667	57.70	7.00	10.40	24.91	49.6
Kentucky	44,280	30,581	4,145	2,506	7,048	69.06	9.36	5.66	15.92	68.5
Louisiana	59,670	40,408	8,807	4,219	6,236	67.72	14.76	7.07	10.45	72.3
Maine	14,910	13,849	656	227	178	92.88	4.40	1.52	1.19	53.1
Maryland	58,320	16,983	17,344	23,993	----------	29.12	29.74	41.14	----------	53.6
Massachusetts	91,230	55,176	32,952	3,102	----------	60.48	36.12	3.40	----------	47.7
Michigan	122,430	64,050	20,176	12,182	26,022	52.32	16.48	9.95	21.25	56.0
Minnesota	63,300	34,145	6,634	7,818	14,704	53.94	10.48	12.35	23.23	51.6
Mississippi	36,930	27,827	1,928	1,488	5,687	75.35	5.22	4.03	15.40	67.0
Missouri	62,880	29,740	14,198	4,188	14,754	47.30	22.58	6.66	23.46	51.3
Montana	11,340	7,619	43	663	3,015	67.19	.38	5.85	26.59	45.2
Nebraska	19,290	7,630	2,677	1,431	7,551	39.55	13.88	7.42	39.14	34.9
Nevada	7,470	4,029	196	1,829	1,417	53.94	2.62	24.48	18.97	51.5
New Hampshire	9,690	4,821	1,041	303	3,525	49.75	10.75	3.13	36.38	41.5
New Jersey	96,960	36,890	19,159	19,770	21,141	38.05	19.76	20.39	21.80	37.7
New Mexico	16,230	12,419	1,860	524	1,526	76.52	11.46	2.62	9.40	74.5
New York	367,380	81,040	232,405	37,326	16,610	22.06	63.26	10.16	4.52	48.3
North Carolina	70,200	52,861	5,012	12,327	----------	75.30	7.14	17.56	----------	74.6
North Dakota	10,110	7,005	----------	133	2,972	69.29	----------	1.32	29.40	50.8
Ohio	121,470	50,310	20,626	12,487	38,047	41.42	16.98	10.28	31.32	45.6
Oklahoma	38,460	25,462	3,600	1,546	7,852	66.20	9.36	4.02	20.42	62.2
Oregon	33,060	16,724	3,055	3,104	10,177	50.59	9.24	9.39	30.78	53.3
Pennsylvania	161,790	81,190	33,685	13,073	33,843	50.18	20.82	8.08	20.92	55.1
Rhode Island	12,060	8,040	3,999	----------	21	66.67	33.16	----------	.17	53.7
South Carolina	35,370	28,813	828	1,556	4,173	81.46	2.34	4.40	11.80	77.2
South Dakota	11,010	6,348	130	269	4,263	57.66	1.18	2.44	38.72	43.1
Tennessee	53,550	28,334	14,405	10,780	31	52.91	26.90	20.13	.06	62.4
Texas	137,490	70,985	26,123	11,934	28,448	51.63	19.00	8.68	20.69	53.6
Utah	17,340	9,687	1,516	2,330	3,807	55.87	8.74	13.44	21.96	60.4
Vermont	6,840	4,920	----------	25	1,895	71.93	----------	.36	27.70	61.5
Virginia	65,160	34,740	18,128	12,563	----------	52.90	27.82	19.28	----------	59.2
Washington	49,980	33,856	4,528	4,813	6,783	67.74	9.06	9.63	13.57	71.3
West Virginia	27,360	20,268	804	1,042	5,245	74.08	2.94	3.81	19.17	70.8
Wisconsin	69,180	41,891	8,885	9,007	9,427	60.55	12.80	13.02	13.63	62.0
Wyoming	5,450	4,094	----------	40	2,316	63.47	----------	.62	35.91	48.3

EXHIBIT D.—NUMBER AND POPULATION OF AIDED MAJOR CITY AND COUNTY GOVERNMENTS

State	Net total population, aided cities and counties, 1960		Aided cities				Aided counties			
			Number		Population		Number		Population	
	Number (thousands)	Percent of State total	Total	With 1960 population of 100,000 or more	Number (thousands)	Percent of all city population	Total	With 1960 population of 100,000 or more	Number (thousands)	Percent of all county population
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
United States	133,303	74.3	314	130	64,045	54.6	558	276	114,738	72.5
Alabama	1,887	57.8	6	3	872	46.5	13	5	1,887	57.8
Alaska	83	36.7					1		83	50.0
Arizona	1,047	80.4	2	2	652	68.1	4	2	1,047	80.4
Arkansas	517	28.9	3	1	219	23.2	5	1	517	28.9
California	15,275	97.2	41	14	7,548	65.8	32	22	14,535	97.0
Colorado	1,368	78.0	3	1	655	53.5	9	5	874	69.4
Connecticut	873	34.4	8	4	873	67.6				
Delaware	446	100.0	1		96	54.1	3	1	446	100.0
District of Columbia	764	100.0	1	1	764	100.0				
Florida	4,235	85.5	10	4	1,364	47.8	21	11	4,235	85.5
Georgia	1,696	43.0	6	3	950	44.9	9	7	1,696	43.0
Hawaii	561	88.6	1	1	500	100.0	1		61	46.2
Idaho	151	22.6					2		151	22.6
Illinois	8,379	83.1	15	3	4,584	55.1	23	14	8,379	83.1
Indiana	2,937	63.0	9	6	1,401	47.0	18	9	2,937	63.0
Iowa	1,024	37.1	7	1	663	34.8	9	5	1,024	37.1
Kansas	928	42.6	3	3	496	32.1	6	4	928	42.6
Kentucky	1,375	45.3	3	1	514	37.4	11	3	1,375	45.3
Louisiana	2,100	64.5	5	3	1,138	57.1	12	5	1,242	51.8
Maine	690	71.2	1		73	20.2	6	3	690	71.2
Maryland	2,713	87.5	1	1	939	67.2	9	4	1,774	82.1
Massachusetts	5,143	99.9	19	5	2,323	82.2	11	9	4,348	99.9
Michigan	6,525	83.4	19	5	3,232	59.9	22	16	6,525	83.4
Minnesota	1,859	54.5	4	3	954	37.6	8	3	1,859	54.5
Mississippi	674	30.9	1	1	144	15.1	8	2	674	30.9
Missouri	2,634	61.0	6	2	1,515	50.0	9	3	1,884	52.8
Montana	152	22.5	2		108	27.1	2		152	22.5
Nebraska	499	35.4	2	2	430	44.4	2	2	499	35.4
Nevada	212	74.4	2		116	58.5	2	1	212	74.4
New Hampshire	405	66.7	1		88	28.7	4	1	405	66.7
New Jersey	5,969	98.4	14	6	1,675	39.4	19	16	5,969	98.4
New Mexico	537	56.5	1	1	201	32.8	6	1	537	56.5
New York	16,016	95.4	15	8	9,853	79.0	35	18	8,234	91.5
North Carolina	2,901	63.7	7	3	727	37.9	30	8	2,901	63.7
North Dakota	67	10.6					1		67	10.6
Ohio	8,323	85.8	18	8	3,664	52.5	40	16	8,323	85.8
Oklahoma	1,042	44.8	3	2	648	38.6	6	2	1,042	44.8
Oregon	1,268	71.7	2	1	424	43.8	9	4	1,268	71.7
Pennsylvania	10,630	93.9	14	5	3,584	50.5	41	27	8,627	92.6
Rhode Island	424	49.4	4	1	424	73.1				
South Carolina	1,451	60.9	3		230	25.8	13	4	1,451	60.9
South Dakota	145	21.3	1		66	16.4	2		145	21.7
Tennessee	1,981	55.5	4	4	1,139	58.6	10	4	1,581	49.9
Texas	6,340	66.2	21	11	4,375	58.3	27	16	6,340	66.2
Utah	666	74.7	2	1	260	39.7	4	3	666	74.7
Vermont	74	19.0					1		74	19.0
Virginia	2,041	51.4	10	4	1,244	65.4	7	3	797	33.6
Washington	2,381	83.5	3	3	887	51.2	13	5	2,381	83.5
West Virginia	1,046	56.2	3		223	26.9	12	2	1,406	56.2
Wisconsin	2,789	70.6	7	2	1,213	43.3	19	9	2,789	70.6
Wyoming	60	18.2					1		60	18.2

EXHIBIT E.—ESTIMATED STATE INCOME TAX COLLECTIONS AND FEDERAL REVENUE FOREGONE FOR THE FISCAL YEARS 1970, 1971, AND 1972 UNDER 4 HYPOTHETICAL CONDITIONS

[Amounts in billions]

Hypothetical conditions	1st year, 1970		2d year, 1971		3d year, 1972	
	State income tax collections	Federal revenue foregone	State income tax collections	Federal revenue foregone	State income tax collections	Federal revenue foregone
I. No change in present law that permits deduction of State tax payments when computing Federal tax	$8.5	[1] $1.9	$10.0	[1] $2.2	$12.0	[1] $2.6
II. Congress adopts ACIR-type tax credit proposal and the acceleration effect on State income tax collections is relatively weak [2]	9.4	[1] 3.9	12.0	[1] 5.0	15.6	[1] 6.6
III. Congress adopts ACIR-type tax credit proposal and the acceleration effect on State income tax collections is moderately strong [3]	10.6	[1] 4.5	14.0	[1] 5.9	19.2	[1] 8.1
IV. Congress adopts ACIR-type tax credit proposal and its acceleration effect on State income tax collections is strong [4]	11.9	[1] 5.0	16.5	[1] 6.9	22.8	[1] 9.6

[1] Assumes an average State income tax write-off against Federal tax of 22 percent under present law and 42 percent under ACIR-type credit.

[2] Assumes that it will take 3 years before the increase in State income tax collections will offset the additional amount of Federal income tax foregone. Specific acceleration assumptions: 10 percent 1st year, 20 percent 2d year, and 30 percent 3d year, and no further State income tax collection acceleration after the 3d year attributable to the tax credit.

[3] Assumes that the break-even point will be reached in the 2d year. Specific acceleration assumptions: 25 percent 1st year, 40 percent 2d year, 60 percent 3d year, and no further acceleration in State income tax collections after the 3d year attributable to the Federal tax credit.

[4] Assumes that even in the 1st year the increase in State income tax collection attributable to the tax credit will more than offset the reduction in Federa revenue. Specific acceleration assumptions: 40 percent 1st year, 65 percent 2d year, 90 percent 3d year, and no further acceleration in collections after the 3d year attributable to the Federal tax credit.

Source: ACIR staff estimates.

EXHIBIT F.—ESTIMATES OF FEDERAL REVENUE FOREGONE AND STATE-LOCAL REVENUE GAIN IN THE FIRST 3 YEARS AFTER THE ENACTMENT OF THE PROPOSED INTERGOVERNMENTAL REVENUE ACT OF 1969

[Amounts in billions]

Titles	1970	1971	1972
FEDERAL REVENUE FOREGONE[1]			
Title I (revenue sharing)	$2.8	$3.4	$3.9
Title II (State income tax credits)	2.6	3.7	5.5
Title III[1]	0	0	0
Title IV (State death tax credits)			.7
Title V[2]	0	0	0
Total Federal revenue foregone	5.4	7.1	10.1
STATE-LOCAL REVENUE GAIN			
Title I	2.8	3.4	3.9
Title II	2.1	4.0	7.2
Title III			
Title IV			.7
Title V			
State-local revenue gain	4.9	7.4	11.8

[1] Federal collection of State income taxes.
[2] Authorizing State-local property taxes in Federal enclaves.

Source: ACIR staff estimates.

OVERREACTION IN GUISE OF SAFETY THREATENING THE WELFARE OF NATION'S COAL MINERS

(Mr. ERLENBORN asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. ERLENBORN. Mr. Speaker, coal mine health and safety is currently a subject of intense public interest and one of the major areas of congressional legislative concern, and rightfully so.

Unfortunately, the interchange of ideas and information surrounding safety in the Nation's coal mines has been so steeped in emotion that congressional hearings and news media reports have tended to generate a great deal of heat without producing a commensurate degree of light.

Coal mine safety issues and the answers thereto are by no means simple or easy to resolve; rather, they constitute and reflect complex problems. The controversy cannot be expressed solely, as many proponents of the more extreme so-called safety provisions are contending, in terms of human versus economic considerations. Nor can it be relegated to the simplicity of the "gassy" versus "nongassy" mine distinction, permissible—spark proof—versus nonpermissible types of equipment, or many of the other often repeated and over-simplified arguments.

If the issues were reducible to a simple question it might best be expressed as whether the imposition of mandatory requirements for utilization of only nonsparking types of equipment in underground coal mines offers any realistic potential for saving the life and limb of a single coal miner. In my opinion, the slightest chance of an affirmative answer to this question would find the Congress overwhelmingly opting for a complete and unequivocal banning of so-called non-spark-proof equipment from underground coal mines whether they be deep mines or drift mines, of gassy or nongassy definition.

Regardless of the degree of complexity of this problem, I believe that the basic issues are capable of being articulated into clear, factual language which is understandable to all who are interested and concerned. The problem probably can best be fully observed through the posing of several pertinent questions:

WHAT IS PROPOSED?

The major revision and primary point of controversy in the safety portion of the proposed Federal Coal Mine Health and Safety Act is the mandatory requirement for the utilization of costly permissible—spark proof—type equipment in all underground coal mines. In the past such permissible type equipment has been required only in those underground coal mines which were determined by the U.S. Bureau of Mines to be "gassy" and thus subjected those who labored within to a high degree of danger from explosion through gas ignition.

WHO IS INVOLVED?

The individuals most directly affected by the extension of this requirement are the operators and 40,000 employees of the Nation's approximately 4,000 small coal mines, 95 percent of which are nongassy. The small, nongassy mines fall into two groups, the deep—slope or shaft—mines and the drift mines; however, the great majority are in the drift mine category most of which are located in Kentucky, Tennessee, Virginia, and West Virginia.

Drift mines are generally defined as coal mines driven in a substantially horizontal direction into the side of a hill or mountain to work in a seam of coal which runs on substantially the same lateral plane. Because such a mine is normally above the watertable the various gases associated with underground coal mining usually have seeped out through cracks and crevices in the earth's surface. The physical structure and location of drift mines also provide for excellent ventilation, thus eliminating the possible danger of explosion from sudden accumulations of gas from mining operations. Consequently, drift mines rarely contain sufficient gas content to sustain an ignition or explosion.

These drift mines generally are nonunion operations and are based on the purchase or lease from local landholders or larger coal companies of small deposits of coal located in remote areas and ranging from 10 to 15 acres in size. The typical small operator employs from eight to 10 men—usually the owner plus his close relatives and friends—who work with second-hand equipment purchased from the larger mines or equipment built by local machine shops. Average production at such mines is about 200 tons of coal per day which nets the owner about 30 cents profit per ton and about $12,000 per year in income. The typical miner receives about $28 per day and averages about $7,000 in annual income.

Quite obviously, the operators of these mines are not uncaring absentee landlords or 19th century vintage robber barons bent on exploting the downtrodden and oppressed. Rather, they are "blue-collar businessmen" attempting to carve out not only an entrepreneurship of their own but also to provide a living wage for themselves and members of their community. Thus, these small operators have a far greater and more personal interest than do the large operators in assuring safe working conditions, because the lives and limbs that hang in the balance are often their own as well as those of relatives and friends.

WHAT HAS BEEN THE SAFETY RECORD OF SMALL MINES?

Overall the safety record of these small nongassy mines has been outstanding in comparison to the large gassy mine operations. According to U.S. Bureau of Mines data, there are nearly five times as many of these mines as of the large gassy mines, yet they have had 14 times fewer fatalities and seven times fewer ignitions.

In the past 16 years the large gassy mines have had 387 explosions resulting in 376 fatalities and 427 serious injuries while the far more numerous small mines, deep and drift included, have had only 52 ignitions with 27 fatalities. It should be noted that all but nine of the 52 ignitions in the small mines were caused by individual miners violating safety regulations by smoking, using matches and cigarette lighters, or exposing other open flames in the mine atmosphere. The other nine ignitions were caused by failure to use sparkproof coal drills which are relatively inexpensive to purchase and a mandatory requirement for which small mine operators are not opposing.

Although this small mine safety record is significant in itself, even more important to the record is the fact that, while Bureau of Mines records are inadequate to furnish a complete historical picture of drift-mine safety, available evidence provides no indication that any of these 52 gas ignitions occurred in the small, nongassy drift-mine operations.

The mandatory requirement for the use of permissible type equipment in small drift-mine operations, therefore, would have no significant effect on safety in such mines, as such equipment is designed to forestall gas ignition rather than to prevent accidents resulting from human, mechanical, or geological failures and errors.

The real need in coal mine safety is amply indicated by the mining accident statistics for 1968 which show that of the 267 men killed in the Nation's coal mines, nearly 170 men died from roof falls and human and mechanical failures. Of the 98 deaths occurring from gas ignition, 78 resulted from the massive and unusual disaster at Farmington, W. Va. Furthermore, the rate of fatalities per million man-hours rose in 1968 to 0.66 from a low 0.62 in 1967. These data clearly demonstrate that the medicine being prescribed by overzealous safety enthusiasts is for a disease not present in the patient being treated.

Even if the safety statistics did not clearly indicate the absence of any real need for or potential value in the imposition of a mandatory requirement for permissible equipment in the small drift mine operations, the economic data per-

taining to these mines should cause even the most ardent advocate of Federal coal mine oriented legislation to take pause and recognize that the ultimate consequences of such an imposition would be to close the great majority of these comparatively safe small nongassy mines.

WHO STANDS TO LOSE IF THE MANDATORY REQUIREMENT FOR PERMISSIBLE EQUIPMENT IS IMPOSED UPON THE NONGASSY DRIFT MINES?

The simple answer to this question is everyone; not only the small operators, their employees, and the local business community but also the Nation's consumers.

Coal supplies 53 percent of the Nation's energy and the small drift mines supply 40 percent of the Nation's coal. The coal industry has no excess production capacity at the present time and several years would be required to make up the production lost by the closure of the small drift mines. Moreover, the Nation lacks adequate substitute fuels to replace coal. Because coal is basic to the production of such materials as steel and synthetic fabrics, the effect of this lost production upon the Nation's economy would be substantial.

Some estimates indicate that the cost for drift mines to convert to all spark proof permissible type equipment would average $200,000 per operator or $1 per ton of annual production; but the current average price of coal per ton is only $3.50. It seems fairly obvious that only the operator with strong financial backing and/or a large number of guaranteed coal leases could afford to stay in business.

Even assuming that a substantial number of these small drift mine operators could obtain the financial backing and adequate coal leases required to take on the task of retooling their mines, there is some question as to whether the coal equipment construction industry would have the capacity to maintain an adequate inventory of permissible equipment to keep the small mines in production.

Moreover, several drift mine operators who have stated an intention to remain in business have also indicated that to remain economically competitive with the large mines, they would reequip with the new high-speed mining equipment. The installation of such equipment in these small mines is an event that the instant mine safety experts apparently did not anticipate because the high-speed mining equipment would introduce two new dangers to drift mine operations: First, a high coal-dust content produced by high-speed operations which would create not only a possible explosive mine atmosphere but also increase the health hazard of pneumoconiosis; and second, the possible liberation of isolated pockets of methane gas with such rapidity that normally adequate ventilation systems would not be able to prevent the accumulation of a methane gas content sufficient to sustain ignition.

Consequently, it is not only possible but quite probable that the very equipment required in the supposed interests of safety would ironically contribute to both an unsafe and unhealthy mine environment.

A further contradiction in the situation is that the lost production of the drift mine operations would eventually be taken up by the large gassy mines which not only have a poorer safety record than the drift mines, but also utilize the very type of high-speed equipment which is a major contributor to unsafe and unhealthy mine working conditions.

Up to this point, we have only dealt with the potential loss to the economy of the Nation as a whole and the inherent threat to the safety and health of the Nation's miners by the permissible equipment advocates. However, the probable disaster in the making for the residents of Appalachia is even more serious. Not only would the jobs of nearly 40,000 miners be placed in jeopardy, but also the jobs of an additional 200,000 persons in those manufacturing, retail and service industries which are based on the Appalachian coal mining economy and produce annual payrolls of $1 billion. Overall a total of nearly 500,000 persons will be vitally affected by the type of equipment requirements which will finally be imposed on drift mines.

WHO STANDS TO GAIN FROM THE IMPOSITION OF THE MANDATORY PERMISSIBLE EQUIPMENT REQUIREMENT?

One would hope that proposed legislation having such a highly probable adverse socioeconomic effect upon a people who are already so harried economically would not have a highly favorable outcome for their competitors.

However, two groups do stand to gain as a result of the potential disaster which may be visited upon the people of Appalachia. There is no evidence to indicate that either of these two groups are fully aware of the adverse socioeconomic consequences of the situation or have actively supported the misdirected effort to impose unrealistic, unneeded, and potentially hazardous equipment requirements upon the small drift mines.

The first group which stands to gain, would be the large gassy mine operators who would ultimately absorb that 40 percent of the national coal supply normally produced by the small nongassy drift mines. The eventual gain to these corporate operators would be a greater monopoly hold on the coal industry as well as the larger profits to be gained from increased production and decreased competition.

The other group which would benefit from Appalachia's loss would be the leaders of the United Mine Workers Union. Virtually none of the 40,000 miners employed in the small drift mines belong to the UMWA. Because of this fact the UMWA welfare fund has lost the royalty of 40 cents per ton that is paid by operators of union shop mines. The annual 150 million tons of coal production by drift mines would, when assumed by the unionized operators, bring an extra $6 million annually to the union's coffers. The additional men employed by the unionized mines would also increase the power of the UMWA through the new members' dues contributions as well as their numbers.

SEPARATING FACT FROM FICTION

Perhaps the strangest and most incongruous note about the whole situation is that a legitimate concern for the safety of our Nation's coal miners, unfortunately, has been based more upon the emotional fervor generated by the completely unnecessary deaths of the "Farmington 78," rather than upon reason, rationality and actual facts. The result may well be that new regulations being proposed in the guise of safety will actually lead to creation of additional safety, health, and socioeconomic hazards to those who labor underground. Yet, the interesting contradiction is that many of those who are the strongest backers of the sections of the Federal Coal Mine Safety Act which poses a potential economic disaster for Appalachia are also among those who have proclaimed the greatest concern over the present economic plight of Appalachia.

As can be clearly seen from the foregoing, the issues are indeed complicated and encompass a broad range of considerations and problems. Equally clear, however, is the fact that "safety versus costs" or "human lives versus economic factors" are fictional rather than true issues.

The real issue is whether a so-called safety requirement which will neither provide nor offer any actual potential for safety will be imposed upon the Nation's nongassy drift mines. Emotional fervor resulting from a tragedy such as the Farmington, W. Va., disaster is not an adequate substitute for action based upon reason, rationality, and fact. The fiction of calling a proposed law a safety measure does not make it one. Federal legislation enacted without regard to need or the potential impact will contribute nothing to coal mine safety.

STATEMENT ABOUT THE PRESIDENT'S MESSAGE ON OCCUPATIONAL SAFETY AND HEALTH: MORE THAN AN OUNCE OF PREVENTION

(Mr. BELL of California asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. BELL of California. Mr. Speaker, it was the Roman philosopher Seneca who said that he who does not prevent a crime encourages it. The same thing can be said, I believe, about those who fail to prevent accidents or those who fail to prevent disease when there are ready means of doing so. The man who fails to take appropriate, available actions to stop accidents and illnesses before they happen is guilty of encouraging them.

I hope the Congress will give close attention and careful consideration to the proposal of the President concerning occupational safety and health. For here the President offers us a fair and efficient method for saving life, saving injury, and saving great distress by improving the workplaces of America. He offers, in short, a means to prevent suffering. If the Congress fails to take appropriate action on this matter, then we actually will encourage what the President wants to prevent.

The old equation which tells us that an ounce of prevention is worth a pound

of cure weighs prevention too heavily and cure too lightly in this particular problem area. A fraction of a gram of prevention in this instance can truly save tons in cure. The President's proposal is very inexpensive; it relies heavily on existing standard-setting mechanisms and gives great encouragement to voluntary compliance and State administration. On the other hand, the costs of work-related accidents and disease are very high and can never be completely cured. Some 14,000 Americans die every year because of work-related accidents or illnesses. Millions of man-hours of labor are lost because injured or sick workers must leave their jobs.

Let us now practice some preventive medicine—as the President suggests. Let us recognize that new technological developments—new processes, new products, new techniques—can create new hazards for the men who work closely with them. Let us be sure that our protective efforts remain up to date so that what the President calls the "byproducts" or the "side effects" of progress can be properly controlled. The President's Occupational Safety and Health Act provides a sound method for achieving that control, and I commend him for presenting this proposal to the Congress.

IS BLOUNT RUNNING A SHARP OPERATION?

(Mr. HALL asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. HALL. Mr. Speaker, anyone who has studied the history of this great country must certainly be aware of the magnificent experiment conducted in the year 1860. I refer to the Pony Express, the first attempt, by a hardy group of men, at the cross-country delivery of mail.

I am especially interested in this bit of history since its originating point was the city of St. Joseph, located in the northwest part of my home State of Missouri.

In case you have forgotten, let me remind you that the Pony Express delivered the mail from St. Joseph, Mo., to Sacramento, Calif., which is a considerable distance, in a period of 8 or 9 days. The variance in time attributed to the weather, or the prevailing mood of the Indians, or both.

The tremendous test of man and mount involved 80 riders, 400 horses, 190 stations, and 400 stationkeepers. The service they performed to this Nation under all types of duress, is without parallel.

My discourse on the Pony Express today is not meant to merely brag about this great moment of America's past, but mainly to compare it with the speed and service forthcoming from the Postmaster General, the displaced contractor from Alabama, Winton Blount, to the communications from this Member of Congress.

To be perfectly blunt, his inability to negotiate the distance between his office and mine, by mail, telephone, messenger, wire, semaphore, or smoke signal has left me wishing for the return of the Pony Express in the hope that the Postmaster General would find some means of conveyance that would move him to engage in a simple reply, to a simple inquiry, in a more than leisurely pace. Maybe he should try the United Parcel Service.

Let me illustrate what I mean:

On May 26, 1969, I wrote the Postmaster General, Winton Blount, asking that the names be supplied me of those appointed to his vaunted plan and announced formation of the Regional Post Office Selection and Placement Committee for Iowa, Missouri, and Arkansas, located in St. Louis, Mo.

In about a week I had a phone call from an Assistant Postmaster General, Mr. James E. Josendale, telling me names would be forthcoming.

On June 2, 1969, the Postmaster General, in a letter, said that the members of this commitee had "not yet been made public." Mr. Speaker, at this time I had the list on my desk, obviously from other sources, and what had once been considered a "cause celeb" had now become a point of issue.

After much delay and stalling, including telephone calls from the Post Office Department, I sent a telegram to the Postmaster General on June 24, 1969, again requesting the names of the Regional Selection and Placement Board in the St. Louis regional office.

This was followed, 4 days later, by a telephone call from Mr. Henry Albert, Deputy Executive Assistant in the Post Office Department. Mr. Albert informed me that the "Board" had not yet been selected. He further told me that the list would be forthcoming. I told him the facts of life including a statement that his call and information was unsatisfactory to me as an answer, and furthermore—and I fear bluntly—to have the Postmaster General, Mr. Blount, or Mr. Josendale to contact me, and preferably answer my letter.

On July 7, 1969, I received a letter over Mr. Albert's signature stating:

> The data you require relative to the Regional Selection Board will be hand-carried to you in a few days.

A few days—1 month—passed, and no post office messenger's shadow darkened the entrance to my office.

Finally, on July 16, 1969, I again wrote the Postmaster General, reiterating my very reasonable request. No reply has been forthcoming. The entire Department has been strangly quiet. Nearly 3 months have passed since I made my first request for information. That is almost the length of time it takes to receive an airmail letter from Arlandia, Va.

Has my reply been lost? Has Jesse James been reincarnated? Am I being boycotted by "Winton's winners?" Where is the spirit of the recently passed Freedom of Information Act? What happened to the mail service we used to know? I imagine that the great bronze statue of the Pony Express rider in St. Joseph is quivering with indignation. And what about those stalwarts of the Post Office Department who live by the creed, "Neither rain, nor sleet, nor snow, nor dark of night, shall stay these couriers from the swift completion of their appointed rounds?"

If the Postmaster General of the United States cannot take the time to deal with the Members of Congress, what then can the rest of the country expect? Wherein is the public's right to know? What has happened to the Freedom of Information Act of 1968?

Thank goodness for the regular help, because the mail must, and fortunately does still go through.

My correspondence in this matter follows:

CONGRESS OF THE UNITED STATES, HOUSE OF REPRESENTATIVES,
Washington, D.C. May 26, 1969.

Hon. WINTON M. BLOUNT,
Postmaster General, Post Office Department, Washington, D.C.

MY DEAR GENERAL BLOUNT: This letter is typical and indicative of those I am receiving from the State of Missouri. Realizing I'm the only elected Republican on the National scene, I wish that you would digest it personally, and give me the basis for reply. Obviously Mrs. Myrrl R. Runley knows the situation of those whom you have appointed to the Regional Post Office Selection Committee in St. Louis, and their Democrat backgrounds, as well as I do. You will recall that Congressman H. R. Cross (of the same region) recently confronted you with same, and you were not in that particular meeting to discuss politics.

You may not be here for this purpose, but you cannot longer avoid it.

I should like an immediate and personal reply, or a direct visit with you or your responsible designee, in order to discuss this loathsome and deteriorating situation.

Very sincerely,

DURWOOD G. HALL,
Member of Congress.

P.S.—Please return enclosure with basis for reply.

D. G. H.

THE POSTMASTER GENERAL,
Washington, D.C., June 2, 1966.

Hon. DURWARD G. HALL,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN: I have your letter of May 26, 1969, together with the letter from Mrs. Myrrl Runley concerning the persons appointed to the Regional Post Office Selection Committee in the St. Louis Region.

As you know, the appointment of the Regional Selection Committee members has not yet been made public. I am particularly pleased to learn of your concern, and that of Mrs. Runley, that the proposed Regional Committee may not reflect a nonpartisan approach in the appointment of postmasters.

I have asked Mr. James Josendale, Director of Regional Administration, to visit with you concerning this problem. He will call your office for an appointment at your convenience.

Please be assured that we will fully investigate this complaint and will try to achieve a satisfactory solution.

Sincerely.

WINTON M. BLOUNT.

JUNE 24, 1969.

POST OFFICE DEPARTMENT,
Washington, D.C., July 7, 1969.

Hon. DURWARD G. HALL,
House of Representatives, Washington, D.C.

DEAR DR. HALL: This is in further response to your telegram addressed to the Postmaster General and our telephone conversation regarding the Regional Postmaster Selection Board for the St. Louis Region.

The data that you require relative to the Regional Postmaster Selection Board will be hand carried to you in a few days.

Since our telephone conversation, I have learned that the St. Louis Regional Board did meet. It was their first meeting, and unfortunately, some procedural matters were

not carried out. This omission nullified their action. Steps have been taken to rectify the situation, and we do not contemplate a reoccurance.

Your active interest in postal matters is appreciated.

Sincerely yours,

HENRY R. ALBERT,
Deputy Executive Assistant.

Hon. WINTON M. BLOUNT,
Postmaster General, Office of the Postmaster General, Washington, D.C.:

Have yet to receive your final reply to my letter of June 3, 1969, requesting the names of the Regional Management Selection Board for Missouri, Iowa, and Arkansas. As the only elected Republican from Missouri on the Federal level it is imperative that I be advised of the composition of this board.

DURWARD G. HALL,
Member of Congress.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 16, 1969.

Hon. WINTON M. BLOUNT,
Postmaster General,
Washington, D.C.

MY DEAR GENERAL BLOUNT: Please refer again to my letter of 26 May 1969 addressed to you personally and subsequent correspondence asking that I be given the names and backgrounds of the Iowa-Missouri-Arkansas Regional Post Office Selection and Placement Committee in St. Louis, Missouri. Since that time you acknowledged on 2 June 1969, stating that they had not yet been made public. You further added that Mr. Josendale, the Director of Regional Administration, would be in touch with me concerning this. He has been.

I sent a follow-up telegram on 24 June 1969 asking that you comply with my request. I had a completely and adequate telephone call from Mr. Henry R. Albert, Deputy Executive Assistant, and told him at the time to have you or Mr. Josendale contact me directly thereafter.

Today, I have a letter dated 7 July '69 signed by Mr. Henry R. Albert which admits that his telephone call was inadequate and in error. It again says, as did some of the telephone calls, that the data I requested concerning the Regional Postmaster Selection Board would be "hand carried to you in a few days."

Mr. Postmaster General, it is now over six weeks since my original request and nothing has happened except "stalling tactics", inane delays, telephone conversations, and inadequacy. Statements that "steps have been taken to rectify the situation", etc., do not satisfy me and I repeat my request for the names, sources, qualifications of the election Board for the St. Louis Region for the tri-state area. This cannot be considered a matter of executive privilege, and I would put you on notice that this travesty on the Executive-Legislative function which denegates surveillance and oversight of the elected representatives of the people will be carried to the Floor of the Congress if it is not repaired forthwith.

Very truly yours,

DURWARD G. HALL,
Member of Congress.

THE VICTORY OF PROPONENTS OF THE SAFEGUARD ANTI-BALLISTIC-MISSILE SYSTEM

(Mr. POLLOCK asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. POLLOCK. Mr. Speaker, the victory yesterday for the proponents of the Safeguard anti-ballistic-missile system had profound implications. It tells the world that the United States intends to negotiate on nuclear arms controls from a position of strength.

The victory tells the world that the United States intends to defend itself from those who, in a moment of madness, might seek to destroy it.

And the victory tells the world that when it comes to national security men of both parties will unite for common cause.

Mr. Speaker, those honorable men and women who lost the battle in the other body yesterday had a right to their honest opinions and an obligation to vote their conscientious convictions.

But, today, I sincerely hope they will rally around the President and show to the world that despite our differences, we stand solidly behind him in the quest for peace and stability in the world.

INCREASE SOCIAL SECURITY BENEFITS

(Mrs. GREEN of Oregon asked and was given permission to address the House for 1 minute, to revise and extend her remarks and include extraneous matter.)

Mrs. GREEN of Oregon. Mr. Speaker, today the House is going to pass the best tax reform bill ever written in the history of our country. This is good reason for rejoicing, and I would like to congratulate the members of the Ways and Means Committee for their excellent work. There is, however, one other major piece of legislation demanding their attention. I refer specifically to the need for greatly increased social security benefits.

In the years since I have served in Congress there have been several increases in social security benefits; there has also been the enactment of medicare. In the course of a congressional hearing in 1968, William Bechill, former Commissioner on Aging, told us that:

> Today, some 6.7 million people age 65 and over are kept out of poverty by their monthly social security cash benefits.

That is a proud record, but the fact is that the battle is not yet over. Mollie Orshansky of the Social Security Administration wrote an article about poverty in 1968 in which she summarized:

> But despite spectacular improvement aided in large measure by increases in the number drawing OASDI benefits, and in the size of the checks, persons aged 65 or older remained the most poverty-stricken age group in the Nation.

And Mary Switzer, Administrator of the Social and Rehabilitation Services, recently testified before the Select Subcommittee on Education that:

> The poor and near-poor total 40% of older Americans.

In the tax bill before us today there is a low-income allowance which will remove from the tax rolls those whose income is below the officially defined poverty income level. I think this is right and proper. It simply made no sense at all to take money from people for whom we then devised a billion-dollar program because they had so little money. So I am pleased that this step was taken. But I would also like to point out that many elderly people live on far less than the $1,735 per year defined as the poverty-level income for a single person. The average social security payment is $99.42 per month, or $1,193.04 per year—a figure considerably below $1,735. And, in my view, even the $1,735 figure is unrealistic. I really cannot imagine any individual living on that amount in nonpoverty in any major city in America. But about 5 million aged people are trying to manage on that or less. Miss Orshansky states that 55 percent of the aged living alone—the majority—live in poverty.

I think most people feel compassion for the very poor of any age group, but for the young and middle aged there is at least the prospect of a better future. The aged, in contrast, are for the most part helpless to initiate any action which would improve their lot. They are—besides often sick and lonely—entirely dependent on the decency of those around them. Their best hope—I might say almost their only hope—for some relief from the tyranny of privation is for substantial increases in social security payments. We have, as a society, for so long been primarily preoccupied with the problems and wants of the young. We are, in fact, a youth-oriented society and, in so being, we have neglected, I believe, the neediest of all—the aged. The tragedy of their plight has seldom been more poignantly described than in a series of articles which recently appeared in the Oregon Journal and which I would like to insert at this point in the RECORD. The author of these articles, Wallie Schneider, has vividly described the hours and days of loneliness, the absence of medical attention, the monotonous meals—too often lacking basic nutritional requirements.

The elderly do not demonstrate; they do not march on city hall or the Congress of the United States; they do not present nonnegotiable demands.

But a compassionate and concerned nation ought to give them at least as much attention and help as those with the youth and the physical energy to shout their demands and at the same time complain of the older generation which has not done enough. I only wish that each member of that older generation had enjoyed the opportunities so available to the young of today.

The articles follow:

[From The Oregon Journal, July 28, 1969]

LONG, LONELY YEARS FACE U.S. ELDERLY—NOT DEAD, JUST FORGOTTEN

(By Walli Schneider)

You'll pass them on the street or spot them on a bus and barely notice.

Just a montage of gray hair, baggy brown hose, wrinkled trousers, plaid flannel shirts, watery eyes, frowsy shopping bags.

Nothing to spark your interest—just a saletable remnant of a tattered generation that survived four wars and a Depression to blink into the sunlight of the '60s and find a decade devoted almost sacreligiously to its youth.

"It hurts," one 70-year-old Portland widow said blankly. "It can't help but hurt you when you know people have forgotten. I'll grant you I don't do much to contribute to

society any more. Not like the young people. But I'm not dead, either. Days come I feel like I should be. I can't get out of this house very good. And why don't you sit here with me and see. Nobody comes here any more."

The needs of a large percentage of Multnomah County's 72,000 persons over age 65—the ones without ample finances and sympathetic families—are rudimentary, one finds.

But, unmet.

"I suppose we're asking for just about the same thing any human being would," mused one oldster.

"Sombody to talk to. Some place to live, Some place to go. Some way to get there. Some job to keep busy."

In the far less personal columns of statistics kept during 10 months of 1968 and 6 months of 1969 by the City-County Council on Aging Information and Referral Center, 320 SW Stark St., Portland and Multnomah County's senior citizens expressed their needs as:

Health information—267 inquiries.
Adequate housing—538.
Employment—889.
Education, leisure opportunities—96.
Personal or protective service—177.
Transportation—65.
Volunteer help—48.
Companion-housekeepers—419.
Financial assistance—74.

And even at the office trained to handle the press of problems of the aging, each statistic is a person, a face, a voice.

"It is so frustrating—so heartbreaking," said petite and pretty Pat (Mrs. Paul) Zilka, the young social worker whose shoulders admittedly sag at the end of a day that includes 20 to 30 telephone inquiries and five or six personal interviews with this area's aging residents.

"People so desperately need help in certain areas and nothing is being done," she said. "I just had a woman who called me crying because she's so frighteningly lonely. She can have her own groceries delivered. She can cook her own meals. But she has no relatives. Her friends are gone. She doesn't see another soul."

By category Pat Zilka list the specific areas where Portland's senior citizens most seriously require aid:

Homemaker: Companions: Requested at least five times a day, five days a week at the Council on Aging office, these vital persons could make life livable for the hospital outpatient, just-widowed, new widower or chronically ill who have come home to chores they cannot manage and hunger for meals they can no longer cook.

"So many, many call for help of this kind," Mrs. Zilka related. "If only we could initiate some kind of training program for homemaker-companions. There are old people who simply can't cook for themselves, or clean, or drive, or ride a bus. You might say they can go to a retirement home. Believe me, that's the last step they want to take.

"Our office would be delighted to hear from any person who would like this type of job. The pay is generally quite small, with board and room free."

Isolation: Call the aged lonely, for they are. Although not bedridden, many can no longer maneuver a car or hop as agilely onto a bus to go visiting or shopping. And whom to go to see when you've outlived your friends or have no family?

"These people don't need physical help," Mrs. Zilka reminded. "They need another body to sit down and talk to. All we can hope for are volunteers . . ."

Employment. "Don't imply old people are bored and want jobs," social-worker experts say. "Admit the truth—even when you're over 65, you have to have enough money to live on. And a fixed income just doesn't do it."

"We have one woman whose total diet is cottage cheese, fruit cocktail, crackers and milk and she treats herself to two small glasses of beer a night," Mrs. Zilka reports. "She's poor and she can't cook any more."

Housing. Discovered most dramatically during Portland's snowy winter was the now-critical need for housing for senior citizens of middle income—those who don't qualify for public housing, but who can't pay rents for houses or apartments that meet even minimal standards of decency.

Many were found living in older sections of the city and county in housing in poor repair, unheated or unheatable, dirty, and without adequate furnishings, light or ventilation.

Transportation: Perhaps the most prevalent plight, and the most pressing, among the city's aged is a way to get to and from a destination—be it the grocery store, the bank, the doctor's office or the home of a friend.

Faced with rising bus costs and freeways of increasing complexity, the majority decide just to stay at home and try to live within walking distance of their needs.

"On my budget you think twice before you spend 70 cents for bus fare," one outspoken widow told us. "I work four hours a day so I was taking the bus back and forth. It's 70 cents round trip—$3.50 a week. So I've just been cutting the cost in half. I walk 3½ miles to work."

But at the end of the day, the speaker admitted, she's "too tired to walk home again." It still costs her 35 cents for the return.

Recreation: Noting that Oregon has one of the largest numbers of Golden Age Clubs or similar recreational organizations for the over-65 set, oldsters still ask that more attention be called to them and more centers be established in neighborhoods where they live.

"They may be there," one said, "but not everybody who needs them knows about them.

"We older people back in our younger days didn't have any time for fun. Everything was problems, stretching pennies, working, raising a family. We didn't even have time for real romance.

"Today we have to get out and teach ourselves—and others—how to have a good time. When we do, there's a whole new purpose to life. We put on dresses and suits that haven't been out of the closet in years. Heaven knows, some of us even fall in love and get married—at 80 years of age."

[From the Oregon Journal, July 30, 1969]

ELDERLY CRY OUT FOR "ANOTHER VOICE" IN LONELY HOMES

(By Walli Schneider)

A mug of stale coffee and a mound of orange peels sit on the dusty bedside table beside an empty cornflakes box, a clutter of patent medicines and one bottle of cheap perfume.

The bed covers are rumpled, gray, soaked with urine.

The curtains are sagging plastic barriers against the outside sun.

The floor is strewn with the debris from yesterday and the day before and the day before that.

"Nobody has been here to help me. Excuse the mess. I don't suppose it's so pretty to look at," says the 78-year-old occupant, wearing a food-spattered slip and spotted red sweater. "I'm so sorry I can't get up to do things myself and make this place all nice again. It was nice once. And I used to have lots of company.

"Now I can't even get up to get myself some food. Oh, a friend brought me this orange and a cup of coffee this morning, so I'll be all right. And I have a little neighbor I pay to get me hamburgers at night. But you know . . . I'm a little tired of hamburgers."

"A lady used to come half a day to clean up for me, but she's been sick I guess and I can't call her because she has no telephone."

Unable to move from the lumpy double bed that has held her prisoner for the past six months, the aging Portlander is a stroke victim—one of the unheard-of hundreds of incapacitated senior citizens in Portland begging for another person to move into their homes and care for them for the small sum they are able to pay.

Geriatrics experts call such helpers "homemaker-companions."

The City-County Council on Aging has 419 unfilled requests for such persons to date.

To Mrs. X and the others like her who have survived a stroke, a heart attack or lie crippled with arthritis, the title of their helper wouldn't matter much.

"It would be somebody to help me live," the 78-year-old says, "I so badly need a bath. I'd so dearly like to get out of this bed and into a wheelchair. I'd like to see the sunshine."

It would be someone to wash the stack of molding dishes in the sink.

It would be someone to empty the overflowing waste baskets that have become a health hazard.

It would be a cook who could provide something more substantial than a cup of coffee and an orange.

"It would be another voice," says the 78-year-old solemnly. "I watch this television set here morning and night. But it isn't like somebody around to talk to or laugh with. I'm getting awfully lonely."

Widowed many years ago, the bedridden senior citizen has advertised for someone to help her.

Like others, she has been bilked by the "nice-appearing lady who came to help me and stole some of my things and never came back."

Like others, she can offer only the smallest recompense for that cheerful, efficient ever-elusive homemaker-companion—$50 a month, plus board and room. (In many cases, the ante goes up from $80-$100 plus board and room.)

"But she could make her home here, go to bed when she pleased, sleep in late if she wants, watch television. I'd make her real welcome," Mrs. X says. "We could be friends. I'd like to offer more, but I can't."

There's living testimony to the fact that Mrs. X's wish is not a pitiful pipe dream.

Meet Mrs. Charles W. (Elmina) Bergstrom, aged 85, still interested in mini-skirts, jigsaw puzzles, television programs and the newspaper headlines.

Unable to walk, cook, clean or even comb her own hair the frail octagenarian credits her "good, happy life" to Myrtle Phillips, her 60-year-old homemaker companion.

Thanks to her, Mrs. Bergstrom is out of bed every morning, bathed, dressed in the crispest, prettiest housecoats, has her nails done, her hair curled and dines on "just plain good home cooking" in a spic-and-span apartment.

"It's a wonderful life for both of us," Mrs. Phillips says returning the compliment. "The job is far easier on me than any other I could have. We don't get up early. I don't do extra-heavy work. It's easy to lift Mrs. Bergstrom if you know how. And we've always been good friends—hit it off from the minute we first met in 1966."

Yet, notes the good-natured Mrs. Phillips, the job of a homemaker companion also demands dedication.

"Your patient has to come before all other things," she said. "I'm on 24-hour-a-day call and if she needs me, I'm here. I take off one afternoon a week and 10 hours on Sunday, but if I can't find someone competent to stay with her, I just stay myself. But I never feel tied down or unhappy. I can't imagine doing any other kind of job that would be so rewarding."

Listing patience, good humor, conscientiouness, honesty and efficiency as the trademarks of a top homemaker-companion, Mrs. Phillips urged other interested women to apply immediately to the City-County Council on Aging Information and Referral Center, 320 SW Stark St., Portland.

"It's a chance to do so much good for another person," Mrs. Phillips urged. "And don't forget what it will do for you."

[From the Oregon Journal, July 31, 1969]

CITY PRESENTS OBSTACLE COURSE TO IMMOBILE ELDERLY

(By Walli Schneider)

Portland?

To the young and mobile, it's a city beribboned with beautiful rivers, garlanded with world-famous roses, criss-crossed with convenient freeways.

To the old, it's a king-sized obstacle course—dotted with water hazards and hurdles, roads that can't be driven, buses that can't be boarded, bridges that can't be crossed.

Meet John.

He is 83 years old, living alone, the victim of a recent near-fatal heart attack.

His house near the outskirts of Lake Osvego is old. So, he says, are his legs.

John is a hitchhiker.

"There's just no other way to get to town to get my medicine," he explained, climbing into the car that had slowed down disbelievingly. "Without my medicine, Doc says I wouldn't make it.

"I'm old. Poor, too, I guess. I used to get into town on the Blue Bus and then switch over to the transit to get to this place where they give me my medicine and my check-ups for almost free.

"Pretty soon, it got so I couldn't afford to do that. It's $1.60 round trip. That's not much, you know. It is to me. I just can't pay it and live.

"Don't worry, though. I almost always get a ride along here. Folks are awful nice."

Hitching a ride is also John's way of visiting his only nearby relative—his wife.

"She's in a rest home," he explained sadly. "She fell and broke her hip a year ago and I just couldn't take care of her good enough. I go see her as often as I can. It isn't much any more. There's no way. But she's still my sweetheart—after all these years."

According to Mrs. Nelda Oeser, East County expert on the pressing transportation problems of the Portland-area aged, John is the rule—not the exception.

"It's so rough for these people that you wouldn't believe what we see. We've got them in wheelchairs, in walkers, getting around with canes. They're just too infirm to ride the buses. And those who can stand the ride, either can't afford to pay the fare or the bus stop just isn't close enough for them to get to."

Working with the East Multnomah County Council on Aging under sponsorship of the City-County Council on Aging, Mrs. Oeser puts her only immediate hope in a campaign for volunteer automobile drivers.

They are men, women, teen-agers, more agile fellow senior citizens who would deliver the aged to a hospital, a doctor's office, a drugstore, grocery store, or the rest home for a visit with their spouses—providing the car and gas money themselves and receiving no recompense.

"We have 76 drivers now," Mrs. Oeser said. "But they're never enough. We literally get begged for transportation for these old people. We're trying to cover a 50-square mile territory with 150,000 people in it and an awfully heavy concentration of the elderly."

Case histories like John's, she finds, are "almost commonplace."

There was the 77-year-old woman in an East County boarding house who desperately needed a way to her doctor's office.

"When we found her," Mrs. Oeser related, "there was an awful lot more than a doctor's visit needed. Where she was living just was not suitable. She hadn't been able to get out in ages. For instance, she hadn't had a new pair of shoes in six years."

After a speech to a local service club suggesting contributions, Mrs. Oeser came up with the money for the shoes.

"The day we took her shopping was a great day—but a rainy one," she recalled.

The elderly woman refused to wear her new shoes home. She didn't want to get any rain on them.

Or consider the woman the Council on Aging discovered in a door-to-door suburban survey.

"Her husband was in a rest home 7 miles from where she lived," Mrs. Oeser related. "That doesn't seem like far to us. To her it might as well have been another state."

The senior citizen hadn't visited her husband in a year.

When the elderly can board buses, be they suburban or city, experts relate, it's a long process to figure out the bus schedule, a tough wait along the roadside or at the bus stop, and a costly transportation most can't afford.

Traveling from any distance into Portland and return amounts to four bus fares, totaling approximately $1.50. Traveling downtown and back within the city is 70 cents round trip.

One spunky oldster living on Social Security announced she was walking 3½ miles from her home to a meager-paying job each day to save the 35 cents bus fare. "To me, it's a loaf of bread," she said.

She admitted she couldn't save 70 cents a day with a simple: "My legs just get too darned tired to walk back."

The City-County Council on Aging joins East Multinomah County workers in a plea for volunteer drivers who could provide transportation to those "so desperately in need. They'll give up without us."

Downtown-area volunteers may call 226–6007; those in East County, 252–0278 for Mrs. Oeser.

[From the Oregon Journal, August 2, 1969]

"MIRACLE WORKERS" NEEDED

(By Walli Schneider)

What can you do?

Faced with the frustrating fact that at least 1,000 Portlanders over age 60 are out of work, out of money and almost out of hope; that an old man in this modern city can spend a full day switching buses and eating from candy bar machines to visit a doctor; that almost all the city's elderly need the one thing that cannot be bought—companionship—how can you help?

"We'll have no trouble whatsoever directing you," says a smiling Mrs. Paul Zilka, graduate social worker and service director of the City-County Council on Aging.

"There are so many needs . . . and so little help.

"With just a few good volunteers, with just a few more businessmen who would hire older people, with a little more public understanding, we can work miracles."

The Council on Aging's Information and Referral Center is in Room 202, 320 SW Stark St, with a receptionist on duty. The telephone number is 226–6007. The jobs you could do to help perform those "miracles" are:

—If you can spare one-half to one hour regularly in the morning or early evening, would you visit one person from the Council on Aging's growing list of lonely persons? They are the newly widowed, the new widowers, the bedridden, the childless, the very old who have outlived their own families and friends?

—If you have the same amount of free time on a regular basis but don't dote on "visiting," could you spare those hours to plump an old person's pillows, sweep a floor, tidy a bedside table, fix a simple sandwich for lunch?

—If you have no time to spare away from own household or job, but could volunteer a few minutes, don't underestimate the simple telephone call or greeting card. Would you call or drop a greeting regularly to someone whose mail deliveries consist of "Occupant" handouts and whose telephone rings mostly to solicit magazine subscriptions?

The Council on Aging urges that one precaution be taken by enthusiastic potential volunteers: "It would be far worse to begin visiting an elderly person and then drop them than never to visit them at all. Don't raise a person's hopes just to smash them."

On the other hand, if you do strike up a relationship with an older person, "it can be one of the best, most worthwhile friendships you'll ever make."

If you're looking for minimal-income employment with maximum personal satisfaction, it might be caring for an incapacitated elderly person in his or her own home. The work ranges from part-time to full-time, live-in or out, with light cooking, cleaning and companionship the main objectives. Council on Aging officials say pay for a live-in companion-homemaker generally is from $80 to $100 a month in addition to free board and room. Some senior citizens, living on closely restricted budgets, need the help far more, but can pay even less—some only $50 monthly.

If you can teach a hobby, organize a dance, lead a song-fest, instruct in a craft, show home movies or set up a public address system, you're needed in the area's senior-citizen drop-in centers and Golden Age Club meetings. If you're short on talent and long on enthusiasm, how about just being the "younger cheerier" face at one of their meetings?

If you're a Portland businessman with large payroll or small office with only yourself and a Girl Friday, the Council on Aging urges you to consider hiring older employes. Billed as "more conscientious, steady and uncomplaining," the elderly job-seekers so far meet with frustration more often than fruition.

If you can do no more than raise a voice, you can do so in urging city and civic officials to take immediate action to provide low cost bus transportation for this city's aged. Faced with increasingly complex freeways, increasingly less money, the oldsters cannot now easily shop for groceries, cash a pension check, see a doctor, visit a friend or take in a movie. They face complete isolation.

Better yet, if you can provide a car and gasoline money, would you be a volunteer driver to transport the elderly to life-saving appointments within the city?

As the National Council on Aging simplistically reminded members at its recent biennial conference: "Nothing is more certain than that all of us—all of us that survive—will someday be old. If there is something you can do, do it now—for your own sake."

GOVERNORS' REACTION TO REVISION IN NATION'S WELFARE PROGRAMS

The SPEAKER. Under a previous order of the House, the gentleman from Illinois (Mr. PUCINSKI) is recognized for 30 minutes.

Mr. PUCINSKI. Mr. Speaker, on April 17 this year I introduced H.R.

10250—the Supplemental Family Allowance Act—a bill which would—

First, establish national welfare standards;

Second, provide supplemental family allowances to permit welfare recipients to retain up to 50 percent of their earnings above their welfare allotment, and

Third, authorize the Federal Government to assume the entire cost of a national welfare system.

I am placing in the RECORD today the reaction from the Nation's Governors to proposals to restructure our welfare programs.

My bill is designed to cut through the waste, duplication, and assorted inefficiencies which have been compounded over the years in an effort to distribute public assistance equitably.

My research into this tangled field revealed overwhelming evidence that the cost of supporting separate and distinct public welfare systems in each of our 50 States is consuming an ever-greater share of annual State budgets. This cost simply cannot be borne forever, nor can the old haphazard system continue.

To review our welfare system briefly:

There are approximately 8.5 million people receiving welfare in America today. In fiscal 1967, the total welfare cost was $6,981,511,000. In fiscal 1968, it was $8,866,220,000, with the Federal Government paying $4.7 billion, the States $3 billion, and local governments $1.1 billion.

Where are these sums going? What results have they produced?

Between 1959 and 1968, the increase in welfare caseloads nationally was 74.9 percent.

Caseloads in the 10 States with the highest welfare benefits increased 148.7 percent. In stark contrast, however, caseloads in the nine States and Puerto Rico with the lowest benefits increased by only 11.1 percent.

The 10 States which paid the highest benefits increased their share of the welfare dollar from 21.2 percent to 30.1 percent between 1959 and 1968. But the nine States and Puerto Rico who paid the least in benefits decreased their share from 30.3 percent to 19.2 percent.

As has been said so often, the welfare system is supposed to provide an ultimate guarantee against poverty and deprivation. Instead, it merely breeds more poverty and continuing dependency. Some areas of our Nation are paying welfare benefits to a third generation of welfare dependents. This is blatant evidence that the system is not functioning as it was meant to function.

In the last 19 years welfare has changed dramatically.

In 1950, the country spent $2.3 billion on welfare, 95 percent of which was in direct cash payments to recipients and 5 percent for administration and training.

By 1963, the program had more than doubled to $4.6 billion, with 72 percent in direct payment to recipients, 20 percent for medical care, and 8 percent for administration, services, and training.

The projection for this year is $10.4 billion, with 50 percent in direct payments, 40 percent for medical care, 8 percent for administration, services and training, and 2 percent for new work-incentive programs.

With the passage of the Social Security Act in 1935, welfare was established as a right for needy citizens. The act provided for a Federal-State partnership with the States administering the programs and the Federal Government sharing the cost.

Five categories of eligibility were set up under the act—aid to families with dependent children, medicaid, old-age assistance, aid to the permanently and totally disabled, and aid to the blind. There were no other categories of need. A recipient had to fit one of these categories or remain ineligible for assistance.

There are more than 8 million Americans living on public assistance at this time, but conservative estimates suggest that an additional 22 to 30 million Americans live at or below the poverty level.

I believe we can, and must, do more in this field than we have been doing.

There are at present 4,408,000 children receiving public assistance. Surely the Congress and the administration can devise some method to insure that these children need not remain dependent on the public dole as they grow into adulthood.

There is substantial reason to believe that at least one-third or more of the 1.3 million mothers of these children can be trained to support their children and help support themselves.

Title I of my bill provides for national welfare standards. The necessity for a system of national welfare standards is amply demonstrated when we examine the great inequities in the present hodgepodge of regulations under which one State pays $40 per month to a family of four persons, while a neighboring State pays $280 per month to a family of equal size.

No Federal funds have ever been available in this country for those who are in need, but who are neither aged, severely handicapped, or parents of minor children.

A uniform set of standards will make an individual's need for assistance the single most important criterion in determining his eligibility for public aid. National welfare standards will help people where they need to be helped—in their own communities and neighborhoods.

National welfare standards will, among other things, eliminate the necessity of a family moving hundreds, perhaps thousands of miles, to a city or State with more humane benefits.

Title II of my bill provides a supplemental family allowance to assist people, first of all to earn their way out of public assistance and, second, requires that the Government shall continue to contribute some share to their personal needs until such time as they earn enough to raise them above the poverty level.

Title II provides a flat rate of $50 per month for the head of a needy family, plus $40 a month for each dependent. If a recipient finds a job that permits him to earn more than the maximum provided in this bill, he would be permitted to keep his salary, as well as up to 50 percent of his welfare allotment until he has earned his way out of the poverty cycle and is able to support himself and his family without assistance.

Title III of my bill provides that the Federal Government will assume the full cost of public assistance programs in all 50 States.

There is general agreement among reliable forecasters that the entire cost to the Government for assuming full financial responsibility for public assistance programs, including the supplemental family allowance, would be about $10 billion annually.

After introducing this legislation last April, I sent a copy of the bill and a brief summary of its provisions to each of the Governors of the 50 States. In most instances, their response has been enthusiastic. In all instances, they have expressed a desire to work with the agencies of the Federal Government to bring some order to the present chaotic public assistance system in the Nation.

As a Member of Congress who has devoted considerable time in the past 11 years to writing legislation that will reach those Americans most in need of constructive assistance, I look forward with interest and anticipation to President Nixon's address to the Nation on this subject tomorrow night.

In order that the President and his staff may share the comments I have received thus far from the Governors regarding the apparent need for a major restructuring of our present welfare system, I am including their letters in the CONGRESSIONAL RECORD today, as well as the full text of my bill, H.R. 10250, the Supplemental Family Allowance Act:

STATE OF ILLINOIS,
Springfield, June 9, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR ROMAN: Thanks very much for your recent note and for the enclosed legislation which you introduced regarding our State-Federal welfare programs.

I appreciate very much your introducing such legislation to provide for national welfare standards and full Federal financing of our welfare system. Recent Court decisions and the regulatory maze of HEW make necessary full Federal funding as you so appropriately recognize in your proposed HR 10250.

I have asked our departments to forward to me copies of their comments on this proposed legislation, and as soon as our current Legislative Session concludes on July 1, I hope to personally have for you a written statement regarding your excellent proposed legislation.

Sincerely,

RICHARD B. OGILVIE,
Governor.

STATE OF MAINE,
Augusta, Maine, May 19, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: Thank you for your letter of May 6 informing me of the legislation which you have introduced to reform our public assistance programs.

Your characterization of the crisis which now confronts our states and cities because of soaring welfare costs is most apt. You are also accurate in suggesting that the great disparity in welfare payments from state to

state creates severe inequities for our poor people and for the states themselves. Moreover, again as you suggest our present welfare programs do little to break the destructive cycles of poverty.

I agree that the federal government must increase its participation in welfare programs. Indeed, it may well be that the only just solution will require the complete assumption of welfare programs by the federal government, and the establishment of a national welfare system. I also agree that we must introduce changes in our welfare systems that will encourage initiative, and which will lead to increased self-reliance. Thus, I feel that your proposal for supplemental family allowance to permit welfare recipients to retain up to 50% of their earnings above their welfare allotment merits serious consideration.

As one of those Governors who has spent "sleepless nights trying to figure out how to meet this great problem," I congratulate you on your initiative in attempting to achieve needed reforms in our welfare programs. Thank you very much for informing me of your proposals.

Sincerely,

KENNETH M. CURTIS,
Governor.

STATE OF NEW YORK,
Albany, May 20, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR MR. PUCINSKI: Thank you for your letter of May sixth which I have found extremely interesting. Thank you also for sending me the legislation which you have introduced in the House of Representatives to improve public assistance programs. I have requested my staff to review your legislation.

As you may know, legislation has been introduced at my request in both the Senate and the House of Representatives regarding welfare. This legislation would provide for the establishment of welfare standards with increased federal financial participation; and, on a phased basis, assumption by the federal government of all costs of welfare programs.

Sincerely,

NELSON A. ROCKEFELLER.

OFFICE OF THE GOVERNOR,
Des Moines, Iowa, May 22, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE PUCINSKI: In response to your letter of May 6, we would consider any resonable plan to establish minimum nation-wide public assistance standards an improvement on the present system which allows as many different standards as there are states. We are fully aware that differences in living costs and other factors may require the standards be adjusted, but with that thought in mind, we support the concept of nation-wide standards.

We agree that the present public welfare system is failing to meet the needs of disadvantaged people, and that new approaches should be tried. Although it is difficult to evaluate a complex program with only the assistance of the printed word, we are impressed with the supplemental approach of HR 10250. We do not at this time, however, understand all the mechanics of what would be involved in the administration of the program.

We further agree with the proposal that the total cost of public assistance programs be assumed by the federal government. If no state or county funds were involved in welfare programs, two advantages in addition to the obvious fiscal relief would result for the administration of such programs in Iowa. One advantage would be the concentration of administration on the state level with a related decrease in county administrative authority and control. It is practically impossible to administer uniform standards when a state has 99 separate county policy-making boards.

A second large advantage would be the separation of welfare program costs and financing from the already complex county, county-state, state-federal financing system. Elimination of the present maze of matching ratios and matching arrangements would release staff time for more productive activities.

Please understand these remarks are made in relative haste, as our present staff responsibilities do not allow for an exhaustive evaluation of the bill. I do, however, hope these remarks are helpful.

Sincerely,

ROBERT D. RAY.

STATE OF OKLAHOMA,
Oklahoma City, June 6, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: This is to acknowledge your recent letter referring excerpts from the Congressional Record regarding your bill, H.R. 10250.

I have discussed this matter with our own State Welfare Department, who note that many of the provisions of your bill are in agreement with recommnedations they have previously made in regard to Federal financing of the money payments and uniform national welfare standards.

We do not feel quailified to comment on the amounts set out in your letter for such payments, as we feel that our experience would be somewhat limited to only one area and there should perhaps be some variation among areas of the nation in ratio to the cost of living in the specified area.

I do agree that there will need to be some standardization in regard to welfare payments, particularly since the Supreme Court has ruled that residence can no longer be a requirement for public assistance. We are particularly concerned in Oklahoma over this matter since our payments on the average are higher than the payments in adjoining states and it is anticipated that many of the residents of other states will move into Oklahoma for the purpose of securing higher welfare payments and state funds are not sufficient to provide expansion of the welfare programs and the anticipated increase in recipients.

We appreciate your forwarding this to us for our coments.

Sincerely,

DEWEY BARTLETT,
Governor.

EXECUTIVE OFFICE,
Jefferson City, Mo., May 21, 1969.

Hon. ROMAN C. PUCINSKI,
House Office Building,
Washington, D.C.

DEAR MR. PUCINSKI: I have read with interest your bill, H.R. 10250, which you forwarded to me recently, requesting my comments.

The establishment of proposed national standards, eligibility requirements and full Federal financing of the public welfare program and Medicaid is in complete accord with the recommendations which I have made in recent years. I suggest that your bill should also include General Relief payments by the Federal Government.

With respect to the payment of supplemental family allowance benefits, Title II, which is purely a Federal project, this is a matter for determination by the Congress. Whether this proposal for stimulating employment of the indigent is the best that can be devised, is a question on which I do not have a considered opinion at this time.

Sincerely yours,

WARREN E. HEARNES.

THE STATE OF COLORADO,
Denver, May 9, 1969.

Hon. ROMAN C. PUCINSKI,
House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE PUCINSKI: Thank you for sending me the text of H.R. 10250, and your remarks on the floor when it was introduced.

As you know, welfare costs, necessary as they are, are a serious drain on the treasury of any state, and the recent Supreme Court decision was almost a mandate for national standards. Consequently, your action is particularly appreciated.

Sincerely,

JOHN A. LOVE.

OFFICE OF THE GOVERNOR,
Salem, Oreg., May 9, 1969.

Hon. ROMAN C. PUCINSKI,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: Thank you for the material on H.R. 10250. You will be pleased to know that I have been serving on a small governors' committee headed by Governor Nelson Rockefeller of New York, which has evolved greatly similar legislation. It has been sent to members of our Congressional delegation along with analyses by the Oregon State Public Welfare Commission staff and the Oregon State Attorney General's Office.

By inference, then, your proposal, as set forth in your letter of May 6th, has my support.

Sincerely,

TOM MCCALL,
Governor.

STATE OF ALASKA,
Juneau, June 10, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR MR. PUCINSKI: This is in answer to your letter of May 6 requesting comments on your proposed legislation, House Resolution 10250.

I agree with the overall intent of your bill to set national welfare standards, supplement family allowances to permit welfare recipients to retain a portion of their earnings, and assumption by the Federal Government of the entire cost of the national welfare system.

Prior to giving my support to your bill, I would like to see a change made to eliminate the monthly payment ceiling and to require the Federal Government to meet full need as established by a particular state. As you point out in your testimony, very few welfare recipients are able to work. Since we do not have an Aid to Families with Dependent Children—Unemployed Parent Program in Alaska, we have no able-bodied men under AFDC. Ninety-nine percent of Alaskan recipients fall in other categories of those not able to work. We have the Work Incentive Program to train any AFDC mothers capable of being trained, and, as you know, the WIN program has a built-in incentive payment similar to your bill. Although our welfare assistance payments meet approximately 44 percent of need, Alaska currently pays a family of four $185 of the total $419 required. Your bill would reduce payments to the same family to only $170. Thus, under your bill the Federal Government's share to Alaska would be less than it is now. If your bill were modified to require the Federal Government to pay 100 percent of full need as determined by a particular state and approved by the Federal Government, the effect would provide for a cost-of-living differential as computed state by state, or county by county, and would be much more equitable. For example, while a family of four could probably manage on $170 per month in Alabama, $170 would not pay for the rent and fuel in Alaska.

I could not approve a plan that ties Alaska to a national average because even now Alaska receives an inequitable share of Federal funding due to our mandatory requirement here to allow higher grants because of the higher cost-of-living factor. Further, because of our higher salaries to compensate for the higher cost of living here, Alaskans pay a higher percentage of Federal income tax based on the tax system which does not take into account living costs. Alaskans again are penalized by having to provide the additional amount needed over and above the Federal allocation to maintain our welfare recipients in a high cost-of-living area.

I am sending copies of this letter to our Congressional delegates. I am sure any of them would be happy to discuss Alaska's unusually extenuating circumstances, some of which I have outlined above.

Best personal regards,

Sincerely yours,

KEITH H. MILLER,
Governor.

STATE OF MICHIGAN,
Lansing, June 11, 1969.

Hon. ROMAN C. PUCINSKI,
House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE PUCINSKI: Thank you very much for sending me a copy of your legislation regarding changes in public assistance programs. I fully agree that these programs must have a greater national uniformity, and there is a great need for the establishment of national standards and levels of assistance payments. Although migration to Michigan because of higher assistance payments is not a significant problem, this program would have a desirable effect on reducing existing inequities.

The income disregard aspect of your bill is the next logical step of the present provisions which will take effect in Michigan on July 1. When we have had some experience with the income disregard program, we will be in a much better position in evaluating your bill, or similar bills, on this matter.

I have enclosed a copy of a letter which I sent to Senators Griffin and Hart and to our entire Congressional delegation, which delineates some of the specific problems we are having with federal welfare programs and regulations. I thought this would be of interest to you.

Best regards,

Sincerely,

WILLIAM G. MILLIKEN,
Governor.

LETTER TO MICHIGAN CONGRESSIONAL DELEGATION

APRIL 29, 1969.

DEAR ———: In writing this letter, I am aware of your very deep concern about the AFDC "freeze" enacted as a part of the 1967 Social Security Amendments, and want you to know the urgency that I place on a change in that legislation.

As a result of this harsh and unrealistic limitation on the number of children with absent parents that may be aided with federal funds, all states are faced with an impossible decision: to bear the financial burden of any resulting increased costs, or to spread the available funds over a greater number of children in order to keep the caseload within the prescribed limits. The costs and consequences of these alternatives are obvious.

Based on current estimates, the freeze will increase Michigan's costs (and thereby reduce federal costs) by 9.3 million dollars for the 1969–70 fiscal year. Under the freeze, federal financial participation will not be available for an estimated 35,196 children receiving AFDC in Michigan. Although the total cost of assistance for these children will be borne by the state, the state will, nonetheless, be bound by federal regulations in the provision of that assistance.

I should also like to point out that the Federal Government has required an updating of welfare standards. This, in effect, means a cost of living increase in all welfare categories. I, personally, fully support a cost of living increase for welfare recipients, but it is my understanding that the Federal Government plans to update all standards and place the entire financial burden on the states. In Michigan, this presents another increase in the state welfare budget of approximately $8 million to $10 million.

Moreover, HEW will initiate a ruling on October 1, 1969, which requires that during an appeal process, the state cannot terminate a welfare grant as long as the appeal continues. In addition, the state is under the obligation to supply legal services to the recipient. I strongly favor the opportunity to appeal and the need for the recipient to be represented by legal counsel; but again, the states will have to pick up 100% of the cost involved. In Michigan, this will add approximately one-half million dollars to the welfare budget.

The point of this letter is clear. At a time when the Federal Government is requiring the states to expend more amounts in their welfare budgets—in addition to the normal caseload increases—the Federal Government itself is setting needed objectives, but is not supplying any part of the money necessary to accomplish these objectives.

Again, I am in full agreement with these policies, but I feel very strongly that if the Federal Government promulgates such a ruling, they should support this ruling with the necessary matching funds.

The AFDC freeze is simply another example of the Federal Government enforcing a policy that will require the states to assume a greater burden of welfare costs. I strongly recommend that the AFDC freeze is repealed and I also recommend that the Federal Government supply the necessary matching funds to update welfare standards and to improve the welfare appeal process.

Sincerely,

———— ————,
Governor.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS,
Providence, July 2, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN: I wish to thank you for your letter of May 6, 1969 concerning your bill, H.R. 10250, pertaining to revisions in the laws governing public assistance. I fully agree that national uniform minimum standards for public assistance are called for and that the federal government should assume most, if not all, of the entire costs of the national welfare system.

The Rhode Island Department of Social Welfare has already implemented policy allowing welfare recipients to retain a substantial percentage of their earnings above their welfare allotment. Our current policy in that area is outlined in the enclosed attachment.

Your proposed legislation and accompanying material have been referred to the State Department of Social Welfare for further review. As you know, there have been a number of proposals relative to the major revision of America's public aid programs this year, and we are awaiting proposals of the Nixon administration. Our Department of Social Welfare is in the process of carefully reviewing all such proposals, and presently plans call for the development of a specific statement of position in relation to the entire problems as soon as the various proposals have been reviewed. When this statement is prepared and approved by me, a copy will be forwarded to you.

Sincerely,

FRANK LICHT,
Governor.

RHODE ISLAND PUBLIC ASSISTANCE SERVICE MANUAL

CHAPTER II—DETERMINATION OF NEED

I. Definition and Consideration of Income as a Resource

Income is defined as the receipt of money or the receipt of goods or services to meet a specific requirement. To be considered as a resource in determining need, income must be available and computable. To be available it must be known that the income must be of such a nature that it is known that it (1) will be received and be under the control of the recipient during the period for which need is being determined, or (2) can be available if action is taken by the applicant or recipient to obtain it. To be computable, income must be of such a nature that it can be stated in a specific money amount or applied to a particular requirement.

II. Use of income in determining need

In determining the amount of need of an individual or family, all income must be taken into consideration. However, modifications of the amount of actual income are made under specific conditions in determining the amount of income which will be applied to the assistance plan.

III. Sources of income

A recipient of Public Assistance can receive income from any number of different sources. For Agency purposes, income can be defined according to the following:

A. Earned Income

1. Definition of Earned Income:

a. Earned income is income in cash or in kind earned by an individual through the receipt of wages, salary, commissions (including MDTA), or profit from activities in which he is engaged as a self-employed individual or as an employee. Such earned income may be derived from his own employment, such as business enterprises, or farming, or be derived from wages or salary received as an employee. It includes earnings over a period of time for which settlement is made at one given time, as in the instance of sale of farm crops, livestock, or poultry.

b. "Earned Income" does not include:

(1) Returns from capital investments with respect to which the individual is not himself actively engaged, such as dividends, rentals and interest, or

(2) Benefits (not in the nature of wages, salary, or profit) accruing as compensation, or reward for services, or as compensation for lack of employment, such as industrial pensions, OASDI, ESB, TDI, or Veteran's benefits.

2. Earned Income from Wages:

When earned income is from wages, the worker must verify the gross amount (before deductions) received and the amount of each payroll deduction identified by source. Verification is made by examining current check stubs or pay envelopes which the employed person has. If wages fluctuate, an average should be made of five (5) consecutive pays if possible. If check stubs or pay envelopes are not available, the person should obtain a statement from the employer showing the gross amount and identifying the source and amount of each deduction for 5 pay periods. If the client does not furnish this information as required, it is obtained by a PA–50.

3. Earned Income from Self-Employment:

There are many kinds of self-employment in which a client may be engaged. These include merchandising, service shops, manu-

facturing industries, or operating a farm. If it is found that the business is operating at a loss, the client should be helped to evaluate the future potential of the business and the advisability of continuing with it. There should be an understanding that PA cannot consider any expenses of the business as requirements in determining the extent of need.

a. Determination of Profit:

Profit from self-employment is the difference between the gross receipts and the actual cost of operating the business *on a yearly basis.*

Gross receipts is the total amount of money received from the sale of goods or the rendering of a service. This is determined by a review of income tax reports, or a review of books showing amounts received. In farm operation, gross receipts is based on products sold. No monetary value is placed on garden or dairy products used by the family.

Cost of operating the business is the total cost of expenses related to the business; i.e., rent, utilities, equipment, stock replacements, etc., plus non-personal work expenses (201.2, p. 4) as obtained by a review of income tax reports or the review of receipts, bills, or books. When a business is carried on at home, no part of the overhead expense is considered a business expense.

b. Application to the Assistance Plan:

Income considered from self-employment is the difference between the amount of *profit* and the amount of personal expenses of producing the income (item 4 below).

In initial determination of need, either the documented income for the prior year or the estimated income for the current year, based on at least 3 months' operation, may be used as appropriate. If the current year estimate is used, verification and computation of the actual amount to be considered as income must be completed in January of the following year.

4. Consideration of Expenses Incurred in Earning Income:

This section deals with those expenses that are attributable to earning an income. These expenses *will be applied to applicants and recipients* of Public Assistance in determination of eligibility.

The balance of the income after consideration is given to these expenses is the amount to which the disregard policy is applied.

a. Non-Personal Work-Related Expenses:

These will include the cost of: any required licenses, tools and materials, the purchase of special equipment such as uniforms, telephone, if needed on the job, etc., transportation, if needed *on the job,* if not reimbursed by the employer.

b. Personal Work-Related Expenses:

These will include the cost of the following:

(1) Mandatory Payroll Deductions: These are amounts deducted by the employer as required by law or by company regulations for all employees. They are usually in the form of deductions for—

(a) Income Tax, Social Security, Retirement Funds and Union Dues.

(b) Group Insurance—*when membership in the plan is mandatory.*

(c) Legal attachment on wages—Under Title 9, Chapter 26, Section 4, Subsection 12b and c of the General Laws of 195C, the first $50.00 of any pay due at the time is exempt from attachment and no attachment can be placed on the wage of a former PA recipient for one year (amount amended eff. 9–1–66), following termination of Public Assistance.

(2) Increased Personal Needs: [1]

The following allowance is deducted from the wage for increased personal needs for food and clothing:

$1.00 per day for each day worked regardless of the number of hours up to a maximum of $20.00 per month. Persons working full time would be eligible for the $20.00 allowance as a work expense.

(3) Amounts as Paid where Necessary for: [2]

(a) Purchase of service for care of children in the client's own home or for the care of other dependents in order to enable the person to be employed.

(b) Purchase of child care in family day-care homes that are, or are in the process of being, licensed (see Sec. 203, p. 5 for cost guidelines).

(Child care service provided by Agency family day-care homes or group day-care centers will be paid directly by PA through a vendor system).[3] See Section 205—Day Care Services Program.

(c) Union dues, if not deducted by employer or dues to employee groups or similar assessments.

(d) Special safety devices needed for handicapped people when not furnished by the employer.[4]

(e) Special safety or protective clothing items or uniforms.[4]

(f) Transportation to and from work.[4]

B. Other Income

Income may be derived from many sources. The worker must know the sources of actual or potential income which are indicated by the individual facts in each situation, and be able to determine the amount and availability of all actual income and the availability of any potential income.

Policy and procedure for the verification of actual income and/or the identification of potential income is set forth for the following sources: Federal and State Insurance, Employment Pensions, Benefits for Veterans, Armed Services Allotments, Workmen's Compensation, Boarders and Lodgers, Property, Insurance, Other Agencies, Income in Kind, Relatives.

IV. Treatment of income in AFDC and in GPA for families with children

A. The following income is disregarded in computing the needs of a family with dependent children receiving AFDC or GPA. However, this disregard is not applied when the application is caused by a strike or work stoppage.

1. All the earnings of any child receiving assistance if the child is a full-time student or a part-time student who is not a full-time employee. This may include full-time summer employment of children who plan to return to school in the fall.

Definitions: A student is one who is attending a school, college or university or a course of vocational or technical training designed to fit him for gainful employment. A full-time student must have a school schedule that is equal to at least one-half of a full-time curriculum.

2. After expenses incurred in the earning of wages have been taken into consideration, the first $30.00 of the balanced of earned income of the appropriate family members (students omitted) plus one-third (⅓) of the remainder is disregarded. This income disregard *does not apply,* however, in the following situations:

a. At intake, (1) if an applicant has left employment or reduced his earnings for the sole purpose of applying for assistance, and later he returns to work to take advantage of this disregard provision, or (2) persons who are employed at time of application either full-time or part-time except those who reapply for assistance within a five-month period after being closed to a job which does not work out.

b. *Active Cases:* For 30 days after a recipient either left work without good cause, or refused to accept a job in which he was able to engage.

B. Use of Income for Special Needs of Children:

In AFDC and GPA families where there is income from any source, earned or other, consideration is given to special needs of the children, individually determined and in an amount *not exceeding the amount of the income.* Special needs of children are included as a requirement in the assistance plan under "Other". This includes current school expenses as identified, including participation in school activities, e.g., orchestra, special courses of training (shop, clothing, construction, etc.), athletic or class activities, etc., and participation in community activities such as Scouts, Y's, CYO, Boys' Club, 4–H, etc.

C. Conservation of Income for Educational Needs of Children:

In addition to consideration of expenses attributable to the earning of income and to the use of any income, earned or other, to meet the special needs of children as above, part or all of the remaining income, earned or other, may be conserved by the family for the future identifiable needs of a child which will make possible for the accomplishment of a specified plan for his future education, special training and employment designed to realize the child's maximum potential as an independent and useful citizen. The amount of income which may be conserved must be reasonable in amount as related to the purpose for which it is being held, and in individual cases in which income is conserved for this purpose, there must be a review of the plan on a regular basis to determine the continuing appropriateness of the plan.

The final decision on the conservation of income and the amount to be put aside is made by the Casework Supervisor. The worker, however, has the responsibility to apply the following criteria in the referral of a case for approval and to have reached a tentative decision, through an evaluation of the situation, that conservation of income is indicated and to have an estimate of the cost of the specified plan for the education and/or training of the child.

The child must be 14 years of age or over and, as a result of the social study of the child pertaining to education and preparation for employment (Sec. 100.2, pp. 7–8), the case plan includes working toward the accomplishment of a specific plan for the child's future education beyond high school *or* of training in a specific occupation such as hairdressing, radio repair work, etc. These children will be those who are already attending a school beyond high school or a training facility for a specific occupation, or

have finalized (accepted by the school or training facility) a plan for attendance at a school beyond high school or a training facility for a specific occupation, or

have initiated or wish to initiate a plan for future education providing that the plan is considered suitable by the school in accordance with the child's capacity in achieving such a goal.

Once a plan for conservation of income is made, the worker must review at each DOCE the progress being made to insure that the family and the child continue to work toward the specific goal or are carrying out the plan as evidenced by the child's attendance at the school or training facility.

V. Disregard of earned income for AABD

A. Recipients of AABD Over 65 or Disabled: For recipients whose eligibility is based on age or disability, and who are employed, the disregarded amounts are: $20.00 of the first $80.00 of *earned income* plus one-half (½) of the remaining $60.00.

[1] Omit for M.A. Program.

[2] For AABD, GPA, & MA Only.

[3] For AFDC Only.

[4] Omit for M.A. Program.

B. Recipients of AABD who are Blind: For recipients who are blind, the disregarded amounts of earned income are: The first $85.00 per month plus one-half (½) of the excess. In adidtion, for recipients who are blind, a further disregard of the balance of earned income and any other income is provided to meet the cost of a rehabilitation plan to achieve self-support in an amount required for a period not in excess of 36 months. Such a rehabilitation plan must be approved by the Division for Services to the Blind.

VI. Method of applying disregard provision

The method of disregarding income is the same for all forms of assistance.

From a client's gross earnings, deduct nonpersonal and personal work-related expenses (see Sec. III-4-a-b of this Sec. 201.2).

From the remaining amount of income, apply the appropriate disregard formula.

VII. Recipients of AABD who are resident nonprofessional

Recipients of AABD who are resident nonprofessionals in a Community Action Program or a Title I–D program will continue with present disregards *until July 1, 1969.* These disregards will expire at that time according to Federal law. They are no longer applicable to AFDC recipients.

This Federal provision allows the agency to disregard the first $85.00 per month plus one-half (½) of the excess up to $150.00 for a period of 12 cumulative months. Therefore, any recipient of AABD can receive a special disregard to a maximum of $117.50 if they are a resident nonprofessional in a Community Action Program or in Title I–D program for a period of 12 months on a cumulative basis. This disregard is applied instead of the usual disregard policy as outlined above.

STATE OF CONNECTICUT,
Hartford, May 8, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE PUCINSKI: Thank you for your letter of May 6 regarding legislation relative to federal welfare programs which you have introduced in the Congress.

I have already voiced to Secretary Finch my feeling that the federal government must act now to establish national welfare standards and move toward assumption of the full welfare burden.

The need for major revisions in the present welfare system is evident to most state leaders and I am sure the Congress will look most carefully into this need.

Sincerely,

JOHN DEMPSEY,
Governor.

WYOMING EXECUTIVE DEPARTMENT,
Cheyenne, May 13, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: Thank you for your recent letter and enclosures regarding your bill, H.R. 10250, for improvements in our present public assistance programs.

The recent Supreme Court decision with respect to welfare residency requirements will certainly place additional burdens upon the states. However, I am not yet ready to say that the federal government should assume the entire cost of the national welfare system. I have learned that controls most surely follow the national dollar, and if all local control of welfare is preempted by the federal government I fear that Congress may be running into more troubles than it bargains for.

I would certainly agree that our present system needs improvement. Federal financial participation should be increased and local flexibility in management should also be increased.

Wth all good wishes, I am,

Sincerely yours,

STAN HATHAWAY.

STATE OF NEW JERSEY,
Trenton, May 28, 1969.

Hon. ROMAN C. PUCINSKI,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN: I have seen your letter and your statement on the floor of the House of Representatives regarding H.R. 10250. You may be assured that I support warmly the provisions of this bill.

The cost of providing welfare payments to needy persons in the State of New Jersey has doubled in the last three years. New Jersey is the third most generous State in the levels set for payment under the federally supported welfare categories. It is perfectly clear that this burden is becoming too great for the State, counties and municipalities to bear.

Last year the New Jersey Legislature approved, at my request, a measure increasing the State's share to seventy-five per cent of the non-federal matching required by federal legislation. In addition, New Jersey is now participating in the work incentive program (WIN) to provide welfare recipients with the services they need to become employed.

The superior taxing position of the federal government should be used to finance completely this national purpose.

I appreciate your thoughtfulness in bringing this measure to my attention. You may be assured of my continuing support for H.R. 10250.

Sincerely yours,

RICHARD J. HUGHES,
Governor.

STATE OF MONTANA,
Helena, May 16, 1969.

Hon. ROMAN C. PUCINSKI,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: I appreciated receiving your letter of May 6, concerning your bill, H.R. 10250, to raise national welfare standards.

I agree that changes are needed in the Social Security Act relating to public assistance programs and Mr. Theodore Carkulis, State Administrator for the Montana Department of Public Welfare concurs.

Your proposals are laudable and the impact on the financing of public welfare in Montana would be of major significance, although national welfare standards would not have as much impact on Montana, as it would on those states where assistance grants are comparatively low.

Both Mr. Carkulis and myself are not convinced that complete "Federalization" of the money payment for all categories would completely solve the problem. The old-age assistance category would be the most susceptible to this approach; but, even here many of the problems relating to institutional care, such as boarding home and nursing home care, of these persons would still remain. Because of its effect on Montana, I would strongly recommend that Federal matching continue to be based on some variable grant system, so that the lower per capita income states would receive a greater proportion of Federal funds.

I trust that my comments will be of some assistance to you. If I can be of any further assistance, please do not hesitate to contact me.

Sincerely yours,

FORREST H. ANDERSON,
Governor.

STATE OF NEBRASKA,
Lincoln, May 15, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN: This will acknowledge receipt of your letter and a copy of H.R. 10250 regarding public assistance programs.

Your proposed legislation does more to attack and correct the problems of welfare than any proposals that we have recently read. While I may not be in complete agreement with all aspects of the proposed legislation, nevertheless, it most certainly is a step in the right direction and I commend you on your fine leadership.

Very truly yours,

NORBERT T. TIEMANN,
Governor.

STATE OF VERMONT,
Montpelier, May 16, 1969.

Hon. ROMAN C. PUCINSKI,
Congress of the United States, House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE PUCINSKI: This is in response to your request for my comments on H.R. 10250.

Speaking for myself, you were correct in your reference to Governors who spend sleepless nights over the increasing costs of our welfare system.

In this regard I have appointed a committee to intensively review Vermont's welfare system. It would be premature of me to take a position until the results of this study are known.

I will, however, say that your proposed national standards would not necessarily benefit Vermont where our average payment per recipient is already above the national average in every category.

Secondly, your supplemental family allowance plan does not solve what appears to be one of the major problems with the present system; that is, welfare recipients receiving more income than the family man between the ages of 21 and 65 who earns less than what his family could receive if he deserted them and went on welfare. Your supplemental family allowance appears to widen the financial disparity between these two groups.

Until my own investigation is completed, I must withhold my support for H.R. 10250.

Sincerely yours,

DEANE C. DAVIS,
Governor of Vermont.

STATE OF ALABAMA,
Montgomery, May 23, 1969.

Hon. ROMAN C. PUCINSKI,
Member of Congress,
House Office Building,
Washington, D.C.

DEAR MR. PUCINSKI: Thank you for your letter of May 6, 1969, enclosing excerpts from the Congressional Record containing your bill, H.R. 10250, together with your explanation thereof. I have requested the State Department of Pensions and Security to review this pending legislation, and would like to make the following comments.

As we understand it, there are a number of bills which have been introduced in Congress proposing in one way or another, the provision for Federal financing of the public assistance program. Just recently I was asked to comment on a bill which was introduced through the efforts of the Council of State Governments and Governor Rockefeller in particular. As we indicated to the Council of State Governments, we believe that total financing of public assistance programs is rapidly becoming almost a necessity. This is due not only to the inequity of payments state by state, but more particularly to a recent Supreme Court decision abolishing residency requirements and pending suits on some other state welfare provisions.

We believe your proposal provides adequate maintenance for those unable to work, and incentives for able-bodied persons to secure employment even if wages are set below the maintenance level. It appears to us that your bill might be more expensive than the present public assistance program although it would relieve states of their portion of the costs of public assistance. At the same time, it provides a more humane approach to public assistance than the present program. The reduction of the family allowance maximum by ten percent, however, for any maintenance in which the value of home produce consumed equals this amount is administratively unsound. It does not provide the present incentive for people to help themselves through raising of home produce.

We are pleased that your bill does not have a transitional period for the Federal government to take over the cost of the program. We understand that some of the other proposals have this transitional period.

It is difficult to determine whether the public assistance program under your bill would be administered by the states or by the Federal government, and whether administration of services would be included. This is an important matter in the consideration of any legislation, and we believe there should be some clarification.

As we understand your bill, recipients of aid to the blind and aid to the permanently and totally disabled are not eligible for the family allowance incentive. They may either continue assistance or receive the supplemental family allowance benefits. We believe that this is treating blind and permamently and totally disabled persons inequitably.

We wonder if your thinking involves taking the Federal government out of other aspects of the public welfare program than public assistance. We, also, assume that your supplemental family allowance virtually provides a general assistance program.

We agree with you that if your bill were enacted it would have a tendency to reduce the migration of public assistance recipients to high payment states.

Again, thank you for giving me an opportunity to comment on your bill.

Sincerely yours,

ALBERT P. BREWER,
Governor.

STATE OF ARKANSAS, DEPARTMENT OF PUBLIC WELFARE,
Little Rock, June 24, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: Reference is made to your letter to Governor Winthrop Rockefeller of May 6, 1969, which he referred to me for review and reply. I have reviewed your bill, H.R. 10250, and offer the following:

1. This Agency is in favor of National welfare standards. We feel that in addition to bettering the lot of welfare clients, at least in Arkansas, that National standards would discourage individuals and families from moving to higher welfare payment level states;

2. We definitely believe that the supplemental family allowance plan, permitting wage earners to retain up to 50% of their earnings, would encourage low income workers to continue to work on a part-time or even full-time basis, rather than to fall back entirely on grant payments;

3. We wholeheartedly believe that the Federal Government should assume the entire cost of the welfare program. This would enable states to use administrative money to provide special services for the under-privileged and would enable them to use the grant matching state dollars to expand such programs as Medicaid.

The passage of your proposed legislation would not only be most beneficial to our Nation's poor and needy people, but would also be very helpful, financially, to state governments.

If this Department can be of further assistance to you, or provide further information, please do not hesitate to let me know.

Very truly yours,

LEN E. BLAYLOCK,
Commissioner.

EXECUTIVE DEPARTMENT,
Atlanta, May 26, 1969.

Re H.R. 10250.
Hon. ROMAN C. PUCINSKI,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: This is in response to your letter of May 6 requesting my comments on the above-captioned bill which you have introduced in the Congress of the United States.

With respect to the first section of your bill regarding national welfare standards, I generally favor a minimum financial floor under the categorical assistance programs under which no state should be permitted to go. However, and this goes to the third section of your bill, I am opposed to the Federal Government assuming the entire cost of public welfare. As a strong advocate of State's Rights, I am also a strong advocate of State's Responsibilities. I believe that the states have a responsibility to their indigent citizens and that this responsibility should not be abandoned or delegated to the Federal Government. This does not mean, of course, that the states should bear the major portion of the financial burden, but should be willing to bear a sufficient portion of the costs to enable them to maintain some degree of control over the programs. I hold a contrary opinion to that which you expressed on the floor of the House to the effect that the amount of the allowance be the same in all regions of the country. I believe it to be essential that differences in cost of living in the various regions or states be considered. The allowance you propose would, in some rural areas of this state, be more than that which is considered as middle-class income for the area.

With respect to the second section of your bill authorizing supplemental family allowances to permit welfare recipients to retain up to 50% of their earnings above their welfare allotment, this would in my opinion be an improvement over the system which has in the past imposed a 100% tax on the earnings of welfare recipients. I am sure you are aware, however, that recent amendments to the Social Security Act will provide some relief in this area as a result of new earned income disregard provision.

In conclusion, I agree totally with your belief that every able-bodied American should contribute something to his existence by entering the labor force and becoming a part of the mainstream of society. For able-bodied recipients of welfare to do this we must be able to provide more and better job training programs for the uneducated and unskilled and more jobs for them once they are trained. The dole, in whatever form, is not the answer.

Sincerely,

LESTER MADDOX,
Governor.

COMMONWEALTH OF PENNSYLVANIA,
GOVERNOR'S OFFICE,
Harrisburg, May 26, 1969.

Hon. ROMAN C. PUCINSKI,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: Governor Shafer is in South America for a Pennsylvania Trade Mission and before leaving asked me to respond to your letter about H.R. 10250.

The Governor is generally in agreement with the aim of your legislation. He believes that the federal government should set national welfare standards and assume the entire cost of the national welfare system.

A review of your specific legislation is now being conducted by the departments and we hope to have a more specific response in support of H.R. 10250 very shortly.

Sincerely,

HUGH E. FLAHERTY.

COMMONWEALTH OF VIRGINIA,
GOVERNOR'S OFFICE,
Richmond, May 9, 1969.

Hon. ROMAN C. PUCINSKI,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. PUCINSKI: Governor Godwin has asked me to acknowledge and thank you for your letter and the copy of proposed legislation H.R. 10250 you have introduced.

We are sending a copy of this material to Mr. Otis L. Brown, Director, Department of Welfare and Institutions, asking him to review it and forward to you any comments he may have regarding this legislation.

Sincerely,

BRUCE C. MILLER,
Executive Assistant.

STATE OF LOUISIANA, EXECUTIVE DEPARTMENT,
Baton Rouge, May 13, 1969.

Hon. ROMAN C. PUCINSKI,
Member of Congress,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: In reply to your recent letter referring to legislation you propose in connection with public assistance programs, I have asked those in this state who administer the program to submit comments in order that I may be equipped to intelligently respond to your request for comments.

With kind regards, I am

Very truly yours,

JOHN J. MCKEITHEN,
Governor of Louisiana.

STATE OF SOUTH CAROLINA, OFFICE OF THE GOVERNOR,
Columbia, May 14, 1969.

Hon. ROMAN C. PUCINSKI,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: Governor McNair handed me your letter concerning your recent legislation on welfare programs and asked that I get the comments of our State Director of the Department of Public Welfare. I am forwarding a copy of your letter to the Director today and will be in touch with you very soon.

Sincerely,

ROBERT L. ALEXANDER.

STATE OF WEST VIRGINIA, OFFICE OF THE GOVERNOR,
Charleston, May 28, 1969.

Hon. ROMAN C. PUCINSKI,
Congress of the United States,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: This is to acknowledge receipt of your letter of May 6, 1969, with which you enclosed copy of your bill, H.R. 10250, regarding the public assistance program.

I appreciate your sending this to me, and am forwarding a copy to Mr. Edwin F. Flowers, Commissioner, Department of Welfare, for his review and comment.

As soon as I have received a report from Mr. Flowers, I shall be in touch with you.

Sincerely yours,

ARCH A. MOORE, Jr.

OFFICE OF THE GOVERNOR,
Phoenix, Ariz., May 9, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: This is to acknowledge and thank you for your letter of May 6 relative to H.R. 10250 concerning National Welfare Standards which you have proposed recently to the members of Congress.

I am referring your letter to Dr. Wm. Henry, Chairman of our Department of Public Welfare for his comments.

A reply should be forthcoming shortly.

Sincerely,

JACK WILLIAMS.

STATE OF CALIFORNIA,
GOVERNOR'S OFFICE,
Sacramento, June 23, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

MY DEAR CONGRESSMAN: I am pleased to be in a position to reply more fully to your letter bringing to our attention legislation you have introduced in Congress on public assistance programs.

Very recently Mr. Spencer Williams, my Secretary for Human Relations, and Mr. John C. Montgomery, Director of Social Welfare, made presentations on behalf of my Administration on this subject before the President's Commission on Income Maintenance Programs. In the course of that testimony, they made a number of points which are included in the attached summary.

Again, I would like to express my appreciation for your letter and for the opportunity you have given us to comment on this important national problem.

Sincerely,

RONALD REAGAN,
Governor.

STATE OF MINNESOTA,
OFFICE OF THE GOVERNOR,
St. Paul, May 12, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR SIR: Thank you for furnishing this material on welfare legislation to Governor LeVander. He advised it will be carefully considered along with other proposals to cover our welfare dilemma.

Sincerely,

WALLACE R. HOAGLUND,
Administrative Assistant.

SUMMARY OF TESTIMONY BEFORE THE PRESIDENT'S COMMISSION ON INCOME MAINTENANCE PROGRAMS

(By Spencer Williams and John C. Montgomery)

1. Reform and reconstruction of our present outmoded public assistance system is long overdue. With respect to this problem, the country is at the crossroads, where we must make some critical decisions about how we are going to deal with the burgeoning costs of these programs, and the basic directions they should take.

2. Today the states and local governments throughout the country are facing a financial crisis as a direct result of the combination of some of the provisions of the social security amendments of 1967 (Public Law 90–248) and the Supreme Court decision on durational residence. The fiscal impact of the permanent elimination of durational residence requirements coming as it does on top of the additional fiscal burden placed on the states by the Congress in 1967 and by certain changes in federal regulations, may well prove to be the proverbial "last straw." It is just not possible for the states and counties to accommodate this cumulative massive impact on their already overburdened fiscal resources and at the same time maintain, let alone increase, the level of programs and benefits which are so sorely needed by the people.

3. Some immediate steps to reform the system are needed to help alleviate this fiscal crisis. Some of the most important are these:

a. Repeal the AFDC "freeze."

b. Provide full federal reimbursement to the states of the cost attributable to the elimination of the durational residence, as provided in the bill introduced by Senator Murphy of California.

c. Restore to the states the power to determine eligibility requirements for AFDC–U, thus removing the onerous and inequitable restrictions on federal reimbursement of the costs of this program.

d. Eliminate the completely open-ended nature of the earned income provisions of the AFDC program especially with respect to the total amount of the family income subject to it. There should be a gradual reduction in the proportion of earnings exempted as earning capacity increases, and the family's income situation approaches a level of adequacy in relation to its size which could be established as the cut off point for exempting any earned income.

We are completely committed to the principle that assistance policies must provide the incentive of monetary gain if we are to expect people to seek and accept employment as an alternative to remaining on aid. However, we believe that in Public Law 90–248 the Congress went too far in moving to correct what had been one of the basic flaws in the public assistance system.

4. In addition to steps directed specifically to help alleviate the fiscal crisis facing states and local government, these additional reform measures are needed:

a. Remove the current limitations on fedal aid to children in foster care. This would require a public policy based on the recognition that a needy child who has been deprived of the care and support of *both* parents has as much call upon the national resources as does the child who has been deprived of only *one* parent.

b. Make the AFDC program for the unemployed a requirement for all states in order to remove inequities between the states which will become especially acute with the elimination of durational residence.

c. Delegate authority to the states to eliminate inequities resulting from the provision which denies federal reimbursement for AFDC–U payments made to fathers employed more than 35 hours per week regardless of earnings.

d. Automate support for the aged. In California we are currently inquiring into the feasibility of a graded system of standard allowances for the aged based upon housing arrangements, living arrangements and on what the individual can do for himself. Income would be deducted from these allowances. One time and emergency needs would be paid from a different source and would not be part of the periodic support payments.

In our preliminary exploration of this idea, we are attempting to find out, among other things, whether an amount not too different from current grant levels can be established so as to remain unchanged for at least 12 months. With such a program, if it can be formulated, the increases could be automated to a very great extent. Therefore, we call this possibility automated support for the aged. We believe that the results of our efforts which are just beginning, can eventually be applied to the blind and the disabled, and will be useful to the national administration and the Congress.

5. At the same time that the most pressing problems in the public assistance system are being dealt with through immediate measures of reform, longer range plans for a basic reconstruction of the total system must be developed and carried out. Whatever the precise nature of these plans, they:

a. Must reject reliance on any single panacea.

b. Must be consistent with the work ethic of this country by assuring that the incentive to work will be maintained. It has yet to be established that any of the guaranteed income schemes now under discussion will meet this test without the costs being astronomical. Any such plan must satisfy four goals which are conflicting in many ways. It must: provide adequate income subsidy to those in need; maintain incentive to engage in productive employment; minimize payments to those who are not in need of them; keep the total cost within practicable and possible fiscal limits. To our knowledge, no satisfactory way of reconciling these goals has yet been proposed.

c. Must deal effectively with what is probably the most difficult public policy questions of all: How to assure equity between those helped and those not helped; how to maintain the necessary public support for welfare programs in the face of a growing antagonism on the part of those not being helped despite the fact that many of them too are in relatively marginal circumstances.

6. Rather than any single panacea, any such plans must encompass a balanced program all elements of which are designed to exert influence in the same desired direction. This would provide the advantage of the cumulative effect of the interaction of the results achieved through the various elements. These might include:

a. A system of national minimum standards of public assistance payments with greatly increased federal sharing of costs. With the elimination of durational residence requirements, serious consideration could well be given to this approach so as to slow down the flight to the cities and the higher grant states which will now become even more acute. Any such approach must allow for regional differences and for assurance that states like California and Illinois will receive federal reimbursement sufficient to maintain their standards without added costs to state or local government.

b. Improvement of the social security system, especially for the aged, so as to eliminate the current situation where in California, for instance, over 70 percent of aged recipients are on aid because of inadequate social security benefits.

c. Improvement of the unemployment insurance system so as to make it more of a national program and so as to encourage employers to provide jobs to increased number of individuals.

7. Whatever immediate steps are taken to reform the present system or whatever long-range plans are developed for its basic reconstruction, these steps must be accompanied by a national commitment to effective programs for preventing dependency which concentrate attention on steps designed to help children grow into responsible productive adults properly equipped to enter the world of work. These programs of prevention must be pervasive and must rest on a much broader base than the public assistance system itself.

The basic goals for these preventive programs must be life preparation for children. For this to be realized, their parents must have the opportunities for jobs and income required for the family's security and stability essential to healthy child development. One approach to this might be through some form of subsidized employment through tax incentives or inducements to private employers. This could be so arranged to assure that the basic public purposes involved were being carried out, and to provide that the amount needed to supplement the man's going wage in order to enable him to meet his family obligations was paid to him through his employer rather than directly by the welfare system.

STATE OF INDIANA,
Indianapolis, May 15, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR SIR: As requested in your letter of May 6th, I have reviewed your bill, H.R. 10250, and wish to offer the following comments:

1. It is felt that a change in the welfare programs is desirable; however, in all probability a more gradual change, based on the results of the demonstration programs currently being conducted, would be more advantageous than the drastic changes proposed in your bill.

2. With the greatly improved grants, the exemption of an increased amount of earned income, the extending of eligibility to a large additional group of needy and low-income persons, and the issuance of revised national standards it would seem that the probable cost of such a program could greatly exceed the $4,000,000 estimated in your proposal.

3. The receipt of the increased welfare benefits is not the only reason for migration from southern states to urban centers; therefore, higher welfare benefits in the states from which most people are moving would not be the only factor to induce them to stay in their present homes. There would need to be more job opportunities through improved industrial developments, etc.

4. While it is desirable to help relieve local and state burdens in relation to welfare, it is questionable whether we can continue to look upon the federal government to collect and disburse our tax monies in even greater amounts.

In conclusion I might add that I am heartily in favor of incentives to encourage people to work and some measures along this line are in the process of development in Indiana.

Sincerely,

EDGAR D. WHITCOMB,
Governor.

THE STATE OF WISCONSIN,
Madison, May 15, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR MR. PUCINSKI: We are in receipt of your letter of May 6, 1969 explaining what Bill H.R. 10250, which you introduced, would provide. You asked for our comments on the bill.

We feel that a bill such as H.R. 10250 is almost a necessity following the recent decision of the United States Supreme Court. Administrators of the social security aid programs have informed me that the difference in the amount of grants vary so from state to state that there is some temptation on the part of persons to move to a state with more liberal welfare programs. While they recognize that the ordinary person moves to better himself economically by way of better employment, there is the undercurrent of protection by welfare aid until such employment can be obtained.

1. We, therefore, feel that the national welfare standards are a necessity at this time.

2. Certainly, an incentive to obtain employment is a requirement. Without such incentive, a person is not likely to work unless he can earn considerably more than he can receive through the welfare program. Therefore, the right of recipients to retain a percentage of their earnings is again considered a necessity in the welfare program. There seems to be considerable feeling, however, that some maximum to the amount of the "earned income exemption" should be adopted.

3. With the decision of the Supreme Court prohibiting the use of a durational residence requirement for eligibility for social security aids, the recipient group no longer has any attachment to a state or area. The mobility of these people creates a national problem. The sequel to decision appears to be national financing to meet this problem.

Sincerely,

WARREN P. KNOWLES, *Governor.*

THE STATE OF NEVADA,
Carson City, June 27, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN PUCINSKI: This is in reply to your letter of May 6, 1969 concerning H.R. 10250, the legislation you introduced to overhaul our present public assistance programs.

Through misunderstanding here, a response has been delayed. I am sorry about this.

A thorough review of your proposed legislation and consideration by our State welfare agency results in consensus that this is, indeed, a fresh approach to our national welfare system.

However, I question the changes under Title II, Section 202, regarding amounts of earned income to be disregarded under public assistance needs tests. Without a limit or ceiling on the amount to be disregarded, this tends to keep or "lock-in" people on welfare.

In addition, this may allow virtually most middle-income groups, who otherwise meet the eligibility requirements for a program, to be eligible for public assistance.

For instance, the current federal provisions to become mandatory effective July 1, 1969, which allows a disregard of earned income of $30 plus one-third of the remainder, permits a family of four in Nevada to have earnings up to $1,000 per month, depending on their needs, and still be eligible for assistance. I urge you to include in your provisions a ceiling on earnings to be disregarded.

Your plan, otherwise, merits serious consideration.

Sincerely,

PAUL LAXALT,
Governor.

STATE OF NEW MEXICO,
Santa Fe, June 2, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE PUCINSKI: Thank you very much for your letter and the attached introduced bill that would make a substantial revision of public welfare laws.

New Mexico has had in recent years tremendous problems in financing the state's share of welfare programs because of its limited economic base and inability of the state to provide an increase in economic development and opportunity that keeps pace with the demand for human services to the disadvantaged. I have suggested from time to time that the only truly long range solution to New Mexico's problems would be for the federal government to assume the entire financial burden of financial assistance, food assistance and medical assistance. However, merely shifting the present allocation of financial responsibility for the programs would not in itself be a solution to the problems. There is also a recognized need for a total shift in emphasis in the welfare system.

Although there have been numerous changes since 1962 in the Social Security Act, these piecemeal attempts to enable a truly rehabilitative focus to welfare programs have not succeeded. It is my view that one reason they have not succeeded is due to the still existing underlying philosophy that welfare is essentially a punitive gesture by society to provide very minimal assistance and services to those citizens who "deserve" this largesse.

As stated above I do believe that your proposal would go a long way towards solving the state's financial problems (with the recognition that the revenues to pay for the program would still come from the taxpayers). The solution to the problems of the people who are recipients and potential recipients still await aggressive and innovative actions by the states and this would be a necessary corollary to any income maintenance program.

Thank you for giving me the opportunity to comment on your proposed revisions.

Sincerely,

DAVID F. CARGO,
Governor.

EXECUTIVE CHAMBERS,
Honolulu, May 27, 1969.

Hon. ROMAN C. PUCINSKI,
House of Representatives,
Washington, D.C.

DEAR MR. PUCINSKI: Thank you for giving me the opportunity to comment on your proposed legisation, H.R. 10250.

I join others in supporting the principles and objectives enumerated in your proposal and believe that ultimately such a legislation you propose would be inevitable in redirecting the nation's effort to deal with the problems of poverty and its disadvantaged people.

The establishment of national welfare standards for public assistance would assure every needy American that he would be protected in his essential right to basic necessities of life. The disparate welfare requirements among states, the differences among the states as to their economic capacity to finance the public welfare programs resulting in the wide variation in public assistance benefits in the fifty states require no further elaboration. Indeed, public welfare is a national problem and it is timely that it be approached from a national perspective and with total federal financing to correct the inequities and variations.

In a program dealing with poverty, I concur that there needs to be a system for incentives which would effectively end the cycle of poverty. The supplemental family allowance concept designed to exempt a portion of earnings to raise income above the poverty level could be a constructive force, one with broader end goals.

Warmest personal regards. May the Almighty be with you and yours always.

Sincerely,

JOHN A. BURNS.

H.R. 10250

A bill to provide for nationally uniform minimum standards and eligibility requirements for public assistance, to provide for a supplemental family allowance program and to provide that the cost of public assistance under the Social Security Act shall be fully borne by the Federal Government

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 "Supplemental Family Allowance Act".

TITLE I—NATIONALLY UNIFORM MINIMUM STANDARDS FOR PUBLIC ASSISTANCE

SEC. 101. REQUIREMENT OF COMPLIANCE WITH MINIMUM STANDARDS.

(a) OLD-AGE ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED.—Section 2(a) of the Social Security Act is amended—

(1) by striking out "and" at the end of pargaraph (12);

(2) by striking out the period at the end of paragraph (13) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (13) the following new paragraph:

"(14) provide, with respect to all individuals seeking or receiving assistance under the plan at any given time, for the application of the minimum standards and acceptance requirements promulgated and in effect at such time under section 1122."

(b) AID TO FAMILIES WITH DEPENDENT CHILDREN.—Section 402(a) of such Act is amended—

(1) by striking out "and" at the end of clause (22), and

(2) by striking out the period at the end of clause (23) and inserting in lieu thereof "; and (24) provide, with respect to all individuals seeking or receiving aid under the plan at any given time, for the application of the minimum standards and acceptance requirements promulgated and in effect at such time under section 1122."

(c) AID TO THE BLIND.—Section 1002(a) of such Act is amended—

(1) by striking out "and" at the end of clause (12), and

(2) by striking out the period at the end of clause (13) and inserting in lieu thereof "; and (14) provide, with respect to all individuals seeking or receiving aid under the plan at any given time, for the application of the minimum standards and acceptance requirements promulgated and in effect at such time under section 1122."

(d) AID TO THE PERMANENTLY AND TOTALLY DISABLED.—Section 1402(a) of such Act is amended—

(1) by striking out "and" at the end of clause (11), and

(2) by striking out the period at the end of clause (12) and inserting in lieu thereof "; and (13) provide, with respect to all individuals seeking or receiving aid under the plan at any given time, for the application of the minimum standards and acceptance requirements promulgated and in effect at such time under section 1122."

(e) AID TO THE AGED, BLIND, OR DISABLED AND MEDICAL ASSISTANCE FOR THE AGED.—Section 1602(a) of such Act is amended—

(1) by striking out "and" at the end of paragraph (16),

(2) by striking out the period at the end of paragraph (17) and inserting in lieu thereof "; and", and

(3) by inserting after paragraph (17) the following new paragraph:

"(18) provide, with respect to all individuals seeking or receiving aid or assistance under the plan at any given time, for the application of the minimum standards and acceptance requirements promulgated and in effect at such time under section 1122."

(f) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to calendar quarters beginning after December 31, 1969.

SEC. 102. ESTABLISHMENT OF MINIMUM STANDARDS AND UNIFORM ACCEPTANCE REQUIREMENTS

Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"NATIONAL MINIMUM STANDARDS AND UNIFORM ACCEPTANCE REQUIREMENTS

"SEC. 1122. (a) The Secretary shall from time to time (as provided in subsection (c)) determine and promulgate—

"(1) the minimum amount of aid or assistance which (with appropriate adjustments based on other income and resources as required by the relevant provisions of this Act) would have to be paid to eligible recipients under titles I, X, XIV, and XVI, and part A of title IV, and

"(2) the manner in which other income and resources should be taken into account in determining need for aid or assistance under such titles and the other conditions which it might be appropriate to impose in determining eligibility for such aid or assistance,

in order to assure that the purposes of such titles are being carried out effectively and without discrimination between applicants and recipients in different States. The minimum standards determined and promulgated under paragraph (1), and the acceptance requirements determined and promulgated under paragraph (2), shall (subject to subsection (b)) apply uniformly and equally throughout the United States with respect to aid and assistance provided under State plans approved under such titles.

"(b) The minimum standards and acceptance requirements determined and promulgated under subsection (a), which shall take into account the full need of all recipients, may vary as between the several programs of aid or assistance involved to the extent necessary to take into account the different requirements of the classes of individuals to whom such programs respectively apply, and may vary as between individuals in different geographic areas to the extent necessary to take into account any differences between cost levels in such areas; but any such variation shall be designed only to prevent aid or assistance under the programs involved from being of greater net benefit to one individual or class of individuals than to another.

"(c) The minimum standards and acceptance requirements described in subsection (a) shall be promulgated by the Secretary between January 1 and March 31 of each year, beginning with the year 1970, and such promulgation shall be conclusive for each of the four calendar quarters in the period beginning with the July 1 next succeeding such promulgation; except that the Secretary shall initially promulgate such standards and requirements as soon as possible after the enactment of this section and such initial promulgation shall be conclusive for the two calendar quarters in the period beginning January 1, 1970, and ending June 30, 1970."

TITLE II—SUPPLEMENTAL FAMILY ALLOWANCES

SEC. 201. AMENDMENTS TO INTERNAL REVENUE CODE OF 1954.

(a) SUPPLEMENTAL FAMILY ALLOWANCE PROGRAM.—Subtitle A of the Internal Revenue Code of 1954 (relating to income taxes) is amended by adding at the end thereof the following new chapter:

"CHAPTER 7—SUPPLEMENTAL FAMILY ALLOWANCE BENEFITS

"SEC. 1601. DEFINITIONS.

"For purposes of this chapter:

"(1) ELIGIBLE INDIVIDUAL.—An individual is an eligible individual for a calendar month if, at the close of such month—

"(A) he is neither a spouse of an ineligible beneficiary nor an eligible dependent of any other individual; and

"(B) he has attained the age of 18 or is married; and

"(C) he resides in the United States.

"(2) ELIGIBLE DEPENDENT.—

"(A) GENERAL RULE.—An individual is an eligible dependent of another individual for a calendar month if at the close of such month—

"(i) he is a dependent of such individual, and

"(ii) he resides in the United States.

"(B) DETERMINATION OF DEPENDENCY.—Section 152 (relating to definition of dependent) shall apply in determining whether an individual is a dependent under paragraph (2)(A), but any reference in such section 152 to 'calendar year', 'taxable year', or 'calendar year in which the taxable year of the taxpayer begins' shall be considered to be a reference to 'calendar month'.

"(3) SPOUSE OF AN INELIGIBLE BENEFICIARY.—An individual is a spouse of an ineligible beneficiary for a calendar month if at the close of such month—

"(A) he is married to a spouse who is not entitled to receive benefits under this chapter for such month, and

"(B) he has as his principal place of abode the home of his spouse.

"SEC. 1602. SUPPLEMENTAL FAMILY ALLOWANCE BENEFITS.

"Except as provided in section 1606, each eligible individual who makes application for a benefit for a calendar month under section 1612 shall be entitled to a supplemental family allowance benefit payable with respect to such month in an amount equal to the maximum benefit under section 1603 less any reduction on account of income under section 1604.

"SEC. 1603. MAXIMUM BENEFIT.

"(a) GENERAL RULE.—

"(1) COMPUTATION OF BENEFIT.—Except as provided in subsection (b), the maximum benefit for a month shall be equal to the sum of—

"(A) $50, plus

"(B) $40 multiplied by the number of additional allowances to which the eligible individual is entitled under paragraph (3) for such month,

except that such benefit may not exceed $290 for a month in the case of an eligible individual other than an eligible spouse, or $145 for a month in the case of an eligible spouse.

"(2) ELIGIBLE SPOUSE.—An eligible individual is an eligible spouse for a calendar month if at the close of such month—

"(A) he is married and has as his principal place of abode the home of his spouse, and

"(B) both he and his spouse are entitled to receive benefits under this chapter for such month.

"(3) ADDITIONAL ALLOWANCES.—An eligible individual shall be entitled to an additional allowance for each eligible dependent.

"(b) SPECIAL RULE FOR RESIDENTS OF RURAL AREAS.—In the case of an eligible individual who resides in a rural area (as defined by section 520 of the Housing Act of 1949), the maximum benefit shall be equal to 90 percent of the amount determined under subsection (a), unless such individual's application for such benefit contains a statement by such individual that during such month he did not consume home-grown produce equal in value to 10 percent of the maximum benefit under subsection (a).

"SEC. 1604. REDUCTION ON ACCOUNT OF INCOME.

"(a) GENERAL RULE.—Except as provided in subsection (b), the reduction on account of income of an eligible individual's maximum benefit for a month shall be equal to 50 percent of income received by such individual and any eligible dependent of such individual during each month.

"(b) SPECIAL RULES FOR PERSONS ELIGIBLE FOR CERTAIN PUBLIC ASSISTANCE.—

"(1) PERSONS RECEIVING CERTAIN PUBLIC ASSISTANCE.—If an eligible individual receives public assistance for a month, no reduction on account of income shall be made for such month in such individual's maximum benefit under this chapter.

"(2) PERSONS ELIGIBLE FOR BUT NOT RECEIVING PUBLIC ASSISTANCE.—If an eligible individual who has filed application for public assistance does not receive such assistance for a month solely because of his income and resources under section 2(a)(10)(A), 402(a)(7), or 1602(a)(14)(C) of the Social Security Act, his reduction on account of income for that month under this chapter shall be an amount equal to the lesser of—

"(A) the reduction under subsection (a), or

"(B) two-thirds of the amount by which for that month (i) his income (for purposes of this chapter, including any income

of an eligible dependent of such individual) exceeds (ii) the portion of his income and resources (for public assistance purposes) which was taken into account in applying the applicable section of the Social Security Act.

"(3) PUBLIC ASSISTANCE DEFINED.—For purposes of this subsection, the term 'public assistance' means only aid or assistance received under a State plan approved under title I of the Social Security Act or part A of title IV of such Act (or under title XVI of such Act in the case of an individual age 65 or over who is neither blind nor permanently or totally disabled).

"(c) DEFINITION OF INCOME.—For purposes of this chapter, the term 'income' means gross income (excluding supplemental family allowance benefits paid under this chapter and overtime pay) plus—

"(1) any item excluded from gross income by reason of—

"(A) section 101 (relating to certain death benefits),

"(B) section 103 (relating to interest on government obligations),

"(C) sections 104(a)(1) and 104(a)(4) (relating to workmen's compensation and certain disability compensation),

"(D) section 105(d) (relating to amounts received under wage continuation plans),

"(E) section 112 (relating to certain combat pay),

"(F) section 113 (relating to Armed Forces mustering out pay),

"(G) section 116 (relating to partial exclusion of dividends), or

"(H) section 117 (relating to partial exclusion of scholarships and fellowship grants);

"(2) the value of property acquired by gift, bequest, or devise, to the extent excluded from gross income,

"(3) any item not included in gross income which—

"(A) constitutes an unemployment compensation benefit provided under an unemployment compensation program of the United States or a State,

"(B) is a benefit paid under title 28, United States Code, which is excluded from gross income,

"(C) is a benefit paid under title II of the Social Security Act, or

"(D) is a benefit under the Railroad Retirement Act of 1937.

"SEC. 1605. IMPOSITION OF TAX ON EXCESS ANNUAL INCOME.

"(a) EXCESS ANNUAL INCOME DEFINED.—For purposes of this section, the term 'excess annual income' means (1) the income of an individual during the taxable year plus the income for each calendar month which ends in such taxable year of any other individual who is an eligible dependent of such eligible individual for such calendar month, less (2) 150 percent of the sum of the minimum standard deduction (whether or not such individual computes his tax under chapter 1 on the basis of such deduction) plus any personal exemptions to which such individual is entitled under section 151.

"(b) IMPOSITION OF TAX.—If for any calendar month ending in the taxable year an individual receives a supplemental family allowance benefit (and such individual has excess annual income, then in addition to any tax imposed on such individual under section 1 for such taxable year, there is imposed on such individual a tax equal to the lesser of—

"(1) one-half of the excess annual income of such individual for such taxable year, or

"(2) the aggregate amount of supplemental family allowance benefits paid to such individual during such taxable year.

"SEC. 1606. INELIGIBILITY OF INDIVIDUALS RECEIVING PUBLIC ASSISTANCE ON ACCOUNT OF BLINDNESS OR DISABILITY.

"An individual may not receive a supplemental family allowance benefit under section 1602 for a calendar month if for such month (1) he receives assistance under a State plan approved under title X or XIV of the Social Security Act, or (2) he receives assistance under a State plan approved under title XVI of such Act and he is blind or is not blind but is permanently and totally disabled. An eligible individual may elect, at such time and in such manner as the Secretary may prescribe, to receive a supplemental family allowance benefit for a calendar month in lieu of receiving assistance referred to in paragraph (1) or (2) of the preceding sentence.

"Subchapter B—Administration

"Sec. 1611. Regulations.
"Sec. 1612. Application for benefits.
"Sec. 1613. Payment of benefits.
"Sec. 1614. Procedure and enforcement.

"SEC. 1611. REGULATIONS.

"The Secretary may prescribe such regulations as may be necessary to carry out the purposes of this chapter.

"SEC. 1612. APPLICATION FOR BENEFITS.

"An eligible individual may apply for a supplemental family allowance benefit under section 1602 for a month at such time and in such manner as the Secretary or his delegate shall prescribe by regulation. Such regulations may provide that an eligible individual may apply for benefits for more than one month in a single application. Two or more eligible individuals may apply jointly for benefits to which each is entitled.

"SEC. 1613. PAYMENT OF BENEFITS.

"At such time as may be prescribed by regulations, but not later than 180 days after the close of each month, the Secretary or his delegate shall pay a supplemental family allowance benefit to each eligible individual entitled to receive such a benefit under section 1602 for such month, except that in the case of a benefit to which a minor or an incompetent person is entitled, such benefit shall be paid to such person as the Secretary or his delegate shall prescribe by regulation.

"SEC. 1614. PROCEDURE AND ENFORCEMENT.

"(a) HEARINGS.—Upon request in writing (within such period as the Secretary or his delegate may prescribe), opportunity for hearing with respect to any action of the Secretary or his delegate denying or withholding any portion of a supplemental family allowance benefit shall be afforded to any individual aggrieved by such action. If a hearing is held pursuant to this subsection, the Secretary or his delegate shall make findings of fact and a decision based upon the evidence adduced at such hearing and shall take such action as may be required by such findings and decision.

"(b) JUDICIAL REVIEW.—Decisions of the Secretary or his delegate under subsection (a) shall be reviewable by commencing a civil action in a United States district court. The district courts shall have jurisdiction of such actions without regard to the amount in controversy.

"(c) COLLECTION OF OVERPAYMENTS.—If an individual receives any payment under this chapter to which he is not entitled or which is in excess of the amount to which he is entitled under section 1602, the Secretary or his delegate may recover such payment or the amount of such excess only by withholding it from subsequent supplemental family allowance benefits to which such individual is entitled under this chapter.

"(d) ENFORCEMENT.—The Secretary or his delegate may not conduct investigations (other than routine examinations of applications and investigations in connection with hearings or civil actions under this section) of applicants for or recipients of supplemental family allowance benefits with respect to more than 10 percent of the persons who apply for such benefits in any fiscal year. Such applicant or recipient may be investigated only on the basis of random selection from all applicants and recipients, except where the Secretary or his delegate finds that there is probable cause to believe such applicant or recipient is not entitled to receive the benefit for which he applied or which he received."

(2) CLERICAL AMENDMENT.—The table of chapters for subtitle A of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following:

"Chapter 7. Supplemental family allowance benefits."

(b) INCLUSION OF SUPPLEMENTAL FAMILY ALLOWANCE BENEFITS IN GROSS INCOME.—

(1) INCLUSION OF BENEFITS.—Part II of subchapter B of chapter 1 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new section:

"SEC. 82. SUPPLEMENTAL FAMILY ALLOWANCE BENEFITS.

"Gross income includes supplemental family allowance benefits to which the taxpayer is entitled under section 1602 with respect to calendar months ending in the taxable year, but only to the extent such benefits exceed the tax imposed for such taxable year under section 1605."

(2) CLERICAL AMENDMENT.—The table of sections for such part is amended by adding at the end thereof the following:

"Sec. 82. Supplemental family allowance benefits."

(c) REQUIREMENT OF RETURN.—Section 6012(a) of the Internal Revenue Code of 1954 (relating to requirement of return) is amended (1) by striking out "and" at the end of paragraph (4), (2) by inserting "and" at the end of paragraph (5), and (3) by inserting after paragraph (5) the following new paragraph:

"(6) Every individual subject to taxation under section 1605,".

(d) EFFECTIVE DATES.—The amendments made by section 101(a) of this Act shall apply with respect to entitlement for benefits with respect to calendar months beginning after June 30, 1970. The amendments made by section 101 (b) and (c) of this Act shall apply with respect to taxable years ending after June 30, 1970.

SEC. 202. CHANGES IN AMOUNTS OF INCOME TO BE DISREGARDED UNDER PUBLIC ASSISTANCE NEEDS TESTS.

(a) OLD-AGE ASSISTANCE.—Section 2(a)(10)(A) of the Social Security Act is amended by striking out "except that" and all that follows and inserting in lieu thereof the following: "except that, in making such determination, the State agency shall disregard the first $30 of earned income for any month plus one-third of the remaining earned income for such month;".

(b) AID TO FAMILIES WITH DEPENDENT CHILDREN.—

(1) INCOME TO BE DISREGARDED.—Section 402(a)(8) of such Act is amended by striking out everything through the end of subparagraph (B) and inserting in lieu thereof the following: "(8) provide that, in making the determination under clause (7) the State agency—

"(A) shall with respect to any month disregard, in the case of earned income of a dependent child, a relative receiving aid under the plan, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $30 of the total of such earned income for the month plus one-third of the remainder of such income for the month (except that the provisions of this subparagraph shall not apply to earned income derived from participation on a project maintained under the programs established by section 432(b)(2) and (3)), and

"(B) may, subject to limitations prescribed by the Secretary, permit all or any portion of the earned or other income to be set aside for future identifiable needs of a dependent child;".

(2) CONFORMING AMENDMENTS.—Subparagraphs (C) and (D) of section 402(a)(8) of such Act are each amended by striking out "clause (ii) of".

(c) AID TO THE AGED, BLIND, OR DISABLED.—Section 1602(a)(14) of such Act is amended by striking out subparagraphs (C) and (D) and inserting in lieu thereof the following:

"(C) if such individual has attained age 65 and is neither blind nor permanently and totally disabled, the State agency shall disregard the first $30 of earned income for any month plus one-third of the remaining earned income for any month plus-one-third of the remaining earned income for such month, and

"(D) the State agency may, before disregarding the amounts referred to above in this paragraph (14) in the case of an individual described in subparagraph (A) or (B), disregard not more than $7.50 of any income;".

(d) EFFECTIVE DATE.—The amendments made by this section, insofar as they affect aid or assistance under a State plan approved under title I, part A of title IV, or title XVI of the Social Security Act, shall apply with respect to payments of such aid or assistance for months after June 30, 1970.

SEC. 203. BUREAU OF SUPPLEMENTAL FAMILY ALLOWANCES.

(a) ESTABLISHMENT OF BUREAU.—There is established in the Department of the Treasury a bureau to be known as the Bureau of Supplemental Family Allowances.

(b) DELEGATION.—The Secretary of the Treasury may delegate his functions under chapter 7 of the Internal Revenue Code of 1954 only to the head of the Bureau of Supplemental Family Allowances. The head of such Bureau may make such redelegations of these functions as he deems necessary.

TITLE III—FULL FEDERAL PAYMENT FOR PUBLIC ASSISTANCE EXPENDITURES

SEC. 301. ELIMINATION OF STATE AND LOCAL SHARE OF EXPENDITURES.

(a) OLD-AGE ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED.—

(1) Section 2(a) of the Social Security Act is amended by striking out paragraph (2).

(2) Section 2(a)(12)(C) of such Act is amended by striking out "referred to in section 3(a)(4)(A) (i) and (ii)".

(3) Section 3(a) of such Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has a plan approved under this title, for each quarter, an amount equal to—

"(1) the total amount expended during such quarter as old-age assistance, and medical assistance for the aged, under the plan, and

"(2) the total amount expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the plan."

(4) Clause (A) of section 3(b)(1) of such Act is amended by striking out "and stating" and all that follows.

(5) Section 3(c) of such Act is repealed.

(6) Section 6(c) of such Act is repealed.

(b) AID TO FAMILIES WITH DEPENDENT CHILDREN.—

(1) Section 402(a) of such Act is amended by striking out clause (2).

(2) Section 403(a) of such Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid and services to needy families with children, for each quarter, an amount equal to—

"(1) the total amount expended during such quarter as aid to families with dependent children under the plan, and

"(2) the total amount expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the plan."

(3) Clause (A) of section 403(b)(1) of such Act is amended by striking out "and stating" and all that follows.

(c) AID TO THE BLIND.—

(1) Section 1002(a) of such Act is amended by striking out clause (2).

(2) Section 1003(a) of such Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, an amount equal to—

"(1) the total amount expended during such quarter as aid to the blind under the plan, and

"(2) the total amount expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the plan."

(3) Clause (A) of section 1003(b)(1) of such Act is amended by striking out "and stating" and all that follows.

(4) Section 1003(c) of such is repealed.

(d) AID TO THE PERMANENTLY AND TOTALLY DISABLED.—

(1) Section 1402(a) of such Act is amended by striking out clause (2).

(2) Section 1403(a) of such Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, an amount equal to—

"(1) the total amount expended during such quarter as aid to the permanently and totally disabled under the plan, and

"(2) the total amount expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the plan."

(3) Clause (A) of section 1403(b)(1) of such Act is amended by striking out "and stating" and all that follows:

(4) Section 1403(c) of such Act is repealed.

(e) AID TO THE AGED, BLIND, OR DISABLED, AND MEDICAL ASSISTANCE FOR THE AGED.—

(1) Section 1602(a) of such Act is amended by striking out paragraph (2).

(2) Section 1602(a)(16)(C) of such Act is amended by striking out "referred to in section 1603(a)(4)(A)(i) and (ii)".

(3) Section 1603(a) of such Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has a plan approved under this title, for each quarter, an amount equal to—

"(1) the total amount expended during such quarter as aid to the aged, blind, or disabled, and medical assistance for the aged, under the plan, and

"(2) the total amount expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the plan."

(4) Clause (A) of section 1603(b)(1) of such Act is amended by striking out "and stating" and all that follows.

(5) Section 1603(c) of such Act is repealed.

(f) MEDICAL ASSISTANCE.—

(1) Section 1902(a) of such Act is amended by striking out paragraph (2).

(2) Section 1902(a)(20)(C) of such Act is amended by striking out "referred to in section 3(a)(4)(A) (i) and (ii) or section 1603(a)(4)(A) (i) and (ii)".

(3) Section 1903(a) of such Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary shall pay to each State which has a plan approved under this title, for each quarter, an amount equal to—

"(1) the total amount expended during such quarter as medical assistance under the plan, and

"(2) the total amount expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the plan."

(4) Section 1903(c) of such Act is repealed.

(5) Clause (A) of section 1903(d)(1) of such Act is amended by striking out "and stating" and all that follows.

(6) Section 1905(b) of such Act is repealed.

(g) CONFORMING AMENDMENTS.—

(1) Section 1101(a)(8) of such Act is repealed.

(2) Section 1108 of such Act is amended by striking out subsections (a), (b), and (c).

(3) Section 1118 of such Act is repealed.

(4) Section 1121(c) of such Act is amended by striking out ", except that" and all that follows and inserting in lieu thereof a period.

SEC. 302. EFFECTIVE DATE.

The amendments made by section 301 shall be effective with respect to calendar quarters beginning after the date of the enactment of this Act.

THE TREATMENT OF PRISONERS OF WAR BY NORTH VIETNAM

The SPEAKER. Under a previous order of the House, the gentleman from Alaska (Mr. POLLOCK), is recognized for 5 minutes.

Mr. POLLOCK. Mr. Speaker, that war is a generally deplorable situation has long been accepted. With this premise, honorable men set about long ago to curb some of the atrocities of war. One of their more notable accomplishments has been the Geneva Convention of 1949. In seeking to make the business of war a more humane thing, the convention has dealt with nearly all aspects of organized conflict, one of the most important of which is the proper treatment of prisoners of war by belligerents.

Gentlemen, I will be brief. It was 5 years ago August 5 that the first American plane was shot down over North Vietnam. As of this week, there are confirmed reports of 348 Americans held captive by Hanoi, and indications are that they hold another 450 men. This raises the total to approximately 800 Americans incarcerated by the Ho Chi Minh regime.

It might seem natural to assume that the North would treat these prisoners according to the provisions of the Geneva Convention, but such is not the case. The Hanoi regime has consistently refused to comply with even the most fundamental of these requests such as release of the sick and wounded, neutral inspection of their POW camps, and the free flow of mail to and from these men. In fact, North Vietnam has steadfastly refused to even publish the names of those Americans held prisoner.

Gentlemen, this behavior is inexcusable and can be tolerated no longer. We ask only that these Americans be granted their basic human rights, but so far the North has ignored these pleas.

Now is the time for definitive action. We, the Congress of the United States of America, must follow whatever course is necessary in order to force North Vietnam to comply with the civilized standards of treatment for prisoners of war. We dare not fail to act, to add our voice to the protest, for to do so would be not only to abandon 800 of our fellow Americans, but also the wives and families who depend on them.

STEEL PRICE RISE SHOWS NEED FOR WAGE-PRICE GUIDEPOSTS

The SPEAKER. Under a previous order of the House, the gentleman from Wisconsin (Mr. REUSS) is recognized for 20 minutes.

Mr. REUSS. Mr. Speaker, in an excellent column in yesterday's Washington Post, Marquis Childs points out that the recently announced 5-percent steel price increase by United States Steel will inevitably lead to price increases of 10 to 15 percent on automobiles, containers, and other steel products. Equally as important, he notes, the steel price rise will fuel demands for still higher wages when the big trade union contracts expire next year.

This upward spiral of prices and wages must be slowed, but the Nixon administration has already rejected one of the most effective anti-inflation tools—wage-price guideposts.

To fill this gap in anti-inflation policy, I introduced last week H.R. 13278, which directs the Council of Economic Advisers to prepare wage-price guideposts "after full consultation with representatives of business and organized labor." A three-man price wage stabilization board is then "to study actual or imminent price and wage behavior inconsistent with the guideposts, to hold public hearings on their justification, and to report to the Government and the public whenever such price or wage behavior threatens economic stability, together with its recommendations for action."

I include Marquis Childs' column in the RECORD at this point:

UNITED STATES STEEL DEALS NIXON A BLOW AT CRITICAL ANTI-INFLATION POINT

(By Marquis Childs)

The news that counted last week did not come out of Asia or Europe, not from any of the capitals on the Nixon grand tour. It came out of the board room of the corporation with more power than any other to set the pace of the economy.

The United States Steel Corp. announced a price increase of nearly 5 per cent on rolled steel, the product that goes into cars, refrigerators, all the hard goods in the affluent living standard. The timing of the announcement was almost as remarkable as what it said.

Here was the President in foreign parts, moving in triumphal procession through capital after capital, plunging into crowds in Djakarta and Lahore as though his political future hung on the voters there. He had left home with a solemn exhortation to pass the surtax as a checkrein on the inflationary spiral.

This was the moment the executives of big steel chose to initiate a price increase certain to be followed by every other producer.

These are the President's friends. They helped to put him in office, giving generously of their money to swell the swollen coffers of the Nixon campaign fund. Yet at a critical point in the struggle against inflation, with a touch-and-go chance of restraining the price spiral, they delivered this blow.

There can be no illusions about its consequences. The price increase will be passed along on autos, ash cans, roller skates, containers, every conceivable product. It will not be 5 per cent but 10 and 12 and 15.

The steel corporation gave rising costs, particularly labor costs, as the reason for the jump. But this will fuel the demand for still higher wages when the big trade union contracts expire next year. Advance reports indicate the unions in basic industries will not settle for less than 10 or 12 per cent.

Between the Nixon team and the world of industry and finance a curious love-hate relationship is developing. The love goes back to the origins of Republicanism, the half-suppressed hate to the difficulties of trying to control an economy threatened with runaway inflation. A recent episode dramatically illustrates that ambivalence of the Nixon Washington to the power center in New York.

The President was bound to ask William McChesney Martin Jr. to stay on as chairman of the Board of Governors of the Federal Reserve System. For the financial community, Martin is the symbol of stability and conservative fiscal-monetary management. He would stay in place in the first year of the new administration as assurance that all would be well in that department.

But at an off-the-record meeting with the top bankers in New York just before the stock market started down the big slide, Martin reversed his role: he excoriated the bankers. He accused them of lending money for speculation in the stock market and for financing conglomerates and setting up their own holding companies to operate businesses with no connection with banking. And the record 8½ per cent prime interest rate came in for his stern censure.

You are inviting a panic and you may get one, said Martin in his role of scourge of the money changers. The bankers listened in stunned silence. As one of them put it later, "You could imagine that you were hearing not Bill Martin but his enemy and our enemy, Wright Patman (chairman of the House Banking and Currency Committee, who has repeatedly tangled with Martin).

In the end, however, a younger bank president, head of one of the smaller banks, rose with a confession of general guilt. Why, he is reported to have said, should we lie to our friend? We have done these things and now we are being called upon to answer for them.

Martin was not, of course, speaking for the Nixon administration. But he was expressing, more frankly than anyone on the Nixon team has done thus far, the concern widely felt in Washington over dubious and inflationary practices on the part of the financial community.

At his last session in the Treasury with the bankers, Secretary David Kennedy was more gentle in his exhortation. He pleaded with them not to let the prime rate go any higher than the record 8½ per cent. Don't worry, he said at his closed meeting, about our firmness. We will take unemployment as a means of curing inflation.

As prices continued to rise and unemployment, notable in the ghettos, inches up, the grim prospect is for both inflation and a jobless rate of 4 to 4½ per cent. Without continuance of the 10 per cent surtax on which the Nixon team put such heavy emphasis, inflation would conceivably be worse. But as a cure that unhappy analogy, a bandaid on a cancer, has a familiar ring.

THE ECONOMY—A PARTISAN VIEW

The SPEAKER. Under a previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 10 minutes.

Mr. GONZALEZ. Mr. Speaker, there is much argument about high interest rates, about inflation, and about the economy in general. It is a subject that brings strong disagreement about, and I believe that my colleagues will read with interest the strong and pointed remarks of Edward Swayduck, president of Local No. 1, Amalgamated Lithographers of America, delivered this week. His remarks are well worth reading:

BEWARE OF SOCIALISTS WEARING VESTS

(By Edward Swayduck)

Establishment bankers aren't all bad. They just have problems ordinary people don't have. The English language doesn't make much sense to them, and they don't understand the mathematics of our society at all.

For instance, the Republican bankers and their friends around the Treasury and the White House have put together an equation that goes like this: "When unions negotiate wage increases, they bring on inflation. But when banks raise interest rates—which raises the price of everything—that *corrects* inflation."

Does this make sense? Not to me it doesn't, but that may be because I learned my math under Franklin Delano Roosevelt.

If I understand Treasury Secretary David Kennedy correctly (he's a commercial banker, you know; the first to hold the Treasury secretaryship since that great man of the people, Andrew Mellon, who left the Secretary of the Treasury job one step ahead of impeachment), if I understand him, he's telling us that when you and I make more money and spend more money, we somehow put a hex on the dollar. In our smudged middle-class hands, the dollar loses value. It becomes inflationary. But when big business and big industry and big banks get their hands on the dollar and stuff it away for their own use, it is a "sounder" dollar and the economy is stronger.

If that isn't either a double standard or double talk, then I suspect it may be both.

The banks today—with the approval of the Republican Administration and the cooperation of their partners, the corporate giants of business—are charging 49 percent more interest than they were charging a year ago. This is a tremendous burden on the small businessman, the homeowner, the wage-earner who must borrow for emergencies; it is no burden at all to the big industrialist because he doesn't borrow from banks. He finances his expansion out of excess profits. Thereby killing competitive companies. The banks are charging 450 percent more interest—at a minimum—than they were charging in 1950 (the prime rate in 1950 was 2% versus 8½% today). One is compelled to think that the hard-hearted banker of the old time melodrama has come back—except that this time he is not merely foreclosing the mortgage on Little Nell, he is, with hydrophobic rage, putting the bite on all of us.

Now, it's painful enough to be gouged like that. But it's downright excruciating to be gouged for a phony reason, and the banks have the phoniest.

They say they are charging these rates to save the country from inflation.

They explain that if they succeed in putting such a high cost on money that you and I can't afford to borrow any, then we won't squander it on food and clothing and house payments and college education and hospital care. The banks thereby will have saved us from a life of over-indulgence.

And since money will be scarce, it will be more valuable to those who have it—which won't be you and me. And thus the bankers will have restored to America the virtues of thrift, and the laboring man will be more

humble and more willing to do twice as much work for half as much money.

Higher and higher interest rates are the Republican key to the "sound dollar," and since interest rates are now the highest in our history, they must see economic perfection just around the corner.

HONEST, IT'S ONLY PATRIOTISM

Now, let's put this pious explanation of theirs in perspective. Let's imagine that all the trade unionists in America were to call a press conference today and announce that we were demanding a 31 percent wage increase out of a sincere desire to save the country's economy. We would point out that in the first quarter of 1969 corporate profits *after* taxes hit $53 billion compared to $49.1 billion a year ago. And we would explain that our 31 percent wage hike would keep money out of the hands of the employers, who otherwise would bring on an inflationary spiral by blowing their big profits on new fleets of Rolls Royces, winter homes on the Riviera, and matching sets of His and Her yachts. We would be careful to make it understood that we were raising wages to the highest point in history as a public service. Not for our benefit, mind you. Strictly as an act of patriotism.

You know what the reception to that announcement would be. By showing great restraint, the Republican Administration might stop short of calling out the Marines. The Republican press would denounce us as crackpots and bandits. Anti-labor speeches would fill the Congressional Record. New laws would be proposed to crush unions.

To tinker with the economy on such a grand scale for personal gain would be highly irresponsible, but it would be no more irresponsible than what the banks are doing today.

THE LITTLE MATTER OF $15 BILLION

We can easily make another comparison. If all the unions in America—all of them, industrial as well as trade unions—got together and forced a pay raise of 49% making it a total of 450% more as the banks did, without an iota of increased productivity to our society, the United States Attorney's office would take instant action to prosecute labor leaders for anti-trust conspiracy. Yet this is exactly what the bankers who are behind the present administration have gotten away with.

But on June 9, 1969, the banking community of this country—the *entire* banking community, not just a few scattered collaborators—raised interest rates by a full percentage point overnight; this was the first time in a generation that such a big increase had been made at one time—and Washington's sympathetic bureaucrats did not even threaten them, much less punish them for this anti-trust conspiracy. One percentage point may not sound like enough to get excited about, but that percentage point costs the average borrower an extra 10 percent in interest; and since borrowing of all kinds now totals about $1.5 trillion a year, the percentage point increase puts $15 *billion* more into the pockets of the bankers. When Wright Patman asked Treasury Secretary David Kennedy did he "ask the bankers to roll it back" his answer was: "Why should I."

William McChesney Martin, chairman of the Federal Reserve Board, also pleaded indifference, saying that "it is not up to the Federal Reserve Board to pronounce judgment of either approval or disaproval" of the higher rates. Such things, he said, should be determined by the money market.

Martin's position is fraudulent. The interest rates have not been determined by the money market for nearly 40 years. The interest rates have been rigged throughout our history by the major banks, and since the early 1930s there has even been a "minimum price" for money—a minimum price which is set by the banks themselves. That is what the prime interest is—a minimum price. Or, to put it more bluntly, the prime rate is a price-fixing device.

The bankers work hand in glove—or perhaps we should say hand in till—with the Federal Reserve Board, that antiquated but awesomely powerful group under the baton of McChesney Martin.

Even some members of the banking industry admit that the prime rate fixing is a raw deal for the American public. Three years ago, in an industry publication that received no attention from the mass media, Federal Reserve Board Governor George Mitchell told how the establishment of a nationwide prime rate was first set up in the 1930s to do away with competition, and he admitted that "This kind of price fixing inherent in the prime rate contravenes some of the key virtues that we associate with competitive market enterprise."

Obviously nothing—nothing—could be more inflationary than the bankers' cure for inflation. And yet the bankers get by with calling high interests anti-inflationary.

THE TWO FACES OF INFLATION

And this brings me to a point that union leaders and union members had better get firmly in mind: We are bucking one of the most powerful propaganda campaigns since the 1920s.

Inflation is a rising price of something that you use. The rising price of steel is more inflationary than the rising price of bananas because steel enters into more products. But nothing enters into more products than money, and therefore when the price of money goes up (that is, when interest rates go up) the price of *everything*—food, housing, utilities, clothing, everything—goes up.

The greatest contribution we can make to the economy of our country is to exert a counter-balance to the bankers' propaganda by convincing our neighbors of the truth: that the word "inflation" is meaningless unless you say what kind of inflation you're talking about.

Like most other powerful forces, inflation has two faces. Strychnine is a potent poison; but it also can be used to keep heart patients alive. Atomic energy is a horror if used in bombs; it's highly beneficial if harnessed to create electricity. You spell dynamite only one way, but it can be used to rob safes or build highways.

Likewise, there are two faces of inflation, two kinds of inflation—contrary to what the bankers have told the American people for so many years.

One kind produces growth. It is a controlled inflation and except in periods of depression or sharp recession it is normal to our economy; controlled inflation comes from the investment of federal money in better education, better health, better highways and homes. This kind of inflation supplies money for cleaning up ghettoes, for improving sharecroppers' farms, for building roads through the mountains of Appalachia so that the poverty striken mountaineers can come down to the flatlands where the jobs are.

SOME SOCIALISTIS WEAR VESTS

Controlled inflation is investment in America. Bankers know that money invested in improving a piece of property will increase its value many-fold. When we use a controlled inflation to obtain money to correct social problems, we are going to gain in the same way by making this particular piece of real estate—these 50 states—a better place to live.

The money we lay out to rescue a man from the slums and turn him into a wage-earner instead of a welfare dependent is an investment and it may not be an inexpensive project; but for the rest of his life he will be paying us back by spending what he earns in the American marketplace. What we spend to clean up a river is a costly investment; but for many years thereafter we will be getting back profit from the river in commercial fishing, sports fishing, recreation industries, and in a clean water supply for the cities served by it. It is interesting to note here that as late as 1840 the Hudson River contained so much sturgeon, that we exported caviar to Russia. There were oyster beds in New York Harbor and schools of salmon swimming up the Hudson River. We all know what goes up the Hudson River now. The money we spend to purify the air over our soot-clogged cities is a heavy one-time investment, but it will profit us for years to come in more productive lives and fewer hospital bills.

Republican bankers would probably call this socialism; they call anything socialism that helps the average person. And this is very funny indeed, because the most vigorous socialists in America are the bankers themselves. The federal government literally puts the banks in business by *giving* them the credit and the money they sell. Every day of the year the banks have on hand between $5 billion and $6 billion of federal money, for which they pay no interest and which they lend to you and me at 9 percent to 10 percent interest. The federal government lets the banks use our income tax payments; they lend us back our own taxes. Through the generosity of the federal government, the banks don't have to pay a penny on the $150 billion we have in our checking accounts. The Federal Reserve Board can, and does *give* money at no cost to banks which, in turn, lend it to you at usurious rates. For example, when the Federal Reserve rules that the banks can lend six times as much as they have in reserve, this literally gives the banks $6 for every one dollar in reserve. The banks take no risks, they are insured by the federal government. In short, the banks claim to be the most capitalistic enterprise in the world and they are the most socialistic. They are put in business by the government and they are kept in business by the government, and the merchandise they sell is government-issue (money). And you can't get more socialistic than that.

TIME TO CHANGE DEFINITIONS

The difference between socialism and what I have been calling controlled inflation is the difference between a parasite and a taxpayer. But perhaps to avoid any confusion, this controlled investment inflation should have another name. After all, we don't say that when a child passes through his juvenile years and into manhood that he has become "inflated." He has simply matured; he has become stronger; he has grown up. When our government pumps money wisely into the development of the people and the land, there may be an insignificant devaluation of the dollar but there is a tremendously significant improvement in the distribution of wealth, and the over-all result is not inflation so much as it is growth.

The other face of our inflation is the one that the bankers who are running this Administration like to see. To them it's beautiful. It is the kind of inflation that raises all prices simultaneously—not by raising the purchasing power of the wage-earners and not by creating more wage-earners but by raising the price of money itself, the profit from which goes directly into the bankers' pockets.

I call this "Bankers Inflation" because that's what it is. Among the many disasters that it creates is a much higher price tag on the national debt. The highest cost in the federal budget—next to national defense—is the interest we are paying directly to the bankers on ths debt, which of course drains away tax money critically needed elsewhere. Bankers Inflation raises the cost of education so high that many young men and women are dropping out of college this year; they can't pay the interest required on a student loan. Because of the Bankers Infla-

tion, the average young newly-married couple will work one year of their lives to pay the interest added to the cost of their home just during the past year.

Thanks to the Federal Reserve Board and its emphasis on higher interest rates, the taxpayer is now paying $8 billion a year in extra interest on the federal deficit that he would not be paying if the rates had been held to their 1952 level. In other words, thanks to the Federal Reserve Board, the highest cost in the budget—next to national defense—is the interest we are paying to the banks on the national debt. The public debt, as a percentage of the gross national product, is only half as large today as it was twenty years ago. The public debt isn't killing us; it's the interest we pay on the national debt that is killing us. How can Chairman Martin on the one hand say the most inflationary thing in the world is the federal deficit, and then deliberately—through rising interest rates—increase the burden upon the federal government by $8 billion in annual interest rates? It may be illogical, but that's the way Martin operates.

When the interest on the federal debt goes up, it pushes up all interest levels. During the 1952–68 period, the American taxpayer and the American buyer paid out about $120 billion in extra interest costs on both public and private debts—or, in other words, the extra interests rates piled on us by Chairman Martin and his banker friends cost us enough to pay *all* costs of running the federal government for one full year, not counting defense. We have given the bankers one full year out of the nation's productive life since 1952, in extra interest rates alone.

By playing irresponsibly with the interest rates and with the money supply, Chairman Martin seeks to "fine-tune" the economy. But as the much more rational economist, John Kenneth Galbraith, has said, " 'Fine-tuning' the American economy is like fine-tuning a football crowd with a speech by Everett Dirksen."

The fact is, the Federal Reserve Board does not know much about the real economy of living, breathing Americans. It knows only about bank profits. And by trying to impose one upon the other, and by trying to make Americans shape their lives to the welfare of the banking industry, it pulls some incredibly stupid tricks and periodically creates fiscal chaos.

In 1966, for example, it pushed the banks into a favored position over savings and loan institutions so that the housing market was nearly ruined; many savings and loan institutions were on the verge of bankruptcy; many small businesses and small farmers were wiped out that year. And, although it is not generally known except to the readers of the financial page, the country was—in the words of Seymour E. Harris, Harvard's distinguished economist emeritus, "The country was close to a financial panic in the summer of 1966."

All caused by the Federal Reserve Board. Then the Federal Reserve swung back too frantically to the other direction, pumping too much money into the economic bloodstream too fast, with the result that last fall an unnatural outburst of inflation hit us.

RETOUCHING THE X-RAY

Bankers Inflation is the kind you get when you tie a rope around a man's arm and cut off the blood supply. The arm becomes puffy. It is a sick, unnatural swelling. The rope of high interests is choking our economy like that right now.

But the Republican economists tell us to have patience. If commodities can be priced out of the reach of the average man, they say, then prices will be stabilized and all will be well. It just shows, they never change. The most stable price level this nation has ever seen—except for falling farm prices—was between 1922 and 1929, when the wholesale price index were virtually stationary—and *still* we ended up in the biggest crash we have ever had.

Why? Because while the price level was stable, wages were rising much slower than productivity. People couldn't buy what they were manufacturing. We were getting a terrible distribution of wealth. Republican economists didn't do anything about it.

When Republicans say as they do now that by raising the price of money they will curb inflation, it is as if a patient shown evidence of cancer in his X-ray were to say: "I don't need surgery, just remove the cancer from the X-ray." The Republicans refuse to recognize that the malady was lack of purchasing power. They would rather tinker with the X-ray for their own benefit than treat with the cause for the benefit of the country.

FORGETTING HISTORY'S HARD LESSONS

It took a man like Franklin Roosevelt to come in and read the X-ray honestly and go to work on the ailment. He spent federal funds on vast social programs that sophisticated Republican economists sneered at. He built back our purchasing power and let the nation begin a healthy growth once more. He consciously created a controlled inflation, which is the kind I believe we have no reason to fear.

But did the Republican bankers learn their lesson from that period—a period in which the bankers drove themselves into bankruptcy and were jumping out their corporate windows like sparrows? Absolutely not. They have taken an X-ray of our economy today, and as usual, they have diagnosed everything backwards. In a way which benefits them not the welfare of the country.

TESTING THEIR SINCERITY

So I propose a test. If the bankers want to prove that they are raising interest rates for patriotic and not for selfish reasons, let them recommend to the Congress that an excess profits tax be levied on all interest rates above 6%. After all, if hiking the interest rates is for disciplinary reasons to control inflation, how dare they put that money in their pockets. This is equivalent to a magistrate who levels fines against people for doing things against the best interests of our society. We would regard it as bizarre if he pocketed this money on behalf of good government.

Let them give that money back to the government to spend on cleaning up slums, rivers and air; on creating jobs and raising the social security payments of those who, on fixed income, are hardest hit by rising costs. When we speak of big banks, we also mean big business and big industry, for through interlocking directorates they are the same. So we can say the establishment bankers, along with their partners, the corporate giants of business, have destroyed the oxygen in the air through the pollution from their smokestacks. They have destroyed the oxygen in the water by dumping chemical waste that kills fish and plant life in the rivers and lakes. Now they are cutting off the oxygen in our economy—money—and are killing the borrower with high interest rates. If they want to show that they have done this out of the goodness of their hearts, then let them return their excess profits to the U.S. Treasury so that we can undo the mischief they have done.

INFLATION AND UNEMPLOYMENT

But instead of a constructive solution, we hear the President and his economic advisors talk without embarrassment of increasing the jobless rate, apparently on the theory that it is safer to have 10 percent unemployed in the ghetto than to offend the military-industrial complex. Republican money men do not try to hide the fact that they favor another recession "to strengthen the dollar." William McChesney Martin, Eisenhower's gift to the Federal Reserve Board, not too long ago remarked, "A four percent level of unemployment is a very good figure, though five percent might be better." Around the Budget Bureau these days economists are saying that next year there will be a "correction" of the economy—which is their fancy pants way of saying a recession is in the works.

THE CATALYST FOR LABOR STRIFE

Well, if they mean to spoil lives to protect their money, organized labor cannot take it quietly. It is time for us to let this Administration know one of our own economic theories; that controlled inflation is productive and is something quite different from Bankers Inflation. Sooner or later the Republican bankers and the politicians they own, are going to have to learn that 18,000,000 union men will not hold still and submit their welfare to the antique theories of Republican economists. Don't they know that what they've done will be the catalyst for hard bargaining, crippling strikes, higher wages—without the need to justify higher productivity—which is in itself inflationary. But they must do it to regain what they have lost through the bankers high handed, unilateral wiping out of the advances they have made in recent years. And when this hits the fan, you can be sure that these irresponsible bankers will pretend that they are as innocent as altar boys. Out of necessity unions will keep pushing for a fair share of the wealth to increase purchasing power to buy the necessities for their families.

Albert Rees, professor of economics and public affairs of Princeton University says in his book "The Economics of Trade Union": "Direct union effects on wage costs, on what seems a generous estimate, account for less than one-fifth of the rise in final prices . . . unions have played only a small part in recent price rises." But the urge to sink the unions is so strong I wonder whether there aren't some people among us who would not mind overturning the boat to give us a wetting.

THIS UNEMPLOYMENT IS OK BY ME

As for their theory that unemployment is a good way to strengthen the economy, I think it is fair to say that I would agree with that so long as we begin and end with the unemployment of Secretary of the Treasury David Kennedy, Mr. Everett McKinley Dirksen, Mr. William McChesney Martin, Mr. Richard Milhous Nixon and his team. Once they are unemployed, I think the dollar, the stock market and prosperity will snap back with amazing speed.

PANAMA: LAND OF ENDEMIC REVOLUTION REQUIRES OBJECTIVE EVALUATION

The SPEAKER. Under a previous order of the House, the gentleman from Pennsylvania (Mr. FLOOD) is recognized for 15 minutes.

Mr. FLOOD. Mr. Speaker, in various addresses in and out of the Congress, I have repeatedly described the Isthmus of Panama as a land of endemic revolution and endless political turmoil. In contrast, the constitutionally acquired domain of the United States known as the Canal Zone has been an "island" of stability and security. To that territory, on many occasions, Panamanian leaders have fled for a haven of refuge to escape assassination.

The latest example of such use by Panamanian leaders was on October 11, 1968, when the duly elected President of Panama, Dr. Arnulfo Arias, with high

officials of his government, after having served only 11 days, was overthrown in a military coup d'etat and sought a sanctuary in the zone territory.

Some years prior to this, and following a series of incidents, which included invasions of the Canal Zone by Panamanian mobs that required the use of U.S. Armed Forces to protect the lives of our citizens and to prevent injury to the Panama Canal, the basis was laid for surrender to Panama by the United States of its ownership and control of what is the jugular vein of the Americas.

This development, aided and abetted by elements in the Department of State for more than a decade of its Panama Canal policy control, culminated in the announcement on June 26, 1967, by the Presidents of the United States and Panama of completion of negotiations for three proposed new canal treaties. Fortunately for the United States and all countries that use the Panama Canal, through the journalistic initiative of the Chicago Tribune, the texts of these treaties were obtained at Panama and published in the United States. They produced strong opposition in our country, Panama and important maritime nations that use the canal, and were never signed.

Briefly stated, these proposed treaties provided for first, ceding to Panama of sovereignty over the Canal Zone and making that country a partner in canal management; second, sharing the defense of the canal with Panama; and, third, authorizing the United States to construct a new canal in Panama. These treaty proposals would ultimately give to that country not only the existing canal, but also any new canal in Panama that the United States might construct to replace it. Moreover, the negotiators of these treaties ignored article IV, section 3, clause 2 of the U.S. Constitution, which specifically vests the power to dispose of territory and other property of the United States in the Congress and not in the treaty-making agency of our Government consisting of the President and the Senate. This action by the treaty negotiators was in line with my repeated predictions that elements in the Department of State would attempt to accomplish by treaty what could never be put over by statute.

As a consequence of the preparation of these treaties, some 150 Members of the House introduced or cosponsored resolutions opposing any cession of U.S. authority over the Canal Zone or Panama Canal, and the House Committee on Foreign Affairs held extensive hearings. Unfortunately, these hearings were never published and they certainly should be.

In recent weeks, the Spanish language press of Panama has reported with increasing frequency that the present Government of Panama hopes to reopen negotiations for new canal treaties. This information, coupled with reports of consideration of an official of our Foreign Service, associated with the formulation of the discredited 1967 canal treaties, for appointment as U.S. Ambassador to Panama, represents an ominous situation to which the Congress should be alert. We certainly should not appoint as Ambassador to Panama any participant in the abortive 1967 giveaway treaties, but someone who will defend the indispensable sovereign rights, power and authority of the United States.

The location of the Panama Canal at the crossroads of the Americas is a perilous one. As the canal has been a prime target of Soviet policy since 1917 in the struggle for world domination, the people of our country do not realize the danger involved. Because of that, I shall elaborate.

The record of political upheavals and sanguinary strife on the Isthmus of Panama antedates the Panama Revolution of 1903 by many years. When the United States, under the dynamic leadership of President Theodore Roosevelt, undertook the great task of constructing an Isthmian Canal at Panama, they studied the subject in all its essential features. They well knew that unless complete and absolute stability in political and governmental conditions was permanently maintained in the Canal Zone, it would be useless for the United States to assume its 1901 treaty obligation with Great Britain—Hay-Pauncefote Treaty—to construct and operate the proposed interoceanic waterway. This fact, Mr. Speaker, was also clearly understood by Panamanian leaders of the 1903 movement for secession from Colombia and by officials of the Panama Government following independence.

Because of their knowledge of isthmian history and appreciation of the necessity for maintaining free and uninterrupted transit, the treaty making authorities of both the United States and Panama undertook to provide in the basic canal treaty of November 18, 1903, clearcut and unconditional provisions granting complete and exclusive sovereignty over the Canal Zone to the United States in perpetuity. The United States could not afford to undertake the great enterprise except under the conditions of such control, and Panama itself could not afford to do less than grant full control of both the zone territory and the canal itself to the United States.

With such stability thus guaranteed, the United States undertook the execution of the canal project and its subsequent maintenance, operation, sanitation, and protection. The net investment of the American taxpayers in it from 1904 to June 30, 1968, including defense, totals more than $5 billion.

Striking evidence of the recognition by President Theodore Roosevelt as to the transcendent importance for political stability in the Canal Zone is to be noted in his December 7, 1903, annual message to the Congress, a short time after Panamanian independence.

Commenting on the Panama Revolution of 1903 and the conduct of the United States in connection therewith, President Roosevelt supplied the Congress with valuable information, which I insert at this point:

When these events happened, 57 years had elapsed since the United States had entered into its treaty with New Granada. During that time the Governments of New Granada and of its successor, Colombia, have been in a constant state of flux. The following is a partial list of the disturbances on the Isthmus of Panama during the period in question as reported to us by our consuls. It is not possible to give a complete list, and some of the reports that speak of revolutions must mean unsuccessful revolutions:

May 22, 1850: Outbreak; two Americans killed; war vessel demanded to quell outbreak.

October 1850: Revolutionary plot to bring about independence of the isthmus.

July 22, 1851: Revolution in four southern provinces.

November 14, 1851: Outbreak at Chagres. Man-of-war requested for Chagres.

June 2, 1853: Insurrection at Bogotá, and consequent disturbance on isthmus. War vessel demanded.

May 23, 1854: Political disturbances; war vessel requested.

June 28, 1854: Attempted revolution.

October 24, 1854: Independence of isthmus demanded by provincial legislature.

April 1856: Riot, and massacre of Americans.

May 4, 1856: Riot.

May 18, 1856: Riot.

October 2, 1856: Conflict between two native parties. United States forces landed.

December 18, 1858: Attempted secession of Panama.

April 1859: Riots.

September 1860: Outbreak.

October 4, 1860: Landing of United States forces in consequence.

May 23, 1861: Intervention of the United States forces required by Intendente.

October 2, 1861: Insurrection and civil war.

April 4, 1862: Measures to prevent rebels crossing isthmus.

June 13, 1862: Mosquera's troops refused admittance to Panama.

March 1865: Revolution and United States troops landed.

August 1865: Riots; unsuccessful attempt to invade Panama.

March 1866: Unsuccessful revolution.

April 1867: Attempt to overthrow the government.

August 1867: Attempt at revolution.

July 5, 1868—Revolution; provisional government inaugurated.

August 29, 1868: Revolution; provisional government overthrown.

April 1871: Revolution; followed apparently by counterrevolution.

April 1873: Revolution and civil war which lasted to October 1875.

August 1876: Civil war which lasted until April 1877.

July 1878: Rebellion.

December 1878: Revolt.

April 1879: Revolution.

June 1879: Revolution.

March 1883: Riot.

May 1883: Riot.

June 1884: Revolutionary attempt.

December 1884: Revolutionary attempt.

January 1885: Revolutionary disturbances.

March 1885: Revolution.

April 1887: Disturbances on Panama Railroad.

November 1887: Disturbance on line of canal.

January 1889: Riot.

January 1895: Revolution which lasted until April.

March 1895: Incendiary attempt.

October 1899: Revolution.

February to July 1900: Revolution.

January 1901: Revolution.

July 1901: Revolutionary disturbances.

September 1901: City of Colon taken by rebels.

March 1902: Revolutionary disturbances.

July 1902: Revolution.

The above is only a partial list of the revolutions, rebellions, insurrections, riots, and other outbreaks that have occurred during the period in question; yet they number 53 for the 57 years. It will be noted that 1 of them lasted for nearly 3 years before it

was quelled; another for nearly a year. In short, the experience of over half a century has shown Colombia to be utterly incapable of keeping order on the isthmus. Only the active interference of the United States has enabled her to preserve so much as a semblance of sovereignty. Had it not been for the exercise by the United States of the police power in her interest, her connection with the isthmus would have been sundered long ago. In 1856, in 1860, in 1873, in 1885, in 1901, and again in 1902, sailors and marines from United States warships were forced to land in order to patrol the isthmus, to protect life and property and to see that the transit across the isthmus was kept open. In 1861, in 1862, in 1885, and in 1900 the Colombian Government asked that the United States Government would land troops to protect its interests and maintain order on the isthmus.

Mr. Speaker, at the time of the 1903 Panama Revolution, President Roosevelt acted under the authority of the treaty of 1846 between the United States and New Granada—now Colombia—guaranteeing the neutrality of the isthmus to the end that free transit would not be interrupted or embarrassed. The result of his denial of transit over the Panama Railroad by either Panamanian revolutionists or the Colombian Army was that the 1903 revolution was bloodless and the provisions of the 1846 treaty were upheld.

What has been the record of civil strife and political turmoil in the Republic of Panama since the establishment of Panamanian independence and U.S. occupation in 1904 of the Canal Zone? The following highlights, gleaned from authoritative sources, though not complete, are most revealing:

November 14, 1904: Seditious and mutinous conduct of the army of Panama (now National Police), with discovery of a plot to arrest President Amador, which was averted by diplomatic representations of the United States to preserve constitutional order as provided by treaty and the constitution of Panama.

October 11, 1925: Riot in Panama City with 1 person killed and 11 wounded, requiring assistance by United States Army to quell.

January 2, 1931: Revolution in Panama, requiring intervention of the United States Minister to save lives of Panamanian officials and the President, who were held prisoners, and resulting in the enforced resignation of the President.

November 22, 1940: National Assembly adopted new constitution proposed by President Arnulfo Arias.

October 9, 1941: Bloodless revolution ousted President Arias and installed Ricardo Adolfo de la Guardia as Provisional President.

Late 1944: Suspension of constitution caused 14 Panamanian Assemblymen (Congressmen) to flee to the Canal Zone.

June 15, 1945: Constituent Assembly met, received resignation under duress of de la Guardia as Provisional President, and elected Enrique A. Jiminez as his successor.

December 1, 1945: Armed revolt, for which former President Arnulfo Arias was thrown into prison charged with participation, but was acquitted on July 29, 1946.

March 1, 1946: Constituent Assembly approved new constitution replacing the totalitarian instrument of former President Arnulfo Arias.

December 22, 1947: In the midst of disorder, National Assembly unanimously rejected a defense base treaty with the United States.

February 1948: United States announced withdrawal of all troops from military bases in the Republic, as a consequence of the indicated rejection, and at considerable financial loss.

July 28, 1949: First Vice President Daniel Chanis, Jr., succeeded ailing President Domingo Diaz Arosemena, on latter's resignation.

November 18, 1949: President Chanis accused Col. Jose Remon, Chief of Police, of operating illegal monopolies, and dismissed him.

November 20, 1949: President Chanis was forced to resign under pressure of national police headed by Colonel Remon, and Vice President Roberto F. Chiari was sworn in as President.

November 22, 1949: National Assembly voted for reinstatement of Chanis as President.

November 24, 1949: Supreme Court upheld the claim of Chanis but, with support of National Police, former President Arnulfo Arias again became President on the contention of his sponsors that at the preceding election he had in fact defeated his opponent, Diaz, whose election had been officially declared, followed by his assumption of the Presidency.

November 25, 1949: United States suspended relations with Panama because of overthrow of "constituted authorities."

November 26, 1949: Chanis and two other former Presidents fled to the Canal Zone to escape arrest.

December 14, 1949: United States recognized the Arnulfo Arias regime.

May 7, 1951: President Arnulfo Arias decreed suspension of the constitution and dissolution of the National Assembly.

May 10, 1951: After bitter street fighting President Arias surrendered to Colonel Remon, Chief of National Police. Impeachment by the National Assembly of President Arias and naming of First Vice President Alcibiades Arosemena as constitutional President resulted, and was upheld by the Supreme Court.

October 1, 1951: Jose Remon inaugurated as President.

January 2, 1955: President Remon assassinated.

January 3, 1955: First Vice President Jose Ramon Guizado sworn in as President.

January 15, 1955: President Ramon Guizado removed from office and placed under arrest, charged with being implicated in the President Remon assassination, impeached, found guilty, and sentenced by the National Assembly to 10 years' imprisonment, of which sentence he served a portion but was later released.

May 2, 1958: Panamanian University students planted 72 Panamanian flags at various locations in Canal Zone, including one in front of the Canal administration building, without any authority therefor.

May 5, 1958: University students marched on presidential palace in Panama City, demanding immediate steps in behalf of Panamanian sovereignty over Canal Zone.

May 20, 1958: Six days of street fighting and bloodshed in Panama City and Colon, requiring use of the Panamanian National Guard to restore order.

December 18, 1958: Panamanian enactment declaring the extension of Panama's territorial waters from the three mile limit to a twelve mile limit, encircling the Canal Zone, which led to a U.S. protest.

January 13, 1959: Panama National Assembly, after receipt of U.S. protest, voted not to reconsider its action.

November 3, 1959: Panamanian mobs invaded the Canal Zone, overwhelming civilian police, requiring the use of the U.S. Army to protect the lives of our citizens and the Canal.

November 28, 1959: Panamanian mobs attempted to invade the Zone but were repelled by the U.S. Army until it was relieved by the Panamanian National Guard, which latter force restored order.

September 17, 1960: President Eisenhower, in a mistaken gesture of friendship, authorized the display of one Panamanian flag in the Canal Zone at Shaler's Triangle as evidence of Panama's so-called "titular sovereignty" over the Zone Territory.

October 12, 1962: Ceremonies for the dedication of the Thatcher Ferry Bridge disrupted by Panamanian demonstrators.

October 29, 1962: Panamanian flag officially raised at the Canal Zone Administration Building on authorization of President Kennedy, as part of a program for displaying it at other locations in the Zone.

March, 1963: President Chiari of Panama at the San José Conference with President Kennedy raised the threat of "radical action".

January 9–12, 1964: Panamanian mobs attacked the Canal Zone requiring the use of the U.S. Army to protect the lives of our citizens and to prevent injury to the Canal during which attack the Panamanian National Guard, on orders of the President of Panama, remained in their barracks and did nothing whatsoever to quell the mob, which, unrestrained, also looted and burned American owned property in the City of Panama. Several U.S. soldiers were killed.

October 11, 1968: Military coup d'etat overthrowing the legally elected government and establishing a revolutionary provisional government of Panama.

Mr. Speaker, at this point it is well to stress that the 1903 treaty granted to the United States the right and authority to enforce sanitary measures of preventive or curative character in the cities of Panama and Colon; also the same right and authority to maintain public order in the event of the inability of Panama to perform this duty.

In the 1936 treaty, the authority of the United States to maintain order in the terminal cities was abrogated. In the 1955 treaty, the right of the United States to enforce sanitary ordinances in the terminal cities was likewise revoked as was also the power of eminent domain in the Republic of Panama for canal purposes, all these at the insistence of Panama. Together, those actions definitely weakened the United States in meeting its responsibilities for the maintenance, operation, sanitation, and protection of the Panama Canal. Their effect was the withdrawal of U.S. activities to the limits of the Canal Zone Territory.

When the above enumerated records of violence on the isthmus are viewed, with the perspective now possible, it is obvious that conditions on the isthmus have changed since 1904, but they have changed for the worse. Instead of the United States permitting its rights, power, and authority to be eroded further they should be strengthened in the direction of the original grants of the 1903 treaty with extension of the Canal Zone to include the entire watershed of the Chagres River.

In summation, Mr. Speaker, I would stress the following:

First. Panama is still a land of endemic revolution and political turmoil.

Second. U.S. surrender of its full sovereign powers is not realistic, but fraught with the gravest peril for the security of the Americas.

Third. We should have at Panama as our Ambassador one who will defend the rights, powers, and authority of the United States and not one who would acquiesce in their surrender or subversion.

Fourth. We should remove the Department of State from control of U.S. Panama Canal policy.

Mr. Speaker, nothing that I have ever said in my discussions on the Panama Canal was intended to be evidence of any unkindness toward Panama and its people, but only an objective and realistic presentation of facts. Unfortunately, Panama has been, and is, a most fruitful soil of bloody riots and revolutions and such conditions cannot be ignored or swept under the rug in any evaluation of the Panama Canal enterprise. Demagogic intentions have no place in the equation. The questions involved must be dealt with on the highest and most realistic plane of statesmanship. Theodore Roosevelt, in his message to the Congress previously quoted, had no motive of malice whatsoever and was simply stating facts of history that had to be considered by our Government in the formulation of our canal policy. In this connection, I would urge that the formulation of current canal policy should be taken away from the Department of State unless that department is completely revolutionized and realistic, capable officials are substituted for the weak, and vascillating un-Americans supplanted.

Another vital point in these discussions which must be taken into account is the manifest policy of Soviet power to take over all the strategic waterways of the world and thus obtain the strangleholds on the world. Not only has Soviet policy been addressed toward the liquidation of U.S. authority over the Panama Canal but every move under that policy has been made for the purpose of capturing all such strategic maritime routes to enlarge Soviet power. Thus the Suez Canal has come under Soviet domination and is now indefinitely closed to traffic, a situation that is far more serious to the free world than to Soviet nations.

Finally, in common with all of our citizens, I hope to see the people of Panama ruled by officials chosen by them in free and fair elections and the maintenance of a stable government under which the country can develop its large potential and become an outstanding example of domestic tranquillity and progress. As evidence of my interest in Panama, I have introduced a bill for the major modernization of the Panama Canal—H.R. 3792. This measure, which was quoted in a statement in the Congress by me on February 19, 1969, not only provides for the best solution of the interoceanic canal problem, but also protects the economic well-being of the people of Panama.

DOMESTIC FINANCE SUBCOMMITTEE TO CONDUCT BANK LOBBY INVESTIGATION

(Mr. PATMAN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PATMAN. Mr. Speaker, the Domestic Finance Subcommittee of the Banking and Currency Committee is opening an investigation into bank lobbying activities.

Mr. Speaker, this investigation will get underway immediately with preliminary staff work. The subcommittee itself will meet as soon as possible after the August recess on this issue.

Today, I sent a memorandum to members of the Banking and Currency Committee outlining the scope and the need for this investigation. Mr. Speaker, I place a copy of this memorandum in the RECORD:

Memo to: All members of the Banking and Currency Committee.
From: Wright Patman, chairman.
Subject: Lobbying investigation.

During an appearance before the National Press Club last week, I announced plans for a full-scale investigation of the banking lobby. To facilitate this investigation, I am assigning it to the 14-man Domestic Finance Subcommittee.

With this memorandum, I am instructing the Banking and Currency Committee staff to begin preliminary work on this investigation. The staff will be instructed to draw up a tentative outline for the investigation, to determine what witnesses and material would be available for the initial phases of the inquiry. The staff will be instructed to have this material available for a meeting of the Subcommittee in early September.

As I mentioned in the Press Club Speech, I am calling for this investigation after much deliberation. All of us, I am sure, are well aware of the difficult and delicate nature of such an inquiry, but it is something which I feel this Committee can no longer ignore. The editorial writers, the political cartoonists, and the general newspaper reporters are having a field day with reports of real or potential banking influence on this Committee.

It is casting doubt and suspicion on everything the Committee does and I am convinced it is time that the air must be cleared once and for all. If the banking lobby is as benign as some feel, then such an investigation will so reveal. If there have been questionable or unethical practices by this lobby, then these facts must be revealed and remedial action taken.

This investigation will be conducted as fairly as possible and every group or individual involved will be given the fullest opportunity to be heard and to explain and answer any allegations raised. It will not be a witch hunt in any sense of the phrase; but an attempt to discover specific facts about how this lobby operates.

Frankly, I do not feel that we have any great choice in undertaking this investigation. We can undertake this investigation voluntarily and in a calm atmosphere or we can wait and have it forced on us by an angry public opinion which is rapidly losing patience with some of the revelations about this lobby. I don't think there is any question which course most Members of our Committee would prefer to pursue.

Just as soon as we can find a satisfactory date, I will call a meeting of the Domestic Finance Subcommittee to formally launch this investigation.

CONGRESSMAN JOHN BRADEMAS AWARDED COLUMBIA TEACHERS COLLEGE MEDAL FOR DISTINGUISHED SERVICE

(Mr. PERKINS asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PERKINS. Mr. Speaker, our colleague, Congressman JOHN BRADEMAS, the able chairman of the Select Education Subcommittee of the House Education and Labor Committee, in recent ceremonies during commencement exercises at Teachers College, Columbia University, was awarded the Teachers College Medal for Distinguished Service.

JOHN BRADEMAS has been a dedicated member of the Education and Labor Committee now for over 10 years. During that time he has sponsored or cosponsored virtually every education measure enacted during this decade, an outpouring of education legislation unprecedented in our Nation's history. The Teachers College Medal for Distinguished Service is recognition of Congressman BRADEMAS' outstanding contributions to this record.

Mr. Speaker, the citation, presented by President John Fischer of Teachers College follows:

To John Brademas,

Creative initiator of social policy, dedicated spokesman for education, and patriotic public servant whose unflagging efforts have placed education high among our national priorities.

To honor your illustrious service to the nation and the world in the expansions and enrichment of education opportunities, Teachers College is honored to confer upon you its Medal for Distinguished Service.

TEXTILE IMPORT PROBLEMS, INCLUDING THE PROBLEM OF FOREIGN CORDAGE IMPORTS

(Mr. STRATTON asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. STRATTON. Mr. Speaker, I regret that due to other necessary business it was not possible for me to be on the floor the other day when the very able and distinguished gentleman from Arkansas (Mr. MILLS) discussed at some length the mounting problem of foreign textile imports and the grave threat they are posing to a key and very important American industry. Mr. MILLS said at that time that he hoped a voluntary quota agreement could be worked out with Japan as well as other importing countries before this fall, but if no such voluntary agreement is worked out, he said, then he expected Congress would pass unilateral legislation on this subject. And when the gentleman from Arkansas expresses support for legislation of that kind, over which the great Committee on Ways and Means, of which he is chairman, has jurisdiction, we all know he is not speaking idly.

Let me offer my congratulations to Mr. MILLS and express my firm and wholehearted support, as one who has joined in cosponsoring the textile import legislation to which he referred, for his effort to get effective voluntary limits on these quotas or failing that to get a law enacted to hold these imports within reasonable limits and thus preserve America's industry and American jobs.

I fully share the concern of the gentleman from Arkansas and those other Members who spoke immediately after him in regard to the devastating impact of foreign imports on our own American wool and cotton industries. The situation in these markets is most serious and must be resolved quickly, either by the establishment of voluntary quotas by the countries now exporting to the United States, or, if those countries refuse to cooperate, by strict legislative

action by the Congress, as Chairman MILLS indicated.

One additional item which was not specifically spelled out in Mr. MILL's remarks or in the ensuing discussion, however, but which I am sure he had in mind and is specifically included in the legislation which he and I and other Members have cosponsored, is cordage—also an integral part of the great American textile industry. By the cordage industry I mean the industry which manufactures rope, lines, and twine from both natural and manmade fibers.

Representatives of the American cordage industry and the Columbian Rope Co. of Auburn, N.Y., in my congressional district, have told me that they find it more difficult from day to day to sell their products on the domestic market because of the rising influx of imported cordage.

For example, the U.S. cordage industry's share of the domestic market in agricultural twine dropped from over 20 percent in 1964 to 13 percent in 1968. In 1968, the domestic industry was able to sell only 11 percent of the American purchases of commercial twines made from natural fibers, whereas in 1964 their share of the market was 32 percent.

In this same period of time our manufacturers' sales of sisal and henequen rope dropped by about one-third, from 61 percent of the domestic market to 42 percent. These are all devastating drops, as is perfectly obvious.

A special situation exists in the case of manila rope made from abaca. Although provisions of the Laurel-Langley agreement between the United States and the Philippines place an absolute quota on the shipments of manufactured manila rope from the Philippines to this country, and in spite of an overall decline in the market during the last 5 years, our cordage manufacturers lost 4 percent of the domestic market to foreign imports between the end of 1963 and the beginning of 1969.

The Laurel-Langley agreement expires in 1974 and is now the subject of renegotiations between the two countries. The Cordage Institute fears that these negotiations may lead to the extinction of American manufacture of manila rope. They have already advised the Department of Commerce of this possibility, saying:

> Should the absolute quota be removed and the Philippines be allowed to ship unlimited quantities into America, subject only to existing tariffs and duties, we feel that there would be *no significant manufacture of Manila rope left in the United States.*

The importation of natural fiber cordage, as these statistics show, threatens American manufacturers, but the field of cordage made from manmade fibers, that is, synthetic cordage, is by far the most significant for the future of the American cordage industry.

Until recently imports of synthetic cordage have been insignificant; but with the recent cuts in duties that resulted from the Kennedy round negotiations, the domestic cordage industry became extremely vulnerable and can be expected to become increasingly so in the years ahead.

Imports of synthetic cordage still do not represent a sizable part of the U.S. market, but percentagewise, these imports have increased alarmingly in the last 5 years. There is good reason to believe that maintenance of a strong position in the synthetic field will be the major factor in determining whether there will be an American cordage industry of consequence in the future.

Our vigilance and attention in the textile and cordage field cannot be focused exclusively on imported natural fibers but, in full consideration of the future of the industry, must encompass the importation of synthetic cordage as well.

Mr. Speaker, I would hope that when the Secretary of Commerce discusses all these textile import problems with the countries exporting textiles to the United States, as has been referred to, he will also address himself diligently to the special problems of the American cordage industry. And I would hope further that the governments of those nations involved in these increased imports will wisely agree to the establishment of voluntary quotas on cordage exports to the United States, as well as on imports of other textile products.

Should the Secretary not be successful and should the importing nations go merrily on their way exporting unlimited amounts of cordage and other textile products to America, then Congress must indeed take action to hold those exports down to reasonable limits and prevent further serious erosion of our small cordage industry and the other elements of our textile industry here in the United States.

When and if that time comes I am sure Members of this body will recall that the American cordage industry is an integral part of the American textile industry and its employees and their jobs are entitled to exactly the same protection and relief as is proposed for all other aspects of that great textile industry.

A BILL TO AMEND THE LONGSHOREMEN'S AND HARBOR WORKERS' COMPENSATION ACT

(Mr. DANIELS of New Jersey asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DANIELS of New Jersey. Mr. Speaker, at the present time the Longshoremen's and Harbor Workers' Compensation Act provides workmen's compensation protection to an estimated 1 million workers and their families, including longshoremen, ship repairmen, ship servicemen, harbor workers and other offshore workers, workers at U.S. defense bases outside the United States, and private industry in the District of Columbia.

The proposed amendments to this act would, if enacted, substantially improve the workmen's compensation protection provided to these workers and their families. The proposed amendments are long overdue. In 1966 at the time the President signed the amendments to the Federal Employees' Compensation Act, he urged all jurisdictions to take action that would assure injured workers proper compensation in the event of work injury. The Congress has not amended the Longshoremen's and Harbor Workers' Compensation Act since 1961. As a result, the protection provided by the act has fallen behind that afforded under many State laws.

WEEKLY BENEFITS

The Longshore Act currently provides that an injured worker shall receive a weekly benefit of 66⅔ percent of his wage when disabled. However, the current maximum amount specified in the law—$70 per week—denies any worker earning in excess of $105 weekly a benefit equal to 66⅔ percent of his wage loss.

In nine jurisdictions which have amended their laws to reflect current wage levels, the maximum benefit is above, and in a number far above, that provided in the Longshore Act: Alaska, $113; Arizona, $150; California, $87.50; Connecticut, $76; Hawaii, $112.50; New Jersey, $83; New York, $85; Wisconsin, $73, and the Federal Employees' Compensation Act, $370.

Many workers covered by this act are engaged in high-wage occupations and industries. The amendments would increase the maximum and minimum benefit levels to reflect wage changes that have taken place since 1961 in covered employment. The maximun benefit would be increased from $70 to $132 weekly and the minimum benefit from $18 to $36 weekly.

Of course, even with the maximum benefit at $132, not every injured worker would receive as much as 66⅔ percent of his wage. However, workers earning weekly wages up to $198 under the proposed maximum benefit would receive a benefit equal to 66⅔ percent of their average weekly wage.

BENEFIT CEILING

The amendments would remedy a serious deficiency in the law by removing the present statutory amount payable—$24,000—for temporary total or permanent partial disability.

Eleven State laws, including Alaska, Connecticut, Delaware, Idaho, Michigan, New York, North Dakota, Oregon, Rhode Island, Washington, Wisconsin, and the Federal Employees' Compensation Act provide for the payment of benefits for the duration of the disability. Injured workers should receive compensation during the entire period of their disability. A dollar amount ceiling has undoubtedly, in serious cases, led to extreme hardship for injured workers and their families.

RETROACTIVE PAYMENT FOR WAITING PERIOD

The present act provides that compensation shall be allowed after a waiting period of 3 days after disability occurs. However, if the disability continues for 28 days the first 3 days will be compensated for retroactively. The amendments would reduce the waiting period from 28 to 14 days. In 24 States, the retroactive period has been reduced to 14 days or less.

EDUCATION BENEFITS

The existing provisions in the act terminate benefits for a surviving child when he reaches age 18. This is the age

when most children are finishing high school, but an increasing number enter college or other educational institutions. A recent report by the Department of Health, Education, and Welfare shows a 27-percent decline in the high school dropout rate between 1963 and 1968. The report also estimates that total enrollments in programs of higher education will increase from 5.9 million students in 1966 to 10.1 million students by 1976. The children of fatally injured workers should not be denied an opportunity to acquire the educational background and technical skills they will need to meet the demands of a growing society.

Under the proposed amendments, benefits for a surviving dependent child would be continued after age 18 until age 23 if he was pursuing a full-time course of study at an approved educational institution.

COMPENSATION FOR DISFIGUREMENTS

The amendments would enlarge the definition of disfigurement. Present language restricts disfigurement to face or head. The amendment would revise this to include face, head, neck, or other normally exposed areas of the body.

CONTINUING WAGE-LOSS PAYMENTS

The Longshore Act contains a schedule specifying the number of weeks compensation is payable for a permanent loss or loss of the use of certain parts of the body—fingers, toes, and so forth—or functions of the body—hearing, sight, and so forth. However, wage loss thereafter is not provided for. As a practical matter an injured worker's earning capacity may be significantly reduced by the permanent effects of an injury compensable under the schedule. The proposed amendments would correct the present inequity which results from compensation cutoff despite reduced earning power. The amendments would require an injured worker to be paid at the end of his scheduled award for the degree of wage loss he may have suffered in the same or other employment.

SECOND INJURIES

The Longshore Act presently provides that an employer in second injury cases—those in which a worker with an existing impairment is injured one or more additional times—shall provide compensation only for the disability caused by the second injury. To provide greater certainty as to an employer's liability in these cases and to encourage employment of handicapped workers, the amendments limit employer liability in the event of second injury.

The employer's liability is limited to the payment of compensation for 104 weeks or for the number of weeks under the schedule for permanent partial disability whichever is greater.

When second injury results in total disability or death the amendments provide that continuing benefits shall be paid from a special fund after the expiration of compensation paid by the employer.

SPECIAL FUND FINANCING

The special revenue needed to pay compensation in second injury cases is provided by a $5,000 compensation payment, by the employer or insurance carrier, to the special fund in death cases where the deputy commissioner determines that there is no surviving dependent entitled to compensation for such death.

DEATH AND FUNERAL BENEFITS

The amendments would increase the maximum and minimum wage levels used for computing surviving dependent death benefits. These changes would simply reflect the revisions that have been made in industry wage levels.

The funeral benefit would also be increased from $400 to $800 to assist bereaved families in meeting increased burial costs. Only four State workmen's compensation laws—Arizona, Mississippi, Oklahoma, and Virginia—provide a lower funeral benefit than the Longshore Act.

BENEFIT ADJUSTMENT

The amendments also provide for annual benefit adjustments based on industry wage changes. This benefit adjustment is designed to apply only to injuries incurred after enactment of this legislation, and benefit amounts will still be subject to the maximum and minimum levels established by Congress.

ATTORNEY FEES

The Longshore Act, at present, requires an injured worker whose claim is contested to bear attorney and court costs, if such are incurred, in efforts to establish his just claim.

The amendments would shift these costs to the employer or carrier if an award is made or increased after being contested.

TIME FOR FILING NOTICE AND CLAIM

The time for filing notice of injury or disease and a claim for compensation would be extended by the proposed amendments. The changes would simply permit a worker to notify his employer of injury and file a claim within a reasonable time after he became aware of the relationship between his work and his injury or disease.

REEXAMINATION COSTS

This amendment would allow the deputy commissioner to charge the cost of medical reeaxminations to the employer or carrier whenever in his opinion a reexamination was necessary. At present he can only charge the employer or carrier if the reexamination shows prior medical reports were not impartial.

PRESIDENT NIXON'S PUBLIC TRANSPORTATION PROPOSAL IS INADEQUATE AND UNACCEPTABLE

(Mr. KOCH asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. KOCH. Mr. Speaker, the public transportation proposal that is being submitted by the President today fails the daily commuter in this country. After having spent $25 billion to take two men to the moon with plans for sending a few more men to Mars in the next decade at a cost of another $40 billion, President Richard Nixon now proposes that we spend only $3.1 billion in the next 5 years for public transportation to take care of the needs of our country's 200 million people. Furthermore, even this $3.1 billion is not a sure thing.

In short, the President has relegated mass transit to a back seat. And so, while we speed to the outer reaches of the solar system in the next decade, millions of people will continue to travel slowly in hot, crowded, and inadequate subways and in cars along our city streets stymied by heavy traffic.

One bright spot is that President Nixon recognized the need for mass transit, but unfortunately, his advisers have failed to appreciate the magnitude of the task and the expense in improving and creating mass transit. His proposal forecasts an expenditure of only $300 million in fiscal year 1971 to be followed by $400 million in fiscal year 1972, $600 million in fiscal year 1973, $800 million in fiscal year 1974, and $1 billion in fiscal year 1975. Very simply put, these funding levels are inadequate.

In addition, the President has failed to support a trust fund for mass transit. A trust fund is essential because without it the municipalities of our country cannot be assured that even the $800 million promised will be available in fiscal year 1974 or the $1 billion in fiscal year 1975. The President speaks of a statement of intent by the Congress to spend $10 billion over the next 12 years. But, we all know, and he must know, having been a Member of this House, that this is meaningless and in essence every authorization bill is a statement of intent on the part of the Congress. Unfortunately the appropriations always fall far short of the intended goal. We need only look at what has happened to the first year of our 10-year housing program; the House cut the appropriations from $4½ billion to $1.7 billion.

Without a trust fund, even the President's limited program of expenditures dependent on the appropriations route is little more than wishful thinking. No mayor, voter or municipal bond buyer will trust this statement of intent.

The failure of the President to include a trust fund in his message is a setback for Secretary John A. Volpe Several months ago, Secretary Volpe announced that mass transportation was being given top priority in his Department and that he favored the mass transportation trust fund concept. Secretary Volpe, best informed in the administration about the Nation's mass transit needs, recommended the trust fund to the President. But, there were forces in the White House opposed to the trust fund and so now they submit this 5-year contract funding program which is unacceptable.

In February, I introduced a bill to establish a mass transportation trust fund and to provide for a $10 billion commitment over the next 4 years; the trust fund would be financed by the continuation of the 7-percent automobile manufacturer's excise tax. This bill and a few variants have a total of 104 sponsors. To substantiate the need for this level of funding, I have gathered information

from across the country on plans for mass transit now ready for execution.

In Atlanta, Ga., the Metropolitan Atlanta Rapid Transit Authority was organized in 1965 and has spent over $1½ million on planning. The plans for mass transit capital improvements and expansion call for a total of $751 million over the next 9 years—$235 million in the next 5 years—but, just recently the execution of these plans was thwarted by the public's defeat of a $500 million bond issue. According to Mr. W. P. Maynard, president of the Atlanta Transit System:

The bond issue referendum was defeated by a vote of 57% to 43%, primarily because there was no substantial long range federal help in view.

Mr. Maynard continued:

Even though the urgent need for a rapid transit system was recognized by voters, there was a strong feeling that this was such a large financial undertaking that the total financing could not be borne locally.

In New York City with which I am most conversant, the Metropolitan Transportation Authority estimates that the metropolitan regional needs for the next 7 years will be in the order of magnitude of some $2.1 billion. Dr. William Ronan, chairman of that authority, stated in a letter to me:

The missing ingredient is federal funds in sufficient amount and timely enough to help bring this whole program into realization. Time is of the essence as construction costs mount daily, making all such programs increasingly expensive.

The Chicago Transit Authority has plans for a capital program of $1.5 billion dollars in the next 5 years as part of its $2.4 billion, 10-year program, and in Washington, D.C., execution of the regional rapid rail transit plan and program will require an expenditure of at least $2.5 billion.

These are just a few examples, but they reflect the scale of expenditures planned by our metropolitan areas. In addition there are many towns and counties which need help in modernizing and expanding their bus systems.

In the course of the past several months, I have also been in touch with the mayors of our cities who perhaps know best both the political and economic difficulties in getting mass transit financed. As an example of the response I have received may I quote from a letter Mayor Richard J. Daley of Chicago wrote to me:

We are convinced that the creation of a Federal Public Transportation Trust Fund is essential if Chicago is to meet its future commitments, which will require long term federal grant aid commitments extending over several years.

From my own city, Mayor John V. Lindsay wrote:

Legislation to equalize the amount of money spent by the federal government on urban mass transportation with that spent on highway construction is long overdue.

The $10 billion your bill would provide over the next five years is urgently needed in our cities to increase the availability, speed and comfort of public transportation. We can no longer rely on local governments to meet all of the mass transportation needs of metropolitan America.

From Dallas, Mayor Erik Jonsson wrote:

You have the strong support of the City of Dallas for legislation now pending in Congress for the establishment of an urban mass transportation trust fund. We feel that the urgent necessity for mobilizing national resources on an extensive scale to deal with the pressing needs for mass transit and the nation's major cities requires the significant action of the Congress at this time.

Mayor Alfonso J. Cervantes, of St. Louis, said:

We who are aware of the critical need for public transit service must certainly support a bill of this nature. Transit is an essential element in the balanced, efficient, and orderly development of our metropolitan areas.

And, Mayor Sam Yorty, of Los Angeles, assured me that:

The City of Los Angeles and the surrounding communities have an urgent need to expand and improve their mass transit facilities. You may be assured that I wholeheartedly support the principle of establishing a federal trust fund for improving the urban mass transit.

Another glaring example of mass transit's apparent second place in the stacking of transportation priorities is the President's retention of the current two-thirds Federal share—one-third local share in his proposal as opposed to the highway trust fund's 90-percent Federal share. My bill provides for an increase of the Federal contribution so as to put mass transit on a par with highways. This is important for three reasons. First, 10-percent local financing means that mass transit can become a reality for localities that cannot support the greater buden of a one-third local share because of the many competing demands for the limited local revenues available. Second, it removes the advantage highways now have over mass transit when a locality comes to choosing one or the other. And third, a trust fund promotes long-range planning by promising Federal participation several years ahead which the appropriation route never can do.

Right now, highway money is all too easy to obtain. Just look at what was spent on highways in fiscal year 1969: $4.5 billion as compared to $175 million for mass transit. For a city strapped by other financial pressures it is often easier to build a highway, which does not begin to satisfy the transportation requirements of its people, with 90-percent funding from the Federal Government than to find local money for mass transit.

President Nixon is concerned about the wise expenditure of the country's money. I am too, and I would submit that in this instance he is pinching pennies while being pound foolish. Twenty lanes of highways have to be built to carry the same number of people transported by one set of commuter tracks.

If the President is not able to adequately meet the transportation needs of this country, the Congress must take the lead in doing so. We have made an excellent beginning by virtue of the number of Congressmen who now have introduced a bill containing the trust fund.

The American public will not accept much longer the philosophy that we have enough money to send men to the moon, but not enough money to send the taxpayer across town in comfortable and efficient conveyances.

PHYSICIAN AUGMENTATION PROGRAM

(Mr. PREYER of North Carolina asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PREYER of North Carolina. Mr. Speaker, Secretary Finch recently announced the initiation of a new physician augmentation program designed to expand the output of physicians as rapidly as possible. The program would seek the addition of 1,000 first-year students placed in schools of medicine and osteopathy.

I commend Secretary Finch for this program. The shortage of practicing physicians is a key problem to be overcome if all Americans are to have improved access to adequate health care.

The addition of more doctors, however, will not solve all of our medical problems. We not only need more doctors; we also need to distribute them more widely.

Let me tell you of a letter I recently received from a friend in a part of my State outside my district. He wrote:

Today I have just returned from the funeral of the last doctor in ——— county. I don't know what will happen to the people there.

In my State, many counties have no physician or have only one physician, often an aged one. Furthermore, many of these counties have no hospital or medical clinic, so that there is no system for delivering medical care to the people. Our State—and I believe this is typical of most other States—is divided into have and have-not areas as far as medical care goes. In some areas, medical care is excellent; in other areas, it is almost nonexistent. I hope that Secretary Finch will give serious consideration to ways of encouraging more physicians to locate their practices in the have-not areas.

I am placing in the RECORD an article from the Greensboro Daily News which deals with such a have-not area in my district—Caswell County. The citizens of this county have done everything possible—including building a modern clinic—but have been unable to attract a doctor to their county.

It is a statistical fact that more rural people and more black people die at home, rather than in the hospital, than other categories of people. This will continue to be the case until our system of delivering medical care is modified.

This is also an important consideration in the extension of the Hill-Burton Act. Emphasis in the new act has been placed on improving existing urban hospitals, and properly so in view of our shifting population patterns. But the act also wisely provides for the continuation of funds for new hospital construction. While there is no question that our large urban hospitals need to be improved and upgraded, it is also clear that there are many counties like Caswell, which have no hospital at all. Without a hospital, it is almost impossible to get doctors or

nurses to move to the county. In short, while medical care in some of the urban centers may be inadequate, in many rural areas it simply does not exist at all. It would seem that higher priority should be given to providing medical services where none exist in any form than providing the best medical service in areas where it already exists.

The article follows:

NOBODY MANS TOWN'S CLINIC

(By Kelso Gillenwater)

PROSPECT HILL.—The Warren Memorial Clinic, a small but handsome medical facility at this North Carolina crossroads, has been here long enough to need a fresh coat of paint.

Yet, it has never had a doctor.

The clinic, built in memory of the only doctor this town ever had, was the project of citizens of the community who, without outside help, raised the funds for its construction.

That was eight years ago. It stands today, still unused, at the intersection of N.C. 86 and 49.

Prospect Hill is a very small town. It has a store that doubles as post office, a service station, a small business and several farms. It doesn't have very many citizens and a reliable figure is hard to come by. It all depends on where you start counting, one resident said.

It is in the southwestern corner of Caswell County—a short distance from Orange County to the south and Alamance County on the west. It is what small country towns are traditionally expected to be: quiet, familiar, open, peaceful.

It's a nice town until someone gets sick. At that point Prospect Hill can become a death trap.

The nearest doctor is in Yanceyville, the county seat. His name is Thomas Gwynn. He's the only doctor in the entire county, which has a population of more than 19,000.

If Dr. Gwynn is too busy, or if he is on another call, the sick of Prospect Hill can journey to Mebane, Burlington, Durham, Roxboro, Hillsborough, Chapel Hill or Danville, Va. And every day, that's what they do.

A Sears-Roebuck Foundation survey last year in the Prospect Hill area revealed a staggering 10,997 separate illnesses that required 14,644 individual visits to the doctor. More than half went to Mebane, with the rest going to other towns.

During a 12-month period, the foundation study showed, 13 percent of the Prospect Hill population was hospitalized. Forty-five percent of them went to Durham, 21 to Burlington, 17 to Roxboro, 19 to Chapel Hill, and 4 percent to Mebane, Danville and other cities.

The closest of these hospitals is in Roxboro, 20 miles away.

Causes of hospitalization were listed as 57 percent medical, 29 percent surgical, and 14 percent obstetrical.

To visit doctors, Prospect Hill patients travel collectively, each year, more than half a million miles. This amounts, says the foundation, to a daily round-trip average of about 1,692 miles, or about the distance from Prospect Hill to Denver, Colo.

In most instances, the distance to adequate facilities have not posed life-and-death problems. In some cases, however, life has hung in the balance. These few cases, said Mrs. Geneva Warren, are too many.

It was only a few weeks ago that Frank J. Malone, one of Prospect Hill's leading farmers, died. He was a victim of lung cancer and his health had been declining for several weeks.

One afternoon he began hemorrhaging and Mrs. Malone tried to get an ambulance. There is no ambulance service is Caswell County, so she tried services in Orange and Alamance counties. No luck.

Finally she called Mrs. Warren. On a stretcher borrowed from a Mebane funeral home they carried Malone to Chapel Hill in Mrs. Warren's station wagon. He died a short time later.

Prospect Hill's medical needs are more urgent today than they were 15 years ago, when Dr. R. F. Warren was still alive. Dr. Warren served the town and the surrounding area for more than 48 years. He traveled on horseback during the early days, according to a feature story about him in the May, 15, 1957, edition of the county newspaper, the Caswell Messenger.

When his patients could come to him, they came to his house. He didn't have an office.

Dr. Warren died in 1959, two years after he helped organize a group whose goal was to build a clinic in Prospect Hill. Warren wanted to build the clinic in memory of his wife, the late Mary Foster Warren. A short time after his death, the clinic was built. His friends named it after both of them.

Only one of the four men who originally spearheaded the movement is alive today. Zeb C. Burton of Cedar Grove and Joseph Warren of Prospect Hill have died. James E. Winslow of Hurdle Mills in Person County still lives.

The reins have fallen to Lacy Satterfield and Mrs. Warren, chairman and secretary-treasurer respectively for the Warren Memorial Clinic Corp., a non-profit group.

Under their guidance the clinic has twice been saved, though at times they wondered what it was being saved for.

Construction began in 1961 on borrowed funds, before enough money had been raised. When the note came due, there was not enough money and the banking institution very nearly foreclosed.

Several Prospect Hill residents stepped in with large donations and bought the note, with the reservation that if the clinic was not occupied and serving the community within a specified period of time, they could dispose of it and get their investment back—plus interest.

"It's past time now," said Mrs. Warren, widow of J. H. Warren. "They could have sold the clinic if they wanted to.

"But now we've got some hope. I can say almost definitely that there will be a medical program at the Warren Memorial Clinic. And it will be soon."

Mrs. Warren said the program would get under way "within 45 weeks," It is likely to be, she said, a training extension of the UNC Medical School at Chapel Hill.

It will be several weeks before the Warren Clinic group will receive definite word on what type program its facility will host, who will administer it and from where the funds will come.

THE NEED FOR RAPID RAIL TRANSIT

(Mr. BROYHILL of Virginia asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. BROYHILL of Virginia. Mr. Speaker, with each passing day we see the cost of a much-needed and long-overdue rapid rail transit system for the Nation's Capital escalating at the rate of approximately one-quarter of a million dollars—or between $90 and $100 million a year.

These figures are not new. They have been cited repeatedly over the past several months, during which time the District of Columbia City Council has stubbornly refused to honor provisions of the Federal Aid Highway Act of 1968 calling for construction of the Three Sisters Bridge across the Potomac and further study of the North Central Freeway.

What is new, Mr. Speaker, is the fact that the people of the District of Columbia have pointedly repudiated this inaction by the District of Columbia City Council—and in not one but two separate polls, one of them paid for by the Chairman of the Council, Mr. Gilbert Hahn.

In the last of five questions in the Hahn survey, respondents were asked whether they would support a compromise on building "the Three Sisters Bridge and/or the North Central Freeway in order to secure release of the subway money" which the Congress has withheld pending affirmative action by the City Council.

Eliminating the respondents who were undecided, the Hahn poll showed more than 58 percent in favor of the compromise, less than 42 percent opposed.

These figures were almost identical to the results of another poll, released a day earlier and sponsored by the Joint Committee on Transportation, composed of the Federal City Council and five other business groups. This survey showed a 59-to-41 percent vote in support of a highway program that would include both the North Central Freeway and the Three Sisters Bridge.

What additional proof is necessary to convince the District of Columbia City Council that it is flouting not only the will of Congress but the will of the people of the area it is supposed to represent?

So far a small but highly organized and vocal band has succeeded in intimidating the Council into a state of paralysis. Within the past month, published reports indicated that the Council had met privately and decided to comply with the highway law. But the next day, when the Council was scheduled to act publicly, this militant element showed itself again—and again coerced the Council into putting off a vote.

During the past 22 years, more than $20 million has been spent on studies of the transportation mess in Washington, to tell us that a balanced transportation system, including both freeways and rapid rail, is the last, best hope of preventing further deterioration of the center city and the spreading of this blight to the suburbs.

During the past two decades, less than 10 miles of the freeway system have been constructed and placed in operation. None of the rapid rail transit system has been built, despite the investment of some $45 million to develop plans for a comprehensive 97.7-mile Metro network serving the District of Columbia and nearby Maryland and Virginia suburbs.

The consequences of further delay are more serious than most people realize, Mr. Speaker. Not only are we faced with the constantly rising cost of a quarter of a million dollars, daily, due to inflation,

but we also have the specter that local jurisdictions, which have pledged to pay over half-a-billion dollars toward the cost of this $2½ billion system, will be forced to withdraw from their contractual agreements. Only last week, the city of Alexandria balked at committing itself to pay its agreed-to share of the system, on the grounds that inaction by the District of Columbia City Council had rendered moot the question of commitments to Metro.

I submit then, Mr. Speaker, that the time is long past due when the District of Columbia City Council must recognize its responsibility to Congress and to the people of the District.

The District has long opted for home rule. But unless and until the City Council can demonstrate its responsibility to be responsive to the real wishes of the people, I see no hope that this status ever will be granted.

U.S. CONGRESSIONAL MISSION REBUFFED BY SOUTH AFRICA

(Mr. DIGGS asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DIGGS. Mr. Speaker, on August 5, 1969, at a Cabinet meeting presided over by the Prime Minister, the Government of South Africa finally and unalterably affirmed its intention to bar from South Africa an official delegation of the House Foreign Affairs Subcommittee on Africa unless its members would agree to submit to severe restrictions upon their basic freedoms.

After the meeting, the South African Government restated to the State Department its earlier position that I and any other member of the subcommittee would be admitted to South Africa only on the condition that we do nothing, by word or deed, which might constitute interference in South African affairs, and that we abstain absolutely from addressing any public meeting.

At the same time, the Cabinet decided to grant unconditional visas to Congressmen BURKE of Florida and WOLFF of New York, also members of the delegation. This difference in treatment has been explained to our embassy as resulting from the fact that neither Mr. BURKE nor Mr. WOLFF is a member of the Subcommittee on Africa, and thus there is no presumption that their individual visits would constitute interference in the Republic's domestic affairs.

Of course, both Messrs. BURKE and WOLFF are members of the full Foreign Affairs Committee, and the South African differentiation on these grounds would seem to be trivial at best, and clearly made with a full awareness that it would in no way affect the Republic's ability to deter the entire delegation from visiting South Africa.

In addition, the singling out of members of the subcommittee for special treatment is an entirely unprecedented tactic, for only last year Mr. O'Hara, my predecessor in the subcommittee chair, included South Africa in a study mission. He was received by the South African Government, and no restrictions were placed upon his visit. He traveled freely, spoke at a number of press conferences, and even addressed the South African foundation on such matters as South Africa's apartheid policies.

South Africa's differential treatment of my visa request naturally raises the question of ethnic considerations, and indeed it may be that South Africa's leaders feel that the visit of a racially mixed group of American legislators would de facto prove so embarrassing to them that they are willing to risk the good will of the United States to avoid it.

The South African Government has denied any such racial bias in this matter, and Radio South Africa, in an effort to justify its Government's action. recently launched a scurrilous attack against the character and intentions of both myself and Congressman REID of New York, who had sought a visa to accept a speaking engagement to the National Union of South African Students. The Government, of course, has not officially expressed such thoughtless accusations, for the intentions and importance of this study mission have repeatedly been made clear to it through diplomatic channels.

But regardless of the reason behind it, South Africa's attempt to impose prohibitive restrictions on the head of an official congressional mission has disturbing implications: for this action is wholly unprecedented in the history of American-South African relations. The United States has always encouraged parliamentarians from other countries to visit the United States without such restriction. Indeed, a group of South African Members of Parliament conducted a tour of the United States just last December in which they appeared before public gatherings, the press, and on television.

Since the creation in 1959 of the House Subcommittee on Africa, four extensive study missions have been conducted by members of that group under the leadership of both myself and Chairman O'Hara. These missions have visited some 20 African nations at least once and have issued reports of their findings which have been informative to the Congress, to the executive branch, and to the public, and useful in our consideration of foreign policy toward Africa.

In all cases these visits have been conducted mainly for the information of the Congress, pursuant to the real and legitimate concerns of that body, through firsthand experience and through meaningful discussions with the host country governments on the problems which we all share, as world citizens and neighbors.

In light of the continuing concern which has been expressed both in Africa, in the United States, and around the world over developments in the southern portion of Africa; in light of our own considerable investment in South Africa and its relationship to the free world; in light of our desire to help understand and resolve, insofar as we are able, the colonial and racial problems which plague southern Africa; and in light of the current review of U.S. policy toward the region which has been ordered by the National Security Council for the new administration, we have planned this study mission during the upcoming congressional recess.

The trip is scheduled to include the Portuguese territories of Angola and Mozambique as well as the independent countries of Zambia, Tanzania, Malawi, Botswana, Lesotho, and Swaziland. It had been hoped that South Africa might also be included for a visit during which the members of the mission might broaden their understanding to encompass the full range of opinions and policies relating to the southern African area.

The mission will be conducted in the responsible and open-minded manner befitting Members of the Congress of the United States. These facts were made known to the South African Government, and I think it deplorable that officials at the highest level of that government should limit our freedom on the unfounded belief that the mission's intent is to interfere in the internal affairs of their country.

Such conditions as the South African Government has stipulated are unreasonable and contrary to the normal practices of enlightened governments. They are comprehensible to me only in the context of a society accustomed to severe and widespread restrictions on the fundamental freedoms of its own people—an impression which I have unfortunately been denied the opportunity of possibly modifying.

An unfortunate result of the limitations imposed upon my visa could be the imposition of reciprocal restrictions upon the future visits of South African parliamentarians or members of the Foreign Affairs Committee of the South African Nationalist Party. For my part, I cannot accept these restrictions, and I regret that the mission will thus be unable to visit the Republic of South Africa.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mrs. HANSEN of Washington, for August 11, 1969, through August 13, 1969, on account of official business in district.

Mr. HOGAN (at the request of Mr. GERALD R. FORD), for the week of August 11, on account of study tour of Far East.

Mr. HASTINGS (at the request of Mr. GERALD R. FORD), for the week of August 11, on account of study tour of Far East.

Mr. FREY (at the request of Mr. GERALD R. FORD), for the week of August 11, on account of study tour of Far East.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. PATMAN, for 30 minutes, on Monday, August 11, to revise and extend his remarks and include extraneous matter.

Mr. PUCINSKI, for 30 minutes, today, to revise and extend his remarks and include extraneous matter.

(The following Members (at the request of Mr. FOREMAN) and to revise and extend their remarks and include extraneous matter:)

Mr. HALPERN, for 5 minutes, today.
Mr. ROBISON, for 5 minutes, today.
Mr. POLLOCK, for 5 minutes, today.

(The following Members (at the request of Mr. STOKES), to revise and extend their remarks and include extraneous matter:)

Mr. REUSS, for 20 minutes, today.
Mr. GONZALEZ, for 10 minutes, today.
Mr. FLOOD, for 15 minutes, today.
Mr. CULVER, for 10 minutes, today.

EXTENSIONS OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. STRATTON, on Monday, July 28, following special order on textiles by Mr. MILLS.

Mr. FRELINGHUYSEN and to include extraneous material in his remarks today during debate in Committee of the Whole.

Mr. BOGGS (at the request of Mr. MILLS), to extend his remarks in the RECORD on H.R. 13270, and to include extraneous material, immediately following the remarks of Mr. BYRNES of Wisconsin on Wednesday, August 6.

Mr. RYAN to extend remarks appearing on page H7014 to be printed preceding vote on House Resolution 513.

Mr. ZABLOCKI in two instances.

Mr. ULLMAN to follow the remarks of Mr. KLEPPE in the Committee of the Whole.

Mr. MILLS to revise and extend his remarks made during general debate today on the Tax Reform Act of 1969 and to include extraneous material.

(The following Members (at the request of Mr. FOREMAN) and to include extraneous matter:)

Mr. WYDLER in two instances.
Mr. HOSMER.
Mr. WYMAN in two instances.
Mr. ARENDS.
Mr. UTT.
Mr. WOLD.
Mr. HOGAN.
Mr. HASTINGS.
Mr. BUTTON.
Mr. ASHBROOK.
Mr. GOLDWATER.
Mr. KEITH.
Mrs. DWYER in three instances.
Mr. CONABLE.
Mr. SHRIVER.
Mr. DICKINSON.
Mr. COWGER.
Mr. PIRNIE.
Mrs. REID of Illinois.
Mr. FOREMAN.

(The following Members (at the request of Mr. STOKES) and to include extraneous matter:)

Mr. LONG of Maryland.
Mr. JONES of Alabama.
Mr. FRASER in two instances.
Mr. WILLIAM D. FORD.
Mr. O'NEILL of Massachusetts in two instances.
Mr. FISHER in four instances.
Mr. CORMAN.
Mr. DINGELL in two instances.
Mr. GONZALEZ in two instances.
Mr. RARICK in three instances.
Mr. MARSH in two instances.
Mr. LEGGETT in two instances.
Mr. FUQUA.
Mr. GALIFIANAKIS in two instances.
Mr. CHARLES H. WILSON in two instances.
Mr. ST. ONGE in two instances.
Mr. HUNGATE in three instances.
Mr. EVINS of Tennessee in three instances.
Mr. BURKE of Massachusetts.
Mrs. CHISHOLM.
Mr. BROWN of Michigan in two instances.
Mr. JACOBS.
Mr. RYAN in three instances.
Mr. SCHEUER in three instances.
Mr. HELSTOSKI.
Mr. GAYDOS in three instances.
Mr. HANNA in five instances.
Mr. PICKLE.
Mr. STOKES in two instances.
Mr. MAHON in two instances.

ADJOURNMENT TO MONDAY, AUGUST 11, 1969

Mr. STOKES. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 4 minutes p.m.), under its previous order, the House adjourned until Monday, August 11, 1969, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1037. A letter from the Comptroller General of the United States, transmitting a report on the effectiveness and administration of the legal services program under title II of the Economic Opportunity Act of 1964, as amended, Office of Economic Opportunity; to the Committee on Education and Labor.

1038. A letter from the Chairman, U.S. Commission on Civil Rights, transmitting a report on equal employment opportunity for minority group members in State and local government, pursuant to the provisions of Public Law 85–315; to the Committee on the Judiciary.

1039. A letter from the Acting Administrator of General Services, transmitting copies of a prospectus for alterations at the post office and courthouse, Miami, Fla., pursuant to the provisions of the Public Buildings Act of 1959; to the Committee on Public Works.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. DENT: Committee on House Administration. House Concurrent Resolution 309. Concurrent resolution, second listing of operating Federal assistance programs compiled during the Roth study; with amendment (Rept. No. 91–452). Ordered to be printed.

Mr. DENT: Committee on House Administration. House Resolution 510. Resolution authorizing the printing of additional copies of a basic report (pt. I) accompanying the Tax Reform Act of 1969; with amendment (Rept. No. 91–453). Ordered to be printed.

Mr. DENT: Committee on House Administration. House Resolution 511. Resolution authorizing the printing of additional copies of a supplementary report (pt. II) accompanying the Tax Reform Act of 1969; with amendment (Rept. No. 91–454). Ordered to be printed.

Mr. PERKINS: Committee on Education and Labor. H.R. 13194. A bill to amend the Higher Education Act of 1965 to authorize Federal incentive payments to lenders with respect to insured student loans when necessary, in the light of economic conditions, in order to assure that students will have reasonable access to such loans for financing their education; with amendment (Rept. No. 91–455). Referred to the Committee of the Whole House on the State of the Union.

Mr. MORGAN: Committee on Foreign Affairs. H.R. 11039. A bill to amend further the Peace Corps Act (75 Stat. 612), as amended (Rept. No. 91–456). Referred to the Committee of the Whole House on the State of the Union.

Mr. ANDERSON of Tennessee: Committee on Rules. House Resolution 495. Resolution amending rule XXXV of the Rules of the House of Representatives to increase fees of witnesses before the House or its committees (Rept. No. 91–457). Referred to the House Calendar.

Mr. MATSUNAGA: Committee on Rules. House Resolution 269. Resolution authorizing the Committee on Post Office and Civil Service to conduct studies and investigations within its jurisdiction (Rept. No. 91–458). Referred to the House Calendar.

Mr. COLMER: Committee on Rules. House Resolution 515. Resolution for consideration of H.R. 4813. A bill to extend the provisions of the U.S. Fishing Fleet Improvement Act, as amended, and for other purposes (Rept. No. 91–459). Referred to the House Calendar.

Mr. SISK: Committee on Rules. House Resolution 516. Resolution for consideration of H.R. 7621. A bill to amend the Federal Hazardous Substances Act to protect children from toys and other articles intended for use by children which are hazardous due to the presence of electrical, mechanical, or thermal hazards, and for other purposes (Rept. No. 91–460). Referred to the House Calendar.

Mr. BOLLING: Committee on Rules. House Resolution 517. Resolution for consideration of H.R. 10105. A bill to amend the National Traffic and Motor Vehicle Safety Act of 1966 to authorize appropriations for fiscal years 1970 and 1971, and for other purposes (Rept. No. 91–461). Referred to the House Calendar.

Mr. DELANEY: Committee on Rules. House Resolution 518. Resolution for consideration of H.R. 12085. A bill to amend the Clean Air Act to extend the program of research relating to fuel and vehicles (Rept. No. 91–462). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BELL of California:

H.R. 13387. A bill to require the installation of seatbelts for use by drivers of motorbuses, to require the use thereof, to authorize research and development in connection with seats, seatbelts, and restraining systems for bus passengers, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. BROWN of Michigan (for himself and Mr. VANDER JAGT):

H.R. 13388. A bill to amend the Communications Act of 1934 to establish orderly procedures for the consideration of applications for renewal of broadcast licenses; to the Committee on Interstate and Foreign Commerce.

By Mr. DANIELS of New Jersey (for himself, Mr. PERKINS, Mrs. GREEN of Oregon, Mr. DENT, Mr. CAREY, Mr. HAWKINS, Mrs. MINK, Mr. SCHEUER, Mr. MEEDS, Mr. BURTON of California, Mr. GAYDOS, Mr. STOKES, Mr. CLAY, and Mr. POWELL):

H.R. 13389. A bill to amend the Longshoremen's and Harbor Workers' Compensation Act, and for other purposes; to the Committee on Education and Labor.

By Mr. HALPERN:

H.R. 13390. A bill to assist in the protection of the consumer by requiring full disclosure of the terms and conditions of guarantees; to the Committee on Interstate and Foreign Commerce.

By Mr. HAMILTON:

H.R. 13391. A bill to amend title 39, United States Code, to provide extra compensation for officially ordered or approved time worked by postal field service employees, on any day designated by executive order as a national day of mourning; to the Committee on Post Office and Civil Service.

H.R. 13392. A bill to amend title XVIII of the Social Security Act to provide payment for chiropractors' services under the program of supplementary medical insurance benefits for the aged; to the Committee on Ways and Means.

By Mr. NELSEN:

H.R. 13393. A bill to require the Secretaries of the military departments to provide for the military air transport of both parents of a serviceman hospitalized overseas if the presence of a parent is required for his recovery; to the Committee on Armed Services.

By Mr. TIERNAN:

H.R. 13394. A bill to provide more efficient and convenient passport services to citizens of the United States of America; to the Committee on Foreign Affairs.

By Mr. BOB WILSON:

H.R. 13395. A bill to amend title 5, United States Code, to provide for the reduction of the periods of certain overlapping work shifts of employees whose pay is fixed in accordance with prevailing rates by a wage board or similar authority, and for other purposes; to the Committee on Post Office and Civil Service.

H.R. 13396. A bill to amend title 38, United States Code, to make certain veterans' survivors eligible for dependency and indemnity compensation even though premiums on certain Government life insurance policies were waived; to the Committee on Veterans' Affairs.

By Mr. WYMAN:

H.R. 13397. A bill to amend the Communications Act of 1934 to establish orderly procedures for the consideration of applications for renewal of broadcast licenses; to the Committee on Interstate and Foreign Commerce.

By Mr. DON H. CLAUSEN:

H.R. 13398. A bill to permit expenditures in connection with certain sewer separation and street widening projects in the city of Napa, Calif., to be counted as local grants-in-aid to federally assisted urban renewal projects and neighborhood development programs in the city of Napa, Calif.; to the Committee on Banking and Currency.

By Mr. CORDOVA:

H.R. 13399. A bill to provide that the social security benefits provided by the Tax Adjustment Act of 1966 for certain uninsured individuals at age 72 shall apply in the case of residents of the Commonwealth of Puerto Rico, the Virgin Island, and Guam; to the Committee on Ways and Means.

By Mr. ERLENBORN (for himself, Mr. PERKINS, Mr. QUIE, Mrs. GREEN of Oregon, Mr. BELL of California, Mr. THOMPSON of New Jersey. Mr. REID of New York, Mr. DENT, Mr. DELLENBACK, Mr. PUCINSKI, Mr. ESCH, Mr. BRADEMAS, Mr. ESHLEMAN, Mr. HAWKINS, Mr. STEIGER of Wisconsin, Mr. SCHEUER, Mr. LANDGREBE, Mr. MEEDS, Mr. HANSEN of Idaho, Mr. BURTON of California, Mr. CLAY, Mrs. HECKLER of Massachusetts, and Mr. MACGREGOR):

H.R. 13400. A bill to amend the Higher Education Act of 1965 to authorize Federal mortgage adjustment payments to lenders with respect to insured student loans when necessary, in the light of economic conditions, in order to assure that students will have reasonable access to such loans for financing their education; to the Committee on Education and Labor.

By Mr. FULTON of Tennessee (for himself and Mr. BLANTON):

H.R. 13401. A bill to provide for orderly trade in bicycles; to the Committee on Ways and Means.

By Mr. GONZALEZ:

H.R. 13402. A bill to amend title 38 of the United States Code so as to entitle veterans of World War I and their widows and children to pension on the same basis as veterans of the Spanish-American War and their widows and children, respectively; to the Committee on Veterans' Affairs.

H.R. 13403. A bill to amend chapter 3 of title 38, United States Code, in order to provide for a veterans outreach services program in the Veterans' Administration to assist eligible veterans, especially those recently separated, in applying for and obtaining benefits and services to which they are entitled, and education, training, and employment, and for other purposes; to the Committee on Veterans' Affairs.

By Mr. LONG of Maryland:

H.R. 13404. A bill to amend section 1331(c) of title 10, United States Code, to authorize the granting of retired pay to persons otherwise qualified who were reserves before August 16, 1945, and who served on active duty during the so-called Berlin crisis; to the Committee on Armed Services.

By Mr. MATSUNAGA:

H.R. 13405. A bill to amend the National Foundation on the Arts and the the Humanities Act of 1965 to provide for the office of poet laureate of the United States; to the Committee on Education and Labor.

By Mr. O'KONSKI:

H.R. 13406. A bill to assist small business and persons engaged in small business by allowing a deduction, for Federal income tax purposes, for additional investment in depreciable assets, inventory, and accounts receivable; to the Committee on Ways and Means.

By Mr. PELLY (for himself, Mr. WYATT, Mrs. HANSEN of Washington, and Mr. POLLOCK):

H.R. 13407. A bill to consent to the amendment of the Pacific marine fisheries compact; to the Committee on Merchant Marine and Fisheries.

By Mr. QUILLEN:

H.R. 13408. A bill to repeal the Gun Control Act of 1968; to the Committee on the Judiciary.

H.R. 13409. A bill to change the definition of ammunition for purposes of chapter 44 of title 18 of the United States Code; to the Committee on the Judiciary

By Mrs. REID of Illinois:

H.R. 13410. A bill to authorize appropriations to be used for the elimination of certain rail-highway grade crossings in the State of Illinois; to the Committee on Public Works.

By Mr. REID of New York:

H.R. 13411. A bill to improve education in the United States; to the Committee on Education and Labor.

H.R. 13412. A bill to expedite delivery of special delivery mail, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. SCHEUER:

H.R. 13413. A bill to repeal certain provisions of the Immigration and Nationality Act relating to the entry, exclusion, and deportation of certain aliens because of their advocacy of certain doctrines or their membership in certain organizations; to the Committee on the Judiciary.

By Mr. SHRIVER:

H.R. 13414. A bill to authorize the Secretary of Commerce to conduct research and development programs to increase knowledge of tornadoes, squall lines, and other severe local storms, to develop methods for detecting storms for prediction and advance warning, and to provide for the establishment of a National Severe Storms Service; to the Committee on Interstate and Foreign Commerce.

By Mr. WIGGINS (for himself, Mr. CAMP, and Mr. LUJAN):

H.R. 13415. A bill to authorize the establishment of fees for entrance to, and use of, certain Federal areas; to the Committee on Interior and Insular Affairs.

By Mr. BELCHER:

H.J. Res. 867. Joint resolution proposing an amendment to the Constitution of the United States relative to equal rights for men and women; to the Committee on the Judiciary.

By Mr. BROTZMAN (for himself, Mr. HELSTOSKI, Mr. BURTON of California, Mr. MATHIAS, Mr. GIAIMO, Mr. WIDNALL, and Mr. POLLOCK):

H.J. Res. 868. Joint resolution providing for the display in the Capitol Building of a portion of the moon; to the Committee on House Administration.

By Mr. DULSKI:

H.J. Res. 869. Joint resolution requesting the President of the United States to issue a proclamation calling for a "Day of Bread" and "Harvest Festival"; to the Committee on the Judiciary.

By Mr. LEGGETT:

H.J. Res. 870. Joint resolution proposing an amendment to the Constitution of the United States relative to equal rights for men and women; to the Committee on the Judiciary.

By Mr. MIZE:

H.J. Res. 871. Joint resolution providing for the establishment of an annual "Day of Bread" and "Harvest Festival" week in the United States; to the Committee on the Judiciary.

By Mr. BIAGGI (for himself, Mr. ANDREWS of Alabama, Mr. ANNUNZIO, Mr. BINGHAM, Mr. BUTTON, Mr. CLAY, Mr. COWGER, Mr. MANN, Mr. RARICK, Mr. POWELL, Mr. SCHERLE, Mr. ST GERMAIN, Mr. TALCOTT, Mr. YATRON, Mr. BLANTON, Mr. BUCHANAN, Mr. CUNNINGHAM, Mr. GAYDOS, and Mr. LOWENSTEIN):

H. Res. 514. Resolution creating a select committee to conduct an investigation and study of all aspects of crime and disorder on U.S. military installations; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CÓRDOVA:

H.R. 13416. A bill for the relief of Dr. Alberto Cura Marbes; to the Committee on the Judiciary.

H.R. 13417. A bill for the relief of Maria del

Carmen Marcano-Soltero; to the Committee on the Judiciary.

By Mr. HANLEY:

H.R. 13418. A bill for the relief of Louis Cohen; to the Committee on the Judiciary.

By Mr. TIERNAN:

H.R. 13419. A bill for the relief of Robert C. Olsen; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

207. By the SPEAKER: Petition of Allan Feinblum, New York, N.Y., relative to nationalization of war industries; to the Committee on Foreign Affairs.

208. Also, petition of the Board of Supervisors, Westchester County, N.Y., relative to taxation of State and local government securities; to the Committee on Ways and Means.

SENATE—*Thursday, August 7, 1969*

(Legislative day of Tuesday, August 5, 1969)

The Senate met at 10:30 o'clock a.m., on the expiration of the recess, and was called to order by the Vice President.

Rabbi Chaim U. Lipschitz, D.D., managing editor, the Jewish Press, Brooklyn, N.Y., offered the following prayer:

Our G-d and the G-d of our fathers, be Thou with the mouths of the deputies of this worthy Senate of the United States of America who stand in Thy presence.

Teach them what they shall say. Instruct them what they shall speak. Grant their petitions and cause them to know how to glorify Thee. May they walk in the light of Thy countenance. May they bend their knees unto Thee, and with their mouths bless Thy people. Bless them altogether with the blessings of Thy mouth. Amen.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Journal of the proceedings of Wednesday, August 6, 1969, be approved.

The VICE PRESIDENT. Without objection, it is so ordered.

AUTHORIZATION OF APPROPRIATIONS FOR FISCAL YEAR 1970 FOR MILITARY PROCUREMENT, RESEARCH AND DEVELOPMENT, AND FOR THE CONSTRUCTION OF MISSILE TEST FACILITIES AT KWAJALEIN MISSILE RANGE, AND RESERVE COMPONENT STRENGTH

The VICE PRESIDENT. The Chair lays before the Senate the unfinished business, which will be stated.

The LEGISLATIVE CLERK. A bill (S. 2546) to authorize appropriations during the fiscal year 1970 for procurement of aircraft, missiles, naval vessels, and tracked combat vehicles, and to authorize the construction of test facilities at Kwajalein Missile Range, and to prescribe the authorized personnel strength of the Selected Reserve of each Reserve component of the Armed Forces, and for other purposes.

The Senate resumed the consideration of the bill.

Mr. McINTYRE. Mr. President, I ask unanimous consent that, during the consideration of the pending question, which I believe to be my amendment, the privilege of the floor may be granted to my administrative assistant, Larry K. Smith, and to my legislative assistant, Alan Novins.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HARTKE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The VICE PRESIDENT. Without objection, it is so ordered.

ORDER OF BUSINESS

The VICE PRESIDENT. Under the previous order, the Chair recognizes the Senator from Indiana for a period of 30 minutes.

SENATE JOINT RESOLUTION 145—APOLLO SUCCESS ILLUMINATES EARTHY FAILURES—INTRODUCTION OF A JOINT RESOLUTION

Mr. HARTKE. Mr. President, the successful flight of Apollo 11 ranks among the greatest technological achievements of all time. We are grateful to Almighty God that the astronauts have returned safely to us. The spirit of their dazzling adventure has touched all of us, reviving our own spirit, and restoring our own capacity for adventure. Adding to our sense of amazement and wonder is the almost equally spectacular achievement of our Mars probe—Mariner 6—with its closer-than-ever television pictures of that legendary planet.

In the exhilaration of this moment, Mr. President, it is instructive to remember that the Apollo project has not always been a cause for cheer and acclaim. Eight years have passed since a trip to the Moon in this decade became our national goal. We must never forget that those 8 years are marked with failure and tragedy as well as with success and reward. When President John F. Kennedy made the Apollo program a national priority in April 1961, few were prepared to look beyond the remote promise of his words—few were prepared to test themselves against the task at hand.

But vigorous leadership in Government helped to convince the American people that the goal could and should be met. The organization of NASA, the development of new, more powerful rocket boosters, the training of men and building of machines, the development of sophisticated computers, the millions of man-hours, the three lives lost, and the billions of dollars spent—none of this would have been possible without a profound sense of national dedication. Only the tireless efforts of business, labor, education, science, and technology could have made a trip to the moon possible. And only leadership in Government—provided by three successive administrations with the support and encouragement of the Congress—could have guided and coordinated these efforts with the efficiency needed to reach our goal on schedule.

But the Moon shot is behind us, and our euphoria has already been interrupted by the urgent need to establish a new set of national goals. In our thoughts about the future, however, we will do well to learn from the success of our space program—that program was a success because the goal had been set with care. Some goals are better than others, and we must make our choice with strict standards in mind.

The best kind of national goal is something like a valuable prize dangling in front of us from the end of a stick. If the stick is too short, we will not have to move forward to reach the prize, and we will make no progress. If the stick is too long, we will not be able to see the prize, and we will make no effort to reach it. Only when the stick is just the right length will we move forward. Psychologists have an expression for the proper length of the stick—they call it "optimal stress." If the goals we set for ourselves place an optimal stress on our capabilities, we will make progress as a nation at the fastest rate possible. In 1961, the Moon was far enough away to inspire our imagination, but close enough to keep our spirit alive.

In addition to being just the right length, of course, the stick has to point us in the proper direction. Some national goals inspire dedication for the wrong purposes. The pyramids of Egypt, the Colosseum in Rome, the palace at Versailles—all mark the ruin of great nations which wasted vast resources on vanity and self-indulgence.

I do not believe that the space program represents such a waste. Contrary to what some appear to believe, the resources expended in the Apollo program could not have been simply transferred to other worthy endeavors. Like any goal that points us in the right direction, the Apollo program generated its own resources—the inspiration and the dedication that grew out of the Apollo program were not "taken" from any other project; they were unique to the goal they served so well.

But this is not to say that other goals cannot inspire similar dedication. Just as space exploration held a deserved priority in the 1960's, so should human