wishes for a joyous Christmas season and health and happiness in the New Year.

ADJOURNMENT UNTIL 11 A.M. TOMORROW, TUESDAY, DECEMBER 23, 1969

Mr. MANSFIELD. Mr. President, in view of developments, I ask unanimous consent that the order to stand in recess until 10 o'clock tomorrow morning be vacated, and that, instead, the Senate now stand in adjournment until 11 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

Thereupon (at 11 o'clock and 34 minutes p.m.), the Senate adjourned until tomorrow, Tuesday, December 23, 1969, at 11 o'clock a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate December 22, 1969:

IN THE COAST GUARD

The nominations beginning David W. Hiller, to be lieutenant commander, and ending Joseph O. Fullmer, to be lieutenant, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on December 10, 1969.

WITHDRAWAL

Executive nomination withdrawn from the Senate December 22, 1969:

DIPLOMATIC AND FOREIGN SERVICE

Robert Strausz-Hupé, of Pennsylvania, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Kingdom of Morocco, which was sent to the Senate on August 5, 1969.

HOUSE OF REPRESENTATIVES—*Monday, December 22, 1969*

The House met at 10:30 o'clock a.m.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

Unto us a child is born, unto us a Son is given; and His name shall be called "Wonderful Counselor, Mighty God, Everlasting Father, Prince of Peace."—Isaiah 9: 6.

Eternal Spirit, who hast been our refuge and strength in every age and who art our help in this hour of need, grant unto us Thy blessing this advent season and give to us the assurance of Thy presence as we draw near Christmas Day.

May the joy and good will that passes around the world at this time be ours and may we respond to Thy love by giving ourselves in greater devotion to the welfare of our people and in deeper dedication to cooperation among the nations. So may we learn to live at peace with ourselves and in good will with all Thy family.

"We hear the Christmas angels
The great glad tidings tell:
O come to us, abide with us,
Our Lord Immanuel."

Amen.

THE JOURNAL

The Journal of the proceedings of Saturday, December 20, 1969, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate has tabled the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 15149) entitled "An act making appropriations for foreign assistance and related programs for the fiscal year ending June 30, 1970, and for other purposes".

It also announced that the Senate further insists upon its amendments to the above-entitled bill, disagreed to by the House of Representatives, and request a further conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. MCGEE, Mr. ELLENDER, Mr. HOLLAND, Mr. MONTOYA, Mr. FONG, Mr. COTTON, and Mr. PEARSON to be the conferees on the part of the Senate, with instructions.

PRINTING OF COMMITTEE ACTIVITY REPORTS

Mr. FRIEDEL. Mr. Speaker, with reference of the printing of committee activity reports for the session, I wish to remind the chairmen of all committees that the Joint Committee on Printing has very properly ruled that the printing of such reports both as committee prints and in the RECORD is duplication, the cost of which cannot be justified.

It is requested that committee chairmen decide whether they wish these reports printed as committee prints or in the RECORD since the Government Printing Office will be directed not to print them both ways.

MERRY CHRISTMAS

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

Mr. DORN. Mr. Speaker, Merry Christmas and many thanks are in order to the reporters, pages, doorkeepers, clerks, the post office personnel, telephone operators, and all other employees of the Congress. I merely name a few of the many who deserve our thanks and best wishes.

This has been a long hard session and we simply could not function as the world's greatest deliberative body without them. I am grateful for their cooperation and dedication to the House and the Senate. They are a vital part of this great institution.

So, Mr. Speaker, a very Merry Christmas to all of them. I wish for them a joyous Christmas season and the very best New Year of all.

CALL OF THE HOUSE

Mr. CONABLE. 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. 348]

Abbitt	Farbstein	Montgomery
Addabbo	Fascell	Morse
Anderson, Ill.	Findley	Morton
Anderson, Tenn.	Fish	Moss
	Ford, Gerald R.	Murphy, N.Y.
Andrews, Ala.	Ford, William D.	Nedzi
Andrews, N. Dak.	Fountain	O'Konski
	Galifianakis	O'Neal, Ga.
Baring	Gallagher	Ottinger
Berry	Gaydos	Philbin
Bevill	Gilbert	Poage
Biaggi	Goldwater	Podell
Biester	Gray	Powell
Bingham	Green, Oreg.	Quillen
Blackburn	Green, Pa.	Rees
Blatnik	Griffiths	Reid, N.Y.
Bolling	Hagan	Riefel
Caffery	Hall	Rhodes
Cahill	Halpern	Rostenkowski
Carey	Harrington	Roybal
Celler	Harsha	Ruppe
Clay	Harvey	Sandman
Collier	Hathaway	Saylor
Colmer	Hébert	Sikes
Conyers	Hull	Sisk
Corman	Jones, Ala.	Smith, Calif.
Coughlin	Kirwan	Snyder
Cowger	Landgrebe	Staggers
Cramer	Lipscomb	Stephens
Davis, Ga.	Long, La.	Stokes
Dawson	Long, Md.	Sullivan
Dent	McCarthy	Teague, Tex.
Downing	McClory	Tunney
Eckhardt	McKneally	Watkins
Edwards, Calif.	Martin	Whitehurst
Erlenborn	May	Wilson, Bob
Esch	Michel	Wright
Eshleman	Miller, Calif.	Wydler
Evins, Tenn.		Zion

The SPEAKER. On this rollcall 319 Members have answered to their names, a quorum.

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

THE TAX REFORM CONFERENCE REPORT

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

Mr. CONABLE. Mr. Speaker, the tax reform conference report is available today, and I consider it a triumph of the compromisers' art. I will support it, and urge its acceptance, despite the disappointments which any individual feels with the end product of a major compromise. I personally think it would be disastrous if no compromise had been

possible, after all these months of expectation and painstaking work for greater tax equity. As in most matters of government, in this issue there is no absolute in the right or wrong of it either socially or fiscally. Nevertheless, I feel the end product of the conference is constructive, in a relative sense a step in the right direction compared to the present tax law if not the original House version of tax reform. I want to congratulate the two major architects of this viable compromise, our distinguished chairman and our equally distinguished ranking minority member, and to say that it continues to be a great privilege for me to serve under their leadership. I hope this measure, enacted into law, will be a harbinger of increasing reform-mindedness on the part of our National Legislature.

CONFERENCE REPORT ON H.R. 13111, DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES APPROPRIATIONS, 1970

Mr. FLOOD. Mr. Speaker, I call up the conference report on the bill (H.R. 13111) making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies for the fiscal year ending June 30, 1970, 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 Pennsylvania?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of December 20, 1969.)

The SPEAKER pro tempore (Mr. BOGGS). The gentleman from Pennsylvania (Mr. FLOOD) is recognized for 1 hour.

Mr. FLOOD. Mr. Speaker, the bill that this committee reported to the House back in July totaled $16,651,039,700. As you will recall, the bill was amended in several places, mainly education items, so that the bill, as it passed the House, totaled $17,573,602,700, or approximately $1 billion more than recommended by our Committee on Appropriations.

The Senate further added to the bill to the extent of approximately $3.8 billion. However, I should point out in fairness to the other body that they considered estimates totaling over $3.3 billion that were not considered by the House due either to lack of authorization or the fact that the estimates were not submitted to Congress until after the bill had passed the House.

The differences we had to work with in conference were between the House bill of $17,573,602,700 and the Senate bill of $21,363,391,200. The conference agreement is $19,747,153,200 which is $1,616,238,500 under the Senate bill and $2,173,550,500 over the House bill.

Most of the items in conference were relatively small. There were only four that exceeded $50 million. The largest was the appropriation for the Office of Economic Opportunity that was not considered by the House since neither the House nor the Senate legislative committees had even reported an authorization bill at the time the House was considering this appropriation bill. The budget request was $2,048,000,000 and this amount was approved by the Senate. In conference this was reduced by $100 million to $1,948,000,000, the amount of the 1969 appropriation.

The next largest item was the advance for title I of the Elementary and Secondary Education Act for fiscal year 1971. The request was $1,226,000,000 and the Senate included $1,117,580,000 in the bill. In conference this item was dropped. There is no authorization for this advance and it is obvious now that there will not be authorization for at least several weeks or a few months.

For "higher education" the budget was $788,080,000 which the House increased to $859,633,000 and the Senate further increased to $1,006,874,000 or an increase of $147,241,000. Of this increase only $12,241,000 was agreed to in conference.

The only other item which was increased by as much as $50 million was the appropriation for aid to schools in federally impacted areas for which the House included $600,167,000, or approximately 90 percent of entitlement. The Senate increased this by $60 million. In conference none of the Senate increase was agreed to and we bring you a conference report at the same level as the House bill.

Mr. Speaker, these are the highlights of the conference report. I think we did a good job under all the circumstances. Leaving out the items that the Senate considered, but which were not considered by the House we gained much better than a 50–50 split. But I must not close my remarks without mentioning a fact that is most interesting under the current circumstances. The conference agreement is $87 million under the President's budget. But I must also hasten to add that, except for the deletion of the appropriation for advance funding of title I of the Elementary and Secondary Education Act for fiscal year 1971, the bill—even with the reductions made in conference—would be more than $1 billion over the budget.

Mr. Speaker, I place in the RECORD a table showing in much greater detail the effects of the conference action.

(Mr. FLOOD asked and was given permission to insert a table showing in detail the effects of the conference.)

DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES APPROPRIATION BILL, 1970 (H.R. 13111)
NEW BUDGET (OBLIGATIONAL) AUTHORITY

CONFERENCE SUMMARY

Agency and item	1969 enacted [1]	1970 Budget estimate [2]	1970 House bill	1970 Senate bill	1970 Conference agreement	Conference agreement compared with— 1969	Budget 1970	House	Senate
DEPARTMENT OF LABOR									
MANPOWER ADMINISTRATION									
Manpower development and training activities	$407,492,000	$675,605,000	$655,605,000	$675,605,000	$655,605,000	+$248,113,000	−$20,000,000	----------	−$20,000,000
Office of Manpower Administrator, salaries and expenses	26,635,000	36,907,000	35,325,000	36,907,000	36,116,000	+9,481,000	−791,000	+$791,000	−791,000
Bureau of Apprenticeship and Training, salaries and expenses	9,418,000	6,532,000	6,532,000	6,532,000	6,532,000	−2,886,000	----------	----------	----------
Unemployment compensation for Federal employees and ex-servicemen	148,200,000	135,000,000	135,000,000	135,000,000	135,000,000	−13,200,000	----------	----------	----------
Trade adjustment activities	1,300,000	600,000	600,000	600,000	600,000	−700,000	----------	----------	----------
Bureau of Employment Security, salaries and expenses	2,758,000	----------	----------	----------	----------	−2,758,000	----------	----------	----------
Trust fund transfer	(20,938,000)	(18,766,000)	(18,766,000)	(18,766,000)	(18,766,000)	(−2,172,000)	----------	----------	----------
Advances to employment security administration account	25,000,000	----------	----------	----------	----------	−25,000,000	----------	----------	----------
Grants to States for unemployment compensation and employment service administration	(604,073,000)	[3] (657,700,000)	(630,772,000)	(657,700,000)	(655,772,000)	(+51,699,000)	(−1,928,000)	+(25,000,000)	(−1,928,000)
Total, Manpower Administration	620,803,000	854,644,000	833,062,000	854,644,000	833,853,000	+213,050,000	−20,791,000	+791,000	−20,791,000
LABOR-MANAGEMENT RELATIONS									
Labor-Management Services Administration, salaries and expenses	9,011,000	[4] 12,426,000	9,585,000	12,426,000	12,335,000	+3,324,000	−91,000	+2,750,000	−91,000

Footnotes at end of table.

DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES APPROPRIATION BILL, 1970 (H.R. 13111)—Continued

NEW BUDGET (OBLIGATIONAL) AUTHORITY—Continued

CONFERENCE SUMMARY—Continued

Agency and item	1969 enacted [1]	1970 Budget estimate [2]	1970 House bill	1970 Senate bill	1970 Conference agreement	Conference agreement compared with— 1969	Budget 1970	House	Senate
WAGE AND LABOR STANDARDS									
Wage and Labor Standards Administration, salaries and expenses	$11,929,000	$12,473,000	$12,050,000	$12,300,000	$12,050,000	+$121,000	—$423,000		—$250,000
Employees compensation claims and expenses	68,591,000	60,116,000	60,116,000	60,116,000	60,116,000	—8,475,000			
Wage and Hour Division, salaries and expenses	25,303,000	25,960,000	25,960,000	25,960,000	25,960,000	+657,000			
Total, wage and labor standards	105,823,000	98,549,000	98,126,000	98,376,000	98,126,000	—7,697,000	—423,000		—250,000
BUREAU OF LABOR STATISTICS									
Salaries and expenses	21,943,000	23,704,000	22,420,000	22,420,000	22,420,000	+477,000	—1,284,000		
BUREAU OF INTERNATIONAL LABOR AFFAIRS									
Salaries and expenses	1,400,000	1,332,000	1,332,000	1,332,000	1,332,000	—68,000			
OFFICE OF THE SOLICITOR									
Salaries and expenses	6,147,000	5,978,000	5,978,000	5,978,000	5,978,000	—169,000			
Trust fund transfer	(144,000)	(144,000)	(144,000)	(144,000)	(144,000)				
Total, Office of the Solicitor	6,147,000	5,978,000	5,978,000	5,978,000	5,978,000	—169,000			
OFFICE OF THE SECRETARY									
Salaries and expenses	4,999,000	5,476,000	5,476,000	5,476,000	5,476,000	+477,000			
Trust fund transfer	(556,000)	(557,000)	(557,000)	(557,000)	(557,000)	(+1,000)			
Federal contract compliance and civil rights program	943,000	926,000	926,000	926,000	926,000	—17,000			
Trust fund transfer	(535,000)	(564,000)	(564,000)	(564,000)	(564,000)	(+29,000)			
Preventing age discrimination in employment	500,000	[3]	[3]	[3]	[3]	—500,000			
Total, Office of the Secretary	6,442,000	6,402,000	6,402,000	6,402,00	6,402,000	—40,000			
Total appropriations, Department of Labor	771,569,000	1,003,035,000	976,905,000	1,001,578,000	980,446,000	+208,877,000	—22,589,000	+$3,541,000	—21,132,000
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE									
CONSUMER PROTECTION AND ENVIRONMENTAL HEALTH SERVICE									
Food and drug control	68,885,000	72,007,000	72,007,000	72,698,000	72,352,500	+3,467,500	+345,500	+345,500	—345,500
Air pollution control	88,733,000	95,800,000	93,800,000	116,900,000	108,800,000	+20,067,000	+13,000,000	+15,000,000	+8,100,000
Environmental control	42,995,000	55,208,000	55,208,000	55,208,000	55,208,000	+12,213,000			
Buildings and facilities		300,000					—300,000		
Radiological health	18,150,000	[4]	[4]	[4]	[4]	—18,150,000			
Salaries and expenses, Office of the Administrator		[7] 6,162,000	[7] 6,162,000	[7] 6,162,000	[7] 6,162,000	+6,162,000			
Total, Consumer Protection and Environmental Health Service	218,763,000	229,477,000	227,177,000	250,968,000	242,522,500	+23,759,000	+13,045,500	+15,345,500	—8,445,500
HEALTH SERVICES AND MENTAL HEALTH ADMINISTRATION									
Mental health	263,540,000	357,904,000	360,302,000	385,000,000	360,302,000	+96,762,000	—2,398,000		—24,698,000
Community mental health resource support	72,553,000	[8]	[8]	[8]	[8]	—72,553,000			
St. Elizabeths Hospital (indefinite)	13,380,000	10,405,000	10,405,000	10,405,000	10,405,000	—2,975,000			
Health services research and development	49,931,000	44,975,000	44,975,000	44,975,000	44,975,000	—4,956,000			
Trust fund transfer	(4,320,000)	[9]	[9]	[9]	[9]	(—4,320,000)			
Comprehensive health planning and services	176,290,000	214,033,000	207,143,000	224,033,000	224,033,000	+47,743,000	+10,000,000	+16,890,000	
Trust fund transfer		[10] (4,320,000)	[10] (4,320,000)	[10] (4,320,000)	(4,320,000)	(+4,320,000)			
Chronic diseases	29,478,000	[11]	[11]	[11]	[11]	—29,378,000			
Regional medical programs	61,907,000	100,000,000	76,000,000	100,000,000	100,000,000	+38,093,000		+24,000,000	
Communicable diseases	54,217,000	38,638,000	38,638,000	38,638,000	38,638,000	—15,579,000			
Hospital construction	258,368,000	153,923,000	258,323,000	258,323,000	258,323,000	—45,000	+104,400,000		
District of Columbia medical facilities	15,000,000	[12] (15,000,000)	[12]	10,000,000	10,000,000	—5,000,000		+10,000,000	
Patient care and special health services	72,436,000	72,224,000	72,224,000	72,224,000	72,224,000	—212,000			
National health statistics	8,230,000	9,641,000	8,841,000	8,841,000	8,841,000	+611,000	—800,000		
Retired pay of commissioned officers (indefinite)	13,041,000	16,700,000	16,700,000	16,700,000	16,700,000	—3,659,000			
Buildings and facilities		2,100,000					—2,100,000		
Salaries and expenses, Office of the Administrator	9,380,000	9,898,000	9,898,000	9,898,000	9,898,000	+518,000			
Total, Health Services and Mental Health Administration	1,097,651,000	1,030,441,000	1,103,449,000	1,179,037,000	1,154,339,000	+56,688,000	+123,898,000	+50,890,000	—24,698,000
Consisting of—									
Definite appropriations	1,071,230,000	1,003,336,000	1,076,344,000	1,151,932,000	1,127,234,000	+56,004,000	+123,898,000	+50,890,000	—24,698,000
Indefinite appropriations	26,421,000	27,105,000	27,105,000	27,105,000	27,105,000	+684,000			

Footnotes at end of table.

DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES APPROPRIATION BILL, 1970 (H.R. 13111)—Continued
NEW BUDGET (OBLIGATIONAL) AUTHORITY—Continued

CONFERENCE SUMMARY—Continued

Agency and item	1969 enacted [1]	1970 Budget estimate [2]	1970 House bill	1970 Senate bill	1970 Conference agreement	Conference agreement compared with— 1969	Budget 1970	House	Senate
NATIONAL INSTITUTES OF HEALTH									
Biologics Standards	$8,499,000	$8,225,000	$8,225,000	$8,225,000	$8,225,000	−$274,000			
National Cancer Institute	185,149,500	180,725,000	180,725,000	200,000,000	190,362,500	+5,213,600	+$9,637,500	+$9,637,500	−$9,637,500
National Heart Institute	166,927,500	160,513,000	160,513,000	182,000,000	171,256,500	+4,329,000	+10,743,500	+10,743,500	−10,743,500
National Institute of Dental Research	29,983,500	29,289,000	29,289,000	32,000,000	30,644,500	+66,1000	+1,355,500	+1,355,500	−1,355,500
National Institute of Arthritis and Metabolic Diseases	143,888,000	137,668,000	137,668,000	155,000,000	146,334,000	+2,446,000	+8,666,000	+8,666,000	−8,666,000
National Institute of Neurological Diseases and Stroke	128,934,500	101,256,000	101,256,000	112,700,000	106,978,000	−21,956,500	+5,722,000	+5,722,000	−5,722,000
National Institute of Allergy and Infectious Diseases	96,840,500	102,389,000	102,389,000	105,000,000	103,694,500	+6,854,000	+1,305,500	+1,305,500	−1,305,500
National Institute of General Medical Sciences	163,513,500	154,288,000	154,288,000	175,000,000	164,644,000	+1,130,500	+10,356,000	+10,356,000	−10,356,000
National Institute of Child Health and Human Development	73,126,500	75,852,000	73,098,000	80,800,000	76,949,000	+3,822,500	+1,097,000	+3,851,000	−3,851,000
National Eye Institute		23,685,000	23,685,000	25,000,000	24,342,500	+24,342,500	+657,500	+657,500	−657,500
Environmental health sciences	17,820,000	18,328,000	18,328,000	18,328,000	18,328,000	+508,000			
General research and services	84,809,500	69,698,000	73,658,000	79,658,000	76,658,000	−8,151,500	+6,960,000	+3,000,000	−3,000,000
John E. Fogarty International Center for Advanced Study in the Health Sciences	600,000	2,954,000	2,954,000	2,954,000	2,954,000	+2,354,000			
Health manpower	172,176,000	218,021,000	218,021,000	251,200,000	234,470,000	+62,294,000	+16,449,000	+16,449,000	−16,730,000
Dental health	10,224,000	10,887,000	10,722,000	11,887,000	11,722,000	+1,498,000	+835,000	+1,000,000	−165,000
Grants for construction of health research facilities	8,400,000	[13]	[13]	[13]	[13]	−8,400,000			
Construction of health educational, research, and library facilities	84,800,000	126,100,000	126,100,000	160,000,000	149,050,000	+64,250,000	+22,950,000	+22,950,000	10,950,000
National Library of Medicine	18,160,500	19,682,000	19,682,000	19,682,000	19,682,000	+1,521,500			
Buildings and facilities		1,000,000	1,000,000	1,900,000	1,900,000	+1,900,000	+900,000	+900,000	
Salaries and expenses, Office of the Director		7,093,000	7,093,000	7,093,000	7,093,000	+7,093,000			
Scientific activities overseas (special foreign currency program)	15,000,000	3,455,000	3,455,000	3,455,000	3,455,000	−11,545,000			
Payment of sales insufficiencies and interest losses	200,000	957,000	957,000	957,000	957,000	+757,000			
General research support grants	(60,700,000)	(60,700,000)	(60,700,000)	(65,700,000)	(60,700,000)				(−5,000,000)
Total, National Institutes of Health	1,409,052,500	1,452,065,000	1,453,106,000	1,632,839,000	1,549,699,500	+140,647,000	+97,634,500	+96,593,500	−83,139,500
OFFICE OF EDUCATION									
Elementary and secondary education	1,476,993,000					−1,476,993,000			
Advance appropriation for 1970 (indefinite)	1,010,814,300					−1,010,814,300			
Supplemental to 1970 advance appropriation		404,578,700	[14] 750,776,700	702,036,700	717,036,700	+717,036,700	+312,458,000	−33,740,000	+15,000,000
Advance appropriation for 1971		1,226,000,000	[15]	1,117,580,000			−1,226,000,000		−1,117,580,000
Instructional equipment				[16] 93,240,000	48,740,000	+48,740,000	+48,740,000	+48,740,000	−44,500,000
School assistance in federally affected areas	520,861,000	202,167,000	600,167,000	660,167,000	600,167,000	+79,306,000	+398,000,000		−60,000,000
1968 special funds	90,965,000					−90,965,000			
Education professions development	171,900,000	95,000,000	95,000,000	120,000,000	107,500,000	−64,400,000	+12,500,000	+12,500,000	−12,500,000
Teacher Corps	20,900,000	31,100,000	21,737,000	31,100,000	21,737,000	+887,000	−9,363,000		−9,363,000
Higher education	700,387,000	[17] 788,080,000	859,633,000	1,006,874,000	871,874,000	+171,487,000	+83,794,000	+12,241,000	−135,000,000
Vocational education	248,216,000	279,216,000	488,716,000	488,716,000	488,716,000	+240,500,000	+209,500,000		
Libraries and community services	143,144,000	[18] 107,709,000	135,394,000	155,625,000	148,881,000	+5,737,000	+41,172,000	+13,487,000	−6,744,000
Education for the handicapped	78,850,000	85,850,000	[19] 100,000,000	105,000,000	100,000,000	+21,150,000	+14,150,000		−5,000,000
Research and training	89,417,000	115,000,000	85,750,000	98,250,000	85,750,000	−3,667,000	−29,250,000		12,500,000
Education in foreign languages and world affairs	15,700,000	20,000,000	18,000,000	12,000,000	18,000,000	+2,300,000	−2,000,000		+6,000,000
Research and training (special foreign currency program)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000				
Salaries and expenses	42,694,000	43,375,000	42,157,000	42,157,000	42,157,000	−537,000	−1,218,000		
Student loan insurance fund		10,826,000	10,826,000	10,826,000	10,826,000	+10,826,000			
Higher education facilities loan fund	100,000,000					−100,000,000			
Payment of participation sales insufficiencies	3,275,000	2,918,000	2,918,000	2,918,000	2,918,000	−357,000			
Total, Office of Education	4,715,116,300	3,412,819,700	3,212,074,700	4,647,489,700	3,265,302,700	−1,449,813,600	−147,517,000	+53,228,000	−1,382,187,000
Consisting of—									
Definite appropriations:									
Regular	3,613,337,000	2,186,819,700	3,212,074,700	3,529,909,700	3,265,302,700	−348,034,300	+1,078,483,000	+53,228,000	−264,607,000
1968 special funds	90,965,000					−90,965,000			
1971 advance		1,226,000,000	[15]	1,117,580,000			−1,226,000,000		−1,117,580,000
Indefinite appropriation:									
1970 advance	1,010,814,300					−1,010,814,300			
SOCIAL AND REHABILITATION SERVICE									
Grants to States for public assistance	6,416,546,000	7,351,551,000	7,351,551,000	7,351,551,000	7,351,551,000	+935,005,000			
Work incentives	117,500,000	129,640,000	129,640,000	100,000,000	120,000,000	+2,500,000	−9,640,000	−9,640,000	+20,000,000
Assistance for repatriated U.S. nationals	645,000	700,000	700,000	700,000	700,000	+55,000			
Grants for rehabilitation services and facilities	368,990,000	499,783,000	499,783,000	464,783,000	464,783,000	+95,793,000	−35,000,000	−35,000,000	
Mental retardation	32,556,000	33,629,000	37,000,000	39,000,000	37,000,000	+4,444,000	+3,371,000		−2,000,000
Maternal and child health and welfare	265,400,000	[20] 285,300,000	284,800,000	284,800,000	284,800,000	+19,400,000	−500,000		
Development of programs for the aging	23,000,000	28,360,000	[21]	36,250,000	28,360,000	+5,360,000		+28,360,000	−7,890,000

Footnotes at end of table.

DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES APPROPRIATION BILL, 1970 (H.R. 13111)—Continued
NEW BUDGET (OBLIGATIONAL) AUTHORITY—Continued

CONFERENCE SUMMARY—Continued

Agency and item	1969 enacted [1]	1970 Budget estimate [2]	1970 House bill	1970 Senate bill	1970 Conference agreement	Conference agreement compared with— 1969	Budget 1970	House	Senate
SOCIAL AND REHABILITATION SERVICE—Continued									
Juvenile delinquency prevention and control	$5,000,000	$15,000,000	$5,000,000	$15,000,000	$10,000,000	+$5,000,000	−$5,000,000	+$5,000,000	−$5,000,000
Rehabilitation research and training	64,000,000	60,000,000	60,000,000	60,000,000	60,000,000	−4,000,000			
Cooperative research or demonstration projects	3,150,000	11,500,000	11,500,000	11,500,000	11,500,000	+8,350,000			
Research and training (special foreign currency program)	5,000,000	2,000,000	2,000,000	2,000,000	2,000,000	−3,000,000			
Salaries and expenses	27,617,000	[22] 34,393,000	28,780,000	31,673,000	30,226,500	+2,609,500	−4,166,500	+1,466,500	−1,466,500
Trust fund transfers	(348,000)	(360,000)	(360,000)	(360,000)	(360,000)	(+12,000)			
Total, Social and Rehabilitation Service	7,329,404,000	8,451,856,000	8,410,754,000	8,397,257,000	8,400,920,500	+1,071,516,500	−50,935,500	−9,833,500	+3,663,500
SOCIAL SECURITY ADMINISTRATION									
Payment to trust funds for health insurance for the aged	1,360,227,000	1,535,413,000	1,545,413,000	1,545,413,000	1,545,413,000	+185,186,000			
Payment for military service credits	105,000,000	105,000,000	105,000,000	105,000,000	105,000,000				
Payment for special benefits for the aged	225,545,000	364,151,000	364,151,000	364,151,000	364,151,000	+138,606,000			
Consumer credit training		[23] 300,000		300,000			−300,000		−300,000
Limitation on salaries and expenses	(807,492,000)	(921,200,000)	(901,500,000)	(921,200,000)	(911,350,000)	(+103,858,000)	(−9,850,000)	(+9,850,000)	(9,850,000)
Total, Social Security Administration	1,690,772,000	2,014,864,000	2,014,564,000	2,014,864,000	2,014,564,000	+323,792,000	−300,000		−300,000
SPECIAL INSTITUTIONS									
American Printing House for the Blind, education of the blind	1,340,000	1,404,000	1,404,000	1,404,000	1,404,000	+64,000			
National Technical Institute for the Deaf, salaries and expenses	800,000	2,851,000	2,851,000	2,851,000	2,851,000	+2,051,000			
Model secondary school for the deaf, salaries and expenses	400,000	415,000	415,000	415,000	415,000	+15,000			
Model secondary school for the deaf, construction	445,000	351,000	351,000	351,000	351,000	−94,000			
Gallaudet College, salaries and expenses	3,691,000	4,257,000	4,257,000	4,332,000	4,332,000	+641,000	+35,000	+35,000	
Gallaudet College, construction		867,000	867,000	1,106,000	1,106,000	+1,106,000	+239,000	+239,000	
Howard University, salaries and expenses	18,231,000	20,445,000	20,445,000	20,445,000	20,445,000	+2,214,000			
Howard University, construction	2,209,000	22,710,000	22,710,000	22,710,000	22,710,000	+20,501,000			
Freedmen's Hospital	9,030,000	9,109,000	9,109,000	9,109,000	9,109,000	+79,000			
Total, special institutions	36,146,000	62,409,000	62,409,000	62,723,000	62,723,000	+26,577,000	+314,000	+314,000	
DEPARTMENTAL MANAGEMENT									
Office of the Secretary, salaries and expenses	8,621,000	5,975,000	5,795,000	5,975,000	5,975,000	−2,646,000			
Transfer from trust funds	(1,282,000)	(398,000)	(398,000)	(398,000)	(398,000)	(−884,000)			
Office for Civil Rights, salaries and expenses		5,259,000	5,259,000	5,259,000	5,259,000	+5,259,000			
Transfer from trust funds		(856,000)	(856,000)	(856,000)	(856,000)	(+850,000)			
Office of Community and Field Services, salaries and expenses	2,723,000	4,730,000	4,510,000	4,510,000	4,510,000	+1,787,000	−220,000		
Transfers	(2,079,000)	(2,486,000)	(2,325,000)	(2,325,000)	(2,325,000)	(+426,000)	(+161,000)		
Office of the Comptroller, salaries and expenses	8,544,000	10,425,000	10,425,000	10,425,000	10,425,000	+1,881,000			
Transfer from trust funds	(1,255,000)	[24] (2,060,000)	(1,808,000)	(2,060,000)	(2,060,000)	(+805,000)		(+252,000)	
Office of Administration, salaries and expenses	2,845,000	5,234,000	5,066,000	5,066,000	5,066,000	+2,221,000	−168,000		
Transfer from trust funds	(302,000)	(359,000)	(350,000)	(350,000)	(350,000)	(+48,000)	(−9,000)		
Surplus property utilization	1,243,000	1,255,000	1,255,000	1,255,000	1,255,000	+12,000			
Office of the General Counsel, salaries and expenses	2,181,000	2,282,000	2,244,000	2,244,000	2,244,000	+63,000	−38,000		
Transfers	(1,375,000)	(1,416,000	(1,396,000)	(1,396,000.	(1,396,000)	(+12,000)	(−20,000)		
Educational broadcasting facilities	4,375,000	([25])	([25])	([25])	([25])	−4,375,000			
Total, departmental management	30,532,000	35,160,000	34,734,000	34,734,000	34,734,000	+4,202,000	+426,000		
Total, new budget (obligational) authority, Department of Health, Education, and Welfare	16,527,436,800	16,689,091,700	16,518,267,000	18,219,911,700	16,724,805,200	+197,368,400	+35,713,500	+206,537,500	−1,495,106,500
Consisting of—									
Definite appropriations:									
Regular	15,399,126,500	15,435,986,700	16,491,162,700	17,075,226,700	16,697,700,200	+1,298,463,700	+1,261,713,500	+206,537,500	−377,526,500
1968 special funds	90,965,000					−90,965,000			
1971 advance		1,226,000,000	([13])	1,117,580,000			−1,226,000,000		−1,117,580,000
Indefinite appropriations:									
Regular	26,421,000	27,105,000	27,105,000	27,105,000	27,105,000	+684 00			
1970 advance	1,010,814,300					−1,010,814,300			
RELATED AGENCIES									
National Labor Relations Board	35,474,000	36,880,000	36,880,000	36,880,000	36,880,000	+1,406,000			
National Mediation Board	2,492,000	2,226,000	2,226,000	2,226,000	2,226,000	−266,000			
Railroad Retirement Board:									
Limitation on salaries and expenses	(14,490,000)	(15,092,000)	(15,172,000)	(15,172,000)	(15,172,000)	(+682,000)	(+80,000)		
Payment for military service credits	18,446,000	19,206,000	19,206,000	19,206,000	19,206,000	+760,000			

Footnotes at end of table.

DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES APPROPRIATION BILL, 1970 (H.R. 13111)—Continued
NEW BUDGET (OBLIGATIONAL) AUTHORITY—Continued

CONFERENCE SUMMARY—Continued

Agency and item	1969 enacted [1]	1970 Budget estimate [2]	1970 House bill	1970 Senate bill	1970 Conference agreement	Conference agreement compared with— 1969	Budget 1970	House	Senate
RELATED AGENCIES—Con.									
Federal Mediation and conciliation Service	$8,215,000	[26] $8,452,000	$8,240,000	$8,412,000	$8,412,000	+$197,000	−$40,000	+$172,000	
United States Soldiers' Home (trust fund appropriation):									
Operation and maintenance	8,602,000	9,149,000	9,149,000	9,149,000	9,149,000	+547,000			
Capital outlay	726,000	170,000	170,000	170,000	170,000	−556			
Office of Economic Opportunity	1,948,000,000	2,048,000,000	[21]	2,048,000,000	1,948,000,000		−100,000,000	+1,948,000,000	−$100,000,000
Federal Radiation Council	127,000	124,000	124,000	124,000	124,000	−3,000			
President's Committee on Consumer Interests	421,000	450,000	450,000	450,000	450,000	+29,000			
National Commission on Product Safety	525,000	1,475,000	1,475,000	1,475,000	1,475,000	+950,000			
President's Council on Youth Opportunity		357,000	[27]	300,000	300,000	+300,000	−57,000	+300,000	
Inter-Agency Committee on Mexican-American Affairs		510,000	510,000	510,000	510,000	+510,000			
Payment to the Corporation for Public Broadcasting	5,000,000	[28] 15,000,000	[21]	15,000,000	15,000,000	+10,000,000		+15,000,000	
Grand total, new budget (obligational) authority	19,327,033,800	19,834,125,700	17,573,602,700	21,363,391,700	19,747,153,200	+420,119,400	−86,972,500	+2,173,550,500	−1,616,238,500
Consisting of—									
Definite appropriations:									
Regular	18,198,833,500	18,581,020,700	17,546,497,700	20,218,706,700	19,720,048,200	+1,521,214,700	+1,139,027,500	+2,173,550,500	−498,658,500
1968 special funds	90,965,000					−90,965,000			
1971 advance		1,226,000,000		1,117,580,000			−1,226,000,000		−1,117,580,000
Indefinite appropriations:									
Regular	26,421,000	27,105,000	27,105,000	27,105,000	27,105,000	+684,000			
1970 advance	1,010,814,300					−1,010,814,300			

[1] Includes supplemental appropriations. Amounts do not reflect reserves created pursuant to Public Law 90-364.
[2] Includes amendments contained in H. Doc. 91-100, H. Doc 91-113, S. Doc. 91-34, and S. Doc. 91-41.
[3] Includes budget amendment of $26,928,000 (S. Doc. 91-41) which the House did not consider.
[4] Includes budget amendment of $750,000 (S. Doc. 91-41) which the House did not consider.
[5] Included under Wage and Hour Division, Salaries and expenses, in 1970.
[6] Included under "Environmental control" and "salaries and expenses, Office of the Administrator" in 1970.
[7] Formerly budgeted under "Radiological health."
[8] Included under "Mental health" in 1970.
[9] Included under "Comprehensive health planning and services" in 1970.
[10] Formerly budgeted under "Health services research and development."
[11] Included under "Regional medical programs" in 1970.
[12] Considered in connection with the Second Supplemental Appropriations Act, 1969.
[13] Included under "Construction of health, educational, research, and library facilities" in 1970.
[14] $10,055,000 not considered by House due to lack of authorization.
[15] $1,226,000,000 not considered by House due to lack of authorization.
[16] Includes $78,740,000 previously carried under "Elementary and secondary education" and $14,500,000 previously carried under "Higher education".
[17] Includes budget amendment of $7,241,000 (S. Doc. 91-41) for Federal City College which the House did not consider.
[18] Includes funds for "Educational broadcasting facilities," formerly budgeted under "Departmental Management."
[19] $60,000 not considered by House due to lack of authorization.
[20] The budget requested $228,500,000 for "Maternal and child health" and $56,800,000 for Child Welfare."
[21] Not considered due to lack of authorization.
[22] Includes budget amendment of $2,893 000 (S. Doc. 91-34) which the House did not consider.
[23] Includes budget amendment of $19,700 000 (S. Doc. 91-34) which the House did not consider.
[24] Includes budget amendment of $252,000 (S. Doc. 91-34) which the House did not consider.
[25] Included under "Libraries and community services" in 1970.
[26] Includes budget amendment of $172,000 (S. Doc. 91-41) which the House did not consider.
[27] Consideration deferred.
[28] Includes budget amendment of $15,000,000 (S. Doc. 91-41) which the House did not consider.

CALL OF THE HOUSE

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

The SPEAKER pro tempore (Mr. BOGGS). The Chair will count.

One hundred and ninety Members are present, not a quorum.

Mr. BENNETT. 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. 349]

Abbitt	Colmer	Grover
Abernethy	Conyers	Hall
Anderson, Tenn.	Daddario	Halpern
Andrews, Ala.	Davis, Ga.	Harrington
Andrews, N. Dak.	Davis, Wis.	Harvey
Baring	Dawson	Hébert
Berry	Downing	Horton
Bevill	Dulski	Hull
Bingham	Eckhardt	Kee
Blatnik	Edwards, Calif.	Kirwan
Bolling	Eshleman	Landgrebe
Caffery	Evins, Tenn.	Lipscomb
Cahill	Farbstein	Lukens
Carey	Fascell	McClory
Celler	Findley	McMillan
Chappell	Ford, Gerald R.	Martin
Clark	Galifianakis	Miller, Calif.
Clay	Gallagher	Montgomery
Cleveland	Goldwater	Morse
Collier	Gray	Morton
	Green, Oreg.	Moss
	Griffiths	Murphy, N.Y.
	Nelsen	Reifel
	O'Konski	Rosenthal
	O'Neal, Ga.	Rostenkowski
	Ottinger	Sandman
	Pettis	Saylor
	Philbin	Sikes
	Poage	Sisk
	Powell	Smith, Calif.
	Rees	Smith, Iowa
	Reid, N.Y.	Staggers
		Stephens
		Stokes
		Sullivan
		Teague, Tex.
		Thompson, Ga.
		Watkins
		Weicker
		Wright
		Wydler

The SPEAKER pro tempore. On this rollcall 340 Members have answered to their names, a quorum.

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

CONFERENCE REPORT ON H.R. 13111, DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES APPROPRIATIONS, 1970

Mr. FLOOD. Mr. Speaker, I yield 5 minutes to the distinguished ranking minority member of the committee, the gentleman from Illinois (Mr. MICHEL).

Mr. MICHEL. Mr. Speaker, I apologize for my tardy entrance this morning and hope I did not cause too much consternation by my tardy arrival, due to the lateness of my plane.

Mr. FLOOD. Mr. Speaker, will the gentleman yield?

Mr. MICHEL. I yield to the distinguished chairman.

Mr. FLOOD. What was the score of that basketball game in which your son played?

Mr. MICHEL. I remember very distinctly it was 78 to 65.

Mr. FLOOD. Did you win?

Mr. MICHEL. The Yale Bulldogs won and my son did quite well scoring 14 points, hauling down 12 rebounds, and making five assists.

I think we ought to have perhaps a capsule briefing on what the two bodies did, so far as total figures are concerned in this bill.

Members will recall that the Nixon revised budget with respect to this bill was $16,495,000,000, rounding out the figures.

You will remember the big hassle we had here in the House adding nearly a billion dollars to the committee's figure by way of the Joelson amendment. The House ultimately passed a bill that aggregated $17,573,000,000 rounded out and we ended up then with a bill of $1,078,000,000, rounded out, over the Nixon budget.

When the measure was considered over in the other body there were significant items that were not considered in the House because they were not authorized

The biggest of these items was the OEO money, and the budget figure there, you will recall, was $2,048,000,000. There was an item of advanced funding for education of $1,226,000,000. Over and above that, there are two smaller items, $28,000,000, rounded out for aging, and $15,000,000 for public broadcasting. So for all practical purposes the Senate was considering budget figures considerably larger than those that we had to contend with in the House—as a matter of fact, $3,300,000,000 give or take a bit one way or the other over our estimates.

The Senate budget estimates, then, totaled $19,834,000,000, but they passed a bill totaling $21,363,000,000, rounded out. In other words their bill was a billion and a half over the Nixon budget.

What we ended up and agreed to in conference is a bill that is $1,139,000,000 over the Nixon budget.

Broken down, $1,078,000,000 of this is in education, $96 million, rounded out, for NIH and health manpower, and then you know we made a $100 million reduction in poverty. When arriving at this figure the Senate budget estimates should be reduced by $1.226 billion for advance funding because there is no money in this bill for advanced funding for education.

I voted against the House-passed bill because I thought the increases were too extreme, far more than I personally could stomach. That is the reason why I failed to sign the conference report. But under any other given set of circumstances, I would certainly have to give tremendous credit to your House managers, and particularly the chairman of our subcommittee, who chaired the conference, the gentleman from Pennsylvania (Mr. FLOOD), for doing an outstanding job in getting the other body to yield to the House-passed figures in most cases. He was superlative.

So in that sense, the House managers just did a tremendous and commendable job. I wish circumstances were such that I could be in support of the conference report on the strength of the concessions the House got from the Senate. But, as I said, to back up and reaffirm my earlier opposition to the House bill being more than $1 billion over the budget, I have to register my opposition to it.

With that, Mr. Chairman, unless other Members would like to be heard, that is all I have to say at this time, and I thank my chairman for yielding.

Mr. FLOOD. Mr. Speaker, I yield such time as he may consume to the gentleman from Mississippi (Mr. WHITTEN).

Mr. WHITTEN. Mr. Speaker, I am not happy with this conference report. In accepting it we must trust the executive department to make great improvements in many programs and eliminate others. On this we have had some assurance. There are areas, however, where funds must be made available, and for that reason we propose to vote for it.

Turning to the sections where I have been most active, not being a member of the subcommittee, it is never easy as we review history to understand the reason for the fall of empires, especially where it is apparent it came about through destruction from within—you might say from self-destruction. It seems to me that there is considerable evidence that we are on that road; I would like to point out here some of the danger signals as I see them.

But first, may I say thanks to all our friends who have stood steadfast and worked hard through these difficult days of trying to hold the so-called Whitten amendments. Those of us who live in the sorely affected areas, and know conditions firsthand, appreciate their stand which we know was under pressure.

To those of you who were unable to see just what is happening to us which of course will spread to you, or who for some other reason were unable to support our views, we hope you will study this problem for you will learn how serious this matter is, not merely to one section of the country but to the Nation.

THE WHITTEN AMENDMENTS

For the RECORD I would like to repeat the language of these amendments:

SEC. 408. No part of the funds contained in this Act may be used to force busing of students, the abolishment of any school or the assignment of any student attending any elementary or secondary school to a particular school against the choice of his or her parents or parent.

SEC. 409. No part of the funds contained in this Act may be used to force busing of students, the abolishment of any school or the assignment of students to a particular school as a condition precedent to obtaining Federal funds otherwise available to any State, school district or school."

I offered these amendments to the HEW bill and they were adopted by the House Appropriations Committee by a vote of 34 to 11. They were retained on the floor, and the bill containing these provisions was passed by a vote of 158 to 141.

Our friends in the Senate, particularly our Senator STENNIS, a member of the committee and our senior Senator EASTLAND, made a strong fight, presenting in detail evidence of the destruction of the public school system of our Nation, at the moment primarily in our section; that it was unfair to the people of all races and to the Nation. Nevertheless a majority of the Senate added to each of my amendments the words "except as required by the Constitution." The vote was 52 to 37, which leaves it open to Supreme Court determination—though that would be no problem if the Court would follow the Constitution as written.

Mr. Speaker, we lost because the Congress reversed itself. Secretary Finch, speaking for the administration, after our amendments passed the House, and was accepted in conference, went all out against the amendments, in person, by the press, by telephone, and telegraph. Of course he changed votes. The record shows it. As a consequence we lost.

Mr. Speaker, my amendments protected citizens of all races from being forced by the Department of Health, Education, and Welfare to bus, from being forced to close schools, from being forced to send their children to a particular school against the wishes of their parents, or to withhold funds to make schools willingly to do so.

What is wrong with that—nothing, and you know it.

FIRST PROPERTY RIGHTS, THEN PERSONAL SAFETY, NOW SCHOOLS DESTROYED

Mr. Speaker, the record of the debates on this amendment show that school after school has been closed; that there is tremendous overcrowding; that, by a partial count only, more than $100,000,000 of school facilities are made unavailable by order of courts, all in overcrowded districts.

The press is full of such facts. Only last Saturday Columnist Jenkin Lloyd Jones, under the heading "The Dangers of Good Intentions," quoted a dissenting judge in the noted Jefferson County Board of Education in these words:

> The freedom of the Negro child to attend any public school without regard to his race or color . . . is again lost—now he must go where the Court tells him. In one school there are over 1,000 vacant places and five other schools have 800 more students than they were built to accommodate.

And so it goes over the southeastern part of the United States. And judging by the way Court-condoned crime has spread, as has Court-promoted destruction of property, this destruction of the public schools will spread to you, too.

Look at a leading local paper, the Washington Post, which I shall not otherwise describe. Each day it takes almost a half page merely to list the rapes, murders, robberies, and major crimes which occurred in Washington alone for the preceding day, and in fine print, too. And the Supreme Court action favoring criminals led to a public school situation which is perhaps described best by the headlines of one of yesterday's leading newspapers, the Daily News: "Doors Still Chained in Some Schools During School Hours."

My friends, we continue to fly in the face of recorded history, violating not only the lessons we should have learned from study of other nations but which have had brought home to us in the United States in recent years.

If we will stop and think we will realize it was our Federal courts, following or actually getting out ahead of the Supreme Court, which in my section held it to be all right to prevent the use of property by the owner who worked and saved to pay for it, but to interfere with the owner running his own business affairs and thereby actually cause him to lose his property. What was not realized by the general public was that when the court takes such a view it becomes a precedent and that such decisions will be followed in your courts, as are being done today. Such right to a man's use of his property led these law violators to take property; and the next step for them, led on by court decisions was not only the destruction of billions of dollars of property, through the burning of large sections of Detroit, Cleveland, Washington, and hundreds of cities but a great loss of human life.

Mr. Speaker, surely we should have learned from that. Next, however, we see the same Supreme Court holding it is all right for the criminal to be protected from the police and for the Court to constantly enlarge the privileges of the criminal as against the authority deemed necessary for the law enforcement officer for hundreds of years. It has been estimated this restriction of officer rights occurred in 35 different phases of law enforcement all to the advantage of the criminal.

Here, too, each time the courts acted, it became a precedent and the result has been a complete breakdown in law and order, with murder, rape, robbery and even assassination commonplace in the cities of the Nation. The same Federal courts, promoted and led on by the Supreme Court, are now destroying our public school system. It is time we wake up. If we are to remedy this situation, not only do we need the amendments which have been defeated in the existing bill; but we must put the Supreme Court back in the position provided for it by the Constitution which was made clear in debate dealing with the Constitution, in the wording of the Constitution itself—but was perhaps best described by a maker of the Constitution, Alexander Hamilton in the Federalist papers which contributed so much to the adoption of the Constitution itself.

THE PLACE OF THE SUPREME COURT

Mr. Hamilton described the place of the Court in the Federalist as follows:

The Executive not only dispenses the honors but holds the sword of the community. The Legislative not only commands the purse but prescribes the rules by which the duties and rights of every citizen are to be regulated. The Judiciary, to the contrary, has no influence over either the sword or the purse . . . and can take no active resolution whatever.

If we are to save a nation from judges who by reason of lifetime appointment seem to claim almost every right and power, we must stop the members of the Court from dictating to Congress, the President, and the people. I cannot help but say, knowing some of the members socially if they were our relatives we would realize they qualified for welfare homes.

Mr. Speaker, it is up to us to stand up. After all, we are the ones—for we are the people's branch, we must stand up if a nation is to be saved.

Mr. Speaker, under leave to extend my remarks, I repeat a speech I made on June 18, dealing with this subject in more detail.

I quote:

MR. JUSTICE WARREN VERSUS THE CONSTITUTION

Mr. WHITTEN. Mr. Speaker, recorded history clearly shows that power breeds the desire to have power and that no dictator ever voluntarily stopped short of taking it all.

Certainly the action of the Supreme Court on Monday of this week clearly demonstrates that if you give them an inch they will take a mile. This case, POWELL against MCCORMACK, et al., might better be styled "U.S. Supreme Court versus the Constitution, or the abortive effort of the Warren Court to take over the legislative branch of Government."

Mr. Speaker, there are literally hundreds of questions left in the air following this decision. It is to be noted that the Supreme Court limited itself to a declaratory judgment, merely judging "because the issue was justiciable"—capable of being judged—but left it up to the lower court to find ways and means to have the Sergeant at Arms, the Clerk, and the Doorkeeper—all employees of the House of Representatives—to seek out and provide an appropriate remedy. How can any court claim that they can indirectly control the people's branch—the U.S. House of Representatives—by orders to our employees under threat of jail when the Court sidesteps any claim they could control the Speaker and various Members of Congress directly?

Where lies the authority of administering the oath of office of a Member to serve in a Congress already expired? Where lies the authority for the Sergeant at Arms to pay a Member from funds appropriated for the fiscal year and the fiscal year has expired?

Mr. Speaker, Chief Justice Warren doubtless took great pleasure in overruling his successor as Chief Justice, Justice Burger—particularly since Mr. Warren was thwarted in his efforts to force the Congress and the President to name Justice Abe Fortas as Chief Justice only a short time ago. Mr. Fortas has since resigned.

CONGRESSIONAL DISTRICTS

Mr. Speaker, any nation must of necessity defend itself at home as well as abroad. When Mr. Warren and his Court first held that the size and population of congressional districts were subject to their regulation, I introduced a resolution and urged the House of Representatives to "thank the Court for its advisory opinion," on the ground that the Constitution provides that the House is the sole judge of the qualifications of its Members. I was unable to get such resolution through the committee and through the Congress. We could see then that to acknowledge such power in the Court was to invite a Court takeover in this field. This happened. First the courts said a population variance which did not exceed 10 percent would be all right. After forcing that goal now the judges say a variation of as much as 3 percent is too much. Of course, this is thoroughly impractical and I think in the future Congresses are going to have to seat whom they wish and tell the Court to stay in its own bailiwick. Letting the Court get by with its earlier decision on the Congress itself led to the completely out-of-bounds opinion of Monday.

CRIME—BREAKDOWN IN LAW ENFORCEMENT

Let us look to the matter of crime. When the Supreme Court and subordinate courts set out to say it is all right to let somebody prevent you from using your property—to sit in so that you would lose your business—it disturbed many people, but many others thought, "So what?" But if they let them prevent the use of your property, the next step is to let them take your property; and the next is to burn and loot and destroy. We have seen all these steps taken, beginning with the original encroachment by the Court of basic rights, until today you are not safe to be out at night, man or woman, in half of the United States. We are approaching the conditions of the Middle Ages.

By allowing the Supreme Court and the Federal courts to claim the sole right to interpret the Constitution, they have virtually set themselves up as a judicial dictatorship. In an estimated 35 new decisions, privileges of the individual criminal have been placed ahead of the welfare of the public. The result has been a complete breakdown of law and order. Murder, rape, robbery, burning of large sections of our major cities, and even assassinations, have been the result.

All this, if closely analyzed, comes because we have stood by, both the legislative branch and the executive branch, and let the Supreme Court assume the sole right of interpretation of the Constitution, a right the court does not have under the Constitution.

DESTRUCTION OF PUBLIC SCHOOLS

Let us look at our schools. An extensive process of education is absolutely essential to any continuing society. Our Nation has had one of the finest educational systems ever known.

In the Brown case, 1954, the Supreme Court said States could not provide for forced segregation by law. What has happened since?

By exercising their claim of the power to dictate, the Federal courts today are actually assuming and exercising the right to supervise the operation of local schools—open to all students—from day to day and month to month. We see court orders closing some school buildings, to force students into one building, regardless of overcrowding, and setting up quotas in others, directing the hiring and firing and assignment of teachers against the wishes of all parents and forced assignment by race against the wishes of all parents.

Educational funds are withheld under the misguided conception that in some way this punishes school boards—when in fact it is the children who are thus punished. This has happened because so far we have let the courts get by with the claim that they have the sole right to interpret the Constitution. Yet any study will show they have no such exclusive power, for under the Constitution the legislative and the executive branches are equal and coordinate and have the right to interpret for themselves, where their responsibilities are concerned.

All of this leads up to the fact, Mr. Speaker, that on January 3, I introduced House Resolution 51, providing for a standing committee in the House of Representatives on the Constitution. This would give us a forum in which we, too, could interpret the Constitution, and would enable us to hold our own in the battle for public support. When House Resolution 51 was not voted out by the committee, I filed Discharge Petition No. 3. I now urge Members to sign this discharge petition. We then would have an instrument with which to go before the bar of public opinion. I think it is essential that we take this step and take it now. I know the Congress, being an equal branch, can ignore the Court or limit its jurisdiction. I am convinced we will see this Court continue to strike at the very bedrock of our society unless we act now. They have already destroyed law enforcement. They are in the process of destroying the public school system, and in this opinion, they attempt to tear down the people's branch—the Congress, destroying the separate but equal doctrine and assuming further dictatorial powers. I think among other things, we might review the announced statement by the Chief Justice that he expects to continue on in the Supreme Court Building, where doubtless he will be continuing his efforts to influence the Justices in their decisions.

We have had enough of Justice Warren and we are fortunate that he did not get to pick his successor. It is unfortunate that his first move is to claim the sole power in the judicial branch to interpret the Constitution even to the extent of controlling in effect, the other two branches of Government which certainly were intended to be and have the power to be joint and coequal.

Again, may I say to my colleagues, I hope you will all sign Discharge Petition No. 3

Let us establish for us a Committee on the Constitution, for as we all know, we swear to uphold the Constitution as Members of Congress—but to uphold it as it is written and not as it might be interpreted by Mr. Warren, Mr. Douglas, or any other members of the Supreme Court.

We must renew our resolve to return the Court to its proper place so that a citizen may enjoy the fruits of his labor, and to make certain that the public interest again becomes paramount. We must again make education the prime purpose of our schools by precluding their operation by the Federal courts, either by the district courts or from Washington. We must set up our own committees to interpret the Constitution. This I have proposed in House Resolution 51.

While we fight political dictatorship abroad, we must no longer permit dictatorship at home. What will it profit our Nation to bring to others the rights we believe to be theirs, if at the same time we permit those same rights to be taken away from our people here at home?

Again, please sign Discharge Petition No. 3.

Mr. TUNNEY. Mr. Speaker, the House is considering the conference report on the bill to establish a Council on Environmental Quality.

I introduced a similar bill in 1967 and cosponsored the present bill which passed the House on September 23, 1969, by a near unanimous vote.

This legislation is important because first and foremost there is a need to view the entire environment and its total ecological interaction. The understanding of our ecology is essential if we are to make the various individual Government programs relate effectively to one another and to advance our activities in environmental improvement. An effective overview of the environment and its ecology, as proposed by this legislation, will enable us to evaluate the effectiveness of our present efforts throughout the Government.

The Council which would be created by this legislation will develop on a continuing basis, creative concepts and plans for the improvement of the environment. It will also serve to appraise and coordinate Government programs to insure that environmental problems are considered.

The environmental problems of this country are increasing daily and in many areas have reached crisis proportions. An effective overall view of the environment and its ecology will enable us to evaluate the effectiveness of present efforts throughout the Government.

The House is also considering the Labor-HEW appropriations conference report. This legislation contains $19.7 billion in vital funds for education and antipoverty programs. Both the House and the Senate have recognized the importance of these programs. It is therefore regrettable that the threat of a Presidential veto hangs over this bill. Any reduction in funds will affect the following programs: elementary and secondary education assistance, including the impacted area aid program, antipoverty assistance, higher education assistance, and job-training programs.

It is incongruous to me that the only time the administration has expressed its concern over inflation is when the Congress has appropriated funds in behalf of or given tax relief to the middle and lower income American. Why is it that we never hear this concern when tax loopholes for the wealthy are left open; why is there no concern over inflation when the administration recommends funds for the SST which will benefit only 1 percent of the population, and up to $10 billion for an ABM which is probably ineffective.

I believe it is time that all Americans—and not simply the middle and lower income citizen—bear equally the burden of fighting inflation. It is my hope that the Congress will enact this appropriation bill and that the President will reassess his priorities and not veto funds for education, jobs, health, and the poor.

Mr. COHELAN. Mr. Speaker, I rise in support of the conference report for H.R. 13111, the HEW-Labor appropriations bill.

I commend my distinguished colleague, Chairman DANIEL FLOOD, from Pennsylvania, for his capable handling of this conference and for accepting the Senate's version of the Whitten language as he was instructed by the House.

I must, however, admit my displeasure at the more than $1.1 billion that was slashed for the advanced funding of title I, ESEA, for fiscal year 1971. These funds would have allowed for the orderly planning for many school districts in poverty areas. In my own district I know these funds could have been used for the orderly planning of our educational programs. But on balance, this conference report is a good bill, and we can fight for ESEA funds in the next session of Congress.

As I pointed out in a press conference Saturday morning, the President's arguments on the inflationary aspects of this conference report are fallacious. Based upon the latest figures, the appropriations bill that will finally be enacted will be $5.4 billion less than the President's request.

This conference report, together with previous congressional actions, indicates very strongly the fact that the Congress of the United States has firmly decided to make education one of our highest national priorities. Thus I reject the President's attempt to give a very low priority to the field of education.

In passing, we must realize that much of the budget is uncontrollable. Interest on the debt, Social Security, Medicare, and the Department of Defense budget are uncontrollable items. Thus this Congress must enact this HEW-Labor appropriation bill if funds are to be available for our pressing educational needs. The surplus $5.4 billion that this Congress will give the President is within the budgetary guidelines set by the President himself. Thus, we can pass this bill and still have a surplus sufficient to combat inflation.

Thus, Mr. Speaker, I feel that this House can act constructively and responsibly by passing the HEW-Labor appropriations conference report. In doing so, we will again reaffirm our national commitment to quality education for our citizens. The nation expects no less of the Members of Congress. I therefore urge the passage of the HEW-Labor conference report.

Mr. ROBISON. Mr. Speaker, I have seriously considered a "no" vote upon adoption of this conference report on H.R. 13111—the 1970 appropriation bill for the Departments of Labor, Health, Education, and Welfare, and related agencies—but have decided against it for reasons requiring some explanations.

All of us are familiar with the history of this piece of legislation—especially, will we recall the House vote some months ago adopting the so-called Joelson amendment that, as a package to which a few miscellaneous additions were later made, brought the final total of the House bill to a point $1.078 billion over the revised Nixon budgetary requests covering the items then before us.

The bill then went on to the other body which considered an expanded list of budgetary requests—including now, among other things, funds for the antipoverty program—and its final action brought the bill's total to a new high of $1.529 billion, as I understand it, over the revised Nixon budgetary requests it was considering.

Now, as a result of the conference, the bill is back before us with its final total set, again as I understand it, at a point still $1.139 billion over the budget, and it is this fact, of course, that has stirred rumors of a possible Presidential veto.

Quite obviously, the bill carries more money with it than it should in some areas—though the House conferees have certainly done a commendable job in trying to cut its final total down to a more manageable size. It is impossible to predict whether or not there will still be a Presidential veto and if, on balance, one still tends to favor the bill—as I do not think one should attempt to tailor his vote to that uncertain possibility.

However, let it be noted that President Nixon is right in his judgment that the war against inflation is far from won, and that it is essential that care be taken not to release too much money into spending hands during what remains of this fiscal year. Therefore, if a Presidential veto is forthcoming—and if Mr. Nixon's indications with respect to which programs he believes are overfunded happen to agree, in general, with my own judgment in that respect—he can count on my help in sustaining his position.

But what really disturbs me, Mr. Speaker, about the bill again before us is that the final result is an outstanding example of the perils of "package" amendments—or of "package" bills, for that matter, like the tax bill we shall consider in a few more hours.

It is very difficult to arrive at a consensus over the proper ranking of priorities as between competing programs in a bill such as this. But such an effort should always be made, and not sloughed off as we did—when this bill was first before us—in favor of a package containing a little something of everything, and a little too much for most people to resist, which is what the Joelson amendment turned out to be. At the time that amendment was being worked out, I was glad to work with its eventual sponsors in trying to arrange a cooperative plan for offering and supporting specific—or categorical—amendments aimed at in-

creasing the funding for certain educational programs that, most of us felt, had been cut too much by the revised Nixon budget. That preliminary plan went down the drain in favor of the all-or-nothing "package" approach, and such a strategy was successful, as we will remember, though we might well still have had a chance at considering specific increases had a key amendment I offered at that time—and for that purpose—not been voted down.

In short, Mr. Speaker, what I am saying is that I do not believe we have handled this bill in the most responsible manner and that, if we had—though the outcome would still have been uncertain—we would not now be facing the unhappy prospect of a Presidential veto.

I might add that I do not think, as some have suggested, that this issue represents the first skirmish in a developing battle to reorder our national priorities as between military spending and domestic spending. Such a battle is obviously coming—in dimensions probably more discernible next year. But, though military spending has been reduced at congressional direction this year, such reductions have mostly come in defense areas pointed out by the administration, itself, and—except possibly as shown during this year's long debate over the anti-ballistic-missile system—neither side in that projected contest would seem to have yet really defined its own ideas of priorities.

Instead, the issue here separating the President from the Congress would seem to be one falling into that more traditional pattern for debates over what is called "fiscal responsibility," wherein there has always been at least a vague line separating most Democrats from most Republicans.

At the moment, that particular line is even more difficult to find here in Congress than usual, since some of us are pointing to the reductions we have made in the various appropriations bills—as justification for increases made elsewhere—while the President and the rest of us, as someone must, have been concentrating on the other side of the budgetary ledger, namely at the spending column, the figures in which determine the ultimate inflationary effect of the overall congressional budgetary actions.

I do not think the final result of our actions in this respect can really be determined by anyone other than the President, and not even by him until he has been sent all the appropriation bills for this fiscal year. I would hope all such bills would be sent him before this session adjourns—though it now appears that the leadership in the other body has some different ideas about at least this particular bill. If so, that would be most unfortunate, for by our tardiness and delay in finishing this essential housekeeping task of ours we have already placed an intolerable burden on Mr. Nixon who must, somehow, and despite all this, send us next fiscal year's budget before the end of next month.

I say, again, I am reluctant to possibly add to that burden by voting to send this overladen vehicle on down to the White House—though it is obvious it is going to get there with or without my vote—yet I think the President is the only one who can really determine how much spending under this bill we have really mandated upon him in what remains of this fiscal year, either by our direct action or by shrugging off onto his shoulders some political pressures we were unwilling to carry. Therefore, since I still favor this bill on balance, I will vote for it in its final form and then await his decision regarding it, following which I will have to make my own decision respecting what I can—or should—do to help him in what has become his rather lonely, if stubborn, fight against inflation.

Mr. FLOOD. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the conference report.

The question was taken, and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. GROSS. Mr. Speaker, I object to the vote on the grounds that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. 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 261, nays 110, not voting 62, as follows:

[Roll No. 350]

YEAS—261

Adams	Daddario	Harsha
Addabbo	Daniels, N.J.	Hathaway
Albert	de la Garza	Hawkins
Alexander	Delaney	Hays
Anderson, Calif.	Dellenback	Hechler, W. Va.
	Denney	Heckler, Mass.
Annunzio	Dent	Helstoski
Ashley	Diggs	Henderson
Aspinall	Dingell	Hicks
Baring	Donohue	Holifield
Barrett	Dorn	Horton
Bell, Calif.	Dulski	Howard
Biaggi	Duncan	Hungate
Biester	Dwyer	Ichord
Bingham	Edmondson	Jacobs
Blanton	Eilberg	Johnson, Calif.
Blatnik	Esch	Johnson, Pa.
Boggs	Eshleman	Jones, Ala.
Boland	Evans, Colo.	Jones, N.C.
Brademas	Fallon	Jones, Tenn.
Brasco	Fascell	Karth
Brooks	Feighan	Kastenmeier
Broomfield	Fish	Kazen
Brotzman	Fisher	Kee
Brown, Calif.	Flood	Keith
Brown, Ohio	Foley	Kleppe
Burke, Mass.	Ford, William D.	Kluczynski
Burleson, Tex.		Koch
Burlison, Mo.	Fountain	Kyros
Burton, Calif.	Fraser	Langen
Burton, Utah	Frelinghuysen	Latta
Button	Friedel	Leggett
Byrne, Pa.	Fulton, Pa.	Long, Md.
Cabell	Fulton, Tenn.	Lowenstein
Camp	Fuqua	McCarthy
Carter	Galifianakis	McCloskey
Casey	Gallagher	McClure
Chamberlain	Garmatz	McDade
Chisholm	Gaydos	McDonald, Mich.
Clark	Gettys	
Clausen, Don H.	Giaimo	McFall
	Gilbert	McKneally
Clay	Gonzalez	Macdonald, Mass.
Cleveland	Green, Pa.	
Cohelan	Gude	MacGregor
Conte	Halpern	Madden
Corbett	Hamilton	Mahon
Corman	Hanley	Mailliard
Coughlin	Hanna	Mann
Cowger	Hansen, Idaho	Mathias
Culver	Hansen, Wash.	Matsunaga
Mayne	Preyer, N.C.	Stratton
Meeds	Price, Ill.	Stubblefield
Melcher	Pryor, Ark.	Symington
Meskill	Pucinski	Taylor
Mikva	Purcell	Teague, Calif.
Miller, Ohio	Quie	Thompson, N.J.
Mills	Quillen	Tiernan
Minish	Railsback	Tunney
Mink	Randall	Udall
Minshall	Reid, N.Y.	Ullman
Mize	Reuss	Van Deerlin
Mollohan	Riegle	Vander Jagt
Monagan	Roberts	Vanik
Moorhead	Robison	Vigorito
Morgan	Rodino	Waldie
Mosher	Roe	Wampler
Murphy, Ill.	Rogers, Colo.	Watson
Myers	Rooney, N.Y.	Watts
Natcher	Rooney, Pa.	Weicker
Nedzi	Rosenthal	Whalen
Nix	Roybal	Whalley
Obey	Ruppe	White
O'Hara	Ryan	Whitehurst
O'Konski	St Germain	Whitten
Olsen	St. Onge	Widnall
O'Neill, Mass.	Scheuer	Williams
Ottinger	Schwengel	Wilson, Charles H.
Patman	Shipley	
Patten	Shriver	Winn
Pelly	Skubitz	Wolff
Pepper	Slack	Wyatt
Perkins	Smith, Iowa	Wydler
Pettis	Smith, N.Y.	Yates
Pickle	Springer	Yatron
Pike	Stafford	Young
Pirnie	Stanton	Zablocki
Podell	Steed	Zion
Pollock	Steiger, Wis.	Zwach

NAYS—110

Abernethy	Edwards, Ala.	Michel
Adair	Edwards, La.	Mizell
Anderson, Ill.	Erlenborn	Morton
Arends	Flowers	Nelsen
Ayres	Flynt	Nichols
Beall, Md.	Ford, Gerald R.	Passman
Belcher	Foreman	Poff
Bennett	Frey	Price, Tex.
Betts	Goodling	Rarick
Blackburn	Griffin	Reid, Ill.
Bow	Gross	Rhodes
Bray	Grover	Rivers
Brinkley	Gubser	Rogers, Fla.
Brock	Hagan	Roth
Brown, Mich.	Haley	Roudebush
Broyhill, N.C.	Hammer-schmidt	Ruth
Broyhill, Va.		Satterfield
Buchanan	Hastings	Saylor
Burke, Fla.	Hogan	Schadeberg
Bush	Hosmer	Scherle
Byrnes, Wis.	Hunt	Schneebeli
Cederberg	Hutchinson	Scott
Chappell	Jarman	Sebelius
Clancy	Jonas	Snyder
Clawson, Del	King	Steiger, Ariz.
Collins	Kyl	Stuckey
Conable	Landgrebe	Taft
Cramer	Landrum	Talcott
Crane	Lennon	Thompson, Ga.
Cunningham	Lloyd	Thomson, Wis.
Daniel, Va.	Long, La.	Utt
Davis, Wis.	Lujan	Waggonner
Dennis	McCulloch	Wiggins
Derwinski	McEwen	Wilson, Bob
Devine	McMillan	Wold
Dickinson	Marsh	Wylie
Dowdy	May	Wyman

NOT VOTING—62

Abbitt	Evins, Tenn.	Moss
Anderson, Tenn.	Farbstein	Murphy, N.Y.
	Findley	O'Neal, Ga.
Andrews, Ala.	Gibbons	Philbin
Andrews, N. Dak.	Goldwater	Poage
	Gray	Powell
Ashbrook	Green, Oreg.	Rees
Berry	Griffiths	Reifel
Bevill	Hall	Rostenkowski
Bolling	Harrington	Sandman
Caffery	Harvey	Sikes
Cahill	Hébert	Sisk
Carey	Hull	Smith, Calif.
Celler	Kirwan	Staggers
Collier	Kuykendall	Stephens
Colmer	Lipscomb	Stokes
Conyers	Lukens	Sullivan
Davis, Ga.	McClory	Teague, Tex.
Dawson	Martin	Watkins
Downing	Miller, Calif.	Wright
Eckhardt	Montgomery	
Edwards, Calif.	Morse	

The Clerk announced the following pairs:

Mr. Moss with Mr. Eckhardt.
Mr. Rees with Mr. Lipscomb.
Mr. Conyers with Mr. Edwards of California.
Mr. Harrington with Mr. Kuykendall.
Mr. Teague of Texas with Mr. Hall.
Mr. Hull with Mr. Findley.
Mr. Evins of Tennessee with Mr. Goldwater.
Mr. Rostenkowski with Mr. Collier.
Mr. Carey with Mr. Cahill.
Mr. Caffery with Mr. Berry.
Mr. Wright with Mr. Andrews of North Dakota.
Mr. Montgomery with Mr. Lukens.
Mr. Miller of California with Mr. Smith of California.
Mr. Murphy of New York with Mr. Sandman.
Mrs. Sullivan with Mr. Watkins.
Mr. Philbin with Mr. Morse.
Mr. Celler with Mr. McClory.
Mrs. Green of Oregon with Mr. Reifel.
Mrs. Griffiths with Mr. Martin.
Mr. Abbitt with Mr. Bevill.
Mr. Anderson of Tennessee with Mr. Gibbons.
Mr. Farbstein with Mr. Dawson.
Mr. Andrews of Alabama with Mr. Colmer.
Mr. Gray with Mr. Harvey.
Mr. Hébert with Mr. Downing.
Mr. Sisk with Mr. Stokes.
Mr. O'Neal of Georgia with Mr. Staggers.
Mr. Sikes with Mr. Stephens.
Mr. Davis of Georgia with Mr. Kirwan.

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The Clerk will report the first amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 4: Page 2, line 24, strike out "$35,325,000" and insert "$36,907,000, to remain available until June 30, 1971."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 4 and concur therein with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$36,116,000".

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 5: Page 3, line 11, strike "title XV of the Social Security Act, as amended," and insert: "title 5, chapter 85 of the United States Code,"

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 5 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 6: Page 3, line 20, strike "title XV of the Social Security Act, as amended," and insert: "title 5, chapter 85 of the United States Code,"

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 6 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 7: Page 5, line 14: Strike out "XV of the Social Security Act, as amended (68 Stat. 1130" and insert: "5, chapter 85 of the United States Code,"

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 7 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 15: Page 12, line 20: Insert: ", of which $45,000,000 shall remain available until expended to carry out section 104 of the Clean Air Act."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 15 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 16: On page 13, line 10, insert:

"BUILDINGS AND FACILITIES

"Such unexpended balances (including balances obligated but not disbursed) as the Secretary of Health, Education, and Welfare may determine to be available as of June 30, 1969, in the appropriation for "Buildings and facilities, Public Health Service", for Consumer Protection and Environmental Health Service activities, shall be transferred to an account under this head. There shall be merged with such account the unexpended balance (including any balance obligated but not disbursed) as of June 30, 1969, in the appropriation for "Food and Drug Administration, buildings and facilities"."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 16 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 25: On page 17, line 11, insert:

"DISTRICT OF COLUMBIA MEDICAL FACILITIES

"For grants of $3,500,000 and loans of $6,500,000 for nonprofit private facilities pursuant to the District of Columbia Medical Facilities Construction Act of 1968 (Public Law 90-457) to remain available until expended."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 25 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 26: On page 18, line 19, insert:

"BUILDINGS AND FACILITIES

"Such unexpended balances (including balances obligated but not disbursed) as the Secretary of Health, Education, and Welfare may determine to be available as of June 30, 1969, in the appropriation for "Buildings and facilities, Public Health Services", for Health Services and Mental Health Administration activities, shall be transferred to an account under this head. There shall be merged with such account the unexpended balance (including any balance obligated but not disbursed) as of June 30, 1969, in the appropriation for "Saint Elizabeths Hospital, buildings and facilities"."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 26 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 41: On page 24, line 15, insert: ": *Provided*, That such unexpended balances (including balances obligated but not disbursed) as the Secretary of Health, Education, and Welfare may determine to be available as of June 30, 1969, in the appropriation for "Buildings and facilities, Public Health Service" for National Institutes of Health activities, shall be merged with this appropriation."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 41 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 50: On page 30, line 20, insert:

"INSTRUCTIONAL EQUIPMENT

For carrying out title III-A of the National Defense Education Act of 1958, as amended, and title VI of the Higher Education Act of 1965, as amended, $93,240,000, of which $78,740,000 shall be for equipment and minor remodeling and State administrative services under title III-A of said National Defense Education Act; $13,000,000 shall be for equipment and minor remodeling under section 601(b) of said Higher Education Act, and $1,500,000 shall be for the acquisition of television equipment and for minor remodeling under section 601(c) of said Higher Education Act: *Provided*, That allotments under sections 302(a) and 305 of the National Defense Education Act for equipment and minor remodeling shall be made on the basis of $75,740,000 for grants to States and on the

basis of $1,000,000 for loans to nonprofit private schools, and allotments under section 302(b) of said Act for administrative services shall be made on the basis of $2,000,000."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 50 and concur therein with an amendment, as follows: Strike out the matter inserted by said amendment and insert the following:

"INSTRUCTIONAL EQUIPMENT

"For equipment and minor remodeling and State administrative services, under title III–A of the National Defense Education Act of 1958, as amended, $48,740,000: *Provided,* That allotments under sections 302(a) and 305 of the National Defense Education Act, for equipment and minor remodeling shall be made on the basis of $75,740,000 for grants to States and on the basis of $1,000,000 for loans to nonprofit private schools, and allotments under section 302(b) of said Act for administrative services shall be made on the basis of $2,000,000".

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 51: On page 31, line 12, insert:

"SCHOOL ASSISTANCE IN FEDERALLY AFFECTED AREAS

"For grants and payments under the Act of September 30, 1950, as amended (20 U.S.C., ch. 13), and under the Act of September 23, 1950, as amended (20 U.S.C., ch. 19), $660,167,000, of which $645,000,000 shall be for payments to local educational agencies for the maintenance and operation of schools as authorized by the Act of September 30, 1950, as amended (20 U.S.C., ch. 13), and $15,167,000 which shall remain available until expended, shall be for providing school facilities and for grants to local educational agencies in federally affected areas as authorized by said Act of September 23, 1950: *Provided,* That this appropriation shall also be available for carrying out the provisions of section 6 of the Act of September 30, 1950."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the Houses recede from its disagreement to the amendment of the Senate numbered 51 and concur therein with an amendment, as follows: In lieu of the matter inserted by said amendment insert the following:

"SCHOOL ASSISTANCE IN FEDERALLY AFFECTED AREAS

"For grants and payments under the Act of September 30, 1950, as amended (20 U.S.C., ch. 13), and under the Act of September 23, 1950, as amended (20 U.S.C., ch. 19), $600,167,000, of which $585,000,000 shall be for payments to local educational agencies for the maintenance and operation of schools as authorized by the Act of September 30, 1950, as amended (20 U.S.C., ch. 13), and $15,167,000 which shall remain available until expended, shall be for providing school facilities and for grants to local educational agencies in federally affected areas as authorized by said Act of September 23, 1950: *Provided,* That this appropriation shall also be available for carrying out the provisions of section 6 of the Act of September 30, 1950."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 52: On page 32, line 2, insert "section 504,".

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 52 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 56: On page 32, line 18, insert:

"For carrying out titles III and IV (except parts D and F), part E of title V, and section 1207 of the Higher Education Act of 1965, as amended, titles I and III of the Higher Education Facilities Act of 1963, as amended, title II and IV of the National Defense Education Act of 1958, as amended (20 U.S.C. 421–429), and section 22 of the Act of June 29, 1935, as amended (7 U.S.C. 329), $1,006,874,000, of which $175,600,000 shall be for educational opportunity grants under part A of title IV of the Higher Education Act of 1965 and shall remain available through June 30, 1971, $63,900,000 to remain available until expended shall be for loan insurance programs under part B of title IV of that Act, including not to exceed $1,500,000 for computer services in connection with the insured loan program, $154,000,000 shall be for grants for college work-study programs under part C of title IV of that Act (of which amounts reallotted shall remain available through June 30, 1971), including one per centum of such amount to be available, without regard to the provisions in section 442 of that Act, for cooperative education programs that alternate periods of full-time academic study with periods of full-time public or private employment, $125,000,000 shall be for grants for construction of public community colleges and technical institutes and $75,000,000 shall be for grants for construction of other academic facilities under title I of the Higher Education Facilities Act of 1963 which amounts shall remain available through June 30, 1971, $11,750,000, to remain available until expended, shall be for annual interest grants under section 306 of that Act, $222,100,000 shall be for Federal capital contributions to student loan funds established in accordance with agreements pursuant to section 204 of the National Defense Education Act of 1958, and $12,120,000 shall be for the purposes of section 22 of the Act of June 29, 1935: *Provided,* That $7,241,000 shall be for payments authorized by section 108(b) of the District of Columbia Public Education Act, as amended (D.C. Code, sec. 31–1608)."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 56 and concur therein with an amendment, as follows: In lieu of the matter inserted by said amendment insert the following:

"HIGHER EDUCATION

"For carrying out titles III and IV (except parts D and F), part E of title V, and section 1207 of the Higher Education Act of 1965, as amended, titles I and III of the Higher Education Facilities Act of 1963, as amended, titles II and IV of the National Defense Education Act of 1958, as amended (20 U.S.C. 421–429), and section 22 of the Act of June 29, 1935, as amended (7 U.S.C. 329), $871,874,000, of which $164,600,000 shall be for educational opportunity grants under part A of title IV of the Higher Education Act of 1965 and shall remain available through June 30, 1971, $63,900,000 to remain available until expended shall be for loan insurance programs under part B of title IV of that Act, including not to exceed $1,500,000 for computer services in connection with the insured loan program, $154,000,000 shall be for grants for college work-study programs under part C of title IV of that Act (of which amounts reallotted shall remain available through June 30, 1971), including 1 per centum of such amount to be available, without regard to the provisions in section 442 of that Act, for cooperative education programs that alternate periods of full-time academic study with periods of full-time public or private employment, $43,000,000 shall be for grants for construction of public community colleges and technical institutes and $33,000,000 shall be for grants for construction of other academic facilities under title I of the Higher Education Facilities Act of 1963 which amounts shall remain available through June 30, 1971, $11,750,000, to remain available until expended, shall be for annual interest grants under section 306 of that Act, $222,100,000 shall be for Federal capital contributions to student loan funds established in accordance with agreements pursuant to section 204 of the National Defense Education Act of 1958, and $12,120,000 shall be for the purposes of section 22 of the Act of June 29, 1935: *Provided,* That $7,241,000 shall be for payments authorized by section 108(b) of the District of Columbia Public Education Act, as amended (D.C. Code, sec. 31–1608)."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 57: On page 34, line 6, insert

"VOCATIONAL EDUCATION

"For carrying out the Vocational Education Act of 1963, as amended (20 U.S.C. 1241–1391) (except part E of title I) and section 402 of the Elementary and Secondary Education Amendments of 1967, $488,716,000, of which not to exceed $352,836,000 shall be for State vocational education programs under part B and $40,000,000 shall be for programs under section 102(b) of said Vocational Education Act of 1963, including development and administration of State plans and evaluation and dissemination activities authorized under section 102(c) of said Act, and $10,000,000 for work-study programs under part H of said Act, not to exceed $2,800,000 for State advisory councils established pursuant to section 104(b) of said Act, $13,000,000 for exemplary programs under part I of said Act of which 50 per centum shall remain available until expended and 50 per centum shall remain available through June 30, 1971, $20,000,000 for consumer and homemaking education programs under part F of said Act, and $14,000,000 shall be for cooperative vocational education programs under part G of said Act."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 57 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 72: On page 41, line 13, insert ": *Provided further*, That such grants to any State shall not be less than grants made to the State under section 2 for the fiscal year 1969."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 72 and concur therein.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 83: On page 59, line 9, insert:

"ECONOMIC OPPORTUNITY PROGRAM

"For expenses necessary to carry out the provisions of the Economic Opportunity Act of 1964 (Public Law 88-452), approved August 20, 1964), as amended, $2,048,000,000, plus reimbursements: *Provided*, That this appropriation shall be available for transfers to the economic opportunity loan fund for loans under title III, and amounts so transferred shall remain available until expended: *Provided further*, That this appropriation shall be available for the purchase and hire of passenger motor vehicles, and for construction, alteration, and repair of buildings and other facilities, as authorized by section 602 of the Economic Opportunity Act of 1964, and for purchase of real property for training centers: *Provided further*, That this appropriation shall not be available for contracts under titles I, II, V, VI, and VII extending for more than twenty-four months: *Provided further*, That no part of the funds appropriated in this paragraph shall be available for any grant until the Director has determined that the grantee is qualified to administer the funds and programs involved in the proposed grant: *Provided further*, That all grant agreements shall provide that the General Accounting Office shall have access to the records of the grantee which bear exclusively upon the Federal grant: *Provided further*, That these funds shall not be available until enactment into law of authorizing legislation."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 83 and concur therein with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$1,948,000,000", and at the end of said amendment strike out the period and insert the following: ": *Provided further*, That those provisions of the Economic Opportunity Amendments of 1967 and 1969 that set mandatory funding levels shall not be effective during the fiscal year ending June 30, 1970."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 84: Page 61, line 1, insert:

"PRESIDENT'S COUNCIL ON YOUTH OPPORTUNITY

"SALARIES AND EXPENSES

"For expenses necessary to carry out the provisions of Executive Order 11330, dated March 5, 1967, including hire of passenger motor vehicles, and services as authorized by 5 U.S.C. 3109, $300,000."

MOTION OFFERED BY MR. FLOOD

Mr. FLOOD. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLOOD moves that the House recede from its disagreement to the amendment of the Senate numbered 84 and concur therein.

The motion was agreed to.

A motion to reconsider the votes by which action was taken on the conference report and on the several motions was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. FLOOD. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the conference report just agreed to.

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

There was no objection.

CONFERENCE REPORT ON H.R. 13270, TAX REFORM ACT OF 1969

Mr. MILLS. Mr. Speaker, I call up the conference report on the bill (H.R. 13270) to reform the income tax laws, 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 Arkansas?

There was no objection.

The Clerk read the statement, as follows:

CONFERENCE REPORT (H. REPT. NO. 91-782)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 13270) to reform the income tax laws, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "Tax Reform Act of 1969".

(b) TABLE OF CONTENTS.—

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

TITLE I—TAX EXEMPT ORGANIZATIONS

SUBTITLE A—PRIVATE FOUNDATIONS

SEC. 101. PRIVATE FOUNDATIONS.

(a) IN GENERAL.—Subchapter F of chapter 1 (relating to exempt organizations) is amended by redesignating parts II, III, and IV as parts III, IV, V, respectively, and by inserting after part I the following new part:

"PART II—PRIVATE FOUNDATIONS

"SEC. 507. TERMINATION OF PRIVATE FOUNDATION STATUS.

"(a) GENERAL RULE.—Except as provided in subsection (b), the status of any organization as a private foundation shall be terminated only if—

"(1) such organization notifies the Secretary or his delegate (at such time and in such manner as the Secretary or his delegate may by regulations prescribe) of its intent to accomplish such termination, or

"(2) (A) with respect to such organization, there have been either willful repeated acts (or failures to act), or a willful and flagrant act (or failure to act), giving rise to liability for tax under chapter 42, and

"(B) the Secretary or his delegate notifies such organization that, by reason of subparagraph (A), such organization is liable for the tax imposed by subsection (c), and either such organization pays the tax imposed by subsection (c) (or any portion not abated under subsection (g)) or the entire amount of such tax is abated under subsection (g).

"(b) SPECIAL RULES.—

"(1) TRANSFER TO, OR OPERATION AS, PUBLIC CHARITY.—The status as a private foundation of any organization, with respect to which there have not been either willful repeated acts (or failures to act) or a willful and flagrant act (or failure to act) giving rise to liability for tax under chapter 42, shall be terminated if—

"(A) such organization distributes all of its net assets to one or more organizations described in section 170(b)(1)(A) (other than in clauses (vii) and (viii)) each of which has been in existence and so described for a continuous period of at least 60 calendar months immediately preceding such distribution, or

"(B)(i) such organization meets the requirements of paragraph (1), (2), or (3) of section 509(a) by the end of the 12-month period beginning with its first taxable year which begin after December 31, 1969, or for a continuous period of 60 calendar months beginning with the first day of any taxable year which begins after December 31, 1969,

"(ii) such organization notifies the Secretary or his delegate (in such manner as the Secretary or his delegate may by regulations prescribe) before the commencement of such 12-month or 60-month period (or before the 90th day after the day on which regulations first prescribed under this subsection become final) that it is terminating its private foundation status, and

"(iii) such organization establishes to the satisfaction of the Secretary or his delegate (in such manner as the Secretary or his delegate may by regulations prescribe) immediately after the expiration of such 12-month or 60-month period that such organization has complied with clause (i).

If an organization gives notice under subparagraph (B)(ii) of the commencement of a 60-month period and such organization fails to meet the requirements of paragraph (1), (2), or (3) of section 509(a) for the entire 60-month period, this part and chapter 42 shall not apply to such organization for any taxable year within such 60-month period for which it does meet such requirements.

"(2) TRANSFEREE FOUNDATIONS.—For purposes of this part, in the case of a transfer of assets of any private foundation to another private foundation pursuant to any liquidation, merger, redemption, recaptialization, or other adjustment, organization, or reorganization, the transferee foundation shall not be treated as a newly created organization.

"(c) IMPOSITION OF TAX.—There is hereby imposed on each organization which is referred to in subsection (a) a tax equal to the lower of—

"(1) the amount which the private foundation substantiates by adequate records or other corroborating evidence as the aggregate tax benefit resulting from the section 501(c)(3) status of such foundation, or

"(2) the value of the net assets of such foundation.

"(d) AGGREGATE TAX BENEFIT.—

"(1) IN GENERAL.—For purposes of subsection (c), the aggregate tax benefit resulting from the section 501(c)(3) status of any private foundation is the sum of—

"(A) the aggregate increases in tax under chapters 1, 11, and 12 (or the corresponding provisions of prior law) which would have been imposed with respect to all substantial contributors to the foundation if deductions for all contributions made by such contributors to the foundation after February 28, 1913, had been disallowed, and

"(B) the aggregate increases in tax under chapter 1 (or the corresponding provisions of prior law) which would have been imposed with respect to the income of the private foundation for taxable years beginning after December 31, 1912, if (i) it had not been exempt from tax under section 501(a) (or the corresponding provisions of prior law), and (ii) in the case of a trust, deductions under section 642(c) (or the corresponding provisions of prior law) had been limited to 20 percent of the taxable income of the trust (computed without the benefit of section 642(c) but with the benefit of section 170(b)(1)(A)), and

"(C) interest on the increases in tax determined under subparagraphs (A) and (B) from the first date on which each such increase would have been due and payable

the date on which the organization ceases to be a private foundation.

"(2) SUBSTANTIAL CONTRIBUTOR.—

"(A) DEFINITION.—For purposes of paragraph (1), the term 'substantial contributor' means any person who contributed or bequeathed an aggregate amount of more than $5,000 to the private foundation, if such amount is more than 2 percent of the total contributions and bequests received by the foundation before the close of the taxable year of the foundation in which the contribution or bequest is received by the foundation from such person. In the case of a trust, the term 'substantial contributor' also means the creator of the trust.

"(B) SPECIAL RULES.—For purposes of subparagraph (A)—

"(i) each contribution or bequest shall be valued at fair market value on the date it was received,

"(ii) in the case of a foundation which is in existence on October 9, 1969, all contributions and bequests received on or before such date shall be treated (except for purposes of clause (i)) as if received on such date,

"(iii) an individual shall be treated as making all contributions and bequests made by his spouse, and

"(iv) any person who is a substantial contributor on any date shall remain a substantial contributor for all subsequent periods.

"(3) REGULATIONS.—For purposes of this section, the determination as to whether and to what extent there would have been any increase in tax shall be made in accordance with regulations prescribed by the Secretary or his delegate.

"(e) VALUE OF ASSETS.—For purposes of subsection (c), the value of the net assets shall be determined at whichever time such value is higher: (1) the first day on which action is taken by the organization which culminates in its ceasing to be a private foundation, or (2) the date on which it ceases to be a private foundation.

"(f) LIABILITY IN CASE OF TRANSFERS OF ASSETS FROM PRIVATE FOUNDATION.—For purposes of determining liability for the tax imposed by subsection (c) in the case of assets transferred by the private foundation, such tax shall be deemed to have been imposed on the first day on which action is taken by the organization which culminates in its ceasing to be a private foundation.

"(g) ABATEMENT OF TAXES.—The Secretary or his delegate may abate the unpaid portion of the assessment of any tax imposed by subsection (c), or any liability in respect thereof, if—

"(1) the private foundation distributes all of its net assets to one or more organizations described in section 170(b)(1)(A) (other than in clauses (vii) and (viii) each of which has been in existence and so described for a continuous period of at least 60 calendar months, or

"(2) following the notification prescribed in section 6104(c) to the appropriate State officer, such State officer within one year notifies the Secretary or his delegate, in such manner as the Secretary or his delegate may by regulations prescribe, that corrective action has been initiated pursuant to State law to insure that the assets of such private foundation are preserved for such charitable or other purposes specified in section 501(c)(3) as may be ordered or approved by a court of competent jurisdiction, and upon completion of the corrective action, the Secretary or his delegate receives certification from the appropriate State officer that such action has resulted in such preservation of assets.

"SEC. 508. SPECIAL RULES WITH RESPECT TO SECTION 501(c)(3) ORGANIZATIONS.

"(a) NEW ORGANIZATIONS MUST NOTIFY SECRETARY THAT THEY ARE APPLYING FOR RECOGNITION OF SECTION 501(c)(3) STATUS.—Except as provided in subsection (c), an organization organized after October 9, 1969, shall not be treated as an organization described in section 501(c)(3)—

"(1) unless it has given notice to the Secretary or his delegate, in such manner as the Secretary or his delegate may by regulations prescribe, that it is applying for recognition of such status, or

"(2) for any period before the giving of such notice, if such notice is given after the time prescribed by the Secretary or his delegate by regulations for giving notice under this subsection.

For purposes of paragraph (2), the time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

"(b) PRESUMPTION THAT ORGANIZATIONS ARE PRIVATE FOUNDATIONS.—Except as provided in subsection (c), any organization (including an organization in existence on October 9, 1969) which is described in section 501(c)(3) and which does not notify the Secretary or his delegate, at such time and in such manner as the Secretary or his delegate may by regulations prescribe, that it is not a private foundation shall be presumed to be a private foundation. The time prescribed for giving notice under this subsection shall not expire before the 90th day after the day on which regulations first prescribed under this subsection become final.

"(c) EXCEPTIONS.—

"(1) MANDATORY EXCEPTIONS.—Subsections (a) and (b) shall not apply to—

"(A) churches, their integrated auxiliaries, and conventions or associations of churches, or

"(B) any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than $5,000.

"(2) EXCEPTIONS BY REGULATIONS.—The Secretary or his delegate may by regulations exempt (to the extent and subject to such conditions as may be prescribed in such regulations) from the provisions of subsection (a) or (b) or both—

"(A) educational organizations which normally maintain a regular faculty and curriculum and normally have a regularly enrolled body of pupils or students in attendance at the place where their educational activities are regularly carried on; and

"(B) any other class of organizations with respect to which the Secretary or his delegate determines that full compliance with the provisions of subsections (a) and (b) is not necessary to the efficient administration of the provisions of this title relating to private foundations.

"(d) DISALLOWANCE OF CERTAIN CHARITABLE, ETC., DEDUCTIONS.—

"(1) GIFT OR BEQUEST TO ORGANIZATIONS SUBJECT TO SECTION 507(c) TAX.—No gift or bequest made to an organization upon which the tax provided by section 507(c) has been imposed shall be allowed as a deduction under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if such gift or bequest is made—

"(A) by any person after notification is made under section 507(a), or

"(B) by a substantial contributor (as defined in section 507(d)(2)) in his taxable year which includes the first day on which action is taken by such organization which culminates in the imposition of tax under section 507(c) and any subsequent taxable year.

"(2) GIFT OR BEQUEST TO TAXABLE PRIVATE FOUNDATION, SECTION 4947 TRUST, ETC.—No gift or bequest made to an organization shall be allowed as a deduction under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if such gift or bequest is made—

"(A) to a private foundation or a trust described in section 4947 in a taxable year for which it fails to meet the requirements of subsection (e) (determined without regard to subsection (e)(2) (B) and (C)), or

"(B) to any organization in a period for which it is not treated as an organization described in section 501(c)(3) by reason of subsection (a).

"(3) EXCEPTION.—Paragraph (1) shall not apply if the entire amount of the unpaid portion of the tax imposed by section 507(c) is abated by the Secretary or his delegate under section 507(g).

(e) GOVERNING INSTRUMENTS.—

"(1) GENERAL RULE.—A private foundation shall not be exempt from taxation under section 501(a) unless its governing instrument includes provisions the effects of which are—

"(A) to require its income for each taxable year to be distributed at such time and in such manner as not to subject the foundation to tax under section 4942, and

"(B) to prohibit the foundation from engaging in any act of self-dealing (as defined in section 4941(d)), from retaining any excess business holdings (as defined in section 4943(c)), from making any investments in such manner as to subject the foundation to tax under section 4944, and from making any taxable expenditures (as defined in section 4945(d)).

"(2) SPECIAL RULES FOR EXISTING PRIVATE FOUNDATIONS.—In the case of any organization organized before January 1, 1970, paragraph (1) shall not apply—

"(A) to any taxable year beginning before January 1, 1972,

"(B) to any period after December 31, 1971, during the pendency of any judicial proceeding begun before January 1, 1972, by the private foundation which is necessary to reform, or to excuse such foundation from compliance with, its governing instrument or any other instrument in order to meet the requirements of paragraph (1), and

"(C) to any period after the termination of any judicial proceeding described in subparagraph (B) during which its governing instrument or any other instrument does not permit it to meet the requirements of paragraph (1).

"SEC. 509. PRIVATE FOUNDATION DEFINED.

"(a) GENERAL RULE.—For purposes of this title, the term 'private foundation' means a domestic or foreign organization described in section 501(c)(3) other than—

"(1) an organization described in section 170(b)(1)(A) (other than in clauses (vii) and (viii));

"(2) an organization which—

"(A) normally receives more than one-third of its support in each taxable year from any combination of—

"(i) gifts, grants, contributions, or membership fees, and

"(ii) gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities, in an activity which is not an unrelated trade or business (within the meaning of section 513), not including such receipts from any person, or from any bureau or similar agency of a governmental unit (as described in section 170(c)(1)), in any taxable year to the extent such receipts exceed the greater of $5,000 or 1 percent of the organization's support in such taxable year,

from persons other than disqualified persons (as defined in section 4946) with respect to the organization, from governmental units described in section 170(c)(1), or from organizations described in section 170(b)(1)(A) (other than in clauses (vii) and (viii)), and

"(B) normally receives not more than one-third of its support in each taxable year

from gross investment income (as defined in subsection (e));

"(3) an organization which—

"(A) is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified organizations described in paragraph (1) or (2),

"(B) is operated, supervised, or controlled by or in connection with one or more organizations described in paragraph (1) or (2), and

"(C) is not controlled directly or indirectly by one or more disqualified persons (as defined in section 4946) other than foundation managers and other than one or more organizations described in paragraph (1) or (2); and

"(4) an organization which is organized and operated exclusively for testing for public safety.

For purposes of paragraph (3), an organization described in paragraph (2) shall be deemed to include an organization described in section 501(c) (4), (5), or (6) which would be described in paragraph (2) if it were an organization described in section 501(c)(3).

"(b) CONTINUATION OF PRIVATE FOUNDATION STATUS.—For purposes of this title, if an organization is a private foundation (within the meaning of subsection (a)) on October 9, 1969, or becomes a private foundation on any subsequent date, such organization shall be treated as a private foundation for all periods after October 9, 1969, or after such subsequent date, unless its status as such is terminated under section 507.

"(c) STATUS OF ORGANIZATION AFTER TERMINATION OF PRIVATE FOUNDATION STATUS.—For purposes of this part, an organization the status of which as a private foundation is terminated under section 507 shall (except as provided in section 507(b)(2)) be treated as an organization created on the day after the date of such termination.

"(d) DEFINITION OF SUPPORT.—For purposes of this part and chapter 42, the term 'support' includes (but is not limited to)—

"(1) gifts, grants, contributions, or membership fees,

"(2) gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities in any activity which is not an unrelated trade or business (within the meaning of section 513),

"(3) net income from unrelated business activities, whether or not such activities are carried on regularly as a trade or business,

"(4) gross investment income (as defined in subsection (e)),

"(5) tax revenues levied for the benefit of an organization and either paid to or expended on behalf of such organization, and

"(6) the value of services or facilities (exclusive of services or facilities generally furnished to the public without charge) furnished by a governmental unit referred to in section 170(c)(1) to an organization without charge.

Such term does not include any gain from the sale or other disposition of property which would be considered as gain from the sale or exchange of a capital asset, or the value of exemption from any Federal, State, or local tax or any similar benefit.

"(e) DEFINITION OF GROSS INVESTMENT INCOME.—For purposes of subsection (d), the term 'gross investment income' means the gross amount of income from interest, dividends, rents, and royalties, but not including any such income to the extent included in computing the tax imposed by section 511."

(b) AMENDMENT OF SUBTITLE D.—Subtitle D (relating to miscellaneous excise taxes) is amended by adding at the end thereof the following new chapter:

"CHAPTER 42.—PRIVATE FOUNDATIONS

"SEC. 4940. EXCISE TAX BASED ON INVESTMENT INCOME.

"(a) TAX-EXEMPT FOUNDATIONS.—There is hereby imposed on each private foundation which is exempt from taxation under section 501(a) for the taxable year, with respect to the carrying on of its activities, a tax equal to 4 percent of the net investment income of such foundation for the taxable year.

"(b) TAXABLE FOUNDATIONS.—There is hereby imposed on each private foundation which is not exempt from taxation under section 501(a) for the taxable year, with respect to the carrying on of its activities, a tax equal to—

"(1) the amount (if any) by which the sum of (A) the tax imposed under subsection (a) (computed as if such subsection applied to such private foundation for the taxable year), plus (B) the amount of the tax which would have been imposed under section 511 for the taxable year if such private foundation has been exempt from taxation under section 501(a), exceeds

"(2) the tax imposed under subtitle A on such private foundation for the taxable year.

"(c) NET INVESTMENT INCOME DEFINED.—

"(1) IN GENERAL.—For purposes of subsection (a), the net investment income is the amount by which (A) the sum of the gross investment income and the net capital gain exceeds (B) the deductions allowed by paragraph (3). Except to the extent inconsistent with the provisions of this section, net investment income shall be determined under the principles of subtitle A.

"(2) GROSS INVESTMENT INCOME.—For purposes of paragraph (1), the term 'gross investment income' means the gross amount of income from interest, dividends, rents, and, royalties, but not including any such income to the extent included in computing the tax imposed by section 511.

"(3) DEDUCTIONS.—

"(A) IN GENERAL.—For purposes of paragraph (1), there shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred for the production or collection of gross investment income or for the management, conservation, or maintenance of property held for the production of such income, determined with the modifications set forth in subparagraph (B).

"(B) MODIFICATIONS.—For purposes of subparagraph (A)—

"(i) The deduction provided by section 167 shall be allowed, but only on the basis of the straight line method of depreciation.

"(ii) The deduction for depletion provided by section 611 shall be allowed, but such deduction shall be determined without regard to section 613 (relating to percentage depletion).

"(4) CAPITAL GAINS AND LOSSES.—For purposes of paragraph (1) in determining net capital gain—

"(A) There shall be taken into account only gains and losses from the sale or other disposition of property used for the production of interest, dividends, rents, and royalties, and property used for the production of income included in computing the tax imposed by section 511 (except to the extent gain or loss from the sale or other disposition of such property is taken into account for purposes of such tax).

"(B) The basis for determining gain in the case of property held by the private foundation on December 31, 1969, and continuously thereafter to the date of its disposition shall be deemed to be not less than the fair market value of such property on December 31, 1969.

"(C) Losses from sales or other dispositions of property shall be allowed only to the extent of gains from such sales or other dispositions, and there shall be no capital loss carryovers.

"(5) TAX-EXEMPT INCOME.—For purposes of this section, net investment income shall be determined by applying section 103 (relating to interest on certain governmental obligations) and section 265 (relating to expenses and interest relating to tax-exempt income).

"SEC. 4941. TAXES ON SELF-DEALING.

"(a) INITIAL TAXES.—

"(1) ON SELF-DEALER.—There is hereby imposed a tax on each act of self-dealing between a disqualified person and a private foundation. The rate of tax shall be equal to 5 percent of the amount involved with respect to the act of self-dealing for each year (or part thereof) in the taxable period. The tax imposed by this paragraph shall be paid by any disqualified person (other than a foundation manager acting only as such) who participates in the act of self-dealing. In the case of a government official (as defined in section 4946(c)), a tax shall be imposed by this paragraph only if such disqualified person participates in the act of self-dealing knowing that it is such an act.

"(2) ON FOUNDATION MANAGER.—In any case in which a tax is imposed by paragraph (1), there is hereby imposed on the participation of any foundation manager in an act of self-dealing between a disqualified person and a private foundation, knowing that it is such an act, a tax equal to 2½ percent of the amount involved with respect to the act of self-dealing for each year (or part thereof) in the taxable period, unless such participation is not willful and is due to reasonable cause. The tax imposed by this paragraph shall be paid by any foundation manager who participated in the act of self-dealing.

"(b) ADDITIONAL TAXES.—

"(1) ON SELF-DEALER.—In any case in which an initial tax is imposed by subsection (a)(1) on an act of self-dealing by a disqualified person with a private foundation and the act is not corrected within the correction period, there is hereby imposed a tax equal to 200 percent of the amount involved. The tax imposed by this paragraph shall be paid by any disqualified person (other than a foundation manager acting only as such) who participated in the act of self-dealing.

"(2) ON FOUNDATION MANAGER.—In any case in which an additional tax is imposed by paragraph (1), if a foundation manager refused to agree to part or all of the correction, there is hereby imposed a tax equal to 50 percent of the amount involved. The tax imposed by this paragraph shall be paid by any foundation manager who refused to agree to part or all of the correction.

"(c) SPECIAL RULES.—For purposes of subsections (a) and (b)—

"(1) JOINT AND SEVERAL LIABILITY.—If more than one person is liable under any paragraph of subsection (a) or (b) with respect to any one act of self-dealing, all such persons shall be jointly and severally liable under such paragraph with respect to such act.

"(2) $10,000 LIMIT FOR MANAGEMENT.—With respect to any one act of self-dealing, the maximum amount of the tax imposed by

subsection (a)(2) shall not exceed $10,000, and the maximum amount of the tax imposed by subsection (b)(2) shall not exceed $10,000.

"(d) SELF-DEALING.—

"(1) IN GENERAL.—For purposes of this section, the term 'self-dealing' means any direct or indirect—

"(A) sale or exchange, or leasing, of property between a private foundation and a disqualified person;

"(B) lending of money or other extension of credit between a private foundation and a disqualified person;

"(C) furnishing of goods, services, or facilities between a private foundation and a disqualified person;

"(D) payment of compensation (or payment or reimbursement of expenses) by a private foundation to a disqualified person;

"(E) transfer to, or use by or for the benefit of, a disqualified person of the income or assets of a private foundation; and

"(F) agreement by a private foundation to make any payment of money or other property to a government official (as defined in section 4946(c)), other than an agreement to employ such individual for any period after the termination of his government service if such individual is terminating his government service within a 90-day period.

"(2) SPECIAL RULES.—For purposes of paragraph (1)—

"(A) the transfer of real or personal property by a disqualified person to a private foundation shall be treated as a sale or exchange if the property is subject to a mortgage or similar lien which the foundation assumes or if it is subject to a mortgage or similar lien which a disqualified person placed on the property within the 10-year period ending on the date of the transfer;

"(B) the lending of money by a disqualified person to a private foundation shall not be an act of self-dealing if the loan is without interest or other charge and if the proceeds of the loan are used exclusively for purposes specified in section 501(c)(3);

"(C) the furnishing of goods, services, or facilities by a disqualified person to a private foundation shall not be an act of self-dealing if the furnishing is without charge and if the goods, services, or facilities so furnished are used exclusively for purposes specified in section 501(c)(3);

"(D) the furnishing of goods, services, or facilities by a private foundation to a disqualified person shall not be an act of self-dealing if such furnishing is made on a basis no more favorable than that on which such goods, services, or facilities are made available to the general public;

"(E) except in the case of a government official (as defined in section 4946(c)), the payment of compensation (and the payment or reimbursement of expenses) by a private foundation to a disqualified person for personal services which are reasonable and necessary to carrying out the exempt purpose of the private foundation shall not be an act of self-dealing if the compensation (or payment or reimbursement) is not excessive;

"(F) any transaction between a private foundation and a corporation which is a disqualified person (as defined in section 4946(a)), pursuant to any liquidation, merger, redemption, recapitalization, or other corporate adjustment, organization, or reorganization, shall not be an act of self-dealing if all of the securities of the same class as that held by the foundation are subject to the same terms and such terms provide for receipt by the foundation of no less than fair market value; and

"(G) in the case of a government official (as defined in section 4946(c)), paragraph (1) shall in addition not apply to—

"(i) prizes and awards which are subject to the provisions of section 74(b), if the recipients of such prizes and awards are selected from the general public,

"(ii) scholarships and fellowship grants which are subject to the provisions of section 117(a) and are to be used for study at an educational institution described in section 151(e)(4),

"(iii) any annuity or other payment (forming a part of a stock-bonus, pension, or profit-sharing plan) by a trust which is a qualified trust under section 401,

"(iv) any annuity or other payment under a plan which meets the requirements of section 404(a)(2),

"(v) any contribution or gift (other than a contribution or gift of money) to, or services or facilities made available to, any such individual, if the aggregate value of such contributions, gifts, services, and facilities to, or made available to, such individual during any calendar year does not exceed $25,

"(vi) any payment made under chapter 41 of title 5, United States Code, or

"(vii) any payment or reimbursement of traveling expenses for travel solely from one point in the United States to another point in the United States, but only if such payment or reimbursement does not exceed the actual cost of the transportation involved plus an amount for all other traveling expenses not in excess of 125 percent of the maximum amount payable under section 5702(a) of title 5, United States Code, for like travel by employees of the United States.

"(e) OTHER DEFINITIONS.—For purposes of this section—

"(1) TAXABLE PERIOD.—The term 'taxable period' means, with respect to any act of self-dealing, the period beginning with the date on which the act of self-dealing occurs and ending on whichever of the following is the earlier: (A) the date of mailing of a notice of deficiency with respect to the tax imposed by subsection (a)(1) under section 6212, or (B) the date on which correction of the act of self-dealing is completed.

"(2) AMOUNT INVOLVED.—The term 'amount involved' means, with respect to any act of self-dealing, the greater of the amount of money and the fair market value of the other property given or the amount of money and the fair market value of the other property received; except that, in the case of services described in subsection (d)(2)(E), the amount involved shall be only the excess compensation. For purposes of the preceding sentence, the fair market value—

"(A) in the case of the taxes imposed by subsection (a), shall be determined as of the date on which the act of self-dealing occurs; and

"(B) in the case of the taxes imposed by subsection (b), shall be the highest fair market value during the correction period.

"(3) CORRECTION.—The terms 'correction' and 'correct' mean, with respect to any act of self-dealing, undoing the transaction to the extent possible, but in any case placing the private foundation in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards.

"(4) CORRECTION PERIOD.—The term 'correction period' means, with respect to any act of self-dealing, the period beginning with the date on which the act of self-dealing occurs and ending 90 days after the date of mailing of a notice of deficiency with respect to the tax imposed by subsection (b)(1) under section 6212, extended by—

"(A) any period in which a deficiency cannot be assessed under section 6213(a), and

"(B) any other period which the Secretary or his delegate determines is reasonable and necessary to bring about correction of the act of self-dealing.

"SEC. 4942. TAXES ON FAILURE TO DISTRIBUTE INCOME.

"(a) INITIAL TAX.—There is hereby imposed on the undistributed income of a private foundation for any taxable year, which has not been distributed before the first day of the second (or any succeeding) taxable year following such taxable year (if such first day falls within the taxable period), a tax equal to 15 percent of the amount of such income remaining undistributed at the beginning of such second (or succeeding) taxable year. The tax imposed by this subsection shall not apply to the undistributed income of a private foundation—

"(1) for any taxable year for which it is an operating foundation (as defined in subsection (j)(3), or

"(2) to the extent that the foundation failed to distribute any amount solely because of an incorrect valuation of assets under subsection (e), if—

"(A) the failure to value the assets properly was not willful and was due to reasonable cause,

"(B) such amount is distributed as qualifying distributions (within the meaning of subsection (g)) by the foundation during the allowable distribution period (as defined in subsection (j)(4)),

"(C) the foundation notifies the Secretary or his delegate that such amount has been distributed (within the meaning of subparagraph (B)) to correct such failure, and

"(D) such distribution is treated under subsection (h)(2) as made out of the undistributed income for the taxable year for which a tax would (except for this paragraph) have been imposed under this subsection.

"(b) ADDITIONAL TAX.—In any case in which an initial tax is imposed under subsection (a) on the undistributed income of a private foundation for any taxable year, if any portion of such income remains undisturbed at the close of the correction period, there is hereby imposed a tax equal to 100 percent of the amount remaining undistributed at such time.

"(c) UNDISTRIBUTED INCOME.—For purposes of this section, the term 'undistributed income' means, with respect to any private foundation for any taxable year as of any time, the amount by which—

"(1) the distributable amount for such taxable year, exceeds

"(2) the qualifying distributions made before such time out of such distributable amount.

"(d) DISTRIBUTABLE AMOUNT.—For purposes of this section, the term 'distributable amount' means, with respect to any foundation for any taxable year, an amount equal to—

"(1) the minimum investment return or the adjusted net income (whichever is higher), reduced by

"(2) the sum of the taxes imposed on such private foundation for the taxable year under subtitle A and section 4940.

"(e) MINIMUM INVESTMENT RETURN.—

"(1) IN GENERAL.—For purposes of subsection (d), the minimum investment return for any private foundation for any taxable year is the amount determined by multiplying—

"(A) the excess of (i) the aggregate fair market value of all assets of the foundation other than those being used (or held for use) directly in carrying out the foundation's exempt purpose over (ii) the acquisition indebtedness with respect to such assets (determined under section 514(c)(1), but without regard to the taxable year in which the indebtedness was incurred), by

"(B) the applicable percentage for such year, determined under paragraph (3).

"(2) VALUATION.—For purposes of paragraph (1)(A), the fair market value of securities for which market quotations are readily available shall be determined on a monthly basis. For all other assets, the fair market value shall be determined at such times and in such manner as the Secretary or his delegate shall by regulation prescribe.

"(3) APPLICABLE PERCENTAGE.—For purposes of paragraph (1)(B), the applicable percentage for taxable years beginning in 1970 is 6 percent. The applicable percentage for any taxable year beginning after 1970 shall be determined and published by the Secretary or his delegate and shall bear a relationship to 6 percent which the Secretary or his delegate determines to be comparable to the relationship which the money rates and investment yields for the calendar year immediately preceding the beginning of the taxable year bear to the money rates and investment yields for the calendar year 1969.

"(4) TRANSITIONAL RULES.—

"For special rules applicable to organizations created before May 27, 1969, see section 101(1)(3) of the Tax Reform Act of 1969.

"(f) ADJUSTED NET INCOME.—

"(1) DEFINED.—For purposes of subsection (d), the term 'adjusted net income' means the excess (if any) of—

"(A) the gross income for the taxable year (determined with the income modifiations provided by paragraph (2)), over

"(B) the sum of the deductions (determined with the deduction modifications provided by paragraph (3)) which would be allowed to a corporation subject to the tax imposed by section 11 for the taxable year.

"(2) INCOME MODIFICATIONS.—The income modifications referred to in paragraph (1)(A) are as follows:

"(A) section 103 (relating to interest on certain governmental obligations) shall not apply,

"(B) capital gains and losses for the sale or other disposition of property shall be taken into account only in an amount equal to any net short-term capital gain for the taxable year, and

"(C) there shall be taken into account—

"(i) amounts received or accrued as repayments of amounts which were taken into account as a qualifying distribution within the meaning of subsection (g)(1)(A) for any taxable year;

"(ii) notwithstanding subparagraph (B), amounts received or accrued from the sale or other disposition of property to the extent that the acquisition of such property was taken into account as a qualifying distribution (within the meaning of subsection (g)(1)(B)) for any taxable year; and

"(iii) any amount set aside under subsection (g)(2) to the extent it is determined that such amount is not necessary for the purposes for which it was set aside.

"(3) DEDUCTION MODIFICATIONS.—The deduction modifications referred to in paragraph (1)(B) are as follows:

"(A) no deduction shall be allowed other than all the ordinary and necessary expenses paid or incurred for the production or collection of gross income or for the management, conservation, or maintenance of property held for the production of such income and the allowances for depreciation and depletion determined under section 4940(c)(3)(B), and

"(B) section 265 (relating to expenses and interest relating to tax-exempt interest) shall not apply.

"(4) TRANSITIONAL RULE.—For purposes of paragraph (2)(B), the basis (for purposes of determining gain) of property held by a private foundation on December 31, 1969, and continuously thereafter to the date of its disposition, shall be deemed to be not less than the fair market value of such property on December 31, 1969.

"(g) QUALIFYING DISTRIBUTIONS DEFINED.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualifying distribution' means—

"(A) any amount (including administrative expenses) paid to accomplish one or more purposes described in section 170(c)(2)(B), other than any contribution to (i) an organization controlled (directly or indirectly) by the foundation or one or more disqualified persons (as defined in section 4946) with respect to the foundation, except as provided in paragraph (3), or (ii) a private foundation which is not an operating foundation (as defined in subsection (j)(3)), except as provided in paragraph (3), or

"(B) any amount paid to acquire an asset used (or held for use) directly in carrying out one or more purposes described in section 170(c)(2)(B).

"(2) CERTAIN SET-ASIDES.—Subject to such terms and conditions as may be prescribed by the Secretary or his delegate, an amount set aside for a specific project which comes within one or more purposes described in section 170(c)(2)(B) may be treated as a qualifying distribution, but only if, at the time of the set-aside, the private foundation establishes to the satisfaction of the Secretary or his delegate that—

"(A) the amount will be paid for the specific project within 5 years, and

"(B) the project is one which can be better accomplished by such set-aside than by immediate payment of funds.

For good cause shown, the period for paying the amount set aside may be extended by the Secretary or his delegate.

"(3) CERTAIN CONTRIBUTIONS TO SECTION 501(c)(3) ORGANIZATIONS.—For purposes of this section, the term 'qualifying distribution' includes a contribution to a section 501(c)(3) organization described in paragraph (1)(A)(i) or (ii) if—

"(A) not later than the close of the first taxable year after its taxable year in which such contribution is received, such organization makes a distribution equal to the amount of such contribution and such distribution is a qualifying distribution (within the meaning of paragraph (1) or (2), without regard to this paragraph) which is treated under subsection (h) as a distribution out of corpus (or would be so treated if such section 501(c)(3) organization were a private foundation which is not an operating foundation), and

"(B) the private foundation making the contribution obtains adequate records or other sufficient evidence from such organization showing that the qualifying distribution described in subparagraph (A) has been made by such organization.

"(h) TREATMENT OF QUALIFYING DISTRIBUTIONS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), any qualifying distribution made during a taxable year shall be treated as made—

"(A) first out of the undistributed income of the immediately preceding taxable year (if the private foundation was subject to the tax imposed by this section for such preceding taxable year) to the extent thereof,

"(B) second out of the undistributed income for the taxable year to the extent thereof, and

"(C) then out of corpus.

For purposes of this paragraph, distributions shall be taken into account in the order of time in which made.

"(2) CORRECTION OF DEFICIENT DISTRIBUTIONS FOR PRIOR TAXABLE YEARS, ETC.—In the case of any qualifying distribution which (under paragraph (1)) is not treated as made out of the undistributed income of the immediately preceding taxable year, the foundation may elect to treat any portion of such distribution as made out of the undistributed income of a designated prior taxable year or out of corpus. The election shall be made by the foundation at such time and in such manner as the Secretary or his delegate shall by regulations prescribe.

"(i) ADJUSTMENT OF DISTRIBUTABLE AMOUNT WHERE DISTRIBUTIONS DURING PRIOR YEARS HAVE EXCEEDED INCOME.—

"(1) IN GENERAL.—If, for the taxable years in the adjustment period for which an organization is a private foundation—

"(A) the aggregate qualifying distributions treated (under subsection (h)) as made out of the undistributed income for such taxable year or as made out of corpus (except to the extent subsection (g)(3) with respect to the recipient private foundation or section 170(b)(1)(E)(ii) applies) during such taxable years, exceed

"(B) the distributable amounts for such taxable years (determined without regard to this subsection),

then, for purposes of this section (other than subsection (h)), the distributable amount for the taxable year shall be reduced by an amount equal to such excess.

"(2) TAXABLE YEARS IN ADJUSTMENT PERIOD.—For purposes of paragraph (1), with respect to any taxable year of a private foundation the taxable years in the adjustment period are the taxable years (not exceeding 5) beginning after December 31, 1969, and immediately preceding the taxable year.

"(j) OTHER DEFINITIONS.—For purposes of this section—

"(1) TAXABLE PERIOD.—The term 'taxable period' means, with respect to the undistributed income for any taxable year, the period beginning with the first day of the taxable year and ending on the date of mailing of a notice of deficiency with respect to the tax imposed by subsection (a) under section 6212.

"(2) CORRECTION PERIOD.—The term 'correction period' means, with respect to any private foundation for any taxable year, the period beginning with the first day of the taxable year and ending 90 days after the date of mailing of a notice of deficiency (with respect to the tax imposed by subsection (b)) under section 6212, extended by—

"(A) any period in which a deficiency cannot be assessed under section 6213(a), and

"(B) any other period which the Secretary or his delegate determines is reasonable and necessary to permit a distribution of undistributed income under this section.

"(3) OPERATING FOUNDATION.—For purposes of this section, the term 'operating foundation' means any organization—

"(A) which makes qualifying distributions (within the meaning of paragraph (1) or (2) of subsection (g) directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated equal to substantially all of its adjusted net income (as defined in subsection (f)); and

"(B)(i) substantially more than half of the assets of which are devoted directly to such activities or to functionally related business (as defined in paragraph (5)), or to both, or are stock of a corporation which is controlled by the foundation and substantially all of the assets of which are so devoted.

"(ii) which normally makes qualifying distributions (within the meaning of paragraph (1) or (2) of subsection (g)) directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated in an amount not less than two-thirds of its minimum investment return (as defined in subsection (e)), or

"(iii) substantially all of the support (other than gross investment income as defined in section 509(e)) of which is normally received from the general public and from 5 or more exempt organizations which are not described in section 4946(a)(1)(H) with respect to each other or the recipient foundation; not more than 25 percent of the support (other than gross investment income) of which is normally received from any one such exempt organization; and not more than half of the support of which is normally received from gross investment income.

"(4) ALLOWABLE DISTRIBUTION PERIOD.—The term 'allowable distribution period' means, with respect to any private foundation, the period beginning with the first day of the first taxable year following the taxable year in which the incorrect valuation (described in subsection (a)(2)) occurred and ending 90 days after the date of mailing of a notice of deficiency (with respect to the tax imposed by subsection (a)) under section 6212 extended by—

"(A) any period in which a deficiency cannot be assessed under section 6213(a), and

"(B) any other period which the Secretary or his delegate determines is reasonable and necessary to permit a distribution of undistributed income under this section.

"(5) FUNCTIONALLY RELATED BUSINESS.—The term 'functionally related business' means—

"(A) a trade or business which is not an unrelated trade or business (as defined in section 513), or

"(B) an activity which is carried on within a larger aggregate of similar activities or within a larger complex of other endeavors which is related (aside from the need of the organization for income or funds or the use it makes of the profits derived) to the exempt purposes of the organization.

"SEC. 4943. TAXES OF EXCESS BUSINESS HOLDINGS.

"(a) INITIAL TAX.—

"(1) IMPOSITION.—There is hereby imposed on the excess business holdings of any private foundation in a business enterprise during any taxable year which ends during the taxable period a tax equal to 5 percent of the value of such holdings.

"(2) SPECIAL RULES.—The tax imposed by paragraph (1)—

"(A) shall be imposed on the last day of the taxable year, but

"(B) with respect to the private foundation's holdings in any business enterprise, shall be determined as of that day during the taxable year when the foundation's excess holdings in such enterprise were the greatest.

"(b) ADDITIONAL TAX.—In any case in which an initial tax is imposed under subsection (a) with respect to the holdings of a private foundation in any business enterprise, if, at the close of the correction period with respect to such holdings, the foundation still has excess business holdings in such enterprise, there is hereby imposed a tax equal to 200 percent of such excess business holdings.

"(c) EXCESS BUSINESS HOLDINGS.—For purposes of this section—

"(1) IN GENERAL.—The term 'excess business holdings' means, with respect to the holdings of any private foundation in any business enterprise, the amount of stock or other interest in the enterprise which the foundation would have to dispose of to a person other than a disqualified person in order for the remaining holidays of the foundation in such enterprise to be permitted holdings.

"(2) PERMITTED HOLDINGS IN A CORPORATION.—

"(A) IN GENERAL.—The permitted holdings of any private foundation in an incorporated business enterprise are—

"(i) 20 percent of the voting stock, reduced by

"(ii) the percentage of the voting stock owned by all disqualified persons.

In any case in which all disqualified persons together do not own more than 20 percent of the voting stock of an incorporated business enterprise, nonvoting stock held by the private foundation shall also be treated as permitted holdings.

"(B) 35 PERCENT RULE WHERE THIRD PERSON HAS EFFECTIVE CONTROLS OF ENTERPRISE.—If—

"(i) the private foundation and all disqualified persons together do not own more than 35 percent of the voting stock of an incorporated business enterprise, and

"(ii) it is established to the satisfaction of the Secretary or his delegate that effective control of the corporation is in one or more persons who are not disqualified persons with respect to the foundation,

then subparagraph (A) shall be applied by substituting 35 percent for 20 percent.

"(C) 2 PERCENT DE MINIMIS RULE.—A private foundation shall not be treated as having excess business holdings in any corporation in which it (together with all other private foundations which are described in section 4946(a)(1)(H)) owns not more than 2 percent of the voting stock and not more than 2 percent in value of all outstanding shares of all classes of stock.

"(3) PERMITTED HOLDINGS IN PARTNERSHIPS, ETC.—The permitted holdings of a private foundation in any business enterprise which is not incorporated shall be determined under regulations prescribed by the Secretary or his delegate. Such regulations shall be consistent in principle with paragraphs (2) and (4), except that—

"(A) in the case of a partnership or joint venture, 'profits interest' shall be substituted for 'voting stock', and 'capital interest' shall be substituted for 'nonvoting stock',

"(B) in the case of a proprietorship, there shall be no permitted holdings, and

"(C) in any other case, 'beneficial interest' shall be substituted for 'voting stock'.

"(4) PRESENT HOLDINGS.—

"(A)(i) In applying this section with respect to the holdings of any private foundation in a business enterprise, if such foundation and all disqualified persons together have holdings in such enterprise in excess of 20 percent of the voting stock on May 26, 1969, the percentage of such holdings shall be substituted for '20 percent,' and for '35 percent' (if the percentage of such holdings is greater than 35 percent), wherever it appears in paragraph 2, but in no event shall the percentage so substituted be more than 50 percent.

"(ii) If the percentage of the holdings of any private foundation and all disqualified persons together in a business enterprise (or if the percentage of the holdings of the private foundation in such enterprise) decreases for any reason, clause (i) and subparagraph (D) shall, except as provided in the next sentence, be applied for all periods after such decrease by substituting such decreased percentage for the percentage held on May 26, 1969, but in no event shall the percentage substituted be less than 20 percent. For purposes of this clause, any decrease in percentage holdings attributable to issuances of stock (or to issuances of stock coupled with redemptions of stock) shall be determined only as of the close of each taxable year of the private foundation unless the aggregate of the percentage decreases attributable to the issuances of stock (or such issuances and redemptions) during such taxable year equals or exceeds 1 percent.

"(iii) The percentage substituted under clause (i), and any percentage substituted under subparagraph (D), shall be applied both with respect to the voting stock and, separately, with respect to the value of all outstanding shares of all classes of stock.

"(iv) In the case of any merger, recapitalization, or other reorganization involving one or more business enterprises, the application of clauses (i), (ii), and (iii) shall be determined under regulations prescribed by the Secretary or his delegate.

"(B) Any interest in a business enterprise which a private foundation holds on May 26, 1969, if the private foundation on such date has excess business holdings, shall (while held by the foundation) be treated as held by a disqualified person (rather than by the private foundation)—

"(i) during the 20-year period beginning on such date, if the private foundation has more than a 95 percent voting stock interest on such date,

"(ii) except as provided in clause (i), during the 15-year period beginning on such date, if the foundation and all disqualified persons have more than a 75 percent voting stock interest (or more than a 75 percent profits or beneficial interest in the case of any unincorporated enterprise) on such date or more than a 75 percent interest in the value of all outstanding shares of all classes of stock (or more than a 75 percent capital interest in the case of a partnership or joint venture) on such date, or

"(iii) during the 10-year period beginning on such date, in any other case.

"(C) The 20-year, 15-year, and 10-year periods described in subparagraph (B) for the disposition of excess business holdings shall be suspended during the pendency of any judicial proceeding by the private foundation which is necessary to reform, or to excuse such foundation from compliance with, its governing instrument or any other instrument (as in effect on May 26, 1969) in order to allow disposition of such holdings.

"(D)(i) If, at any time during the second phase, all disqualified persons together have holdings in a business enterprise in excess of 2 percent of the voting stock of such enterprise, then subparagraph (A)(i) shall be applied by substituting for '50 percent' the following: '50 percent, of which not more than 25 percent shall be voting stock held by the private foundation'.

"(ii) If, immediately before the close of the second phase, clause (i) of this subparagraph did not apply with respect to a business enterprise, then for all periods after the close of the second phase subparagraph (A)(i) shall be applied by substituting for '50 percent' the following: '35 percent, or if at any time after the close of the second phase all disqualified persons together have had holdings in such enterprise which exceed 2 percent of the voting stock, 35 percent, of which not more than 25 percent shall be voting stock held by the private foundation'.

"(iii) For purposes of this subparagraph, the term 'second phase' means the 15-year period immediately following the 20-year, 15-year, or 10-year period described in subparagraph (B), whichever applies as modified by subparagraph (C).

"(E) Clause (ii) of subparagraph (B) shall not apply with respect to any business enterprise if before January 1, 1971, one or more individuals who are substantial contributors (or members of the family (within the meaning of section 4946(d)) of one of one or more substantial contributors) to the private foundation and who on May 26, 1969, held more than 15 percent of the voting stock of the enterprise elect, in such manner as the Secretary or his delegate may by regulations prescribe, not to have such clause (ii) apply with respect to such enterprise.

"(5) HOLDINGS ACQUIRED BY TRUST OR WILL.—Paragraph (4) (other than subparagraph (B)(i)) shall apply to any interest in a business enterprise which a private foundation acquires under the terms of a trust which was irrevocable on May 26, 1969, or under the terms of a will executed on or before such date, which are in effect on such

date and at all times thereafter, as if such interest were held on May 26, 1969, except that the 15-year and 10-year period prescribed in clauses (ii) and (iii) of paragraph (4)(B) shall commence with respect to such interest on the date of distribution under the trust or will in lieu of May 26, 1969.

"(6) 5-YEAR PERIOD TO DISPOSE OF GIFTS, BEQUESTS, ETC.—Except as provided in paragraph (5), if, after May 26, 1969, there is a change in the holdings in a business enterprise (other than by purchase by the private foundation or by a disqualified person) which causes the private foundation to have—

"(A) excess business holdings in such enterprise, the interest of the foundation in such enterprise (immediately after such change) shall (while held by the foundation) be treated as held by a disqualified person (rather than by the foundation) during the 5-year period beginning on the date of such change in holdings; or

"(B) an increase in excess business holdings in such enterprise (determined without regard to subparagraph (A)), subparagraph (A) shall apply, except that the excess holdings immediately preceding the increase therein shall not be treated, solely because of such increase, as held by a disqualified person (rather than by the foundation).

"(d) DEFINITIONS; SPECIAL RULES.—For purposes of this section—

"(1) BUSINESS HOLDINGS.—In computing the holdings of a private foundation, or a disqualified person (as defined in section 4946) with respect thereto, in any business enterprise, any stock or other interest owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries. The preceding sentence shall not apply with respect to an income or remainder interest of a private foundation in a trust described in section 4947(a)(2), but only if, in the case of property transferred in trust after May 26, 1969, such foundation holds only an income interest or only a remainder interest in such trust.

"(2) TAXABLE PERIOD.—The term 'taxable period' means, with respect to any excess business holdings of a private foundation in a business enterprise, the period beginning on the first day on which there are such excess holdings and ending on the date of mailing of a notice of deficiency with respect to the tax imposed by subsection (a) under section 6212 in respect of such holdings.

"(3) CORRECTION PERIOD.—The term 'correction period' means, with respect to excess business holdings of a private foundation in a business enterprise, the perod ending 90 days after the date of mailing of a notice of deficiency (with respect to the tax imposed by subsection (b)) under section 6212, extended by—

"(A) any period in which a deficiency cannot be assessed under section 6213(a), and

"(B) any other period which the Secretary or his delegate determines is reasonable and necessary to permit orderly disposition of such excess business holdings.

"(4) BUSINESS ENTERPRISE.—The term 'business enterprise' does not include—

"(A) a functionally related business (as defined in section 4942(j)(5)), or

"(B) a trade or business at least 95 percent of the gross income of which is derived from passive sources.

For purposes of subparagraph (B), gross income from passive sources includes the items excluded by section 512(b)(1), (2), (3), and (5), and income from the sale of goods (including charges or costs passed on at cost to purchasers of such goods or income received in settlement of a dispute concerning or in lieu of the exercise of the right to sell such goods) if the seller does not manufacture, produce, physically receive or deliver, negotiate sales of, or maintain inventories in such goods.

"SEC. 4944. TAXES ON INVESTMENTS WHICH JEOPARDIZE CHARITABLE PURPOSE.

"(a) INITIAL TAXES.—

"(1) ON THE PRIVATE FOUNDATION.—If a private foundation invests any amount in such a manner as to jeopardize the carrying out of any of its exempt purposes, there is hereby imposed on the making of such investment a tax equal to 5 percent of the amount so invested for each year (or part thereof) in the taxable period. The tax imposed by this paragraph shall be paid by the private foundation.

"(2) ON THE MANAGEMENT.—In any case in which a tax is imposed by paragraph (1), there is hereby imposed on the participation of any foundation manager in the making of the investment, knowing that it is jeopardizing the carrying out of any of the foundation's exempt purposes, a tax equal to 5 percent of the amount so invested for each year (or part thereof) in the taxable period, unless such participation is not willful and is due to reasonable cause. The tax imposed by this paragraph shall be paid by any foundation manager who participated in the making of the investment.

"(b) ADDITIONAL TAXES.—

"(1) ON THE FOUNDATION.—In any case in which an initial tax is imposed by subsection (a)(1) on the making of an investment and such investment is not removed from jeopardy within the correction period, there is hereby imposed a tax equal to 25 percent of the amount of the investment. The tax imposed by this paragraph shall be paid by the private foundation.

"(2) ON THE MANAGEMENT.—In any case in which an additional tax is imposed by paragraph (1), if a foundation manager refused to agree to part or all of the removal from jeopardy, there is hereby imposed a tax equal to 5 percent of the amount of the investment. The tax imposed by this paragraph shall be paid by any foundation manager who refused to agree to part or all of the removal from jeopardy.

"(c) EXCEPTION FOR PROGRAM-RELATED INVESTMENTS.—For purposes of this section, investments, the primary purpose of which is to accomplish one or more of the purposes described in section 170(c)(2)(B), and no significant purpose of which is the production of income or the appreciation of property, shall not be considered as investments which jeopardize the carrying out of exempt purposes.

"(d) SPECIAL RULES.—For purposes of subsections (a) and (b)—

"(1) JOINT AND SEVERAL LIABILITY.—If more than one person is liable under subsection (a)(2) or (b)(2) with respect to any one investment, all such persons shall be jointly and severally liable under such paragraph with respect to such investment.

"(2) LIMIT FOR MANAGEMENT.—With respect to any one investment, the maximum amount of the tax imposed by subsection (a)(2) shall not exceed $5,000, and the maximum amount of the tax imposed by subsection (b)(2) shall not exceed $10,000.

"(e) DEFINITIONS.—For purposes of this section—

"(1) TAXABLE PERIOD.—The term 'taxable period' means, with respect to any investment which jeopardizes the carrying out of exempt purposes, the period beginning with the date on which the amount is so invested and ending on whichever of the following is the earlier: (A) the date of mailing of a notice of deficiency with respect to the tax imposed by subsection (a)(1) under section 6212, or (B) the date on which the amount so invested is removed from jeopardy.

"(2) REMOVAL FROM JEOPARDY.—An investment which jeopardizes the carrying out of exempt purposes shall be considered to be removed from jeopardy when such investment is sold or otherwise disposed of, the proceeds of such sale or other disposition are not investments which jeopardize the carrying out of exempt purposes.

"(3) CORRECTION PERIOD.—The term 'correction period' means, with respect to any investment which jeopardizes the carrying out of exempt purposes, the period beginning with the date on which such investment is entered into and ending 90 days after the date of mailing of a notice of deficiency with respect to the tax imposed by subsection (b)(1) under section 6212, extended by—

"(A) any period in which a deficiency cannot be assessed under section 6213(a), and

"(B) any other period which the Secretary or his delegate determines is reasonable and necessary to bring about removal from jeopardy.

"SEC. 4945. TAXES ON TAXABLE EXPENDITURES

"(a) INITIAL TAXES.—

"(1) ON THE FOUNDATION.—There is hereby imposed on each taxable expenditure (as defined in subsection (d)) a tax equal to 10 percent of the amount thereof. The tax imposed by this paragraph shall be paid by the private foundation.

"(2) ON THE MANAGEMENT.—There is hereby imposed on the agreement of any foundation manager to the making of an expenditure, knowing that it is a taxable expenditure, a tax equal to 2½ percent of the amount thereof, unless such agreement is not willful and is due to reasonable cause. The tax imposed by this paragraph shall be paid by any foundation manager who agreed to the making of the expenditure.

"(b) ADDITIONAL TAXES.—

"(1) ON THE FOUNDATION.—In any case in which an initial tax is imposed by subsection (a)(1) on a taxable expenditure and such expenditure is not corrected within the correction period, there is hereby imposed a tax equal to 100 percent of the amount of the expenditure. The tax imposed by this paragraph shall be paid by the private foundation.

"(2) ON THE MANAGEMENT.—In any case in which an additional tax is imposed by paragraph (1), if a foundation manager refused to agree to part or all of the correction, there is hereby imposed a tax equal to 50 percent of the amount of the taxable expenditure. The tax imposed by this paragraph shall be paid by any foundation manager who refused to agree to part or all of the correction.

"(c) SPECIAL RULES.—For purposes of subsections (a) and (b)—

"(1) JOINT AND SEVERAL LIABILITY.—If more than one person is liable under subsection (a)(2) or (b)(2) with respect to the making of a taxable expenditure, all such persons shall be jointly and severally liable under such paragraph with respect to such expenditure.

"(2) LIMIT FOR MANAGEMENT.—With respect to any one taxable expenditure, the maximum amount of the tax imposed by subsection (a)(2) shall not exceed $5,000, and the maximum amount of the tax imposed by subsection (b)(2) shall not exceed $10,000.

"(d) TAXABLE EXPENDITURE.—For purposes of this section, the term 'taxable expenditure' means any amount paid or incurred by a private foundation—

"(1) to carry on propaganda, or otherwise to attempt, to influence legislation, within the meaning of subsection (e),

"(2) except as provided in subsection (f), to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive,

"(3) as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g),

"(4) as a grant to an organization (other than an organization described in paragraph (1), (2), or (3) of section 509(a)), unless the private foundation exercises expenditure responsibility with respect to such grant in accordance with subsection (h), or

"(5) for any purpose other than one specified in section 170(c)(2)(B).

"(e) ACTIVITIES WITHIN SUBSECTION (d)(1).—For purposes of subsection (d)(1), the term 'taxable expenditure' means any amount paid or incurred by a private foundation for—

"(1) any attempt to influence any legislation through an attempt to affect the opinion of the general public or any segment thereof, and

"(2) any attempt to influence legislation through communication with any member or employee of a legislative body, or with any other government official or employee who may participate in the formulation of the legislation (except technical advice or assistance provided to a governmental body or to a committee or other subdivision thereof in response to a written request by such body or subdivision, as the case may be),

other than through making available the results of nonpartisan analysis, study, or research. Paragraph (2) of this subsection shall not apply to any amount paid or incurred in connection with an appearance before, or communication to, any legislative body with respect to a possible decision of such body which might affect the existence of the private foundation, its powers and duties, its tax-exempt status, or the deduction of contributions to such foundation.

"(f) NONPARTISAN ACTIVITIES CARRIED ON BY CERTAIN ORGANIZATIONS.—Subsection (d)(2) shall not apply to any amount paid or incurred by any organization—

"(1) which is described in section 501(c)(3) and exempt from taxation under section 501(a),

"(2) the activities of which are nonpartisan, are not confined to one specific election period, and are carried on in 5 or more States,

"(3) substantially all of the income of which is expended directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated,

"(4) substantially all of the support (other than gross investment income as defined in section 509(e)) of which is received from exempt organizations, the general public, governmental units described in section 170(c)(1), or any combination of the foregoing; not more than 25 percent of such support is received from any one exempt organization (for this purpose treating private foundations which are described in section 4946(a)(1)(H) with respect to each other as one exempt organization); and not more than half of the support of which is received from gross investment income, and

"(5) contributions to which for voter registration drives are not subject to conditions that they may be used only in specified States, possessions of the United States, or political subdivisions or other areas of any of the foregoing, or the District of Columbia, or that they may be used in only one specific election period.

In determining whether the organization meets the requirements of paragraph (4) for any taxable year of such organization, there shall be taken into account the support received by such organization during such taxable year and during the immediately preceding 4 taxable years of such organization (excluding therefrom any preceding taxable year which begins before January 1, 1970).

Subsection (d)(4) shall not apply to any grant to an organization which meets the requirements of this subsection.

"(g) INDIVIDUAL GRANTS.—Subsection (d)(3) shall not apply to an individual grant awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance by the Secretary or his delegate, if it is demonstrated to the satisfaction of the Secretary or his delegate that—

"(1) the grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational institution described in section 151(e)(4),

"(2) the grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or

"(3) the purpose of the grant is to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

"(h) EXPENDITURE RESPONSIBILITY.—The expenditure responsibility referred to in subsection (d)(4) means that the private foundation is responsible to exert all reasonable efforts and to establish adequate procedures—

"(1) to see that the grant is spent solely for the purpose for which made,

"(2) to obtain full and complete reports from the grantee on how the funds are spent, and

"(3) to make full and detailed reports with respect to such expenditures to the Secretary or his delegate.

"(i) OTHER DEFINITIONS.—For purposes of this section—

"(1) CORRECTION.—The terms 'correction' and 'correct' means, with respect to any taxable expenditure, (A) recovering part or all the expenditure to the extent recovery is possible, and where full recovery is not possible such additional corrective action as is prescribed by the Secretary or his delegate by regulations, or (B) in the case of a failure to comply with subsection (h)(2) or (h)(3), obtaining or making the report in question.

"(2) CORRECTION PERIOD.—The term 'correction period' means, with respect to any taxable expenditure, the period beginning with the date on which the taxable expenditure occurs and ending 90 days after the date of mailing of a notice of deficiency with respect to the tax imposed by subsection (b)(1) under section 6212, extended by—

"(A) any period in which a deficiency cannot be assessed under section 6213(a), and

"(B) any other period which the Secretary or his delegate determines is reasonable and necessary to bring about correction of the taxable expenditure (except that such determination shall not be made with respect to any taxable expenditure within the meaning of paragraph (1), (2), (3), or (4) of subsection (d) because of any action by an appropriate State officer as defined in section 6104(c)(2)).

"SEC. 4946. DEFINITIONS AND SPECIAL RULES.

"(a) DISQUALIFIED PERSON.—

"(1) IN GENERAL.—For purposes of this chapter, the term 'disqualified person' means with respect to a private foundation, a person who is—

"(A) a substantial contributor to the foundation,

"(B) a foundation manager (within the meaning of subsection (b)(1)),

"(C) an owner of more than 20 percent of—

"(i) the total combined voting power of a corporation,

"(ii) the profits interest of a partnership, or

"(iii) the beneficial interest of a trust or unincorporated enterprise,

which is a substantial contributor to the foundation,

"(D) a member of the family (as defined in subsection (d)) of any individual described in subparagraph (A), (B), or (C),

"(E) a corporation of which persons described in subparagraph (A), (B), (C), or (D) own more than 35 percent of the total combined voting power,

"(F) a partnership in which persons described in subparagraph (A), (B), (C), or (D) own more than 35 percent of the profits interest,

"(G) a trust or estate in which persons described in subparagraph (A), (B), (C), or (D) hold more than 35 percent of the beneficial interest,

"(H) only for purposes of section 4943, a private foundation—

"(i) which is effectively controlled (directly or indirectly) by the same person or persons who control the private foundation in question, or

"(ii) substantially all of the contributions to which were made (directly or indirectly) by the same person or persons described in subparagraph (A), (B), or (C), or members of their families (within the meaning of subsection (d)), who made (directly or indirectly) substantially all of the contributions to the private foundation in question, and

"(I) only for purposes of section 4941, a government official (as defined in subsection (c)).

"(2) SUBSTANTIAL CONTRIBUTORS.—For purposes of paragraph (1), the term 'substantial contributor' means a person who is described in section 507(d)(2).

"(3) STOCKHOLDINGS.—For purposes of paragraphs (1)(C)(i) and (1)(E), there shall be taken into account indirect stockholdings which would be taken into account under section 267(c), except that, for purposes of this paragraph, section 267(c)(4) shall be treated as providing that the members of the family of an individual are the members within the meaning of subsection (d).

"(4) PARTNERSHIPS; TRUSTS.—For purposes of paragraphs (1)(C) (ii) and (iii), (1)(F), and (1)(G), the ownership of profits or beneficial interests shall be determined in accordance with the rules for constructive ownership of stock provided in section 267(c) (other than paragraph (3) thereof), except that section 267(c)(4) shall be treated as providing that the members of the family of an individual are the members within the meaning of subsection (d).

"(b) FOUNDATION MANAGER.—For purposes of this chapter, the term 'foundation manager' means, with respect to any private foundation—

"(1) an officer, director, or trustee of a foundation (or an individual having powers or responsibilities similar to those of officers, directors, or trustees of the foundation), and

"(2) with respect to any act (or failure to act), the employees of the foundation having authority or responsibility with respect to such act (or failure to act).

"(c) GOVERNMENT OFFICIAL.—For purposes of subsection (a)(1)(I) and section 4941, the term 'government official' means, with respect to an act of self-dealing described in section 4941, an individual who, at the time of such act, holds any of the following offices or positions (other than as a 'special Government employee', as defined in section 202(a) of title 18, United States Code):

"(1) an elective public office in the executive or legislative branch of the Government of the United States,

"(2) An office in the executive or judicial branch of the Government of the United States, appointment to which was made by the President,

"(3) a position in the executive, legislative, or judicial branch of the Government of the United States—

"(A) which is listed in schedule C of rule VI of the Civil Service Rules, or

"(B) the compensation for which is equal to or greater than the lowest rate of compensation prescribed for GS–16 of the General Schedule under section 5332 of title 5, United States Code,

"(4) a position under the House of Representatives or the Senate of the United States held by an individual receiving gross compensation at an annual rate of $15,000 or more,

"(5) an elective or appointive public office in the executive, legislative, or judicial branch of the government of a State, possession of the United States, or political subdivision, or other area of any of the foregoing, or of the District of Columbia, held by an individual receiving gross compensation at an annual rate of $15,000 or more, or

"(6) a position as personal or executive assistant or secretary to any of the foregoing.

"(d) MEMBERS OF FAMILY.—For purposes of subsection (a)(1), the family of any individual shall include only his spouse, ancestors, lineal descendants, and spouses of lineal descendants.

"SEC. 4947. APPLICATION OF TAXES TO CERTAIN NONEXEMPT TRUSTS.

"(a) APPLICATION TAX.—

"(1) CHARITABLE TRUSTS.—For purposes of part II of subchapter F of chapter 1 (other than section 508(a), (b), and (c)) and for purposes of this chapter, a trust which is not exempt from taxation under section 501(a), all of the unexpired interests in which are devoted to one or more of the purposes allowed in section 170(c)(2)(B), and for which a deduction was allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2) or 2522 (or the corresponding provisions of prior law), shall be treated as an organization, described in section 501(c)(3). For purposes of section 509(a)(3)(A), such a trust shall be treated as if organized on the day on which it first becomes subject to this paragraph.

"(2) SPLIT-INTEREST TRUSTS.—In the case of a trust which is not exempt from tax under section 501(a), not all of the unexpired interests in which are devoted to one or more of the purposes described in section 170(c)(2)(B), and which has amounts in trust for which a deduction was allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, section 507 (relating to termination of private foundation status), section 508(e) (relating to governing instruments) to the extent applicable to a trust described in this paragraph, section 4941 (relating to taxes on self-dealing), section 4943 (relating to taxes on excess business holdings) except as provided in subsection (b)(3), section 494 (relating to investments which jeopardize charitable purpose)except as provided in subsection (b)(3), and section 4945 (relating to taxes on taxable expenditures) shall apply as if such trust were a private foundation. This paragraph shall not apply with respect to—

"(A) any amounts payable under the terms of such trust to income beneficiaries, unless a deduction was allowed under section 170(f)(2)(B), 2055(e)(B), or 2522(c)(2)(B),

"(B) any amounts in trust other than amounts for which a deduction was allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if such other amounts are segregated from amounts for which no deduction was allowable, or

"(C) any amounts transferred in trust before May 27, 1969.

"(3) SEGREGATED AMOUNTS.—For purposes of paragraph (2)(B), a trust with respect to which amounts are segregated shall separately account for the various income, deduction, and other items properly atributable to each of such segregated amounts.

"(b) SPECIAL RULES.—

"(1) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section.

"(2) LIMIT TO SEGREGATED AMOUNTS.—If any amounts in the trust are segregated within the meaning of subsection (a)(2)(B) of this section, the value of the net assets for purposes of subsections (c)(2) and (g) of section 507 shall be limited to such segregated amounts.

"(3) SECTIONS 4943 AND 4944.—Sections 4943 and 4944 shall not apply to a trust which is described in subsection (a)(2) if—

"(A) all the income interest (and none of the remainder interest) of such trust is devoted solely to one or more of the purposes described in section 170(c)(2)(B), and all amounts in such trust for which a deduction was allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 have an aggregate value not more than 60 percent of the aggregate fair market value of all amounts in such trust, or

"(B) a deduction was allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for amounts payable under the terms of such trust to every remainder beneficiary but not to any income beneficiary.

"SEC. 4948. APPLICATION OF TAXES AND DENIAL OF EXEMPTION WITH RESPECT TO CERTAIN FOREIGN ORGANIZATIONS.

"(a) TAX ON INCOME OF CERTAIN FOREIGN ORGANIZATIONS.—In lieu of the tax imposed by section 4940, there is hereby imposed for each taxable year on the gross investment income (within the meaning of section 4940(c)(2)) derived from sources within the United States (within the meaning of section 861) by every foreign organization which is a private foundation for the taxable year a tax equal to 4 percent of such income.

"(b) CERTAIN SECTIONS INAPPLICABLE.—Section 507 (relating to termination of private foundation status), section 508 (relating to special rules with respect to section 501(c)(3) organizations), and this chapter (other than this section) shall not apply to any foreign organization which has received substantially all of its support (other than gross investment income) from sources outside the United States.

"(c) DENIAL OF EXEMPTION TO FOREIGN ORGANIZATIONS ENGAGED IN PROHIBITED TRANSACTIONS.—

"(1) GENERAL RULE.—A foreign organization described in subsection (b) shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction after December 31, 1969.

"(2) PROHIBITED TRANSACTIONS.—For purposes of this subsection, the term 'prohibited transaction' means any act or failure to act (other than with respect to section 4942(e) which would subject a foreign organization described in subsection (b), or a disqualified person (as defined in section 4946) with respect thereto, to liability for a penalty under section 6684 or a tax under section 507 if such foreign organization were a domestic organization.

"(3) TAXABLE YEARS AFFECTED.—

"(A) Except as provided in subparagraph (B), a foreign organization described in subsection (b) shall be denied exemption from taxation under section 501(a) by reason of paragraph (1) for all taxable years beginning with the taxable year during which it is notified by the Secretary or his delegate that it has engaged in a prohibited transaction. The Secretary or his delegate shall publish such notice in the Federal Register on the day on which he so notifies such foreign organization.

"(B) Under regulations prescribed by the Secretary or his delegate, any foreign organization described in subsection (b) which is denied exemption from taxation under section 501(a) by reason of paragraph (1) may, with respect to the second taxable year following the taxable year in which notice is given under subparagraph (A) (or any taxable year thereafter), file claim for exemption from taxation under section 501(a). If the Secretary or his delegate is satisfied that such organization will not knowingly again engage in a prohibited transaction, such organization shall not, with respect to taxable years beginning with the taxable year with respect to which such claim is filed, be denied exemption from taxation under section 501(a) by reason of any prohibited transaction which was engaged in before the date on which such notice was given under subparagraph (A).

"(4) DISALLOWANCE OF CERTAIN CHARITABLE DEDUCTIONS.—No gift or bequest shall be allowed as a deduction under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if made—

"(A) to a foreign organization described in subsection (b) after the date on which the Secretary or his delegate publishes notice under paragraph (3)(A) that he has notified such organization that it has engaged in a prohibited transaction, and

"(B) in a taxable year of such organization for which it is not exempt from taxation under section 501(a) by reason of paragraph (1)."

(c) ASSESSABLE PENALTIES FOR REPEATED, OR WILLFUL AND FLAGRANT, ACTS UNDER CHAPTER 42.—Subchapter B of chapter 68 (relating to assessable penalties) is amended by adding at the end thereof the following new section:

"SEC. 6684. ASSESSABLE PENALTIES WITH RESPECT TO LIABILITY FOR TAX UNDER CHAPTER 42.

"If any person becomes liable for tax under any section of chapter 42 (relating to private foundations) by reason of any act or failure to act which is not due to reasonable cause and either—

"(1) such person has theretofore been liable for tax under such chapter, or

"(2) such act or failure to act is both willful and flagrant,

then such person shall be liable for a penalty equal to the amount of such tax."

(d) INFORMATION RETURNS OF EXEMPT ORGANIZATION.—

(1) IN GENERAL.—Section 6033(a) (relating to information returns by exempt organizations) is amended to read as follows:

"(a) ORGANIZATIONS REQUIRED TO FILE.—

"(1) IN GENERAL.—Except as provided in paragraph (2), every organization exempt from taxation under section 501(a) shall file an annual return, stating specifically the items of gross income, receipts, and disbursements, and such other information for the purpose of carrying out the internal revenue laws as the Secretary or his delegate may by forms or regulations prescribe, and shall keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary or his delegate may from time to time prescribe; except that, in the discretion of the Secretary or his delegate, any organization described in section 401(a) may be relieved from stating in its return any information which is reported in returns filed by the employer which established such organization.

"(2) EXCEPTIONS FROM FILING.—

"(A) MANDATORY EXCEPTIONS.—Paragraph (1) shall not apply to—

"(i) churches, their integrated auxiliaries, and conventions or associations of churches,

"(ii) any organization (other than a private foundation, as defined in section 509

(a)) described in subparagraph (C), the gross receipts of which in each taxable year are normally not more than $5,000, or

"(iii) the exclusively religious activities of any religious order.

"(B) DISCRETIONARY EXCEPTIONS.—The Secretary or his delegate may relieve any organization required under paragraph (1) to file an information return from filing such a return where he determines that such filing is not necessary to the efficient administration of the internal revenue laws.

"(C) CERTAIN ORGANIZATIONS.—The organizations referred to in subparagraph (A) (ii) are—

"(i) a religious organization described in section 501(c)(3);

"(ii) an educational organization described in section 170(b)(1)(A)(ii);

"(iii) a charitable organization, or an organization for the prevention of cruelty to children or animals, described in section 501(c)(3), if such organization is supported, in whole or in part, by funds contributed by the United States or any State or political subdivision thereof, or is primarily supported by contributions of the general public;

"(iv) an organization described in section 501(c)(3), if such organization is operated, supervised, or controlled by or in connection with a religious organization described in clause (i);

"(v) an organization described in section 501(c)(8); and

"(vi) an organization described in section 501(c)(1), if such organization is a corporation wholly owned by the United States or any agency or instrumentality thereof, or a wholly-owned subsidiary of such a corporation."

(2) ADDITIONAL INFORMATION.—Section 6033(b) (relating to certain organizations described in section 501(c)(3)) is amended—

(A) by striking out in paragraph (3) "out of income",

(B) by striking out paragraphs (4), (5), (6), and (8), and by redesignating paragraph (7) as paragraph (4), and

(C) by adding after paragraph (4) (as redesignated) the following new paragraphs:

"(5) the total of the contributions and gifts received by it during the year, and the names and addresses of all substantial contributors,

"(6) the names and addresses of its foundation managers (within the meaning of section 4946(b)(1)) and highly compensated employees, and

"(7) the compensation and other payments made during the year to each individual described in paragraph (6)."

(3) ANNUAL REPORT.—Part III of subchapter A of chapter 61 (relating to information returns) is amended by adding after subpart C, the following new subpart:

"SUBPART D—INFORMATION CONCERNING PRIVATE FOUNDATIONS

"Sec. 6056. Annual reports by private foundations.

"SEC. 6056. ANNUAL REPORTS BY PRIVATE FOUNDATIONS.

"(a) GENERAL.—The foundation managers (within the meaning of section 4946(b)) of every organization which is a private foundation (within the meaning of section 509(a)) having at least $5,000 of assets at any time during a taxable year shall file an annual report as of the close of the taxable year at such time and in such manner as the Secretary or his delegate may by regulations prescribe.

"(b) CONTENTS.—The foundation managers of the private foundation shall set forth in the annual report required under subsection (a) the following information:

"(1) its gross income for the year,

"(2) its expenses attributable to such income and incurred within the year,

"(3) its disbursements (including administrative expenses) within the year.

"(4) a balance sheet showing its assets, liabilities, and net worth as of the beginning of the year,

"(5) an itemized statement of its securities and all other assets at the close of the years, showing both book and market value,

"(6) the total of the contributions and gifts received by it during the year,

"(7) an itemized list of all grants and contributions made or approved for future payment during the year, showing the amount of each such grant or contribution, the name and address of the recipient, any relationship between any individual recipient and the foundation's managers or substantial contributors, and a concise statement of the purpose of each such grant or contribution.

"(8) the address of the principal office of the foundation and (if different) of the place where its books and records are maintained,

"(9) the names and addresses of its foundation managers (within the meaning of section 4946(b)), and

"(10) a list of all persons described in paragraph (9) that are substantial contributors (within the meaning of section 507(d)(2)) or that own 10 percent or more of the stock of any corporation of which the foundation owns 10 percent or more of the stock, or corresponding interests in partnerships or other entities, in which the foundation has a 10 percent or greater interest.

"(c) FORM.—The annual report may be prepared in printed, typewritten, or any other legible form the foundation chooses. The Secretary or his delegate shall provide forms which may be used by a private foundation for purposes of the annual report.

"(d) SPECIAL RULES.—

"(1) The annual report required to be filed under this section is in addition to and not in lieu of the information required to be filed under section 6033 (relating to returns by exempt organizations) and shall be filed at the same time as such information.

"(2) A copy of the notice required by section 6104(d) (relating to public inspection of private foundations' annual reports), together with proof of publication thereof, shall be filed by the foundation managers together with the annual report.

"(3) The foundation managers shall furnish copies of the annual report required by this section to such State officials and other persons, at such times and under such conditions, as the Secretary or his delegate may by regulations prescribe."

(4) PENALTY FOR LATE FILING OF CERTAIN INFORMATION RETURNS.—Section 6652 (relating to failure to file certain information returns) is amended by relettering subsection (d) as subsection (e) and inserting immediately after subsection (c) the following new subsection:

"(d) RETURNS BY EXEMPT ORGANIZATIONS AND BY CERTAIN TRUSTS.—

"(1) PENALTY ON ORGANIZATION OR TRUST.—In the case of a failure to file a return required under section 6033 (relating to returns by exempt organizations), section 6034 (relating to returns by certain trusts), or section 6043(b) (relating to exempt organizations), on the date and in the manner prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause there shall be paid (on notice and demand by the Secretary or his delegate and in the same manner as tax) by the exempt organization or trust failing so to file, $10 for each day during which such failure continues, but the total amount imposed hereunder on any organization for failure to file any return shall not exceed $5,000.

"(2) MANAGERS.—The Secretary or his delegate may make written demand upon an organization failing to file under paragraph (1) specifying therein a reasonable future date by which such filing shall be made, and if such filing is not made on or before such date, and unless it is shown that failure so to file is due to reasonable cause, there shall be paid (on notice and demand by the Secretary or his delegate and in the same manner as tax) by the person failing so to file, $10 for each day after the expiration of the time specified in the written demand during which such failure continues, but the total amount imposed hereunder on all persons for such failure to file shall not exceed $5,000. If more than one person is liable under this paragraph for a failure to file, all such persons shall be jointly and severally liable with respect to such failure. The term 'person' as used herein means any officer, director, trustee, employee, member, or other individual who is under a duty to perform the act in respect of which the violation occurs.

"(3) ANNUAL REPORTS.—In the case of a failure to file a report required under section 6056 (relating to annual reports by private foundations) or to comply with the requirements of section 6104(d) (relating to public inspection of private foundations' annual reports), on the date and in the manner prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause, there shall be paid (on notice and demand by the Secretary or his delegate and in the same manner as tax) by the person failing so to file or meet the publicity requirement, $10 for each day during which such failure continues, but the total amount imposed hereunder on all such persons for such failure to file or comply with the requirements of section 6104(d) with regard to any one annual report shall not exceed $5,000. If more than one person is liable under this paragraph for a failure to file or comply with the requirements of section 6104(d), all such persons shall be jointly and severally liable with respect to such failure. The term 'person' as used herein means any officer, director, trustee, employee, member, or other individual who is under a duty to perform the act in respect of which the violation occurs."

(e) PUBLICITY OF INFORMATION REQUIRED BY CERTAIN EXEMPT ORGANIZATIONS.—

(1) NAMES AND ADDRESSES OF CONTRIBUTORS.—Section 6104 (relating to publicity of information required from certain exempt organizations and certain trusts) is amended by inserting at the end of subsection (b), the following sentence: "Nothing in this subsection shall authorize the Secretary or his delegate to disclose the name or address of any contributor to any organization or trust (other than a private foundation, as defined in section 509(a)) which is required to furnish such information."

(2) PUBLICATION TO STATE OFFICIALS.—Section 6104 is amended by adding after subsection (b) the following new subsection:

"(c) PUBLICATION TO STATE OFFICIALS.—

"(1) GENERAL RULE.—In the case of any organization which is described in section 501(c)(3) and exempt from taxation under section 501(a), or has applied under section 508(a) for recognition as an organization described in section 501(c)(3), the Secretary or his delegate at such times and in such manner as he may by regulations prescribe shall—

"(A) notify the appropriate State officer of a refusal to recognize such organization as an organization described in section 501(c)(3), or of the operation of such organization in a manner which does not meet, or no longer meets, the requirements of its exemption,

"(B) notify the appropriate State officer of the mailing of a notice of deficiency of tax

imposed under section 507 or chapter 42, and

"(C) at the request of such appropriate State officer, make available for inspection and copying such returns, filed statements, records, reports, and other information, relating to a determination under subparagraph (A) or (B) as are relevant to any determination under State law.

"(2) APPROPRIATE STATE OFFICER.—For purposes of this subsection, the term 'appropriate State officer' means the State attorney general, State tax officer, or any State official charged with overseeing organizations of the type described in section 501(c)(3)."

(3) ANNUAL REPORTS.—Section 6104 is amended by adding after subsection (c), as added by paragraph (2) of this subsection, the following new subsection:

"(d) PUBLIC INSPECTION OF PRIVATE FOUNDATIONS' ANNUAL REPORTS.—The annual report required to be filed under section 6056 (relating to annual reports by private foundations) shall be made available by the foundation managers for inspection at the principal office of the foundation during regular business hours by any citizen on request made within 180 days after the publication of notice of its availability. Such notice shall be published, not later than the day prescribed for filing such annual report (determined with regard to any extension of time for filing), in a newspaper having general circulation in the county in which the principal office of the private foundation is located. The notice shall state that the annual report of the private foundation is available at its principal office for inspection during regular business hours by any citizen who requests it within 180 days after the date of such publication, and shall state the address of the private foundation's principal office and the name of its principal manager."

(4) WILLFUL FAILURE TO PROVIDE INFORMATION REGARDING PRIVATE FOUNDATIONS.—Subchapter B of chapter 68 (relating to assessable penalties) is amended by adding after section 6684 (added by subsection (c) of this section) the following new section:

"SEC. 6685. ASSESSABLE PENALTIES WITH RESPECT TO PRIVATE FOUNDATION ANNUAL REPORTS.

"In addition to the penalties imposed by section 7207 (relating to fraudulent returns, statements, or other documents), any person who is required to file the report and the notice required under section 6056 (relating to annual reports by private foundations) or to comply with the requirements of section 6104(d) (relating to public inspection of private foundations' annual reports) and who fails so to file or comply, if such failure is willful, shall pay a penalty of $1,000 with respect to each such report or notice."

(5) Section 7207 (relating to fraudulent returns, statements, or other documents) is amended by striking out "section 6047 (b) or (c)" and inserting in lieu thereof "section 6047 (b) or (c), 6056, or 6104(d)".

(f) PETITION TO TAX COURT; DEFICIENCY PROCEDURES MADE APPLICABLE.—

(1) Section 6211(a) (relating to definition of a deficiency) is amended—

(A) by striking out "and gift taxes" and inserting in lieu thereof "gift, and excise taxes,",

(B) by striking out "subtitles A and B," and inserting in lieu thereof "subtitles A and B, and chapter 42," and

(C) by striking out "subtitles A or B" and inserting in lieu thereof "subtitle A or B or chapter 42".

(2) Section 6212(c)(1) (relating to further deficiency letters restricted) is amended by striking out "or" before "of estate tax" and by inserting after "the same decedent," the following: "of section 4940 tax for the same taxable year, or of chapter 42 tax (other than under section 4940) with respect to any act (or failure to act) to which such petition relates,".

(3) Section 6213 (relating to restrictions applicable to deficiencies; petition to Tax Court) is amended by relettering subsection (e) as subsection (f) and inserting immediately after subsection (d) the following new subsection:

"(e) SUSPENSION OF FILING PERIOD FOR CERTAIN CHAPTER 42 TAXES.—The running of the time prescribed by subsection (a) for filing a petition in the Tax Court with respect to the taxes imposed by section 4941 (relating to taxes on self-dealing), 4942 (relating to taxes on failure to distribute income), 4943 (relating to taxes on excess business holdings), 4944 (relating to investments which jeopardize charitable purpose), or 4945 (relating to taxes on taxable expenditures) shall be suspended for any period during which the Secretary or his delegate has extended the time allowed for making correction under section 4941(e)(4), 4942(j)(2), 4943(d)(3), 4944(e)(3), or 4945(h))(2)."

(g) LIMITATIONS ON ASSESSMENT AND COLLECTION.—

(1) Section 6501 is amended by adding at the end thereof the following new subsection:

"(n) SPECIAL RULE FOR CHAPTER 42 TAXES.—

"(1) IN GENERAL.—For purposes of any tax imposed by chapter 42 (other than section 4940), the return referred to in this section shall be the return filed by the private foundation for the year in which the act (or failure to act) giving rise to liability for such tax occurred. For purposes of section 4940, such return is the return filed by the private foundation for the taxable year for which the tax is imposed.

"(2) CERTAIN CONTRIBUTIONS TO SECTION 501(C)(3) ORGANIZATIONS.—In the case of a deficiency of tax of a private foundation making a contribution in the manner provided in section 4942(g)(3) (relating to certain contributions to section 501(c)(3) organziations) attributable to the failure of a section 501(c)(3) organization to make the distribution prescribed by section 4942(g)(3), such deficiency may be assessed at any time before the expiration of one year after the expiration of the period within which a deficiency may be assessed for the taxable year with respect to which the contribution was made."

(2) Section 6501(c) is amended by adding the following new paragraph at the end thereof:

"(7) TERMINATION OF PRIVATE FOUNDATION STATUS.—In the case of a tax on termination of private foundation status under section 507, such tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment at any time."

(3) Section 6501(e)(3) is amended by adding at the end thereof the following sentence: "In determining the amount of tax omitted on a return, there shall not be taken into account any amount of tax imposed by chapter 42 which is omitted from the return if the transaction giving rise to such tax is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the Secretary or his delegate of the existence and nature of such item."

(4) Section 6503 (relating to suspension of running of period of limitation) is amended by relettering subsection (h) as subsection (i) and inserting immediately after subsection (g) the following new subsection:

"(h) SUSPENSION PENDING CORRECTION.—The running of the periods of limitations provided in sections 6501 and 6502 on the making of assessments or the collection by levy or a proceeding in court in respect of any tax imposed by chapter 42 or section 507 shall be suspended for any period described in section 507(g)(2) or during which the Secretary or his delegate has extended the time for making correction under section 4941(e)(4), 4942(j)(2), 4943(d)(3), 4944(e)(3), or 4945(h)(2)."

(h) LIMITATIONS ON CREDITS OR REFUND.—Section 6511 (relating to limitations on credits or refunds) is amended by relettering subsection (f) as subsection (g) and inserting immediately after subsection (e) the following new subsection:

"(f) SPECIAL RULE FOR CHAPTER 42 TAXES.—For purposes of any tax imposed by chapter 42, the return referred to in subsection (a) shall be the return specified in section 6501(n)(1)."

(i) CIVIL ACTION FOR REFUND.—Section 7422 (relating to civil actions for refund) is amended by relettering subsection (g) as subsection (h) and by inserting immediately after subsection (f) the following new subsection:

"(g) SPECIAL RULES FOR CERTAIN EXCISE TAXES IMPOSED BY CHAPTER 42.—

"(1) RIGHT TO BRING ACTIONS.—With respect to any act (or failure to act) giving rise to liability under section 4941, 4942, 4943, 4944, or 4945, payment of the full amount of tax imposed under section 4941(a) (relating to initial taxes on self-dealing), section 4942(a) (relating to initial tax on failure to distribute income), section 4943(a) (relating to initial tax on excess business holdings), section 4944(a) (relating to initial taxes on investments which jeopardize charitable purpose), section 4945(a) (relating to initial taxes on taxable expenditures), section 4941(b) (relating to additional taxes on self-dealing), section 4942(b) (relating to additional tax on failure to distribute income), section 4943(b) (relating to additional tax on excess business holdings), section 4944(b) (relating to additional taxes on investments which jeopardize charitable purpose), or section 4945(b) (relating to additional taxes on taxable expenditures) shall constitute sufficient payment in order to maintain an action under this section with respect to such act (or failure to act).

"(2) LIMITATION ON SUIT FOR REFUND.—No suit may be maintained under this section for the credit or refund of any tax imposed under section 4941, 4942, 4943, 4944, or 4945 with respect to any act (or failure to act) giving rise to liability for tax under such sections, unless no other suit has been maintained for credit or refund of, and no petition has been filed in the Tax Court with respect to a deficiency in, any other tax imposed by such sections with respect to such act (or failure to act).

"(3) FINAL DETERMINATION OF ISSUES.—For purposes of this section, any suit for the credit or refund of any tax imposed under section 4941, 4942, 4943, 4944, or 4945 with respect to any act (or failure to act) giving rise to liability for tax under such sections, shall constitute a suit to determine all questions with respect to any other tax imposed with respect to such act (or failure to act) under such sections, and failure by the parties to such suit to bring any such question before the Court shall constitute a bar to such question."

(j) TECHNICAL CONFORMING, AND CLERICAL AMENDMENTS.—

(1) Section 101(b)(2)(B)(iii) (relating to nonforfeitable rights) is amended by striking out "section 503(b)(1), (2), or (3)" and inserting in lieu thereof "section 170(b)(1)(A)(ii) or (vi) or which is a religious organization (other than a trust)".

(2) Section 170(i) (relating to disallowance of deductions in certain cases) (as redesignated by section 201(a)(1)(A) of this Act) is amended—

(A) by striking out paragraph (1), and

(B) by striking out "(2) For disallowance"

and inserting in lieu thereof "For disallowance".

(3) Section 501(a) (relating to exemption from taxation) is amended by striking out "502, 503, or 504" and inserting in lieu thereof "502 or 503".

(4) Section 501(b) (relating to tax on unrelated business income) is amended to read as follows:

"(b) TAX ON UNRELATED BUSINESS INCOME AND CERTAIN OTHER ACTIVITIES.—An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in parts II and III of this subchapter, but (notwithstanding parts II and III of this subchapter) shall be considered and organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes."

(5) Section 501(c)(16) (relating to list of exempt organizations) is amended by striking out "part III" and inserting in lieu thereof "part IV".

(6) Section 501(e) (relating to cooperative hospital service organizations) is amended by striking out in the last sentence thereof "section 503(b)(5)." and inserting in lieu thereof "section 170(b)(1)(A)(iii).".

(7) Section 503(a)(1) (relating to general rule) is amended to read as follows:

"(1) GENERAL RULE.—

"(A) An organization described in section 501(c)(17) shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction after December 31, 1959.

"(B) An organization described in section 401(a) if it has engaged in a prohibited transaction after March 1, 1954."

(8) Section 503(a)(2) (relating to taxable years affected by denial of exemption) is amended by striking out "section 501(c)(3) or (17)" and inserting in lieu thereof "section 501(c)(17)"

(9) Section 503(d) (relating to future status of organizations denied exemption) is amended by striking out "section 501(c)(3) or (17)" and inserting in lieu thereof "section 501(c)(17)".

(10) Section 503(g) (relating to special rule for loans) is amended by striking out "subsection (c)(1)," and inserting in lieu thereof "subsection (b)(1),".

(11) Section 503(h) (relating to special rules relating to lending by section 401(a) and section 501(c)(17) trusts to certain persons) is amended—

(A) by striking out in the heading thereof "SPECIAL RULES RELATING TO LENDING BY SECTION 401(a) AND SECTION 501(c)(17) TRUSTS TO CERTAIN PERSONS.—", and inserting in lieu thereof "SPECIAL RULES.—",

(B) by striking out "subsection (c)(1)," and inserting in lieu thereof "subsection (b)(1),",

(C) by striking out "acquired by a trust described in section 401(a) or section 501(c)(17)", and

(D) by striking out in paragraph (3) "subsection (c)" and inserting in lieu thereof "subsection (b)".

(12) Section 503(i) (relating to loans with respect to which employers are prohibited from pledging certain assets) is amended—

(A) by striking out "Subsection (c)(1)" and inserting in lieu thereof "Subsection (b)(1)", and

(B) by striking out "subsection (h)" and inserting in lieu thereof "subsection (e)".

(13) Section 503(j)(1) (relating to prohibited transactions) is amended by striking out "subsection (c)" and inserting in lieu thereof "subsection (b)".

(14) Section 503 (relating to requirements of exemption) is amended by striking out subsections (b), (e), and (f) and by redesignating subsections (c), (d), (g), (h), (i), and (j) (as amended), as subsections (b), (c), (d), (e), (f), and (g), respectively.

(15) Section 504 (relating to denial of exemption) is repealed.

(16) Section 542(a)(2) (relating to stock ownership requirement) is amended—

(A) by striking out in the second sentence "section 503(b)" and inserting in lieu thereof "section 401(a), 501(c)(17), or 509(a)", and

(B) by amending the third sentence to read as follows: "The preceding sentence shall not apply in the case of an organization or trust organized or created before July 1, 1950, if at all times on or after July 1, 1950, and before the close of the taxable year such organization or trust has owned all of the common stock and at least 80 percent of the total number of shares of all other classes of stock of the corporation."

(17) Section 663(a)(2) (relating to charitable, etc., distributions) is amended by striking out "section 681" and inserting in lieu thereof "sections 508(d), 681, and 4948(c)(4)".

(18) Section 681 (b) and (c) (relating to operations of trusts and accumulated income) is repealed.

(19) Section 681(d) (relating to cross reference) is redesignated as subsection (b), and as so redesignated is amended by striking out "section 503(e)" and inserting in lieu thereof "sections 508(d) and 4948(c)(4)".

(20) Section 878 (relating to foreign educational, charitable, and certain other exempt organizations) is amended by—

(A) striking out "unrelated business income of", and

(B) striking out "trusts, see section 512(a)" and inserting in lieu thereof "organizations, see sections 512(a) and 4948".

(21) Section 884 (relating to cross references) is amended by striking out paragraph (1) and by redesignating paragraphs (2), (3), (4), (5), and (6) as paragraphs (1), (2), (3), (4), and (5), respectively.

(22) Section 1443 (relating to foreign tax-exempt organizations) is amended by—

(A) inserting "(a) INCOME SUBJECT TO SECTION 511.—" before "In the case of", and

(B) adding subsection (b) to read as follows:

"(b) INCOME SUBJECT TO SECTION 4948.—In the case of income of a foreign organization subject to the tax imposed by section 4948(a), this chapter shall apply, except that the deduction and withholding shall be at the rate of 4 percent and shall be subject to such conditions as may be provided under regulations prescribed by the Secretary or his delegate."

(23) Section 2039(c)(3) (relating to exemption of annuities under certain trusts and plans) is amended by striking out "section 503(b)(1), (2), or (3)," and inserting in lieu thereof "section 170(b)(1)(A)(ii) or (vi), or which is a religious organization (other than a trust),".

(24) Section 2517(a)(3) (relating to general rule for certain annuities under qualified plans) is amended by striking out "section 503(b)(1), (2), or (3)," and inserting in lieu thereof "section 170(b)(1)(A)(ii) or (vi), or which is a religious organization (other than a trust),".

(25) Section 4057(b) (relating to the definition of nonprofit educational organization) is amended by striking out "section 503(b)(2)" and inserting in lieu thereof "section 170(b)(1)(A)(ii)".

(26) Section 4221(d)(5) (relating to the definition of nonprofit educational organization) is amended by striking out "section 503(b)(2)" and inserting in lieu thereof "section 170(b)(1)(A)(ii)".

(27) Section 4253(h) (relating to nonprofit hospitals) is amended by striking out "section 503(b)(5)" and inserting in lieu thereof "section 170(b)(1)(A)(iii)".

(28) Section 4294(b) (relating to the definition of nonprofit educational organization) is amended by striking out "section 503(b)(2)" and inserting in lieu thereof "section 170(b)(1)(A)(ii)".

(29) Section 5214(a)(3)(A) (relating to purposes for withdrawal of distilled spirits from bonded premises free of tax or without payment of tax) is amended by striking out "section 503(b)(2)" and inserting in lieu thereof "section 170(b)(1)(A)(ii)".

(30) Section 6033(b)(4) (as redesignated by subsection (d)(2) of this section) (relating to certain balance sheet items on returns by exempt organizations) is amended by striking out "and" at the end thereof.

(31) Section 6033(c) (relating to cross reference) is amended by inserting the following at the end thereof:

"For reporting requirements as to certain liquidations, dissolutions, terminations, and contractions, see section 6043(b). For provisions relating to penalties for failure to file a return required by this section, see section 6652(d)."

(32) Section 6034 (relating to returns by certain trusts) is amended by striking out all of such section before paragraph (1) of subsection (a) and inserting in lieu thereof the following:

"SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION 4947(a) OR CLAIMING CHARITABLE DEDUCTIONS UNDER SECTION 642(c).

"(a) GENERAL RULE.—Every trust described in section 4947(a) or claiming a charitable, etc., deduction under section 642(c) for the taxable year shall furnish such information with respect to such taxable year as the Secretary or his delegate may by forms or regulations prescribe, including—".

(33) Section 6034(a)(1) (relating to returns by certain trusts) is amended by striking out "(showing separately the amount of such deduction which was paid out and the amount which was permanently set aside for charitable, etc., purposes during such year)".

(34) Section 6034 (relating to returns by certain trusts) is amended by adding the following new subsection at the end thereof:

"(c) CROSS REFERENCE.—

"For provisions relating to penalties for failure to file a return required by this section, see section 6652(d)."

(35) Section 6043 (relating to return regarding corporate dissolution or liquidation) is amended—

(A) by striking out the heading and inserting in lieu thereof "RETURNS REGARDING LIQUIDATION, DISSOLUTION, TERMINATION, OR CONTRACTION.",

(B) by striking out "Every corporation" and inserting in lieu thereof "(a) CORPORATIONS.—Every corporation", and

(C) by adding the following new subsections at the end thereof:

"(b) EXEMPT ORGANIZATIONS.—Every organization which for any of its last 5 taxable years preceding its liquidation, dissolution, termination, or substantial contraction was exempt from taxation under section 501(a) shall file such return and other information with respect to such liquidation, dissolution, termination, or substantial contraction as the Secretary or his delegate shall by forms or regulations prescribe; except that—

"(1) no return shall be required under this subsection from churches, their integrated auxiliaries, conventions or associations of churches, or any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than $5,000, and

"(2) the Secretary or his delegate may relieve any organization from such filing is not necessary to the efficient administration of the internal revenue laws or, with respect to an organization described in sec-

tion 401(a), where the employer who established such organization files such a return.

"(c) CROSS REFERENCE.—

"For provisions relating to penalties for failure to file a return required by subsection (b), see section 6652(d)."

(36) Section 6104(b) (relating to inspection of annual information returns) is amended by striking out "section 6033(b) and 6034," and inserting in lieu thereof "sections 6033, 6034, and 6056,".

(37) Section 6161(b) (relating to the amount determined as a deficiency when granting an extension of time) is amended—

(A) by striking out in paragraph (1) "chapter 1 or 12," and inserting in lieu thereof "chapter 1, 12, or 42,", and

(B) by striking out "chapter 1," the last time it appears and inserting in lieu thereof "chapter 1 or 42,".

(38) Section 6201(d) (relating to deficiency proceedings) is amended by striking out "and gift taxes", and inserting in lieu thereof "gift, and chapter 42 taxes".

(39) Section 6211(b)(2) (relating to the term "rebate") is amended by striking out "subtitles A or B" and inserting in lieu thereof "subtitle A or B or chapter 42".

(40) Section 6212(a) (relating to notice of deficiency) is amended by striking out "subtitles A or B" and inserting in lieu thereof "subtitle A or B or chapter 42".

(41) Section 6212(b)(1) (relating to address for notice of deficiency) is amended—

(A) by striking out in the title thereof "AND GIFT TAXES" and inserting in lieu thereof "AND GIFT TAXES AND TAXES IMPOSED BY CHAPTER 42",

(B) by striking out "subtitle A or chapter 12," and inserting in lieu thereof "subtitle A, chapter 12, or chapter 42," and

(C) by inserting "chapter 42," after "chapter 12," the last place it appears.

(42) Section 6213(a) (relating to restrictions applicable to deficiences; petition to Tax Court) is amended by inserting "or chapter 42" after "subtitle A or B".

(43) Section 6214 (relating to determination by the Tax Court) is amended by relettering subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

"(c) TAXES IMPOSED BY SECTION 507 OR CHAPTER 42.—The Tax Court, in redetermining a deficiency of any tax imposed by section 507 or chapter 42 for any period, act, or failure to act, shall consider such facts with relation to the taxes under chapter 42 for other periods, acts, or failures to act as may be necessary correctly to redetermine the amount of such deficiency, but in so doing shall have no jurisdiction to determine whether or not the taxes under chapter 42 for any other period, act, or failure to act have been overpaid or underpaid."

(44) Section 6214(d) (as relettered) is amended by inserting ", chapter 42", after "chapter".

(45) Section 6344(a)(1) (relating to certain cross references) is amended by inserting "and taxes imposed by chapter 42," after "gift taxes,".

(46) Section 6503(a)(1) (relating to issuance of statutory notice of deficiency) is amended by striking out "and gift taxes" and inserting in lieu thereof "gift and chapter 42 taxes".

(47) Section 6512(a) (relating to effect of petition to Tax Court) is amended—

(A) by striking out "and gift taxes" and inserting in lieu thereof "gift, and chapter 42 taxes", and

(B) by striking out "or of estate tax in respect of the taxable estate of the same decedent," and inserting in lieu thereof "of estate tax in respect of the taxable estate of the same decedent, or of tax imposed by chapter 42 with respect to any act (or failure to act) to which such petition relates,".

(48) Section 6512(b)(1) (relating to jurisdiction to determine overpayment determined by Tax Court) is amended by striking out "or of estate tax in respect of the taxable estate of the same decedent," and inserting in lieu thereof "of estate tax in respect of the taxable estate of the same decedent, or of tax imposed by chapter 42 with respect to any act (or failure to act) to which such petition relates,".

(49) Section 6601(d) (relating to suspension of interest in certain cases) is amended—

(A) by striking out in the title thereof "AND GIFT TAX CASES." and inserting in lieu thereof "GIFT, AND CHAPTER 42 TAX CASES.", and

(B) by striking out "and gift taxes" and inserting in lieu thereof "gift, and chapter 42 taxes".

(50) Section 6653(c)(1) (relating to definition of underpayment) is amended—

(A) by striging out in the heading thereof "AND GIFT TAXES." and inserting in lieu thereof "GIFT, AND CHAPTER 42 TAXES.", and

(B) by striking out "and gift taxes" the last time it appears and inserting in lieu thereof "gift, and chapter 42 taxes".

(51) Section 6659(b) (relating to procedure for assessing certain additions to tax) is amended by striking out "and gift taxes" and inserting in lieu thereof "gift, and chapter 42 taxes".

(52) Section 6676(b) (relating to deficiency procedures not to apply) is amended by striking out "and gift taxes" and inserting in lieu thereof "gift, and chapter 42 taxes".

(53) Section 6677(b) (relating to deficiency procedures not to apply) is amended by striking out "and gift taxes" and inserting in lieu thereof "gift, and chapter 42 taxes".

(54) Section 6679(b) (relating to deficiency procedures not to apply) is amended by striking out "and gift taxes" and inserting in lieu thereof "gift, and chapter 42 taxes".

(55) Section 6682(b) (relating to deficiency procedures not to apply) is amended by striking out "and gift taxes" and inserting in lieu thereof "gift, and chapter 42 taxes".

(56) Section 7422(e) (relating to stay of proceeding in civil actions for refund) is amended by striking out "or gift tax" the first time it appears and inserting in lieu thereof "gift tax, or tax imposed by chapter 42".

(57) Section 7454 (relating to burden of proof in fraud and transferee cases) is amended—

(A) by striking out "FRAUD AND TRANSFEREE CASES" and inserting in lieu thereof "FRAUD, FOUNDATION MANAGER, AND TRANSFEREE CASES",

(B) by redesignating subsection (b) as subsection (c), and

(C) by inserting after subsection (a) the following new subsection:

"(b) FOUNDATION MANAGERS.—In any proceeding involving the issue whether a foundation manager (as defined in section 4946(b)) has 'knowingly' participated in an act of self-dealing (within the meaning of section 4941), participated in an investment which jeopardizes the carrying out of exempt purposes (within the meaning of section 4944), or agreed to the making of a taxable expenditure (within the meaning of section 4945), the burden of proof in respect of such issue shall be upon the Secretary or his delegate."

(58) The table of parts for subchapter F of chapter 1 is amended to read as follows:

"SUBCHAPTER F.—EXEMPT ORGANIZATIONS

"Part I. General rule.
"Part II. Private foundations.
"Part III. Taxation of business income of certain exempt organizations.
"Part IV. Farmers' cooperatives.
"Part V. Shipowners' protection and indemnity association."

(59) The table of chapters for subtitle D is amended by adding at the end thereof the following new item:

"Chapter 42. Private foundations."

(60) The table of sections for subchapter B of chapter 68 is amended by adding at the end thereof the following new items:

"Sec. 6684. Repeated liability for tax under chapter 42.

"Sec. 6685. Assessable penalties with respect to private foundation annual reports."

(61) The table of sections for part I of subchapter F of chapter 1 is amended by striking out the item relating to section 504.

(62) The heading of subchapter B of chapter 63 is amended by striking out "AND GIFT TAXES" and inserting in lieu thereof "GIFT, AND CERTAIN EXCISE TAXES".

(63) The table of subchapters for chapter 63 is amended by striking out "and gift taxes" in the item relating to subchapter B and inserting in lieu thereof "gift, and certain excise taxes".

(64) The table of subparts for part III of subchapter A of chapter 61 is amended by adding at the end thereof the following new item:

"Subpart D. Information concerning private foundations."

(k) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection and subsection (l), the amendments made by this section shall take effect on January 1, 1970.

(2) PROVISIONS EFFECTIVE FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1969.—The following provisions shall apply to taxable years beginning after December 31, 1969:

(A) Sections 4940, 4942, 4943, and 4948 of the Internal Revenue Code of 1954 (as added by this section), and

(B) The amendments made by subsection (d) and paragraphs (3), (15), (16), (20), (21), (30), (31), (32), (33), (34), (35), and (61) of subsection (j).

(3) SECTIONS 508 (a), (b), AND (c).—Sections 508 (a), (b), and (c) of the Internal Revenue Code of 1954 (as added by this section) shall take effect on October 9, 1969.

(l) SAVINGS PROVISIONS.—

(1) REFERENCES TO INTERNAL REVENUE CODE PROVISIONS.—Except as otherwise expressly provided, references in the following paragraphs of this subsection are to sections of the Internal Revenue Code of 1954 as amended by this section.

(2) SECTION 4941.—Section 4941 shall not apply to—

(A) any transaction between a private foundation and a corporation which is a disqualified person (as defined in section 4946), pursuant to the terms of securities of such corporation in existence at the time acquired by the foundation, if such securities were acquired by the foundation before May 27, 1969;

(B) the sale, exchange, or other disposition of property which is owned by a private foundation on May 26, 1969 (or which is acquired by a private foundation under the terms of a trust which was irrevocable on May 26, 1969, or under the terms of a will executed on or before such date, which are in effect on such date and at all times thereafter), to a disqualified person, if such foundation is required to dispose of such property in order not to be liable for tax under section 4943 (relating to taxes on excess business holdings) applied, in the case of a disposition before January 1, 1975,

without taking section 4943(c)(4) into account and it receives in return an amount which equals or exceeds the fair market value of such property at the time of such disposition or at the time a contract for such disposition was previously executed in a transaction which would not constitute a prohibited transaction (within the meaning of section 503(b) or the corresponding provisions of prior law);

(C) the leasing of property or the lending of money or other extension of credit between a disqualified person and a private foundation pursuant to a binding contract in effect on October 9, 1969 (or pursuant to renewals of such a contract), until taxable years beginning after December 31, 1979, if such leasing or lending (or other extension of credit) remains at least as favorable as an arm's-length transaction with an unrelated party and if the execution of such contract was not at the time of such execution a prohibited transaction (within the meaning of section 503(b) or the corresponding provisions of prior law);

(D) the use of goods, services, or facilities which are shared by a private foundation and a disqualified person until taxable years beginning after December 31, 1979, if such use is pursuant to an arrangement in effect before October 9, 1969, and such arrangement was not a prohibited transaction (within the meaning of section 503(b) or the corresponding provisions of prior law) at the time it was made and would not be a prohibited transaction if such section continued to apply; and

(E) the use of property in which a private foundation and a disqualified person have a joint or common interest, if the interests of both in such property were acquired before October 9, 1969.

(3) SECTION 4942.—In the case of organizations organized before May 27, 1969, section 4942 shall—

(A) for all purposes other than the determination of the minimum investment return under section 4942(j)(3)(B)(ii), for taxable years beginning before January 1, 1972, apply without regard to section 4942(e) (relating to minimum investment return), and for taxable years beginning in 1972, 1973, and 1974, apply with an applicable percentage (as prescribed in section 4942(e)(3)) which does not exceed 4½ percent, 5 percent, and 5½ percent, respectively;

(B) not apply to an organization to the extent its income is required to be accumulated pursuant to the mandatory terms (as in effect on May 26, 1969, and at all times thereafter) of an instrument executed before May 27, 1969, with respect to the transfer of income producing property to such organization, except that section 4942 shall apply to such organization if the organization would have been denied exemption if section 504(a) had not been repealed by this Act, or would have had its deductions under section 642(c) limited if section 681(c) had not been repealed by this Act. In applying the preceding sentence, in addition to the limitations contained in section 504(a) or 681(c) before its repeal, section 504(a)(1) or 681(c)(1) shall be treated as not applying to an organization to the extent its income is required to be accumulated pursuant to the mandatory terms (as in effect on January 1, 1951, and at all times thereafter) of an instrument executed before January 1, 1951, with respect to the transfer of income producing property to such organization before such date, if such transfer was irrevocable on such date;

(C) apply to a grant to a private foundation described in section 4942(g)(1)(A)(ii) which is not described in section 4942(g)(1)(A)(i), pursuant to a written commitment which was binding on May 26, 1969, and at all times thereafter, as if such grant is a grant to an operating foundation (as defined in section 4942(j)(3)), if such grant is made for one or more of the purposes described in section 170(c)(2)(B) and is to be paid out to such private foundation on or before December 31, 1974;

(D) apply, for purposes of section 4942(f), in such a manner as to treat any distribution made to a private foundation in redemption of stock held by such private foundation in a business enterprise as not essentially equivalent to a dividend under section 302(b)(1) if such redemption is described in paragraph (2)(B) of this subsection; and

(E) not apply to an organization which is prohibited by its governing instrument or other instrument from distributing capital or corpus to the extent the requirements of section 4942 are inconsistent with such prohibition.

With respect to taxable years beginning after December 31, 1971, subparagraphs (B) and (E) shall apply only during the pendency of any judicial proceeding by the private foundation which is necessary to reform, or to excuse such foundation from compliance with, its governing instrument or any other instrument (as in effect on May 26, 1969) in order to comply with the provisions of section 4942, and in the case of subparagraph (B) for all periods after the termination of such judicial proceeding during which the governing instrument or any other instrument does not permit compliance with such provisions.

(4) SECTION 4943.—

(A) In the case of a private foundation—

(i) which was incorporated before January 1, 1951;

(ii) substantially all of the assets of which on May 26, 1969, consist of more than 90 percent of the stock of an incorporated business enterprise which is licensed and regulated, the sales or contracts of which are regulated, and the professional representatives of which are licensed, by State regulatory agencies in at least 10 States; and

(iii) which acquired such stock solely by gift, devise, or bequest,

section 4943(c)(4)(A)(i) shall be applied with respect to the holdings of such foundation in such incorporated business enterprise by substituting "51 percent" for "50 percent", and section 4943(c)(4)(D) shall not apply with respect to such holdings. For purposes of the preceding sentence, stock of such enterprise in a trust created before May 27, 1969, of which the foundation is the remainder beneficiary shall be deemd to be held by such foundation on May 26, 1969, if such foundation held (without regard to such trust) more than 20 percent of the stock of such enterprise on May 26, 1969.

(B) Subparagraph (A) shall apply to a private foundation only if—

(i) the foundation does not purchase any stock or other interest in the enterprise described in subparagraph (A) after May 26, 1969, and does not acquire any stock or other interest in any other business enterprise which constitutes excess business holdings under section 4943; and

(ii) in the last 5 taxable years ending on or before December 31, 1970, the foundation expends substantially all of its adjusted net income (as defined in section 4942(f)) for the purpose or function for which it is organized and operated.

(C) For purposes of section 4943(c)(6), the term "purchase" does not include an exchange which is described in paragraph (2)(B) of this subsection and which is pursuant to a plan for disposition of excess business holdings.

(5) SECTION 4945.—Section 4945 (d)(4) and (h) shall not apply to a grant which is described in paragraph (3)(C) of this subsection.

(6) SECTION 508(e).—Section 508(e) shall not apply to require inclusion in governing instruments of any provisions inconsistent with this subsection.

(7) SECTION 509(a).—In the case of any trust created under the terms of a will or a codicil to a will executed on or before March 30, 1924, by which the testator bequeathed all of the outstanding common stock of a corporation in trust, the income of which trust is to be used principally for the benefit of those from time to time employed by the corporation and their families, the trustees of which trust are elected or selected from among the employees of such corporation, and which trust does not own directly any stock in any other corporation, if the trust makes an irrevocable election under this paragraph within one year after the date of the enactment of this Act, such trust shall be treated as not being a private foundation for purposes of the Internal Revenue Code of 1954 but shall be treated for purposes of such Code as if it were not exempt from tax under section 501(a) for any taxable year beginning after the date of the enactment of this Act and before the date (if any) on which such trust has complied with the requirements of section 507 for termination of the status of an organization as a private foundation.

(8) CERTAIN REDEMPTIONS.—For purposes of applying section 302(b)(1) to the determination of the amount of gross investment income under sections 4940 and 4948(a), any distribution made to a private foundation in redemption of stock held by such private foundation in a business enterprise shall be treated as not essentially equivalent to a dividend, if such redemption is described in paragraph (2)(B) of this subsection.

SUBTITLE B—OTHER TAX EXEMPT ORGANIZATIONS

SEC. 121. TAX ON UNRELATED BUSINESS INCOME.

(a) ORGANIZATIONS SUBJECT TO TAX.—

(1) CORPORATE RATES.—Section 511(a)(2)(A) (relating to certain organizations subject to tax on unrelated business income at corporate rates) is amended to read as follows:

"(A) ORGANIZATIONS DESCRIBED IN SECTIONS 401(a) AND 501(c).—The taxes imposed by paragraph (1) shall apply in the case of any organization (other than a trust described in subsection (b) or an organization described in section 501(c)(1)) which is exempt, except as provided in this part or part II (relating to private foundations), from taxation under this subtitle by reason of section 501(a)."

(2) INDIVIDUAL RATES.—Section 511(b)(2) (relating to charitable, etc., trusts subject to tax on unrelated business income) is amended to read as follows:

"(2) CHARITABLE, ETC., TRUSTS SUBJECT TO TAX.—The tax imposed by paragraph (1) shall apply in the case of any trust which is exempt, except as provided in this part or part II (relating to private foundations), from taxation under this subtitle by reason of section 501(a) and which, if it were not for such exemption, would be subject to subchapter J (sec. 641 and following, relating to estate, trusts, beneficiaries, and decedents)."

(3) SECTION 501(c)(2) CORPORATIONS.—Section 511 (relating to tax on unrelated business income) is amended by striking out subsection (c) and inserting in lieu thereof the following new subsection:

"(c) SPECIAL RULE FOR SECTION 501(c)(2) CORPORATIONS.—If a corporation described in section 501(c)(2)—

"(1) pays any amount of its net income for a taxable year to an organization exempt from taxation under section 501(a) (or which would pay such an amount but for the fact that the expenses of collecting its income exceed its income), and

"(2) such corporation and such organization file a consolidated return for the taxable year,

such corporation shall be treated, for purposes of the tax imposed by subsection (a), as being organized and operated for the same purposes as such organization, in addition to the purposes described in section 501(c)(2)."

(4) CONFORMING AMENDMENT.—Section 1504 (relating to definitions for purposes of consolidated returns) is amended by adding at the end thereof the following new subsection:

"(e) INCLUDIBLE TAX-EXEMPT ORGANIZATIONS.—Despite the provisions of paragraph (1) of subsection (b), two or more organizations exempt from taxation under section 501, one or more of which is described in section 501(c)(2) and the others of which derive income from such 501(c)(2) organizations, shall be considered as includible corporations for the purpose of the application of subsection (a) to such organizations alone."

(b) DEFINITION OF UNRELATED BUSINESS TAXABLE INCOME.—

(1) IN GENERAL.—Section 512(a) (relating to definition of unrelated business taxable income) is amended to read as follows:

"(a) DEFINITION.—For purposes of this title—

"(1) GENERAL RULE.—Except as otherwise provided in this subsection, the term 'unrelated business taxable income' means the gross income derived by any organization from any unrelated trade or business (as defined in section 513) regularly carried on by it, less the deductions allowed by this chapter which are directly connected with the carrying on of such trade or business, both computed with the modifications provided in subsection(b).

"(2) SPECIAL RULE FOR FOREIGN ORGANIZATIONS.—In the case of an organization described in section 511 which is a foreign organization, the unrelated business taxable income shall be—

"(A) its unrelated business taxable income which is derived from sources within the United States and which is not effectively connected with the conduct of a trade or business within the United States, plus

"(B) its unrelated business taxable income which is effectively connected with the conduct of a trade or business within the United States.

"(3) SPECIAL RULES APPLICABLE TO ORGANIZATIONS DESCRIBED IN SECTION 501(C) (7) OR (9).—

"(A) GENERAL RULE.—In the case of an organization described in section 501(c) (7) or (9), the term 'unrelated business taxable income' means the gross income (excluding any exempt function income), less the deductions allowed by this chapter which are directly connected with the production of the gross income (excluding exempt function income), both computed with the modifications provided in paragraphs (6), (10), (11), and (12) of subsection (b).

"(B) EXEMPT FUNCTIONS INCOME.—For purposes of subparagraph (A), the term 'exempt function income' means the gross income from dues, fees, charges, or similar amounts paid by members of the organization as consideration for providing such members or their dependents or guests goods, facilities, or services in furtherance of the purposes constituting the basis for the exemption of the organization to which such income is paid. Such term also means all income (other than an amount equal to the gross income derived from any unrelated trade or business regularly carried on by such organization computed as if the organization were subject to paragraph(1)), which is set aside—

"(i) for a purpose specified in section 170(c)(4), or

"(ii) in the case of an organization described in section 501(c)(9), to provide for the payment of life, sick, accident, or other benefits,

including reasonable costs of administration directly connected with a purpose described in clause (i) or (ii). If during the taxable year, an amount which is attributable to income so set aside is used for a purpose other than that described in clause (i) or (ii), such amount shall be included, under subparagraph (A), in unrelated business taxable income for the taxable year.

"(C) APPLICABILITY TO CERTAIN CORPORATIONS DESCRIBED IN SECTION 501(c)(2).—In the case of a corporation described in section 501(c)(2), the income of which is payable to an organization described in section 501(c)(7) or (9), subparagraph (A) shall apply as if such corporation were the organization to which the income is payable. For purposes of the preceding sentence, such corporation shall be treated as having exempt function income for a taxable year only if it files a consolidated return with such organization for such year.

"(D) NON RECOGNITION OF GAIN.—If property used directly in the performance of the exempt function of an organization described in section 501(c) (7) or (9) is sold by such organization, and within a period beginning 1 year before the date of such sale and ending 3 years after such date, other property is purchased and used by such organization directly in the performance of its exempt function, gain (if any) from such sale shall be recognized only to the extent that such organization's sales price of the old property exceeds the organization's cost of purchasing the other property. For purposes of this subparagraph, the destruction in whole or in part, theft, seizure, requisition, or condemnation of property shall be treated as the sale of such property, and rules similar to the rules provided by subsections (b), (c), (e), and (j) of section 1034 shall apply."

(2) MODIFICATIONS.—

(A) RENTS AND DEBT-FINANCED PROPERTY.—Section 512(b)(3) (relating to modifications with respect to rents from real property) and section 512(b)(4) (relating to modifications with respect to business leases) are amended to read as follows: "(3) In the case of rents—

"(A) Except as provided in subparagraph (B), there shall be excluded—

"(i) all rents from real property (including property described in section 1245(a)(3)(C)), and

"(ii) all rents from personal property (including for purposes of this paragraph as personal property any property described in section 1245(a)(3)(B)) leased with such real property, if the rents attributable to such personal property are an incidental amount of the total rents received or accrued under the lease, determined at the time the personal property is placed in service.

"(B) Subparagraph (A) shall not apply—

"(i) if more than 50 percent of the total rent received or accrued under the lease is attributable to personal property described in subparagraph (A)(ii), or

"(ii) if the determination of the amount of such rent depends in whole or in part on the income or profits derived by any person from the property leased (other than an amount based on a fixed percentage or percentages of receipts or sales).

"(C) There shall be excluded all deductions directly connected with rents excluded under subparagraph (A).

"(4) Notwithstanding paragraph (1), (2), (3), or (5), in the case of debt-financed property (as defined in section 514) there shall be included, as an item of gross income derived from an unrelated trade or business, the amount ascertained under section 514(a)(1), and there shall be allowed, as a deduction, the amount ascertained under section 514(a)(2)."

(B) LIMIT ON SPECIFIC DEDUCTION.—Section 512(b)(12) (relating to allowance of specific deduction) is amended to read as follows:

"(12) Except for purposes of computing the net operating loss under section 172 and paragraph (6), there shall be allowed a specific deduction of $1,000. In the case of a diocese, province of a religious order, or a convention or association of churches, there shall also be allowed, with respect to each parish, individual church, district, or other local unit, a specific deduction equal to the lower of—

"(A) $1,000, or

"(B) the gross income derived from any unrelated trade or business regularly carried on by such local unit."

(C) SPECIAL RULES FOR CERTAIN ORGANIZATIONS.—Section 512(b) (relating to modifications in determining unrelated business taxable income) is further amended by adding at the end thereof the following:

"(15) Notwithstanding paragraphs (1), (2), or (3), amounts of interest, annuities, royalties, and rents derived from any organization (in this paragraph called the 'controlled organization') of which the organization deriving such amounts (in this paragraph called the 'controlling organization') has control (as defined in section 368(c)) shall be included as an item of gross income (whether or not the activity from which such amounts are derived represents a trade or business or is regularly carried on) in an amount which bears the same ratio as—

"(A)(i) in the case of a controlled organization which is not exempt from taxation under section 501(a), the excess of the amount of taxable income of the controlled organization over the amount of such organization's taxable income which if derived directly by the controlling organization would not be unrelated business taxable income, or

"(ii) in the case of a controlled organization which is exempt from taxation under section 501(a), the amount of unrelated business taxable income of the controlled orgnization, bears to

"(B) the taxable income of the controlled organization (determined in the case of a controlled organization to which subparagraph (A)(ii) applies as if it were not an organization exempt from taxation under section 501(a)), but not less than the amount determined in clause (i) or (ii), as the case may be, of subparagraph (A),

both amounts computed without regard to amounts paid directly or indirectly to the controlling organization. There shall be allowed all deductions directly connected with amounts included in gross income under the preceding sentence.

"(16) Except as provided in paragraph (4), in the case of a church, or convention or association of churches, for taxable years beginning before January 1, 1976, there shall be excluded all gross income derived from a trade or business and all deductions directly connected with the carrying on of such trade or business if such trade or business was carried on by such organization or its predecessor before May 27, 1969.

"(17) Except as provided in paragraph (4), in the case of a trade or business—

"(A) which consists of providing services under license issued by a Federal regulatory agency,

"(B) which is carried on by a religious order or by an educational institution (as defined in section 151(e)(4)) maintained by such religious order, and which was so carried on before May 27, 1959, and

"(C) less than 10 percent of the net income of which for each taxable year is used for activities which are not related to the purpose constituting the basis for the religious order's exemption,

there shall be excluded all gross income derived from such trade or business and all deductions directly connected with the carrying on of such trade or business, so long as it is established to the satisfaction of the Secretary or his delegate that the rates or other charges for such services are competitive with rates or other charges charged for similar services by persons not exempt from taxation."

(D) TECHNICAL AMENDMENT.—Section 512(b) (relating to exceptions, additions, and limitations in determining unrelated busi-

ness taxable income) is amended by striking out so much thereof as precedes paragraph (1) and inserting in lieu thereof the following:

"(b) MODIFICATIONS.—The modifications referred to in subsection (a) are the following:"

(3) RELATED AMENDMENT.—

(A) Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding at the end thereof the following new section:

"SEC. 277. DEDUCTIONS INCURRED BY CERTAIN MEMBERSHIP ORGANIZATIONS IN TRANSACTIONS WITH MEMBERS.

"(a) GENERAL RULE.—In the case of a social club or other membership organization which is operated primarily to furnish services or goods to members and which is not exempt from taxation, deductions for the taxable year attributable to furnishing services, insurance, goods, or other items of value to members shall be allowed only to the extent of income derived during such year from members or transactions with members (including income derived during such year from institutes and trade shows which are primarily for the education of members). If for any taxable year such deductions exceed such income, the excess shall be treated as a deduction attributable to furnishing services, insurance, goods, or other items of value to members paid or incurred in the succeeding taxable year.

"(b) EXCEPTIONS.—Subsection (a) shall not apply to any organization—

"(1) which for the taxable year is subject to taxation under subchapter H or L,

"(2) which has made an election before October 9, 1969, under section 456(c) or which is affiliated with such an organization, or

"(3) which for each day of any taxable year is a national securities exchange subject to regulation under the Securities Exchange Act of 1934 or a contract market subject to regulation under the Commodity Exchange Act."

(B) The table of sections for part IX of subchapter B of chapter 1 is amended by adding at the end thereof the following:

"Sec. 277. Deductions incurred by certain membership organizations in transactions with members."

(4) LOCAL EMPLOYEE ASSOCIATION.—Section 513(a)(2) (relating to exception to definition of unrelated trade or business) is amended by striking out "employees; or" and inserting in lieu thereof the following: "employees, or, in the case of a local association of employees described in section 501(c)(4) organized before May 27, 1969, which is the selling by the organization of items of work-related clothes and equipment and items normally sold through vending machines, through food dispensing facilities, or by snack bars, for the convenience of its members at their usual places of employment; or".

(5) VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATIONS AND CERTAIN FRATERNAL SOCIETIES.—

(A) IN GENERAL.—Section 501(c) (relating to list of exempt organizations) is amended by striking out paragraphs (9) and (10) and inserting in lieu thereof the following:

"(9) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries, if no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual.

"(10) Domestic fraternal societies, orders, or associations, operating under the lodge system—

"(A) the net earnings of which are devoted exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and

"(B) which do not provide for the payment of life, sick, accident, or other benefits."

(B) CONFORMING AMENDMENTS.—Section 801(b)(2) (relating to life insurance reserves) is amended—

(i) by inserting "and" at the end of subparagraph (A),

(ii) by striking out subparagraph (B), and

(iii) by redesignating subparagraph (C) and (B).

Section 810 (relating to rules for certain reserves) is amended by striking out subsection (e).

(6) CERTAIN FUNDED PENSION TRUSTS.—

(A) EXEMPTION FROM TAXATION.—Section 501(c) (relating to list of exempt organizations) is amended by adding at the end thereof the following new paragraph:

"(18) A trust or trusts created before June 25, 1959, forming part of a plan providing for the payment of benefits under a pension plan funded only by contributions of employees, if—

"(A) under the plan, it is impossible, at any time prior to the satisfaction of all liabilities with respect to employees under the plan, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of benefits under the plan,

"(B) such benefits are payable to employees under a classification which is set forth in the plan and which is found by the Secretary or his delegate not to be discriminatory in favor of employees who are officers, shareholders, persons whose principal duties consist of supervising the work of other employees, or highly compensated employees, and

"(C) such benefits do not discriminate in favor of employees who are officers, shareholders, persons whose principal duties consist of supervising the work of other employees, or highly compensated employees. A plan shall not be considered discriminatory within the meaning of this subparagraph merely because the benefits received under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan."

(B) CONFORMING AMENDMENTS.—

(i) Section 503(a)(1) as amended by section 101(j)(7) of this Act) is amended by inserting after subparagraph (B) thereof the following new paragraph:

"(C) An organization described in section 501(c)(18) shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction after December 31, 1969."

(ii) Section 503 (as so amended) is amended by striking out "(c)(17)" each place it appears therein and inserting in lieu thereof "(c)(17) or (18)".

(7) SPECIAL RULES FOR FEEDER ORGANIZATIONS.—Section 502 (relating to feeder organizations) is amended to read as follows:

"SEC. 502. FEEDER ORGANIZATIONS.

"(a) GENERAL RULE.—An organization operated for the primary purpose of carrying on a trade or business for profit shall not be exempt from taxation under section 501 and on the ground that all of its profits are payable to one or more organizations exempt from taxation under section 501.

"(b) SPECIAL RULE.—For purposes of this section, the term "trade or business" shall not include—

"(1) the deriving of rents which would be excluded under section 512(b)(3), if section 512 applied to the organization,

"(2) any trade or business in which substantially all the work in carrying on such trade or business is performed for the organization without compensation, or

"(3) any trade or business which is the selling of merchandise, substantially all of which has been received by the organization as gifts or contributions."

(c) ACTIVITIES INCLUDED AS UNRELATED TRADE OR BUSINESS.—Section 513 (relating to unrelated trade or business) is amended by striking out subsection (c) and inserting in lieu thereof the following new subsection:

"(c) ADVERTISING, ETC., ACTIVITIES.—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. Where an activity carried on for profit constitutes an unrelated trade or business, no part of such trade or business shall be excluded from such classification merely because it does not result in profit."

(d) UNRELATED DEBT-FINANCED INCOME.—

(1) IN GENERAL.—Section 514 (relating to business leases) is amended by striking out so much thereof as precedes subsection (b) and inserting in lieu thereof the following:

"SEC. 514. UNRELATED DEBT-FINANCED INCOME.

"(a) UNRELATED DEBT-FINANCED INCOME AND DEDUCTIONS.—In computing under section 512 the unrelated business taxable income for any taxable year—

"(1) PERCENTAGE OF INCOME TAKEN INTO ACCOUNT.—There shall be included with respect to each debt-financed property as an item of gross income derived from an unrelated trade or business an amount which is the same percentage (but not in excess of 100 percent) of the total gross income derived during the taxable year from or on account of such property as (A) the average acquisition indebtedness (as defined in subsection (c)(7)) for the taxable year with respect to the property is of (B) the average amount (determined under regulations prescribed by the Secretary or his delegate) of the adjusted basis of such property during the period it is held by the organization during such taxable year.

"(1) PERCENTAGE OF DEDUCTIONS TAKEN INTO ACCOUNT.—There shall be allowed as a deduction with respect to each debt-financed property an amount determined by applying (except as provided in the last sentence of this paragraph) the percentage derived under paragraph (1) to the sum determined under paragraph (3). The percentage derived under this paragraph shall not be applied with respect to the deduction of any capital loss resulting from the carryback or carryover of net capital losses under section 1212.

"(3) DEDUCTIONS ALLOWABLE.—The sum referred to in paragraph (2) is the sum of the deductions under this chapter which are directly connected with the debt-financed property or the income therefrom, except that if the debt-financed property is of a character which is subject to the allowance for depreciation provided in section 167, the allowance shall be computed only by use of the straight-line method.

"(b) DEFINITION OF DEBT-FINANCED PROPERTY.—

"(1) IN GENERAL.—For purposes of this section, the term 'debt-financed property' means any property which is held to produce income and with respect to which there is an acquisition indebtedness (as defined in subsection (c)) at any time during the taxable year (or, if the property was disposed of during the taxable year, with respect to which there was an acquisition indebtedness of any time during the 12-month period ending with the date of such disposition), except that such term does not include—

"(A)(i) any property substantially all the use of which is substantially related (aside from the need of the organization for income or funds) to the exercise or performance by such organization of its charitable, educational, or other purpose or function con-

stituting the basis for its exemption under section 501 (or, in the case of an organization described in section 511(a)(2)(B), to the exercise or performance of any purpose or function designated in section 501(c)(3)), or (ii) any property to which clause (i) does not apply, to the extent that its use is so substantially related:

"(B) except in the case of income excluded under section 512(b)(5), any property to the extent that the income from such property is taken into account in computing the gross income of any unrelated trade or business;

"(C) any property to the extent that the income from such property is excluded by reason of the provisions of paragraph (7), (8), or (9) of section 512(b) in computing the gross income of any unrelated trade or business; or

"(D) any property to the extent that it is used in any trade or business described in paragraph (1), (2), or (3) of section 513(a).

For purposes of subparagraph (A), substantially all the use of a property shall be considered to be substantially related to the exercise or performance by an organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501 if such property is real property subject to a lease to a medical clinic entered into primarily for purposes which are substantially related (aside from the need of such organization for income or funds or the use it makes of the rents derived) to the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501.

"(2) SPECIAL RULE FOR RELATED USES.—For purposes of applying paragraphs (1)(A), (C), and (D), the use of any property by an exempt organization which is related to an organization shall be treated as use by such organization.

"(3) SPECIAL RULES WHEN LAND IS ACQUIRED FOR EXEMPT USE WITHIN 10 YEARS.—

"(A) NEIGHBORHOOD LAND.—If an organization acquires real property for the principal purpose of using the land (commencing within 10 years of the time of acquisition) in the manner described in paragraph (1)(A) and at the time of acquisition the property is in the neighborhood of other property owned by the organization which is used in such manner, the real property acquired for such future use shall not be treated as debt-financed property so long as the organization does not abandon its intent to so use the land within the 10-year period. The preceding sentence shall not apply for any period after the expiration of the 10-year period, and shall apply after the first 5 years of the 10-year period only if the organization establishes to the satisfaction of the Secretary or his delegate that it is reasonably certain that the land will be used in the described manner before the expiration of the 10-year period.

"(B) OTHER CASES.—If the first sentence of subparagraph (A) is inapplicable only because—

"(i) the acquired land is not in the neighborhood referred to in subparagraph (A), or

"(ii) the organization (for the period after the first 5 years of the 10-year period) is unable to establish to the satisfaction of the Secretary or his delegate that it is reasonably certain that the land will be used in the manner described in paragraph (1)(A) before the expiration of the 10-year period,

but the land is converted to such use by the organization within the 10-year period, the real property (subject to the provisions of subparagraph (D)) shall not be treated as debt-financed property for any period before such conversion. For purposes of this subparagraph, land shall not be treated as used in the manner described in paragraph (1)(A) by reason of the use made of any structure which was on the land when acquired by the organization.

"(C) LIMITATIONS.—Subparagraphs (A) and (B)—

"(i) shall apply with respect to any structure on the land when acquired by the organization, or to the land occupied by the structure, only if (and so long as) the intended future use of the land in the manner described in paragraph (1)(A) requires that the structure be demolished or removed in order to use the land in such manner;

"(ii) shall not apply to structures erected on the land after the acquisition of the land; and

"(iii) shall not apply to property subject to a lease which is a business lease as (defined in subsection (f)).

"(D) REFUND OF TAXES WHEN SUBPARAGRAPH (B) APPLIES.—If an organization for any taxable year has not used land in the manner to satisfy the actual use condition of subparagraph (B) before the time prescribed by law (including extensions thereof) for filing the return for such taxable year, the tax for such year shall be computed without regard to the application of subparagraph (B), but if and when such use condition is satisfied, the provisions of subparagraph (B) shall then be applied to such taxable year. If the actual use condition of subpargarph (B) is satisfied for any taxable year after such time for filing the return, and if credit or refund of any overpayment for the taxable year resulting from the satisfaction of such use condition is prevented at the close of the taxable year in which the use condition is satisfied, by the operation of any law or rule of law (other than chapter 74, relating to closing agreements and compromises) credit or refund of such overpayment may nevertheless be allowed or made if claim therefor is filed before the expiration of 1 year after the close of the taxable year in which the use condition is satisfied. Interest on any overpayment for a taxable year resulting from the application of subparagraph (B) after the actual use condition is satisfied shall be allowed and paid at the rate of 4 percent per annum in lieu of 6 percent per annum.

"(E) SPECIAL RULE FOR CHURCHES.—In applying this paragraph to a church or convention or association of churches, in lieu of the 10-year period referred to in subparagraphs (A) and (B) a 15-year period shall be applied, and subparagraphs (A) and (B)(ii) shall apply whether or not the acquired land meets the neighborhood test.

"(c) ACQUISITION INDEBTEDNESS.—

"(1) GENERAL RULE.—For purposes of this section, the term 'acquisition indebtedness' means, with respect to any debt-financed property, the unpaid amount of—

"(A) the indebtedness incurred by the organization in acquiring or improving such property;

"(B) the indebtedness incurred before the acquisition or improvement of such property if such indebtedness would not have been incurred but for such acquisition or improvement; and

"(C) the indebtedness incurred after the acquisition or improvement of such property if such indebtedness would not have been incurred but for such acquisition or improvement and the incurrence of such indebtedness was reasonably foreseeable at the time of such acquisition or improvement,

except that in the case of any taxable year beginning before January 1, 1972, any indebtedness incurred before June 28, 1966, shall not be taken into account. In the case of an organization (other than a church or convention or association of churches) such indebtedness incurred before June 28, 1966, shall be taken into account if such indebtedness constitutes business lease indebtedness (as defined in subsection (g)).

"(2) PROPERTY ACQUIRED SUBJECT TO MORTGAGE, ETC.—For purposes of this subsection—

"(A) GENERAL RULE.—Where property (no matter how acquired) is acquired subject to a mortgage or other similar lien, the amount of the indebtedness secured by such mortgage or lien shall be considered as an indebtedness of the organization incurred in acquiring such property even though the organization did not assume or agree to pay such indebtedness.

"(B) EXCEPTIONS.—Where property subject to a mortgage is acquired by an organization by bequest or devise, the indebtedness secured by the mortgage shall not be treated as acquisition indebtedness during a period of 10 years following the date of the acquisition. If an organization acquires property by gift subject to a mortgage which was placed on the property more than 5 years before the gift, which property was held by the donor more than 5 years before the gift, the indebtedness secured by such mortgage shall not be treated as acquisition indebtedness during a period of 10 years following the date of such gift. This subparagraph shall not apply if the organization, in order to acquire the equity in the property by bequest, devise, or gift, assumes and agrees to pay the indebtedness secured by the mortgage, or if the organization makes any payment for the equity in the property owned by the decedent or the donor.

"(3) EXTENSION OF OBLIGATIONS.—For purposes of this section, an extension, renewal, or refinancing of an obligation evidencing a preexisting indebtedness shall not be treated as the creation of a new indebtedness.

"(4) INDEBTEDNESS INCURRED IN PERFORMING EXEMPT PURPOSE.—For purposes of this section, the term 'acquisition indebtedness' does not include indebtedness the incurrence of which is inherent in the performance or exercise of the purpose or function constituting the basis of the organization's exemption, such as the indebtedness incurred by a credit union described in section 501(c)(14) in accepting deposits from its members.

"(5) ANNUITIES.—For purposes of this section, the term 'acquisition indebtedness' does not include an obligation to pay an annuity which—

"(A) is the sole consideration (other than a mortgage to which paragraph (2)(B) applies) issued in exchange for property if, at the time of the exchange, the value of the annuity is less than 90 percent of the value of the property received in the exchange,

"(B) is payable over the life of one individual in being at the time the annuity is issued, or over the lives of two individuals in being at such time, and

"(C) is payable under a contract which—

"(i) does not guarantee a minimum amount of payments or specify a maximum amount of payments, and

"(ii) does not provide for any adjustments of the amount of the annuity payments by reference to the income received from the transferred property or any other property.

"(6) CERTAIN FEDERAL FINANCING.—For purposes of this section, the term 'acquisition indebtedness' does not include an obligation, to the extent that it is insured by the Federal Housing Administration, to finance the purchase, rehabilitation, or construction of housing for low and moderate income persons.

"(7) AVERAGE ACQUISITION INDEBTEDNESS.—For purposes of this section, the term 'average acquisition indebtedness' for any taxable year with respect to a debt-financed property means the average amount, determined under regulations prescribed by the Secretary or his delegate, of the acquisition indebtedness during the period the property is held by the organization during the taxable year, except that for the purpose of computing the percentage of any gain or loss to be taken into account on a sale or other dis-

position of debt-financed property, such term means the highest amount of the acquisition indebtedness with respect to such property during the 12-month period ending with the date of the sale or other disposition.

"(d) BASIS OF DEBT-FINANCED PROPERTY ACQUIRED IN CORPORATE LIQUIDATION.—For purposes of this subtitle, if the property was acquired in a complete or partial liquidation of a corporation in exchange of its stock, the basis of the property shall be the same as it would be in the hands of the transferor corporation, increased by the amount of gain recognized to the transferor corporation upon such distribution and by the amount of any gain to the organization which was included, on account of such distribution, in unrelated business taxable income under subsection (a).

"(e) ALLOCATION RULES.—Where debt-financed property is held for purposes described in subsection (b)(1) (A), (B), (C), or (D) as well as for other purposes, proper allocation shall be made with respect to basis, indebtedness, and income and deductions. The allocations required by this section shall be made in accordance with regulations prescribed by the Secretary or his delegate to the extent proper to carry out the purposes of this section."

(2) RELATED AMENDMENTS.—

(A) Section 48(a)(4) (relating to definition of section 38 property) is amended by adding at the end thereof the following new sentence: "If the property is debt-financed property (as defined in section 514(c)), the basis or cost of such property for purposes of computing qualified investment under section 46(c) shall include only that percentage of the basis or cost which is the same percentage as is used under section 514(b), for the year the property is placed in service, in computing the amount of gross income to be taken into account during such taxable year with respect to such property."

(B) The second sentence of section 681(a) (relating to limitation on charitable deduction of taxable trusts) is amended by striking out the words "certain leases" and inserting in lieu thereof "certain property acquired with borrrowed funds".

(C) Section 1443(a) (relating to withholding of tax on payments to foreign tax-exempt organizations) is amended by striking out "rents" and inserting in lieu thereof "income".

(3) TECHNICAL AND CONFORMING AMENDMENTS.—

(A) Subsections (b), (c), and (d) of section 514 (relating to business leases) are redesignated as subsections (f), (g), and (h), respectively.

(B) New subsection (f)(1) (old subsection (b)(1), relating to general rule for definition of business lease) is amended by striking out "subsection (c)" and inserting in lieu thereof "subsection (g)".

(C) The table of sections for part III of subchapter F of chapter 1 (as redesignated by section 101(a) of this Act) is amended by striking out—

"Sec. 514. Business leases."

and inserting in lieu thereof the following:

"Sec. 514. Unrelated deft-financed income."

(e) RETURNS.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 is amended by adding at the end thereof the following new section:

"SEC. 6050. RETURNS RELATING TO CERTAIN TRANSFERS TO EXEMPT ORGANIZATIONS.

"(a) GENERAL RULE.—On or before the 30th day after the transfer of income producing property, the transferor shall make a return in compliance with the provisions of subsection (b) if the transferee is known by the transferor to be an organization referred to in section 511(a) or (b) and the property (without regard to any lieu) has a fair market value in excess of $50,000.

"(b) FORM AND CONTENTS OF RETURNS.—The return required by subsection (a) shall be in such form and shall set forth, in respect of the transfer, such information as the Secretary or his delegate prescribes by regulations as necessary for carrying out the provisions of the income tax laws."

(2) TECHNICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by adding at the end thereof the following:

"Sec. 6050. Returns relating to certain transfers to exempt organizations."

(f) RESTRICTIONS ON EXAMINATION OF CHURCHES.—Section 7605 (relating to time and place of examination) is amended by adding at the end thereof the following new subsection:

"(c) RESTRICTION ON EXAMINATION OF CHURCHES.—No examination of the books of account of a church or convention or association of churches shall be made to determine whether such organization may be engaged in the carrying on of an unrelated trade or business or may be otherwise engaged in activities which may be subject to tax under part III of subchapter F of chapter 1 of this title (sec. 511 and following, relating to taxation of business income of exempt organizations) unless the Secretary or his delegate (such officer being no lower than a principal internal revenue officer for internal revenue region) believes that such organization may be so engaged and so notifies the organization in advance of the examination. No examination of the religious activities of such an organization shall be made except to the extent necessary to determine whether such organization is a church, or a convention or association of churches, and no examination of the books of account of such an organization shall be made other than to the extent necessary to determine the amount of tax imposed by this title."

(g) EFFECTIVE DATES.—The amendments made by this section (other than by subsections (b)(3) and (e)) shall apply to taxable years beginning after December 31, 7969. The amendments made by subsection (b)(3) shall apply to taxable years beginning after December 31, 1970. The amendments made by subsection (e) shall apply with respect to transfers of property after December 31, 1969. Where an organization makes a bargain purchase of property before October 9, 1969, which is subject to a mortgage which was placed on the property more than 5 years before the purchase, and the organization paid the seller a total amount no greater than the amount of the seller's costs (including attorneys' fees) directly related to the transfer of such property to the organization (but in any event no more than 10 percent of the value of the seller's equity in the property), the indebtedness secured by such mortgage shall not be treated, notwithstanding the amendments made by subsection (d)(1), as acquisition indebtedness for purposes of section 514(c)(1) of the Internal Revenue Code of 1954 during a period of 10 years following the date of the transaction.

TITLE II—INDIVIDUAL DEDUCTIONS

SUBTITLE A—CHARITABLE CONTRIBUTIONS

SEC. 201. CHARITABLE CONTRIBUTIONS.

(a) LIMITATIONS AND SPECIAL RULES.—

(1) IN GENERAL.—Section 170 (relating to charitable, etc., contributions and gifts) is amended—

(A) by redesignating subsections (h) and (i) as (i) and (j), respectively, and by redesignating subsection (d) as (h), and

(B) by striking out subsections (a), (b), (c), (e), and (f) and inserting in lieu thereof the following:

"(a) ALLOWANCE OF DEDUCTION.—

"(1) GENERAL RULE.—There shall be allowed as a deduction any charitable contribution (as defined in subsection (c)) payment of which is made within the taxable year. A charitable contribution shall be allowable as a deduction only if verified under regulations prescribed by the Secretary or his delegate.

"(2) CORPORATIONS ON ACCRUAL BASIS.—In the case of a corporation reporting its taxable income on the accrual basis, if—

"(A) the board of directors authorizes a charitable contribution during any taxable year, and

"(B) payment of such contribution is made after the close of such taxable year and on or before the 15th day of the third month following the close of such taxable year,

then the taxpayer may elect to treat such contribution as paid during such taxable year. The election may be made only at the time of the filing of the return for such taxable year, and shall be signified in such manner as the Secretary or his delegate shall by regulations prescribe.

"(3) FUTURE INTERESTS IN TANGIBLE PERSONAL PROPERTY.—For purposes of this section, payment of a charitable contribution which consists of a future interest in tangible personal property shall be treated as made only when all intervening interests in, and rights to the actual possession or enjoyment of, the property have expired or are held by persons other than the taxpayer or those standing in a relationship to the taxpayer described in section 267(b). For purposes of the preceding sentence, a fixture which is intended to be severed from the real property shall be treated as tangible personal property.

"(b) PERCENTAGE LIMITATIONS.—

"(1) INDIVIDUALS.—In the case of an individual, the deduction provided in subsection (a) shall be limited as provided in the succeeding subparagraphs.

"(A) GENERAL RULE.—Any charitable contribution to—

"(i) a church or a convention or association of churches,

"(ii) an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on,

"(iii) an organization the principal purpose or functions of which are the providing of medical or hospital care or medical education or medical research, if the organization is a hospital, or if the organization is a medical research organization directly engaged in the continuous active conduct of medical research in conjunction with a hospital, and during the calendar year in which the contribution is made such organization is committed to spend such contributions for such research before January 1 of the fifth calendar year which begins after the date such contribution is made,

"(iv) an organization which normally receives a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501(a)) from the United States or any State or political subdivision thereof or from direct or indirect contributions from the general public, and which is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of a college or university which is an organization referred to in clause (ii) of this subparagraph and which is an agency or instrumentality of a State or political subdivision thereof, or which is owned or operated by a State or political subdivision thereof or by an agency or instrumentality of one or more States or political subdivisions,

"(v) a governmental unit referred to in subsection (c)(1),

"(vi) an organization referred to in subsection (c)(2) which normally receives a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501(a)) from a governmental unit referred to in subsection (c)(1) or from direct or indirect contributions from the general public,

"(vii) a private foundation described in subparagraph (E), or

"(viii) an organization described in section 509(a)(2) or (3),

shall be allowed to the extent that the aggregate of such contributions does not exceed 50 percent of the taxpayer's contribution base for the taxable year.

"(B) OTHER CONTRIBUTIONS.—Any charitable contribution other than a charitable contribution to which subparagraph (A) applies shall be allowed to the extent that the aggregate of such contributions does not exceed the lesser of—

"(i) 20 percent of the taxpayer's contribution base for the taxable year, or

"(ii) the excess of 50 percent of the taxpayer's contribution base for the taxable year over the amount of charitable contributions allowable under subparagraph (A) (determined without regard to subparagraph (D)).

"(C) UNLIMITED DEDUCTION FOR CERTAIN INDIVIDUALS.—Subject to the provisions of subsections (f)(6) and (g), the limitations in subparagraphs (A), (B), and (D), and the provisions of subsection (e)(1)(B), shall not apply, in the case of an individual for a taxable year beginning before January 1, 1975, if in such taxable year and in 8 of the 10 preceding taxable years, the amount of the charitable contributions, plus the amount of income tax (determined without regard to chapter 2, relating to tax on self-employment income) paid during such year in respect of such year or preceding taxable years, exceeds the transitional deduction percentage (determined under subsection (f)(6)) of the taxpayer's taxable income for such year, computed without regard to—

"(i) this section,

"(ii) section 151 (allowance of deductions for personal exemption), and

"(iii) any net operating loss carryback to the taxable year under section 172.

In lieu of the amount of income tax paid during any such year, there may be substituted for that year the amount of income tax paid in respect of such year, provided that any amount so included in the year in respect of which payment was made shall not be included in any other year.

"(D) SPECIAL LIMITATION WITH RESPECT TO CONTRIBUTIONS OF CERTAIN CAPITAL GAIN PROPERTY.—

"(i) In the case of charitable contributions of capital gain property to which subsection (e)(1)(B) does not apply, the total amount of contributions of such property which may be taken into account under subsection (a) for any taxable year shall not exceed 30 percent of the taxpayer's contribution base for such year. For purposes of this subsection, contributions of capital gain property to which this paragraph applies shall be taken into account after all other charitable contributions.

"(ii) If charitable contributions described in subparagraph (A) of capital gain property to which clause (i) applies exceeds 30 percent of the taxpayer's contribution base for any taxable year, such excess shall be treated, in a manner consistent with the rules of subsection (d)(1), as a charitable contribution of capital gain property to which clause (i) applies in each of the 5 succeeding taxable years in order of time.

"(iii) At the election of the taxpayer (made at such time and in such manner as the Secretary or his delegate prescribes by regulations), subsection (e)(1) shall apply to all contributions of capital gain property (to which subsection (e)(1)(B) does not otherwise apply) made by the taxpayer during the taxable year. If such an election is made, clauses (i) and (ii) shall not apply to contributions of capital gain property made during the taxable year, and, in applying subsection (d)(1) for such taxable year with respect to contributions of capital gain property made in any prior contribution year for which an election was not made under this clause, such contributions shall be reduced as if subsection (e)(1) had applied to such contributions in the year in which made.

"(iv) For purposes of this subparagraph, the term 'capital gain property' means, with respect to any contribution, any capital asset the sale of which at its fair market value at the time of the contribution would have resulted in gain which would have been long-term capital gain. For purpoess of the preceding sentence, any property which is property used in the trade or business (as defined in section 1231(b)) shall be treated as a capital asset.

"(E) CERTAIN PRIVATE FOUNDATIONS.—The private foundations referred to in subparagraph (A)(vii) and subsection (e)(1)(B) are—

"(i) a private operating foundation (as defined in section 4942(j)(3)),

"(ii) any other private foundation (as defined in section 509(a)) which, not later than the 15th day of the third month after the close of the foundation's taxable year in which contributions are received, makes qualifying distributions (as defined in section 4942(g), without regard to paragraph (3) thereof), which are treated, after the application of section 4942(g)(3), as distributions out of corpus (in accordance with section 4942(h)) in an amount equal to 100 percent of such contributions, and with respect to which the taxpayer obtains adequate records or other sufficient evidence from the foundation showing that the foundation made such qualifying distributions, and

"(iii) a private foundation all of the contributions to which are pooled in a common fund and which would be described in section 509(a)(3) but for the right of any substantial contributor (hereafter in this clause called 'donor') or his spouse to designate annually the recipients, from among organizations described in paragraph (1) of section 509(a), of the income attributable to the donor's contribution to the fund and to direct (by deed or by will) the payment, to an organization described in such paragraph (1), of the corpus in the common fund attributable to the donor's contribution; but this clause shall apply only if all of the income of the common fund is required to be (and is) distributed to one or more organizations described in such paragraph (1) not later than the 15th day of the third month after the close of the taxable year in which the income is realized by the fund and only if all of the corpus attributable to any donor's contribution to the fund is required to be (and is) distributed to one or more of such organizations not later than one year after his death or after the death of his surviving spouse if she has the right to designate the recipients of such corpus.

"(F) CONTRIBUTION BASE DEFINED.—For purposes of this section, the term 'contribution base' means adjusted gross income (computed without regard to any net operating loss carryback to the taxable year under section 172).

"(2) CORPORATIONS.—In the case of a corporation, the total deductions under subsection (a) for any taxable year shall not exceed 5 percent of the taxpayer's taxable income computed without regard to—

"(A) this section,

"(B) part VIII (except section 248),

"(C) any net operating loss carryback to the taxable year under section 172,

"(D) section 922 (special deduction for Western Hemisphere trade corporations), and

"(E) any capital loss carryback to the taxable year under section 1212(a)(1).

"(c) CHARITABLE CONTRIBUTION DEFINED.—For purposes of this section, the term 'charitable contribution' means a contribution or gift to or for the use of—

"(1) A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

"(2) A corporation, trust, or community chest, fund, or foundation—

"(A) created or organized in the United States or in any possession thereof, or under the law of the United States, any State, the District of Columbia, or any possession of the United States;

"(B) organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals;

"(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual; and

"(D) no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

A contribution or gift by a corporation to a trust, chest, fund, or foundation shall be deductible by reason of this paragraph only if it is to be used within the United States or any of its possessions exclusively for purposes specified in subparagraph (B).

"(3) A post or organization of war veterans, or an auxiliary unit or society of, or trust or foundation for, any such post or organization—

"(A) organized in the United States or any of its possessions, and

"(B) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

"(4) In the case of a contribution or gift by an individual, a domestic fraternal society, order, or association, operating under the lodge system, but only if such contribution or gift is to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

"(5) A cemetery company owned and operated exclusively for the benefit of its members, or any corporation chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose, if such company or corporation is not operated for profit and no part of the net earnings of such company or corporation inures to the benefit of any private shareholder or individual.

For purposes of this section, the term 'charitable contribution' also means an amount treated under subsection (h) as paid for the use of an organization described in paragraph (2), (3), or (4).

"(d) CARRYOVERS OF EXCESS CONTRIBUTIONS.—

"(1) INDIVIDUALS.—

"(A) IN GENERAL.—In the case of an individual, if the amount of charitable contributions described in subsection (b)(1)(A) payment of which is made within a taxable year (hereinafter in this paragraph referred to as the 'contribution year') exceeds 50 percent (30 percent, in the case of a contribution year beginning before January 1, 1970

of the taxpayer's contribution base for such year, such excess shall be treated as a charitable contribution described in subsection (b)(1)(A) paid in each of the 5 succeeding taxable years in order of time, but, with respect to any such succeeding taxable year, only to the extent of the lesser of the two following amounts:

"(i) the amount by which 50 percent of the taxpayer's contribution base for such succeeding taxable year exceeds the sum of the charitable contributions described in subsection (b)(1)(A) payment of which is made by the taxpayer within such succeeding taxable year (determined without regard to this subparagraph) and the charitable contributions described in subsection (b)(1)(A) payment of which was made in taxable years before the contribution year which are treated under this subparagraph as having been paid in such succeeding taxable year; or

"(ii) in the case of the first succeeding taxable year, the amount of such excess, and in the case of the second, third, fourth, or fifth succeeding taxable year, the portion of such excess not treated under this subparagraph as a charitable contribution described in subsection (b)(1)(A) paid in any taxable year intervening between the contribution year and such succeeding taxable year.

"(B) SPECIAL RULE FOR NET OPERATING LOSS CARRYOVERS.—In applying subparagraph (A), the excess determined under subparagraph (A) for the contribution year shall be reduced to the extent that such excess reduces taxable income (as computed for purposes of the second sentence of section 172(b)(2)) and increases the net operating loss deduction for a taxable year succeeding the contribution year.

"(2) CORPORATIONS.

"(A) IN GENERAL.—Any contribution made by a corporation in a taxable year (hereinafter in this paragraph referred to as the 'contribution year') in excess of the amount deductible for such year under subsection (b)(2) shall be deductible for each of the 5 succeeding taxable years in order of time, but only to the extent of the lesser of the two following amounts: (i) the excess of the maximum amount deductible for such succeeding taxable year under subsection (b)(2) over the sum of the contributions made in such year plus the aggregate of the excess contributions which were made in taxable years before the contribution year and which are deductible under this subparagraph for such succeeding taxable year; or (ii) in the case of the first succeeding taxable year, the amount of such excess contribution, and in the case of the second, third, fourth, or fifth succeeding taxable year, the portion of such excess contribution not deductible under this subparagraph for any taxable year intervening between the contribution year and such succeeding taxable year.

"(B) SPECIAL RULE FOR NET OPERATING LOSS CARRYOVERS.—For purposes of subparagraph (A), the excess of—

"(i) the contributions made by a corporation in a taxable year to which this section applies, over

"(ii) the amount deductible in such year under the limitation in subsection (b)(2),

shall be reduced to the extent that such excess reduces taxable income (as computed for purposes of the second sentence of section 172(b)(2)) and increases a net operating loss carryover under section 172 to a succeeding taxable year.

"(e) CERTAIN CONTRIBUTIONS OF ORDINARY INCOME AND CAPITAL GAIN PROPERTY.—

"(1) GENERAL RULE.—The amount of any charitable contribution of property otherwise taken into account under this section shall be reduced by the sum of—

"(A) the amount of gain which would not have been long-term capital gain if the property contributed had been sold by the taxpayer at its fair market value (determined at the time of such contribution), and

"(B) in the case of a charitable contribution—

"(i) of tangible personal property, if the use by the donee is unrelated to the purpose of function constituting the basis for its exemption under section 501 (or, in the case of a governmental unit, to any purpose or function described in subsection (c)), or

"(ii) to or for the use of a private foundation (as defined in section 509(a)), other than a private foundation described in subsection (b)(1)(E),

50 percent (62½ percent, in the case of a corporation) of the amount of gain which would have been long-term capital gain if the property contributed had been sold by the taxpayer at its fair market value (determined at the time of such contribution).

For purposes of applying this paragraph (other than in the case of gain to which section 617(d)(1), 1245(a), 1251(a), or 1252(a) applies), property which is property used in the trade or business (as defined in section 1231(b)) shall be treated as a capital asset.

"(2) ALLOCATION OF BASIS.—For purposes of paragraph (1), in the case of a charitable contribution of less than the taxpayer's entire interest in the property contributed, the taxpayer's adjusted basis in such property shall be allocated between the interest contributed and any interest not contributed in accordance with regulations prescribed by the Secretary or his delegate.

"(f) DISALLOWANCE OF DEDUCTION IN CERTAIN CASES AND SPECIAL RULES.—

"(1) IN GENERAL.—No deduction shall be allowed under this section for a contribution to or for the use of an organization or trust described in section 508(d) or 4948(c)(4) subject to the conditions specified in such sections.

"(2) CONTRIBUTIONS OF PROPERTY PLACED IN TRUST.—

"(A) REMAINDER INTEREST.—In the case of property transferred in trust, no deduction shall be allowed under this section for the value of a contribution of a remainder interest unless the trust is a charitable remainder annuity trust or a charitable remainder unitrust (described in section 664), or a pooled income fund (described in section 642(c)(5)).

"(B) INCOME INTERESTS, ETC.—No deduction shall be allowed under this section for the value of any interest in property (other than a remainder interest) transferred in trust unless the interest is in the form of a guaranteed annuity or the trust instrument specifies that the interest is a fixed percentage distributed yearly of the fair market value of the trust property (to be determined yearly) and the grantor is treated as the owner of such interest for purposes of applying section 671. If the donor cases to be treated as the owner of such an interest for purposes of applying section 671, at the time the donor ceases to be so treated, the donor shall for purposes of this chapter be considered as having received an amount of income equal to the amount of any deduction he received under this section for the contribution reduced by the discounted value of all amounts of income earned by the trust and taxable to him before the time at which he ceases to be treated as the owner of the interest. Such amounts of income shall be discounted to the date of the contribution. The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this subparagraph.

"(C) DENIAL OF DEDUCTION IN CASE OF PAYMENTS BY CERTAIN TRUSTS.—In any case in which a deduction is allowed under this section for the value of an interest in property described in subparagraph (B), transferred in trust, no deduction shall be allowed under this section to the grantor or any other person for the amount of any contribution made by the trust with respect to such interest.

"(D) EXCEPTION.—This paragraph shall not apply in a case in which the value of all interests in property transferred in trust are deductible under subsection (a).

"(3) DENIAL OF DEDUCTION IN CASE OF CERTAIN CONTRIBUTIONS OF PARTIAL INTERESTS IN PROPERTY.—

"(A) IN GENERAL.—In the case of a contribution (not made by a transfer in trust) of an interest in property which consists of less than the taxpayer's entire interest in such property, a deduction shall be allowed under this section only to the extent that the value of the interest contributed would be allowable as a deduction under this section if such interest had been transferred in trust. For purposes of this subparagraph, a contribution by a taxpayer of the right to use property shall be treated as a contribution of less than the taxpayer's entire interest in such property.

"(B) EXCEPTIONS.—Subparagraph (A) shall not apply to a contribution of—

"(i) a remainder interest in a personal residence or farm, or

"(ii) an undivided portion of the taxpayer's entire interest in property.

"(4) VALUATION OF REMAINDER INTEREST IN REAL PROPERTY.—For purposes of this section, in determining the value of a remainder interest in real property, depreciation (computed on the straight line method) and depletion of such property shall be taken into account, and such value shall be discounted at a rate of 6 percent per annum, except that the Secretary or his delegate may prescribe a different rate.

"(5) REDUCTION FOR CERTAIN INTEREST.—If, in connection with any charitable contribution, a liability is assumed by the recipient or by any other person, or if a charitable contribution is of property which is subject to a liability, then, to the extent necessary to avoid the duplications of amounts, the amount taken into account for purposes of this section as the amount of the charitable contribution—

"(A) shall be reduced for interest (i) which has been paid (or is to be paid) by the taxpayer, (ii) which is attributable to the liability, and (iii) which is attributable to any period after the making of the contribution, and

"(B) in the case of a bond, shall be further reduced for interest (i) which has been paid (or is to be paid) by the taxpayer on indebtedness incurred or continued to purchase or carry such bond, and (ii) is attributable to any period before the making of the contribution.

The reduction pursuant to subparagraph (B) shall not exceed the interest (including interest equivalent) on the bond which is attributable to any period before the making of the contribution and which is not (under the taxpayer's method of accounting) includible in the gross income of the taxpayer for any taxable year. or purposes of this paragraph, the term 'bond' means any bond, debenture, note, or certificate or other evidence of indebtedness.

"(6) PARTIAL REDUCTION OF UNLIMITED DEDUCTION.—

"(A) IN GENERAL.—If the limitations in subsections (b)(1)(A) and (B) do not apply because of the application of subsection (b)(1)(C), the amount otherwise allowable as a deduction under subsection (a) shall be reduced by the amount by which the taxpayer's taxable income computed without regard to this subparagraph is less than the transitional income percentage (determined under subparagraph (C)) of the taxpayer's adjusted gross income. However, in no case shall a taxpayer's deduction under this section be reduced below the amount allowable as a deduction under this section without the applicability of subsection (b)(1)(C).

"(B) TRANSITIONAL DEDUCTION PERCENT-

AGE.—For purposes of applying subsection (b)(1)(C), the term 'transitional deduction percentage' means—

"(i) in the case of a taxable year beginning before 1970, 90 percent, and

"(ii) in the case of a taxable year beginning in—

1970	80 percent
1971	74 percent
1972	68 percent
1973	62 percent
1974	56 percent.

"(C) TRANSITIONAL INCOME PERCENTAGE.—For purposes of applying subparagraph (A), the term 'transitional income percentage' means, in the case of a taxable year beginning in—

1970	20 percent
1971	26 percent
1972	32 percent
1973	38 percent
1974	44 percent."

(2) CONFORMING AMENDMENTS.—

(A) Section 170(g) (relating to application of unlimited charitable deduction) is amended by striking out "subsection (b)(5)" each place it appears and inserting in lieu thereof "subsection (d)(1)", and by striking subparagraph (B) of paragraph (2).

(B) Section 545(b)(2) (relating to adjustments to personal holding company taxable income) and section 556(b)(2) (relating to adjustments to foreign personal holding company taxable income) are each amended—

(i) by striking out "section 170(b)(1)(A) and (B)" in the first sentence and inserting in lieu thereof "section 170(b)(1)(A), (B), and (D)";

(ii) by striking out "section 170(b)(2) and (5)" in the first sentence and inserting in lieu thereof "section 170(b)(2) and (d)(1)";

(iii) by striking out "'adjusted gross income'" in the second sentence and inserting in lieu thereof "'contribution base'"; and

(iv) by striking out "the first sentence of section 170(b)(2) and (5)" in the second sentence and inserting in lieu thereof "section 170(b)(2) and (d)(1)".

(C) Section 809(e)(3) (relating to modifications of deductions for life insurance companies) is amended—

(i) by striking out "the first sentence of" in subparagraph (A); and

(ii) by striking out "section 170(b)(3)" in subparagraph (B) and inserting in lieu thereof "section 170(d)(2)(B)".

(b) CHARITABLE CONTRIBUTIONS BY ESTATES AND TRUSTS.—Subsection (c) of section 642 (relating to deduction for amounts paid or permanently set aside for a charitable purpose) is amended to read as follows:

"(c) DEDUCTION FOR AMOUNTS PAID OR PERMANENTLY SET ASIDE FOR A CHARITABLE PURPOSE.—

"(1) GENERAL RULE.—In the case of an estate or trust (other than a trust meeting the specifications of subpart B), there shall be allowed as a deduction in computing its taxable income (in lieu of the deduction allowed by section 170(a), relating to deduction for charitable, etc., contributions and gifts) any amount of the gross income, without limitation, which pursuant to the terms of the governing instrument is, during the taxable year, paid for a purpose specified in section 170(c) (determined without regard to section 170(c)(2)(A)). If a charitable contribution is paid after the close of such taxable year and on or before the last day of the year following the close of such taxable year, then the trustee or administrator may elect to treat such contribution as paid during such taxable year. The election shall be made at such time and in such manner as the Secretary or his delegate prescribes by regulations.

"(2) AMOUNTS PERMANENTLY SET ASIDE.—In the case of an estate, and in the case of a trust (other than a trust meeting the specifications of subpart B) required by the terms of its governing instrument to set aside amounts which was—

"(A) created on or before October 9, 1969, if—

"(i) an irrevocable remainder interest is transferred to or for the use of an organization described in section 170(c), or

"(ii) the grantor is at all times after October 9, 1969, under a mental disability to change the terms of the trust; or

"(B) established by a will executed on or before October 9, 1969, if—

"(i) the testator dies before October 9, 1972, without having republished the will after October 9, 1969, by codicil or otherwise,

"(ii) the testator at no time after October 9, 1969, had the right to change the portions of the will which pertain to the trust, or

"(iii) the will is not republished by codicil or otherwise before October 9, 1972, and the testator is on such date and at all times thereafter under a mental disability to republish the will by codicil or otherwise,

there shall also be allowed as a deduction in computing its taxable income any amount of the gross income, without limitation, which pursuant to the terms of the governing instrument is, during the taxable year, permanently set aside for a purpose specified in section 170(c), or is to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, or for the establishment, acquisition, maintenance, or operation of a public cemetery not operated for profit. In the case of a trust, the preceding sentence shall apply only to gross income earned with respect to amounts transferred to the trust before October 9, 1969, or transferred under a will to which subparagraph (B) applies.

"(3) POOLED INCOME FUNDS.—In the case of a pooled income fund (as defined in paragraph (5)), there shall also be allowed as a deduction in computing its taxable income any amount of the gross income attributable to gain from the sale of a capital asset held for more than 6 months, without limitation, which pursuant to the terms of the governing instrument is, during the taxable year, permanently set aside for a purpose specified in section 170(c).

"(4) ADJUSTMENTS.—To the extent that the amount otherwise allowable as a deduction under this subsection consists of gain from the sale or exchange of capital assets held for more than 6 months, proper adjustment shall be made for any deduction allowable to the estate or trust under section 1202 (relating to deduction for excess of capital gains over capital losses). In the case of a trust, the deduction allowed by this subsection shall be subject to section 681 (relating to unrelated business income).

"(5) DEFINITION OF POOLED INCOME FUND.—For purposes of paragraph (3), a pooled income fund is a trust—

"(A) to which each donor transfers property, contributing an irrevocable remainder interest in such property to or for the use of an organization described in section 170(b)(1)(A) (other than in clauses (vii) or (viii)), and retaining an income interest for the life of one or more beneficiaries (living at the time of such transfer),

"(B) in which the property transferred by each donor is commingled with property transferred by other donors who have made or make similar transfers,

"(C) which cannot have investments in securities which are exempt from the taxes imposed by this subtitle,

"(D) which includes only amounts received from transfers which meet the requirements of this paragraph,

"(E) which is maintained by the organization to which the remainder interest is contributed and of which no donor or beneficiary of an income interest is a trustee, and

"(F) from which each beneficiary of an income interest receives income, for each year for which he is entitled to receive the income interest referred to in subparagraph (A), determined by the rate of return earned by the trust for such year.

For purposes of determining the amount of any charitable contribution allowable by reason of a transfer of property to a pooled fund, the value of the income interest shall be determined on the basis of the highest rate of return earned by the fund for any of the 3 taxable years immediately preceding the taxable year of the fund in which the transfer is made. In the case of funds in existence less than 3 taxable years preceding the taxable year of the fund in which a transfer is made, the rate of return shall be deemed to be 6 percent per annum, except that the Secretary or his delegate may prescribe a different rate of return.

"(6) TAXABLE PRIVATE FOUNDATIONS.—In the case of a private foundation which is not exempt from taxation under section 501(a) for the taxable year, the provisions of this subsection shall not apply and the provisions of section 170 shall apply."

(c) TWO-YEAR CHARITABLE TRUSTS.—Section 673(b) (relating to trusts where the income is payable to a charitable beneficiary for at least a two-year period) is repealed.

(d) DISALLOWANCE OF ESTATE AND GIFT TAX DEDUCTIONS IN CERTAIN CASES.—

(1) ESTATES OF CITIZENS OR RESIDENTS.—Subsection (e) of section 2055 (relating to disallowance of charitable deductions in certain cases) is amended to read as follows:

"(e) DISALLOWANCE OF DEDUCTIONS IN CERTAIN CASES.—

"(1) No deduction shall be allowed under this section for a transfer to or for the use of an organization or trust described in section 508(d) or 4948(c)(4) subject to the conditions specified in such sections.

"(2) Where an interest in property (other than a remainder interest in a personal residence or farm or an undivided portion of the decedents entire interest in property) passes or has passed from the decedent to a person, or for a use, described in subsection (a), and an interest (other than an interest which is extinguished upon the decedent's death) in the same property passes or has passed (for less than an adequate and full consideration in money or money's worth) from the decedent to a person, or for a use, not described in subsection (a), no deduction shall be allowed under this section for the interest which passes or has passed to the person, or for the use, described in subsection (a) unless—

"(A) in the case of a remainder interest, such interest is in a trust which a charitable remainder annuity trust or a charitable remainder unitrust (described in section 664) or a pooled income fund (described in section 642(c)(5)), or

"(B) in the case of any other interest, such interest is in the form of a guaranteed annuity or is a fixed percentage distributed yearly of the fair market value of the property (to be determined yearly)."

(2) ESTATES OF NONRESIDENTS NOT CITIZENS.—Subparagraph (E) of section 2106(a)(2) to disallowance of deductions in certain cases) is amended to read as follows:

"(E) DISALLOWANCE OF DEDUCTIONS IN CERTAIN CASES.—The provisions of section 2055(e) shall be applied in the determination of the amount allowable as a deduction under this paragraph."

(3) GIFT TAX.—Subsection (c) of section 2522 (relating to disallowance of charitable deductions in certain cases) is amended to read as follows:

"(c) DISALLOWANCE OF DEDUCTIONS IN CERTAIN CASES.—

"(1) No deduction shall be allowed under this section for a gift to or for the use of an

organization or trust described in section 508(d) or 4948(c)(4) subject to the conditions specified in such sections.

"(2) Where a donor transfers an interest in property (other than a remainder interest in a personal residence or farm or an undivided portion of the donor's entire interest in property) to a person, or for a use, described in subsection (a) or (b) and an interest in the same property is retained by the donor, or is transferred or has been transferred (for less than an adequate and full consideration in money or money's worth) from the donor to a person, or for a use, not described in subsection (a) or (b), no deduction shall be allowed under this section for the interest which is, or has been transferred to the person, or for the use, described in subsection (a) or (b), unless—

"(A) in the case of a remainder interest, such interest is in a trust which is a charitable remainder annuity trust or a charitable remainder unitrust (described in section 664) or a pooled income fund (described in section 642(c)(5)), or

"(B) in the case of any other interest, such interest is in the form of a guaranteed annuity or is a fixed percentage distributed yearly of the fair market value of the property (to be determined yearly)."

(4) POLITICAL ACTIVITIES.—

(A) Section 2055(a) (relating to transfers for public, charitable, and religious uses) is amended—

(i) by striking out "and" before "no substantial part" in paragraph (2), and by inserting before the semicolon at the end of such paragraph ", and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office"; and

(ii) by striking out "and" before "no substantial part" in paragraph (3), and by inserting before the semicolon at the end of such paragraph ", and such trustee or trustees, or such fraternal society, order, or association, does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office".

(B) Section 2106(a)(2) (relating to transfers for public, charitable, and religious uses) is amended—

(i) by striking out "and" before "no substantial part" in subparagraph (A)(ii), and by inserting before the semicolon at the end of such subparagraph ", and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office"; and

(ii) by striking out "and" before "no substantial part" in subparagraph (A)(iii), and by inserting before the semicolon at the end of such subparagraph ", and such trustee or trustees, or such fraternal society, order, or association does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office".

(C) Section 2522(a) (relating to charitable and similar gifts of citizens or residents) is amended by striking out "and" before "no substantial part" in paragraph (2), and by inserting before the semicolon at the end of such paragraph ", and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office".

(D) Section 2522(b) (relating to charitable and similar gifts of nonresidents) is amended—

(i) by striking out "and" before "no substantial part" in paragraph (2), and by inserting before the semicolon at the end of such paragraph ", and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office"; and

(ii) by inserting after "legislation" in paragraph (3) ", and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office".

(e) CHARITABLE REMAINDER TRUSTS.—

(1) Subpart C of part I of subchapter J of chapter 1 (relating to estates and trusts which may accumulate income or which distribute corpus) is amended by adding at the end thereof the following new section:

"SEC. 664. CHARITABLE REMAINDER TRUSTS.

"(a) GENERAL RULE.—Notwithstanding any other provision of this subchapter, the provisions of this section shall, in accordance with regulations prescribed by the Secretary or his delegate, apply in the case of a charitable remainder annuity trust and a charitable remainder unitrust.

"(b) CHARACTER OF DISTRIBUTIONS.—Amounts distributed by a charitable remainder annuity trust or by a charitable remainder unitrust shall be considered as having the following characteristics in the hands of a beneficiary to whom is paid the annuity described in subsection (d)(1)(A) or the payment described in subsection (d)(2)(A):

"(1) First, as amounts of income (other than gains, and amounts treated as gains, from the sale or other dispositions of capital assets) includible in gross income to the extent of such income of the trust for the year and such undistributed income of the trust for prior years;

"(2) Second, as a capital gain to the extent of the capital gain of the trust for the year and the undistributed capital gain of the trust for prior years;

"(3) Third, as other income to the extent of such income of the trust for the year and such undistributed income of the trust for prior years; and

"(4) Fourth, as a distribution of trust corpus.

For purposes of this section, the trust shall determine the amount of its undistributed capital gain on a cumulative net basis.

"(c) EXEMPTION FROM INCOME TAXES.—A charitable remainder annuity trust and a charitable remainder unitrust shall, for any taxable year, not be subject to any tax imposed by this subtitle, unless such trust, for such year, has unrelated business taxable income (within the meaning of section 512, determined as if part III of subchapter F applied to such trust).

"(d) DEFINITIONS.—

"(1) CHARITABLE REMAINDER ANNUITY TRUST.—For purposes of this section, a charitable remainder annuity trust is a trust—

"(A) from which a sum certain (which is not less than 5 percent of the initial net fair market value of all property placed in trust) is to be paid, not less than annually, to one or more persons (at least one of which is not an organization described in section 170(c) and, in the case of individuals, only to an individual who is living at the time of the creation of the trust) for a term of years (not in excess of 20 years) or for the life or lives of such individual or individuals,

"(B) from which no amount other than the payments described in subparagraph (A) may be paid to or for the use of any person other than an organization described in section 170(c), and

"(C) following the termination of the payments described in subparagraph (A), the remainder interest in the trust is to be transferred to, or for the use of, an organization described in section 170(c) or is to be retained by the trust for such a use.

"(2) CHARITABLE REMAINDER UNITRUST.—For purposes of this section, a charitable remainder unitrust is a trust—

"(A) from which a fixed percentage (which is not less than 5 percent) of the net fair market value of its assets, valued annually, is to be paid, not less often than annually, to one or more persons (at least one of which is not an organization described in section 170(c) and, in the case of individuals, only to an individual who is living at the time of the creation of the trust) for a term of years (not in excess of 20 years) or for the life or lives of such individual or individuals.

"(B) from which no amount other than the payments described in subparagraph (A) may be paid to or for the use of any person other than an organization described in section 170(c), and

"(C) following the termination of the payments described in subparagraph (A), the remainder interest in the trust is to be transferred to, or for the use of, an organization described in section 170(c) or is to be retained by the trust for such a use.

"(3) EXCEPTION.—Notwithstanding the provisions of paragraphs (2)(A) and (B), the trust instrument may provide that the trustee shall pay the income beneficiary for any year—

"(A) the amount of the trust income, if such amount is less than the amount required to be distributed under paragraph (2)(A), and

"(B) any amount of the trust income which is in excess of the amount required to be distributed under paragraph (2)(A), to the extent that (by reason of subparagraph (A)) the aggregate of the amounts paid in prior years was less than the aggregate of such required amounts.

"(e) VALUATION FOR PURPOSES OF CHARITABLE CONTRIBUTION.—For purposes of determining the amount of any charitable contribution, the remainder interest of a charitable remainder annuity trust or charitable remainder unitrust shall be computed on the basis that an amount equal to 5 percent of the net fair market value of its assets (or a greater amount, if required under the terms of the trust instrument) is to be distributed each year."

(2) The table of sections for subpart C of part I of subchapter J of chapter 1 (relating to estates and trusts which may accumulate income or which distribute corpus) is amended by adding at the end thereof:

"Sec. 664. Charitable remainder trusts."

(f) BARGAIN SALES TO CHARITABLE ORGANIZATIONS.—Section 1011 (relating to adjusted basis for determining gain or loss) is amended—

(1) by striking out "The" at the beginning and inserting in lieu thereof:

"(a) GENERAL RULE.—The", and

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

"(b) BARGAIN SALE TO A CHARITABLE ORGANIZATION.—If a deduction is allowable under section 170 (relating to charitable contributions) by reason of a sale, then the adjusted basis for determining the gain from such sale shall be that portion of the adjusted basis which bears the same ratio to the adjusted basis as the amount realized bears to the fair market value of the property."

(g) EFFECTIVE DATES.—

(1)(A) Except as provided in subparagraphs (B) and (C), the amendments made by subsection (a) shall apply to taxable years beginning after December 31, 1969.

(B) Subsections (e) and (f)(1) of section 170 of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall apply to contributions paid after December 31, 1969, except that, with respect to a letter or memorandum or similar property described in section 1221(3) of such Code (as amended by section 514 of this Act), such subsection (e) shall apply to contributions paid after July 25, 1969.

(C) Paragraphs (2), (3), and (4) of section 170(f) of such Code (as amended by subsec-

tion (a)) shall apply to transfers in trust and contributions made after July 31, 1969.

(D) For purposes of applying section 170(d) of such Code (as amended by subsection (a)) with respect to contributions paid in a taxable year beginning before January 1, 1970, subsection (b)(1)(D), subsection (e), and paragraphs (1), (2), (3), and (4) of subsection (f) of section 170 of such Code shall not apply.

(2) The amendments made by subsection (b) shall apply with respect to amounts paid, permanently set aside, or to be used for a charitable purpose in taxable years beginning after December 31, 1969, except that section 642(c)(5) of the Internal Revenue Code of 1954 (as added by subsection (b)) shall apply to transfers in trust made after July 31, 1969.

(3) The amendment made by subsection (c) shall apply to transfers in trust made after April 22, 1969.

(4)(A) Except as provided in subparagraphs (B) and (C), the amendments made by paragraphs (1) and (2) of subsection (d) shall apply in the case of decedents dying after December 31, 1969.

(B) Such amendments shall not apply in the case of property passing under the terms of a will executed on or before October 9, 1969—

(i) if the decedent dies before October 9, 1972, without having republished the will after October 9, 1969, by codicil or otherwise,

(ii) if the decedent at no time after October 9, 1969, had the right to change the portions of the will which pertain to the passing of the property to, or for the use of, an organization described in section 2055(a), or

(iii) if the will is not republished by codicil or otherwise before October 9, 1972, and the decedent is on such date and at all times thereafter under a mental disability to republish the will by codicil or otherwise.

(C) Such amendments shall not apply in the case of property transferred in trust on or before October 9, 1969—

(i) if the decedent dies before October 9, 1972, without having amended after October 9, 1969, the instrument governing the disposition of the property.

(ii) if the property transferred was an irrevocable interest to, or for the use of, an organization described in section 2055(a), or

(iii) if the instrument governing the disposition of the property was not amended by the decedent before October 9, 1972, and the decedent is on such date and at all times thereafter under a mental disability to change the disposition of the property.

(D) The amendment made by paragraph (3) of subsection (d) shall apply to gifts made after December 31, 1969, except that the amendments made to section 2522(c)(2) of the Internal Revenue Code of 1954 shall apply to gifts made after July 31, 1969.

(E) The amendments made by paragraph (4) of subsection (d) shall apply to gifts and transfers made after December 31, 1969.

(5) The amendment made by subsection (e) shall apply to transfers in trust made after July 31, 1969.

(6) The amendments made by subsection (f) shall apply with respect to sales made after December 19, 1969.

(h) ELIGIBILITY FOR UNLIMITED CHARITABLE DEDUCTION.—

(1) Section 170(b)(1)(C) (relating to unlimited charitable deduction for certain individuals), as amended by subsection (a) of this section is amended by adding at the end thereof the following new sentence: "In the case of a separate return for the taxable year by a married individual who previously filed a joint return with a former deceased spouse for any of the 10 preceding taxable years, the amount of charitable contributions and taxes paid for any such preceding taxable year, for which a joint return was filed with the former deceased spouse, shall be determined in the same manner as if the taxpayer had not remarried after the death of such former spouse."

(2) The amendment made by this subsection shall apply to taxable years beginning after December 31, 1968.

SUBTITLE B—FARM LOSSES, ETC.

SEC. 211. GAIN FROM DISPOSITION OF PROPERTY USED IN FARMING WHERE FARM LOSSES OFFSET NONFARM INCOME.

(a) IN GENERAL.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding at the end thereof the following new section:

"SEC. 1251. GAIN FROM DISPOSITION OF PROPERTY USED IN FARMING WHERE FARM LOSSES OFFSET NONFARM INCOME

"(a) CIRCUMSTANCES UNDER WHICH SECTION APPLIES.—This section shall apply with respect to any taxable year only if—

"(1) there is a farm net loss for the taxable year, or

"(2) there is a balance in the excess deductions account as of the close of the taxable year after applying subsection (b)(3)(A).

"(b) EXCESS DEDUCTIONS ACCOUNT.—

"(1) REQUIREMENT.—Each taxpayer subject to this section shall, for purposes of this section, establish and maintain an excess deductions account.

"(2) ADDITIONS TO ACCOUNT.—

"(A) GENERAL RULE.—There shall be added to the excess deductions account for each taxable year an amount equal to the farm net loss.

"(B) EXCEPTIONS.—In the case of an individual (other than a trust) and, except as provided in this subparagraph, in the case of an electing small business corporation (as defined in section 1371(b)), subparagraph (A) shall apply for a taxable year—

"(i) only if the taxpayer's nonfarm adjusted gross income for such year exceeds $50,000, and

"(ii) only to the extent the taxpayer's farm net loss for such year exceeds $25,000.

This subparagraph shall not apply to an electing small business corporation for a taxable year if on any day of such year a shareholder of such corporation is an individual who, for his taxable year with which or within which the taxable year of the corporation ends, has a farm net loss.

"(C) MARRIED INDIVIDUALS.—In the case of a husband or wife who files a separate return, the amount specified in subparagraph (B)(i) shall be $25,000 in lieu of $50,000, and in subparagraph (B)(ii) shall be $12,500 in lieu of $25,000. This subparagraph shall not apply if the spouse of the taxpayer does not have any nonfarm adjusted gross income for the taxable year.

"(D) NONFARM ADJUSTED GROSS INCOME.—For purposes of this section, the term 'nonfarm adjusted gross income' means adjusted gross income (taxable income, in the case of an electing small business corporation) computed without regard to income as deductions attributable to the business of farming.

"(3) SUBTRACTIONS FROM ACCOUNT.—If there is any amount in the excess deductions account at the close of any taxable year (determined before any amount is subtracted under this paragraph for such year) there shall be subtracted from the account—

"(A) an account equal to the farm net income for such year, plus the amount (determined as provided in regulations prescribed by the Secretary or his delegate) necessary to adjust the account for deductions which did not result in a reduction of the taxpayer's tax under this subtitle for the taxable year or any preceding taxable year, and

"(B) after applying paragraph (2) or subparagraph (A) of this paragraph (as the case may be), an amount equal to the sum of the amounts treated, solely by reason of the application of subsection (c), as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231.

"(4) EXCEPTION FOR TAXPAYERS USING CERTAIN ACCOUNTING METHODS.—

"(A) GENERAL RULE.—Except to the extent that the taxpayer has succeeded to an excess deductions account as provided in paragraph (5), additions to the excess deductions account shall not be required by a taxpayer who elects to compute taxable income from farming (i) by using inventories, and (ii) by charging to capital account all expenditures paid or incurred which are properly chargeable to capital account (including such expenditures which the taxpayer may, under this chapter or regulations prescribed thereunder, otherwise treat or elect to treat as expenditures which are not chargeable to capital account).

"(B) TIME, MANNER, AND EFFECT OF ELECTION.—An election under subparagraph (A) for any taxable year shall be filed within the time prescribed by law (including extensions thereof) for filing the return for such taxable year, and shall be made and filed in such manner as the Secretary or his delegate shall prescribe by regulations. Such election shall be binding on the taxpayer for such taxable year and for all subsequent taxable years and may not be revoked except with the consent of the Secretary or his delegate.

"(C) CHANGE OF METHOD OF ACCOUNTING, ETC.—If, in order to comply with the election made under subparagraph (A), a taxpayer changes his method of accounting in computing taxable income from the business of farming, such change shall be treated as having been made with the consent of the Secretary or his delegate and for purposes of section 481(a)(2) shall be treated as a change not initiated by the taxpayer.

"(5) TRANSFER OF ACCOUNT.—

"(A) CERTAIN CORPORATE TRANSACTIONS.—In the case of a transfer described in subsection (d)(3) to which section 371(a), 374(a), or 381 applies, the acquiring corporation shall succeed to and take into account as of the close of the day of distribution or transfer, the excess deductions account of the transferor.

"(B) CERTAIN GIFTS.—If—

"(i) farm recapture property is disposed of by gift, and

"(ii) the potential gain (as defined in subsection (e)(5)) on farm recapture property disposed of by gift during any one-year period in which any such gift occurs is more than 25 percent of the potential gain on farm recapture property held by the donor immediately prior to the first of such gifts,

each donee of the property shall succeeed (at the time the first of such gifts is made) but in an amount determined as of the close of the donor's taxable year in which the first of such gifts is made) to the same proportion of the donor's excess deductions account (determined, after the application of paragraphs (2) and (3) with respect to the donor, as of the close of such taxable year) as the potential gain on the property received by such donee bears to the aggregate potential gain on farm recapture property held by the donor immediately prior to the first of such gifts.

"(6) JOINT RETURN.—In the case of an addition to an excess deductions account for a taxable year for which a joint return was filed under section 6013, for any subsequent taxable year for which a separate return was filed the Secretary or his delegate shall provide rules for allocating any remaining amount of such addition in a manner consistent with the purposes of this section.

"(c) ORDINARY INCOME.—

"(1) GENERAL RULE.—Except as otherwise provided in this section, if farm recapture property (as defined in subsection (e)(1)) is disposed of during a taxable year beginning

after December 31, 1969, the amount by which—

"(A) in the case of a sale, exchange, or involuntary conversion, the amount realized, or

"(B) in the case of any other disposition, the fair market value of such property,

exceeds the adjusted basis of such property shall be treated as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231. Such gain shall be recognized notwithstanding any other provision of this subtitle.

"(2) LIMITATION.—

"(A) AMOUNT IN EXCESS DEDUCTIONS ACCOUNT.—The aggregate of the amounts treated under paragraph (1) as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231 for any taxable year shall not exceed the amount in the excess deductions account at the close of the taxable year after applying subsection (b)(3)(A).

"(B) DISPOSITIONS TAKEN INTO ACCOUNT.—If the aggregate of the amounts to which paragraph (1) applies is limited by the application of subparagraph (A), paragraph (1) shall apply in respect of such dispositions (and in such amounts) as provided under regulations prescribed by the Secretary or his delegate.

"(C) SPECIAL RULE FOR DISPOSITIONS OF LAND.—In applying subparagraph (A), any gain on the sale or exchange of land shall be taken into account only to the extent of its potential gain (as defined in subsection (e)(5)).

"(d) EXCEPTIONS AND SPECIAL RULES.—

"(1) GIFTS.—Subsection (c) shall not apply to a disposition by gift.

"(2) TRANSFER AT DEATH.—Except as provided in section 691 (relating to income in respect of a decedent), subsection (c) shall not apply to a transfer at death.

"(3) CERTAIN CORPORATE TRANSACTIONS.—If the basis of property in the hands of a transferee is determined by reference to its basis in the hands of the transferor by reason of the application of section 332, 351, 361, 371(a), or 374(a), then the amount of gain taken into account by the transferor under subsection (c)(1) shall not exceed the amount of gain recognized to the transferor on the transfer of such property (determined without regard to this section). This paragraph shall not apply to a disposition to an organization (other than a cooperative described in section 521) which is exempt from the tax imposed by this chapter.

"(4) LIKE KIND EXCHANGES; INVOLUNTARY CONVERSION, ETC.—If property is disposed of and gain (determined without regard to this section) is not recognized in whole or in part under section 1031 or 1033, then the amount of gain taken into account by the transferor under subsection (c)(1) shall not exceed the sum of—

"(A) the amount of gain recognized on such disposition (determined without regard to this section), plus

"(B) the fair market value of property acquired with respect to which no gain is recognized under subparagraph (A), but which is not farm recapture property.

"(5) PARTNERSHIPS.—

"(A) IN GENERAL.—In the case of a partnership, each partner shall take into account separatively his distributive share of the partnership's farm net losses, gains from dispositions of farm recapture property, and other items in applying this section to the partner.

"(B) TRANSFERS TO PARTNERSHIPS.—If farm recapture property is contributed to a partnership and gain (determined without regard to this section) is not recognized under section 721, then the amount of gain taken into account by the transferor under subsection (c)(1) shall not exceed the excess of the fair market value of farm recapture property transferred over the fair market value of the partnership interest attributable to such property. If the partnership agreement provides for an allocation of gain to the contributing partner with respect to farm recapture property contributed to the partnership (as provided in section 704(c)(2), the partnership interest of the contributing partner shall be deemed to be attributable to such property.

"(6) PROPERTY TRANSFERRED TO CONTROLLED CORPORATIONS.—Except for transactions described in subsection (b)(5)(A), in the case of a transfer, described in paragraph (3), of farm recapture property to a corporation, stock or securities received by a transferor in the exchange shall be farm recapture property to the extent attributable to the fair market value of farm recapture property (or, in the case of land, if less, the adjusted basis plus the potential gain (as defined in subsection (e)(5)) on farm recapture property) contributed to the corporation by such transferor.

"(e) DEFINITIONS.—For purposes of this section—

"(1) FARM RECAPTURE PROPERTY.—The term 'farm recapture property' means—

"(A) any property (other than section 1250 property) described in paragraph (1) (relating to business property held for more than 6 months), (3) (relating to livestock), or (4) (relating to an unharvested crop) of section 1231(b) which is or has been used in the trade or business of farming by the taxpayer or by a transferor in a transaction described in subsection (b)(5), and

"(B) any property the basis of which in the hand of the taxpayer is determined with reference to the adjusted basis of property which was farm recapture property in the hands of the taxpayer within the meaning of subparagraph (A).

"(2) FARM NET LOSS.—The term 'farm net loss' means the amount by which—

"(A) the deductions allowed or allowable by this chapter which are directly connected with the carrying on of the trade or business of farming, exceed

"(B) the gross income derived from such trade or business. Gains and losses on the disposition of farm recapture property referred to in section 1231(a) (determined without regard to this section or section 1245(a)) shall not be taken into account.

"(3) FARM NET INCOME.—The term 'farm net income' means the amount by which the amount referred to in paragraph (2)(B) exceeds the amount referred to in paragraph (2)(A).

"(4) TRADE OR BUSINESS OF FARMING.—

"(A) HORSE RACING.—In the case of a taxpayer engaged in the raising of horses, the term 'trade or business of farming' includes the racing of horses.

"(B) SEVERAL BUSINESSES OF FARMING.—If a taxpayer is engaged in more than one trade or business of farming, all such trades and businesses shall be treated as one trade or business.

"(5) POTENTIAL GAIN.—The term 'potential gain' means an amount equal to the excess of the fair market value of property over its adjusted basis, but limited in the case of land to the extent of the deductions allowable in respect to such land under sections 175 (relating to soil and water conservation expenditures) and 182 (relating to expenditures by farmers for clearing land) for the taxable year and the 4 preceding taxable years."

(b) CONFORMING AMENDMENTS.—

(1) Section 301(b)(1)(B)(ii) (relating to corporate distributions of property) is amended by striking out "or 1250(a)" and inserting in lieu thereof "1250(a), 1251(c), or 1252(a)".

(2) Section 301(d)(2)(B) (relating to the basis of property distributed by a corporation) is amended by striking out "or 1250(a)" and inserting in lieu thereof "1250(a), 1251(c), or 1252(a)".

(3) Section 312(c)(3) (relating to adjustment to corporate earnings and profits) is amended by striking out "or 1250(a)" and inserting in lieu thereof "1250(a), 1251(c), or 1252(a)".

(4) Section 341(e)(12) (relating to nonapplication of section 1245(a) with respect to collapsible corporations) is amended by striking out "and 1250(a)" and inserting in lieu thereof "1250(a), 1251(c), and 1252(a)".

(5) Section 453(d)(4)(B) (relating to distribution of installment obligations under certain liquidations) is amended by striking out "or 1250(a)" and inserting in lieu thereof "1250(a), 1251(c), or 1252(a)".

(6) Section 751(c) (relating to unrealized receivables in partnership transactions) is amended by striking out "and section 1250 property (as defined in section 1250(c))" and inserting in lieu thereof "section 1250 property (as defined in section 1250(c)), farm recapture property (as defined in section 1251(e)(1)), and farm land (as defined in section 1252(a))"; and by striking out "1250(a)" and inserting in lieu thereof "1250(a), 1251(c), or 1252(a)".

(7) The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end thereof the following:

"Sec. 1251. Grain from disposition of property used in farming where farm losses offset nonfarm income."

(c) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969.

SEC. 212. LIVESTOCK.

(a) DEPRECIATION RECAPTURE.—

(1) GENERAL RULE.—Section 1245(a)(2) (relating to recomputed basis with respect to gain from disposition of certain depreciable property) is amended by striking out "or" at the end of subparagraph (A), and by inserting immediately after subparagraph (B) the following:

"(C) with respect to livestock, its adjusted basis recomputed by adding thereto all adjustments attributable to periods after December 31, 1969, or".

(2) CONFORMING AMENDMENT.—Section 1245(a)(3) (relating to section 1245 property) is amended by striking out "(other than livestock)".

(3) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall apply with respect to taxable years beginning after December 31, 1969.

(b) LIVESTOCK USED IN TRADE OR BUSINESS.—

(1) AMENDMENT OF SECTION 1231.—Section 1231(b)(3) (relating to property used in a trade or business) is amended to read as follows:

"(3) LIVESTOCK.—Such term includes—

"(A) cattle and horses, regardless of age, held by the taxpayer for draft, breeding, dairy, or sporting purposes, and held by him for 24 months or more from the date of acquisition, and

"(B) other livestock, regardless of age, held by the taxpayer for draft, breeding, dairy, or sporting purposes, and held by him for 12 months or more from the date of acquisition.

Such term does not include poultry."

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to livestock acquired after December 31, 1969.

(c) EXCHANGES OF LIVESTOCK OF DIFFERENT SEXES.—

(1) NOT TO BE TREATED AS LIKE KIND EXCHANGES.—Section 1031 (relating to exchange of property held for productive use or for investment) is amended by adding at the end thereof the following new subsection:

"(e) EXCHANGES OF LIVESTOCK OF DIFFERENT SEXES.—For purposes of this section, livestock of different sexes are not property of a like kind."

(2) EFFECTIVE DATE.—The amendment

made by paragraph (1) shall apply to taxable years to which the Internal Revenue Code of 1954 applies.

SEC. 213. DEDUCTIONS ATTRIBUTABLE TO ACTIVITIES NOT ENGAGED IN FOR PROFIT.

(a) GENERAL RULE.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding at the end thereof the following new section:

"SEC. 183. ACTIVITIES NOT ENGAGED IN FOR PROFIT.

"(a) GENERAL RULE.—In the case of an activity engaged in by an individual or an electing small business corporation (as defined in section 1371(b)), if such activity is not engaged in for profit, no deduction attributable to such activity shall be allowed under this chapter except as provided in this section.

"(b) DEDUCTIONS ALLOWABLE.—In the case of an activity not engaged in for profit to which subsection (a) applies, there shall be allowed—

"(1) the deductions which would be allowable under this chapter for the taxable year without regard to whether or not such activity is engaged in for profit, and

"(2) a deduction equal to the amount of the deductions which would be allowable under this chapter for the taxable year only if such activity were engaged in for profit, but only to the extent that the gross income derived from such activity for the taxable year exceeds the deductions allowable by reason of paragraph (1).

"(c) ACTIVITY NOT ENGAGED IN FOR PROFIT DEFINED.—For purposes of this section, the term 'activity not engaged in for profit' means any activity other than one with respect to which deductions are allowable for the taxable year under section 162 or under paragraph (1) or (2) of section 212.

"(d) PRESUMPTION.—If the gross income derived from an activity for 2 or more of the taxable years in the period of 5 consecutive taxable years which ends with the taxable year exceeds the deductions attributable to such activity (determined without regard to whether or not such activity is engaged in for profit), then, unless the Secretary or his delegate establishes to the contrary, such activity should be presumed for purposes of this chapter for such taxable year to be an activity engaged in for profit. In the case of an activity which consists in major part of the breeding, training, showing, or racing of horses, the preceding sentence shall be applied by substituting the period of 7 consecutive taxable years for the period of 5 consecutive taxable years."

(b) TECHNICAL AMENDMENT.—Section 270 (relating to limitation on deductions allowable to certain individuals) is repealed.

(c) CLERICAL AMENDMENTS.—

(1) The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 183. Activities not engaged in for profit."

(2) The table of sections for part IX of subchapter B of chapter I is amended by striking out the item relating to section 270.

(3) Section 6504 (relating to cross references) is amended by striking out the item relating to section 270.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969.

SEC. 214. GAIN FROM DISPOSITION OF FARM LAND.

(a) IN GENERAL.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding after section 1251 (added by section 211 of this Act) the following new section:

"SEC. 1252. GAIN FROM DISPOSITION OF FARM LAND.

"(a) GENERAL RULE.—

"(1) ORDINARY INCOME.—Except as otherwise provided in this section, if farm land which the taxpayer has held for less than 10 years is disposed of during a taxable year beginning after December 31, 1969, the lower of—

"(A) the applicable percentage of the aggregate of the deductions allowed under sections 175 (relating to soil and water conservation expenditures) and 182 (relating to expenditures by farmers for clearing land) for expenditures made by the taxpayer after December 31, 1969, with respect to the farm land or

"(B) the excess of—

"(i) the amount realized (in the case of a sale, exchange, or involuntary conversion), or the fair market value of the farm land (in the case of any other disposition), over

"(ii) the adjusted basis of such land, shall be treated as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231. Such gain shall be recognized notwithstanding any other provision of this subtitle, except that this section shall not apply to the extent section 1251 applies to such gain.

"(2) FARM LAND.—For purposes of this section, the term 'farm land' means any land with respect to which deductions have been allowed under sections 175 (relating to soil and water conservation expenditures) or 182 (relating to expenditures by farmers for clearing land).

"(3) APPLICABLE PERCENTAGE.—For purposes of this section—

"If the farm land is disposed of—	The applicable percentage is—
Within 5 years after the date it was acquired	100 percent.
Within the sixth year after it was acquired	80 percent.
Within the seventh year after it was acquired	60 percent.
Within the eighth year after it was acquired	40 percent.
Within the ninth year after it was acquired	20 percent.
10 years or more years after it was acquired	0 percent.

"(b) SPECIAL RULES.—Under regulations prescribed by the Secretary or his delegate, rules similar to the rules of section 1245 shall be applied for purposes of this section."

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end thereof the following:

"Sec. 1252. Gain from the disposition of farm land."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969.

SEC. 215. CROP INSURANCE PROCEEDS.

(a) YEAR IN WHICH INCLUDED IN INCOME.—Section 451 (relating to general rule for taxable year of inclusion) is amended by adding at the end thereof the following new subsection:

"(d) SPECIAL RULE FOR CROP INSURANCE PROCEEDS.—In the case of insurance proceeds received as a result of destruction or damage to crops, a taxpayer reporting on the cash receipts and disbursements method of accounting may elect to include such proceeds in income for the taxable year following the taxable year of destruction or damage, if he establishes that, under his practice, income from such crops would have been reported in a following taxable year. An election under this subsection for any taxable year shall be made at such time and in such manner as the Secretary or his delegate prescribes."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 216. CAPITALIZATION OF COSTS OF PLANTING AND DEVELOPING CITRUS GROVES.

(a) REQUIREMENT OF CAPITALIZATION.—Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding after section 277 (added by section 121(b)(3) of this Act) the following new section:

"SEC. 278. CAPITAL EXPENDITURES INCURRED IN PLANTING AND DEVELOPING CITRUS GROVES.

"(a) GENERAL RULE.—Except as provided in subsection (b), any amount (allowable as a deduction without regard to this section), which is attributable to the planting, cultivation, maintenance, or development of any citrus grove (or part thereof), and which is incurred before the close of the fourth taxable year beginning with the taxable year in which the trees were planted, shall be charged to capital account. For purposes of the preceding sentence, the portion of a citrus grove planted in one taxable year shall be treated separately from the portion of such grove planted in another taxable year.

"(b) EXCEPTIONS.—Subsection (a) shall not apply to amounts allowable as deductions (without regard to this section), and attributable to a citrus grove (or part thereof) which was:

"(1) replanted after having been lost or damaged (while in the hands of the taxpayer), by reason of freeze, disease, drought, pests or casualty, or

"(2) planted or replanted prior to the enactment of this section."

(b) CLERICAL AMENDMENT.—The table of sections for such part IX is amended by adding at the end thereof the following new item:

"Sec. 278. Capital expenditures incurred in planting and developing citrus groves."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969.

SUBTITLE C—INTEREST

SEC. 221. INTEREST.

(a) LIMITATION ON INTEREST DEDUCTION ATTRIBUTABLE TO INVESTMENT INDEBTEDNESS.—Section 163 (relating to interest) is amended by redesignating subsection (d) as (e), and by inserting after subsection (c) the following new subsection:

"(d) LIMITATION ON INTEREST ON INVESTMENT INDEBTEDNESS.—

(1) IN GENERAL.—In the case of a taxpayer other than a corporation, the amount of investment interest (as defined in paragraph (3)(D)) otherwise allowable as a deduction under this chapter shall be limited, in the following order, to—

"(A) $25,000 ($12,500, in the case of a separate return by a married individual) plus

"(B) the amount of the net investment income (as defined in paragraph (3)(A)) plus

"(C) an amount equal to the amount by which the net long-term capital gain exceeds the net short-term capital loss for the taxable year, plus

"(D) one-half of the amount by which investment interest exceeds the sum of the amounts described in subparagraphs (A), (B), and (C).

In the case of a trust, the $25,000 amount specified in subparagraph (A) and in paragraph (2)(A) shall be zero. In determining the amount described in subparagraph (C) only gains and losses attributable to the disposition of property held for investment shall be taken into account.

"(2) CARRYOVER OF DISALLOWED INVESTMENT INTEREST.—

"(A) IN GENERAL.—The amount of disallowed investment interest for any taxable year shall be treated as investment interest paid or accrued in the succeeding taxable year. The amount of the interest so treated which is allowable as a deduction by reason of the first sentence of this paragraph for any taxable year shall not exceed one-half of the amount by which—

"(i) the net investment income for such taxable year plus $25,000, exceeds

"(ii) the investment interest paid or accrued during such taxable year (determined without regard to this paragraph) or $25,000 whichever is greater.

"(B) REDUCTION FOR CAPITAL GAIN DEDUCTION.—If—

"(i) an amount of disallowed investment interest treated under subparagraph (A) as investment interest paid or accrued in the taxable year is not allowable as a deduction for such taxable year by reason of the second sentence of subparagraph (A), and

"(ii) the taxpayer is entitled to a deduction under section 1202 for such taxable year (whether or not the taxpayer claims such deduction), the amount of such disallowed investment interest shall be reduced by an amount equal to the amount of the deduction allowable under section 1202.

"(3) DEFINITIONS.—For purposes of this subsection—

"(A) NET INVESTMENT INCOME.—The term 'net investment income' means the excess of investment income over investment expenses.

"(B) INVESTMENT INCOME.—The term 'investment income' means—

"(i) the gross income from interest, dividends, rents, and royalties,

"(ii) the net short-term capital gain attributable to the disposition of property held for investment, and

"(iii) any amount treated under sections 1245 and 1250 as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231, but only to the extent such income, gain, and amounts are not derived from the conduct of a trade or business.

"(C) INVESTMENT EXPENSES.—The term 'investment expenses' means the deductions allowable under sections 164(a) (1) or (2), 166, 167, 171, 212, or 611 directly connected with the production of investment income. For purposes of this subparagraph, the deduction allowable under section 167 with respect to any property may be treated as the amount which would have been allowable had the taxpayer depreciated with property under the straight line method for each taxable year of its useful life for which the taxpayer has held the property, and the deduction allowable under section 611 with respect to any property may be treated as the amount which would have been allowable had the taxpayer determined the deduction under section 611 without regard to section 613 for each taxable year for which the taxpayer has held the property.

"(D) INVESTMENT INTEREST.—The term 'investment interest' means interest paid or accrued on indebtedness incurred or continued to purchase or carry property held for investment.

"(E) DISALLOWED INVESTMENT INTEREST.—The term 'disallowed investment interest' means with respect to any taxable year, the amount not allowable as a deduction solely by reason of the limitations in paragraphs (1) and (2)(A).

"(4) SPECIAL RULES.—

"(A) PROPERTY SUBJECT TO NET LEASE.—For purposes of this subsection, property subject to a lease shall be treated as property held for investment, and not as property used in a trade or business, for a taxable year, if—

"(i) for such taxable year the sum of the deductions with respect to such property which are allowable solely by reason of section 162 is less than 15 percent of the rental income produced by such property, or

"(ii) the lessor is either guaranteed a specified return or is guaranteed in whole or in part against loss of income.

"(B) PARTNERSHIPS.—In the case of a partnership, each partner shall, under regulations prescribed by the Secretary or his delegate, take into account separately his distributive share of the partnership's investment interest and the other items of income and expense taken into account under this subsection.

"(C) SHAREHOLDERS OF ELECTING SMALL BUSINESS CORPORATIONS.—In the case of an electing small business corporation (as defined in section 1371(b)), the investment interest paid or accrued by such corporation and the other items of income and expense which would be taken into account if this subsection applied to such corporation shall, under regulations prescribed by the Secretary or his delegate, be treated as investment interest paid or accrued by the shareholders of such corporation and as items of such shareholders, and shall be apportioned pro rata among such shareholders in a manner consistent with section 1374(c)(1).

"(D) CONSTRUCTION INTEREST.—For purposes of this subsection, interest paid or accrued on indebtedness incurred or continued in the construction of property to be used in a trade or business shall not be treated as investment interest.

"(5) CAPITAL GAINS.—For purposes of sections 1201(b) (relating to alternative capital gains tax), 1202 (relating to deduction for capital gains), and 57(a)(9) (relating to treatment of capital gains as a tax preference), an amount equal to the amount of investment interest which is allowable as a deduction under this chapter by reason of subparagraph (C) of paragraph (1) shall be treated as gain from the sale or other disposition of property which is neither a capital asset nor property described in section 1231.

"(6) EXCEPTIONS.—This subsection shall not apply with respect to investment interest, investment income, and investment expenses attributable to a specific item of property, if the indebtedness with respect to such property—

"(A) is for a specified term, and

"(B) was incurred before December 17, 1969, or is incurred after December 16, 1969, pursuant to a written contract or commitment which, on such date and at all times thereafter prior to the incurring of such indebtedness, is binding on the taxpayer."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1971.

SUBTITLE D—MOVING EXPENSES

SEC. 231. MOVING EXPENSES.

(a) DEDUCTIONS FOR MOVING EXPENSES.—Section 217 (relating to moving expenses) is amended to read as follows:

"SEC. 217. MOVING EXPENSES.

"(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction moving expenses paid or incurred during the taxable year in connection with the commencement of work by the taxpayer as an employee or as a self-employed individual at a new principal place of work.

"(b) DEFINITION OF MOVING EXPENSES.—

"(1) IN GENERAL.—For purposes of this section, the term 'moving expenses' means only the reasonable expenses—

"(A) of moving household goods and personal effects from the former residence to the new residence,

"(B) of traveling (including meals and lodging) from the former residence to the new place of residence,

"(C) of traveling (including meals and lodging), after obtaining employment, from the former residence to the general location of the new principal place of work and return, for the principal purpose of searching for a new residence,

"(D) of meals and lodging while occupying temporary quarters in the general location of the new principal place of work during any period of 30 consecutive days after obtaining employment, or

"(E) constituting qualified residence sale, purchase, or lease expenses.

"(2) QUALIFIED RESIDENCE SALE, ETC., EXPENSES.—For purposes of paragraph (1)(E), the term 'qualified residence sale, purchase, or lease expenses' means only reasonable expenses incident to—

"(A) the sale or exchange by the taxpayer or his spouse of the taxpayer's former residence (not including expenses for work performed on such residence in order to assist in its sale) which (but for this subsection and subsection (e)) would be taken into account in determining the amount realized on the sale or exchange,

"(B) the purchase by the taxpayer or his spouse of a new residence in the general location of the new principal place of work which (but for this subsection and subsection (e)) would be taken into account in determining—

"(i) the adjusted basis of the new residence, or

"(ii) the cost of a loan (but not including any amounts which represent payments or prepayments of interest),

"(C) the settlement of an unexpired lease held by the taxpayer or his spouse on property used by the taxpayer as his former residence, or

"(D) the acquisition of a lease by the taxpayer or his spouse on property used by the taxpayer as his new residence in the general location of the new principal place of work (not including amounts which are payments or prepayments of rent).

"(3) LIMITATIONS.—

"(A) DOLLAR LIMITS.—The aggregate amount allowable as a deduction under subsection (a) in connection with a commencement of work which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1) shall not exceed $1,000. The aggregate amount allowable as a deduction under subsection (a) which is attributable to qualified residence sale, purchase, or lease expenses shall not exceed $2,500, reduced by the aggregate amount so allowable which is attributable to expenses described in subparagraph (C) or (D) of paragraph (1).

"(B) HUSBAND AND WIFE.—If a husband and wife both commence work at a new principal place of work within the same general location, subparagraph (A) shall be applied as if there was only one commencement of work. In the case of a husband and wife filing separate returns, subparagraph (A) shall be applied by substituting '$500' for '$1,000', and by substituting '$1,250' for '$2,500'.

"(C) INDIVIDUALS OTHER THAN TAXPAYER.—In the case of any individual other than the taxpayer, expenses referred to in subparagraphs (A) through (D) of paragraph (1) shall be taken into account only if such individual has both the former residence and the new residence as his principal place of abode and is a member of the taxpayer's household.

"(c) CONDITIONS FOR ALLOWANCE.—No deduction shall be allowed under this section unless—

"(1) the taxpayer's new principal place of work—

"(A) is at least 50 miles farther from his former residence than was his former principal place of work, or

"(B) if he had no former principal place of work, is at least 50 miles from his former residence, and

"(2) either—

"(A) during the 12-month period immediately following his arrival in the general location of his new principal place of work, the

taxpayer is a full-time employee, in such general location, during at least 39 weeks, or

"(B) during the 24-month period immediately following his arrival in the general location of his new principal place of work, the taxpayer is a full-time employee or performs services as a self-employed individual on a full-time basis, in such general location, during at least 78 weeks, of which not less than 39 weeks are during the 12-month period referred to in subparagraph (A).

For purposes of paragraph (1), the distance between two points shall be the shortest of the more commonly traveled routes between such two points.

"(d) RULES FOR APPLICATION OF SUBSECTION (c)(2).—

"(1) The condition of subsection (c)(2) shall not apply if the taxpayer is unable to satisfy such condition by reason of—

"(A) death or disability, or

"(B) involuntary separation (other than for willful misconduct) from the service of, or transfer for the benefit of, an employer after obtaining full-time employment in which the taxpayer could reasonably have been expected to satisfy such condition.

"(2) If a taxpayer has not satisfied the condition of subsection (c)(2) before the time, prescribed by law (including extensions thereof) for filing the return for the taxable year during which he paid or incurred moving expenses which would otherwise be deductible under this section, but may still satisfy such condition, then such expenses may (at the election of the taxpayer) be deducted for such taxable year notwithstanding subsection (c)(2).

"(3) If—

"(A) for any taxable year moving expenses have been deducted in accordance with the rule provided in paragraph (2), and

"(B) the condition of subsection (c)(2) cannot be satisfied at the close of a subsequent taxable year,

then an amount equal to the expenses which were so deducted shall be included in gross income for the first such subsequent taxable year.

"(e) DENIAL OF DOUBLE BENEFIT.—The amount realized on the sale of the residence described in subparagraph (A) of subsection (b)(2) shall not be decreased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a), and the basis of a residence described in subparagraph (B) of subsection (b)(2) shall not be increased by the amount of any expenses described in such subparagraph which are allowed as a deduction under subsection (a). This subsection shall not apply to any expenses with respect to which an amount is included in gross income under subsection (d)(3).

"(f) RULES FOR SELF-EMPLOYED INDIVIDUALS.—

"(1) DEFINITION.—For purposes of this section, the term 'self-employed individual' means an individual who performs personal services—

"(A) as the owner of the entire interest in an unincorporated trade or business, or

"(B) as a partner in a partnership carrying on a trade or business.

"(2) RULE FOR APPLICATION OF SUBSECTIONS (b)(1)(C) AND (D).—For purposes of subparagraphs (C) and (D) of subsection (b)(1), an individual who commences work at a new principal place of work as a self-employed individual shall be treated as having obtained employment when he has made substantial arrangements to commence such work.

"(g) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section."

(b) INCLUSION IN GROSS INCOME OF MOVING EXPENSE REIMBURSEMENTS.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding after section 81 the following new section:

"SEC. 82. REIMBURSEMENT FOR EXPENSES OF MOVING.

"There shall be included in gross income (as compensation for services) any amount received or accrued, directly or indirectly, by an individual as a payment for or reimbursement of expenses of moving from one residence to another residence which is attributable to employment or self-employment."

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 82. Reimbursement of Moving Expenses."

(2) Section 1001 (relating to determination of amount and recognition of gain or loss) is amended by adding after subsection (e) (as added by section 516(a) of this Act) the following new subsection:

"(f) CROSS REFERENCE.—

"For treatment of certain expenses incident to the sale of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e)."

(3) Section 1016(c) is amended to read as follows:

"(c) CROSS REFERENCES.—

"(1) For treatment of certain expenses incident to the purchase of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e).

"(2) For treatment of separate mineral interests as one property, see section 614."

(d) EFFECTIVE DATES.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969, except that—

(1) section 217 of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall not apply to any item to the extent that the taxpayer received or accrued reimbursement or other expense allowance for such item in a taxable year beginning on or before December 31, 1969, which was not included in his gross income; and

(2) the amendments made by this section shall not apply (at the election of the taxpayer made at such time and manner as the Secretary of the Treasury or his delegate prescribes) with respect to moving expenses paid or incurred before July 1, 1970, in connection with the commencement of work by the taxpayer as an employee at a new principal place of work of which the taxpayer had been notified by his employer on or before December 19, 1969.

TITLE I—MINIMUM TAX; ADJUSTMENTS PRIMARILY AFFECTING INDIVIDUALS

SUBTITLE A—MINIMUM TAX

SEC. 301. MINIMUM TAX FOR TAX PREFERENCES.

(a) IN GENERAL.—Subchapter A of chapter 1 (relating to determination of tax liability) is amended by adding at the end thereof the following new part:

"PART VI—MINIMUM TAX FOR TAX PREFERENCES

"Sec. 56. Imposition of Tax.

"Sec. 57. Items of Tax Preference.

"Sec. 58. Rules for Application of This Part.

"SEC. 56. IMPOSITION OF TAX.

"(a) IN GENERAL.—In addition to the other taxes imposed by this chapter, there is hereby imposed for each taxable year, with respect to the income of every person, a tax equal to 10 percent of the amount (if any) by which—

"(1) the sum of the items of tax preference in excess of $30,000, is greater than

"(2) the taxes imposed by this chapter for the taxable year (computed without regard to this part and without regard to the taxes imposed by sections 531 and 541) reduced by the sum of the credits allowable under—

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

"(B) section 37 (relating to retirement income), and

"(C) section 38 (relating to investment credit).

"(b) DEFERRAL OF TAX LIABILITY IN CASE OF CERTAIN NET OPERATING LOSSES.—

"(1) IN GENERAL.—If for any taxable year a person—

"(A) has a net operating loss any portion of which (under section 172) remains as a net operating loss carryover to a succeeding taxable year, and

"(B) has items of tax preference in excess of $30,000,

then an amount equal to the lesser of the tax imposed by subsection (a) or 10 percent of the amount of the net operating loss carryover described in subparagraph (A) shall be treated as tax liability not imposed for the taxable year, but as imposed for the succeeding taxable year or years pursuant to paragraph (2).

"(2) YEAR OF LIABILITY.—In any taxable year in which any portion of the net operating loss carryover attributable to the excess described in paragraph (1)(B) reduces taxable income, the amount of tax liability described in paragraph (1) shall be treated as tax liability imposed in such taxable year in an amount equal to 10 percent of such reduction.

"(3) PRIORITY OF APPLICATION.—For purposes of paragraph (2), if any portion of the net operating loss carryover described in paragraph (1)(A) is not attributable to the excess described in paragraph (1)(B), such portion shall be considered as being applied in reducing taxable income before such other portion.

"SEC. 57. ITEMS OF TAX PREFERENCE.

"(a) IN GENERAL.—For purposes of this part, the items of tax preference are—

"(1) EXCESS INVESTMENT INTEREST.—The amount of the excess investment interest for the taxable year (as determined under subsection (b)).

"(2) ACCELERATED DEPRECIATION ON REAL PROPERTY.—With respect to each section 1250 property (as defined in section 1250(c)), the amount by which the deduction allowable for the taxable year for exhaustion, wear and tear, obsolescence, or amortization exceeds the depreciation deduction which would have been allowable for the taxable year had the taxpayer depreciated the property under the straight line method for each taxable year of its useful life (determined without regard to section 167(k)) for which the taxpayer has held the property.

"(3) ACCELERATED DEPRECIATION ON PERSONAL PROPERTY SUBJECT TO A NET LEASE.—With respect to each item of section 1245 property (as defined in section 1245(a)(3)) which is the subject of a net lease, the amount by which the deduction allowable for the taxable year for exhaustion, wear and tear, obsolescence, or amortization exceeds the depreciation deduction which would have been allowable for the taxable year had the taxpayer depreciated the property under the straight line method for each taxable year of its useful life for which the taxpayer has held the property.

"(4) AMORTIZATION OF CERTIFIED POLLUTION CONTROL FACILITIES.—With respect to each certified pollution control facility for which an election is in effect under section 169, the amount by which the deduction allowable for the taxable year under such section exceeds the depreciation deduction which would otherwise be allowable under section 167.

"(5) AMORTIZATION OF RAILROAD ROLLING STOCK.—With respect to each unit of railroad rolling stock for which an election is in effect under section 184, the amount by which the deduction allowable for the tax-

able year under such section exceeds the depreciation deduction which would otherwise be allowable under section 167.

"(6) STOCK OPTIONS.—With respect to the transfer of a share of stock pursuant to the exercise of a qualified stock option (as defined in section 422(b)) or a restricted stock option (as defined in section 424(b)), the amount by which the fair market value of the share at the time of exercise exceeds the option price.

"(7) RESERVES FOR LOSSES ON BAD DEBTS OF FINANCIAL INSTITUTIONS.—In the case of a financial institution to which section 585 or 593 applies, the amount by which the deduction allowable for the taxable year for a reasonable addition to a reserve for bad debts exceeds the amount that would have been allowable had the institution maintained its bad debt reserve for all taxable years on the basis of actual experience.

"(8) DEPLETION.—With respect to each property (as defined in section 614), the excess of the deduction for depletion allowable under section 611 for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deductible for the taxable year).

"(9) CAPITAL GAINS.—

"(A) INDIVIDUALS.—In the case of a taxpayer other than a corporation, an amount equal to one-half of the amount by which the net long-term capital gain exceeds the net short-term capital loss for the taxable year.

"(B) CORPORATIONS.—In the case of a corporation, if the net long-term capital gain exceeds the net short-term capital loss for the taxable year, an amount equal to the product obtained by multiplying such excess by a fraction the numerator of which is the sum of the normal tax and the surtax rate under section 11, minus the alternative tax rate under section 1201(a), for the taxable year, and the denominator of which is the sum of the normal tax rate and the surtax rate under section 11 for the taxable year. In the case of a corporation to which section 1201(a) does not apply, the amount under this subparagraph shall be determined under regulations prescribed by the Secretary or his delegate in a manner consistent with the preceding sentence.

Paragraph (1) shall apply only to taxable years beginning before January 1, 1972. Paragraphs (1) and (3) shall not apply to a corporation other than an electing small business corporation (as defined in section 1371 (b)) and a personal holding company (as defined in section 542).

"(b) EXCESS INVESTMENT INTEREST.—

"(1) IN GENERAL.—For purposes of paragraph (1) of subsection (a), the excess investment interest for any taxable year is the amount by which the investment interest expense for the taxable year exceeds the net investment income for the taxable year.

"(2) DEFINITIONS.—For purposes of this subsection—

"(A) NET INVESTMENT INCOME.—The term 'net investment income' means the excess of investment income over investment expenses.

"(B) INVESTMENT INCOME.—The term 'investment income' means—

"(i) the gross income from interest, dividends, rents, and royalties,

"(ii) the net short-term capital gain attributable to the disposition of property held for investment, and

"(iii) amounts treated under sections 1245 and 1250 as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231,

but only to the extent such income, gain, and amounts are not derived from the conduct of a trade or business.

"(C) INVESTMENT EXPENSES.—The term 'investment expenses' means the deductions allowable under sections 164(a) (1) or (2), 166, 167, 171, 212, 243, 244, 245, or 611 directly connected with the production of investment income. For purposes of this subparagraph, the deduction allowable under section 167 with respect to any property may be treated as the amount which would have been allowable had the taxpayer depreciated the property under the straight line method for each taxable year of its useful life for which the taxpayer has held the property, and the deduction allowable under section 611 with respect to any property may be treated as the amount which would have been allowable had the taxpayer determined the deduction under section 611 without regard to section 613 for each taxable year for which the taxpayer has held the property.

"(D) INVESTMENT INTEREST EXPENSE.—The term 'investment interest expense' means interest paid or accrued on indebtedness incurred or continued to purchase or carry property held for investment. For purposes of the preceding sentence, interest paid or accrued on indebtedness incurred or continued in the construction of property to be used in a trade or business shall not be treated as an investment interest expense.

"(3) PROPERTY SUBJECT TO NET LEASE.—For purposes of this subsection, property which is subject to a net lease entered into after October 9, 1969, shall be treated as property held for investment, and not as property used in a trade or business.

"(c) NET LEASES.—For purposes of this section, property shall be considered to be subject to a net lease for a taxable year if—

"(1) for such taxable year the sum of the deductions with respect to such property which are allowable solely by reason of section 162 is less than 15 percent of the rental income produced by such property, or

"(2) the lessor is either guaranteed a specified return or is guaranteed in whole or in part against loss of income.

"SEC. 58. RULES FOR APPLICATION OF THIS PART.

"(a) HUSBAND AND WIFE.—In the case of a husband or wife who files a separate return for the taxable year, the $30,000 amount specified in section 56 shall be $15,000.

"(b) MEMBERS OF CONTROLLED GROUPS.—In the case of a controlled group of corporations (as defined in section 1563(a)), the $30,000 amount specified in section 56 shall be divided equally among the component members of such group unless all component members consent (at such time and in such manner as the Secretary or his delegate prescribes by regulations) to an apportionment plan providing for an unequal allocation of such amount.

"(c) ESTATES AND TRUSTS.—In the case of an estate or trust—

"(1) the sum of the items of tax preference for any taxable year of the estate or trust shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each, and

"(2) the $30,000 amount specified in section 56 applicable to such estate or trust shall be reduced to an amount which bears the same ratio to $30,000 as the portion of the sum of the items of tax preference allocated to the estate or trust under paragraph (1) bears to such sum.

"(d) ELECTING SMALL BUSINESS CORPORATIONS AND THEIR SHAREHOLDERS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the items of tax preference of an electing small business corporation (as defined in section 1371 (b)) for each taxable year of the corporation shall be treated as items of tax preference of the shareholders of such corporation, and, except as provided in paragraph (2), shall not be treated as items of tax preference of such corporation. The sum of the items so treated shall be apportioned pro rata among such shareholders in a manner consistent with section 1374 (c)(1). For purposes of this paragraph, this part shall be treated as applying to such corporation.

"(2) CERTAIN CAPITAL GAINS.—If for a taxable year of an electing small business corporation a tax is imposed on the income of such corporation under section 1378, such corporation shall, notwithstanding the provisions of section 1371(b)(1), be subject to the tax imposed by section 56, but computed only with reference to the item of tax preference set forth in section 57(a)(9)(B) to the extent attributable to gains subject to the tax imposed by section 1378.

"(e) PARTICIPANTS IN A COMMON TRUST FUND.—The items of tax preference of a common trust fund (as defined in section 584(a)) for each taxable year of the fund shall be treated as items of tax preference of the participants of such fund and shall be apportioned pro rata among such participants. For purposes of this subsection, this part shall be treated as applying to such fund.

"(f) REGULATED INVESTMENT COMPANIES, ETC.—In the case of a regulated investment company to which part I of subchapter M applies or a real estate investment trust to which part II of subchapter M applies—

"(1) the item of tax preference set forth in section 57(a)(9) shall not be treated as an item of tax preferences of such company or such trust for each taxable year to the extent that such item is attributable to amounts taken into account as income by the shareholders of such company under section 852(b)(3), or by the shareholders or holders of beneficial interests of such trust under section 857(b)(3), and

"(2) the items of tax preference of such company or such trust for each taxable year (other than the item of tax preference set forth in section 57(a)(9) and, in the case of a real estate investment trust, the item of tax preference set forth in section 57(a)(2)) shall be treated as items of tax preference of the shareholders of such company, or the shareholders or holders of beneficial interests of such trust (and not as items of tax preference of such company or such trust), in the same proportion that the dividends (other than capital gain dividends) paid to each such shareholder, or holder of beneficial interest, bears to the taxable income of such company or such trust determined without regard to the deduction for dividends paid.

"(g) TAX PREFERENCES ATTRIBUTABLE TO FOREIGN SOURCES.—

"(1) IN GENERAL.—For purposes of section 56, the items of tax preference set forth in section 57(a) (other than in paragraphs (6) and (9) of such section) which are attributable to sources within any foreign country or possession of the United States shall be taken into account only to the extent that such items reduce the tax imposed by this chapter (other than the tax imposed by section 56) on income derived from sources within the United States. For purposes of the preceding sentence, items of tax preference shall be treated as reducing the tax imposed by this chapter before items which are not items of tax preference.

"(2) CAPITAL GAINS AND STOCK OPTIONS.—For purposes of section 56, the items of tax preferences set forth in paragraphs (6) and (9) of section 57(a) which are attributable to sources within any foreign country or possession of the United States shall not be taken into account if, under the tax laws of such country or possession—

"(A) in the case of the item set forth in paragraph (6) of section 57(a), preferential treatment is not accorded transfers of shares of stock pursuant to stock options described in such paragraph, and

"(B) in the case of the item set forth in paragraph (9) of section 57(a), preferential treatment is not accorded gain from the sale

or exchange of capital assets (or property treated as capital assets)."

(b) TECHNICAL AND CONFORMING AMENDMENTS—

(1) The table of parts for subchapter A of chapter 1 is amended by adding at the end thereof the following new item:

"Part VI. Minimum tax for tax preferences."

(2) Section 5(a) (relating to cross references to other rates of tax on individuals, etc.) is amended by adding at the end thereof the following new paragraph:

"(5) For minimum tax for tax preferences, see section 56."

(3) Section 12 (relating to cross references relating to tax on corporations) is amended by adding at the end thereof the following new paragraph:

"(8) For minimum tax for tax preferences, see section 56."

(4) Section 46(a)(3) (relating to liability for tax for determining amount of investment credit) is amended by inserting "section 56 (relating to minimum tax for tax preferences)," before "section 531".

(5) Section 51(b)(1) (relating to adjusted tax for purposes of tax surcharge) is amended by inserting "section 56," after "this section,".

(6) Section 443 (relating to returns for a period of less than 12 months) is amended by redesignating subsection (d) as subsection (e) and inserting after subsection (c) the following new subsection:

"(d) ADJUSTMENT IN EXCLUSION FOR COMPUTING MINIMUM TAX FOR TAX PREFERENCES.—If a return is made for a short period by reason of subsection (a), then the $30,000 amount specified in section 56 (relating to minimum tax for tax preferences), modified as provided by section 58, shall be reduced to the amount which the same ratio to such specified amount as the number of days in the short period bears to 365."

(7) Section 453(c)(3) (relating to rule for change from accrual to installment basis) is amended by inserting ", other than by section 56," after "prior revenue laws)".

(8) Section 511 (relating to tax on unrelated business income of charitable, etc., organizations) is amended by adding after subsection (c) (as added by section 121(a)(3) of this Act) the following new subsection:

"(d) TAX PREFERANCES.—The tax imposed by section 56 shall apply to an organization subject to tax under this section with respect to items of tax preference which enter into the computation of unrelated business taxable income."

(9) The last sentence of section 901(a) (relating to allowance of credit for taxes of foreign countries and of possessions of the United States) is amended by inserting "against the tax imposed by section 56 (relating to minimum tax for tax preferences)," after "not be allowed".

(10) Section 1373(c) (relating to definition of undistributed taxable income) is amended by striking out "tax imposed by section 1378(a)" and inserting in lieu thereof "taxes imposed by sections 56 and 1378(a)".

(11) Section 1375(a)(3) (relating to reduction for taxes imposed) is amended—

(A) by striking out "TAX IMPOSED BY SECTION 1378" in the heading of such section and inserting in lieu thereof "TAXES IMPOSED"; and

(B) by striking out "tax imposed by section 1378(a) on the income of" in teh text of such section and inserting in lieu thereof "taxes imposed by sections 56 and 1378(a) on".

(12) Section 6015(c) (relating to definition of estimated tax) is amended by inserting after "taxable year" in paragraph (1) "(other than the tax imposed by section 56)".

(13) Section 6654(f) (relating to definition of tax) is amended by inserting after "chapter 1" in paragraph (1) "(other than by section 56)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1969. In the case of a taxable year beginning in 1969 and ending in 1970, the tax imposed by section 56 of the Internal Revenue Code of 1954 (as added by subsection (a)) shall be an amount equal to the tax imposed by such section (determined without regard to this sentence) multiplied by a fraction—

(1) the numerator of which is the number of days in the taxable year occurring after December 31, 1969, and

(2) the denominator of which is the number of days in the entire taxable year.

SUBTITLE B—INCOME AVERAGING

SEC. 311. INCOME AVERAGING

(a) LIMITATION ON TAX.—Section 1301 (relating to limitation on tax) is amended by striking out "20 percent of such income" and all that follows and inserting in lieu thereof "20 percent of such income to 120 percent of average base period income."

(b) AVERAGABLE INCOME.—Section 1302 (relating to the definition of averagable income and related definitions) is amended to read as follows:

"SEC. 1302. DEFINITION OF AVERAGABLE INCOME RELATED DEFINITIONS.

"(a) AVERAGABLE INCOME.—

"(1) IN GENERAL.—For purposes of this part, the term 'averagable income' means the amount by which taxable income for the computation year (reduced as provided in paragraph (2)) exceeds 120 percent of average base period income.

"(2) REDUCTIONS.—The taxable income for the computation year shall be reduced by—

"(A) the amount (if any) to which section 72(m)(5) applies, and

"(B) the amounts included in the income of a beneficiary of a trust under section 668(a)

"(b) AVERAGE BASE PERIOD INCOME.—For purposes of this part—

"(1) IN GENERAL.—The term 'average base period income' means one-fourth of the sum of the base period incomes for the base period.

"(2) BASE PERIOD INCOME.—The base period income for any taxable year is the taxable income for such year—

"(A) increased by an amount equal to the excess of—

"(i) the amount excluded from gross income under section 911 (relating to earned income from sources without the United States) and subpart D of part III of subchapter N (sec. 931 and following, relating to income from sources within possessions of the United States), over

"(ii) the deductions which would have been properly allocable to or chargeable against such amount but for the exclusion of such amount from gross income; and

"(B) decreased by the amounts included in the income of a beneficiary or a trust under section 668(a).

"(c) OTHER RELATED DEFINITIONS.—For purposes of this part—

"(1) COMPUTATION YEAR.—The term 'computation year' means the taxable year for which the taxpayer chooses the benefits of this part.

"(2) BASE PERIOD.—The term 'base period' means the 4 taxable years immediately preceding the computation year.

"(3) BASE PERIOD YEAR.—The term 'base period year' means any of the 4 taxable years immediately preceding the computation year.

"(4) JOINT RETURN.—The term 'joint return' means the return of a husband and wife made under section 6013."

(c) SPECIAL RULES.—Section 1304(b) (relating to special rules applicable to income averaging) is amended—

(1) by striking out "and" at the end of paragraph (3);

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a comma; and

(3) by adding at the end thereof the following new paragraphs:

"(5) section 1201(b) (relating to alternative capital gains tax), and

"(6) section 1348 (relating to 50-percent maximum rate on earned income)."

(d) CONFORMING AMENDMENTS.—

(1) Section 1303(c)(2)(B) is amended by striking out "adjusted".

(2) Section 1304 is amended—

(A) by striking out paragraph (3) of subsection (c) and by redesignating paragraphs (4) and (5) of such subsections as paragraphs (3) and (4), respectively;

(B) by striking out "Paragraphs (2), (3), and (4)" in subsection (c)(1) and inserting in lieu thereof "Paragraphs (2) and (3)";

(C) by striking out "paragraph (4)" in subsection (c)(1)(B) and inserting in lieu thereof "paragraph (3)";

(D) by striking out "adjusted" in subparagraph (B) of subsection (c)(3) (as redesignated);

(E) by striking out in subsection (d) ", and the $3,000 figure contained in section 1302 (b)(2)(C) shall be applied to the aggregate net incomes";

(F) by striking out subsections (e) and (f) and inserting in lieu thereof the following:

"(e) TREATMENT OF CERTAIN OTHER ITEMS.—

"(1) SECTION 72(m)(5).—Section 72(m)(5) (relating to penalties applicable to certain amounts received by owner-employees) shall be applied as if this part had not been enacted.

"(2) OTHER ITEMS.—Except as otherwise provided in this part, the order and manner in which items of income or limitations on tax shall be taken into account in computing the tax imposed by this chapter on the income of any eligible individuals to whom section 1301 applies for any computation year shall be determined under regulations prescribed by the Secretary or his delegate."; and

(G) by redesignating subsection (g) as (f).

(3) Section 6511(d)(2)(B)(ii) is amended—

(A) by striking out "1302(e)(1)" and inserting in lieu thereof "1302(c)(1)"; and

(B) by striking out "1302(e)(3)" and inserting in lieu thereof "1302(c)(3)".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to computation years (within the meaning of section 1302(c)(1) of the Internal Revenue Code of 1954) beginning after December 31, 1969, and to base period years (within the meaning of section 1302(c)(3) of such Code) applicable to such computation years.

SUBTITLE C—RESTRICTED PROPERTY

SEC. 321. RESTRICTED PROPERTY.

(a) IN GENERAL.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding after section 82 (as added by section 321(b) of this Act) the following new section:

"SEC. 83. PROPERTY TRANSFERRED IN CONNECTION WITH PERFORMANCE OF SERVICES.

"(a) GENERAL RULE.—If, in connection with the performance of services, property is transferred to any person other than the person for whom such services are performed, the excess of—

"(1) the fair market value of such property (determined without regard to any restriction other than a restriction which by its terms will never lapse) at the first time the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, over

"(2) the amount (if any) paid for such property,

shall be included in the gross income of the person who performed such services in the first taxable year in which the rights of the person having the beneficial interest in such

property are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable. The preceding sentence shall not apply if such person sells or otherwise disposes of such property in an arm's length transaction before his rights in such property become transferable or not subject to a substantial risk of forfeiture.

"(b) ELECTION TO INCLUDE IN GROSS INCOME IN YEAR OF TRANSFER.—

"(1) IN GENERAL.—Any person who performs services in connection with which property is transferred to any person may elect to include in his gross income, for the taxable year in which such property is transferred, the excess of—

"(A) the fair market value of such property at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse), over

"(B) the amount (if any) paid for such property.

If such election is made, subsection (a) shall not apply with respect to the transfer of such property, and if such property is subsequently forfeited, no deduction shall be allowed in respect of such forfeiture.

"(2) ELECTION.—An election under paragraph (1) with respect to any transfer of property shall be made in such manner as the Secretary or his delegate prescribes and shall be made not later than 30 days after the date of such transfer (or, if later, 30 days after the date of the enactment of the Tax Reform Act of 1969). Such election may not be revoked except with the consent of the Secretary or his delegate.

"(c) SPECIAL RULES.—For purposes of this section—

"(1) SUBSTANTIAL RISK OF FORFEITURE.—The rights of a person in property are subject to a substantial risk of forfeiture if such person's rights to full enjoyment of such property are conditioned upon the future performance of substantial services by any individual.

"(2) TRANSFERABILITY OF PROPERTY.—The rights of a person in property are transferable only if the rights in such property of any transferee are not subject to a substantial risk of forfeiture.

"(d) CERTAIN RESTRICTIONS WHICH WILL NEVER LAPSE.—

"(1) VALUATION.—In the case of property subject to a restriction which by its terms will never lapse, and which allows the transferee to sell such property only at a price determined under a formula, the price so determined shall be deemed to be the fair market value of the property unless established to the contrary by the Secretary or his delegate, and the burden of proof shall be on the Secretary or his delegate with respect to such value.

"(2) CANCELLATION.—If, in the case of property subject to a restriction which by its terms will never lapse, the restriction is canceled, then, unless the taxpayer establishes—

"(A) that such cancellation was not compensatory, and

"(B) that the person, if any, who would be allowed a deduction if the cancellation were treated as compensatory, will treat the transaction as not compensatory, as evidenced in such manner as the Secretary or his delegate shall prescribe by regulations,

the excess of the fair market value of the property (computed without regard to the restrictions) at the time of cancellation over the sum of—

"(C) the fair market value of such property (computed by taking the restriction into account) immediately before the cancellation, and

"(D) the amount, if any, paid for the cancellation,

shall be treated as compensation for the taxable year in which such cancellation occurs.

"(e) APPLICABILITY OF SECTION.—This section shall not apply to—

"(1) a transaction to which section 421 applies,

"(2) a transfer to or from a trust described in section 401(a) or a transfer under an annuity plan which meets the requirements of section 404(a)(2),

"(3) the transfer of an option without a readily ascertainable fair market value, or

"(4) the transfer of property pursuant to the exercise of an option with a readily ascertainable fair market value at the date of grant.

"(f) HOLDING PERIOD.—In determining the period for which the taxpayer has held property to which subsection (a) applies, there shall be included only the period beginning at the first time his rights in such property are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier.

"(g) CERTAIN EXCHANGES.—If property to which subsection (a) applies is exchanged for property subject to restrictions and conditions substantially similar to those to which the property given in such exchange was subject, and if section 354, 355, 356, or 1036 (or so much of section 1031 as relates to section 1036) applied to such exchange, or if such exchange was pursuant to the exercise of a conversion privilege—

"(1) such exchange shall be disregarded for purposes of subsection (a), and

"(2) the property received shall be treated as property to which subsection (a) applies.

"(h) DEDUCTION BY EMPLOYER.—In the case of a transfer of property to which this section applies or a cancellation of a restriction described in subsection (d), there shall be allowed as a deduction under section 162, to the person for whom were performed the services in connection with which such property was transferred, an amount equal to the amount included under subsection (a), (b), or (d)(2) in the gross income of the person who performed such services. Such deduction shall be allowed for the taxable year of such person in which or with which ends the taxable year in which such amount is included in the gross income of the person who performed such services.

"(i) TRANSITION RULES.—This section shall apply to property transferred after June 30, 1969, except that this section shall not apply to property transferred—

"(1) pursuant to a binding written contract entered into before April 22, 1969,

"(2) upon the exercise of an option granted before April 22, 1969,

"(3) before May 1, 1970, pursuant to a written plan adopted and approved before July 1, 1969,

"(4) before January 1, 1973, upon the exercise of an option granted pursuant to a binding written contract entered into before April 22, 1969, between a corporation and the transferor requiring the transferor to grant options to employees of such corporation (or a subsidiary of such corporation) to purchase a determinable number of shares of stock of such corporation, but only if the transferee was an employee of such corporation (or a subsidiary of such corporation) on or before April 22, 1969," or

"(5) in exchange for (or pursuant to the exercise of a conversion privilege contained in) property transferred before July 1, 1969, or for property to which this section does not apply (by reason of paragraph (1), (2), (3), or (4)), if section 354, 355, 356, or 1036 (or so much of section 1031 as relates to section 1036) applies, or if gain or loss is not otherwise required to be recognized upon the exercise of such conversion privilege, and if the property received in such exchange is subject to restrictions and conditions substantially similar to those to which the property given in such exchange was subject."

(b) NONEXEMPT TRUSTS AND NONQUALIFIED ANNUITIES.—

(1) BENEFICIARY OF NONEXEMPT TRUST.—Section 402(b) (relating to taxability of beneficiary of nonexempt trust) is amended to read as follows:

"(b) TAXABILITY OF BENEFICIARY OF NONEXEMPT TRUST.—Contributions to an employees' trust made by an employer during a taxable year of the employer which ends within or with a taxable year of the trust for which the trust is not exempt from tax under section 501(a) shall be included in the gross income of the employee in accordance with section 83 (relating to property transferred in connection with performance of services), except that the value of the employee's interest in the trust shall be substituted for the fair market value of the property for purposes of applying such section. The amount actually distributed or made available to any distributee by any such trust shall be taxable to him in the year in which so distributed or made available, under section 72 (relating to annuities), except that distributions of income of such trust before the annuity starting date (as defined in section 72(c)(4) shall be included in the gross income of the employee without regard to section 72(e)(1) (relating to amount not received as annuities). A beneficiary of any such trust shall not be considered the owner of any portion of such trust under subpart E of part I of subchapter J (relating to grantors and others treated as substantial owners)."

(2) BENEFICIARY UNDER NONQUALIFIED ANNUITY.—Section 403 (relating to taxation of employee annuities) is amended by striking out subsections (c) and (d) and inserting in lieu thereof the following new subsection:

"(c) TAXABILITY OF BENEFICIARY UNDER NONQUALIFIED ANNUITIES OR UNDER ANNUITIES PURCHASED BY EXEMPT ORGANIZATIONS.—Premiums paid by an employer for an annuity contract which is not subject to subsection (a) shall be included in the gross income of the employee in accordance with section 83 (relating to property transferred in connection with performance of services), except that the value of such contract shall be substituted for the fair market value of the property for purposes of applying such section. The preceding sentence shall not apply to that portion of the premiums paid which is excluded from gross income under subsection (b). The amount actually paid or made available to any beneficiary under such contract shall be taxable to him in the year in which so paid or made available under section 72 (relating to annuities)."

(3) DEDUCTIBILITY OF EMPLOYER CONTRIBUTIONS.—Section 404(a)(5) (relating to deduction for contributions of an employer to an employees' trust, etc.) is amended to read as follows:

"(5) OTHER PLANS.—If the plan is not one included in paragraph (1), (2), (3), in the taxable year in which an amount attributable to the contribution is includible in the gross income of employees participating in the plan, but, in the case of a plan in which more than one employee participates only if separate accounts are maintained for each employee."

(c) CLERICAL AMENDMENT.—The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 83. Property transferred in connection with performance of services."

(d) EFFECTIVE DATES.—The amendments made by subsections (a) and (c) shall apply to taxable years ending after June 30, 1969. The amendments made by subsection (b) shall apply with respect to contributions made and premiums paid after August 1, 1969.

SUBTITLE D—ACCUMULATION TRUSTS, MULTIPLE TRUSTS, ETC.

SEC. 331. TREATMENT OF EXCESS DISTRIBUTIONS BY TRUSTS.

(a) IN GENERAL.—Subpart D of part I of subchapter J of chapter 1 is amended to read as follows:

"SUBPART D—TREATMENT OF EXCESS DISTRIBUTIONS BY TRUST

"Sec. 665. Definitions applicable to subpart D.
"Sec. 666. Accumulation distribution allocated to preceding years.
"Sec. 667. Denial of refund to trusts; authorization of credit to beneficiaries.
"Sec. 668. Treatment of amounts deemed distributed in preceding years.
"Sec. 669. Treatment of capital gain deemed distributed in preceding years.

"SEC. 665. DEFINITIONS APPLICABLE TO SUBPART D.

"(a) UNDISTRIBUTED NET INCOME.—For purposes of this subpart the term 'undistributed net income' for any taxable year means the amount by which the distributable net income of the trust for such taxable year exceeds the sum of—

"(1) the amounts for such taxable year specified in paragraphs (1) and (2) of section 661(a), and

"(2) the amount of taxes imposed on the trust attributable to such distributable net income.

"(b) ACCUMULATION DISTRIBUTION.—For purposes of this subpart, the term 'accumulation distribution' means, for any taxable year of the trust, the amount by which—

"(1) the amounts specified in paragraph (2) of section 661(a) for such taxable year, exceed

"(2) distributable net income for such year reduced (but not below zero) by the amounts specified in paragraph (1) of section 661(a).

"(c) SPECIAL RULE APPLICABLE TO DISTRIBUTIONS BY CERTAIN FOREIGN TRUSTS.—For purposes of this subpart, any amount paid to a United States person which is from a payor who is not a United States person and which is derived directly or indirectly from a foreign trust created by a United States person shall be deemed in the year of payment to have been directly paid by the foreign trust.

"(d) TAXES IMPOSED ON THE TRUST.—For purposes of this subpart, the term 'taxes imposed on the trust' means the amount of the taxes which are imposed for any taxable year of the trust under this chapter (without regard to this subpart) and which, under regulations prescribed by the Secretary or his delegate, are properly allocable to the undistributed portions of distributable net income and gains in excess of losses from sales or exchange of capital assets. The amount determined in the preceding sentence shall be reduced by any amount of such taxes deemed distributed under section 666 (b) and (c) or 669 (d) and (e) to any beneficiary.

"(e) PRECEDING TAXABLE YEAR.—For purposes of this subpart—

"(1) in the case of a trust (other than a foreign trust created by a United States person), the term 'preceding taxable year' does not include any taxable year of the trust—

"(A) which precedes by more than 5 years the taxable year of the trust in which an accumulation distribution is made, if it is made in a taxable year beginning before January 1, 1974.

"(B) which begins before January 1, 1969, in the case of an accumulation distribution made during a taxable year beginning after December 31, 1973, or

"(C) which begins before January 1, 1969, in the case of a capital gain distribution made during a taxable year beginning after December 31, 1968; and

"(2) in the case of a foreign trust created by a United States person, such term does not include any taxable year of the trust to which this part does not apply.

In the case of a preceding taxable year with respect to which a trust qualifies (without regard to this subpart) under the provisions of subpart B, for purposes of the application of this subpart to such trust for such taxable year, such trust shall, in accordance with regulations prescribed by the Secretary or his delegate, be treated as a trust to which subpart C applies.

"(f) UNDISTRIBUTED CAPITAL GAIN.—For purposes of this subpart, the term 'undistributed capital gain' means, for any taxable year of the trust beginning after December 31, 1968, the amount by which—

"(1) gains in excess of losses from the sale or exchange of capital assets, to the extent that such gains are allocated to corpus and are not (A) paid, credited, or required to be distributed to any beneficiary during such taxable year, or (B) paid, permanently set aside, or used for the purposes specified in section 642(c), exceed

"(2) the amount of taxes imposed on the trust atributable to such gains.

For purposes of paragraph (1), the deduction under section 1202 (relating to deduction for excess of capital gains over capital losses) shall not be taken into account.

"(g) CAPITAL GAIN DISTRIBUTION.—For purposes of this subpart, the term 'capital gain distribution' for any taxable year of the trust means, to the extent of undistributed capital gain for such taxable year, that portion of—

"(1) the excess of the amounts specified in paragraph (2) of section 661(a) for such taxable year over distributable net income for such year reduced (but not below zero) by the amounts specified in paragraph (1) of section 661(a), over

"(2) the undistributed net income of the trust for all preceding taxable years.

"SEC. 666. ACCUMULATION DISTRIBUTION ALLOCATED TO PRECEDING YEARS

"(a) AMOUNT ALLOCATED.—In the case of a trust which is subject to subpart C, the amount of the accumulation distribution of such trust for a taxable year shall be deemed to be an amount within the meaning of paragraph (2) of section 661(a) distributed on the last day of each of the preceding taxable years, commencing with the earliest of such years, to the extent that such amount exceeds the total of any undistributed net income for all earlier preceding taxable years. The amount deemed to be distributed in any such preceding taxable year under the preceding sentence shall not exceed the undistributed net income for such preceding taxable years. For purposes of this subsection, undistributed net income for each of such preceding taxable years shall be computed without regard to such accumulation distribution and without regard to any accumulation distribution determined for any succeeding taxable years.

"(b) TOTAL TAXES DEEMED DISTRIBUTED.—If any portion of an accumulation distribution for any taxable year is deemed under subsection (a) to be an amount within the meaning of paragraph (2) of section 661(a) distributed on the last day of any preceding taxable year, and such portion of such distribution is not less than the undistributed net income for such preceding taxable year, the trust shall be deemed to have distributed on the last day of such preceding taxable year an additional amount within the meaning of paragraph (2) of section 661(a). Such additional amount shall be equal to the taxes imposed on the trust for such preceding taxable year attributable to the undistributed net income. For purposes of this subsection, the undistributed net income and the taxes imposed on the trust for such preceding taxable year attributable to such undistributed net income shall be computed without regard to such accumulation distribution and without regard to any accumulation distribution determined for any succeeding taxable year.

"(c) PRO RATA PORTION OF TAXES DEEMED DISTRIBUTED.—If any portion of an accumulation distribution for any taxable year is deemed under subsection (a) to be an amount within the meaning of paragraph (2) of section 661(a) distributed on the last day of any preceding taxable year and such portion of the accumulation distribution is less than the undistributed net income for such preceding taxable year, the trust shall be deemed to have distributed on the last day of such preceding taxable year an additional amount within the meaning of paragraph (2) of section 661(a). Such additional amount shall be equal to the taxes imposed on the trust for such taxable year attributable to the undistributed net income multiplied by the ratio of the portion of the accumulation distribution to the undistributed net income of the trust for such year. For purposes of this subsection, the undistributed net income and the taxes imposed on the trust for such preceding taxable year attributable to such undistributed net income shall be computed without regard to the accumulation distribution and without regard to any accumulation distribution determined for any succeeding taxable year.

"(d) RULE WHEN INFORMATION IS NOT AVAILABLE.—If adequate records are not available to determine the proper application of this subpart to an amount distributed by a trust, such amount shall be deemed to be an accumulation distribution consisting of undistributed net income earned during the earliest preceding taxable year of the trust in which it can be established that the trust was in existence.

"SEC. 667. DENIAL OF REFUND TO TRUSTS; AUTHORIZATION OF CREDIT TO BENEFICIARIES.

"(a) DENIAL OF REFUND TO TRUSTS.—No refund or credit shall be allowed to a trust for any preceding taxable year by reason of a distribution deemed to have been made by such trust in such year under section 666 or 669.

"(b) AUTHORIZATION OF CREDIT TO BENEFICIARY.—There shall be allowed as a credit (without interest) against the tax imposed by this subtitle on the beneficiary an amount equal to the amount of the taxes deemed distributed to such beneficiary by the trust under sections 666 (b) and (c) and 669 (d) and (e) during preceding taxable years of the trust on the last day of which the beneficiary was in being, reduced by the amount of the taxes deemed distributed to such beneficiary for such preceding taxable years to the extent that such taxes are taken into account under sections 668(b)(1) and 669 (b) in determining the amount of the tax imposed by section 668.

"SEC. 668. TREATMENT OF AMOUNTS DEEMED DISTRIBUTED IN PRECEDING YEARS

"(a) GENERAL RULE.—The total of the amounts which are treated under sections 666 and 669 as having been distributed by the trust in a preceding taxable year shall be included in the income of a beneficiary of the trust when paid, credited, or required to be distributed to the extent that such total would have been included in the income of such beneficiary under section 662(a)(2) and (b) if such total had been paid to such beneficiary on the last day of such preceding taxable year. The tax imposed by this subtitle on a beneficiary for a taxable year in which any such amount is included in his income shall be determined only as provided in this section and shall consist of the sum of—

"(1) a partial tax computed on the taxable income reduced by an amount equal to the total of such amounts, at the rate and in the manner as if this section had not been enacted,

"(2) a partial tax determined as provided in subsection (b) of this section, and

"(3) in the case of a beneficiary of a trust which is not required to distribute all of its income currently, a partial tax determined as provided in section 669.

For purposes of this subpart, a trust shall not be considered to be a trust which is not required to distribute all of its income currently for any taxable year prior to the first taxable year in which income is accumulated.

"(b) TAX ON DISTRIBUTION.—

"(1) ALTERNATIVE METHODS.—Except as provided in paragraph (2), the partial tax imposed by subsection (a)(2) shall be the lesser of—

"(A) the aggregate of the taxes attributable to the amounts deemed distributed under section 666 had they been included in the gross income of the beneficiary on the last day of each respective preceding taxable year, or

"(B) the tax determined by multiplying, by the number of preceding taxable years of the trust, on the last day of which an amount is deemed under section 666(a) to have been distributed, the average of the increase in tax attributable to recomputing the beneficiary's gross income for each of the beneficiary's 3 taxable years immediately preceding the year of the accumulation distribution by adding to the income of each of such years an amount determined by dividing the amount deemed distributed under section 666 and required to be included in income under subsection (a) by such number of preceding taxable years of the trust,

less an amount equal to the amount of taxes deemed distributed to the beneficiary under sections 666 (b) and (c).

"(2) SPECIAL RULES.—

"(A) If a beneficiary was not in existence on the last day of a preceding taxable year of the trust with respect to which a distribution is deemed made under section 666(a), the partial tax under either paragraph (1)(A) or (1)(B) shall be computed as if the beneficiary were in existence on the last day of such year on the basis that the beneficiary had no gross income (other than amounts deemed distributed to him under sections 666 and 669 by the same or other trusts) and no deductions for such year.

"(B) The partial tax shall not be computed under the provisions of subparagraph (B) of paragraph (1) if, in the same prior taxable year of the beneficiary in which any part of the accumulation distribution is deemed under section 666(a) to have been distributed to such beneficiary, some part of prior accumulation distributions by each of two or more other trusts is deemed under section 666(a) to have been distributed to such beneficiary.

"(C) If the partial tax is computed under paragraph (1)(B), and the amount of the undistributed net income deemed distributed in any preceding taxable year of the trust is less than 25 percent of the amount of the accumulation distribution divided by the number of preceding taxable years to which the accumulation distribution is allocated under section 666(a), the number of preceding taxable years of the trust with respect to which an amount is deemed distributed to a beneficiary under section 666(a) shall be determined without regard to such year.

"(3) EFFECT OF OTHER ACCUMULATION DISTRIBUTIONS AND CAPITAL GAIN DISTRIBUTIONS.—In computing the partial tax under paragraph (1) for any beneficiary, the income of such beneficiary for each of his prior taxable years—

"(A) shall include amounts previously deemed distributed to such beneficiary in such year under section 666 or 669 as a result of prior accumulation distributions or capital gain distributions (whether from the same or another trust), and

"(B) shall not include amounts deemed distributed to such beneficiary in such year under section 669 as a result of a capital gain distribution from the same trust in the current year.

"(4) MULTIPLE DISTRIBUTIONS IN THE SAME TAXABLE YEAR.—In the case of accumulation distributions made from more than one trust which are includible in the income of a beneficiary in the same taxable year, the distributions shall be deemed to have been made consecutively in whichever order the beneficiary shall determine.

"(5) INFORMATION REQUIREMENTS WITH RESPECT TO BENEFICIARY.—

"(A) Except as provided in subparagraph (B), the partial tax shall not be computed under the provisions of paragraph (1)(A) unless the beneficiary supplies such information with respect to his income, for each taxable year with which or in which ends a taxable year of the trust on the last day of which an amount is deemed distributed under section 666(a), as the Secretary or his delegate prescribes by regulations.

"(B) If by reason of paragraph (2)(B) the provisions of paragraph (1)(B) do not apply, the determination of the amount of the beneficiary's income for a taxable year for which the beneficiary has not supplied the information required under subparagraph (A) shall be made by the Secretary or his delegate on the basis of information available to him.

"SEC. 669. TREATMENT OF CAPITAL GAIN DEEMED DISTRIBUTED IN PRECEDING YEARS.

"(a) AMOUNT ALLOCATED.—In the case of a trust which is not required to distribute all of its income currently, the amount of a capital gain distribution of such trust for a taxable year shall be deemed to be an amount properly paid, credited, or required to be distributed on the last day of each of the preceding taxable years, commencing with the earliest of such years, to the extent that such amount exceeds the total of any undistributed capital gain for all earlier preceding taxable years. The amount deemed to be distributed in any such preceding taxable year under the preceding sentence shall not exceed the undistributed capital gain for such preceding taxable year. For purposes of this subsection, undistributed capital gain for each of such preceding taxable years shall be computed without regard to such capital gain distribution and without regard to any capital gain distribution determined for any succeeding taxable year.

"(b) TAX ON DISTRIBUTION.—The partial tax imposed by section 668(a)(3) shall be the lesser of—

"(1) the aggregate of the taxes attributable to the amounts deemed distributed under this section, had such been included in the gross income of the beneficiary on the last day of each respective preceding taxable year, or

"(2) the tax determined by multiplying by the number of preceding taxable years of the trust, on the last day of which net gains from the sale or exchange of capital assets are deemed under subsection (a) to have been distributed, the average of the increase in tax attributable to recomputing the beneficiary's gross income for each of the beneficiary's 3 taxable years immediately preceding the year of the capital gain distribution by adding to the income of each of such years on amount determined by dividing the total of the amounts deemed distributed under this section and required to be included in income under section 668(a) by such number of preceding taxable years of the trust,

less an amount equal to the amount of taxes deemed distributed to the beneficiary under subsections (d) and (e) which are attributable to the capital gain distribution.

"(3) EFFECT OF OTHER DISTRIBUTIONS; SPECIAL RULES, ETC.—In computing the partial tax under subsection (b) for any beneficiary, the income of such beneficiary for each of his prior taxable years—

"(1) shall include amounts previously deemed distributed to such beneficiary in such year under section 666 or 669 as a result of prior accumulation distributions or capital gain distributions (whether from the same or another trust), and

"(2) shall include amounts deemed distributed to such beneficiary in such year under section 666 as a result of an accumulation distribution from the same trust in the current year.

Under regulations prescribed by the Secretary or his delegate, rules similar to the rules provided by paragraphs (2), (4), and (5) of section 668(b) shall be applied for purposes of this section.

"(d) TOTAL TAXES DEEMED DISTRIBUTED.—If any portion of a capital gain distribution for any taxable year is deemed under subsection (a) to be an amount properly paid, credited or required to be distributed on the last day of any preceding taxable year, and such portion of such capital gain distribution is not less than the undistributed capital gain for such preceding taxable year, the trust shall be deemed to have properly distributed on the last day of such preceding taxable year an additional amount. Such additional amount shall be equal to the taxes imposed on the trust for such preceding taxable year attributable to such undistributed capital gain. For purposes of this subsection, the undistributed capital gain and the taxes imposed on the trust for such preceding taxable year attributable to such gain shall be computed without regard to such capital gain distribution and without regard to any capital gain distribution determined for any succeeding taxable year.

"(e) PRO RATA PORTION OF TAXES DEEMED DISTRIBUTED.—If any portion of a capital gain distribution for any taxable year is deemed under subsection (a) to be an amount properly paid, credited, or required to be distributed on the last day of any preceding taxable year and such portion of the capital gain distribution is less than the undistributed capital gain for such preceding taxable year, the trust shall be deemed to have properly distributed on the last day of such preceding taxable year an additional amount. Such additional amount shall be equal to the taxes imposed on the trust for such taxable year attributable to such undistributed capital gain multiplied by the ratio of the portion of the capital gain distribution to the undistributed caiptal gain of the trust for such year. For purposes of this subsection, the undistributed capital gain and the taxes imposed on the trust for such preceding taxable year attributable to such gain shall be computed without regard to the capital gain distribution and without regard to any capital gain distribution determination for any succeeding taxable year.

"(f) CHARACTER OF CAPITAL GAIN.—For purposes of this section, the character of the capital gain of a trust for any taxable year with respect to a beneficiary shall be the same as it was with respect to the trust."

(b) DISTRIBUTIONS IN FIRST SIXTY-FIVE DAYS OF TAXABLE YEAR.—Section 663(b)(2) (relating to limitation on sixty-five day rule) is amended to read as follows:

"(2) LIMITATION.—Paragraph (1) shall apply with respect to any taxable year of a trust only if the fiduciary of such trust elects, in such manner and at such time as the Secretary or his delegate prescribes by regulations, to have paragraph (1) apply for such taxable year."

(c) EXCESSIVE CREDITS.—Section 6401(b) (relating to excessive credits) is amended—

(1) by striking out "UNDER SECTIONS 31 AND 39" in the heading of such section;

(2) by striking out "and 39 (relating" in

the text of such section and inserting in lieu thereof ", 39 (relating"; and

(3) by inserting after "lubricating oil)" in the text of such section "and 667(b) (relating to taxes paid by certain trusts)".

(d) EFFECTIVE DATE.—

(1) GENERAL RULE.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 1968.

(2) EXCEPTIONS.—

(A) Amounts paid, credited, or required to be distributed by a trust (other than a foreign trust created by a United States person) on or before the last day of a taxable year of the trust beginning before January 1, 1974, shall not be deemed to be accumulation distributions to the extent that such amounts were accumulated by a trust in taxable years of such trust beginning before January 1, 1969, and would have been excepted from the definition of an accumulation distribution by reason of paragraphs (1), (2), (3), or (4) of section 665(b) of the Internal Revenue Code of 1954, as in effect on December 31, 1968, if they had been distributed on the last day of the last taxable year of the trust beginning before January 1, 1969.

(B) For taxable years of a trust beginning before January 1, 1970, the first sentence of section 666(a) of the Internal Revenue Code of 1954 (as amended by this section) shall not apply, and the amount of the accumulation distribution of the trust for such taxable years shall be deemed to be an amount within the meaning of paragraph (2) of section 661(a) distributed on the last day of each of the preceding taxable years to the extent that such amount exceeds the total of any undistributed net income for any taxable years intervening between the taxable year with respect of which the accumulation distribution is determined and such preceding taxable year.

(C) In the case of a trust which was in existence on December 31, 1969, section 669 of the Internal Revenue Code of 1954, as amended by this section, shall not apply to capital gain distributions made to a beneficiary before January 1, 1972. If the beneficiary receives capital gain distributions from more than one such trust before January 1, 1972, the preceding sentence shall apply to capital gain distributions from only one of such trusts, such one to be designated by the taxpayer in accordance with regulations prescribed by the Secretary or his delegate. For purposes of the preceding sentence, capital gain distributions received from a trust qualifying under section 2056 (b)(5) of the Internal Revenue Code of 1954 by a surviving spouse (who is the beneficiary of only one such trust) shall be disregarded.

SEC. 332. TRUST INCOME FOR BENEFIT OF A SPOUSE.

(a) INCOME FOR BENEFIT OF GRANTOR'S SPOUSE.—

(1) Paragraphs (1), (2), and (3) of section 677(a) (relating to income for benefit of grantor) are amended by striking out "the grantor" each place it appears and inserting in lieu thereof "the grantor or the grantor's spouse".

(2) Section 677(b) is amended by striking out "beneficiary" and inserting in lieu thereof "beneficiary (other than the grantor's spouse)".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply in respect of property transferred in trust after October 9, 1969.

TITLE IV—ADJUSTMENTS PRIMARILY AFFECTING CORPORATIONS

SUBTITLE A—MULTIPLE CORPORATIONS

SEC. 401. MULTIPLE CORPORATIONS.

(a) IN GENERAL.—

(1) Section 1561 (relating to surtax exemptions in case of certain controlled corporations) is amended to read as follows:

"SEC. 1561. LIMITATIONS ON CERTAIN MULTIPLE TAX BENEFITS IN THE CASE OF CERTAIN CONTROLLED CORPORATIONS.

"(a) GENERAL RULE.—The component members of a controlled group of corporations on a December 31 shall, for their taxable years which include such December 31, be limited for purposes of this subtitle to—

"(1) one $25,000 surtax exemption under section 11(d),

"(2) one $100,000 amount for purposes of computing the accumulated earnings credit under section 535(c) (2) and (3), and

"(3) one $25,000 amount for purposes of computing the limitation on the small business deduction of life insurance companies under sections 804(a)(4) and 809(d)(10).

The amount specified in paragraph (1) shall be divided equally among the component members of such group on such December 31 unless all of such component members consent (at such time and in such manner as the Secretary or his delegate shall by regulations prescribe) to an apportionment plan providing for an unequal allocation of such amount. The amounts specified in paragraphs (2) and (3) shall be divided equally among the component members of such group on such December 31 unless the Secretary or his delegate prescribes regulations permitting an unequal allocation of such amounts.

"(b) CERTAIN SHORT TAXABLE YEARS.—If a corporation has a short taxable year which does not include a December 31 and is a component member of a controlled group of corporations with respect to such taxable year, then for purposes of this subtitle—

"(1) the surtax exemption under section 11(d),

"(2) the amount to be used in computing the accumulated earnings credit under section 535(c) (2) and (3), and

"(3) the amount to be used in computing the limitation on the small business deduction of life insurance companies under sections 804(a)(4) and 809(d)(10),

of such corporation for such taxable year shall be the amount specified in subsection (a) (1), (2), or (3), as the case may be, divided by the number of corporations which are component members of such group on the last day of such taxable year. For purposes of the preceding sentence, section 1563 (b) shall be applied as if such last day were substituted for December 31."

(2) Section 1562 (relating to privilege of groups to elect multiple surtax exemptions) is repealed.

(3) The table of sections for part II of subchapter B of chapter 6 is amended by striking out the items relating to sections 1561 and 1562 and inserting in lieu thereof the following:

"Sec. 1561. Limitations on certain multiple tax benefits in the case of certain controlled corporations."

(b) TRANSITIONAL RULES FOR CONTROLLED GROUPS OF CORPORATIONS.—

(1) Part II of subchapter B of chapter 6 (relating to certain controlled corporations) is amended by adding at the end thereof the following new section:

"SEC. 1564. TRANSTIONAL RULES IN THE CASE OF CERTAIN CONTROLLED CORPORATIONS.

"(a) LIMITATION ON ADDITIONAL BENEFITS.—

"(1) IN GENERAL.—With respect to any December 31 after 1969 and before 1975, the amount of—

"(A) each additional $25,000 surtax exemption under section 1562 in excess of the first such exemption,

"(B) each additional $100,000 amount under section 535(c) (2) and (3) in excess of the first such amount, and

"(C) each additional $25,000 limitation on the small business deduction of life insurance companies under sections 804(a)(4) and 809(d)(10) in excess of the first such limitation,

otherwise allowed to the component members of a controlled group of corporations for their taxable years which include such December 31 shall be reduced to the amount set forth in the following schedule:

"Taxable years including—	Surtax exemption	Amount under sec. 535(c) (2) and (3)	Small business deduction limitation
Dec. 31, 1970	$20,833	$83,333	$20,833
Dec. 31, 1971	16,667	66,667	16,667
Dec. 31, 1972	12,500	50,000	12,500
Dec. 31, 1973	8,333	33,333	8,333
Dec. 31, 1974	4,167	16,667	4,167

"(2) ELECTION.—With respect to any December 31 after 1969 and before 1975, the component members of a controlled group of corporations shall elect (at such time and in such manner as the Secretary or his delegate shall by regulations prescribe) which component member of such group shall be allowed for its taxable year which includes such December 31 the surtax exemption, the amount under section 535(c) (2) and (3), or the small business deduction limitation which is not reduced under paragraph (1).

"(b) DIVIDENDS RECEIVED BY CORPORATIONS.—

"(1) GENERAL RULE.—If—

"(A) an election of a controlled group of corporations (as defined in paragraph (1), or in so much of paragraph (4) as relates to paragraph (1), of section 1563(a)) under section 1562(a) (relating to privilege of a controlled group of corporations to elect to have each of its component members make its returns without regard to section 1561) was made on or before April 22, 1969, and

"(B) such election is effective with respect to the taxable year of each component member of such group which includes December 31, 1969,

then, with respect to a dividend distributed on or before December 31, 1977, out of earnings and profits of a taxable year which includes a December 31 after 1969 and before 1975, subsections (a)(3) and (b) of section 243 (relating to dividends received by corporations) shall be applied to such component members comprising an affiliated group (as defined in section 243(b)(5)) in the manner set forth in paragraph (2).

"(2) SPECIAL RULES.—

"(A) An election under section 243(b)(2) may be made for a taxable year which includes a December 31 after 1969 and before 1975, notwithstanding that an election under section 1562(a) is in effect for the taxable year.

"(B) Section 243(b)(1)(B)(ii) shall not apply with respect to a dividend distributed on or before December 31, 1977, out of earnings and profits of a taxable year which includes a December 31 after 1969 and before 1975 for which an election under section 1562(a) is in effect, and in lieu of the percentage specified in section 243(a)(3) with respect to such dividend, the percentage shall be the percentage set forth in the following schedule:

"If the dividend is distributed out of the earnings and profits of the distributing corporation's taxable year which includes—	The percentage shall be—
December 31, 1970	87½ percent
December 31, 1971	90 percent
December 31, 1972	92½ percent
December 31, 1973	95 percent
December 31, 1974	97½ percent

"(C) For taxable years which include a December 31 after 1969 for which an elec-

tion under section 1562(a) is in effect, section 243(b)(3)(C)(v) shall not be applied to limit the number of surtax exemptions.

"(c) CERTAIN SHORT TAXABLE YEARS.—If—

"(1) a corporation has a short taxable year beginning after December 31, 1969, and ending before December 31, 1974, which does not include a December 31, and

"(2) such corporation is a component member of a controlled group of corporations with respect to such taxable year (determined by applying section 1563(b) as if the last day of such taxable year were substituted for December 31),

then subsections (a) and (b) shall be applied as if the day of such taxable year were the nearest December 31 to such day."

(2)(A) The first sentence of section 1562(b)(1) is amended by striking out "$25,000" and inserting in lieu thereof "the amount of such corporation's surtax exemption for such taxable year".

(B) Section 11(d) is amended by striking out "section 1561" and inserting in lieu thereof "section 1561 or 1564".

(C) Section 535(c)(5) is amended by striking out "section 1551" and inserting in lieu thereof "section 1551, and for limitation on such credit in the case of certain controlled corporations, see section 1561 and 1564".

(D) Section 804 is amended by adding after subsection (c) the following new subsection:

"(d) CROSS REFERENCE.—

"For reduction of the $25,000 amount provided in subsection (a)(4) in the case of certain controlled corporations, see sections 1561 and 1564."

(E) The table of sections for part II of subchapter B of chapter 6 is amended by adding at the end thereof the following:

"Sec. 1564. Transitional rules in the case of certain controlled corporations."

(c) BROTHER-SISTER CONTROLLED GROUPS.—Section 1563(a)(2) is amended to read as follows:

"(2) BROTHER-SISTER CONTROLLED GROUP.—Two or more corporations if 5 or fewer persons who are individuals, estates, or trusts own (within the meaning of subsection (d)(2)) stock possessing—

"(A) at least 80 percent of the total combined voting power of all classes of stock entitled to vote or at least 80 percent of the total value of shares of all classes of the stock of each corporation, and

"(B) more than 50 percent of the total combined voting power of all classes of stock entitled to vote or more than 50 percent of the total value of shares of all classes of stock of each corporation, taking into account the stock ownership of each such person only to the extent such stock ownership is identical with respect to each such corporation."

(d) EXCLUDED STOCK RULES.—

(1) Section 1563(c)(2)(A) is amended by striking out "or" at the end of clause (ii); by striking out "stock." at the end of clause (iii) and inserting in lieu thereof "stock, or"; and by adding after clause (iii) the following new clause:

"(iv) stock in the subsidiary corporation owned (within the meaning of subsection (d)(2)) by an organization (other than the parent corporation) to which section 501 (relating to certain educational and charitable organizations which are exempt from tax) applies and which is controlled directly or indirectly by the parent corporation or subsidiary corporation, by an individual, estate, or trust that is a principal stockholder (within the meaning of clause (ii)) of the parent corporation, by an officer of the parent corporation, or by any combination thereof."

(2) Section 1563(c)(2)(B) is amended—

(A) by striking out "a person who is an individual, estate, or trust (referred to in this paragraph as 'common owner') owns" and inserting in lieu thereof "5 or fewer persons who are individuals, estates, or trusts (referred to in this subparagraph as 'common owners') own";

(B) by striking out "or" at the end of clause (i);

(C) by striking out in clause (ii) "such common owner", "the common owner", and "stock." and inserting in lieu thereof "any of such common owners", "any of the common owners", and "stock, or", respectively; and

(D) by adding after clause (ii) the following new clause:

"(iii) stock in such corporation owned (within the meaning of subsection (d)(2)) by an organization to which section 501 (relating to certain educational and charitable organizations which are exempt from tax) applies and which is controlled directly or indirectly by such corporation, by an individual, estate, or trust that is a principal stockholder (within the meaning of subparagraph (A)(ii)) of such corporation, by an officer of such corporation, or by any combination thereof."

(e) INVESTMENT CREDIT.—

(1) Section 46(a)(5) is amended to read as follows:

"(5) CONTROLLED GROUPS.—In the case of a controlled group, the $25,000 amount specified under paragraph (2) shall be reduced for each component member of such group by apportioning $25,000 among the component members of such group in such manner as the Secretary or his delegate shall by regulations prescribe. For purposes of the preceding sentence, the term 'controlled group' has the meaning assigned to such term by section 1563(a)."

(2) Section 48(c)(2)(C) is amended to read as follows:

"(C) CONTROLLED GROUPS.—In the case of a controlled group, the $50,000 amount specified under subparagraph (A) shall be reduced for each component member of the group by apportioning $50,000 among the component members of such group in accordance with their respective amounts of used section 38 property which may be taken into account."

(3) Section 48(c)(3)(C) is amended to read as follows:

"(C) CONTROLLED GROUP.—The term "controlled group' has the meaning assigned to such term by section 1563(a), except that the phrase 'more than 50 percent' shall be substituted for the phrase 'at least 80 percent' each place it appears in section 1563(a)(1)."

(4) Section 48(d)(2) is amended to read as follows:

"(2) if such property is leased by a corporation which is a component member of a controlled group (within the meaning of section 46(a)(5)) to another corporation which is a component member of the same controlled group, the basis of such property to the lessor."

(f) ADDITIONAL FIRST-YEAR DEPRECIATION.—Section 179(d) is amended—

(1) by amending paragraph (2)(B) to read as follows:

"(B) the property is not acquired by one component member of a controlled group from another component member of the same controlled group, and"; and

(2) by amending paragraphs (6) and (7) to read as follows:

"(6) DOLLAR LIMITATION OF CONTROLLED GROUP.—For purposes of substitution (b) of this section—

"(A) all component members of a controlled group shall be treated as one taxpayer, and

"(B) the Secretary or his delegate shall apportion the dollar limitation contained in such subsection (b) among the component members of such controlled group in such manner as he shall by regulations prescribe.

"(7) CONTROLLED GROUP DEFINED.—For purposes of paragraphs (2) and (6), the term 'controlled group' has the meaning assigned to it by section 1563(a); except that, for such purposes, the phrase 'more than 50 percent' shall be substituted for the phrase 'at least 80 percent' each place it appears in section 1563(a)(1)."

(g) RETROACTIVE TERMINATION OF SECTION 1562 ELECTIONS.—If an affiliated group of corporations makes a consolidated return for the taxable year which includes December 31, 1970 (hereinafter in this subsection referred to as "1970 consolidated return year"), then on or before the due date prescribed by law (including any extensions thereof) for filing such consolidated return such affiliated group of corporations may terminate the election under section 1562 of the Internal Revenue Code of 1954 with respect to any prior December 31 which is included in a taxable year of any of such corporations from which there is a net operating loss carryover to the 1970 consolidated return year. A termination of an election under this subsection shall be valid only if it meets the requirements of sections 1562(c)(1) and 1962(e) of such Code (other than making the termination before the expiration of the 3-year period specified in section 1562(e)).

(h) EFFECTIVE DATES.—

(1) The amendments made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1974.

(2) The amendments made by subsection (b) shall apply with respect to taxable years beginning after December 31, 1969.

(3) The amendments made by subsections (c), (d), (e), and (f) shall apply with respect to taxable years ending on or after December 31, 1970.

SUBTITLE B—DEBT-FINANCED CORPORATE ACQUISITIONS AND RELATED PROBLEMS

SEC. 411. INTEREST ON INDEBTEDNESS INCURRED BY CORPORATION TO ACQUIRE STOCK OR ASSETS OF ANOTHER CORPORATION.

(a) DISALLOWANCE OF INTEREST DEDUCTION.—Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding at the end thereof the following new section:

"SEC. 279. INTEREST ON INDEBTEDNESS INCURRED BY CORPORATION TO ACQUIRE STOCK OR ASSETS OF ANOTHER CORPORATION.

"(a) GENERAL RULE.—No deduction shall be allowed for any interest paid or incurred by a corporation during the taxable year with respect to its corporate acquisition indebtedness to the extent that such interest exceeds—

"(1) $5,000,000, reduced by

"(2) the amount of interest paid or incurred by such corporation during such year on obligation (A) issued after December 31, 1967, to provide consideration for an acquisition described in paragraph (1) of subsection (b), but (B) which are not corporate acquisition indebtedness.

"(b) CORPORATE ACQUISITION INDEBTEDNESS.—For purposes of this section, the term 'corporate acquisition indebtedness' means any obligation evidenced by a bond, debenture, note, or certificate or other evidence of indebtedness issued after October 9, 1969, by a corporation (hereinafter in this section referred to as 'issuing corporation') if—

"(1) such obligation is issued to provide consideration for the acquisition of—

"(A) stock in another corporation (hereinafter in this section referred to as 'acquired corporation'), or

"(B) assets of another corporation (hereinafter in this section referred to as 'acquired corporation') pursuant to a plan under which at least two-thirds (in value) of all the assets (excluding money) used in trades and businesses carried on by such corporation are acquired,

"(2) such obligation is either—

"(A) subordinated to the claims of trade creditors of the issuing corporation generally, or

"(B) expressly subordinated in right of payment to the payment of any substantial amount of unsecured indebtedness, whether outstanding or subsequently issued, of the issuing corporation.

"(3) the bond or other evidence of indebtedness is either—

"(A) convertible directly or indirectly into stock of the issuing corporation, or

"(B) part of an investment unit or other arrangement which includes, in addition to such bond or other evidence of indebtedness, an option to acquire, directly or indirectly, stock in the issuing corporation, and

"(4) as of a day determined under subsection (c)(1), either—

"(A) the ratio of debt to equity (as defined in subsection (c)(2)) of the issuing corporation exceeds 2 to 1, or

"(B) the projected earnings (as defined in subsection (c)(3)) do not exceed 3 times the annual interest to be paid or incurred (determined under subsection (c)(4)).

"(c) RULES FOR APPLICATION OF SUBSECTION (b)(4).—For purposes of subsection (b)(4)—

"(1) TIME OF DETERMINATION.—Determinations are to be made as of the last day of any taxable year of the issuing corporation in which it issues any obligation to provide consideration for an acquisition described in subsection (b)(1) of stock in, or assets of, the acquired corporation.

"(2) RATIO OF DEBT TO EQUITY.—The term 'ratio of debt to equity' means the ratio which the total indebtedness of the issuing corporation bears to the sum of its money and all is other assets (in an amount equal to their adjusted basis for determining gain) less such total indebtedness.

"(3) PROJECTED EARNINGS.—

"(A) The term 'projected earnings' means the 'average annual earnings' (as defined in subparagraph (B)) of—

"(i) the issuing corporation only, if clause (ii) does not apply, or

"(ii) both the issuing corporation and the acquired corporation, in any case where the issuing corporation has acquired control (as defined in section 368(c)), or has acquired substantially all of the properties, of the acquired corporation.

"(B) The average annual earnings referred to in subparagraph (A), is, for any corporation, the amount of its earnings and profits for any 3-year period ending with the last day of a taxable year of the issuing corporation described in paragraph (1), computed without reduction for—

"(i) interest paid or incurred,

"(ii) depreciation or amortization allowed under this chapter,

"(iii) liability for tax under this chapter, and

"(iv) distributions to which section 301(c)(1) applies (other than such distributions from the acquired to the issuing corporation),

and reduced to an annual average for such 3-year period pursuant to regulations prescribed by the Secretary or his delegate. Such regulations shall include rules for cases where any corporation was not in existence for all of such 3-year period or such period includes only a portion of a taxable year of any corporation.

"(4) ANNUAL INTEREST TO BE PAID OR INCURRED.—The term 'annual interest to be paid or incurred' means—

"(A) if subparagraph (B) does not apply, the annual interest to be paid or incurred by the issuing corporation only, determined by reference to its total indebtedness outstanding, or

"(B) if projected earnings are determined under clause (ii) of paragraph (3)(A), the annual interest to be paid or incurred by both the issuing corporation and the acquired corporation, determined by reference to their combined total indebtedness outstanding.

"(5) SPECIAL RULES FOR BANKS AND LENDING OR FINANCE COMPANIES.—With respect to any corporation which is a bank (as defined in section 581) or is primarily engaged in a lending or finance business—

"(A) in determining under paragraph (2) the ratio of debt to equity of such corporation (or of the affiliated group of which such corporation is a member), the total indebtedness of such corporation (and the assets of such corporation) shall be reduced by an amount equal to the total indebtedness owed to such corporation which arises out of the banking business of such corporation or out of the lending or finance business of such corporation, as the case may be;

"(B) in determining under paragraph (4) the annual interest to be paid or incurred by such corporation (or by the issuing and acquired corporations referred to in paragraph (4)(B) or by the affiliated group of which such corporation is a member) the amount of such interest (determined without regard to this paragraph) shall be reduced by an amount which bears the same ratio to the amount of such interest as the amount of the reduction for the taxable year under subparagraph (A) bears to the total indebtedness of such corporation; and

"(C) in determining under paragraph (3)(B) the average annual earnings, the amount of the earning and profits for the 3-year period shall be reduced by the sum of the reductions under subparagraph (B) for such period.

For purposes of this paragraph, the term 'lending or finance business' means a business of making loans or purchasing or discounting accounts receivable, notes, or installment obligations.

"(d) TAXABLE YEARS TO WHICH APPLICABLE.—In applying this section—

"(1) FIRST YEAR OF DISALLOWANCE.—The deduction of interest on any obligation shall not be disallowed under subsection (a) before the first taxable year of the issuing corporation as of the last day of which the application of either subparagraph (A) or subparagraph (B) of subsection (b)(4) results in such obligation being corporate acquisition indebtedness.

"(2) GENERAL RULE FOR SUCCEEDING YEARS.—Except as provided in paragraphs (3), (4), and (5), if an obligation is determined to be corporate acquisition indebtedness as of the last day of any taxable year of the issuing corporation, it shall be corporate acquisition indebtedness for such taxable year and all subsequent taxable years.

"(3) REDETERMINATION WHERE CONTROL, ETC., IS ACQUIRED.—If an obligation is determined to be corporate acquisition indebtedness as of the close of a taxable year of the issuing corporation in which clause (i) of subsection (c)(3)(A) applied, but would not be corporate acquisition indebtedness if the determination were made as of the close of the first taxable year of such corporation thereafter in which clause (ii) of subsection (c)(3)(A) could apply, such obligation shall be considered not to be corporate acquisition indebtedness for such later taxable year and all taxable years thereafter.

"(4) SPECIAL 3-YEAR RULE.—If an obligation which has been determined to be corporate acquisition indebtedness for any taxable year would not be such indebtedness for each of any 3 consecutive taxable years thereafter if subsection (b)(4) were applied as of the close of each of such 3 years, then such obligation shall not be corporate acquisition indebtedness for all taxable years after such 3 consecutive taxable years.

"(5) 5 PERCENT STOCK RULE.—In the case of obligations issued to provide consideration for the acquisition of stock in another corporation, such obligations shall be corporate acquisition indebtedness for a taxable year only if at some time after October 9, 1969, and before the close of such year the issuing corporation owns 5 percent or more of the total combined voting power of all classes of stock entitled to vote of such other corporation.

"(e) CERTAIN NONTAXABLE TRANSACTIONS.—An acquisition of stock of a corporation of which the issuing corporation is in control (as defined in section 368(c)) in a transaction in which gain or loss is not recognized shall be deemed an acquisition described in paragraph (1) of subsection (b) only if immediately before such transaction (1) the acquired corporation was in existence, and (2) the issuing corporation was not in control as (defined in section 368(c)) of such corporation.

"(f) EXEMPTION FOR CERTAIN ACQUISITIONS OF FOREIGN CORPORATIONS.—For purposes of this section, the term 'corporate acquisition indebtedness' does not include any indebtedness issued to any person to provide consideration for the acquisition of stock in, or assets of, any foreign corporation substantially all of the income of which, for the 3-year period ending with the date of such acquisition or for such part of such period as the foreign corporation was in existence, is from sources without the United States.

"(g) AFFILIATED GROUPS.—In any case in which the issuing corporation is a member of an affiliated group, the application of this section shall be determined, pursuant to regulations prescribed by the Secretary or his delegate, by treating all of the members of the affiliated group in the aggregate as the issuing corporation, except that the ratio of debt to equity of, projected earnings of, and annual interest to be paid or incurred by any corporation (other than the issuing corporation determined without regard to this subsection) shall be included in the determinations required under subparagraphs (A) and (B) of subsection (b)(4) as of any day only if such corporation is a member of the affiliated group on such day, and, in determining projected earnings of such corporation under subsection (c)(3), there shall be taken into account only the earnings and profits of such corporation for the period during which it was a member of the affiliated group. For purposes of the preceding sentence, the term 'affiliated group' has the meaning assigned to such term by section 1504(a), except that all corporations other than the acquired corporation shall be treated as includible corporations (without any exclusion under section 1504(b)) and the acquired corporation shall not be treated as an includible corporation.

"(h) CHANGES IN OBLIGATION.—For purposes of this section—

"(1) Any extension, renewal, or refinancing of an obligation evidencing a preexisting indebtedness shall not be deemed to be the issuance of a new obligation.

"(2) Any obligation which is corporate acquisition indebtedness of the issuing corporation is also corporate acquisition indebtedness of any corporation which becomes liable for such obligation as guarantor, endorser, or indemnitor or which assumes liability for such obligation in any transaction.

"(i) CERTAIN OBLIGATIONS ISSUED AFTER OCTOBER 9, 1969.—For purposes of this section, an obligation shall not be corporate acquisition indebtedness if issued after October 9, 1969, to provide consideration for the acquisition of—

"(1) stock or assets pursuant to a binding written contract which was in effect on October 9, 1969, and at all times thereafter before such acquisition, or

"(2) stock in any corporation where the issuing corporation, on October 9, 1969, and at all times thereafter before such acquisition, owned at least 50 percent of the total combined voting power of all classes of stock entitled to vote of the acquired corporation.

Paragraph (2) shall cease to apply when (at any time on or after October 9, 1969) the issuing corporation has acquired control (as defined in section 368(c)) of the acquired corporation.

"(j) EFFECT ON OTHER PROVISIONS.—No inference shall be drawn from any provision in this section that any instrument designated as a bond, debenture, note, or certificate or other evidence of indebtedness by its issuer represents an obligation or indebtedness of such issuer in applying any other provision of this title."

(b) CLERICAL AMENDMENT.—The table of sections for part IX of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec 27. Interest on indebtedness incurred by corporation to acquire stock or assets of another corporation."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to the determination of the allowability of the deduction of interest paid or incurred with respect to indebtedness incurred after October 9, 1969.

SEC. 412. INSTALLMENT METHOD.

(a) CERTAIN EVIDENCES OF INDEBTEDNESS DEEMED TO BE PAYMENT.—Section 453(b) (relating to sales of realty and casual sales of personalty) is amended by adding at the end thereof the following new paragraph:

"(3) PURCHASER EVIDENCES OF INDEBTEDNESS PAYABLE ON DEMAND OR READILY TRADABLE.—In applying this subsection, a bond or other evidence of indebtedness which is payable on demand, or which is issued by a corporation or a government or political subdivision thereof (A) with interest coupons attached or in registered form (other than one in registered form which the taxpayer establishes will not be readily tradable in an established securities market), or (B) in any other form designed to render such bond or other evidence of indebtedness readily tradable in an established securities market, shall not be treated as an evidence of indebtedness of the purchaser."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to sales or other dispositions occurring after May 27, 1969, which are not made pursuant to a binding written contract entered into on or before such date.

SEC. 413. BONDS AND OTHER EVIDENCES OF INDEBTEDNESS

(a) BONDS AND OTHER EVIDENCES OF INDEBTEDNESS.—Section 1232(a) (relating to general rule) is amended to read as follows:

"(a) GENERAL RULE.—For purposes of this subtitle, in the case of bonds, debentures, notes, or certificates or other evidences of indebtedness, which are capital assets in the hands of the taxpayer, and which are issued by any corporation, or by any government or political subdivision thereof—

"(1) RETIREMENT.—Amounts received by the holder on retirement of such bonds or other evidences of indebtedness shall be considered as amounts received in exchange therefor (except that in the case of bonds or other evidences of indebtedness issued before January 1, 1955, this paragraph shall apply only to those issued with interest coupons or in registered form, or to those in such form on March 1, 1954).

"(2) SALE OR EXCHANGE.—

"(A) CORPORATE BONDS ISSUED AFTER MAY 27, 1969.—Except as provided in subparagraph (C), on the sale or exchange of bonds or other evidences of indebtedness issued by a corporation after May 27, 1969, held by the taxpayer more than 6 months, any gain realized shall (except as provided in the following sentence) be considered gain from the sale or exchange of a capital asset held for more than 6 months. If at the time of original issue there was an intention to call the bond or other evidence of indebtedness before maturity, any gain realized on the sale or exchange thereof which does not exceed an amount equal to the original issue discount (as defined in subsection (b)) reduced by the portion of original issue discount previously includible in the gross income of any holder (as provided in paragraph (3)(B)) shall be considered as gain from the sale or exchange of property which is not a capital asset.

"(B) CORPORATE BONDS ISSUED ON OR BEFORE MAY 27, 1969, AND GOVERNMENT BONDS.—Except as provided in subparagraph (C), on the sale or exchange of bonds or other evidences of indebtedness issued by a government or political subdivision thereof after December 21, 1954, or by a corporation after December 31, 1954, and on or before May 27, 1969, held by the taxpayer more than 6 months, any gain realized which does not exceed—

"(i) an amount equal to the original issue discount (as defined in subsection (b)), or

"(ii) if at the time of original issue there was no intention to call the bond or other evidence of indebtedness before maturity, an amount which bears the same ratio to the original issue discount (as defined in subsection (b)) as the number of complete months that the bond or other evidence of indebtedness was held by the taxpayer bears to the number of complete months from the date of original issue to the date of maturity,

shall be considered as gain from the sale or exchange of property which is not a capital asset. Gain in excess of such amount shall be considered gain from the sale or exchange of a capital asset held more than 6 months.

"(C) EXCEPTIONS.—This paragraph shall not apply to—

"(i) obligations the interest on which is not includible in gross income under section 103 (relating to certain governmental obligations), or

"(ii) any holder who has purchased the bond or other evidence of indebtedness at a premium.

"(D) DOUBLE INCLUSION IN INCOME NOT REQUIRED.—This section shall not require the inclusion of any amount previously includible in gross income.

"(3) INCLUSION IN INCOME OF ORIGINAL ISSUE DISCOUNT ON CORPORATE BONDS ISSUED AFTER MAY 27, 1969.—

"(A) GENERAL RULE.—There shall be included in the gross income of the holder of any bond or other evidence of indebtedness issued by a corporation after May 27, 1969, the ratable monthly portion of original issue discount multiplied by the number of complete months (plus any fractional part of a month determined in accordance with the last sentence of this subparagraph) such holder held such bond or other evidence of indebtedness during the taxable year. Except as provided in subparagraph (B), the ratable monthly portion of original issue discount shall equal the original issue discount (as defined in subsection (6)) divided by the number of complete months from the date of original issue to the stated maturity date of such bond or other evidence of indebtedness. For purposes of this section, a complete month commences with the date of original issue and the corresponding day of each succeeding calendar month (or the last day of a calendar month in which there is no corresponding day); and, in any case where a bond or other evidence of indebtedness is acquired on any other day, the ratable monthly portion of original issue discount for the complete month in which such acquisition occurs shall be allocated between the transferor and the transferee in accordance with the number of days in such complete month each held the bond or other evidence of indebtedness.

"(B) REDUCTION IN CASE OF ANY SUBSEQUENT HOLDER.—For purposes of this paragraph, the ratable monthly portion of original issue discount shall not include an amount, determined at the time of any purchase after the original issue of such bond or other evidence of indebtedness, equal to the excess of—

"(i) the cost of such bond or other evidence of indebtedness incurred by such holder, over

"(ii) the issue price of such bond or other evidence of indebtedness increased by the portion of original discount previously includible in the gross income of any holder (computed without regard to this subparagraph),

divided by the number of complete months (plus any fractional part of a month commencing with the date of purchase) from the date of such purchase to the stated maturity date of such bond or other evidence of indebtedness.

"(C) PURCHASE DEFINED.—For purposes of subparagraph (B), the term 'purchase' means any acquisition of a bond or other evidence of indebtedness, but only if the basis of the bond or other evidence of indebtedness is not determined in whole or in part by reference to the adjusted basis of such bond or other evidence of indebtedness in the hands of the person from whom acquired, or under section 1014(a) (relating to property acquired from a decedent).

"(D) EXCEPTIONS.—This paragraph shall not apply to any holder—

"(i) who has purchased the bond or other evidence of indebtedness at a premium, or

"(ii) which is a life insurance company to which section 818(b) applies.

"(E) BASIS ADJUSTMENTS.—The basis of any bond or other evidence of indebtedness in the hands of the holder thereof shall be increased by the amount included in his gross income pursuant to subparagraph (A)."

(b) ISSUE PRICE.—Section 1232(b)(2) (relating to issue price) is amended by adding at the end thereof the following:

"In the case of a bond or other evidence of indebtedness and an option or other security issued together as an investment unit, the issue price for such investment unit shall be determined in accordance with the rules stated in this paragraph. Such issue price attributable to each element of the investment unit shall be that portion thereof which the fair market value of such element bears to the total fair market value of all the elements in the investment unit. The issue price of the bond or other evidence of indebtedness included in such investment unit shall be the portion so allocated to it. In the case of a bond or other evidence of indebtedness, or an investment unit as described in this paragraph (other than a bond or other evidence of indebtedness or an investment unit issued pursuant to a plan of reorganization within the meaning of section 368(a)(1) or an insolvency reorganization within the meaning of section 371, 373, or 374), which is issued for property and which—

"(A) is part of an issue a portion of which is traded on an established securities market, or

"(B) is issued for stock or securities which are traded on an established securities market,

the issue price of such bond or other evidence of indebtedness or investment unit, as the case may be, shall be the fair market value of such property. Except in cases to which the preceding sentence applies, the issue price of a bond or other evidence of indebtedness (whether or not issued as a part of an investment unit) which is issued for property (other than money) shall be the stated redemption price at maturity."

(c) REQUIREMENT OF REPORTING.—Section 6049(a)(1) (relating to requirements of reporting interest) is amended to read as follows:

"(1) IN GENERAL.—Every person—

"(A) who makes payments of interest (as defined in subsection (b)) aggregating $10

or more to any other person during any calendar year,

"(B) who receives payments of interest as a nominee and who makes payments aggregating $10 or more during any calendar year to any other person with respect to the interest so received, or

"(C) which is a corporation that has outstanding any bond, debenture, note, or certificate or other evidence of indebtedness in registered form as to which there is during any calendar year an amount of original issue discount aggregating $10 or more includible in the gross income of any holder under section 1232(a)(3) without regard to subparagraph (B) thereof,

shall make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the aggregate amount of such payments and aggregate amount includible in the gross income of any holder and the name and address of the person to whom paid or such holder."

(d) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Section 6049(c) (relating to statements to be furnished to persons with respect to whom information is furnished) is amended to read as follows:

"(c) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every person making a return under subsection (a)(1) shall furnish to each person whose name is set forth in such return a written statement showing—

"(1) the name and address of the person making such return, and

"(2) the aggregate amount of payments to, or the aggregate amount includible in the gross income of, the persons as shown on such return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a)(1) was made. No statement shall be required to be furnished to any person under this subsection if the aggregate amount of payments to, or the aggregate amount includible in the gross income of, such person shown on the return made with respect to subparagraph (A), (B), or (C), as the case may be, of subsection (a)(1) is less than $10."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to bonds and other evidences of indebtedness issued after May 27, 1969 (other than evidences of indebtedness issued pursuant to a written commitment which was binding on May 27, 1969, and at all times thereafter).

SEC. 414. LIMITATION ON DEDUCTION OF BOND PREMIUM ON REPURCHASE.

(a) LIMITATION ON DEDUCTION OF BOND PREMIUM ON REPURCHASE.—Part VIII of subchapter B of chapter 1 (relating to special deductions for corporations) is amended by adding at the end thereof the following new section:

"SEC. 249. LIMITATION ON DEDUCTION ON BOND PREMIUM ON REPURCHASE.

"(a) GENERAL RULE.—No deduction shall be allowed to the issuing corporation for any premium paid or incurred upon the repurchase of a bond, debenture, note, or certificate or other evidence of indebtedness which is convertible into the stock of the issuing corporation, or a corporation in control of, or controlled by, the issuing corporation, to the extent the repurchase price exceeds an amount equal to the adjusted issue price plus a normal call premium on bonds or other evidences of indebtedness which are not convertible. The preceding sentence shall not apply to the extent that the corporation can demonstrate to the satisfaction of the Secretary or his delegate that such excess is attributable to the cost of borrowing and is not attributable to the conversion feature.

"(b) SPECIAL RULES.—For purposes of subsection (a)—

"(1) ADJUSTED ISSUE PRICE.—The adjusted issue price is the issue price (as defined in section 1232(b)) increased by any amount of discount deducted before repurchase, or, in the case of bonds or other evidences of indebtedness issued after February 28, 1913, decreased by any amount of premium included in gross income before repurchase by the issuing corporation.

"(2) CONTROL.—The term 'control' has the meaning assigned to such term by section 368(c)."

(b) CLERICAL AMENDMENT.—The table of sections for part VIII of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 249. Limitation on deduction of bond premium on repurchase."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to a convertible bond or other convertible evidence of indebtedness repurchased after April 22, 1969, other than such a bond or other evidence of indebtedness repurchased pursuant to a binding obligation incurred on or before April 22, 1969, to repurchase such bond or other evidence of indebtedness at a specified call premium, but no inference shall be drawn from the fact that section 249 of the Internal Revenue Code of 1954 (as added by subsection (a) of this section) does not apply to the repurchase of such convertible bond or other convertible evidence of indebtedness.

SEC. 415. TREATMENT OF CERTAIN CORPORATE INTERESTS AS STOCK OR INDEBTEDNESS.

(a) IN GENERAL.—Subchapter C of Chapter 1 (relating to corporate distributions and adjustments) is amended by redesignating part VI (relating to effective date of subchapter C) as part VII and by inserting after part V the following new part:

"PART VI—TREATMENT OF CERTAIN CORPORATE INTERESTS AS STOCK OR INDEBTEDNESS

"Sec. 385. Treatment of certain interests in corporations as stock or indebtedness.

"SEC. 385. TREATMENT OF CERTAIN INTERESTS IN CORPORATIONS AS STOCK OR INDEBTEDNESS.

"(a) AUTHORITY TO PRESCRIBE REGULATIONS.—The Secretary or his delegate is authorized to prescribe such regulations as may be necessary or appropriate to determine whether an interest in a corporation is to be treated for purposes of this title as stock or indebtedness.

"(b) FACTORS.—The regulations prescribed under this section shall set forth factors which are to be taken into account in determining with respect to a particular factual situation whether a debtor-creditor relationship exists or a corporation-shareholder relationship exists. The factors so set forth in the regulations may include among other factors:

"(1) whether there is a written unconditional promise to pay on demand or on a specified date a sum certain in money in return for an adequate consideration in money or money's worth, and to pay a fixed rate of interest,

"(2) whether there is subordination to or preference over any indebtedness of the corporation,

"(3) the ratio of debt to equity of the corporation,

"(4) whether there is convertibility into the stock of the corporation, and

"(5) the relationship between holdings of stock in the corporation and holdings of the interest in question."

(b) CLERICAL AMENDMENT.—The table of parts for subchapter C of chapter 1 is amended by striking out the last line and inserting in lieu thereof the following:

"Part VI. Treatment of certain corporate interests as stock or indebtedness.
"Part VII. Effective date of subchapter C."

SUBTITLE C—STOCK DIVIDENDS

SEC. 421. STOCK DIVIDENDS.

(A) IN GENERAL.—Section 305 (relating to distributions of stock and stock rights) is amended to read as follows:

"SEC. 305. DISTRIBUTIONS OF STOCK AND STOCK RIGHTS.

"(a) GENERAL RULE.—Except as otherwise provided in this section, gross income does not include the amount of any distribution of the stock of a corporation made by such corporation to its shareholders with respect to its stock.

"(b) EXCEPTIONS.—Subsection (a) shall not apply to a distribution by a corporation of its stock, and the distribution shall be treated as a distribution of property to which section 301 applies—

"(1) DISTRIBUTIONS IN LIEU OF MONEY.—If the distribution is, at the election of any of the shareholders (whether exercised before or after the declaration thereof), payable either—

"(A) in its stock, or

"(B) in property.

"(2) DISPROPORTIONATE DISTRIBUTIONS.—If the distribution (or a series of distributions of which such distribution is one) has the result of—

"(A) the receipt of property by some shareholders, and

"(B) an increase in the proportionate interests of other shareholders in the assets or earnings and profits of the corporation.

"(3) DISTRIBUTIONS OF COMMON AND PREFERRED STOCK.—If the distribution (or a series of distributions of which such distribution is one) has the result of—

"(A) the receipt of preferred stock by some common shareholders, and

"(B) the receipt of common stock by other common shareholders.

"(4) DISTRIBUTIONS ON PREFERRED STOCK.—If the distribution is with respect to preferred stock, other than an increase in the conversion ratio of convertible preferred stock made solely to take account of a stock dividend or stock split with respect to the stock into which such convertible stock is convertible.

"(5) DISTRIBUTIONS OF CONVERTIBLE PREFERRED STOCK.—If the distribution is of convertible preferred stock, unless it is established to the satisfaction of the Secretary or his delegate that such distribution will not have the result described in paragraph (2).

"(c) CERTAIN TRANSACTIONS TREATED AS DISTRIBUTIONS.—For purposes of this section and section 301, the Secretary or his delegate shall prescribe regulations under which a change in conversion ratio, a change in redemption price, a difference between redemption price and issue price, a redemption which is treated as a distribution to which section 301 applies, or any transaction (including a recapitalization) having a similar effect on the interest of any shareholder shall be treated as a distribution with respect to any shareholder whose proportionate interest in the earnings and profits or assets of the corporation is increased by such change, difference, redemption, or similar transaction.

"(d) DEFINITIONS.—

"(1) RIGHTS TO ACQUIRE STOCK.—For purposes of this section, the term 'stock' includes rights to acquire such stock.

"(2) SHAREHOLDERS.—For purposes of subsections (b) and (c), the term 'shareholder' includes a holder of rights or of convertible securities.

"(e) CROSS REFERENCES.—

"For special rules—

(1) Relating to the receipt of stock and

stock rights in corporate organizations and reorganizations, see part III (sec. 351 and following).

"(2) In the case of a distribution which results in a gift, see section 2501 and following.

"(3) In the case of a distribution which has the effect of the payment of compensation, see section 61(a)(1)."

(b) EFFECTIVE DATES.—

(1) Except as otherwise provided in this subsection, the amendment made by subsection (a) shall apply with respect to distributions (or deemed distributions) made after January 10, 1969, in taxable years ending after such date.

(2)(A) Section 305(b)(2) of the Internal Revenue Code of 1954 (as added by subsection (a)) shall not apply to a distribution (or deemed distribution) of stock made before January 1, 1991, with respect to stock (i) outstanding on January 10, 1969, (ii) issued pursuant to a contract binding on January 10, 1969, on the distributing corporation, (iii) which is additional stock of that class of stock which (as of January 10, 1969) had the largest fair market value of all classes of stock of the corporation (taking into account only stock outstanding on January 10, 1969, or issued pursuant to a contract binding on January 10, 1969), (iv) described in subparagraph (C)(iii), or (v) issued in a prior distribution described in clause (i), (ii), (iii), or (iv).

(B) Subparagraph (A) shall apply only if—

(i) the stock as to which there is a receipt of property was outstanding on January 10, 1969 (or was issued pursuant to a contract binding on January 10, 1969, on the distributing corporation), and

(ii) if such stock and any stock described in subparagraph (A)(i) were also outstanding on January 10, 1968, a distribution of property was made on or before January 10, 1969, with respect to such stock, and a distribution of stock was made on or before January 10, 1969, with respect to such stock described in subparagraph (A)(i).

(C) Subparagraph (A) shall cease to apply when at any time after October 9, 1969, the distributing corporation issues any of its stock (other than in a distribution of stock with respect to stock of the same class) which is not—

(i) nonconvertible preferred stock,

(ii) additional stock of that class of stock which meets the requirements of subparagraph (A)(iii), or

(iii) preferred stock which is convertible into stock which meets the requirements of subparagraph (A)(iii) at a fixed conversion ratio which takes account of all stock dividends and stock splits with respect to the stock into which such convertible stock is convertible.

(D) For purposes of this paragraph, the term "stock" includes rights to acquire such stock.

(3) In cases to which Treasury Decision 6990 (promulgated January 10, 1969) would not have applied, in applying paragraphs (1) and (2) April 22, 1969, shall be substituted for January 10, 1969.

(4) Section 305(b)(4) of the Internal Revenue Code of 1954 (as added by subsection (a)) shall not apply to any distribution (or deemed distribution) with respect to preferred stock (including any increase in the conversion ratio of convertible stock) made before January 1, 1991, pursuant to the terms relating to the issuance of such stock which were in effect on January 10, 1969.

(5) With respect to distributions made or considered as made after January 10, 1969, in taxable years ending after such date, to the extent that the amendment made by subsection (a) does not apply by reason of paragraph (2), (3), or (4) of this subsection, section 305 of the Internal Revenue Code of 1954 (as in effect before the amendment made by subsection (a)) shall continue to apply.

SUBTITLE D—FINANCIAL INSTITUTIONS

SEC. 431. RESERVE FOR LOSSES ON LOANS; NET OPERATING LOSS CARRYBACKS.

(a) BAD DEBT DEDUCTIONS OF FINANCIAL INSTITUTIONS.—Part I of subchapter H of chapter 1 (relating to rules of general application to banking institutions) is amended by adding at the end thereof the following new sections:

"SEC. 585. RESERVES FOR LOSSES ON LOANS OF BANKS.

"(a) INSTITUTIONS TO WHICH SECTION APPLIES.—This section shall apply to the following financial institutions:

"(1) any bank (as defined in section 581) other than an organization to which section 593 applies, and

"(2) any corporation to which paragraph (1) would apply except for the fact that it is a foreign corporation, and in the case of any such foreign corporation this section shall apply only with respect to loans outstanding the interest on which is effectively connected with the conduct of a banking business within the United States.

"(b) ADDITION TO RESERVES FOR BAD DEBTS.—

"(1) GENERAL RULE.—For purposes of section 166(c), the reasonable addition to the reserve for bad debts of any financial institution to which this section applies shall be an amount determined by the taxpayer which shall not exceed the greater of—

"(A) for taxable years beginning before 1988 the addition to the reserve for losses on loans determined under the percentage method as provided in paragraph (2), or

"(B) the addition to the reserve for losses on loans determined under the experience method as provided in paragraph (3).

"(2) PERCENTAGE METHOD.—The amount determined under this paragraph for a taxable year shall be the amount necessary to increase the balance of the reserve for losses on loans (at the close of the taxable year) to the allowable percentage of eligible loans outstanding at such time, except that—

"(A) If the reserve for losses on loans at the close of the base year is less than the allowable percentage of eligible loans outstanding at such time, the amount determined under this paragraph with respect to the difference shall not exceed one-fifth of such difference.

"(B) If the reserve for losses on loans at the close of the base year is not less than the allowable percentage of eligible loans outstanding at such time, the amount determined under this paragraph shall be the amount necessary to increase the balance of the reserve at the close of the taxable year to (i) the allowable percentage of eligible loans outstanding at such time, or (ii) the balance of the reserve at the close of the base year, whichever is greater, but if the amount of eligible loans outstanding at the close of the taxable year is less than the amount of such loans outstanding at the close of the base year, the amount determined under clause (ii) shall be the amount necessary to increase the balance of the reserve at the close of the taxable year to the amount which bears the same ratio to eligible loans outstanding at the close of the taxable year as the balance of the reserve at the close of the base year bears to the amount of eligible loans outstanding at the close of the base year.

For purposes of this paragraph, the term 'allowable percentage' means 1.8 percent for taxable years beginning before 1976; 1.2 percent for taxable years beginning after 1975 but before 1982; and 0.6 percent for taxable years beginning after 1981. The amount determined under this paragraph shall not exceed 0.6 percent of eligible loans outstanding at the close of the taxable year or an amount sufficient to increase the reserve for losses on loans to 0.6 percent of eligible loans outstanding at the close of the taxable year, whichever is greater. For purposes of this paragraph, the term 'base year' means: for taxable years beginning before 1976, the last taxable year beginning on or before July 11, 1969, for taxable years beginning after 1975 but before 1982, the last taxable year beginning before 1976, and for taxable year beginning after 1981, the last taxable year beginning before 1982; except that for purposes of subparagraph (A) such term means the last taxable year before the most recent adoption of the percentage method, if later.

"(3) EXPERIENCED METHOD.—The amount determined under this paragraph for a taxable year shall be the amount necessary to increase the balance of the reserve for losses on loans (at the close of the taxable year) to the greater of—

"(A) the amount which bears the same ratio to loans outstanding at the close of the taxable year as (i) the total bad debts sustained during the taxable year and the 5 preceding taxable years (or, with the approval of the Secretary or his delegate, a shorter period), adjusted for recoveries of bad debts during such period, bears to (ii) the sum of the loans outstanding at the close of such 6 or fewer taxable years, or

"(B) the lower of—

"(i) the balance of the reserve at the close of the base year, or

"(ii) if the amount of loans outstanding at the close of the taxable year is less than the amount of loans outstanding at the close of the base year, the amount which bears the same ratio to loans outstanding at the close of the taxable year as the balance of the reserve at the close of the base year bears to the amount of loans outstanding at the close of the base year.

For purposes of this paragraph, the base year shall be the last taxable year before the most recent adoption of the experience method, except that for taxable years beginning after 1987 the base year shall be the last taxable year beginning before 1988.

"(4) REGULATIONS; DEFINITION OF ELIGIBLE LOAN, ETC.—The Secretary or his delegate shall define the terms 'loan' and 'eligible loan' and prescribe such regulations as may be necessary to carry out the purposes of this section; except that the term 'eligible loan' shall not include—

"(A) a loan to a bank (as defined in section 581),

"(B) a loan to a domestic branch of a foreign corporation to which subsection (a)(2) applies,

"(C) a loan secured by a deposit (i) in the lending bank, or (ii) in an institution described in subparagraph (A) or (B) if the lending bank has control over withdrawal of such deposit,

"(D) a loan to or guaranteed by the United States a possession or instrumentality thereof, or a State or a political subdivision thereof,

"(E) a loan evidenced by a security as defined in section 165(g)(2)(C),

"(F) a loan of Federal funds, and

"(G) commercial paper, including short-term promissory notes which may be purchased on the open market.

"SEC. 586. RESERVES FOR LOSSES ON LOANS OF SMALL BUSINESS INVESTMENT COMPANIES, ETC.

"(a) INSTITUTIONS TO WHICH SECTION APPLIES.—This section shall apply to the following financial institutions:

"(1) any small business investment company operating under the Small Business Investment Act of 1958, and

"(2) any business development corporation.

For purposes of this section, the term 'business development corporation' means a corporation which was created by or pursuant to an act of a State legislature for purposes

of promoting, maintaining, and assisting the economy and industry within such State on a regional or statewide basis by making loans to be used in trades and businesses which would generally not be made by banks (as defined in section 581) within such region or State in the ordinary course of their business (except on the basis of a partial participation), and which is operated primarily for such purposes.

"(b) ADDITION TO RESERVES FOR BAD DEBTS.—

"(1) GENERAL RULE.—For purposes of section 166(c), except as provided in paragraph (2) the reasonable addition to the reserve for bad debts of any financial institution to which this section applies shall be an amount determined by the taxpayer which shall not exceed the amount necessary to increase the balance of the reserve for bad debts (at the close of the taxable year) to the greater of—

"(A) the amount which bears the same ratio to loans outstanding at the close of the taxable year as (i) the total bad debts sustained during the taxable year and the 5 preceding taxable years (or, with the approval of the Secretary or his delegate, a shorter period), adjusted for recoveries of bad debts during such period, bears to (ii) the sum of the loans outstanding at the close of such 6 or fewer taxable years, or

"(B) the lower of—

"(i) the balance of the reserve at the close of the base year, or

"(ii) if the amount of loans outstanding at the close of the taxable year is less than the amount of loans outstanding at the close of the base year, the amount which bears the same ratio to loans outstanding at the close of the taxable year as the balance of the reserve at the close of the base year bears to the amount of loans outstanding at the close of the base year.

For purposes of this subparagraph, the term 'base year' means the last taxable year beginning on or before July 11, 1969.

"(2) NEW FINANCIAL INSTITUTIONS.—In the case of any taxable year beginning not more than 10 years after the day before the first day on which a financial institution (or any predecessor) was authorized to do business as a financial institution described in subsection (a), the reasonable addition to the reserve for bad debts of such financial institution shall not exceed the larger of the amount determined under paragraph (1) or the amount necessary to increase the balance of the reserve for bad debts at the close of the taxable year to the amount which bears the same ratio (as determined by the Secretary or his delegate) to loans outstanding at the close of the taxable year as (i) the total bad debts sustained by all institutions described in the applicable paragraph of subsection (a) during the 6 preceding taxable years (adjusted for recoveries of bad debts during such period) bears to (ii) the sum of the loans by all such institutions outstanding at the close of such taxable years."

(b) 10-YEAR NET OPERATING LOSS CARRYBACK.—Section 172(b)(1) (relating to net operating loss deduction) is amended by striking out in subparagraph (A)(i) thereof "and (E)" and inserting in lieu thereof "(E), (F), and (G)", and by adding at the end thereof the following new subparagraphs:

"(F) In the case of a financial institution to which section 585, 586, or 593 applies, a net operating loss for any taxable year beginning after December 31, 1975, shall be a net operating loss carrryback to each of the 10 taxable years preceding the taxable year of such loss and shall be a net operating loss carryover to each of the 5 taxable years following the taxable year of such loss.

"(G) In the case of a Bank for Cooperatives (organized and chartered pursuant to section 2 of the Farm Credit Act of 1933 (12 U.S.C. 1134)), a net operating loss for any taxable year beginning after December 31, 1969, shall be a net operating loss carryback to each of the 10 taxable years preceding the taxable year of such loss and shall be a net operating loss carryover to each of the 5 taxable years following the taxable year of such loss."

(c) TECHNICAL AND CLERICAL AMENDMENTS.—

(1) Subsection (h) of section 166 (relating to bad debts) is amended by adding at the end thereof the following new paragraph:

"(4) For special rule for bad debt reserves of banks, small business investment companies, etc., see sections 585 and 586."

(2) The table of sections for part I of subchapter H of chapter 1 is amended—

(A) by striking out:

"Sec. 582. Bad debt and loss deduction with respect to securities held by banks."

and inserting in lieu thereof.

"Sec. 582. Bad debts, losses, and gains with respect to securities held by financial institutions."

(B) by adding at the end thereof the following:

"Sec. 585. Reserves for losses on loans of banks.

"Sec. 586. Reserves for losses on loans of small business investment companies, etc."

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (c) shall apply to taxable years beginning after July 11, 1969.

SEC. 432. MUTUAL SAVINGS BANKS, ETC.

(a) RESERVE FOR LOSSES ON LOANS.—Section 593(b) (relating to addition to reserves for bad debts) is amended—

(1) by striking out subparagraph (A) of paragraph (1) and inserting in lieu thereof the following:

"(A) the amount determined to be a reasonable addition to the reserve for losses on nonqualifying loans, computed in the same manner as is provided with respect to additions to the reserves for losses on loans of banks under section 585(b)(3), plus".

(2) by striking out paragraphs (2), (3), (4), and (5) and inserting in lieu thereof the following:

"(2) PERCENTAGE OF TAXABLE INCOME METHOD.—

"(A) IN GENERAL.—Subject to subparagraphs (B), (C), and (D), the amount determined under this paragraph for the taxable year shall be an amount equal to the applicable percentage of the taxable income for such year (determined under the following table):

"For a taxable year beginning in—	The applicable percentage under this paragraph shall be—
1969	60 percent.
1970	57 percent.
1971	54 percent.
1972	51 percent.
1973	49 percent.
1974	47 percent.
1975	45 percent.
1976	43 percent.
1977	42 percent.
1978	41 percent.
1979 or thereafter	40 percent.

"(B) REDUCTION OF APPLICABLE PERCENTAGE IN CERTAIN CASES.—If, for the taxable year, the percentage of the assets of a taxpayer described in subsection (a), which are assets described in section 7701(a)(19)(C), is less than—

"(i) 82 percent of the total assets in the case of a taxpayer other than a mutual savings bank, the applicable percentage for such year provided by subparagraph (A) shall be reduced by ¾ of 1 percentage point for each 1 percentage point of such difference, or

"(ii) 72 percent of the total assets in the case of a mutual savings bank, the applicable percentage for such year provided by subparagraph (A) shall be reduced by 1½ percentage points for each 1 percentage point of such difference.

If, for the taxable year, the percentage of the assets of such taxpayer which are assets described in section 7701(a)(19)(C) is less than 60 percent (50 percent for a taxable year beginning before 1973 in the case of a mutual savings bank), this paragraph shall not apply.

"(C) REDUCTION FOR AMOUNTS REFERRED TO IN PARAGRAPH (1)(A).—The amount determined under subparagraph (A) shall be reduced by that portion of the amount referred to in paragraph (1)(A) for the taxable year (not in excess of 100 percent) which bears the same ratio to such amount as (i) 18 percent (28 percent in the case of mutual savings banks) bears to (ii) the percentage of the assets of the taxpayer for such year which are not assets described in section 7701(a)(19)(C).

"(D) OVERALL LIMITATION ON PARAGRAPH.—The amount determined under this paragraph shall not exceed the amount necessary to increase the balance at the close of the taxable year of the reserve for losses on qualifying real property loans to 6 percent of such loans outstanding at such time.

"(E) COMPUTATION OF TAXABLE INCOME.—For purposes of this paragraph, taxable income shall be computed—

"(i) by excluding from gross income any amount included therein by reason of subsection (f),

"(ii) without regard to any deduction allowable for any addition to the reserve for bad debts,

"(iii) by excluding from gross income an amount equal to the net gain for the taxable year arising from the sale or exchange of stock of a corporation or of obligations the interest on which is excludable from gross income under section 103,

"(iv) by excluding from gross income an amount equal to the lesser of ⅜ of the net long-term capital gain for the taxable year or ⅜ of the net long-term capital gain for the taxable year from the sale or exchange of property other than property described in clause (iii), and

"(v) by excluding from gross income dividends with respect to which a deduction is allowable by part VIII of subchapter B, reduced by an amount equal to the applicable percentage (determined under subparagraphs (A) and (B)) of the dividends received deduction (determined without regard to section 596) for the taxable year.

"(3) PERCENTAGE METHOD.—The amount determined under this paragraph to be a reasonable addition to the reserve for losses on qualifying real property loans shall be computed in the same manner as is provided with respect to addition to the reserves for losses on loans of banks under section 585(b)(2), reduced by the amount referred to in paragraph (1)(A) for the taxable year.

"(4) EXPERIENCE METHOD.—The amount determined under this paragraph for the taxable year shall be computed in the same manner as is provided with respect to additions to the reserves for losses on loans of banks under section 585(b)(3).

"(5) DETERMINATION OF RESERVE FOR PERCENTAGE METHOD.—For purposes of paragraph (3), the amount deemed to be the balance of the reserve for losses on loans at the beginning of the taxable year shall be the total of the balances at such time of the reserve for losses on nonqualifying loans, the reserve for losses on qualifying real property loans, and the supplemental reserve for losses on loans."

(b) CERTAIN CORPORATE ACQUISITIONS.—Section 593(f)(1) (relating to distributions to shareholders) is amended by adding at the end thereof the following new sentence: "This paragraph shall not apply to any trans-

action to which section 381 (relating to carryovers in certain corporate acquisitions) applies."

(c) INVESTMENT STANDARDS.—Section 7701 (a)(19) (defining domestic building and loan association) is amended to read as follows:

"(19) DOMESTIC BUILDING AND LOAN ASSOCIATION.—The term 'domestic building and loan association' means a domestic building and loan association, a domestic savings and loan association, and a Federal savings and loan association—

"(A) which either (i) is an insured institution within the meaning of section 401(a) of the National Housing Act (12 U.S.C., sec. 1724(a)), or (ii) is subject by laws to supervision and examination by State or Federal authority having supervision over such associations;

"(B) the business of which consists principally of acquiring the savings of the public and investing in loans; and

"(C) at least 60 percent of the amount of the total assets of which (at the close of the taxable year) consists of—

"(i) cash,

"(ii) obligations of the United States or of a State or political subdivision thereof, and stock or obligations of a corporation which is an instrumentality of the United States or of a State or political subdivision thereof, but not including obligations the interest on which is excludable from gross income under section 103,

"(iii) certificates of deposit in, or obligations of, a corporation organized under a State law which specifically authorizes such corporation to insure the deposits or share accounts of member associations,

"(iv) loans secured by a deposit or share of a member,

"(v) loans (including redeemable ground rents, as defined in section 1055) secured by an interest in real property which is (or, from the proceeds of the loan, will become) residential real property or real property used primarily for church purposes, loans made for the improvement of residential real property or real property used primarily for church purposes, provided that for purposes of this clause, residential real property shall include single or multifamily dwellings, facilities in residential developments dedicated to public use or property used on a nonprofit basis for residents, and mobile homes not used on a transient basis,

"(vi) loans secured by an interest in real property located within an urban renewal area to be developed for predominantly residential use under an urban renewal plan approved by the Secretary of Housing and Urban Development under part A or part B of title I of the Housing Act of 1949, as amended, or located within any area covered by a program eligible for assistance under section 103 of the Demonstration Cities and Metropolitan Development Act of 1966, as amended, and loans made for the improvement of any such real property.

"(vii) loans secured by an interest in educational, health, or welfare institutions or facilities, including structures designed or used primarily for residential purposes for students, residents, and persons under care, employees, or members of the staff of such institutions or facilities,

"(viii) property acquired through the liquidation of defaulted loans described in clause (v), (vi), or (vii),

"(ix) loans made for the payment of expenses of college or university education or vocational training, in accordance with such regulations as may be prescribed by the Secretary or his delegate, and

"(x) property used by the association in the conduct of the business described in subparagraph (B).

At the election of the taxpayer, the percentage specified in this subparagraph shall be applied on the basis of the average assets outstanding during the taxable year, in lieu of the close of the taxable year, computed under regulations prescribed by the Secretary or his delegate. For purposes of clause (v), if a multifamily structure securing a loan is used in part for nonresidential purposes, the entire loan is deemed a residential real property loan if the planned residential use exceeds 80 percent of the property's planned use (determined as of the time the loan is made). For purposes of clause (v), loans made to finance the acquisition or development of land shall be deemed to be loans secured by an interest in residential real property if, under regulations prescribed by the Secretary or his delegate, there is reasonable assurance that the property will become residential real property within a period of 3 years from the date of acquisition of such land; but this sentence shall not apply for any taxable year unless, within such 3-year period, such land becomes residential real property."

(d) CONFORMING AMENDMENTS.—Section 7701(a)(32) (defining cooperative bank) is amended—

(1) by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B) meets the requirements of subparagraphs (B) and (C) of paragraph (19) of this subsection (relating to definition of domestic building and loan association).", and

(2) by striking out the third sentence thereof.

(e) EFFECTIVE DATE.—The amendments made by this section shall be effective for taxable years beginning after July 11, 1969.

SEC. 433. TREATMENT OF BONDS, ETC., HELD BY FINANCIAL INSTITUTIONS.

(a) GAIN ON SECURITIES HELD BY FINANCIAL INSTITUTIONS.—Subsection (c) of section 582 (relating to bad debt and loss deduction with respect to securities held by banks) is amended by striking out such subsection and inserting the following in lieu thereof:

"(c) BOND, ETC., LOSSES AND GAINS OF FINANCIAL INSTITUTIONS.—

"(1) GENERAL RULE.—For purposes of this subtitle, in the case of a financial institution to which section 585, 586, or 593 applies, the sale or exchange of a bond, debenture, note, or certificate or other evidence of indebtedness shall not be considered a sale or exchange of a capital asset.

"(2) TRANSITIONAL RULE FOR BANKS.—In the case of a bank, if the net long-term capital gains of the taxable year from sales or exchanges of qualifying securities exceed the net short-term capital losses of the taxable year from such sales or exchanges, such excess shall be considered as gain from the sale of a capital asset held for more than 6 months to the extent it does not exceed the net gain on sales and exchanges described in paragraph (1).

"(3) SPECIAL RULES.—For purposes of this subsection—

"(A) The term 'qualifying security' means a bond, debenture, note, or certificate or other evidence of indebtedness held by a bank on July 11, 1969.

"(B) The amount treated as capital gain or loss from the sale or exchange of a qualifying security shall be determined by multiplying the amount of capital gain or loss from the sale or exchange of such security (determined without regard to this subsection) by a fraction, the numerator of which is the number of days before July 12, 1969, that such security was held by the bank, and the denominator of which is the number of days the security was held by the bank."

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 1243 (relating to loss of a small business investment company) is amended to read as follows:

"(1) a loss is on stock received pursuant to the conversion privilege of convertible debentures acquired pursuant to section 304 of the Small Business Investment Act of 1958, and".

(c) CLERICAL AMENDMENT.—The heading for section 582 is amended to read as follows:

"SEC. 582. BAD DEBTS, LOSSES, AND GAINS WITH RESPECT TO SECURITIES HELD BY FINANCIAL INSTITUTIONS."

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after July 11, 1969.

(2) ELECTION FOR SMALL BUSINESS INVESTMENT COMPANIES AND BUSINESS DEVELOPMENT CORPORATIONS.—Notwithstanding paragraph (1), in the case of a financial institution described in section 586(a) of the Internal Revenue Code of 1954, the amendments made by this section shall not apply for its taxable years beginning after July 11, 1969, and before July 11, 1974, unless the taxpayer so elects at such time and in such manner as shall be prescribed by the Secretary of the Treasury or his delegate. Such election shall be irrevocable and shall apply to all such taxable years.

SEC. 434. LIMITATION ON DEDUCTION FOR DIVIDENDS RECEIVED BY MUTUAL SAVINGS BANKS, ETC.

(a) SPECIAL LIMITATION.—Part II of subchapter H of chapter 1 is amended by adding at the end thereof the following new section:

"SEC. 596. LIMITATION ON DIVIDENDS RECEIVED DEDUCTION.

"In the case of an organization to which section 593 applies and which computes additions to the reserve for losses on loans for the taxable year under section 593(b)(2), the total amount allowed under sections 243, 244, and 245 (determined without regard to this section) for the taxable year as a deduction with respect to dividends received shall be reduced by an amount equal to the applicable percentage for such year (determined under subparagraphs (A) and (B) of section 593(b)(2) of such total amount."

(b) TECHNICAL AND CLERICAL AMENDMENTS.—

(1) Section 246 (relating to rules applying to deductions for dividends received) is amended by adding at the end thereof the following new subsection:

"(d) CROSS REFERENCE.—

"For special rule relating to mutual savings banks, etc., to which section 593 applies, see section 596."

(2) The table of sections for part II of subchapter H of chapter 1 is amended by adding at the end thereof:

"Sec. 596. Limitation on dividends received deduction."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after July 11, 1969.

SEC. 435. FOREIGN DEPOSITS IN UNITED STATES BANKS.

(a) INCOME FROM SOURCES WITHIN THE UNITED STATES.—

(1) Effective with respect to amounts paid or credited after December 31, 1969, subparagraphs (C) and (D) of section 861(a)(1) (relating to interest) are each amended by striking out "after December 31, 1972,".

Section 861(c) (relating to interest on deposits, etc.) is amended by striking out "1972" and inserting in lieu thereof "1975".

(b) PROPERTY WITHIN THE UNITED STATES.—The second sentence of section 2104(c) (relating to debt obligations) is amended by striking out "December 31, 1972" and inserting in lieu thereof "December 31, 1969".

SUBTITLE E—DEPRECIATION ALLOWED REGULATED INDUSTRIES; EARNINGS AND PROFITS ADJUSTMENT FOR DEPRECIATION

SEC. 441. PUBLIC UTILITY PROPERTY.

(a) IN GENERAL.—Section 167 (relating to depreciation) is amended by inserting after subsection (k) (added by section 521) the following new subsection:

"(l) REASONABLE ALLOWANCE IN CASE OF PROPERTY OF CERTAIN UTILITIES.—

"(1) PRE-1970 PUBLIC UTILITY PROPERTY.—

"(A) IN GENERAL.—In the case of any pre-1970 public utility property, the term 'reasonable allowance' as used in subsection (a) means an allowance computed under—

"(i) a subsection (l) method, or

"(ii) the applicable 1968 method for such property.

Except as provided in subparagraph (B), clause (ii) shall apply only if the taxpayer uses a normalization method of accounting.

"(B) FLOW-THROUGH METHOD OF ACCOUNTING IN CERTAIN CASES.—In the case of any pre-1970 public utility property, the taxpayer may use the applicable 1968 method for such property if—

"(i) the taxpayer used a flow-through method of accounting for such property for its July 1969 accounting period, or

"(ii) the first accounting period with respect to such property is after the July 1969 accounting period, and the taxpayer used a flow-through method of accounting for its July 1969 accounting period for the property on the basis of which the applicable 1968 method for the property in question is established.

"(2) POST-1969 PUBLIC UTILITY PROPERTY.—In the case of any post-1969 public utility property, the term 'reasonable allowance' as used in subsection (a) means an allowance computed under—

"(A) a subsection (l) method,

"(B) a method otherwise allowable under this section if the taxpayer uses a normalization method of accounting, or

"(C) the applicable 1968 method, if, with respect to its pre-1970 public utility property of the same (or similar) kind most recently placed in service, the taxpayer used a flow-through method of accounting for its July 1969 accounting period.

"(3) DEFINITIONS.—For purposes of this subsection—

"(A) PUBLIC UTILITY PROPERTY.—The term 'public utility property' means property used predominantly in the trade or business of the furnishing or sale of—

"(i) electrical energy, water, or sewage disposal services,

"(ii) gas or steam through a local distribution system,

"(iii) telephone services, or other communication services if furnished or sold by the Communications Satellite Corporation for purposes authorized by the Communications Satellite Act of 1962 (47 U.S.C. 701), or

"(iv) transportation of gas or steam by pipeline,

"if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof, by any agency or instrumentality of the United States, or by a public service or public utility commission or other similar body of any State or political subdivision thereof.

"(B) PRE-1970 PUBLIC UTILITY PROPERTY.—The term 'pre-1970 public utility property' means property which was public utility property in the hands of any person at any time before January 1, 1970.

"(C) POST-1969 PUBLIC UTILITY PROPERTY.—The term 'post-1969 public utility property means any public utility property which is not pre-1970 public utility property.

"(D) APPLICABLE 1968 METHOD.—The term 'applicable 1968 method' means, with respect to any public utility property—

"(i) the method of depreciation used on a return with respect to such property for the latest taxable year for which a return was filed before August 1, 1969,

"(ii) if clause (i) does not apply, the method used by the taxpayer on a return for the latest taxable year for which a return was filed before August 1, 1969, with respect to its public utility property of the same kind (or if there is no property of the same kind, property of the most similar kind) most recently placed in service, or

"(iii) if neither clause (i) nor (ii) applies, a subsection (l) method.

In the case of any section 1250 property to which subsection (j) applies, the term 'applicable 1968 method' means the method permitted under subsection (j) which is most nearly comparable to the applicable 1968 method determined under the preceding sentence.

"(E) APPLICABLE 1968 METHOD IN CERTAIN CASES.—If the taxpayer evidenced the intent to use a method of depreciation (other than its applicable 1968 method or a subsection (l) method) with respect to any public utility property in a timely application for change of accounting method filed before August 1, 1969, or in the computation of its tax expense for purposes of reflecting operating results in its regulated books of account for its July 1969 accounting period, such other method shall be deemed to be its applicable 1968 method with respect to such property and public utility property of the same (or similar) kind subsequently placed in service.

"(F) SUBSECTION (l) METHOD.—The term 'subsection (l) method' means any method determined by the Secretary or his delegate to result in a reasonable allowance under subsection (a), other than (i) a declining balance method, (ii) the sum of the years-digits method, or (iii) any other method allowable solely by reason of the application of subsection (b)(4) or (j)(1)(C).

"(G) NORMALIZATION METHOD OF ACCOUNTING.—In order to use a normalization method of accounting with respect to any public utility property—

"(i) the taxpayer must use the same method of depreciation to compute both its tax expense and its depreciation expense for purposes of establishing its cost of service for ratemaking purposes and for reflecting operating results in its regulated books of account, and

"(ii) if, to compute its allowance for depreciation under this section, it uses a method of depreciation other than the method it used for the purposes described in clause (i), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from the use of such different methods of depreciation.

"(H) FLOW-THROUGH METHOD OF ACCOUNTING.—The taxpayer used a 'flow-through method of accounting' with respect to any public utility property if it used the same method of depreciation (other than a subsection (l) method) to compute its allowance for depreciation under this section and to compute its tax expense for purposes of reflecting operating results in its regulated books of account.

"(I) JULY 1969 ACCOUNTING PERIOD.—The term 'July 1969 accounting period' means the taxpayer's accounting period ending before August 1, 1969, for which it computed its tax expense for purposes of reflecting operating results in its regulated books of account.

For purposes of this paragraph, different declining balance rates shall be treated as different methods of depreciation.

"(4) SPECIAL RULES AS TO FLOW-THROUGH METHOD.—

"(A) ELECTION AS TO NEW PROPERTY REPRESENTING GROWTH IN CAPACITY.—If the taxpayer makes an election under this subparagraph within 180 days after the date of the enactment of this subparagraph in the manner prescribed by the Secretary or his delegate, in the case of taxable years beginning after December 31, 1970, paragraph (2)(C) shall not apply with respect to any post-1969 public utility property, to the extent that such property constitutes property which increases the productive or operational capacity of the taxpayer with respect to the goods or services described in paragraph (3)(A) and does not represent the replacement of existing capacity.

"(B) CERTAIN PENDING APPLICATIONS FOR CHANGES IN METHOD.—In applying paragraph (1)(B), the taxpayer shall be deemed to have used a flow-through method of accounting for its July 1969 accounting period with respect to any pre-1970 public utility property for which it filed a timely application for change of accounting method before August 1, 1969, if with respect to public utility property of the same (or similar) kind most recently placed in service, it used a flow-through method of accounting for its July 1969 accounting period.

"(5) REORGANIZATIONS, ASSETS ACQUISITIONS, ETC.—If by reason of a corporate reorganization, by reason of any other acquisition of the assets of one taxpayer by another taxpayer, by reason of the fact that any trade or business of the taxpayer is subject to ratemaking by more than one body, or by reason of other circumstances, the application of any provisions of this subsection to any public utility property does not carry out the purposes of this subsection, the Secretary or his delegate shall provide by regulations for the application of such provisions in a manner consistent with the purposes of this subsection."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to all taxable years for which a return has not been filed before August 1, 1969.

SEC. 442. EFFECT ON EARNINGS AND PROFITS.

(a) IN GENERAL.—Section 312 (relating to earnings and profits) is amended by adding at the end thereof the following new subsection:

"(m) EFFECT OF DEPRECIATION ON EARNINGS AND PROFITS.—

"(1) GENERAL RULE.—For purposes of computing the earnings and profits of a corporation for any taxable year beginning after June 30, 1972, the allowance for depreciation (and amortization, if any) shall be deemed to be the amount which would be allowable for such year if the straight line method of depreciation had been used for each taxable year beginning after June 30, 1972.

"(2) EXCEPTION.—If for any taxable year beginning after June 30, 1972, a method of depreciation was used by the taxpayer which the Secretary or his delegate has determined results in a reasonable allowance under section 167(a), and which is not—

"(A) a declining balance method,

"(B) the sum of the years-digits method, or

"(C) any other method allowable solely by reason of the application of subsection (b)(4) or (j)(1)(C) of section 167,

then the adjustment to earnings and profits for depreciation for such year shall be determined under the method so used (in lieu of under the straight line method).

"(3) CERTAIN FOREIGN CORPORATIONS.—The provisions of paragraph (1) shall not apply in computing the earnings and profits of a foreign corporation for any taxable year for which less than 20 percent of the gross income from all sources of such corporation is derived from sources within the United States."

(b) CONFORMING AMENDMENTS.—

(1) Section 964(a) (relating to earnings and profits of a foreign corporation) is amended by striking out "For purposes of this subpart," and inserting in lieu thereof

"Except as provided in section 312(m)(3), for purposes of this subpart".

(2) Section 1248(c)(1) (relating to general rule for determination of the earnings and profits of a foreign corporation) is amended by striking out "For purposes of this section," and inserting in lieu thereof "Except as provided in section 312(m)(3), for purposes of this section".

TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

Subtitle A—Natural Resources

SEC. 501. PERCENTAGE DEPLETION RATES.

(a) CHANGE IN CERTAIN PERCENTAGE DEPLETION RATES.—Subsection (b) of section 613 (relating to percentage depletion) is amended to read as follows:

"(b) PERCENTAGE DEPLETION RATES.—The mines, wells, and other natural deposits, and the percentages, referred to in subsection (a) are as follows:

"(1) 22 PERCENT—

"(A) oil and gas wells;

"(B) sulphur and uranium; and

"(C) if from deposits in the United States—anorthosite, clay, laterite, and nephelite syenite (to the extent that alumina and aluminum compounds are extracted therefrom) asbestos, bauxite, celestite, chromite, corundum, fluorspar, graphite, ilmenite, kyanite, mica, olivine, quartz crystals (radio grade), rutile, block steatite talc, and zircon, and ores of the following metals: antimony, beryllium, bismuth, cadmium, cobalt, columbium, lead, lithium, manganese, mercury, molybdenum, nickel, platinum and platinum group metals, tantalum, thorium, tin, titanium, tungsten, vanadium, and zinc.

"(2) 15 PERCENT—if from deposits in the United States—

"(A) gold, silver, copper, and iron ore, and

"(B) oil shale (except shale described in paragraph (5)).

"(3) 14 PERCENT—

"(A) metal mines (if paragraph (1)(C) or (2)(A) does not apply), rock asphalt, and vermiculite and;

"(B) if paragraph (1)(C), (5), of (6)(B) does not apply, ball clay, bentonite, china clay, sagger clay, and clay used or sold for use for purposes dependent on its refractory properties.

"(4) 10 PERCENT—asbestos (if paragraph (1)(C) does not apply), brucite, coal, lignite, perlite, sodium chloride, and wollastonite.

"(5) 7½ PERCENT—clay and shale used or sold for use in the manufacture of sewer pipe or brick, and clay, shale, and slate used or sold for use as sintered or burned lightweight aggregates.

"(6) 5 PERCENT—

"(A) gravel, peat, pumice, sand, scoria, shale (except shale described in paragraph (2)(B) or (5)), and stone (except stone described in paragraph (7));

"(B) clay used, or sold for use, in the manufacture of drainage and roofing tile, flower pots, and kindred products; and

"(C) if from brine wells—bromine, calcium chloride, and magnesium chloride.

"(7) 14 PERCENT—all other minerals, including, but not limited to, aplite, barite, borax, calcium carbonates, diatomaceous earth, dolomite, feldspar, fullers earth, garnet, gilsonite, granite, limestone, magnesite, magnesium carbonates, marble, mollusk shells (including clam shells and oyster shells), phosphate rock, potash, quartzite, slate, soapstone, stone (used or sold for use by the mine owner or operator as dimension stone or ornamental stone), thenardite, tripoli, trona, and (if paragraph (1)(C) does not apply) bauxite, flake graphite, fluorspar, lepidolite, mica, spodumence, and talc (including pyrophyllite), except that, unless sold on bid in direct competition with a bona fide bid to sell a mineral listed in paragraph (3), the percentage shall be 5 percent for any such other mineral (other than slate to which paragraph (5) applies) when used, or sold for use, by the mine owner or operator as rip rap, ballast, road material, rubble, concrete aggregates, or for similar purposes. For purposes of this paragraph, the term 'all other minerals' does not include—

"(A) soil, sod, dirt, turf, water, or mosses; or

"(B) minerals from sea water, the air, or similar inexhaustible sources.

For purposes of this subsection, minerals (other than sodium chloride) extracted from brines pumped from a saline perennial lake within the United States shall not be considered minerals from an inexhaustible source."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after October 9, 1969.

SEC. 502. TREATMENT PROCESSES IN THE CASE OF OIL SHALE.

(a) IN GENERAL.—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".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 503. MINERAL PRODUCTION PAYMENTS.

(a) IN GENERAL.—Subchapter I of chapter 1 (relating to natural resources) is amended by adding at the end thereof the following new part:

"PART IV—MINERAL PRODUCTION PAYMENTS

"Sec. 636. Income tax treatment of mineral production payments.

"SEC. 636. INCOME TAX TREATMENT OF MINERAL PRODUCTION PAYMENTS.

"(a) CARVED-OUT PRODUCTION PAYMENT.—A production payment carved out of mineral property shall be treated, for purposes of this subtitle, as if it were a mortgage loan on the property, and shall not qualify as an economic interest in the mineral property. In the case of a production payment carved out for exploration or development of a mineral property, the preceding sentence shall apply only if and to the extent gross income from the property (for purposes of section 613) would be realized, in the absence of the application of such sentence, by the person creating the production payment.

"(b) RETAINED PRODUCTION PAYMENT ON SALE OF MINERAL PROPERTY.—A production payment retained on the sale of a mineral property shall be treated, for purposes of this subtitle, as if it were a purchase money mortgage loan and shall not qualify as an economic interest in the mineral property.

"(c) RETAINED PRODUCTION PAYMENT ON LEASE OF MINERAL PROPERTY.—A production payment retained in a mineral property by the lessor in a leasing transaction shall be treated, for purposes of this subtitle, insofar as the lessee (or his successors in interest) is concerned, as if it were a bonus granted by the lessee to the lessor payable in installments. The treatment of the production payment in the hands of the lessor shall be determined without regard to the provisions of this subsection.

"(d) DEFINITION.—As used in this section, the term 'mineral property' has the meaning assigned to the term 'property' in section 614(a).

"(e) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section."

(b) CLERICAL AMENDMENT.—The table of parts for subchapter I of chapter 1 is amended by adding at the end thereof the following:

"Part IV. Mineral production payments."

(c) EFFECTIVE DATES.—

(1) GENERAL RULE.—The amendments made by this section shall apply with respect to mineral production payments created on or after August 7, 1969, other than mineral production payments created before January 1, 1971, pursuant to a binding contract entered into before August 7, 1969.

(2) ELECTION.—At the election of the taxpayer (made at such time and in such manner as the Secretary of the Treasury or his delegate prescribes by regulations), the amendments made by this section shall apply with respect to all mineral production payments which the taxpayer carved out of mineral properties after the beginning of his last taxable year ending before August 7, 1969. No interest shall be allowed on any refund or credit of any overpayment resulting from such election for any taxable year ending before August 7, 1969.

(3) SPECIAL RULE.—With respect to a taxpayer who does not elect the treatment provided in paragraph (2) and who carves out one or more mineral production payments on or after August 7, 1969, during the taxable year which includes such date, the amendments made by this section shall apply to such production payments only to the extent the aggregate amount of such production payments exceeds the lesser of—

(A) the excess of—

(i) the aggregate amount of production payments carved out and sold by the taxpayer during the 12-month period immediately preceding his taxable year which includes August 7, 1969, over

(ii) the aggregate amount of production payments carved out before August 7, 1969, by the taxpayer during his taxable year which includes such date, or

(B) the amount necessary to increase the amount of the taxpayer's gross income, within the meaning of chapter 1 of subtitle A of the Internal Revenue Code of 1954, for the taxable year which includes August 7, 1969, to an amount equal to the amount of deductions (other than any deduction under section 172 of such Code) allowable for such year under such chapter.

The preceding sentence shall not apply for purposes of determining the amount of any deduction allowable under section 611 or the amount of foreign tax credit allowable under section 904 of such Code.

SEC. 504. EXPLORATION EXPENDITURES.

(a) AMENDMENTS TO SECTION 615.—Section 615 (relating to exploration expenditures) is amended—

(1) by striking out the heading and inserting in lieu thereof:

"SEC. 615. PRE-1970 EXPLORATION EXPENDITURES."; and

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

"(h) TERMINATION.—The provisions of this section shall not apply with respect to expenditures paid or incurred after December 31, 1969."

(b) AMENDMENTS TO SECTION 617.—Section 617 (relating to additional exploration expenditures in the case of domestic mining) is amended—

(1) by striking out the heading and inserting in lieu thereof:

"SEC. 617. DEDUCTION AND RECAPTURE OF CERTAIN MINING EXPLORATION EXPENDITURES."

(2) by striking out in subsection (a)(1) "in the United States or on the Outer Continental Shelf (within the meaning of section 2 of the Outer Continental Shelf Lands

Act, as amended and supplemented; 43 U.S.C. 1331)"; and

(3) by striking out subsection (h) and inserting the following in lieu thereof:

"(h) LIMITATION.—

"(1) IN GENERAL.—Subsection (a) shall apply to any amount paid or incurred after December 31, 1969, with respect to any deposit of ore or other mineral located outside the United States, only to the extent that such amount, when added to the amounts which are or have been deducted under subsection (a) and section 615(a) and the amounts which are or have been treated as deferred expenses under section 615(b), or the corresponding provisions of prior law, does not exceed $400,000.

"(2) AMOUNTS TAKEN INTO ACCOUNT.—For purposes of paragraph (1), there shall be taken into account amounts deducted and amounts treated as deferred expenses by—

"(A) the taxpayer, and

"(B) any individual or corporation who has transferred to the taxpayer any mineral property.

"(3) APPLICATION OF PARAGRAPH (2)(B).—Paragraph (2)(B) shall apply with respect to all amounts deducted and all amounts treated as deferred expenses which were paid or incurred before the latest such transfer from the individual or corporation to the taxpayer. Paragraph (2)(B) shall apply only if—

"(A) the taxpayer acquired any mineral property from the individual or corporation under circumstances which make paragraph (7), (8), (11), (15), (17), (20), or (22) of section 113(a) of the Internal Revenue Code of 1939 apply to such transfer;

"(B) the taxpayer would be entitled under section 381(c)(10) to deduct expenses deferred under section 615(b) had the distributor or transferor corporation elected to defer such expenses; or

"(C) the taxpayer acquired any mineral property from the individudal or corporation under circumstances which make section 334(b), 362 (a) and (b), 372(a), 373(b)(1), 1051, or 1082 apply to such transfer."

(c) CONFORMING AMENDMENTS.—

(1) Section 243(b)(3)(C)(iii) is amended by striking out "section 615(c)(1)" and inserting in lieu thereof "sections 615(c)(1) and 617(h)(1)".

(2) Paragraph (10) of section 381(c) is amended—

(A) by striking out so much as precedes the second sentence and inserting in lieu thereof:

"(10) TREATMENT OF CERTAIN MINING EXPLORATION AND DEVELOPMENT EXPENSES OF DISTRIBUTOR OR TRANSFEROR CORPORATION.—The acquiring corporation shall be entitled to deduct, as if it were the distributor or transferor corporation, expenses deferred under sections 615 and 616 (relating to pre-1970 exploration expenditures and development expenditures, respectively) if the distributor or transferor corporation has so elected."; and

(B) by adding at the end thereof the following new sentence: "For the purpose of applying the limitation provided in section 617, if, for any taxable year, the distributor or transferor corporation was allowed the deduction in section 615(a) or section 617(a) or made the election provided in section 615(b), the acquiring corporation shall be deemed to have been allowed such deduction or deductions or to have made such election, as the case may be."

(3) Section 703(b) is amended by striking out "(relating to exploration expenditures) or under section 617 (relating to additional exploration expenditures in the case of domestic mining)" and inserting in lieu thereof "(relating to pre-1970 exploration expenditures) or under section 617 (relating to deduction and recapture of certain mining exploration expenditures)".

(4) Paragraph (10) of section 1016(a) is amended by inserting "pre-1970" after "certain".

(5) The table of sections for part I of subchapter I of chapter 1 is amended—

(A) by striking out the item relating to section 615 and inserting in lieu thereof:

"Sec. 615. Pre-1970 exploration expenditures."; and

(B) by striking out the item relating to section 617 and inserting in lieu thereof:

"Sec. 617. Deduction and recapture of certain mining exploration expenditures."

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply with respect to exploration expenditures paid or incurred after December 31, 1969.

(2) PRESUMPTION OF ELECTION UNDER SECTION 617.—For purposes of section 617 of the Internal Revenue Code of 1954, an election under section 615(e) of such Code, which is effective with respect to exploration expenditures paid or incurred before January 1, 1970, shall be treated as an election under section 617(a) of such Code with respect to exploration expenditures paid or incurred after December 31, 1969. The preceding sentence shall not apply to any taxpayer who notifies the Secretary of the Treasury or his delegate (at such time and in such manner as the Secretary or his delegate prescribes by regulations) that he does not desire his election under section 615(e) to be so treated.

SEC. 505. CONTINENTAL SHELF AREAS.

(a) IN GENERAL.—Subchapter I of chapter 1 (relating to natural resources) is amended by adding after part IV (added by section 503 of this Act) the following new part:

"PART V—CONTINENTAL SHELF AREAS

"SEC. 638. CONTINENTAL SHELF AREAS.

"For purposes of applying the provisions of this chapter (including sections 861(a)(3) and 862(a)(3) in the case of the performance of personal services) with respect to mines, oil and gas wells, and other natural deposits—

"(1) the term 'United States' when used in a geographical sense includes the seabed and subsoil of those submarine areas which are adjacent to the territorial waters of the United States and over which the United States has exclusive rights, in accordance with international law, with respect to the exploration and exploitation of natural resources; and

"(2) the terms 'foreign country' and 'possession of the United States' when used in a geographical sense include the seabed and subsoil of those submarine areas which are adjacent to the territorial waters of the foreign country or such possession and over which the foreign country (or the United States in case of such possession) has exclusive rights, in accordance with international law, with respect to the exploration and exploitation of natural resources, but this paragraph shall apply in the case of a foreign country only if it exercises, directly or indirectly, taxing jurisdiction with respect to such exploration or exploitation.

No foreign country shall, by reason of the application of this section, be treated as a country contiguous to the United States."

(b) SOURCE OF INCOME FOR WITHHOLDING OF TAX.—Section 1441 (relating to withholding of tax on nonresident aliens) is amended by adding at the end thereof the following new subsection:

"(f) CONTINENTAL SHELF AREAS.—

"For sources of income derived from, or for services performed with respect to, the exploration or exploitation of natural resources on submarine areas adjacent to the territorial waters of the United States, see section 638."

(c) CLERICAL AMENDMENT.—The table of parts for subchapter I of chapter 1 is amended by adding at the end thereof the following new item:

"Part V. Continental shelf areas."

SEC. 506. FOREIGN TAX CREDIT WITH RESPECT TO CERTAIN FOREIGN MINERAL INCOME.

(a) LIMITATION ON AMOUNT OF FOREIGN TAXES ALLOWED.—Section 901 (relating to taxes of foreign countries and possessions of the United States) is amended—

(1) by redesignating subsection (e) as subsection (f), and

(2) by inserting after subsection (d) the following new subsection:

"(e) FOREIGN TAXES ON MINERAL INCOME.—

"(1) REDUCTION IN AMOUNT ALLOWED.—Notwithstanding subsection (b), the amount of any income, war profits, and excess profits taxes paid or accrued during the taxable year to any foreign country or possession of the United States with respect to foreign mineral income from sources within such country or possession which would (but for this paragraph) be allowed under such subsection shall be reduced by the amount (if any) by which—

"(A) the amount of such taxes (or, if smaller, the amount of the tax which would be computed under this chapter with respect to such income determined without the deduction allowed under section 613), exceeds

"(B) the amount of the tax computed under this chapter with respect to such income.

"(2) FOREIGN MINERAL INCOME DEFINED.—For purposes of paragraph (1), the term 'foreign mineral income' means income derived from the extraction of minerals from mines, wells, or other natural deposits, the processing of such minerals into their primary products, and the transportation, distribution, or sale of such minerals or primary products. Such term includes, but is not limited to—

"(A) dividends received from a foreign corporation in respect of which taxes are deemed paid by the taxpayer under section 902, to the extent such dividends are attributable to foreign mineral income, and

"(B) that portion of the taxpayer's distributive share of the income of partnerships attributable to foreign mineral income."

(b) ELECTION OF OVERALL LIMITATION.—Section 904(b) (relating to election of overall limitation) is amended—

(1) by striking out "with the consent of the Secretary or his delegate with respect to any taxable year" in paragraph (1) and inserting in lieu thereof "(A) with the consent of the Secretary or his delegate with respect to any taxable year or (B) for the taxpayer's first taxable year beginning after December 31, 1969", and

(2) by striking out "If a taxpayer" in paragraph (2) and inserting in lieu thereof "Except in a case to which paragraph (1)(B) applies, if the taxpayer".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1969.

SUBTITLE B—CAPITAL GAINS AND LOSSES

SEC. 511. INCREASE IN ALTERNATIVE CAPITAL GAINS TAX.

(a) DEFINITION OF NET SECTION 1201 GAIN.—Section 1222 (relating to definition of terms applicable to capital gains and losses) is amended by adding at the end thereof the following new paragraph:

"(11) NET SECTION 1201 GAIN.—The term 'net section 1201 gain' means the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for such year."

(b) INCREASE IN ALTERNATIVE TAX RATES.—Section 1201 (relating to alternative tax) is amended to read as follows:

"SEC. 1201. ALTERNATIVE TAX.

"(a) CORPORATIONS.—If for any taxable year a corporation has a net section 1201 gain, then, in lieu of the tax imposed by sections 11, 511, 821 (a) or (c), and 831(a), there is hereby imposed a tax (if such tax is less than the tax imposed by such sections) which shall consist of the sum of a tax computed on the taxable income reduced by the amount of the net section 1201 gain, at the rates and in the manner as if this subsection had not been enacted, plus—

"(1) in the case of a taxable year beginning before January 1, 1975—

"(A) a tax of 25 percent of the lesser of—

"(i) the amount of the subsection (d) gain, or

"(ii) the amount of the net section 1201 gain,

and

"(B) a tax of 30 percent (28 percent in the case of a taxable year beginning after December 31, 1969, and before January 1, 1971) of the excess (if any) of the net section 1201 gain over the subsection (d) gain; and

"(2) in the case of a taxable year beginning after December 31, 1974, a tax of 30 percent of the net section 1201 gain.

"(b) OTHER TAXPAYERS.—If for any taxable year a taxpayer other than a corporation has a net section 1201 gain, then, in lieu of the tax imposed by sections 1 and 511, there is hereby imposed a tax (if such tax is less than the tax imposed by such sections) which shall consist of the sum of—

"(1) a tax computed on the taxable income reduced by an amount equal to 50 percent of the net section 1201 gain, at the rates and in the manner as if this subsection had not been enacted,

"(2) a tax of 25 percent of the lesser of—

"(A) the amount of the subsection (d) gain, or

"(B) the amount of the net section 1201 gain, and

"(3) if the amount of the net section 1201 gain exceeds the amount of the subsection (d) gain, a tax computed as provided in subsection (c) on such excess.

"(c) COMPUTATION OF TAX ON CAPITAL GAIN IN EXCESS OF SUBSECTION (d) GAIN.—

"(1) IN GENERAL.—The tax computed for purposes of subsection (b)(3) shall be the amount by which a tax determined under section 1 or 511 on an amount equal to the taxable income (but not less than 50 percent of the net section 1201 gain) for the taxable year exceeds a tax determined under section 1 or 511 on an amount equal to the sum of (A) the amount subject to tax under subsection (b)(1) plus (B) an amount equal to 50 percent of the subsection (d) gain.

"(2) LIMITATION.—Notwithstanding paragraph (1), the tax computed for purposes of subsection (b)(3) shall not exceed an amount equal to the following percentage of the excess of the net section 1201 gain over the subsection (d) gain:

"(A) 29½ percent, in the case of a taxable year beginning after December 31, 1969, and before January 1, 1971, or

"(B) 32½ percent, in the case of a taxable year beginning after December 31, 1970, and before January 1, 1972.

"(d) SUBSECTION (d) GAIN DEFINED.—For purposes of this section, the term 'subsection (d) gain' means the sum of the long-term capital gains for the taxable year arising—

"(1) in the case of amounts received before January 1, 1975, from sales or other dispositions pursuant to binding contracts (other than any gain from a transaction described in section 631 or 1235) entered into on or before October 9, 1969, including sales or other dispositions the income from which is returned on the basis and in the manner prescribed in section 453(a)(1),

"(2) in respect of distributions from a corporation made prior to October 10, 1970, which are pursuant to a plan of complete liquidation adopted on or before October 9, 1969, and

"(3) in the case of a taxpayer other than a corporation, from any other source, but the amount taken into account from such other sources for the purposes of this paragraph shall be limited to an amount equal to the excess (if any) of $50,000 ($25,000 in the case of a married individual filing a separate return) over the sum of the gains to which paragraphs (1) and (2) apply.

"(e) CROSS REFERENCES.—

"For computation of the alternative tax—

"(1) in the case of life insurance companies, see section 802(a)(2);

"(2) in the case of regulated investment companies and their shareholders, see section 852(b)(3)(A) and (D); and

"(3) in the case of real estate investment trusts, see section 857(b)(3)(A)."

(c) CONFORMING AMENDMENTS.—

(1) Section 802(a)(2)(B) (relating to alternative tax in case of capital gains of life insurance companies) is amended to read as follows:

"(B) an amount determined as provided in section 1201(a) on such excess."

(2) Section 852(b)(3) (relating to method of taxation of regulated investment companies and their shareholders in the case of capital gains) is amended:

(A) by striking out "of 25 percent of" in subparagraph (A) and inserting in lieu thereof ", determined as provided in section 1201(a), on",

(B) by adding at the end of subparagraph (C) the following new sentence: "For purposes of subparagraph (A)(ii), the deduction for dividends paid shall, in the case of a taxable year beginning before January 1, 1975, first be made from the amount subject to tax in accordance with section 1201(a)(1)(B), to the extent thereof, and then from the amount subject to tax in accordance with section 1201(a)(1)(A).",

(C) by striking out "of 25 percent" in subparagraph (D)(ii), and

(D) by amending subparagraph (D)(iii) to read as follows:

"(iii) The adjusted basis of such shares in the hands of the shareholder shall be increased, with respect to the amounts required by this subparagraph to be included in computing his long-term capital gains, by 75 percent of so much of such amounts as equals the amount subject to tax in accordance with section 1201(a)(1)(A) and by 70 percent (72 percent in the case of a taxable year beginning after December 31, 1969, and before January 1, 1971) of so much of such amounts as equals the amount subject to tax in accordance with section 1201(a)(1)(B) or (2)."

(3) Section 857(b)(3) (relating to imposition of tax in the case of capital gains of real estate investment trusts) is amended:

(A) by striking out "of 25 percent of" in subparagraph (A) and inserting in lieu thereof ", determined as provided in section 1201(a), on", and

(B) by adding at the end of subparagraph (C) the following new sentence: "For purposes of subparagraph (A)(ii), in the case of a taxable year beginning before January 1, 1975, the deduction for dividends paid shall first be made from the amount subject to tax in accordance with section 1201(a)(1)(B), to the extent thereof, and then from the amount subject to tax in accordance with section 1201(a)(1)(A)."

(4) Section 1378 (relating to tax imposed on certain capital gains of an electing small business corporation) is amended:

(A) by striking out "25 percent of" in subsection (b)(1) and inserting in lieu thereof "the tax, determined as provided in section 1201(a), on",

(B) by adding at the end of subsection (b) the following new sentence: "In applying section 1201(a)(1)(A) and (B) for purposes of paragraph (1), the $25,000 limitation shall first be deducted from the amount (determined wtihout regard to this subsection) subject to tax in accordance with section 1201(a)(B), to the extent thereof, and then from the amount (determined without regard to this subsection) subject to tax in accordance with section 1201(a)(1)(A).", and

(C) by striking out "25 percent of" in subsection (3)(c) and inserting in lieu thereof "a tax, determined as provided in section 1201(a), on".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969.

SEC. 512. CAPITAL LOSSES OF CORPORATIONS.

(a) THREE-YEAR CARRYBACK OF NET CAPITAL LOSSES.—Section 1212(a)(1) (relating to capital loss carryover for corporations) is amended to read as follows:

"(1) IN GENERAL.—If a corporation has a net capital loss for any taxable year (hereinafter in this paragraph referred to as the 'loss year'), the amount thereof shall be—

"(A) a capital loss carryback to each of the 3 taxable years preceding the loss year, but only to the extent—

"(i) such loss is not attributable to a foreign expropriation capital loss, and

"(ii) the carryback of such loss does not increase or produce a net operating loss (as defined in section 172(c) for the taxable year to which it is being carried back; and

"(B) a capital loss carryover to each of the 5 taxable years (10 taxable years to the extent such loss is attributable to a foreign expropriation capital loss) succeeding the loss year,

and shall be treated as a short-term capital loss in each such taxable year. The entire amount of the net capital loss for any taxable year shall be carried to the earliest of the taxable year to which such loss may be carried, and the portion of such loss which shall be carried to each of the other taxable years to which such loss may be carried shall be the excess, if any, of such loss over the total of the net capital gains for each of the prior taxable years to which such loss may be carried. For purposes of the preceding sentence, the net capital gain for any such prior taxable year shall be computed without regard to the net capital loss for the loss year or for any taxable year thereafter. In the case of any net capital loss which cannot be carried back in full to a preceding taxable year by reason of clause (ii) of subparagraph (A), the net capital gain for such prior taxable year shall in no case be treated as greater than the amount of such loss which can be carried back to such preceding taxable year upon the application of such clause (ii)."

(b) SPECIAL RULES.—Section 1212(a) (relating to net capital losses of corporations) is amended by adding at the end thereof the following new paragraphs:

"(3) ELECTING SMALL BUSINESS CORPORATIONS.—Paragraph (1)(A) shall not apply to the net capital loss of a corporation for any taxable year for which it is an electing small business corporation under subchapter S, and a net capital loss of a corporation (for a year for which it is not such an electing small business corporation) shall not be carried back under paragraph (1)(A) to a taxable year for which it is an electing small business corporation.

"(4) SPECIAL RULES ON CARRYBACKS—A net capital loss of a corporation shall not be carried back under paragraph (1)(A) to a taxable year—

"(A) for which it is a foreign personal holding company (as defined in section 552);

"(B) for which it is a regulated investment company (as defined in section 851);

"(C) for which it is a real estate investment trust (as defined in section 856); or

"(D) for which an election made by it under section 1247 is applicable (relating to election by foreign investment companies to distribute income currently)."

(c) CERTAIN CORPORATE ACQUISITIONS.—Section 381(b)(3) (relating to operating rules for carryovers in certain corporate acquisitions) is amended by striking out "a net operating loss" and inserting in lieu thereof "a net operating loss or a net capital loss".

(d) TENTATIVE CARRYBACK ADJUSTMENTS.—Section 6411 (relating to quick refunds in respect of tentative carryback adjustments) is amended—

(1) by striking out the first two sentences of subsection (a) and inserting in lieu thereof "A taxpayer may file an application for a tentative carryback adjustment of the tax for the prior taxable year affected by a net operating loss carryback provided in section 172(b), by an investment credit carryback provided in section 46(b), or by a capital loss carryback provided in section 1212(a)(1), from any taxable year. The application shall be verified in the manner prescribed by section 6065 in the case of a return of such taxpayer, and shall be filed, on or after the date of filing of the return for the taxable year of the net operating loss, net capital loss, or unused investment credit from which the carryback results and within a period of 12 months from the end of such taxable year (or, with respect to any portion of an investment credit carryback from a taxable year attributable to a net operating loss carryback or a capital loss carryback from a subsequent taxable year, within a period of 12 months from the end of such subsequent taxable year), in the manner and form required by regulations prescribed by the Secretary or his delegate.", and

(2) by striking out "net operating loss or unused investment credit", wherever such term appears in subsections (a)(1), (b), and, (c), and inserting in lieu thereof "net operating loss, net capital loss, or unused investment credit".

(e) STATUTES OF LIMITATIONS AND INTEREST RELATING TO CAPITAL LOSS CARRYBACKS.—

(1) ASSESSMENT AND COLLECTION.—Section 6501 (relating to limitations on assessment and collection) is amended—

(A) by striking out "LOSS CARRYBACKS" in the heading of subsection (h) and inserting in lieu thereof "LOSS OR CAPITAL LOSS CARRYBACKS",

(B) by striking out "loss carryback" in subsection (h) and inserting in lieu thereof "loss carryback or a capital loss carryback",

(C) by striking out "operating loss which" in subsection (h) and inserting in lieu thereof "operating loss or net capital loss which",

(D) by striking out "assessed, or within 18 months" and all that follows thereafter in subsection (h) and inserting in lieu thereof "assessed. In the case of a deficiency attributable to the application of a net operating loss carryback, such deficiency may be assessed within 18 months after the date on which the taxpayer files in accordance with section 172(b)(3) a copy of the certification (with respect to the taxable year of the net operating loss) issued under section 317 of the Trade Expansion Act of 1962, if later than the date prescribed by the preceding sentence.",

(E) by striking out "loss carryback" in subsection (j) and inserting in lieu thereof "loss carryback or a capital loss carryback", and

(F) by striking out "net operating loss carryback or an investment credit carryback" in subsection (m) and inserting in lieu thereof "net operating loss carryback, a capital loss carryback, or an investment credit carryback".

(2) CREDIT OR REFUND.—Subsection (d) of section 6511 (relating to limitations on credit or refund) is amended—

(A) by striking out "LOSS CARRYBACKS" in the heading of paragraph (2) and inserting in lieu thereof "LOSS OR CAPITAL LOSS CARRYBACKS",

(B) by striking out "loss carryback" in that part of paragraph (2)(A) which precedes clause (i) thereof and inserting in lieu thereof "loss carryback or a capital loss carryback",

(C) by striking out "operating loss which" in that part of paragraph (2)(A) which precedes clause (i) thereof and inserting in lieu thereof "operating loss or net capital loss which",

(D) by striking out "loss carryback" in the first sentence of paragraph (2)(B)(i) and inserting in lieu thereof "loss carryback or a capital loss carryback",

(E) by amending the last sentence of paragraph (2)(B)(i) to read as follows: "In the case of any such claim for credit or refund or any such application for a tentative carryback adjustment, the determination by any court, including the Tax Court, in any proceeding in which the decision of the court has become final, shall be conclusive except with respect to the net operating loss deduction, and the effect of such deduction, or with respect to the determination of a short-term capital loss, and the effect of such short-term capital loss, to the extent that such deduction or short-term capital loss is affected by a carryback which was not an issue in such proceeding.",

(F) by striking out "loss carryback" in paragraph (2)(B)(ii) and inserting in lieu thereof "loss carryback or a capital loss carryback, as the case may be,", and

(G) by striking out "loss carryback" in paragraph (4)(A) and inserting in lieu thereof "loss carryback or a capital loss carryback".

(3) INTEREST ON UNDERPAYMENTS.—Section 6601(e) (relating to computation of interest in case of carryback or adjustment for certain unused deductions) is amended—

(A) by striking out "LOSS CARRYBACK" in the heading of paragraph (1) and inserting in lieu thereof "LOSS OR CAPITAL LOSS CARRYBACK",

(B) by striking out "net operating loss" wherever it appears in paragraph (1) and inserting in lieu thereof "net operating loss or net capital loss", and

(C) by striking out "loss carryback" in paragraph (2) and inserting in lieu thereof "loss carryback or a capital loss carryback".

(4) INTEREST ON OVERPAYMENTS.—Section 6611(f) (relating to interest in case of refund of income tax caused by carryback or adjustment for certain unusual deductions) is amended—

(A) by striking out "LOSS CARRYBACK" in the heading of paragraph (1) and inserting in lieu thereof "LOSS OR CAPITAL LOSS CARRYBACK",

(B) by striking out "net operating loss" wherever it appears in paragraph (1) and inserting in lieu thereof "net operating loss or net capital loss", and

(C) by striking out "loss carryback" in paragraph (2) and inserting in lieu thereof "loss carryback or a capital loss carryback".

(f) TECHNICAL AMENDMENTS.—

(1) The heading of section 1212 is amended by striking out "CARRYOVER" and inserting in lieu thereof "CARRYBACKS AND CARRYOVERS".

(2) The item relating to section 1212 in the table of sections for part II of subchapter P of chapter 1 is amended by striking out "carryover" and inserting in lieu thereof "carrybacks and carryovers".

(3) Section 246(b)(1) (relating to dividends received deduction) is amended by striking out "and 247" and inserting in lieu thereof "and 247, and without regard to any capital loss carryback to the taxable year under section 1212(a)(1)."

(4) SECTION 481(b)(3)(A) (relating to changes in method of accounting) is amended by striking out "loss carryover" and inserting in lieu thereof "loss carryback or carryover".

(5) Section 535(b)(6) (relating to improper accumulations of surplus) is amended—

(A) by striking out "capital loss carryover" in the first sentence and inserting in lieu thereof "capital loss carryback or carryover", and

(B) by striking out "capital loss carryover" in subparagraph (B) and inserting in lieu thereof "capital loss carryback and carryover".

(6) Paragraph (7) of section 535(b) (relating to treatment of capital loss carryovers) is amended to read as follows:

"(7) CAPITAL LOSS.—No allowance shall be made for the capital loss carryback or carryover provided in section 1212."

(7) Section 1314(a) (relating to mitigation of limitations) is amended by striking out "capital loss carryover" and inserting in lieu thereof "capital loss carryback or carryover".

(8) The last sentence of section 1314(b) (relating to method of adjustment) is amended to read as follows: "In the case of an adjustment resulting from an increase or decrease in a net operating loss or net capital loss which is carried back to the year of adjustment, interest shall not be collected or paid for any period prior to the close of the taxable year in which the net operating loss or net capital loss arises."

(g) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to net capital losses sustained in taxable years beginning after December 31, 1969.

SEC. 513. CAPITAL LOSSES OF INDIVIDUALS.

(a) LIMITATION ON ALLOWANCE OF CAPITAL LOSSES.—Section 1211(b) (relating to limitation on capital losses of taxpayers other than corporations) is amended to read as follows:

"(b) OTHER TAXPAYERS.—

"(1) IN GENERAL.—In the case of a taxpayer other than a corporation, losses from sales or exchanges of capital assets shall be allowed only to the extent of the gains from such sales or exchanges, plus (if such losses exceed such gains) whichever of the following is smallest:

"(A) the taxable income for the taxable year,

"(B) $1,000, or

"(C) the sum of—

"(i) the excess of the net short-term capital loss over the net long-term capital gain, and

"(ii) one-half of the excess of the net long-term capital loss over the net short-term capital gain.

"(2) MARRIED INDIVIDUALS.—In the case of a husband or wife who files a separate return, the amount specified in paragraph (1)(B) shall be $500 in lieu of $1,000.

"(3) COMPUTATION OF TAXABLE INCOME.—For purposes of paragraph (1), taxable income shall be computed without regard to gains or losses from sales or exchanges of capital assets and without regard to the deductions provided in section 151 (relating to personal exemptions) or any deduction in lieu thereof. If the taxpayer elects to pay the optional tax imposed by section 3, 'taxable income' as used in this subsection shall read as 'adjusted gross income'."

(b) CAPITAL LOSS CARRYOVER.—Section 1212(b) (relating to capital loss carryover of taxpayers other than corporations) is amended by striking out "beginning after December 31, 1963" at the beginning of paragraph (1), by striking out the last sentence of paragraph (1), and by striking out paragraph (2) and inserting in lieu thereof the following new paragraphs:

"(2) SPECIAL RULES.—

"(A) For purposes of determining the excess referred to in paragraph (1)(A), an amount equal to the amount allowed for the

taxable year under section 1211(b)(1) (A), (B), or (C) shall be treated as a short-term capital gain in such year.

"(B) For purposes of determining the excess referred to in paragraph (1)(B), an amount equal to the sum of—

"(i) the amount allowed for the taxable year under section 1211(b)(1) (A), (B), or (C), and

"(ii) the excess of the amount described in clause (i) over the net short-term capital loss (determined without regard to this subsection) for such year,

shall be treated as a short-term capital gain in such year.

"(3) TRANSITIONAL RULE.—In the case of any amount which, under paragraph (1) and section 1211(b) (as in effect for taxable years beginning before January 1, 1970), is treated as a capital loss in the first taxable year beginning after December 31, 1969, paragraph (1) and section 1211(b) (as in effect for taxable years beginning before January 1, 1970) shall apply (and paragraph (1) and section 1211(b) as in effect for taxable years beginning after December 31, 1969, shall not apply) to the extent such amount exceeds the total of any net capital gains (determined without regard to this subsection) of taxable years beginning after December 31, 1969."

(c) CONFORMING AMENDMENT.—Section 1222(9) (defining net capital gain) is amended by striking out "In the case of a corporation, the" and inserting in lieu thereof "The".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1969.

SEC. 514. LETTERS, MEMORANDUM, ETC.

(a) TREATMENT AS PROPERTY WHICH IS NOT A CAPITAL ASSET.—Section 1221(3) (relating to definition of capital asset) is amended to read as follows:

"(3) a copyright, a literary, musical, or artistic composition, a letter or memorandum, or similar property, held by—

"(A) a taxpayer whose personal efforts created such property,

"(B) in the case of a letter, memorandum, or similar property, a taxpayer for whom such property was prepared or produced, or

"(C) a taxpayer in whose hands the basis of such property is determined, for purposes of determining gain from a sale or exchange, in whole or in part by reference to the basis of such property in the hands of a taxpayer described in subparagraph (A) or (B);".

(b) CONFORMING AMENDMENTS.—

(1) Section 341(e)(5)(A)(iv) (relating to definition of subsection (e) asset in the case of collapsible corporations) is amended to read as follows:

"(iv) property (unless included under clause (i), (ii), or (iii)) which consists of a copyright, a literary, musical, or artistic composition, a letter or memorandum, or similar property, or any interest in any such property, if the property was created in whole or in part by the personal efforts of, or (in the case of a letter, memorandum, or similar property) was prepared, or produced in whole or in part for, any individual who owns more than 5 percent in value of the stock of the corporation."

(2) Section 1231(b)(1)(C) (relating to definition of property used in the trade or business) is amended by inserting ", a letter or memorandum" before ", or similar property".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales and other dispositions occurring after July 25, 1969.

SEC. 515. TOTAL DISTRIBUTIONS FROM QUALIFIED PENSION, ETC., PLANS.

(a) LIMITATION ON CAPITAL GAINS TREATMENT.—

(1) EMPLOYEES' TRUST.—Section 402(a) (relating to taxability of beneficiary of exempt trust) is amended by adding at the end thereof the following new paragraph:

"(5) LIMITATION ON CAPITAL GAINS TREATMENT.—The first sentence of paragraph (2) shall apply to a distribution paid after December 31, 1969, only to the extent that it does not exceed the sum of—

"(A) the benefits accrued by the employee on behalf of whom it is paid during plan years beginning before January 1, 1970, and

"(B) the portion of the benefits accrued by such employee during plan years beginning after December 31, 1969, which the distributee establishes does not consist of the employee's allocable share of employer contributions to the trust by which such distribution is paid.

The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this paragraph."

(2) EMPLOYEE ANNUITIES.—Section 403(a)(2) (relating to capital gains treatment for certain distributions under a qualified annuity plan) is amended by adding at the end thereof the following new subparagraph:

"(C) LIMITATION ON CAPITAL GAINS TREATMENT.—Subparagraph (A) shall apply to a payment paid after December 31, 1969, only to the extent it does not exceed the sum of—

"(i) the benefits accrued by the employee on behalf of whom it is paid during plan years beginning before January 1, 1970, and

"(ii) the portion of the benefits accrued by such employee during plan years beginning after December 31, 1969, which the payee establishes does not consist of the employee's allocable share of employer contributions under the plan under which the annuity contract is purchased.

The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this subparagraph."

(b) LIMITATION ON TAX.—Section 72(n) (relating to treatment of certain distributions with respect to contributions by self-employed individuals) is amended—

(1) by striking out so much thereof as precedes paragraph (2) and inserting in lieu thereof the following:

"(n) TREATMENT OF TOTAL DISTRIBUTIONS.—

"(1) APPLICATION OF SUBSECTION.—

"(A) GENERAL RULE.—This subsection shall apply to amounts—

"(i) distributed to a distributee, in the case of an employees' trust described in section 401(a) which is exempt from tax under section 501(a), or

"(ii) paid to a payee, in the case of an annuity plan described in section 403(a),

if the total distributions or amounts payable to the distributee or payee with respect to an employee (including an individual who is an employee within the meaning of section 401(c)(1)) are paid to the distributee or payee within one taxable year of the distributee or payee, but only to the extent that section 402(a)(2) or 403(a)(2)(A) does not apply to such amounts.

"(B) DISTRIBUTIONS TO WHICH APPLICABLE.—This subsection shall apply only to distributions or amounts paid—

"(i) on account of the employee's death,

"(ii) with respect to an individual who is an employee without regard to section 401(c)(1), on account of his separation from the service,

"(iii) with respect to an employee within the meaning of section 401(c)(1), after he has attained the age of 59½ years, or

"(iv) with respect to an employee within the meaning of section 401(c)(1), after he has become disabled (within the meaning of subsection (m)(7)).

"(C) MINIMUM PERIOD OF SERVICE.—This subsection shall apply to amounts distributed or paid to an employee from or under a plan only if he has been a participant in the plan for 5 or more taxable years prior to the taxable year in which such amounts are distributed or paid.

"(D) AMOUNTS SUBJECT TO PENALTY.—This subsection shall not apply to amounts described in clauses (ii) and (iii) of subparagraph (A) of subsection (m)(5) (but, in the case of amounts described in clause (ii) of such subparagraph, only to the extent that subsection (m)(5) applies to such amounts)."; and

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

"(4) SPECIAL RULE FOR EMPLOYEES WITHOUT REGARD TO SECTION 401(c)(1).—In the case of amounts to which this subsection applies which are distributed or paid with respect to an individual who is an employee without regard to section 401(c)(1), paragraph (2) shall be applied with the following modifications:

"(A) '7 times' shall be substituted for '5 times', and '14⅔ percent' shall be substituted for '20 percent'.

"(B) Any amount which is received during the taxable year by the employee as compensation (other than as deferred compensation within the meaning of section 404) for personal services performed for the employer in respect of whom the amounts distributed or paid are received shall not be taken into account.

"(C) No portion of the total distributions or amounts payable (of which the amounts distributed or paid are a part) to which section 402(a)(2) or 403(a)(2)(A) applies shall be taken into account.

Subparagraph (B) shall not apply if the employee has not attained the age of 59½ years, unless he has died or become disabled (within the meaning of subsection (m)(7))."

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 405(e) (relating to capital gains treatment not to apply to bonds distributed by trusts) is amended—

(A) by striking out "CAPITAL GAINS TREATMENT" in the heading and inserting in lieu thereof "CAPITAL GAINS TREATMENT AND LIMITATION OF TAX";

(B) by striikng out "Section 402(a)(2)" and inserting in lieu thereof "Section 72(n) and section 402(a)(2)"; and

(C) by striking out "section" and inserting in lieu thereof "sections".

(2) 406(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of capital gain provisions) is amended—

(A) by striking out "PROVISIONS." in the heading and inserting in lieu thereof "PROVISIONS AND LIMITATION OF TAX."; and

(B) by striking out "section 402(a)(2)" and inserting in lieu thereof "section 72(n), section 402(a)(2),"

(3) Section 407(c) (relating to termination of status as deemed employee not to be treated as separation from service for purposes of capital gain provisions) is amended—

(A) by striking out "PROVISIONS." in the heading and inserting in lieu thereof "PROVISIONS AND LIMITATION OF TAX."; and

(B) by striking out "section 402(a)(2)" and inserting in lieu thereof "section 72(n), section 402(a)(2),".

(4) Section 1304(b)(2) (relating to certain provisions inapplicable) is amended to read as follows:

"(2) section 72(n)(2) (relating to limitation of tax in case of total distribution),".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1969.

SEC. 516. OTHER CHANGES IN CAPITAL GAINS TREATMENT.

(a) SALES OF TERM INTERESTS.—Section 1001 (relating to determination of amount of and recognition of gain or loss) is amended by adding at the end thereof the following new subsection:

"(e) CERTAIN TERM INTERESTS.—

"(1) IN GENERAL.—In determining gain or

loss from the sale or other disposition of a term interest in property, that portion of the adjusted basis of such interest which is determined pursuant to section 1014 or 1015 (to the extent that such adjusted basis is a portion of the entire adjusted basis of the property) shall be disregarded.

"(2) TERM INTEREST IN PROPERTY DEFINED.—For purposes of paragraph (1), the term 'term interest in property' means—

"(A) a life interest in property,

"(B) an interest in property for a term of years, or

"(C) an income interest in a trust.

"(3) EXCEPTION.—Paragraph (1) shall not apply to a sale or other disposition which is a part of a transaction in which the entire interest in property is transferred to any person or persons."

(b) CERTAIN CASUALTY LOSSES UNDER SECTION 1231.—Section 1231(a) (relating to property used in the trade or business and involuntary conversions) is amended by striking out all that follows paragraph (1) and inserting in lieu thereof the following:

"(2) losses (including losses not compensated for by insurance or otherwise) upon the destruction, in whole or in part, theft or seizure, or requisition or condemnation of (A) property used in the trade or business or (B) capital assets held for more than 6 months shall be considered losses from a compulsory or involuntary conversion.

In the case of any involuntary conversion (subject to the provisions of this subsection but for this sentence) arising from fire, storm, shipwreck, or other casualty, or from theft, of any property used in the trade or business or of any capital asset held for more than 6 months, this subsection shall not apply to such conversion (whether resulting in gain or loss) if during the taxable year the recognized losses from such conversions exceed the recognized gains from such conversions."

(c) TRANSFERS OF FRANCHISES, TRADEMARKS AND TRADE NAMES.—

(1) IN GENERAL.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding after section 1252 (added by section 214 of this Act) the following new section:

"SEC. 1253. TRANSFERS OF FRANCHISES, TRADEMARKS, AND TRADE NAMES.

"(a) GENERAL RULE.—A transfer of a franchise, trademark, or trade name shall not be treated as a sale or exchange of a capital asset if the transferor retains any significant power, right, or continuing interest with respect to the subject matter of the franchise, trademark, or trade name.

"(b) DEFINITIONS.—For purposes of this section—

"(1) FRANCHISE.—The term 'franchise' includes an agreement which gives one of the parties to the agreement the right to distribute, sell, or provide goods, services, or facilities, within a specified area.

"(2) SIGNIFICANT POWER, RIGHT, OR CONTINUING INTEREST.—The term 'significant power, right, or continuing interest' includes, but is not limited to, the following rights with respect to the interest transferred:

"(A) A right to disapprove any assignment of such interest, or any part thereof.

"(B) A right to terminate at will.

"(C) A right to prescribe the standards of quality of products used or sold, or of services furnished, and of the equipment and facilities used to promote such products or services.

"(D) A right to require that the transferee sell or advertise only products or services of the transferor.

"(E) A right to require that the transferee purchase substantially all of his supplies and equipment from the transferor.

"(F) A right to payments contingent on the productivity, use, or disposition of the subject matter of the interest transferred, if such payments constitute a substantial element under the transfer agreement.

"(3) TRANSFER.—The term 'transfer' includes the renewal of a franchise, trademark, or trade name.

"(c) TREATMENT OF CONTINGENT PAYMENTS BY TRANSFEROR.—Amounts received or accured on account of a transfer, sale, or other disposition of a franchise, trademark, or trade name which are contingent on the productivity, use, or disposition of the franchise, trademark, or trade name transferred shall be treated as amounts received or accrued from the sale or other disposition of property which is not a capital asset.

"(d) TREATMENT OF PAYMENTS BY TRANSFEREE.—

"(1) CONTINGENT PAYMENTS.—Amounts paid or incurred during the taxable year on account of a transfer, sale, or other disposition of a franchise, trademark, or trade name which are contingent on the productivity, use, or disposition of the franchise, trademark, or trade name transferred shall be allowed as a deduction under section 162(a) (relating to trade or business expenses).

"(2) OTHER PAYMENTS.—If a transfer of a franchise, trademark, or trade name is not (by reason of the application of subsection (a)) treated as a sale or exchange of a capital asset, any payment not described in paragraph (1) which is made in discharge of a principal sum agreed upon in the transfer agreement shall be allowed as a deduction—

"(A) in the case of a single payment made in discharge of such principal sum, ratably over the taxable years in the period beginning with the taxable year in which the payment is made and ending with the ninth succeeding taxable year or ending with the last taxable year beginning in the period of the transfer agreement, whichever period is shorter;

"(B) in the case of a payment which is one of a series of approximately equal payments made in discharge of such principal sum, which are payable over—

"(i) the period of the transfer agreement, or

"(ii) a period of more than 10 taxable years, whether ending before or after the end of the period of the transfer agreement, in the taxable year in which the payment is made; and

"(C) in the case of any other payment, in the taxable year or years specified in regulations prescribed by the Secretary or his delegate, consistently with the preceding provisions of this paragraph.

"(e) EXCEPTION.—This section shall not apply to the transfer of a franchise to engage in professional football, basketball, baseball, or other professional sport."

(2) CONFORMING AMENDMENTS.—

(A) Section 162(h) (as redesignated by section 902) is amended by striking out "For" and inserting in lieu thereof "(1) For", and by adding at the end thereof the following:

"(2) For special rule relating to the treatment of payments by a transferee of a franchise, trademark, or trade name, see section 1253."

(B) Section 1016(a) (relating to adjustments to basis) is amended by striking out the period at the end of paragraph (21) and inserting in lieu thereof a semicolon, and by inserting after paragraph (21) the following new paragraph:

"(22) for amounts allowed as deductions for payments made on account of transfers of franchises, trademarks, or trade names under section 1253(d)(2)."

(C) The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1253. Transfers of franchises, trademarks, and trade names."

(d) EFFECTIVE DATES.—

(1) The amendment made by subsection (a) shall apply to sales or other dispositions after October 9, 1969.

(2) The amendment made by subsection (b) shall apply to sales or other dispositions after October 9, 1969.

(2) The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 1969.

(3) The amendments made by subsection (c) shall apply to transfers after December 31, 1969, except that section 1253(d)(1) of the Internal Revenue Code of 1954 (as added by subsection (c)) shall, at the election of the taxpayer (made at such time and in such manner as the Secretary or his delegate may by regulations prescribe), apply to transfers before January 1, 1970, but only with respect to payments made in taxable years ending after December 31, 1969, and beginning before January 1, 1980.

SUBTITLE C—REAL ESTATE DEPRECIATION

SEC. 521. DEPRECIATION OF REAL ESTATE.

(a) SECTION 1250 PROPERTY AND REHABILITATION PROPERTY.—Section 167 (relating to depreciation) is amended by redesignating subsection (j) as subsection (m), and by inserting after subsection (i) the following new subsections:

"(j) SPECIAL RULES FOR SECTION 1250 PROPERTY.—

"(1) GENERAL RULE.—Except as provided in paragraphs (2) and (3), in the case of section 1250 property, subsection (b) shall not apply and the term 'reasonable allowance' as used in subsection (a) shall include an allowance computed in accordance with regulations prescribed by the Secretary or his delegate, under any of the following methods:

"(A) the straight line method,

"(B) the declining balance method, using a rate not exceeding 150 percent of the rate which would have been used had the annual allowance been computed under the method described in subparagraph (A), or

"(C) any other consistent method productive of an annual allowance which, when added to all allowances for the period commencing with the taxpayer's use of the property and including the taxable year, does not, during the first two-thirds of the useful life of the property, exceed the total of such allowances which would have been used had such allowances been computed under the method described in subparagraph (B).

Nothing in this paragraph shall be construed to limit or reduce an allowance otherwise allowable under subsection (a) except where allowable solely by reason of paragraph (2), (3), or (4) of subsection (b).

"(2) RESIDENTIAL RENTAL PROPERTY.—

"(A) IN GENERAL.—Paragraph (1) of this subsection shall not apply, and subsection (b) shall apply in any taxable year, to a building or structure—

"(i) which is residential rental property located within the United States or any of its possessions, or located within a foreign country if a method of depreciation for such property comparable to the method provided in subsection (b)(2) or (3) is provided by the laws of such country, and

"(ii) the original use of which commences with the taxpayer.

In the case of residential rental property located within a foreign country, the original use of which commences with the taxpayer if the allowance for depreciation provided under the laws of such country for such property is greater than that provided under paragraph (1) of this subsection, but less than that provided under subsection (b), the

allowance for depreciation under subsection (b) shall be limited to the amount provided under the laws of such country.

"(B) DEFINITION.—For purposes of subparagraph (A), a building or structure shall be considered to be residential rental property for any taxable year only if 80 percent or more of the gross rental income from such building or structure for such year is rental income from dwelling units (within the meaning of subsection (k)(3)(C). For purposes of the preceding sentence, if any portion of such building or structure is occupied by the taxpayer, the gross rental income from such building or structure shall include the rental value of the portion so occupied.

"(C) CHANGE IN METHOD OF DEPRECIATION.—Any change in the computation of the allowance for depreciation for any taxable year, permitted or required by reason of the application of subparagraph (A), shall not be considered a change in a method of accounting.

"(3) PROPERTY CONSTRUCTED, ETC., BEFORE JULY 25, 1969.— Paragraph (1) of this subsection shall not apply, and subsection (b) shall apply, in the case of property—

"(A) the construction, reconstruction, or erection of which was begun before July 25, 1969, or

"(B) for which a written contract entered into before July 25, 1969, with respect to any part of the construction, reconstruction, or erection or for the permanent financing thereof, was on July 25, 1969, and at all times thereafter, binding on the taxpayer.

"(4) USED SECTION 1250 PROPERTY.—Except as provided in paragraph (5), in the case of section 1250 property acquired after July 24, 1969, the original use of which does not commence with the taxpayer, the allowance for depreciation under this section shall be limited to an amount computed under—

"(A) the straight line method, or

"(B) any other method determined by the Secretary or his delegate to result in a reasonable allowance under subsection (a), not including—

"(i) any declining balance method,

"(ii) the sum of the years-digits method, or

"(iii) any other method allowable solely by reason of the application of subsection (b)(4) or paragraph (1)(C) of this subsection.

"(5) Used residential rental property.—In the case of section 1250 property which is residential rental property (as defined in paragraph (2)(B)) acquired after July 24, 1969, having a useful life of 20 years or more, the original use of which does not commence with the taxpayer, the allowance for depreciation under this section shall be limited to an amount computed under—

"(A) the straight line method,

"(B) the declining balance method, using a rate not exceeding 125 percent of the rate which would have been used had the annual allowance been computed under the method described in subparagraph (A), or

"(C) any other method determined by the Secretary or his delegate to result in a reasonable allowance under subsection (a), not including—

"(i) the sum of the years-digits method,

"(ii) any declining balance method using a rate in excess of the rate permitted under subparagraph (B), or

"(iii) any other method allowable solely by reason of the application of subsection (b)(4) or paragraph (1)(C) of this subsection.

"(6) Special rules.—

"(A) Under regulations prescribed by the Secretary or his delegate, rules similar to the rules provided in paragraphs (5), (9), (10), and (13) of section 48(h) shall be applied for purposes of paragraphs (3), (4), and (5) of this subsection.

"(B) For purposes of paragraphs (2), (4), and (5), if section 1250 property which is not property described in subsection (a) when its original use commences, becomes property described in subsection (a) after July 24, 1969, such property shall not be treated as property the original use of which commences with the taxpayer.

"(C) Paragraphs (4) and (5) shall not apply in the case of section 1250 property acquired after July 24, 1969, pursuant to a written contract for the acquisition of such property or for the permanent financing thereof, which was, on July 24, 1969, and at all times thereafter, binding on the taxpayer.

"(k) DEPRECIATION OF EXPENDITURES TO REHABILITATE LOW-INCOME RENTAL HOUSING.—

"(1) 60-MONTH RULE.—The taxpayer may elect, in accordance with regulations prescribed by the Secretary or his delegate, to compute the depreciation deduction provided by subsection (a) attributable to rehabilitation expenditures incurred with respect to low-income rental housing after July 24, 1969, and before January 1, 1975, under the straight line method using a useful life of 60 months and no salvage value. Such method shall be in lieu of any other method of computing the depreciation deduction under subsection (a), and in lieu of any deduction for amortization, for such expenditures.

"(2) LIMITATIONS.—

"(A) The aggregate amount of rehabilitation expenditures paid or incurred by the taxpayer with respect to any dwelling unit in any low-income rental housing which may be taken into account under paragraph (1) shall not exceed $15,000.

"(B) Rehabilitation expenditures paid or incurred by the taxpayer in any taxable year with respect to any dwelling unit in any low-income rental housing shall be taken into account under paragraph (1) only if over a period of two consecutive years, including the taxable year, the aggregate amount of such expenditures exceeds $3,000.

"(3) DEFINITIONS.—For purposes of this subsection—

"(A) REHABILITATION EXPENDITURES.—The term 'rehabilitation expenditures' means amounts chargeable to capital account and incurred for property or additions or improvements to property (or related facilities) with a useful life of 5 years or more, in connection with the rehabilitation of an existing building for low-income rental housing; but such term does not include the cost of acquisition of such building or any interest therein.

"(B) LOW-INCOME RENTAL HOUSING.—The term 'low-income rental housing' means any building the dwelling units in which are held for occupancy on a rental basis by families and individuals of low or moderate income, as determined by the Secretary or his delegate in a manner consistent with the policies of the Housing and Urban Development Act of 1968 pursuant to regulations prescribed under this subsection.

"(C) DWELLING UNIT.—The term 'dwelling unit' means a house or an apartment used to provide living accommodations in a building or structure, but does not include a unit in a hotel, motel, inn, or other establishment more than one-half of the units in which are used on a transient basis."

(b) RECAPTURE OF ADDITIONAL DEPRECIATION.—Section 1250(a) (relating to gain from dispositions of certain depreciable realty) is amended to read as follows:

"(a) GENERAL RULE.—Except as otherwise provided in this section—

"(1) ADDITIONAL DEPRECIATION AFTER DECEMBER 31, 1969.—

If section 1250 property is disposed of after December 31, 1969, the applicable percentage of the lower of—

"(A) that portion of the additional depreciation (as defined in subsection (b)(1) or (4)) attributable to periods after December 31, 1969, in respect of the property, or

"(B) the excess of—

"(i) the amount realized (in the case of a sale, exchange, or involuntary conversion), or the fair market value of such property (in the case of any other disposition), over

"(ii) the adjusted basis of such property,

shall be treated as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231. Such gain shall be recognized notwithstanding any other provision of this subtitle.

"(C) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the term 'applicable percentage' means—

"(i) in the case of section 1250 property disposed of pursuant to a written contract which was, on July 24, 1969, and at all times thereafter, binding on the owner of the property, 100 percent minus 1 percentage point for each full month the property was held after the date the property was held 20 full months;

"(ii) in the case of 1250 property constructed, reconstructed, or acquired by the taxpayer before January 1, 1975, with respect to which a mortgage is insured under section 221(d)(3) or 236 of the National Housing Act, or housing is financed or assisted by direct loans or tax abatement under similar provisions of State or local laws, and with respect to which the owner is subject to the restrictions described in section 1039(b)(1)(B), 100 percent minus one percentage point for each full month the property was held after the date the property was held 20 full months;

"(iii) in the case of residential rental property (as defined in section 167(j)(2)(B)) other covered by clauses (i) and (ii), 100 percent minus 1 percentage point for each full month the property was held after the date the property was held 100 full months;

"(iv) in the case of section 1250 property with respect to which a depreciation deduction for rehabilitation expenditures was allowed under section 167(k), 100 percent minus 1 percentage point for each full month in excess of 100 full months after the date on which such property was placed in service; and

"(v) in the case of all other section 1250 property, 100 percent.

Clauses (i), (ii), and (iii) shall not apply with respect to the additional depreciation described in subsection (b)(4).

"(2) ADDITIONAL DEPRECIATION BEFORE JANUARY 1, 1970.—

"(A) IN GENERAL.—If section 1250 property is disposed of after December 31, 1963, and the amount determined under paragraph (1)(B) exceeds the amount determined under paragraph (1)(A), then the applicable percentage of the lower of—

"(i) that portion of the additional depreciation attributable to periods before January 1, 1970, in respect of the property, or

"(ii) the excess of the amount determined under paragraph (1)(B) over the amount determined under paragraph (1)(A),

shall also be treated as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231. Such gain shall be recognized notwithstanding any other provision of this subtitle.

"(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A) the term 'applicable percentage' means 100 percent minus 1 percentage point for each full month the property was held after the date on which the property was held for 20 full months."

(c) ADDITIONAL DEPRECIATION.—Section 1250(b) (relating to definition of additional depreciation) is amended by adding at the end thereof the following new paragraph:

"(4) ADDITIONAL DEPRECIATION ATTRIBUTABLE TO REHABILITATION EXPENDITURES.—The term 'additional depreciation' also means, in the case of section 1250 property with respect to which a depreciation deduction for re-

habilitation expenditures was allowed under section 167(k), the depreciation adjustments allowed under such section to the extent attributable to such property, except that, in the case of such property held for more than one year after the rehabilitation expenditures so allowed were incurred, it means such adjustments only to the extent that they exceed the amount of the depreciation adjustments which would have resulted if such adjustments had been determined under the straight line method of adjustment without regard to the useful life permitted under section 167(k)."

(d) CHANGE IN METHOD OF COMPUTING DEPRECIATION.—Section 167(e) (relating to depreciation) is amended by adding at the end thereof the following new paragraph:

"(3) CHANGE WITH RESPECT TO SECTION 1250 PROPERTY.—A taxpayer may, on or before the last day prescribed by law (including extensions thereof) for filing his return for his first taxable year beginning after July 24, 1969, and in such manner as the Secretary or his delegate shall by regulation prescribe, elect to change his method of depreciation in respect of section 1250 property (as defined in section 1250(c)) from any declining balance or sum of the years-digits method to the straight line method. An election may be made under this paragraph notwithstanding any provision to the contrary in an agreement under subsection (d)."

(e) TECHNICAL AND CONFORMING CHANGES.—

(1) Subsection (d) of section 1250 is amended by striking out "subsection (a)(1)" wherever it appears and inserting in lieu thereof "subsection (a)".

(2) Subsection (f) of section 1250 is amended—

(A) by striking out "subsection (a)(1)" in paragraph (1) and inserting in lieu thereof "subsection (a)", and

(B) by striking out paragraph (2) thereof and inserting in lieu thereof the following:

"(2) ORDINARY INCOME ATTRIBUTABLE TO AN ELEMENT.—For purposes of paragraph (1), the amount taken into account for any elements shall be the sum of—

"(A) the amount (if any) determined by multiplying—

"(i) The amount which bears the same ratio to the lower of the amounts specified in subparagraph (A) or (B) of subsection (a)(1) for the section 1250 property as the additional depreciation for such element attributable to periods after December 31, 1969, bears to the sum of the additional depreciation for all elements attributable to periods after December 31, 1969, by

"(ii) the applicable percentage for such element, and

"(B) the amount (if any) determined by multiplying—

"(i) the amount which bears the same ratio to the lower of the amounts specified in subsection (a)(2)(A)(i) or (ii) for the section 1250 property as the additional depreciation for such element attributable to periods before January 1, 1970, bears to the sum of the additional depreciation for all elements attributable to periods before January 1, 1970, by

"(ii) the applicable percentage for such element.

For purposes of this paragraph, determinations with respect to any element shall be made as if it were a separate property."

(f) CARRYOVERS IN CERTAIN CORPORATE ACQUISITIONS.—Section 381(c)(6) (relating to method of computing depreciation allowance) is amended to read as follows:

"(6) METHOD OF COMPUTING DEPRECIATION ALLOWANCE.—The acquiring corporation shall be treated as the distributor or transferor corporation for purposes of computing the depreciation allowance under subsections (b), (j), and (k) of section 167 on property acquired in a distribution or transfer with respect to so much of the basis in the hands of the acquiring corporation as does not exceed the adjusted basis in the hands of the distributor or transferor corporation."

(g) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years ending after July 24, 1969.

SUBTITLE D—SUBCHAPTER S CORPORATIONS

SEC. 531. QUALIFIED PENSION, ETC., PLANS OF SMALL BUSINESS CORPORATIONS.

(a) IN GENERAL.—Subchapter S of chapter 1 (relating to election of certain small business corporations as to taxable status) is amended by adding at the end thereof the following new section:

"SEC. 1379. CERTAIN QUALIFIED PENSION, ETC., PLANS

"(a) ADDITIONAL REQUIREMENT FOR QUALIFICATION OF STOCK BONUS OR PROFIT-SHARING PLANS.—A trust forming part of a stock bonus of profit-sharing plan which provides contributions or benefits for employees some or all of whom are shareholder-employees shall not constitute a qualified trust under section 401 (relating to qualified pension, profit-sharing, and stock bonus plans) unless the plan of which such trust is a part provides that forfeitures attributable to contributions deductible under section 404(a)(3) for any taxable year (beginning after December 31, 1970) of the employer with respect to which it is an electing small business corporation may not inure to the benefit of any individual who is a shareholder-employee for such taxable year. A plan shall be considered as satisfying the requirement of this subsection for the period beginning with the first day of a taxable year and ending with the 15th day of the third month following the close of such taxable year, if all the provisions of the plan which are necessary to satisfy this requirement are in effect by the end of such period and have been made effective for all purposes with respect to the whole of such period.

"(b) TAXABILITY OF SHAREHOLDER-EMPLOYEE BENEFICIARIES.—

"(1) INCLUSION OF EXCESS CONTRIBUTIONS IN GROSS INCOME.—Not withstanding the provisions of section 402 (relating to taxability of beneficiary of employees' trust), section 403 (relating to taxation of employee annuities), or section 405(d) (relating to taxability of beneficiaries under qualified bond purchase plans), an individual who is a shareholder-employee of an electing small business corporation shall include in gross income, for his taxable year in which or with which the taxable year of the corporation ends, the excess of the amount of contributions paid on his behalf which is deductible under section 404(a)(1), (2), or (3) by the corporation for its taxable year over the lesser of—

"(A) 10 percent of the compensation received or accrued by him from such corporation during its taxable year, or

"(B) $2,500.

"(2) TREATMENT OF AMOUNTS INCLUDED IN GROSS INCOME.—Any amount included in the gross income of a shareholder-employee under paragraph (1) shall be treated as consideration for the contract contributed by the shareholder-employee for purposes of section 72 (relating to annuities).

"(3) DEDUCTION FOR AMOUNTS NOT RECEIVED AS BENEFITS.—If—

"(A) amounts are included in the gross income of an individual under paragraph (1), and

"(B) the rights of such individual (or his beneficiaries) under the plan terminate before payments under the plan which are excluded from gross income equal the amounts included in gross income under paragraph (1).

then there shall be allowed as a deduction, for the taxable year in which such rights terminate, an amount equal to the excess of the amounts included in gross income under paragraph (1) over such payments.

"(c) CARRYOVER OF AMOUNTS DEDUCTIBLE.—No amount deductible shall be carried forward under the second sentence of section 404(a)(3)(A) (relating to limits on deductible contributions under stock bonus and profit-sharing trusts) to a taxable year of a corporation with respect to which it is not an electing small business corporation from a taxable year (beginning after December 31, 1970) with respect to which it is an electing small business corporation.

"(d) SHAREHOLDER-EMPLOYEE.—For purposes of this section, the term 'shareholder-employee' means an employee or officer of an electing small business corporation who owns (or is considered as owing within the meaning of section 318(a)(1)), on any day during the taxable year of such corporation, more than 5 percent of the outstanding stock of the corporation."

(b) CONFORMING AMENDMENT.—Section 62 (relating to adjusted gross income defined) is amended by inserting after paragraph (8) the following new paragraph:

"(9) PENSION, ETC., PLANS OF ELECTING SMALL BUSINESS CORPORATIONS.—The deduction allowed by section 1379(b)(3)."

(c) CLERICAL AMENDMENT.—The table of sections for subchapter S of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1379. Certain qualified pensions, etc., plans."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years of electing small business corporations beginning after December 31, 1970.

TITLE VI—STATE AND LOCAL OBLIGATIONS

SEC. 601. ARBITRAGE BONDS.

(a) NOT TO BE TREATED AS TAX-EXEMPT OBLIGATIONS.—Section 103 (relating to interest on certain governmental obligations) is amended by redesignating subsection (d) as (e), and by inserting after subsection (c) the following new subsection:

"(d) ARBITRAGE BONDS.—

"(1) SUBSECTION (a)(1) NOT TO APPLY.—Except as provided in this subsection, any arbitrage bond shall be treated as an obligation not described in subsection (a)(1).

"(2) ARBITRAGE BOND.—For purposes of this subsection, the term 'arbitrage bond' means any obligation which is issued as part of an issue all or a major portion of the proceeds of which are reasonably expected to be used directly or indirectly—

"(A) to acquire securities (within the meaning of section 165(g)(2)(A) or (B)) or obligations (other than obligations described in subsection (a)(1)) which may be reasonably expected at the time of issuance of such issue, to produce a yield over the term of issuance of such issue, to produce a yield over the term of the issue which is materially higher (taking into account any discount or premium) than the yield on obligations of such issue, or

"(B) to replace funds which were used directly or indirectly to acquire securities or obligations described in subparagraph (A).

"(3) EXCEPTION.—Paragraph (1) shall not apply to any obligation—

"(A) which is issued as part of an issue substantially all of the proceeds of which are reasonably expected to be used to provide permanent financing for real property used or to be used for residential purposes for the personnel of an educational institution (within the meaning of section 151(e)(4)) which grants baccalaureate or higher degrees, or to replace funds which were so used, and

"(B) the yield on which over the term of the issue is not reasonably expected, at the time of issuance of such issue, to be sub-

tantially lower than the yield on obligations cquired or to be acquired in providing such nancing.

his paragraph shall not apply with respect to any obligation for any period during which it is held by a person who is a ubstantial user of property financed by the roceeds of the issue of which such obligation is a part, or by a member of the family within the meaning of section 318(a)(1)) f any such person.

"(4) SPECIAL RULES.—For purposes of paragraph (1), an obligation shall not be treated s an arbitrage bond solely by reason of the act that—

"(A) the proceeds of the issue of which uch obligation is a part may be invested or a temporary period in securities or other bligations until such proceeds are needed or the purpose for which such issue was ssued, or

"(B) an amount of the proceeds of the ssue of which such obligation is a part may e invested in securities or other obligations hich are part of a reasonably required reerve or replacement fund.

he amount referred to in subparagraph (B) hall not exceed 15 percent of the proceeds f the issue of which such obligation is a art unless the issuer establishes that a igher amount is necessary.

"(5) REGULATIONS.—The Secretary or his elegate shall prescribe such regulations as ay be necessary to carry out the purposes f this subsection."

(b) EFFECTIVE DATE.—The amendments ade by subsection (a) shall apply with espect to obligations issued after October 9, 969.

ITLE VII—EXTENSION OF TAX SURCHARGE AND EXCISE TAXES; TERMINATION OF INVESTMENT CREDIT

EC. 701. EXTENSION OF TAX SURCHARGE.

(a) SURCHARGE EXTENSION. Section 51(a) elating to imposition of tax surcharge) is mended—

(1) by adding at the end of paragraph 1)(A) the following:

CALENDAR YEAR 1970

BLE 1.—SINGLE PERSON (OTHER THAN HEAD OF HOUSEHOLD) AND MARRIED PERSONS FILING SEPARATE RETURNS

If the adjusted tax is:		
At least—	But less than—	The tax is—
	$155	0
55	175	$1
75	195	2
95	215	3
15	235	4
35	255	5
55	275	6
75	300	7
00	340	8
40	380	9
80	420	0
20	460	11
60	500	12
00	540	13
40	580	14
80	620	15
20	660	16
60	700	17
00	740	18
40	780	19
80	820	20
20	860	21
60	900	22
00	940	23
40	980	24
80	1,020	25
020	1,060	26
060	1,100	27
100	1,140	28
140	1,180	29
180	1,220	30
220	1,260	31
260	1,300	32
300	1,340	33
340	1,380	34
380	1,420	35
420	1,460	36
460	1,500	37
500	1,540	38
540	1,580	39

CALENDAR YEAR 1970

TABLE 1.—SINGLE PERSON (OTHER THAN HEAD OF HOUSEHOLD) AND MARRIED PERSONS FILING SEPARATE RETURNS

If the adjusted tax is:		
At least—	But less than—	The tax is—
$1,580	$1,620	$40
$1,620	1,660	41
$1,660	1,700	42
$1,700	1,740	43
$1,740	1,780	44
$1,780	1,820	45
$1,820	1,860	46
$1,860	1,900	47
$1,900	1,940	48
$1,940	1,980	49
$1,980	2,020	50
$2,020 and over, 2.5 percent of the adjusted tax.		

TABLE 2.—HEAD OF HOUSEHOLD

If the adjusted tax is:		
At least—	But less than—	The tax is—
0	$230	0
$230	250	$1
$250	270	2
$270	290	3
$290	310	4
$310	330	5
$330	350	6
$350	370	7
$370	390	8
$390	410	9
$410	430	10
$430	460	11
$460	500	12
$500	540	13
$540	580	14
$580	620	15
$620	660	16
$660	700	17
$700	740	18
$740	780	19
$780	820	20
$820	860	21
$860	900	22
$900	940	23
$940	980	24
$980	1,020	25
$1,020	1,060	26
$1,060	1,100	27
$1,100	1,140	28
$1,140	1,180	29
$1,180	1,220	30
$1,220	1,260	31
$1,260	1,300	32
$1,300	1,340	33
$1,340	1,380	34
$1,380	1,420	35
$1,420	1,460	36
$1,460	1,500	37
$1,500	1,540	38
$1,540	1,580	39
$1,580	1,620	40
$1,620	1,660	41
$1,660	1,700	42
$1,700	1,740	43
$1,740	1,780	44
$1,780	1,820	45
$1,820	1,860	46
$1,860	1,900	47
$1,900	1,940	48
$1,940	1,980	49
$1,980	2,020	50
$2,020 and over, 2.5 percent of the adjusted tax.		

TABLE 3.—MARRIED PERSONS OR SURVIVING SPOUSE FILING JOINT RETURN

If the adjusted tax is:		
At least—	But less than—	The tax is—
0	$300	0
$300	320	$1
$320	340	2
$340	360	3
$360	380	4
$380	400	5
$400	420	6
$420	440	7
$440	460	8
$460	480	9
$480	500	10
$500	520	11
$520	540	12
$540	560	13
$560	580	14
$580	620	15

TABLE 3.—MARRIED PERSONS OR SURVIVING SPOUSE FILING JOINT RETURN—Continued

If the adjusted tax is:		
At least—	But less than—	The tax is—
$620	$660	$16
$660	700	17
$700	740	18
$740	780	19
$780	820	20
$820	860	21
$860	900	22
$900	940	23
$940	980	24
$980	1,020	25
$1,020	1,060	26
$1,060	1,100	27
$1,100	1,140	28
$1,140	1,180	29
$1,180	1,220	30
$1,220	1,260	31
$1,260	1,300	32
$1,300	1,340	33
$1,340	1,380	34
$1,380	1,420	35
$1,420	1,460	36
$1,460	1,500	37
$1,500	1,540	38
$1,540	1,580	39
$1,580	1,620	40
$1,620	1,660	41
$1,660	1,700	42
$1,700	1,740	43
$1,740	1,780	44
$1,780	1,820	45
$1,820	1,860	46
$1,860	1,900	47
$1,900	1,940	48
$1,940	1,980	49
$1,980	2,020	50
$2,020 and over, 2.5 percent of the adjusted tax.		

(2) By striking out the table in paragraph (1)(B) and inserting in lieu thereof the following table:

Calendar year	Percent	
	Estates and trusts	Corporation
1968	7.5	10.0
1969	10.0	10.0
1970	2.5	2.5

(3) by striking out "January 1, 1970" the first time it appears in paragraph (2)(A) and inserting in lieu thereof "July 1, 1970", and

(4) by striking out paragraph (2)(A)(ii) and inserting in lieu thereof the following:

"(ii) a fraction, the numerator of which is the sum of the number of days in the taxable year occurring on and after the effective date of the surcharge and before January 1, 1970, plus one-half times the number of days in the taxable year occurring after December 31, 1969, and before July 1, 1970, and the denominator of which is the number of days in the entire taxable year."

(b) RECEIPT OF MINIMUM DISTRIBUTIONS.—Section 963(b) (relating to receipt of minimum distributions) is amended—

(1) by striking out "surcharge period" in the heading of paragraph (1) and inserting in lieu thereof "surcharge period ending before January 1, 1970";

(2) by striking out "1964" in the heading of paragraph (2) and inserting in lieu thereof "1964 and taxable years beginning in 1969 and ending in 1970 to the extent subparagraph (B) applies"; and

(3) by striking out the last two sentences and inserting in lieu thereof the following: "In the case of a taxable year beginning before the surcharge period and ending within the surcharge period, or beginning within the surcharge period and ending after the surcharge period, beginning before January 1, 1970, and ending after December 31, 1969, the required minimum distribution shall be equal to the sum of—

"(A) that portion of the minimum distribution which would be required if the provisions of paragraph (1) were applicable to the taxable year, which the number of

days in such taxable year which are within the surcharge period and before January 1, 1970, bears to the total number of days in such taxable year,

"(B) that portion of the minimum distribution which would be required if the provisions of paragraph (2) were applicable to such taxable year, which the number of days in such taxable year which are within the surcharge period and after December 31, 1969, bears to the total number of days in such taxable year, and

"(C) that portion of the minimum distribution which would be required if the provisions of paragraph (3) were applicable to such taxable year, which the number of days in such taxable year which are not within the surcharge period bears to the total number of days in such taxable year.

As used in this subsection, the term 'surcharge period' means the period beginning January 1, 1968, and ending June 30, 1970."

(c) EFFECTIVE DATES.— The amendments made by subsections (a) and (b) shall apply to taxable years ending after December 31, 1969, and beginning before July 1, 1970.

SEC. 702. CONTINUATION OF EXCISE TAXES ON COMMUNICATION SERVICES AND ON AUTOMOBILES.

(a) PASSENGER AUTOMOBILES.—

(1) IN GENERAL.—Section 4061(a)(2)(A) (relating to tax on passenger automobiles, etc.) is amended to read as follows:

"(A) Articles enumerated in subparagraph (B) are taxable at whichever of the following rates is applicable:

"If the article is sold—	The tax rate is—
Before January 1, 1971	7 percent.
During 1971	5 percent.
During 1972	3 percent.
During 1973	1 percent.

The tax imposed by this subsection shall not apply with respect to articles enumerated in subparagraph (B) which are sold by the manufacturer, producer, or importer after December 31, 1973."

(2) CONFORMING AMENDMENT.—Section 6412(a)(1) (relating to floor stocks refunds on passenger automobiles, etc.) is amended by striking out "January 1, 1970, January 1, 1971, January 1, 1972, or January 1, 1973", and inserting in lieu thereof "January 1, 1971, January 1, 1972, January 1, 1973, or January 1, 1974".

(b) COMMUNICATIONS SERVICES.—

(1) CONTINUATION OF TAX.—Section 4251(a)(2) (relating to tax on certain communications services) is amended by striking out the table and inserting in lieu thereof the following table:

"Amounts paid pursuant to bills first rendered—	Percent—
Before January 1, 1971	10
During 1971	5
During 1972	3
During 1973	1".

(2) CONFORMING AMENDMENT.—Section 4251(b) (relating to termination of tax) is amended by striking out "January 1, 1973", and inserting in lieu thereof "January 1, 1974".

(3) REPEAL OF SUBCHAPTER B OF CHAPTER 33.—Section 105(b)(3) of the Revenue and Expenditure Control Act of 1968 (82 Stat. 266) is amended to read as follows:

"(3) REPEAL OF SUBCHAPTER B OF CHAPTER 33.—Effective with respect to amounts paid pursuant to bills first rendered on or after January 1, 1974, subchapter B of chapter 33 (relating to the tax on communications) is repealed. For purposes of the preceding sentence, in the case of communications services rendered before November 1, 1973, for which a bill has not been rendered before January 1, 1974, a bill shall be treated as having been first rendered on December 31, 1973. Effective January 1, 1974, the table of subchapters for chapter 33 is amended by striking out the item relating to such subchapter B."

SEC. 703. TERMINATION OF INVESTMENT CREDIT.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 (relating to rules for computing credit for investment in certain depreciable property) is amended by adding at the end thereof the following new section:

"SEC. 49. TERMINATION OF CREDIT.

"(a) GENERAL RULE.—For purposes of this subpart, the term 'section 38 property' does not include property—

"(1) the physical construction, reconstruction, or erection of which is begun after April 18, 1969, or

"(2) which is acquired by the taxpayer after April 18, 1969,

other than pre-termination property.

"(b) PRE-TERMINATION PROPERTY.—For purposes of this section—

"(1) BINDING CONTRACTS.—Any property shall be treated as pre-termination property to the extent that such property is constructed, reconstructed, errected, or acquired pursuant to a contract which was, on April 18, 1969, and at all times thereafter, binding on the taxpayer.

"(2) EQUIPPED BUILDING RULE.—If—

"(A) pursuant to a plan of the taxpayer in existence on April 18, 1969 (which plan was not substantially modified at any time after such date and before the taxpayer placed the equipped building in service), the taxpayer has constructed, reconstructed, erected, or acquired a building and the machinery and equipment necessary to the planned use of the building by the taxpayer, and

"(B) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such building as so equipped is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date,

then all property comprising such building as so equipped (and any incidental property adjacent to such building which is necessary to the planned use of the building) shall be pre-termination property. For purposes of subparagraph (B) of the preceding sentence, the rules of paragraphs (1) and (4) shall be applied. For purposes of this paragraph, a special purpose structure shall be treated as a building.

"(3) PLANT FACILITY RULE.—

"(A) GENERAL RULE.—If—

"(i) pursuant to a plan of the taxpayer in existence on April 18, 1969 (which plan was not substantially modified at any time after such date and before the taxpayer placed the plant facility in service), the taxpayer has constructed, reconstructed, or erected a plant facility, and either

"(ii) the construction, reconstruction, or erection of such plant facility was commenced by the taxpayer before April 19, 1969, or

"(iii) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facility is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date,

then all property comprising such plant facility shall be pretermination property. For purposes of clause (iii) of the preceding sentence, the rules of paragraphs (1) and (4) shall be applied.

"(B) PLANT FACILITY DEFINED.—For purposes of this paragraph, the term 'plant facility' means a facility which does not include any building (or of which buildings constitute an insignificant portion) and which is—

"(i) a self-contained, single operating unit or processing operation,

"(ii) located on a single site, and

"(iii) identified, on April 18, 1969, in the purchasing and internal financial plans of the taxpayer as a single unitary project.

"(C) SPECIAL RULE.—For purposes of this subsection, if—

"(i) a certificate of convenience and necessity has been issued before April 19, 1969, by a Federal regulatory agency with respect to two or more plant facilities which are included under a single plan of the taxpayer to construct, reconstruct, or erect such plant facilities, and

"(ii) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facilities is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before April 19, 1969, or property the acquisition of which by the taxpayer occurred before such date,

such plant facilities shall be treated as a single plant facility.

"(D) COMMENCEMENT OF CONSTRUCTION.—For purposes of subparagraph (A)(ii), the construction, reconstruction, or erection of a plant facility shall not be considered to have commenced until construction, reconstruction, or erection has commenced at the site of such plant facility. The preceding sentence shall not apply if the site of such plant facility is not located on land.

"(4) MACHINERY OR EQUIPMENT RULE.—A piece of machinery or equipment—

"(A) more than 50 percent of the parts and components of which (determined on the basis of cost) were held by the taxpayer on April 18, 1969, or are acquired by the taxpayer pursuant to a binding contract which was in effect on such date, for inclusion or use in such piece of machinery or equipment, and

"(B) the cost of the parts and components of which is not an insignificant portion of the total cost,

shall be treated as property which is pre-termination property.

"(5) CERTAIN LEASE-BACK TRANSACTIONS ETC.—

"(A) Where a person who is a party to a binding contract described in paragraph (1) transfers rights in such contract (or in the property to which such contract relates) to another person but a party to such contract retains a right to use the property under a lease with such other person, then to the extent of the transferred rights such other person shall, for purposes of paragraph (1), succeed to the position of the transferor with respect to such binding contract and such property. In any case in which the lessor does not make an election under section 48(d)—

"(i) the preceding sentence shall apply only if a party to the contract retains the right to use the property under a lease for a term of at least 1 year; and

"(ii) if such use is retained (other than under a long-term lease), the lessor shall be deemed for the purposes of section 47 as having made a disposition of the property at such time as the lessee loses the right to use the property.

For purposes of clause (ii), if the lessee transfers the lease in a transfer described in paragraph (7), the lessee shall be considered as having the right to use of the property as long as the transferee has such use.

"(B) For purposes of subparagraph (A)—

"(i) a person who holds property (or rights in property) which is pre-termination property by reason of the application of paragraph (4) shall, with respect to such property, be treated as a party to a binding contract described in paragraph (1), and

"(ii) a corporation which is a member of the same affiliated group (as defined in paragraph (8)) as the transferor described in subparagraph (A) and which simultaneously with the transfer of property to another person acquires a right to use such property under a lease with such other person shall be treated as the transferor and as a party to the contract.

"(6) CERTAIN LEASE AND CONTRACT OBLIGATIONS.—

"(A) Where, pursuant to a binding lease or contract to lease in effect on April 18, 1969, a lessor or lessee is obligated to construct, reconstruct, erect, or acquire property specified in such lease or contract or in a related document filed before April 19, 1969, with a Federal regulatory agency, or property the specifications of which are readily ascertainable from the terms of such lease or contract or from such related document, any property so constructed, reconstructed, erected, or acquired by the lessor or lessee shall be pre-termination property. In the case of any project which includes property other than the property to be leased to such lessee, the preceding sentence shall be applied, in the case of the lessor, to such other property only if the binding leases and contracts with all lessees in effect on April 18, 1969, cover real property constituting 25 percent or more of the project (determined on the basis of rental value). For purposes of the preceding sentences of this paragraph, in the case of any project where one or more vendor-vendee relationships exist, such vendors and vandees shall be treated as lessors and lessees.

"(B) Where, in order to perform a binding contract or contracts in effect on April 18, 1969, (i) the taxpayer is required to construct, reconstruct, erect, or acquire property specified in any order of a Federal regulatory agency for which application was filed before April 19, 1969, (ii) the property is to be used to transport one or more products under such contract or contracts, and (iii) one or more parties to the contract or contracts are required to take or to provide more than 50 percent of the products to be transported over a substantial portion of the expected useful life of the property, then such property shall be pre-termination property.

"(C) Where, in order to perform a binding contract in effect on April 18, 1969, the taxpayer is required to construct, reconstruct, erect, or acquire property specified in the contract to be used to produce one or more products and (unless the other party to the contract is a State or a political subdivision of a State which is required by the contract to make substantial expenditures which benefit the taxpayer) the other party to the contract is required to take substantially all of the products to be produced over a substantial portion of the expected useful life of the property, then such property shall be pre-termination property. For purposes of applying the preceding sentence in the case of a contract for the extraction of minerals, property shall be treated as specified in the contract if (i) the specifications for such property are readily ascertainable from the location and characteristics of the mineral properties specified in such contract from which the minerals are to be extracted; (ii) such property is necessary for and is to be used solely in the extraction of minerals under such contract; (iii) the physical construction, reconstruction, or erection of such property is begun by the taxpayer before April 19, 1970, such property is acquired by the taxpayer before April 19, 1970, or such property is constructed, reconstructed, erected, or acquired pursuant to a contract which was, on April 18, 1970, and at all times thereafter, binding on the taxpayer; (iv) such property is placed in service on or before December 31, 1972; (v) such contract is a fixed price contract (except for provisions for price changes under which the loss of the credit allowed by section 38 would not result in a price change); and (vi) such property is not placed in service to replace other property used in extracting minerals under such contract.

"(7) CERTAIN TRANSFERS TO BE DISREGARDED.—

"(A) If property or rights under a contract are transferred in—

"(i) a transfer by reason of death,

"(ii) a transaction as a result of which the basis of the property in the hands of the transferee is determined by reference to its basis in the hands of the transferor by reason of the application of sections 332, 351, 361, 371(a), 374(a), 721, or 731, or

"(iii) a sale of substantially all of the assets of the transferor pursuant to the terms of a contract, which was on April 18, 1969, and at all times thereafter, binding on the transferee,

and such property (or the property acquired under such contract) would be treated as pre-termination property in the hands of the decedent or the transferor, such property shall be treated as pretermination property in the hands of the transferee.

"(B) If—

"(i) property or rights under a contract are acquired in a transaction to which section 334(b)(2) applies,

"(ii) the stock of the distributing corporation was acquired before April 19, 1969, or pursuant to a binding contract in effect April 18, 1969, and

"(iii) such property (or the property acquired under such contract) would be treated as pre-termination property in the hands of the distributing corporation,

such property shall be treated as pre-termination property in the hands of the distributee.

"(8) PROPERTY ACQUIRED FROM AFFILIATED CORPORATION.—In the case of property acquired by a corporation which is a member of an affiliated group from another member of the same group—

"(A) such corporation shall be treated as having acquired such property on the date on which it was acquired by such other member,

"(B) such corporation shall be treated as having entered into a binding contract for the construction, reconstruction, erection, or acquisition of such property on the date on which such other member entered into a contract for the construction, reconstruction, erection, or acquisition of such property, and

"(C) such corporation shall be treated as having commenced the construction, reconstruction, or erection of such property on the date on which such other member commenced such construction, reconstruction, or erection.

For purposes of this subsection and subsection (c), a contract between two corporations which are members of the same affiliated group shall not be treated as a binding contract as between such corporations, unless, at all times after June 30, 1969, and prior to the completion of performance of such contract, such corporations are not members of the same affiliated group. For purposes of the preceding sentences, the term 'affiliated group' has the meaning assigned to it by section 1504 (a), except that all corporations shall be treated as includible corporations (without any exclusion under section 1504 (b)).

"(9) BARGES FOR OCEAN-GOING VESSELS.—Barges specifically designed and constructed, reconstructed, erected, or acquired for use with ocean-going vessels which are designed to carry barges and which are pre-termination property, but not in excess of—

"(A) the number to be used with such vessels specified in applications for mortgage or construction loan insurance filed with the Secretary of Commerce on or before April 18, 1969, under title XI of the Merchant Marine Act, 1936, or

"(B) if subparagraph (A) does not apply and if more than 50 percent of the barges which the taxpayer establishes as necessary to the initial planned use of such vessels are pre-termination property (determined without regard to this paragraph), the number which the taxpayer establishes as so necessary,

together with the machinery and equipment to be installed on such barges and necessary for their planned use, shall be treated as pre-termination property.

"(10) CERTAIN NEW-DESIGN PRODUCTS.—Where—

"(A) on April 18, 1969, the taxpayer had undertaken a project to produce a product of a new design pursuant to binding contracts in effect on such date which—

"(i) were fixed-price contracts (except for provisions requiring or permitting price changes resulting from changes in rates of pay or costs of materials), and

"(ii) covered more than 50 percent of the entire production of such design to be delivered by the taxpayer before January 1, 1973, and

"(B) on or before April 18, 1969, more than 50 percent of the aggregate adjusted basis of all property of a character subject to the allowance for depreciation required to carry out such binding contracts was property the construction, reconstruction, or erection of which had been begun by the taxpayer, or had been acquired by the taxpayer (or was under a binding contract for such construction, reconstruction, erection, or acquisition),

then all tangible personal property placed in service by the taxpayer before January 1, 1972, which is required to carry out such binding contracts shall be deemed to be pre-termination property. For purposes of subparagraph (B) of the preceding sentence, jigs, dies, templates, and similar items which can be used only for the manufacture or assembly of the production under the project and which were described in written engineering and internal financial plans of the taxpayer in existence on April 18, 1969, shall be treated as property which on such date was under a binding contract for construction.

"(c) LEASED PROPERTY.—In the case of property which is leased after April 18, 1969 (other than pursuant to a binding contract to lease entered into before April 19, 1969), which is section 38 property with respect to the lessor but is property which would not be section 38 property because of the application of subsection (a) if acquired by the lessee, and which is property of the same kind which the lessor ordinarily sold to customers before April 19, 1969, or ordinarily leased before such date and made an election under section 48(d), such property shall not be section 38 property with respect to either the lessor or the lessee.

"(d) PROPERTY PLACED IN SERVICE AFTER 1975.—for purposes of this subpart, the term 'section 38 property' does not include any property placed in service after December 31, 1975."

(b) LIMITATIONS ON USE OF CARRYOVERS AND CARRYBACKS.—Section 46(b) (relating to carryback and carryover of unused credits) is amended by adding at the end thereof the following new paragraphs:

"(5) TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1968, AND ENDING AFTER APRIL 18, 1969.—The amount which may be added under this subsection for any taxable year beginning after December 31, 1968, and ending after April 18, 1969, shall not exceed 20 percent of the higher of—

"(A) the aggregate of the investment credit carrybacks and investment credit carryovers to the taxable year, or

"(B) the highest amount computed under subparagraph (A) for any preceding taxable

year which began after December 31, 1968, and ended after April 18, 1969.

"(6) ADDITIONAL 3-YEAR CARRYOVER PERIOD IN CERTAIN CASES.—Any portion of an investment credit carryback or carryover to any taxable year beginning after December 31, 1968, and ending after April 18, 1969, which—

"(A) may be added under this subsection under the limitation provided by paragraph (2), and

"(B) may not be added under the limitation provided by paragraph (5),

shall be an investment credit carryover to each of the 3 taxable years following the last taxable year for which such portion may be added under paragraph (1), and shall (subject to the provisions of paragraphs (1), (2), and (5)) be added to the amount allowable as a credit by section 38 for such years."

(c) RULES RELATING TO CERTAIN CASUALTIES AND THEFTS AND TO REPLACEMENT OF CERTAIN SECTION 38 PROPERTY.—

(1) PROPERTY DESTROYED BY CASUALTY.—Section 47(a)(4) (relating to rules with respect to section 38 property destroyed by casualty, etc.) is amended by adding at the end thereof the following new sentence:

"Subparagraphs (B) and (C) shall not apply with respect to any casualty or theft occurring after April 18, 1969."

(2) REPLACEMENT OF CERTAIN SECTION 38 PROPERTY.—Section 47(a) (relating to certain dispositions of section 38 property) is amended by adding at the end thereof the following new paragraph:

"(5) CERTAIN PROPERTY REPLACED AFTER APRIL 18, 1969.—In any case in which—

"(A) section 38 property is disposed of, and

"(B) property which would be section 38 property but for section 49 is placed in service by the taxpayer to replace the property disposed of,

the increase under paragraph (1) and the adjustment under paragraph (3) shall not be greater than the increase or adjustment which would result if the qualified investment of the property described in subparagraph (B) (determined as if such property were section 38 property) were substituted for the qualified investment of the property disposed of (as determined under paragraph (1)). Except in the case of a disposition by reason of a casualty of theft occurring before April 19, 1969, the preceding sentence shall apply only if the section 38 property disposed of is replaced within 6 months after the date of such disposition."

(d) CONFORMING AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 (relating to rules for computing credit for investment in certain depreciable property) is amended by adding at the end thereof the following new item:

"Sec. 49. Termination of Credit."

SEC. 704. AMORTIZATION OF POLLUTION CONTROL FACILITIES.

(a) ALLOWANCE.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by striking out section 169 and inserting in lieu thereof the following new section:

"SEC. 169. AMORTIZATION OF POLLUTION CONTROL FACILITIES.

"(a) ALLOWANCE OF DEDUCTION.—Every person, at his election, shall be entitled to a deduction with respect to the amortization of the amortizable basis of any certified pollution control facility (as defined in subsection (d)), based on a period of 60 months. Such amortization deduction shall be an amount, with respect to each month of such period within the taxable year, equal to the amortizable basis of the pollution control facility at the end of such month divided by the number of months (including the month for which the deduction is computed) remaining in the period. Such amortizable basis at the end of the month shall be computed without regard to the amortization deduction for such month. The amortization deduction provided by this section with respect to any month shall be in lieu of the depreciation deduction with respect to such pollution control facility for such month provided by section 167. The 60-month period shall begin, as to any pollution control facility, at the election of the taxpayer, with the month following the month in which such facility was completed or acquired, or with the succeeding taxable year.

"(b) ELECTION OF AMORTIZATION.—The election of the taxpayer to take the amortization deduction and to begin the 60-month period with the month following the month in which the facility is completed or acquired, or with the taxable year succeeding the taxable year in which such facility is completed or acquired, shall be made by filing with the Secretary or his delegate, in such manner, in such form, and within such time, as the Secretary or his delegate may by regulations prescribe, a statement of such election.

"(c) TERMINATION OF AMORTIZATION DEDUCTION.—A taxpayer which has elected under subsection (b) to take the amortization deduction provided in subsection (a) may, at any time after making such election, discontinue the amortization deduction with respect to the remainder of the amortization period, such discontinuance to begin as of the beginning of any month specified by the taxpayer in a notice in writing filed with the Secretary or his delegate before the beginning of such month. The depreciation deduction provided under section 167 shall be allowed, beginning with the first month as to which the amortization deduction does not apply, and the taxpayer shall not be entitled to any further amortization deduction under this section with respect to such pollution control facility.

"(d) DEFINITIONS.—For purposes of this section—

"(1) CERTIFIED POLLUTION CONTROL FACILITY.—The term 'certified pollution control facility' means a new identifiable treatment facility which is used, in connection with a plant or other property in operation before January 1, 1969, to abate or control water or atmospheric pollution or contamination by removing, altering, disposing, or storing of pollutants, contaminants, wastes, or heat and which—

"(A) the State certifying authority having jurisdiction with respect to such facility has certified to the Federal certifying authority as having been constructed, reconstructed, erected, or acquired in conformity with the State program or requirements for abatement or control of water or atmospheric pollution or contamination; and

"(B) the Federal certifying authority has certified to the Secretary or his delegate (i) as being in compliance with the applicable regulations of Federal agencies and (ii) as being in furtherance of the general policy of the United States for cooperation with the States in the prevention and abatement of water pollution under the Federal Water Pollution Control Act, as amended (33 U.S.C. 466 et seq.), or in the prevention and abatement of atmospheric pollution and contamination under the Clean Air Act, as amended (42 U.S.C. 1857 et seq.).

"(2) STATE CERTIFYING AUTHORITY.—The term 'State certifying authority' means, in the case of water pollution, the State water pollution control agency as defined in section 13(a) of the Federal Water Pollution Control Act and, the case of air pollution, the air pollution control agency as defined in section 302(b) of the Clean Air Act. The term 'State certifying authority' includes any interstate agency authorized to act in place of a certifying authority of the State.

"(3) FEDERAL CERTIFYING AUTHORITY.—The term 'Federal certifying authority' means, in the case of water pollution, the Secretary of the Interior and, in the case of air pollution, the Secretary of Health, Education, and Welfare.

"(4) NEW IDENTIFIABLE TREATMENT FACILITY.—For purposes of paragraph (1), the term 'new identifiable treatment facility' includes only tangible property (not including a building and its structural components, other than a building which is exclusively a treatment facility) which is of a character subject to the allowance for depreciation provided in section 167, which is identifiable as a treatment facility, and which—

"(A) is property—

"(i) the construction, reconstruction, or erection of which is completed by the taxpayer after December 31, 1968, or

"(ii) acquired after December 31, 1968, if the original use of the property commences with the taxpayer and commences after such date, and

"(B) is placed in service by the taxpayer before January 1,

In applying this section in the case of property described in clause (i) of subparagraph (A), there shall be taken into account only that portion of the basis which is properly attributable to construction, reconstruction, or erection after December 31, 1968.

"(e) PROFITMAKING ABATEMENT WORKS, ETC.—The Federal certifying authority shall not certify any property under subsection (d)(1)(B) to the extent it appears that by reason of profits derived through the recovery of wastes or otherwise in the operation of such property, its costs will be recovered over its actual useful life.

"(f) AMORTIZABLE BASIS.—

"(1) DEFINED.—For purposes of this section, the term 'amortizable basis' means that portion of the adjusted basis (for determining gain) of a certified pollution control facility which may be amortized under this section.

"(2) SPECIAL RULES.—

"(A) If a certified pollution control facility has a useful life (determined as of the first day of the first month for which a deduction is allowable under this section) in excess of 15 years, the amortizable basis of such facility shall be equal to an amount which bears the same ratio to the portion of the adjusted basis of such facility, which would be eligible for amortization but for the application of this subparagraph, as 15 bears to the number of years of useful life of such facility.

"(B) The amortizable basis of a certified pollution control facility with respect to which an election under this section is in effect shall not be increased, for purposes of this section, for additions or improvements after the amortization period has begun.

"(g) DEPRECIATION DEDUCTION.—The depreciation deduction provided by section 167 shall, despite the provisions of subsection (a), be allowed with respect to the portion of the adjusted basis which is not the amortizable basis.

"(h) INVESTMENT CREDIT NOT TO BE ALLOWED.—In the case of any property with respect to which an election has been made under subsection (a), so much of the adjusted basis of the property as (after the application of subsection (f)) constitutes the amortizable basis for purposes of this section shall not be treated as section 38 property within the meaning of section 48(a).

"(i) LIFE TENANT AND REMAINDERMAN.—In the case of property held by one person for life with remainder to another person, the deduction under this section shall be computed as if the life tenant were the absolute owner of the property and shall be allowable to the life tenant.

"(j) CROSS REFERENCE.—

"For special rule with respect to certain gain derived from the disposition of property the adjusted basis of which is determined with regard to this section, see section 1245."

(b) CONFORMING, ETC., AMENDMENTS.—

(1) The table of sections for part VI of subchapter B of chapter 1 is amended by striking out the item relating to section 169 and inserting in lieu thereof the following new item:

"Sec. 169. Amortization of pollution control facilities."

(2) The heading and the first sentence of section 642(f) (relating to special rules for credits and deductions of estates and trusts) are amended to read as follows:

"(f) AMORTIZATION DEDUCTIONS.—The benefit of the deductions for amortization provided by sections 168, 169, 184, and 187 shall be allowed to estates and trusts in the same manner as in the case of an individual."

(3) Section 1082(a)(2)(B) (relating to basis for determining gain or loss) is amended by striking out "or 1969" and inserting in lieu thereof ", 1969, 184, 185, or 187".

(4) Section 1245(a) of such Code (relating to gain from disposition of certain depreciable property) is amended—

(A) by inserting after paragraph (2)(C) (added by section 212(a)(1) of this Act) the following new subparagraph:

"(D) with respect to any property referred to in paragraph (3)(D), its adjusted basis recomputed by adding thereto all adjustments attributable to periods beginning with the first month for which a deduction for amortization is allowed under section 169 or 185";

(B) by striking out "168" each place it appears in paragraph (2) and inserting in lieu thereof "168, 169, 184, 185, or 187".

(C) by striking out "section 167" in paragraph (3) and inserting in lieu thereof "section 167 (or subject to the allowance of amortization provided in section 185)";

(D) by striking out "or" at the end of paragraph (3) (A) and (B);

(E) by striking out the period at the end of paragraph (3)(C) and inserting in lieu thereof ", or"; and

(F) by adding at the end of paragraph (3) the following new subparagraph:

"(D) so much of any real property (other than any property described in subparagraph (B)) which has an adjusted basis in which there are reflected adjustments for amortization under section 169 or 185."

(5) Section 1250(b)(3) (relating to depreciation adjustments) is amended by striking out "168" and inserting in lieu thereof "168, 169, or 185".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years ending after December 31, 1968.

SEC. 705. AMORTIZATION OF RAILROAD ROLLING STOCK AND RIGHT-OF-WAY IMPROVEMENTS.

(a) ALLOWANCE.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding after section 183 (as added by section 213 of this Act) the following new sections:

"SEC. 184. AMORTIZATION OF CERTAIN RAILROAD ROLLING STOCK.

"(a) ALLOWANCE OF DEDUCTION.—Every person, at his election, shall be entitled to a deduction with respect to the amortization of the adjusted basis (for determining gain) of any qualified railroad rolling stock (as defined in subsection (d)), based on a period of 60 months. Such amortization deduction shall be an amount, with respect to each month of such period within the taxable year, equal to the adjusted basis of the qualified railroad rolling stock at the end of such month divided by the number of months (including the month for which the deduction is computed) remaining in the period. Such adjusted basis at the end of the month shall be computed without regard to the amortization deduction for such month. The amortization deduction provided by this section with respect to any qualified railroad rolling stock for any month shall be in lieu of the depreciation deduction with respect to such rolling stock for such month provided by section 167. The 60-month period shall begin, as to any qualified railroad rolling stock, at the election of the taxpayer, with the month following the month in which such rolling stock was placed in service or with the succeeding taxable year.

"(b) ELECTION OF AMORTIZATION.—The election of the taxpayer to take the amortization deduction and to begin the 60-month period with the month following the month in which the qualified railroad rolling stock was placed in service, or with the taxable year succeeding the taxable year in which such rolling stock is placed in service, shall be made by filing with the Secretary or his delegate, in such manner, in such form, and within such time, as the Secretary or his delegate may by regulations prescribe, a statement of such election.

"(c) TERMINATION OF AMORTIZATION DEDUCTION.—A taxpayer which has elected under subsection (b) to take the amortization deduction provided by subsection (a) may, at any time after making such election, discontinue the amortization deduction with respect to the remainder of the amortization period, such discontinuance to begin as of the beginning of any month specified by the taxpayer in a notice in writing filed with the Secretary or his delegate before the beginning of such month. The depreciation deduction provided under section 167 shall be allowed, beginning with the first month as to which the amortization deduction does not apply, and the taxpayer shall not be entitled to any further amortization deduction under this section with respect to such rolling stock.

"(d) QUALIFIED RAILROAD ROLLING STOCK.—Except as provided in subsection (e)(4), the term 'qualified railroad rolling stock' means, for purposes of this section, rolling stock of the type used by a common carrier engaged in the furnishing or sale of transportation by railroad and subject to the jurisdiction of the Interstate Commerce Commission if—

"(1) such rolling stock is—

"(A) used by a domestic common carrier by railroad on a full-time basis, or on a part-time basis if its only additional use is an incidental use by a Canadian or Mexican common carrier by railroad on a per diem basis, or

"(B) owned and used by a switching or terminal company all of whose stock is owned by one or more domestic common carriers by railroad, and

"(2) the original use of such rolling stock commences with the taxpayer after December 31, 1968.

"(e) SPECIAL RULES.

"(1) IN GENERAL.—Except as otherwise provided in this subsection, this section shall apply to qualified railroad rolling stock placed in service after 1968 and before 1975.

"(2) PLACED IN SERVICE IN 1969.—If any qualified railroad rolling stock is placed in service in 1969—

"(A) the month as to which the amortization period shall begin with respect to such rolling stock shall be determined as if such rolling stock were placed in service on December 31, 1969, and

"(B) subsections (a) and (b) shall be applied by substituting '48' for '60' each place that it appears in such subsections.

This section shall not apply to any qualified railroad rolling stock placed in service in 1969 and owned by any person who is not a domestic common carrier by railroad, or a corporation at least 95 percent of the stock of which is owned by one or more such common carriers.

"(3) PLACED IN SERVICE IN 1970.—If any qualified railroad rolling stock is placed in service in 1970 by a domestic common carrier by railroad or by a corporation at least 95 percent of the stock of which is owned by one or more such common carriers, then subsection (a) shall be applied, without regard to paragraph (2), as if such rolling stock were placed in service on December 31, 1969.

"(4) RAILROAD ROLLING STOCK NOT IN SHORT SUPPLY.—The Secretary or his delegate shall determine (with the assistance of the Secretary of Transportation) which types of railroad rolling stock are not in short supply and shall prescribe regulations designating such types. The term 'qualified railroad rolling stock' shall not include any rolling stock which—

"(A) is of the type of rolling stock designated by such regulations as not in short supply, and

"(B) is placed in service after (i) 1972, or (ii) 30 days after the date on which such regulations are promulgated, whichever is later.

"(5) ADJUSTED BASIS.—

"(A) The adjusted basis of any qualified railroad rolling stock, with respect to which an election has been made under this section, shall not be increased, for purposes of this section, for amounts chargeable to capital account for additions or improvements after the amortization period has begun.

"(B) Costs incurred in connection with a used unit of railroad rolling stock which are properly chargeable to capital account shall be treated as a separate unit of railroad rolling stock for purposes of this section.

"(C) The depreciation deduction provided by section 167 shall, despite the provisions of subsection (a), be allowed with respect to the portion of the adjusted basis which is not taken into account in applying this section.

"(6) CONSTRUCTIVE TERMINATION.—If at any time during the amortization period any qualified railroad rolling stock ceases to meet the requirements of subsection (d)(1), the taxpayer shall be deemed to have terminated under subsection (c) his election under this section. Such termination shall be effective beginning with the month following the month in which such cessation occurs.

"(7) METHOD OF ACCOUNTING FOR DATE PLACED IN SERVICE.—For purposes of subsections (a) and (b), in the case of qualified railroad rolling stock placed in service after December 31, 1969, and before January 1, 1975, the taxpayer may elect (unless paragraph (3) is applicable) to begin the 60-month period with the date when such rolling stock is treated as having been placed in service under a method of accounting for acquisitions and retirements of property which—

"(A) prescribes a date when property is placed in service, and

"(B) is consistently followed by the taxpayer.

"(f) LIFE TENANT AND REMAINDERMAN.—In the case of qualified railroad rolling stock leased to a domestic common carrier, and held by one person for life with remainder to another person, the deduction under this section shall be computed as if the life tenant were the absolute owner of the property and shall be allowable to the life tenant.

"(g) CROSS REFERENCE.—

"For treatment of certain gain derived from the disposition of property the adjusted basis of which is determined with regard to this section, see section 1245."

"SEC. 185. AMORTIZATION OF RAILROAD GRADING AND TUNNEL BORES.

"(a) GENERAL RULE.—In the case of a domestic common carrier by railroad, the taxpayer shall, at his election, be entitled to a deduction with respect to the amortization

of the adjusted basis (for determining gain) of his qualified railroad grading and tunnel bores. The amortization deduction provided by this section with respect to such property shall be in lieu of any depreciation deduction, or other amortization deduction, with respect to such property for any taxable year to which the election applies.

"(b) AMOUNT OF DEDUCTION.—

"(1) IN GENERAL.—The deduction allowable under subsection (a) for any taxable year shall be an amount determined by amortizating ratably over a period of 50 years the adjusted basis (for determining gain) of the qualified railroad grading and tunnel bores of the taxpayer. Such 50-year period shall commence with the first taxable year for which an election under this section is effective.

"(2) SPECIAL RULE.—In the case of qualified railroad grading and tunnel bores placed in service after the beginning of the first taxable year for which an election under this section is effective, the 50-year period with respect to such property shall begin with the year following the year the property is placed in service.

"(c) ELECTION OF AMORTIZATION.—The election of the taxpayer to take the amortization deduction provided in subsection (a) may be made for any taxable year beginning after December 31, 1969. Such election shall be made by filing with the Secretary or his delegate, in such manner, in such form, and within such time, as the Secretary or his delegate may by regulations prescribe, a statement of such election. The election shall remain in effect for all taxable years subsequent to the first year for which it is effective and shall apply to all qualified railroad grading and tunnel bores of the taxpayer, unless, on application by the taxpayer, the Secretary or his delegate permits him, subject to such conditions as the Secretary or his delegate deems necessary, to revoke such election.

"(d) DEFINITIONS.—For purposes of this section—

"(1) RAILROAD GRADING AND TUNNEL BORES.—The term 'railroad grading and tunnel bores' means all improvements resulting from excavations (including tunneling), construction of embankments, clearings, diversions of roads and streams, sodding of slopes, and from similar work necessary to provide, construct, reconstruct, alter, protect, improve, replace, or restore a roadbed or right-of-way for railroad track. If expenditures for improvements described in the preceding sentence are incurred with respect to an existing roadbed or right-of-way for railroad track, such expenditures shall be considered, in applying this section, as costs for railroad grading or tunnel bores placed in service in the year in which such costs are incurred.

"(2) QUALIFIED RAILROAD GRADING AND TUNNEL BORES.—The term 'qualified railroad grading and tunnel bores' means railroad grading and tunnel bores the original use of which commences after December 31, 1968.

"(e) TREATMENT UPON RETIREMENT.—If any qualified railroad grading or tunnel bore is retired or abandoned during a taxable year for which an election under this section is in effect, no deduction shall be allowed on account of such retirement or abandonment and the amortization deduction under this section shall continue with respect to such property. This subsection shall not apply if the retirement or abandonment is attributable primarily to fire, storm, or other casualty.

"(f) INVESTMENT CREDIT NOT TO BE ALLOWED.—Property eligible to be amortized under this section shall not be treated as section 38 property within the meaning of section 48(a).

"(g) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section.

"(h) CROSS REFERENCE.—

"For special rule with respect to certain gain derived from the disposition of property the adjusted basis of which is determined with regard to this section, see section 1245."

(b) CONFORMING AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end thereof the following new items:

"Sec. 184. Amortization of certain railroad rolling stock.

"Sec. 185. Amortization of railroad grading and tunnel bores."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1969.

SEC. 706. EXPENDITURES IN CONNECTION WITH CERTAIN RAILROAD ROLLING STOCK.

(a) IN GENERAL.—Section 263 (relating to capital expenditures) is amended by adding at the end thereof the following subsection:

"(e) EXPENDITURES IN CONNECTION WITH CERTAIN RAILROAD ROLLING STOCK.—In the case of expenditures in connection with the rehabilitation of a unit of railroad rolling stock (except a locomotive) used by a domestic common carrier by railroad which would, but for this subsection, be properly chargeable to capital account, such expenditures, if during any 12-month period they do not exceed an amount equal to 20 per percent of the basis of such unit in the hands of the taxpayer, shall be treated (notwithstanding subsection (a)) as deductible repairs under section 162 or 212."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1969.

SEC. 707. AMORTIZATION OF CERTAIN COAL MINE SAFETY EQUIPMENT.

(a) ALLOWANCE.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding after section 186 (added by section 904 of this Act) the following new section.

"SEC. 187. AMORTIZATION OF CERTAIN COAL MINE SAFETY EQUIPMENT.

"(a) ALLOWANCE OF DEDUCTION.—Every person, at his election, shall be entitled to a deduction with respect to the amortization of the adjusted basis (for determining gain) of any certified coal mine safety equipment (as defined in subsection (d)), based on a period of 60 months. Such amortization deduction shall be an amount, with respect to each month of such period within the taxable year, equal to the adjusted basis of the certified coal mine safety equipment at the end of such month divided by the number of months (included the month for which the deduction is computed) remaining in the period. Such adjusted basis at the end of the month shall be computed without regard to the amortization deduction for such month. The amortization deduction provided by this section with respect to any certified coal mine safety equipment for any month shall be in lieu of the depreciation deduction with respect to such equipment for such month provided by section 167. The 60-month period shall begin, as to any certified coal mine safety equipment, at the election of the taxpayer, with the month following the month in which such equipment was placed in service or with the succeeding taxable year.

"(b) ELECTION OF AMORTIZATION.—The election of the taxpayer to take the amortization deduction and to begin the 60-month period with the month following the month in which the certified coal mine safety equipment was placed in service, or with the taxable year succeeding the taxable year in which such equipment is placed in service, shall be made by filing with the Secretary or his delegate, in such manner, in such form, and within such time, as the Secretary or his delegate may by regulations prescribe, a statement of such election.

"(c) TERMINATION OF AMORTIZATION DEDUCTION.—A taxpayer which has elected under subsection (b) to take the amortization deduction provided by subsection (a) may, at any time after making such election, discontinue the amortization deduction with respect to the remainder of the amortization period, such discontinuance to begin as of the beginning of any month specified by the taxpayer in a notice in writing filed with the Secretary or his delegate before the beginning of such month. The depreciation deduction provided under section 167 shall be allowed beginning with the first month as to which the amortization deduction does not apply, and the taxpayer shall not be entitled to any further amortization deduction under this section with respect to such equipment.

"(d) CERTIFIED COAL MINE SAFETY EQUIPMENT.—For purposes of this section, the term 'certified coal mine safety equipment' means property which—

"(1) is electric face equipment (within the meaning of section 305 of the Federal Coal Mine Health and Safety Act of 1969) required in order to meet the requirements of section 305(a)(2) of such Act,

"(2) the Secretary of the Interior certifies is permissible within the meaning of such section 305(a)(2), and

"(3) is placed in service before January 1, 1975.

For purposes of this section, any property placed in service in connection with any used electric face equipment which the Secretary of the Interior certifies makes such electric face equipment permissible shall be treated as a separate item of certified coal mine safety equipment.

"(e) SPECIAL RULES.—

"(1) The adjusted basis of any certified coal mine safety equipment, with respect to which an election is made under this section, shall not be increased, for purposes of this section, for amounts chargeable to capital account for additions or improvements after the amortization period has begun.

"(2) The depreciation deduction provided by section 167 shall, despite the provisions of subsection (a), be allowed with respect to the portion of the adjusted basis which is not taken into account in applying this section."

(b) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of the chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 187. Amortization of certain coal mine safety equipment."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1969.

TITLE VIII—ADJUSTMENT OF TAX BURDEN FOR INDIVIDUALS

SEC. 801. PERSONAL EXEMPTIONS.

(a) INCREASED TO $625 FOR 1970.—Effective with respect to taxable years beginning after December 31, 1969, and before January 1, 1971—

(1) section 151 (relating to allowance of personal exemptions) is amended by striking out "$600" wherever it appears therein and inserting in lieu thereof "$625"; and

(2) section 6013(b)(3)(A) (relating to assessment and collection in case of certain returns of husband and wife) is amended by striking out "$600" wherever it appears

therein and inserting in lieu thereof "$625", and by striking out "$1,200" wherever it appears therein and inserting in lieu thereof "$1,250".

(b) INCREASE TO $650 FOR 1971.—Effective with respect to taxable years beginning after December 31, 1970, and before January 1, 1972—

(1) section 151 (relating to allowance of personal exemptions) is amended by striking out "$625" wherever it appears therein and inserting in lieu thereof "$650"; and

(2) section 6013(b)(3)(A) (relating to assessment and collection in case of certain returns of husband and wife) is amended by striking out "$625" wherever it appears therein and inserting in lieu thereof "$650", and by striking out "$1,250" wherever it appears therein and inserting in lieu thereof "$1,300".

(c) INCREASE TO $700 FOR 1972.—Effective with respect to taxable years beginning after December 31, 1971, and before January 1, 1973—

(1) section 151 (relating to allowance of personal exemptions) is amended by striking out "$650" wherever it appears therein and inserting in lieu thereof "$700"; and

(2) section 6013(b)(3)(A) (relating to assessment and collection in case of certain returns of husband and wife) is amended by striking out "$650" wherever it appears therein and inserting in lieu thereof "$700", and by striking out "$1,300" wherever it appears therein and inserting in lieu thereof "$1,400".

(d) INCREASE TO $750 FOR 1973 AND SUBSEQUENT YEARS.—Effective with respect to taxable years beginning after December 31, 1972—

(1) section 151 (relating to allowance of personal exemptions) is amended by striking out "$700" wherever it appears therein and inserting in lieu thereof "$750"; and

(2) section 6013(b)(3)(A) (relating to assessment and collection in case of certain returns of husband and wife) is amended by striking out "$700" wherever it appears therein and inserting in lieu thereof "$750", and by striking out "$1,400", wherever it appears therein and inserting in lieu thereof "$1,500".

SEC. 802. LOW INCOME ALLOWANCE; INCREASE IN STANDARD DEDUCTION.

(a) IN GENERAL.—Section 141 (relating to the standard deduction) is amended by striking out subsections (a), (b), and (c) and inserting in lieu thereof the following:

"(a) STANDARD DEDUCTION.—Except as otherwise provided in this section, the standard deduction referred to in this title is the larger of the percentage standard deduction or the low income allowance.

"(b) PERCENTAGE STANDARD DEDUCTION.—The percentage standard deduction is an amount equal to the applicable percentage of adjusted gross income shown in the following table, but not to exceed the maximum amount shown in such table (or one-half of such maximum amount in the case of a separate return by a married individual):

Taxable years beginning in	Applicable percentage	Maximum amount
1970	10	$1,000
1971	13	1,500
1972	14	2,000
1973 and thereafter	15	2,000

"(c) LOW INCOME ALLOWANCE.—

"(1) IN GENERAL.—The low income allowance is an amount equal to the sum of—

"(A) the basic allowance, and

"(B) the additional allowance.

"(2) BASIC ALLOWANCE.—For purposes of this subsection, the basic allowance is an amount equal to the sum of—

"(A) $200, plus

"(B) $100, multiplied by the number of exemptions.

The basic allowance shall not exceed $1,000.

"(3) ADDITIONAL ALLOWANCE.—

"(A) IN GENERAL.—For purposes of this subsection, the additional allowance is an amount equal to the excess (if any) of $900 over the sum of—

"(i) $100, multiplied by the number of exemptions, plus

"(ii) the income phase-out.

"(B) INCOME PHASE-OUT.—For purposes of subparagraph (A)(ii), the income phase-out is an amount equal to one-half of the amount by which the adjusted gross income for the taxable year exceeds the sum of—

"(i) $1,100, plus

"(ii) $625, multiplied by the number of exemptions.

"(4) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—In the case of a married taxpayer filing a separate return—

"(A) the low income allowance is an amount equal to the basic allowance, and

"(B) the basic allowance is an amount (not in excess of $500) equal to the sum of—

"(i) $100, plus

"(ii) $100, multiplied by the number of exemptions.

"(5) NUMBER OF EXEMPTIONS.—For purposes of this subsection, the number of exemptions is the number of exemptions allowed as a deduction for the taxable year under section 151.

"(6) SPECIAL RULE FOR 1971.—For a taxable year beginning after December 31, 1970, and before January 1, 1972,—

"(A) paragraph (3)(A) shall be applied by substituting '$850' for '$900',

"(B) paragraph (3)(B) shall be applied by substituting 'one-fifteenth' for 'one-half',

"(C) paragraph (3)(B)(i) shall be applied by substituting '$1050' for '$1100', and

"(D) paragraph (3)(B)(ii) shall be applied by substituting '$650' for '$625'.

(b) DETERMINATION OF MARITAL STATUS.—Section 143 (relating to determination of marital status) is amended—

(1) by striking out "For purposes of this part—" and inserting in lieu thereof "(a) GENERAL RULE.—For purposes of this part—"; and

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

"(b) CERTAIN MARRIED INDIVIDUALS LIVING APART.—For purposes of this part, if—

"(1) an individual who is married (within the meaning of subsection (a)) and who files separate return maintains as his home a household which constitutes for more than one-half of the taxable year the principal place of aboue of a dependent (A) who (within the meaning of section 152) is a son, stepson, daughter, or stepdaughter of the individual, and (B) with respect to whom such individual is entitled to a deduction for the taxable year under section 151,

"(2) such individual furnishes over half of the cost of maintaining such household during the taxable year, and

"(3) during the entire taxable year such individual's spouse is not a member of such household,

such individual shall not be considered as married."

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 4(a) (relating to number of exemptions) is amended to read as follows:

"(a) NUMBER OF EXEMPTIONS.—For purposes of the tables prescribed by the Secretary or his delegate pursuant to section 3, the term 'number of exemptions' means the number of exemptions allowed under section 151 as deductions in computing taxable income."

(2) Section 4(c) (relating to married individuals filing separate returns) is amended to read as follows:

"(c) HUSBAND OR WIFE FILING SEPARATE RETURN.—

"(1) A husband or wife may not elect to pay the optional tax imposed by section 3 if the tax of the other spouse is determined under section 1 on the basis of taxable income computed without regard to the standard deduction.

"(2) Except as otherwise provided in this subsection, in the case of a husband or wife filing a separate return the tax imposed by section 3 shall be the lesser of the tax shown in—

"(A) the table prescribed under section 3 applicable in the case of married persons filing separate returns which applies the percentage standard deduction, or

"(B) the table prescribed under section 3 applicable in the case of married persons filing separate returns which applies the low income allowance.

"(3) The table referred to in paragraph (2)(B) shall not apply in the case of a husband or wife filing a separate return if the tax of the other spouse is determined with regard to the percentage standard deduction; except that an individual described in section 141(d)(2) may elect (under regulations prescribed by the Secretary or his delegate) to pay the tax shown in the table referred to in paragraph (2)(B) in lieu of the tax shown in the table referred to in paragraph (2)(A). For purposes of this title, an election under the preceding sentence shall be treated as an election made under section 141(d)(2).

"(4) For purposes of this subsection, determination of marital status shall be made under section 143."

(3) Paragraph (4) of section 4(f) is amended to read as follows:

"(4) For computation of tax by Secretary or his delegate, see section 6014."

(4) Section 141(d) (relating to married individuals filing separate returns) is amended—

(A) by striking out "minimum standard deduction" each place it appears and inserting in lieu thereof "low income allowance"; and

(B) by striking out "10-percent" each place it appears therein and inserting in lieu thereof "percentage"

(5) Section 1304(c)(4) (relating to special rules for income averaging) is amended by striking out "section 143" and inserting in lieu thereof "section 143(a)".

(d) EFFECTIVE DATE.—The amendments made by subsections (a), (b), and (c) shall apply to taxable years beginning after December 31, 1969.

(e) YEARS AFTER 1971.— Effective with respect to taxable years beginning after December 31, 1971, section 141(c) (relating to low income allowance), as amended by subsection (a), is amended to read as follows:

"(c) LOW INCOME ALLOWANCE.—The low income allowance is $1,000 ($500, in the case of a married individual filing a separate return)."

SEC. 803. TAX RATES FOR SINGLE INDIVIDUALS AND HEADS OF HOUSEHOLDS; OPTIONAL TAX.

(a) RATES OF TAX ON INDIVIDUALS.—Section 1 (relating to the tax imposed) is amended to read as follows:

"SECTION 1. TAX IMPOSED.

"(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—There is hereby imposed on the taxable income of—

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

"(2) every surviving spouse (as defined in section 2(a)), a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $1,000	14% of the taxable income.
Over $1,000 but not over $2,000	$140, plus 15% of excess over $1,000.
Over $2,000 but not over $3,000	$290, plus 16% of excess over $2,000.
Over $3,000 but not over $4,000	$450, plus 17% of excess over $3,000.
Over $4,000 but not over $8,000	$620, plus 19% of excess over $4,000.
Over $8,000 but not over $12,000	$1,380, plus 22% of excess over $8,000.
Over $12,000 but not over $16,000	$2,260, plus 25% of excess over $12,000.
Over $16,000 but not over $20,000	$3,260, plus 28% of excess over $16,000.
Over $20,000 but not over $24,000	$4,380, plus 32% of excess over $20,000.
Over $24,000 but not over $28,000	$5,660, plus 36% of excess over $24,000.
Over $28,000 but not over $32,000	$7,100, plus 39% of excess over $28,000.
Over $32,000 but not over $36,000	$8,660, plus 42% of excess over $32,000.
Over $36,000 but not over $40,000	$10,340, plus 45% of excess over $36,000.
Over $40,000 but not over $44,000	$12,140 plus 48% of excess over $40,000.
Over $44,000 but not over $52,000	$14,060, plus 50% of excess over $44,000.
Over $52,000 but not over $64,000	$18,060, plus 53% of excess over $52,000.
Over $64,000 but not over $76,000	$24,420, plus 55% of excess over $64,000.
Over $76,000 but not over $88,000	$31,020, plus 58% of excess over $76,000.
Over $88,000 but not over $100,000	$37,980, plus 60% of excess over $88,000.
Over $100,000, but not over $120,000	$45,180, plus 62% of excess over $100,000.
Over $120,000 but not over $140,000	$57,580, plus 64% of excess over $120,000.
Over $140,000 but not over $160,000	$70,380, plus 66% of excess over $140,000.
Over $160,000 but not over $180,000	$83,580, plus 68% of excess over $160,000.
Over $180,000 but not over $200,000	$97,180, plus 69% of excess over $180,000.
Over $200,000	$110,980, plus 70% of excess over $200,000.

"(b) HEADS OF HOUSEHOLDS.—There is hereby imposed on the taxable income of every income of every individual who is head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $1,000	14% of the taxable income.
Over $1,000 but not over $2,000	$140, plus 16% of excess over $1,000.
Over $2,000 but not over $4,000	$300, plus 18% of excess over $2,000.
Over $4,000 but not over $6,000	$660, plus 19% of excess over $4,000.
Over $6,000 but not over $8,000	$1,040, plus 22% of excess over $6,000.
Over $8,000 but not over $10,000	$1,480, plus 23% of excess over $8,000.
Over $10,000 but not over $12,000	$1,940, plus 25% of excess over $10,000.
Over $12,000 but not over $14,000	$2,440, plus 27% of excess over $12,000.
Over $14,000 but not over $16,000	$2,980, plus 28% of excess over $14,000.
Over $16,000 but not over $18,000	$3,540, plus 31% of excess over $16,000.
Over $18,000 but not over $20,000	$4,160, plus 32% of excess over $18,000.
Over $20,000 but not over $22,000	$4,800, plus 35% of excess over $20,000.
Over $22,000 but not over $24,000	$5,500, plus 36% of excess over $22,000.
Over $24,000 but not over $26,000	$6,220, plus 38% of excess over $24,000.
Over $26,000 but not over $28,000	$6,980, plus 41% of excess over $26,000.
Over $28,000 but not over $32,000	$7,800, plus 42% of excess over $28,000.
Over $32,000 but not over $36,000	$9,480, plus 45% of excess over $32,000.
Over $36,000 but not over $38,000	$11,280, plus 48% of excess over $36,000.
Over $38,000 but not over $40,000	$12,240, plus 51% of excess over $38,000.
Over $40,000 but not over $44,000	$13,260, plus 52% of excess over $40,000.
Over $44,000 but not over $50,000	$15,340, plus 55% of excess over $44,000.
Over $50,000 but not over $52,000	$18,640, plus 56% of excess over $50,000.
Over $52,000 but not over $64,000	$19,760, plus 58% of excess over $52,000.
Over $64,000 but not over $70,000	$26,720, plus 59% of excess over $64,000.
Over $70,000 but not over $76,000	$30,260, plus 61% of excess over $70,000.
Over $76,000 but not over $80,000	$33,920, plus 62% of excess over $76,000.
Over $80,000 but not over $88,000	$36,400, plus 63% of excess over $80,000.
Over $88,000 but not over $100,000	$41,440, plus 64% of excess over $88,000.
Over $100,000 but not over $120,000	$49,120, plus 66% of excess over $100,000.
Over $120,000 but not over $140,000	$62,320, plus 67% of excess over $120,000.
Over $140,000 but not over $160,000	$75,720, plus 68% of excess over $140,000.
Over $160,000 but not over $180,000	$89,320 plus 69% of excess over $160,000.
Over $180,000	$103,120, plus 70% of excess over

"(c) UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 143) a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $500	14% of the taxable income.
Over $500 but not over $1,000	$70, plus 15% of excess over $500.
Over $1,000 but not over $1,500	$145, plus 16% of excess over $1,000.
Over $1,500 but not over $2,000	$225, plus 17% of excess over $1,500.
Over $2,000 but not over $4,000	$310, plus 19% of excess over $2,000.
Over $4,000 but not over $6,000	$690, plus 21% 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	$1,590, plus 25% of excess over $8,000.
Over $10,000 but not over $12,000	$2,090, plus 27% of excess over $10,000.
Over $12,000 but not over $14,000	$2,630, plus 29% of excess over $12,000.
Over $14,000 but not over $16,000	$3,210, plus 31% of excess over $14,000.
Over $16,000 but not over $18,000	$3,830, plus 34% of excess over $16,000.
Over $18,000 but not over $20,000	$4,510, plus 36% of excess over $18,000.
Over $20,000 but not over $22,000	$5,230, plus 38% of excess over $20,000.
Over $22,000 but not over $26,000	$5,990, plus 40% of excess over $22,000.
Over $26,000 but not over $32,000	$7,590, plus 45% of excess over $26,000.
Over $32,000 but not over $38,000	$10,290, plus 50% of excess over $32,000.
Over $38,000 but not over $44,000	$13,290, plus 55% of excess over $38,000.
Over $44,000 but not over $50,000	$16,590, plus 60% of excess over $44,000.
Over $50,000 but not over $60,000	$20,190, plus 62% of excess over $50,000.
Over $60,000 but not over $70,000	$26,390, plus 64% of excess over $60,000.
Over $70,000 but not over $80,000	$32,790, plus 66% of excess over $70,000.
Over $80,000 but not over $90,000	$39,390, plus 68% of excess over $80,000.
Over $90,000 but not over $100,000	$46,190, plus 69% of excess over $90,000.
Over $100,000	$53,090, plus 70% of excess over $100,000.

"(d) MARRIED INDIVIDUALS FILING SEPARATE RETURNS; ESTATES AND TRUSTS.—There is hereby imposed on the taxable income of every married individual (as defined in section 143) who does not make a single return jointly with his spouse under section 6013, and of every estate and trust taxable under this subsection, a tax determined in accordance with the following table:

"If the taxable income is:	The tax is:
Not over $500	14% of the taxable income.
Over $500 but not over $1,000	$70, plus 15% of excess over $500.
Over $1,000 but not over $1,500	$145, plus 16% of excess over $1,000.
Over $1,500 but not over $2,000	$225, plus 17% of excess over $1,500.
Over $2,000 but not over $4,000	$310, plus 19% of excess over $2,000.
Over $4,000 but not over $6,000	$690, plus 22% of excess over $4,000.
Over $6,000 but not over $8,000	$1,130, plus 25% of excess over $6,000.
Over $8,000 but not over $10,000	$1,630, plus 28% of excess over $8,000.
Over $10,000 but not over $12,000	$2,190, plus 32% of excess over $10,000.
Over $12,000 but not over $14,000	$2,830, plus 36% of excess over $12,000.
Over $14,000 but not over $16,000	$3,550, plus 39% of excess over $14,000.
Over $16,000 but not over $18,000	$4,330, plus 42% of excess over $16,000.
Over $18,000 but not over $20,000	$5,170, plus 45% of excess over $18,000.
Over $20,000 but not over $22,000	$6,070, plus 48% of excess over $20,000.
Over $22,000 but not over $26,000	$7,030, plus 50% of excess over $22,000.
Over $26,000 but not over $32,000	$9,030, plus 53% of excess over $26,000.
Over $32,000 but not over $38,000	$12,120, plus 55% of excess over $32,000.
Over $38,000 but not over $44,000	$15,510, plus 58% of excess over $38,000.
Over $44,000 but not over $50,000	$18,990, plus 60% of excess over $44,000.
Over $50,000 but not over $60,000	$22,590, plus 62% of excess over $50,000.
Over $60,000 but not over $70,000	$28,790, plus 64% of excess over $60,000.
Over $70,000 but not over $80,000	$35,190, plus 66% of excess over $70,000.
Over $80,000 but not over $90,000	$41,790, plus 68% of excess over $80,000.
Over $90,000 but not over $100,000	$48,590, plus 69% of excess over $90,000.
Over $100,000	$55,490, plus 70% of excess over $100,00."

(b) DEFINITIONS AND SPECIAL RULES.—Section 2 (relating to tax in case of joint return or return of surviving spouse) is amended to read as follows:

"Sec. 2. DEFINITIONS AND SPECIAL RULES.

"(a) DEFINITION OF SURVIVING SPOUSE.—

"(1) IN GENERAL.—For purposes of section 1, the term 'surviving spouse' means a taxpayer—

"(A) whose spouse died during either of his two taxable years immediately preceding the taxable year, and

"(B) who maintains as his home a household which constitutes for the taxable year the principal place of abode (as a member of such household) of a dependent (i) who (within the meaning of section 152) is a son, stepson, daughter, or stepdaughter of the taxpayer, and (ii) with respect to whom the taxpayer is entitled to a deduction for the taxable year under section 151.

For purposes of this paragraph, an individual shall be considered as maintaining a household only if over half of the cost of maintaining the household during the taxable year is furnished by such individual.

"(2) LIMITATIONS.—Notwithstanding paragraph (1), for purposes of section 1 a taxpayer shall not be considered to be a surviving spouse—

"(A) If the taxpayer has remarried at any time before the close of the taxable year, or

"(B) unless, for the taxpayer's taxable year during which his spouse died, a joint return could have been made under the provisions of section 6013 (without regard to subsection (a)(3) thereof).

"(b) DEFINITION OF HEAD OF HOUSEHOLD.—

"(1) IN GENERAL.—For purposes of this subtitle, an individual shall be considered a head of a household if, and only if, such individual is not married at the close of his taxable year, is not a surviving spouse (as defined in subsection (a)), and either—

"(A) maintains as his home a household which constitutes for such taxable year the principal place of abode, as a member of such household, of—

"(i) a son, stepson, daughter, or stepdaughter of the taxpayer, or a descendant of a son or daughter of the taxpayer, but if such son, stepson, daughter, stepdaughter, or descendant is married at the close of the taxpayer's taxable year, only if the taxpayer is entitled to a deduction for the taxable year for such person under section 151, or

"(ii) any other person who is a dependent of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such person under section 151, or

"(B) maintains a household which constitutes for such taxable year the principal place of abode of the father or mother of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such father or mother under section 151.

For purposes of this paragraph, an individual shall be considered as maintaining a household only if over half of the cost of maintaining the household during the taxable year is furnished by such individual.

"(2) DETERMINATION OF STATUS.—For purposes of this subsection—

"(A) a legally adopted child of a person shall be considered a child of such person by blood;

"(B) an individual who is legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married;

"(C) a taxpayer shall be considered as not married at the close of his taxable year if at any time during the taxable year his spouse is a nonresident alien; and

"(D) a taxpayer shall be considered as married at the close of his taxable year if his spouse (other than a spouse described in subparagraph (C)) died during the taxable year.

"(3) LIMITATIONS.—Notwithstanding paragraph (1), for purposes of this subtitle a taxpayer shall not be considered to be a head of a household—

"(A) if at any time during the taxable year he is a nonresident alien; or

"(B) by reason of an individual who would not be a dependent for the taxable year but for—

"(i) paragraph (9) of section 152(a),

"(ii) paragraph (10) of section 152(a), or

"(iii) subsection (c) of section 152.

"(c) CERTAIN MARRIED INDIVIDUALS LIVING APART.—For purposes of this part, an individual who, under section 143(b), is not to be considered as married shall not be considered as married.

"(d) NONRESIDENT ALIENS.—In the case of a nonresident alien individual, the tax imposed by section 1 shall apply only as provided by section 871 or 877.

"(e) CROSS REFERENCE.—

"For definition of taxable income, see section 63."

(c) OPTIONAL TAX TABLES FOR INDIVIDUALS.—Section 3 (relating to optional tax if adjusted gross income is less than $5,000) is amended to read as follows:

"SEC. 3. OPTIONAL TAX TABLES FOR INDIVIDUALS.

"In lieu of the tax imposed by section 1, there is hereby imposed for each taxable year beginning after December 31, 1969, on the taxable income of every individual whose adjusted gross income for such year is less than $10,000 and who has elected for such year to pay the tax imposed by this section, a tax determined under tables, applicable to such taxable year, which shall be prescribed by the Secretary or his delegate. In the tables so prescribed, the amounts of tax shall be computed on the basis of the taxable income computed by taking the standard deduction and on the basis of the rates prescribed by section 1."

(d) TECHNICAL, CONFORMING, AND CLERICAL AMENDMENTS.—

(1) Section 6014(a) (relating to election by taxpayer) is amended—

(A) by striking out "$5,000" in the first sentence, and inserting in lieu thereof "$10,000", and

(B) by striking out the last two sentences.

(2) Section 511(b)(1) (relating to imposition of tax on unrelated business income of charitable, etc., organizations) is amended by striking out "section 1", in the first sentence of such section, and inserting in lieu thereof "section 1(d)".

(3) Section 641 (relating to imposition of tax in respect of estates and trusts) is amended by striking out "The taxes imposed by this chapter on individuals" in subsection (a) and inserting in lieu thereof "The tax imposed by section 1(d)".

(4) Section 632 (relating to sale of oil or gas properties) is amended—

(A) by striking out "surtax" and inserting in lieu thereof "tax", and

(B) by striking out "30 percent" and inserting in lieu thereof "33 percent".

(5) Section 1347 (relating to claims against United States involving acquisition of property) is amended—

(A) by striking out "surtax" and inserting in lieu thereof "tax", and

(B) by striking out "30 percent" and inserting in lieu thereof "33 percent".

(6) Paragraphs (1) and (5) of section 5(b) (cross references) are each amended by striking out "surtax" and inserting in lieu thereof "tax".

(7) Section 6015(a)(1) (relating to declaration of estimated income tax by individuals) is amended—

(A) by striking out "section 1(b)(2)" each place it appears and inserting in lieu thereof "section 2(b)", and

(B) by striking out "section 2(b)" each place it appears and inserting in lieu thereof "section 2(a)".

(8) Section 1304(b)(1) (relating to special rules) is amended by striking out "if adjusted gross income is less than $5,000".

(9) The table of sections for part I of subchapter A of chapter 1 is amended by striking out the second and third items and inserting in lieu thereof the following:

"Sec. 2. Definitions and special rules.

"Sec. 3. Optional tax tables for individuals."

(e) Section 21(d) (relating to changes in rates during a taxable year) is amended to read as follows:

"(d) CHANGES MADE BY TAX REFORM ACT OF 1969 IN CASE OF INDIVIDUALS.—In applying subsection (a) to a taxable year of an individual which is not a calendar year, each change made by the Tax Reform Act of 1969 in part I or in the application of part IV or V of subchapter B for purposes of the determination of taxable income shall be treated as a change in a rate of tax."

(f) EFFECTIVE DATES.—The amendments made by subsections (a), (b), and (d) (other than paragraphs (1) and (8)) shall apply to taxable years beginning after December 31, 1970, except that section 2(c) of the Internal Revenue Code of 1954, as amended by subsection (b), shall also apply to taxable years beginning after December 31, 1969. The amendments made by subsections (c), (d)(1), and (d)(8) shall apply to taxable years beginning after December 31, 1969.

SEC. 804. FIFTY-PERCENT MAXIMUM RATE ON EARNED INCOME.

(a) IN GENERAL.—Part VI of subchapter Q of chapter 1 (relating to other limitations) is amended by adding at the end thereof the following new section:

"SEC. 1348. FIFTY-PERCENT MAXIMUM RATE ON EARNED INCOME.

"(a) GENERAL RULE.—If for any taxable year an individual has earned taxable income which exceeds the amount of taxable income specified in paragraph (1), the tax imposed by section 1 for such year shall, unless the taxpayer chooses the benefits of part I (relating to income averaging), be the sum of—

"(1) the tax imposed by section 1 on the lowest amount of taxable income on which the rate of tax under section 1 exceeds 50 percent,

"(2) 50 percent of the amount by which his earned taxable income exceeds the lowest amount of taxable income on which the rate of tax under section 1 exceeds 50 percent, and

"(3) the excess of the tax computed under section 1 without regard to this section over the tax so computed with reference solely to his earned taxable income.

In applying this subsection to a taxable year beginning after December 31, 1970, and before January 1, 1972, '60 percent' shall be substituted for '50 percent' each place it appears in paragraphs (1) and (2).

"(b) DEFINITIONS.—For purposes of this section—

"(1) EARNED INCOME.—The term 'earned income' means any income which is earned income within the meaning of section 401(c)(2)(C) or section 911(b), except that such term does not include any distribution to which section 72(m)(5), 72(n), 402(a)(2), or 403(a)(2)(A) applies or any deferred compensation within the meaning of section 404. For purposes of this paragraph, deferred compensation does not include any amount received before the end of the taxable year following the first taxable year of the recipient in which his right to receive such amount is not subject to a substantial risk

of forfeiture (within the meaning of section 83(c)(1)).

"(2) EARNED TAXABLE INCOME.—The earned taxable income of an individual is the excess of—

"(A) the amount which bears the same ratio (but not in excess of 100 percent) to his taxable income as his earned net income bears to his adjusted gross income, over

"(B) the amount by which the greater of—

"(i) one-fifth of the sum of the taxpayer's items of tax preference referred to in section 57 for the taxable year and the 4 preceding taxable years, or

"(ii) the sum of the items of tax preference for the taxable year, exceeds $30,000.

For purposes of subparagraph (A), the term 'earned net income' means earned income reduced by any deductions allowable under section 62 which are properly allocable to or chargeable against such earned income.

"(c) MARRIED INDIVIDUALS.—This section shall apply to a married individual only if such individual and his spouse make a single return jointly for the taxable year."

(b) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter Q of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1348. Fifty-percent maximum rate on earned income."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1970.

SEC. 805. COLLECTION OF INCOME TAX AT SOURCE ON WAGES.

(a) REQUIREMENT OF WITHHOLDING.—Section 3402(a) (relating to requirement of withholding) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) In the case of wages paid after December 31, 1969, and before July 1, 1970:

"Table 1—If the payroll period with respect to an employee is WEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $21.00	0.
Over $21.00 but not over $33.00	21% of excess over $21.00.
Over $33.00 but not over $52.00	$2.52 plus 27% of excess over $33.00.
Over $52.00 but not over $88.00	$7.65 plus 18% of excess over $52.00.
Over $88.00 but not over $177.00	$14.13 plus 21% of excess over $88.00.
Over $177.00 but not over $212.00	$32.82 plus 26% of excess over $177.00.
Over $212.00	$41.92 plus 31% of excess over $212.00.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $21.00	0.
Over $21.00 but not over $48.00	21% of excess over $21.00.
Over $48.00 but not over $88.00	$5.67 plus 16% of excess over $48.00.
Over $88.00 but not over $177.00	$12.07 plus 18% of excess over $88.00.
Over $177.00 but not over $346.00	$28.09 plus 21% of excess over $177.00.
Over $346.00 but not over $423.00	$63.58 plus 26% of excess over $346.00.
Over $423.00	$83.60 plus 31% of excess over $423.00.

"Table 2—If the payroll period with respect to an employee is BIWEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $42.00	0.
Over $42.00 but not over $65.00	21% of excess over $42.00.
Over $65.00 but not over $104.00	$4.83 plus 27% of excess over $65.00.
Over $104.00 but not over $177.00	$15.36 plus 18% of excess over $104.00.
Over $177.00 but not over $354.00	$28.50 plus 21% of excess over $177.00.
Over $354.00 but not over $423.00	$65.67 plus 26% of excess over $354.00.
Over $423.00	$83.61 plus 31% of excess over $423.00.

"(b) Married Person:

"If the amount of wages is:	The amount is income tax to be withheld shall be:
Not over $42.00	0.
Over $42.00 but not over $96.00	21% of excess over $42.00.
Over $96.00 but not over $177.00	$11.34 plus 16% of excess over $96.00.
Over $177.00 but not over $354.00	$24.30 plus 18% of excess over $177.00
Over $354.00 but not over $692.00	$56.16 plus 21% of excess over $354.00.
Over $692.00 but not over $846.00	$127.14 plus 26% of excess over $692.00.
Over $846.00	$167.18 plus 31% of excess over $846.00.

"Table 3—If the payroll period with respect to an employee is SEMIMONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $46	0.
Over $46 but not over $71	21% of excess over $46.
Over $71 but not over $113	$5.25 plus 27% of excess over $71.
Over $113 but not over $192	$16.59 plus 18% of excess over $113.
Over $192 but not over $383	$30.81 plus 21% of excess over $192.
Over $383 but not over $458	$70.92 plus 26% of excess over $383.
Over $458	$90.42 plus 31% of excess over $458.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $46	0.
Over $46 but not over $104	21% of excess over $46.
Over $104 but not over $192	$12.18 plus 16% of excess over $104.
Over $192 but not over $383	$26.26 plus 18% of excess over $192.
Over $383 but not over $750	$60.64 plus 21% of excess over $383.
Over $750 but not over $917	$137.71 plus 26% of excess over $750.
Over $917	$181.13 plus 31% of excess over $917.

"Table 4.—If the payroll period with respect to an employee is MONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $92	0.
Over $92 but not over $142	21% of excess over $92.
Over $142 but not over $225	$10.50 plus 27% of excess over $142.
Over $225 but not over $383	$32.91 plus 18% of excess over $225.
Over $383 but not over $767	$61.35 plus 21% of excess over $383.
Over $767 but not over $917	$141.99 plus 26% of excess over $767.
Over $917	$180.99 plus 31% of excess over $917.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $92	0.
Over $92 but not over $208	21% of excess over $92.
Over $208 but not over $383	$24.36 plus 16% of excess over $208.
Over $383 but not over $767	$52.36 plus 18% of excess over $383.
Over $767 but not over $1,500	$121.48 plus 21% of excess over $767.
Over $1,500 but not over $1,833	$275.41 plus 26% of excess over $1,500.
Over $1,833	$361.99 plus 31% of excess over $1,833.

"Table 5—If the payroll period with respect to an employee is QUARTERLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $275	0.
Over $275 but not over $425	21% of excess over $275.
Over $425 but not over $675	$31.50 plus 27% of excess over $425.
Over $675 but not over $1,150	$99.00 plus 18% of excess over $675.
Over $1,150 but not over $2,300	$184.50 plus 21% of excess over $1,150.
Over $2,300 but not over $2,750	$426.00 plus 26% of excess over $2,300.
Over $2,750	$543.00 plus 31% of excess over $2,750.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $275	0.
Over $275 but not over $625	21% of excess over $275.
Over $675 but not over $1,150	$73.50 plus 16% of excess over $625.
Over $1,150 but not over $2,300	$157.50 plus 18% of excess over $1,150.
Over $2,300 but not over $4,500	$364.50 plus 21% of excess over $2,300.
Over $4,500 but not over $5,500	$826.50 plus 26% of excess over $4,500.
Over $5,500	$1,086.50 plus 31% of excess over $5,500.

"Table 6—If the payroll period with respect to an employee is SEMIANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $550	0.
Over $550 but not over $850	21% of excess over $550.
Over $850 but not over $1,350	$63 plus 27% of excess over $850.
Over $1,350 but not over $2,300	$198 plus 18% of excess over $1,350.
Over $2,300 but not over $4,600	$369 plus 21% of excess over $2,300.
Over $4,600 but not over $5,500	$852 plus 26% of excess over $4,600.
Over $5,500	$1,086 plus 31% of excess over $5,500.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $550	0.
Over $550 but not over $1,250	21% of excess over $550.
Over $1,250 but not over $2,300	$147 plus 16% of excess over $1,250.
Over $2,300 but not over $4,600	$315 plus 18% of excess over $2,300.
Over $4,600 but not over $9,000	$729 plus 21% of excess over $4,600.
Over $9,000 but not over $11,000	$1,653 plus 26% of excess over $9,000.
Over $11,000	$2,173 plus 31% of excess over $11,000.

"Table 7—If the payroll period with respect to an employee is ANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $1,100	0.
Over $1,100 but not over $1,700	21% of excess over $1,100.
Over $1,700 but not over $2,700	$126 plus 27% of excess over $1,700.
Over $2,700 but not over $4,600	$396 plus 18% of excess over $2,700.
Over $4,600 but not over $9,200	$738 plus 21% of excess over $4,600.
Over $9,200 but not over $11,000	$1,704 plus 26% of excess over $9,200.
Over $11,000	$2,172 plus 31% of excess over $11,000.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $1,100	0.
Over $1,100 but not over $2,500	21% of excess over $1,100.
Over $2,500 but not over $4,600	$294 plus 16% of excess over $2,500.
Over $4,600 but not over $9,200	$630 plus 18% of excess over $4,600.
Over $9,200 but not over $18,000	$1,458 plus 21% of excess over $9,200.
Over $18,000 but not over $22,000	$3,306 plus 26% of excess over $18,000.
Over $22,000	$4,346 plus 31% of excess over $22,000.

"Table 8—If the payroll period with respect to an employee is a DAILY payroll period or a miscellaneous payroll period

"(a) Single Person—Including Head of Household:

"If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to to be withheld shall be:
Not over $3.00	0.
Over $3.00 but not over $4.70	21% of excess over $3.00.
Over $4.70 but not over $7.40	$0.36 plus 27% of excess over $4.70.
Over $7.40 but not over $12.60	$1.09 plus 18% of excess over $7.40.
Over $12.60 but not over $25.20	$2.02 plus 21% of excess over $12.60.
Over $25.20 but not over $30.10	$4.67 plus 26% of excess over $25.20.
Over $30.10	$5.94 plus 31% of excess over $30.10.

"(b) Married Person:

"If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over $3.00	0.
Over $3.00 but not over $6.80	21% of excess over $3.00.
Over $6.80 but not over $12.60	$0.80 plus 16% of excess over $6.80.
Over $12.60 but not over $25.20	$1.73 plus 18% of excess over $12.60.
Over $25.20 but not over $49.30	$3.99 plus 21% of excess over $25.20.
Over $49.30 but not over $60.30	$9.06 plus 26% of excess over $49.30.
Over $60.30	$11.92 plus 31% of excess over $60.30.

"(2) In the case of wages paid after June 30, 1970, and before January 1, 1971:

"Table 1—If the payroll period with respect to an employee is WEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $21	0.
Over $21 but not over $33	21% of excess over $21.
Over $33 but not over $52	$2.52 plus 25% of excess over $33.
Over $52 but not over $88	$7.27, plus 17% of excess over $52.
Over $88 but not over $177	$13.39, plus 21% of excess over $88.
Over $177 but not over $212	$32.08, plus 25% of excess over $177.
Over $212	$40.83, plus 30% of excess over $212.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $21	0.
Over $21, but not over $48	21% of excess over $21.
Over $48, but not over $88	$5.67, plus 15% of excess over $48.
Over $88 but not over $177	$11.67, plus 17% of excess over $88.
Over $177 but not over $346	$26.80, plus 20% of excess over $177.
Over $346 but not over $423	$60.60, plus 25% of excess over $346.
Over $423	$79.85, plus 30% of excess over $423.

"Table 2—If the payroll period with respect to an employee is BIWEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $42	0.
Over $42 but not over $65	21% of excess over $42.
Over $65 but not over $104	$4.83 plus 25% of excess over $65.
Over $104 but not over $177	$14.58 plus 17% of excess over $104.
Over $177 but not over $354	$26.99 plus 21% of excess over $177.
Over $354 but not over $423	$64.16 plus 25% of excess over $354.
Over $423	$81.41 plus 30% of excess over $423.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $42	0.
Over $42 but not over $96	21% of excess over $42.
Over $96 but not over $177	$11.34 plus 15% of excess over $96.
Over $177 but not over $354	$23.49 plus 17% of excess over $177.
Over $354 but not over $692	$53.58 plus 20% of excess over $354.
Over $692 but not over $846	$121.18 plus 25% of excess over $692.
Over $846	$159.68 plus 30% of excess over $846.

"Table 3—If the payroll period with respect to an employee is SEMI-MONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $46	0.
Over $46 but not over $71	21% of excess over $46.
Over $71 but not over $113	$5.25 plus 25% of excess over $71.
Over $113 but not over $192	$15.75 plus 17% of excess over 113.
Over $192 but not over $383	$29.18 plus 21% of excess over $192.
Over $383 but not over $458	$69.29 plus 25% of excess over $383.
Over $458	$88.04 plus 30% of excess over $458.

"(a) Single Person—Including Head of Household—Continued

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $46	0.
Over $46 but not over $104	21% of excess over $46.
Over $104 but not over $192	$12.18 plus 15% of excess over $104.
Over $192 but not over $383	$25.38 plus 17% of excess over $192.
Over $383 but not over $750	$57.85 plus 20% of excess over $383
Over $750 but not over $917	$131.25 plus 25% of excess over $750.
Over $917	$173.00 plus 30% of excess over $917.

"Table 4.—If the payroll period with respect to an employee is MONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $92	0.
Over $92 but not over $142	21% of excess over $92.
Over $142 but not over $225	$10.50 plus 25% of excess over $142.
Over $225 but not over $383	$31.25 plus 17% of excess over $225.
Over $383 but not over $767	$58.11 plus 21% of excess over $383.
Over $767 but not over $917	$138.75 plus 25% of excess over $767.
Over $917	$176.25 plus 30% of excess over $917.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $92	0.
Over $92 but not over $208	21% of excess over $92.
Over $208 but not over $383	$24.36 plus 15% of excess over $208.
Over $383 but not over $767	$50.61 plus 17% of excess over $383.
Over $767 but not over $1,500	$115.89 plus 20% of excess over $767.
Over $1,500 but not over $1,833	$262.49 plus 25% of excess over $1,500.
Over $1,833	$345.74 plus 30% of excess over $1,833.

"Table 5—If the payroll period with respect to an employee is QUARTERLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $275	0.
Over $275 but not over $425	21% of excess over $275.
Over $25 but not over $675	$31.50 plus 25% of excess over $4.25.
Over $675 but not over $1,150	$94.00 plus 17% of excess over $675.
Over $1,150 but not over $2,300	$174.75 plus 21% of excess over $1,150.
Over $2,300 but not over $2,750	$416.25 plus 25% of excess over $2,300.
Over $2,750	$528.75 plus 30% of excess over $2,750.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $275	0.
Over $275 but not over $625	21% of excess over $275.
Over $625 but not over $1,150	73.50 plus 15% of excess over $625.
Over $1,150 but not over $2,300	$152.25 plus 17% of excess over $1,150.
Over $2,300 but not over $4,500	$347.75 plus 20% of excess over $2,300.
Over $4,500 but not over $5,500	$787.75 plus 25% of excess over $4,500.
Over $5,500	$1,037.75 plus 30% of excess over $5,500.

"Table 6—If the payroll period with respect to an employee is SEMIANNUAL

"(a) Single Person—Including Head of Household:

If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $550	0.
Over $550 but not over $850	21% of excess over $550.
Over $850 but not over $1,350	$63.00 plus 25% of excess over $850.
Over $1,350 but not over $2,300	$188.00 plus 17% of excess over $1,350.
Over $2,300 but not over $4,600	$349.50 plus 21% of excess over $2,300.
Over $4,600 but not over $5,500	$832.50 plus 25% of excess over $4,600.
Over $5,500	$1,057.50 plus 30% of excess over $5,500.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $550	0.
Over $550 but not over $1,250	21% of excess over $550.
Over $1,250 but not over $2,300	$147.00 plus 15% of excess over $1,250.
Over $2,300 but not over $4,600	$304.50 plus 17% of excess over $2,300.
Over $4,600 but not over $9,000	$695.50 plus 20% of excess over $4,600.
Over $9,000 but not over $11,000	$1,575.50 plus 25% of excess over $9,000.
Over $11,000	$2,075.50 plus 30% of excess over $11,000.

"Table 7—If the payroll period with respect to an employee is ANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $1,000	0.
Over $1,100 but not over $1,700	21% of excess over $1,100.
Over $1,700 but not over $2,700	$126 plus 25% of excess over $1,700.
Over $2,700 but not over $4,600	$376 plus 17% of excess over $2,700.
Over $4,600 but not over $9,200	$699 plus 21% of excess over $4,600.
Over $9,200 but not over $11,000	$1,665 plus 25% of excess over $9,200.
Over $11,000	$2,115 plus 30% of excess over $11,000.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $1,000	0.
Over $1,100 but not over $2,500	21% of excess over $1,100.
Over $2,500 but not over $4,600	$294 plus 15% of excess over $2,500.
Over $4,600 but not over $9,200	$609 plus 17% of excess over $4,600.
Over $9,200 but not over $18,000	$1,391 plus 20% of excess over $9,200.
Over $18,000 but not over $22,000	$3,151 plus 25% of excess over $18,000.
Over $22,000	$4,151 plus 30% of excess over $22,000.

"Table 8—If the payroll period with respect to an employee is a DAILY payroll period or a miscellaneous payroll period

"(a) Single Person—Including Head of Household:

"If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over $3.00	0.
Over $3.00 but not over $4.70	21% of excess over $3.00.
Over $4.70 but not over $7.40	$0.36 plus 25% of excess over $4.70.
Over $7.40 but not over $12.60	$1.03 plus 17% of excess over $7.40.
Over $12.60 but not over $25.20	$1.92 plus 21% of excess over $12.60.
Over $25.20 but not over $30.10	$4.56 plus 25% of excess over $25.20.
Over $30.10	$5.79 plus 30% of excess over $30.10.

"(b) Married Person:

"If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over $3.00	0.
Over $3.00 but not over $6.80	21% of excess over $3.00.
Over $6.80 but not over $12.60	$0.80 plus 15% of excess over $6.80.
Over $12.60 but not over $25.20	$1.67 plus 17% of excess over $12.60.
Over $25.20 but not over $49.30	$3.81 plus 20% of excess over $25.20.
Over $49.30 but not over $60.30	$8.63 plus 25% of excess over $49.30.
Over $60.30	$11.38 plus 30% of excess over $60.30.

"(3) In the case of wages paid after December 31, 1970, and before January 1, 1972:

"Table 1—If the payroll period with respect to an employee is WEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $20	0.
Over $20 but not over $31	14% of excess over $20.
Over $31 but not over $50	$1.54 plus 17% of excess over $31.

"(a) Single Person—Including Head of Household—Continued

Over $50 but not over $100	$4.77 plus 20% of excess over $50.
Over $100 but not over $135	$14.77 plus 18% of excess over $100.
Over $135 but not over $212	$21.07 plus 21% of excess over $135.
Over $212	$37.24 plus 24% of excess over $212.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $20	0.
Over $20 but not over $42	14% of excess over $20.
Over $42 but not over $77	$3.08 plus 17% of excess over $42.
Over $77 but not over $163	$9.03 plus 16% of excess over $77.
Over $163 but not over $269	$22.79 plus 19% of excess over $163.
Over $269 but not over $385	$42.93 plus 21% of excess over $269.
Over $385	$67.29 plus 25% of excess over $385.

"Table 2—If the payroll period with respect to an employee is BI-WEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $40	0.
Over $40 but not over $62	14% of excess over $40.
Over $62 but not over $100	$3.08 plus 17% of excess over $62.
Over $100 but not over $200	$9.54 plus 20% of excess over $100.
Over $200 but not over $269	$29.54 plus 18% of excess over $200.
Over $269 but not over $423	$41.96 plus 21% of excess over $269.
Over $423	$74.30 plus 24% of excess over $432.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $40	0.
Over $40 but not over $85	14% of excess over $40.
Over $85 but not over $154	$6.30 plus 17% of excess over $85.
Over $154 but not over $327	$18.03 plus 16% of excess over $154.
Over $327 but not over $538	$45.71 plus 19% of excess over $327.
Over $538 but not over $769	$85.80 plus 21% of excess over $538.
Over $769	$134.31 plus 25% of excess over $769.

"Table 3—If the payroll period with respect to an employee is SEMIMONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $44	0.
Over $44 but not over $67	14% of excess over $44.
Over $67 but not over $108	$3.22 plus 17% of excess over $67.
Over $108 but not over $217	$10.19 plus 20% of excess over $108.
Over $217 but not over $292	$31.99 plus 18% of excess over $217.
Over $292 but not over $458	$45.49 plus 21% of excess over $292.
Over $458	$80.35 plus 24% of excess over $458.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $44	0.
Over $44 but not over $92	14% of excess over $44.
Over $92 but not over $167	$6.72 plus 17% of excess over $92.
Over $167 but not over $354	$19.47 plus 16% of excess over $167.
Over $354 but not over $583	$49.39 plus 19% of excess over $354.
Over $583 but not over $833	$92.90 plus 21% of excess over $583.
Over $833	$145.40 plus 25% of excess over $833.

"Table 4—If the payroll period with respect to an employees is MONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $88	0.
Over $88 but not over $133	14% of excess over $88.
Over $133 but not over $217	$6.30 plus 17% of excess over $133.
Over $217 but not over $433	$20.58 plus 20% of excess over $217.
Over $433 but not over $583	$63.78 plus 18% of excess over $433.
Over $583 but not over $917	$90.78 plus 21% of excess over $583.
Over $917	$160.92 plus 24% of excess over $917.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheldd shall be:
Not over $88	0.
Over $88 but not over $183	14% of excess over $88.
Over $183 but not over $333	$13.30 plus 17% of excess over $183.
Over $333 but not over $708	$38.80 plus 16% of excess over $333.
Over $708 but not over $1,167	$98.80 plus 19% of excess over $708.
Over $1,167 but not over $1,667	$186.01 plus 21% of excess over $1,167.
Over $1,667	$291.01 plus 25% of excess over $1,667.

"Table 5—If the payroll period with respect to an employee is QUARTERLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $263	0.
Over $263 but not over $400	14% of excess over $263.
Over $400 but not over $650	$19.18 plus 17% of excess over $400.
Over $650 but not over $1,300	$61.68 plus 20% of excess over $650.
Over $1,300 but not over $1,750	$191.68 plus 18% of excess over $1,300.
Over $1,750 but not over $2,750	$272.68 plus 21% of excess over $1,750.
Over $2,750	$482.68 plus 24% of excess over $2,750.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $263	0.
Over $263 but not over $550	14% of excess over $263.
Over $550 but not over $1,000	$40.18 plus 17% of excess over $550.
Over $1,000 but not over $2,125	$116.68 plus 16% of excess over $1,000.
Over $2,125 but not over $3,500	$296.68 plus 19% of excess over $2,125.
Over $3,500 but not over $5,000	$557.93 plus 21% of excess over $3,500.
Over $5,000	$872.93 plus 25% of excess over $5,000.

"Table 6—If the payroll period with respect to an employee is SEMIANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $525	0.
Over $525 but not over $800	14% of excess over $525.
Over $800 but not over $1,300	$38.50 plus 17% of excess over $800.
Over $1,300 but not over $2,600	$123.50 plus 20% of excess over $1,300.
Over $2,600 but not over $3,500	$383.50 plus 18% of excess over $2,600.
Over $3,500 but not over $5,500	$545.50 plus 21% of excess over $3,500.
Over $5,500	$965.50 plus 24% of excess over $5,500.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $525	0.
Over $525 but not over $1,100	14% of excess over $525.
Over $1,100 but not over $4,200	$80.50 plus 17% of excess over $1,100.

"(b) Married person—Continued

Over $2,000 but not over $4,250	$233.50 plus 16% of excess over $2,000.
Over $4,250 but not over $7,000	$593.50 plus 19% of excess over $4,250.
Over $7,000 but not over $10,000	$1,116.00 plus 21% of excess over $7,000.
Over $10,000	$1,746.000 plus 25% of excess over $10,000.

"Table 7—If the payroll period with respect to an employee is ANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $1,050	0.
Over $1,050 but not over $1,600	14% of excess over $1,050.
Over $1,600 but not over $2,600	$77 plus 17% of excess over $1,600.
Over $2,600 but not over $5,200	$247 plus 20% of excess over $2,600.
Over $5,200 but not over $7,000	$767 plus 18% of excess over $5,200.
Over $7,000 but not over $11,000.	$1,091 plus 21% of excess over $7,000.
Over $11,000	$1,931 plus 24% of excess over $11,000.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $1,050	0.
Over $1,050 but not over $2,200	14% of excess over $1,050.
Over $2,200 but not over $4,000	$161 plus 17% of excess over $2,200.
Over $4,000 but not over $8,500	$467 plus 16% of excess over $4,000.
Over $8,500 but not over $14,000	$1,187 plus 19% of excess over $8,500.
Over $14,000 but not over $20,000	$2,232 plus 21% of excess over $14,000.
Over $20,000	$3,492 plus 25% of excess over $20,000.

"Table 8.—If the payroll period with respect to an employee is a DAILY payroll period or a miscellaneous payroll period

"(a) Single Person—Including Head of Household:

"If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over $2.90	0.
Over $2.90 but not over $4.40	14% of excess over $2.90.
Over $4.40 but not over $7.10	$0.21 plus 17% of excess over $4.40.
Over $7.10 but not over $14.20	$0.67 plus 20% of excess over $7.10.
Over $14.20 but not over $19.20	$2.09 plus 18% of excess over $14.20.
Over $19.20 but not over $30.10	$2.99 plus 21% of excess over $19.20.
Over $30.10	$5.28 plus 24% of excess over $30.10.

"(b) Married Person:

"If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over $2.90	0.
Over $2.90 but not over $6.00	14% of excess over $2.90.
Over $6.00 but not over $11.00	$0.43 plus 17% of excess over $6.00.
Over $11.00 but not over $23.30	$1.28 plus 16% of excess over $11.00.
Over $23.30 but not over $38.40	$3.25 plus 19% of excess over $23.30.
Over $38.40 but not over $54.80	$6.12 plus 21% of excess over $38.40.
Over $54.80	$9.57 plus 25% of excess over $54.80.

"(4) In case of wages paid after December 31, 1971, and before January 1, 1973:

"Table 1—If the payroll period with respect to an employee is WEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $19	0.
Over $19 but not over $38	14% of excess over $19.
Over $38 but not over $58	$2.66 plus 17% of excess over $38.
Over $58 but not over $87	$6.06 plus 19% of excess over $58.
Over $87 but not over $135	$11.57 plus 20% of excess over $87.
Over $135 but not over $221	$21.17 plus 21% of excess over $135.
Over $221	$39.23 plus 24% of excess over $221.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $19	0.
Over $19 but not over $48	14% of excess over $19.
Over $48 but not over $183	$4.06 plus 16% of excess over $48.
Over $183 but not over $269	$25.66 plus 19% of excess over $183.
Over $269 but not over $365	$42.00 plus 21% of excess over $269.
Over $365 but not over $442	$62.16 plus 24% of excess over $365.
Over $442	$80.64 plus 28% of excess over $442.

"Table 2—If the payroll period with respect to an employee is BIWEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $38	0.
Over $38 but not over $77	14% of excess over $38.
Over $77 but not over $115	$5.46 plus 17% of excess over $77.
Over $115 but not over $173	$11.92 plus 19% of excess over $115.
Over $173 but not over $269	$22.94 plus 20% of excess over $173.
Over $269 but not over $442	$42.14 plus 21% of excess over $269.
Over $442	$78.47 plus 24% of excess over $442.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $38	0.
Over $38 but not over $96	14% of excess over $38.
Over $96 but not over $365	$8.12 plus 16% of excess over $96.
Over $365 but not over $538	$51.16 plus 19% of excess over $365.
Over $538 but not over $731	$84.03 plus 21% of excess over $538.
Over $731 but not over $885	$124.56 plus 24% of excess over $731.
Over $885	$161.52 plus 28% of excess over $885.

"Table 3—If the payroll period with respect to an employee is SEMI-MONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $42	0.
Over $42 but not over $83	14% of excess over $42.
Over $83 but not over $125	$5.74 plus 17% of excess over $83.
Over $125 but not over $188	$12.88 plus 19% of excess over $125.
Over $188 but not over $292	$24.85 plus 20% of excess over $188.
Over $292 but not over $479	$45.65 plus 21% of excess over $292.
Over $479	$84.92 plus 24% of excess over $479.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $42	0.
Over $42 but not over $104	14% of excess over $42.
Over $104 but not over $396	$8.68 plus 16% of excess over $104.
Over $396 but not over $583	$55.40 plus 19% of excess over $396.
Over $583 but not over $792	$90.93 plus 21% of excess over $583.
Over $792 but not over $958	$134.82 plus 24% of excess over $792.
Over $958	$174.66 plus 28% of excess over $958.

"Table 4—If the payroll period with respect to an employee is MONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $83	0.
Over $83 but not over $167	14% of excess over $83.
Over $167 but not over $250	$11.76 plus 17% of excess over $167.
Over $250 but not over $375	$25.87 plus 19% of excess over $250.

"(a) Single Person—Including Head of Household—Continued

Over $375 but not over $583	$49.62 plus 20% of excess over $375.
Over $583 but not over $958	$91.22 plus 21% of excess over $583.
Over $958	$169.97 plus 24% of excess over $958.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $83	0.
Over $83 but not over $208	14% of excess over $83.
Over $208 but not over $792	$17.50 plus 16% of excess over $208.
Over $792 but not over $1,167	$110.94 plus 19% of excess over $792.
Over $1,167 but not over $1,583	$182.19 plus 21% of excess over $1,167.
Over $1,583 but not over $1,917	$269.55 plus 24% of excess over $1,583.
Over $1,917	$349.71 plus 28% of excess over $1,917.

"Table 5—If the payroll period with respect to an employee is QUARTERLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $250	0.
Over $250 but not over $500	14% of excess over $250.
Over $500 but not over $750	$35.00 plus 17% of excess over $500.
Over $750 but not over $1,125	$77.50 plus 19% of excess over $750.
Over $1,125 but not over $1,750	$148.75 plus 20% of excess over $1,125.
Over $1,750 but not over $2,875	$273.75 plus 21% of excess over $1,750.
Over $2,875	$510.00 plus 24% of excess over $2,875.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $250	0.
Over $250 but not over $625	14% of excess over $250.
Over $625 but not over $2,375	$52.50 plus 16% of excess over $625.
Over $2,375 but not over $3,500	$332.50 plus 19% of excess over $2,375.
Over $3,500 but not over $4,750	$546.25 plus 21% of excess over $3,500.
Over $4,750 but not over $5,750	$808.75 plus 24% of excess over $4,750.
Over $5,750	$1,048.75 plus 28% of excess over $5,750.

"Table 6—If the payroll period with respect to an employee is SEMIANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $500	0.
Over $500 but not over $1,000	14% of excess over $500.
Over $1,000 but not over $1,500	$70.00 plus 17% of excess over $1,000.
Over $1,500 but not over $2,250	$155.00 plus 19% of excess over $1,500.
Over $2,250 but not over $3,500	$297.50 plus 20% of excess over $2,250.
Over $3,500 but not over $5,750	$547.50 plus 21% of excess over $3,500.
Over $5,750	$1,020.00 plus 24% of excess over $5,750.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $500	0.
Over $500 but not over $1,250	14% of excess over $500.
Over $1,250 but not over $4,750	$105.00 plus 16% of excess over $1,250.
Over $4,750 but not over $7,000	$665.00 plus 19% of excess over $4,750.
Over $7,000 but not over $9,500	$1,092.50 plus 21% of excess over $7,000.
Over $9,500 but not over $11,500	$1,617.50 plus 24% of excess over $9,500.
Over $11,500	$2,097.50 plus 28% of excess over $11,500.

"Table 7—If the payroll period with respect to an employee is ANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $1,000	0.
Over $1,000 but not over $2,000	14% of excess over $1,000.
Over $2,000 but not over $3,000	$140 plus 17% of excess over $2,000.
Over $3,000 but not over $4,500	$310 plus 19% of excess over $3,000.
Over $4,500 but not over $7,000	$595 plus 20% of excess over $4,500.
Over $7,000 but not over $11,500	$1,095 plus 21% of excess over $7,000.
Over $11,500	$2,040 plus 24% of excess over $11,500.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $1,000	0.
Over $1,000 but not over $2,500	14% of excess over $1,000.
Over $2,500 but not over $9,500	$210 plus 16% of excess over $2,500.
Over $9,500 but not over $14,000	$1,330 plus 19% of excess over $9,500.
Over $14,000 but not over $19,000	$2,185 plus 21% of excess over $14,000.
Over $19,000 but not over $23,000	$3,235 plus 24% of excess over $19,000.
Over $23,000	$4,195 plus 28% of excess over $23,000.

"Table 8—If the payroll period with respect to an employee is a DAILY payroll period or a miscellaneous payroll period

"(a) Singe Person—Including Head of Household:

"If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over $2.70	0.
Over $2.70 but not over $5.50	14% in excess over $2.70.
Over $5.50 but not over $8.20	0.39 plus 17% of excess over $5.50.
Over $8.20 but not over $12.30	$0.85 plus 19% of excess over $8.20.
Over $12.30 but not over $19.20	$1.63 plus 20% of excess over $12.30.
Over $19.20 but not over $31.50	$3.01 plus 21% of excess over $19.20
Over $31.50	$5.59 plus 24% of excess over $31.50.

"(b) Married Person:

"If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over $2.70	0.
Over $2.70 but not over $6.80	14% of excess over $2.70.
Over $6.80 but not over $26.00	$0.57 plus 16% of excess over $6.80.
Over $26.00 but not over $38.40	$3.65 plus 19% of excess over $26.00.
Over $38.40 but not over $52.10	$6.00 plus 21% of excess over $38.40.
Over $52.10 but not over $63.00	$8.88 plus 24% of excess over $52.10.
Over $63.000	$11.50 plus 28% of excess over $63.00.

"(5) In the case of wages paid after December 31, 1972:

"Table 1—If the payroll period with respect to an employee is WEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $19	0.
Over $19 but not over $38	14% of excess over $19.
Over $38 but not over $58	$2.66 plus 17% of excess over $38.
Over $58 but not over $96	$6.06 plus 19% of excess over $58.
Over $96 but not over $183	$13.28 plus 20% of excess over $96.
Over $183 but not over $221	$30.68 plus 21% of excess over $183.
Over $221	$38.66 plus 23% of excess over $221.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $19	0.
Over $19 but not over $38	14% of excess over $19.
Over $38 but not over $96	$2.66 plus 15% of excess over $38.
Over $96 but not over $183	$11.36 plus 16% of excess over $96.
Over $183 but not over $288	$25.28 plus 19% of excess over $183.
Over $288 but not over $442	$45.23 plus 22% of excess over $288.
Over $442	$79.11 plus 27% of excess over $442.

"Table 2—if the payroll period with respect to an employee is BIWEEKLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $38	0.
Over $38 but not over $77	14% of excess over $38.
Over $77 but not over $115	$5.46 plus 17% of excess over $77.
Over $115 but not over $192	$11.92 plus 19% of excess over $115.
Over $192 but not over $365	$26.55 plus 20% of excess over $192.
Over $365 but not over $442	$61.15 plus 21% of excess over $365.
Over $442	$77.32 plus 23% of excess over $442.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $38	0.
Over $38 but not over $77	14% of excess over $38.
Over $77 but not over $192	$5.46 plus 15% of excess over $77.
Over $192 but not over $365	$22.71 plus 16% of excess over $192.
Over $365 but not over $577	$50.39 plus 19% of excess over $365.
Over $577 but not over $885	$90.67 plus 22% of excess over $577.
Over $885	$158.43 plus 27% of excess over $885.

"Table 3—If the payroll period with respect to an employee is SEMIMONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $42	0.
Over $42 but not over $83	14% of excess over $42.
Over $83 but not over $125	$5.74 plus 17% of excess over $83.
Over $125 but not over $208	$12.88 plus 19% of excess over $125.
Over $208 but not over $396	$28.65 plus 20% of excess over $208.
Over $396 but not over $479	$66.25 plus 21% of excess over $396.
Over $479	$83.68 plus 23% of excess over $479.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $42	0.
Over $42 but not over $83	14% of excess over $42.
Over $83 but not over $208	$5.74 plus 15% of excess over $83.
Over $208 but not over $396	$24.49 plus 16% of excess over $208.
Over $396 but not over $625	$54.57 plus 19% of excess over $396.
Over $625 but not over $958	$98.08 plus 22% of excess over $625.
Over $958	$171.34 plus 27% of excess over $958.

"Table 4—If the payroll period with respect to an employee is MONTHLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $83	0.
Over $83 but not over $167	14% of excess over $83.
Over $167 but not over $250	$11.76 plus 17% of excess over $167.
Over $250 but not over $417	$25.87 plus 19% of excess over $250.
Over $417 but not over $792	$57.60 plus 20% of excess over $417.
Over $792 but not over $958	$132.60 plus 21% of excess over $792.
Over $958	$167.46 plus 23% of excess over $958.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $83	0.
Over $83 but not over $167	14% of excess over $83.
Over $167 but not over $417	$11.76 plus 15% of excess over $167.
Over $417 but not over $792	$49.26 plus 16% of excess over $417.
Over $792 but not over $1,250	$109.26 plus 19% of excess over $792.
Over $1,250 but not over $1,917	$196.28 plus 22% of excess over $1,250.
Over $1,917	$343.02 plus 27% of excess over $1,917.

"Table 5.—If the payroll period with respect to an employee is QUARTERLY

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $250	0.
Over $250 but not over $500	14% of excess over $250.
Over $500 but not over $750	$35.00 plus 17% of excess over $500.
Over $750 but not over $1,250	$77.50 plus 19% of excess over $750.
Over $1,250 but not over $2,375	$172.50 plus 20% of excess over $1,250.
Over $2,375 but not over $2,875	$397.50 plus 21% of excess over $2,375.
Over $2,875	$502.50 plus 23% of excess over $2,875.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $250	0.
Over $250 but not over $500	14% of excess over $250.
Over $500 but not over $1,250	$35.00 plus 15% of excess over $500.
Over $1,250 but not over $2,375	$147.50 plus 16% of excess over $1,250.
Over $2,375 but not over $3,750	$327.50 plus 19% of excess over $2,375.
Over $3,750 but not over $5,750	$588.75 plus 22% of excess over $3,750.
Over $5,750	$1,028.75 plus 27% of excess over $5,750.

"Table 6—If the payroll period with respect to an employee is SEMIANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $500	0.
Over $500 but not over $1,000	14% of excess over $500.
Over $1,000 but not over $1,500	$70.00 plus 17% of excess over $1,000.
Over $1,500 but not over $2,500	$155.00 plus 19% of excess over $1,500.
Over $2,500 but not over $4,750	$345.00 plus 20% of excess over $2,500.
Over $4,750 but not over $5,750	$795.00 plus 21% of excess over $4,750.
Over $5,750	$1,005.00 plus 23% of excess over $5,750.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $500	0.
Over $500 but not over $1,000	14% of excess over $500.
Over $1,000 but not over $2,500	$70.00 plus 15% of excess over $1,000.
Over $2,500 but not over $4,750	$295.00 plus 16% of excess over $2,500.
Over $4,750 but not over $7,500	$655.00 plus 19% of excess over $4,750.
Over $7,500 but not over $11,500	$1,177.50 plus 22% of excess over $7,500.
Over $11,500	$2,057.50 plus 27% of excess over $11,500.

"Table 7—If the payroll period with respect to an employee is ANNUAL

"(a) Single Person—Including Head of Household:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $1,000	0.
Over $1,000 but not over $2,000	14% of excess over $1,000.
Over $2,000 but not over $3,000	$140 plus 17% of excess over $2,000.
Over $3,000 but not over $5,000	$310 plus 19% of excess over $3,000.
Over $5,000 but not over $9,500	$690 plus 20% of excess over $5,000.
Over $9,500 but not over $11,500	$1,590 plus 21% of excess over $9,500.
Over $11,500	$2,010 plus 23% of excess over $11,500.

"(b) Married Person:

"If the amount of wages is:	The amount of income tax to be withheld shall be:
Not over $1,000	0.
Over $1,000 but not over $2,000	14% of excess over $1,000.
Over $2,000 but not over $5,000	$140 plus 15% of excess over $2,000.
Over $5,000 but not over $9,500	$590 plus 16% of excess over $5,000.
Over $9,500 but not over $15,000	$1,310 plus 19% of excess over $9,500.
Over $15,000 but not over $23,000	$2,355 plus 22% of excess over $15,000.
Over $23,000	$4,115 plus 27% of excess over $23,000.

"Table 8.—If the payroll period with respect to an employee is a DAILY payroll period or a miscellaneous payroll period

"(a) Single Person—Including Head of Household:

"If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over $2.70	0.
Over $2.70 but not over $5.50	14% of excess over $2.70.
Over $5.50 but not over $8.20	$0.39 plus 17% of excess over $5.50.
Over $8.20 but not over $13.70	$0.85 plus 19% of excess over $8.20.
Over $13.70 but not over $26.00	$1.90 plus 20% of excess over $13.70.
Over $26.00 but not over $31.50	$4.36 plus 21% of excess over $26.00.
Over $31.50	$5.51 plus 23% of excess over $31.50.

"(b) Married Person:

"If the amount of wages divided by the number of days in the payroll period is:	The amount of income tax to be withheld shall be:
Not over $2.70	0.
Over $2.70 but not over $5.50	14% of excess over $2.70.
Over $5.50 but not over $13.70	$0.39 plus 15% of excess over $5.50.
Over $13.70 but not over $26.00	$1.62 plus 16% of excess over $13.70.
Over $26.00 but not over $41.10	$3.59 plus 19% of excess over $26.00.
Over $41.10 but not over $63.00	$6.46 plus 22% of excess over $41.10.
Over $63.00	$11.28 plus 27% of excess over $63.00."

(b) PERCENTAGE METHOD OF WITHHOLDING.—

(1) WAGES PAID BEFORE JULY 1, 1970.—Effective with respect to wages paid after December 31, 1969, and before July 1, 1970, the table contained in section 3402(b)(1) is amended to read as follows:

"Percentage Method Withholding Table

"Payroll period	Amount of one withholding exemption:
Weekly	$11.50
Biweekly	23.00
Semimonthly	25.00
Monthly	50.00
Quarterly	150.00
Semiannual	300.00
Annual	600.00
Daily or miscellaneous (per day of such period)	1.60."

(2) WAGES PAID IN 1970 AND 1971.—Effective with respect to wages paid after June 30, 1970, and before January 1, 1972, the table contained in section 3402(b)(1) is amended to read as follows:

"Percentage Method Withholding Table

"Payroll period	Amount of one withholding exemption:
Weekly	$12.50
Biweekly	25.00
Semimonthly	27.10
Monthly	54.20
Quarterly	162.50
Semiannual	325.00
Annual	650.00
Daily or miscellaneous (per day of such period)	1.80."

(3) WAGES PAID DURING 1972.—Effective with respect to wages paid during 1972, the table contained in section 3402(b)(1) is amended to read as follows:

"Percentage Method Withholding Table

"Payroll period	Amount of one withholding exemption:
Weekly	$13.50
Biweekly	26.90
Semimonthly	29.20
Monthly	58.30
Quarterly	175.00
Semiannual	350.00
Annual	700.00
Daily or miscellaneous (per day of such period)	1.90."

(4) WAGES PAID AFTER 1972.—Effective with respect to wages paid after 1972, the table contained in section 3402(b)(1) is amended to read as follows:

"Percentage Method Withholding Table

"Payroll period	Amount of one withholding exemption:
Weekly	$14.40
Biweekly	28.80
Semimonthly	31.30
Monthly	62.50
Quarterly	187.50
Semiannual	375.00
Annual	750.00
Daily or miscellaneous (per day of such period)	2.10."

(c) WAGE BRACKET WITHHOLDING.—Section 3402(c) (relating to wage bracket withholding) is amended—

(1) by striking out paragraph (1) and inserting in lieu thereof the following:

"(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax (in lieu of the tax required to be deducted and withheld under subsection (a)) determined in accordance with tables prescribed by the Secretary or his delegate in accordance with paragraph (6),", and

(2) by striking out paragraph (6) and inserting in lieu thereof the following:

"(6) In the case of wages paid after December 31, 1969, the amount deducted and withheld under paragraph (1) shall be determined in accordance with tables prescribed by the Secretary or his delegate. In the tables so prescribed, the amounts set forth as amounts of wages and amounts of income tax to be deducted and withheld shall be computed on the basis of table 7 contained in paragraph (1), (2), (3), (4), or (5) (whichever is applicable) of subsection (a)."

(d) ALTERNATIVE METHODS OF COMPUTING AMOUNT TO BE WITHHELD.—Section 3402(h) (relating to withholding on basis of average wages) is amended to read as follows:

"(h) ALTERNATIVE METHODS OF COMPUTING AMOUNT TO BE WITHHELD.—The Secretary or his delegate may, under regulations prescribed by him, authorize—

"(1) WITHHOLDING ON BASIS OF AVERAGE WAGES.—An employer—

"(A) to estimate the wages which will be paid to any employee in any quarter of the calendar year,

"(B) to determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid, and

"(C) to deduct and withhold upon any payment of wages to such employee during such quarter (and, in the case of tips referred to in subsection (k), within 30 days thereafter) such amount as may be necessary to adjust the amount actually deducted and withheld upon the wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this subsection.

"(2) WITHHOLDING ON BASIS OF ANNUALIZED WAGES.—An employer to determine the amount of tax to be deducted and withheld upon a payment of wages to an employee for a payroll period by—

"(A) multiplying the amount of an employee's wages for a payroll period by the number of such payroll periods in the calendar year,

"(B) determining the amount of tax which would be required to be deducted and withheld upon the amount determined under subparagraph (A) if such amount constituted the actual wages for the calendar year and the payroll period of the employee were an annual payroll period, and

"(C) dividing the amount of tax determined under subparagraph (B) by the number of payroll periods (described in subparagraph (A)) in the calendar year.

"(3) WITHHOLDING ON BASIS ON CUMULATIVE WAGES.—An employer, in the case of any employee who requests to have the amount of tax to be withheld from his wages computed on the basis of his cumulative wages, to—

"(A) add the amount of the wages to be paid to the employee for the payroll period to the total amount of wages paid by the employer to the employee during the calendar year,

"(B) divide the aggregate amount of wages computed under subparagraph (A) by the number of payroll periods to which such aggregate amount of wages relates,

"(C) compute the total amount of tax that would have been required to be deducted and withheld under subsection (a) if the average amount of wages (as computed under subparagraph (B)) had been paid to the employee for the number of payroll periods to which the aggregate amount of wages (computed under subparagraph (A)) relates,

"(D) determine the excess, if any, of the amount of tax computed under subparagraph (C) over the total amount of tax deducted and withheld by the employer from wages paid to the employee during the calendar year, and

"(E) deduct and withhold upon the payment of wages (referred to in subparagraph (A)) to the employee an amount equal to the excess (if any) computed under subparagraph (D).

"(4) OTHER METHODS.—An employer to determine the amount of tax to be deducted and withheld upon the wages paid to an employee by any other method which will require the employer to deduct and withhold upon such wages substantially the same amount as would be required to be deducted and withheld by applying subsection (a) or (c), either with respect to a payroll period or with respect to the entire taxable year."

(e) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—Section 3402(m) (relating to withholding allowances based on itemized deductions in the case of income tax collected at source) is amended:

(1) by redesignating paragraph (2)(C) as paragraph (2)(D), and

(2) by amending that portion of such section as precedes paragraph (2)(D) (as redesignated) to read as follows:

"(m) WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS.—

"(1) GENERAL RULE.—An employee shall be entitled to withholding allowances under this subsection with respect to a payment of wages in a number equal to the number determined by dividing by $750 the excess of—

"(A) his estimated itemized deductions, over

"(B) an amount equal to 15 percent of his estimated wages.

For purposes of this subsection, a fractional number shall not be taken into account unless it amounts to one-half or more, in which case it shall be increased to 1.

"(2) DEFINITIONS.—For the purposes of this subsection—

"(A) ESTIMATED ITEMIZED DEDUCTIONS.—The term 'estimated itemized deductions' means the aggregate amount which he reasonably expects will be allowable as deductions under chapter 1 (other than the deductions referred to in sections 141 and 151 and other than the deductions required to be taken into account in determining adjusted gross income under section 62) for the estimation year. In no case shall such aggregate amount be greater than the sum of (i) the amount of such deductions (or the amount of the standard deduction) reflected in his return of tax under subtitle A for the taxable year preceding the estimation year, and (ii) the amount of his determinable additional deductions for the estimation year.

"(B) ESTIMATED WAGES.—The term 'estimated wages' means the aggregate amount which he reasonably expects will constitute wages for the estimation year.

"(C) DETERMINABLE ADDITIONAL DEDUCTIONS.—The term 'determinable additional deductions' means those estimated itemized deductions which (i) are in excess of the deductions referred to in subparagraph (A) (or the standard deduction) reflected on his return of tax under subtitle A for the taxable year preceding the estimation year, and (ii) are demonstrably attributable to an identifiable event during the estimation year or the preceding taxable year which can reasonably be expected to cause an increase in the amount of such deductions on the return of tax under subtitle A for the estimation year.'

(f) EMPLOYEES INCURRING NO INCOME TAX LIABILITY.—

(1) IN GENERAL.—Section 3402 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

"(n) EMPLOYEES INCURRING NO INCOME TAX LIABILITY.—Notwithstanding any other provision of this section, an employer shall not be required to deduct and withhold any tax under this chapter upon a payment of wages to an employee if there is in effect with respect to such payment a withholding exemption certificate (in such form and containing such other information as the Secretary or his delegate may prescribe) furnished to the employer by the employee certifying that the employee—

"(1) incurred no liability for income tax imposed under subtitle A for his preceding taxable year, and

"(2) anticipates that he will incur no liability for income tax imposed under subtitle A for his current taxable year.

The Secretary or his delegate shall by regulations provide for the coordination of the provisions of this subsection with the provisions of subsection (f)."

(2) CONFORMING AMENDMENT.—The first sentence of section 6051 (relating to receipts for employees) is amended by striking out "under section 3402 if" and inserting "under section 3402 (determined without regard to subsection (n)) if".

(g) EXTENSION OF WITHHOLDING TO PAYMENTS OTHER THAN WAGES.—Section 3402 (relating to income tax collected at source) is amended by adding after subsection (n) (added by subsection (f)) the following new subsections:

"(o) EXTENSION OF WITHHOLDING TO CERTAIN PAYMENTS OTHER THAN WAGES.—

"(1) GENERAL RULE.—For purposes of this chapter (and so much of subtitle F as relates to this chapter—

"(A) any supplemental unemployment compensation benefit paid to an individual, and

"(B) any payment of an annuity to an individual, if at the time the payment is made a request that such annuity be subject to withholding under this chapter is in effect, shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

"(2) DEFINITIONS.—

"(A) SUPPLEMENTAL UNEMPLOYMENT COMPENSATION BENEFITS.—For purposes of paragraph (1), the term 'supplemental unemployment compensation benefits' means amounts which are paid to an employee, pursuant to a plan to which the employer is a party, because of an employee's involuntary separation from employment (whether or not such separation is temporary), resulting directly from a reduction in force, the discontinuance of a plant or operation, or other similar conditions, but only to the extent such benefits are includible in the employee's gross income.

"(B) ANNUITY.—For purposes of this subsection, the term 'annuity' means any amount paid to an individual as a pension or annuity, but only to the extent that the amount is includible in the gross income of such individual.

"(3) REQUEST FOR WITHHOLDING.—A request that an annuity be subject to withholding under this chapter shall be made by the payee in writing to the person making the annuity payments, shall be accompanied by a withholding exemption certificate, executed in accordance with the provisions of subsection (f)(2), and shall take effect as provided in subsection (f)(3). Such a request may, notwithstanding the provisions of subsection (f)(4), be terminated by furnishing to the person making the payments a written statement of termination which shall be treated as a withholding exemption certificate for purposes of subsection (f)(3)(B).

"(p) VOLUNTARY WITHHOLDING AGREEMENTS.—The Secretary or his delegate is authorized by regulations to provide for withholding—

"(1) from remuneration for services performed by an employee for his employer which (without regard to this subsection) does not constitute wages, and

"(2) from any other type of payment with respect to which the Secretary or his delegate finds that withholding would be appropriate under the provisions of this chapter, if the employer and the employee, or in the case of any other type of payment the person making and the person receiving the payment, agree to such withholding. Such agreement shall be made in such form and manner as the Secretary or his delegate may by regulations provide. For purposes of this chapter (and so much of subtitle F as relates to this chapter) remuneration or other payments with respect to which such agreement is made shall be treated as if they were wages paid by an employer to an employee to the extent that such remuneration is paid or other payments are made during the period for which the agreement is in effect."

(h) EFFECTIVE DATES—

(1) The amendments made by subsections (a), (b), (c), (d), and (e) shall apply with respect to remuneration paid after December 31, 1969.

(2) The amendment made by subsection (f) applies to wages paid after April 30, 1970.

(3) Subsection (o) of section 3402 of the Internal Revenue Code of 1954, added by subsection (g) of this subsection, shall apply to payments made after December 31, 1970. Subsection (p) of such section 3402, added by subsection (g) of this section, shall apply to payments made after June 30, 1970.

TITLE IX—MISCELLANEOUS PROVISIONS

SUBTITLE A—MISCELLANEOUS INCOME TAX PROVISIONS

SEC. 901. EXCLUSION OF ADDITIONAL LIVING EXPENSES.

(a) EXCLUSION OF ADDITIONAL LIVING EXPENSES.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by renumbering section 123 as 124, and by inserting after section 122 the following new section:

"SEC. 123. AMOUNTS RECEIVED UNDER INSURANCE CONTRACTS FOR CERTAIN LIVING EXPENSES.

"(a) GENERAL RULE.—In the case of an individual whose principal residence is damaged or destroyed by fire, storm, or other casualty, or who is denied access to his principal residence by governmental authorities because of the occurrence or threat of occurrence of such a casualty, gross income does not include amounts received by such individual under an insurance contract which are paid to compensate or reimburse such individual for living expenses incurred for himself and members of his household resulting from the loss of use or occupancy of such residence.

"(b) LIMITATION.—Subsection (a) shall apply to amounts received by the taxpayer for living expenses incurred during any period only to the extent the amounts received do not exceed the amount by which—

"(1) the actual living expenses incurred during such period for himself and members of his household resulting from the loss of use or occupancy of their residence, exceed

"(2) the normal living expenses which would have been incurred for himself and members of his household during such period."

(b) CONFORMING AMENDMENT.—The table of sections for such part III is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 123. Amounts received under insurance contracts for certain living expenses.

"Sec. 124. Cross references to other Acts."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to amounts received on or after January 1, 1969.

SEC. 902. DEDUCTIBILITY OF TREBLE DAMAGE PAYMENTS, FINES AND PENALTIES, ETC.

(a) FINES AND PENALTIES; TREBLE DAMAGE PAYMENTS.—Section 162 (relating to deduction of trade or business expenses) is amended by redesignating subsection (f) as subsection (h), and by inserting after subsection (e) the following new subsections:

"(f) FINES AND PENALTIES.—No deduction shall be allowed under subsection (a) for any fine or similar penalty paid to a government for the violation of any law.

"(g) TREBLE DAMAGE PAYMENTS UNDER THE ANTITRUST LAWS.—If in a criminal proceeding a taxpayer is convicted of a violation of the antitrust laws, or his plea of guilty or nolo contendere to an indictment or information charging such a violation is entered or accepted in such a proceeding, no deduction shall be allowed under subsection (a) for two-thirds of any amount paid or incurred—

"(1) on any judgment for damages entered against the taxpayer under section 4 of the Act entitled 'An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes', approved October 15, 1914 (commonly known as the Clayton Act), on account of such violation or any related violation of the antitrust laws which occurred prior to the date of final judgment of such conviction, or

"(2) in settlement of any action brought under such section 4 on account of such violation or related violation,

The preceding sentence shall not apply with respect to any conviction or plea before January 1, 1970, or to any conviction or plea on or after such date in a new trial following an appeal of a conviction before such date."

(b) BRIBES AND ILLEGAL KICKBACKS.—Section 162(c) (relating to improper payments to certain government officials or employees) is amended to read as follows:

"(c) BRIBES AND ILLEGAL KICKBACKS.—

"(1) ILLEGAL PAYMENTS TO GOVERNMENT OFFICIALS OR EMPLOYEES.—No deduction shall be allowed under subsection (a) for any payment made, directly or indirectly, to an official or employee of any government, or of any agency or instumentality of any government, if the payment constitutes an illegal bribe or kickback or, if the payment is to an official or employee of a foreign government, the payment would be unlawful under the laws of the United States if such laws were applicable to such payment and to such official or employee. The burden of proof in respect of the issue, for the purposes of this paragraph, as to whether a payment constitutes an illegal bribe or kickback (or would be unlawful under the laws of the United States) shall be upon the Secretary or his delegate to the same extent as he bears the burden of proof under section 7454 (concerning the burden of proof when the issue relates to fraud).

"(2) OTHER BRIBES OR KICKBACKS.—If in a criminal proceeding a taxpayer is convicted of making a payment (other than a payment described in paragraph (1)) which is an illegal bribe or kickback, or his plea of guilty or nolo contendere to an indictment or information charging the making of such a payment is entered or accepted in such a proceeding, no deduction shall be allowed under subsection (a) on account of such payment or any related payment made prior to the date of the final judgment in such proceeding.

"(3) STATUTE OF LIMITATIONS.—If a taxpayer claimed a deduction for a payment described in paragraph (2) which is disallowed because of a final judgment entered after the close of the taxable year for which the deduction was claimed, and if the proceeding was based on an indictment returned or an information filed prior to the expiration of the period for the assessment of any deficiency for such taxable year, the period for the assessment of any deficiency attributable to the deduction of such payment shall not expire prior to the expiration of one year from the date of such final judgment, and such deficiency may be assessed prior to the expiration of such one-year period notwithstanding the provision of any other law or rule of law which would otherwise prevent such assessment."

(c) EFFECTIVE DATES.—Section 162(f) of the Internal Revenue Code of 1954 (as added by subsection (a)) shall apply to all taxable years to which such Code applies. Section 162(g) of such Code (as added by subsection (a)) shall apply with respect to amounts paid or incurred after December 31, 1969. Section 162(c)(1) of such Code (as amended by subsection (b)) shall apply to all taxable years to which such Code applies. Sections 162(c)(2) and (3) of such Code (as amended by subsection (b)) shall apply with respect to payments made after the date of the enactment of this Act.

SEC. 903. ACCRUED VACATION PAY.

Section 97 of the Technical Amendments Act of 1958 is amended by striking out "January 1, 1969" and inserting in lieu thereof "January 1, 1971".

SEC. 904. DEDUCTION OF RECOVERIES OF ANTITRUST DAMAGES, ETC.

(a) DEDUCTION ALLOWED.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding after section 185 (as added by section 705 of this Act) the following new section:

"SEC. 186. RECOVERIES OF DAMAGES FOR ANTITRUST VIOLATIONS, ETC.

"(a) ALLOWANCE OF DEDUCTION.—If a compensatory amount which is included in gross income is received or accrued during the taxable year for a compensable injury, there shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

"(1) the amount of such compensatory amount, or

"(2) the amount of the unrecovered losses sustained as result of such compensable injury.

"(b) COMPENSABLE INJURY.—For purposes of this section, the term 'compensable injury' means—

"(1) injuries sustained as a result of an infringement of a patent issued by the United States,

"(2) injuries sustained as a result of a breach of contract or a breach of fiduciary duty or relationship, or

"(3) injuries sustained in business, or to property, by reason of any conduct forbidden in the antitrust laws for which a civil action may be brought under section 4 of the Act entitled 'An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes', approved October 15, 1914 (commonly known as the Clayton Act).

"(c) COMPENSATORY AMOUNT.—For purposes of this section, the term 'compensatory amount' means the amount received or accrued during the taxable year as damages as a result of an award in, or in settlement of, a civil action for recovery for a compensable injury, reduced by any amounts paid or incurred in the taxable year in securing such award or settlement.

"(d) UNRECOVERED LOSSES.—

"(1) IN GENERAL.—For purposes of this section, the amount of any unrecovered loss sustained as a result of any compensable injury is—

"(A) the sum of the amount of the net operating losses (as determined under section 172) for each taxable year in whole or in part within the injury period, to the extent that such net operating losses are attributable to such compensable injury, reduced by

"(B) the sum of—

"(i) the amount of the net operating losses described in subparagraph (A) which were allowed for any prior taxable year as a deduction under section 172 as a net operating loss carryback or carryover to such taxable year, and

"(ii) the amounts allowed as a deduction under subsection (a) for any prior taxable year for prior recoveries of compensatory amounts for such compensable injury.

"(2) INJURY PERIOD.—For purposes of paragraph (1), the injury period is—

"(A) with respect to any infringement of a patent, the period in which such infringement occurred,

"(B) with respect to a breach of contract or breach of fiduciary duty or relationship, the period during which amounts would have been received or accrued but for the breach of contract or breach of fiduciary duty or relationship, and

"(C) with respect to injuries sustained by reason of any conduct forbidden in the antitrust laws, the period in which such injuries were sustained.

"(3) NET OPERATING LOSSES ATTRIBUTABLE TO COMPENSABLE INJURIES.—For purposes of paragraph (1)—

"(A) a net operating loss for any taxable year shall be treated as attributable to a compensable injury to the extent of the compensable injury sustained during such taxable year, and

"(B) if only a portion of a net operating loss for any taxable year is attributable to a compensable injury, such portion shall (in applying section 172 for purposes of this section) be considered to be a separate net operating loss for such year to be applied after the other portion of such net operating loss.

"(e) EFFECT ON NET OPERATING LOSS CARRYOVERS.—If for the taxable year in which a compensatory amount is received or accrued any portion of a net operating loss carryover to such year is attributable to the compensable injury for which such amount is received or accrued, such portion of such net operating loss carryover shall be reduced by an amount equal to—

"(1) the deduction allowed under subsection (a) with respect to such compensatory amount, reduced by

"(2) any portion of the unrecovered losses sustained as a result of the compensable injury with respect to which the period for carryover under section 172 has expired."

(b) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 186. Recoveries of Damages for Antitrust Violations, Etc."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1968.

SEC. 905. CORPORATIONS USING APPRECIATED PROPERTY TO REDEEM THEIR OWN STOCK.

(a) GENERAL RULE.—Section 311 (relating to taxability of corporation on distribution) is amended by adding at the end thereof the following new subsection:

"(d) APPRECIATED PROPERTY USED TO REDEEM STOCK.—

"(1) IN GENERAL.—If—

"(A) a corporation distributes property (other than an obligation of such corporation) to a shareholder in a redemption (to which subpart A applies) of part or all of his stock in such corporation, and

"(B) the fair market value of such property exceeds its adjusted basis (in the hands of the distributing corporation),

then gain shall be recognized to the distributing corporation in an amount equal to such excess as if the property distributed had been sold at the time of the distribution. Subsections (b) and (c) shall not apply to any distribution to which this subsection applies.

"(2) EXCEPTIONS AND LIMITATIONS.—Paragraph (1) shall not apply to—

"(A) a distribution in complete redemption of all of the stock of a shareholder who at all times within the 12-month period ending on the date of such distribution, owns at least 10 percent in value of the outstanding stock of the distributing corporation, but only if the redemption qualifies under section 302(b)(3) (determined without the application of section 302(c)(2)(A)(ii));

"(B) a distribution of stock or an obligation of a corporation—

"(i) which is engaged in at least one trade or business,

"(ii) which has not received property constituting a substantial part of its assets from the distributing corporation, in a transaction to which section 351 applied or as a contribution to capital, within the 5-year period ending on the date of the distribution, and

"(iii) at least 50 percent in value of the outstanding stock of which is owned by the distributing corporation at any time within the 9-year period ending one year before the date of the distribution;

"(C) a distribution before December 1, 1974, of stock of a corporation substantially all of the assets of which the distributing corporation (or a corporation which is a member of the same affiliated group (as defined in section 1504(a)) as the distributing corporation) held on November 30, 1969, if such assets constitute a trade or business which has been actively conducted throughout the one-year period ending on the date of the distribution;

"(D) a distribution of stock or securities pursuant to the terms of a final judgment rendered by a court with respect to the distributing corporation in a court proceeding under the Sherman Act (26 Stat. 209; 15 U.S.C. 1–7) or the Clayton Act (38 Stat. 730; 15 U.S.C. 12–27), or both, to which the United States is a party, but only if the distribution of such stock or securities in redemption of the distributing corporation's stock is in furtherance of the purposes of the judgment;

"(E) a distribution to the extent that section 303(a) (relating to distributions in redemption of stock to pay death taxes) applies to such distribution;

"(F) a distribution to a private foundation in redemption of stock which is described in section 537(b)(2)(A) and (B); and

"(G) a distribution by a corporation to which part I of subchapter M (relating to regulated investment companies) applies, if such distribution is in redemption of its stock upon the demand of the shareholder."

(b) CONFORMING AMENDMENTS.—

(1) Section 311(a) is amended by striking out "subsections (b) and (c)" and inserting in lieu thereof "subsections (b), (c), and (d)".

(2) Section 301(b)(1)(B)(ii), 301(d)(2)(B), and 312(c)(3) are each amended by striking out "subsection (b) or (c)" and inserting in lieu thereof "subsection (b), (c), or (d)".

(c) EFFECTIVE DATE.—

(1) Except as provided in paragraphs (2) and (3), the amendments made by subsections (a) and (b) shall apply with respect to distributions after November 30, 1969.

(2) The amendments made by subsections (a) and (b) shall not apply to a distribution before April 1, 1970, pursuant to the terms of—

(A) a written contract which was binding on the distributing corporation on November 30, 1969, and at all times thereafter before the distribution,

(B) an offer by the distributing corporation before December 1, 1969,

(C) an offer made in accordance with a request for a ruling filed by the distributing corporation with the Internal Revenue Service before December 1, 1969, or

(D) an offer made in accordance with a registration statement filed with the Securities and Exchange Commission before December 1, 1969.

For purposes of subparagraphs (B), (C), and (D), an offer shall be treated as an offer only if it was in writing and not revocable by its express terms.

(3) The amendments made by subsections (a) and (b) shall not apply to a distribution by a corporation of specific property in redemption of stock outstanding on November 30, 1969, if—

(A) every holder of such stock on such date had the right to demand redemption of his stock in such specific property, and

(B) the corporation had such specific property on hand on such date in a quantity sufficient to redeem all of such stock.

For purposes of the preceding sentence, stock shall be considered to have been outstanding on November 30, 1969, if it could have been acquired on such date through the exercise of an existing right of conversion contained in other stock held on such date.

SEC. 906. REASONABLE ACCUMULATIONS BY CORPORATIONS.

(a) GENERAL RULE.—Section 537 (relating to reasonable needs of the business) is amended to read as follows:

"SEC. 537. REASONABLE NEEDS OF THE BUSINESS.

"(a) GENERAL RULE.—For purposes of this part, the term 'reasonable needs of the business' includes—

"(1) the reasonably anticipated needs of the business,

"(2) the section 303 redemption needs of the business, and

"(3) the excess business holdings redemption needs of the business.

"(b) SPECIAL RULES.—For purposes of subsection (a)—

"(1) SECTION 303 REDEMPTION NEEDS.—The term 'section 303 redemption needs' means, with respect to the taxable year of the corporation in which a shareholder of the corporation died or any taxable year thereafter, the amount needed (or reasonably anticipated to be needed) to make a redemption of stock included in the gross estate of the decedent (but not in excess of the maximum amount of stock to which section 303(a) may apply).

"(2) EXCESS BUSINESS HOLDINGS REDEMPTION NEEDS.—The term 'excess business holdings redemption needs' means, with respect to taxable years of the corporation ending after May 26, 1969, the amount needed (or reasonably anticipated to be needed) to redeem from a private foundation stock which—

"(A) such foundation held on May 26, 1969 (or which was received by such foundation pursuant to a will or irrevocable trust to which section 4943(c)(5) applies); and

"(B) constituted excess business holdings on May 26, 1969, or would have constituted excess business holdings as of such date if there were taken into account (i) stock received pursuant to a will or trust described in subparagraph (A), and (ii) the reduction in the total outstanding stock of the corporation which would have resulted solely from the redemption of stock held by the private foundation.

"(3) OBLIGATIONS INCURRED TO MAKE REDEMPTIONS.—In applying paragraphs (1) and (2), the discharge of any obligation incurred to make a redemption described in such paragraphs shall be treated as the making of such redemption.

"(4) NO INFERENCE AS TO PRIOR TAXABLE YEARS.—The application of this part to any taxable year before the first taxable year specified in paragraph (1) or (2) shall be made without regard to the fact that distributions in redemption coming within the terms of such paragraphs were subsequently made."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to the tax imposed under section 531 of the Internal Revenue Code of 1954 with respect to taxable years ending after May 26, 1969.

SEC. 907. INSURANCE COMPANIES.

(a) SPECIAL CONTINGENCY RESERVES UNDER GROUP CONTRACTS.—

(1) INTEREST PAID.—Section 805(e)(4) (relating to interest paid on certain reserves) is amended to read as follows:

"(4) INTEREST ON CERTAIN SPECIAL CONTINGENCY RESERVES.—Interest for the taxable year on special contingency reserves under contracts of group term life insurance or group health and accident insurance which are established and maintained for the provision of insurance on retired lives, for premium stabilization, or for a combination thereof."

(2) RULES FOR CERTAIN CONTINGENCY RESERVES.—Section 810(c) (relating to items taken into account as reserves) is amended by inserting after paragraph (5) the following new paragraph:

"(6) Special contingency reserves under contracts of group term life insurance or group health and accident insurance which are established and maintained for the provision of insurance on retired lives, for premium stabilization, or for a combination thereof."

(b) CERTAIN DISTRIBUTIONS.—

(1) EXCEPTION FROM DEFINITION OF DISTRIBUTION.—Section 815(f) (relating to definition of distribution) is amended—

(A) by striking out "or" at the end of paragraph (3);

(B) by striking out the period at the end of paragraph (4) and inserting in lieu thereof "; or";

(C) by inserting after paragraph (4) the following new paragraph:

"(5) any distribution after December 31, 1968, of the stock of a controlled corporation to which section 355 applies, if such distribution is made to a corporation which immediately after the distribution is the owner of all of the stock of all classes of both the distributing corporation and such controlled corporation and if, immediately before the distribution, the distributing corporation had been the owner of all of the stock of all classes of such controlled corporation at all times since December 31, 1957.";

(D) by striking out "Neither paragraph (3) nor paragraph (4) shall apply" in the next to the last sentence and inserting in lieu thereof "Paragraphs (3), (4), and (5) shall not apply"; and

(E) by striking out "paragraphs (3) and (4)" in the last sentence and inserting in lieu thereof "paragraphs (3), (4), and (5)".

(2) SPECIAL RULE.—Section 815 (relating to distributions to shareholders) is amended by adding at the end thereof the following new subsection:

"(g) CERTAIN DISTRIBUTIONS RELATED TO FORMER SUBSIDIARIES.—If subsection (f)(5) applied to the distribution by a life insurance company of the stock of a corporation which was a controlled corporation—

"(1) any distribution by such corporation to its shareholders (after the date of the distribution of its stock by the life insurance company), and

"(2) any disposition of the stock of such corporation by the distributee corporation,

shall, for purposes of this section, be treated as a distribution to its shareholders by such

life insurance company, until the amounts so treated equal the amount of the distribution of such stock which by reason of subsection (f)(5) was not included as a distribution for purposes of this section."

(c) CARRYOVER OF LOSSES.—

(1) IN GENERAL.—Part IV of subchapter L of chapter 1 (relating to provisions of general application to insurance companies) is amended by adding at the end thereof the following new section:

"SEC. 844. SPECIAL LOSS CARRYOVER RULES.

"(a) GENERAL RULE.—If an insurance company—

"(1) is subject to the tax imposed by part I, II, or III of this subchapter for the taxable year, and

"(2) was subject to the tax imposed by a different part of this subchapter for a prior taxable year beginning after December 31, 1962,

then any operations loss carryover under section 812, unused loss carryover under section 825, or net operating loss carryover under section 172, as the case may be, arising in such prior taxable year shall be included in its operations loss deduction under section 812(a), unused loss deduction under section 825(a), or net operating loss deduction under section 832(c)(10), as the case may be.

"(b) LIMITATION.—The amount included under section 812(a), 825(a), or 832(c)(10), as the case may be, by reason of the application of subsection (a) shall not exceed the amount that would have constituted the loss carryover under such section if for all relevant taxable years such company had been subject to the tax imposed by the part referred to in subsection (a)(1) rather than the part referred to in subsection (a)(2). For purposes of applying the preceding sentence—

"(1) in the case of a mutual insurance company which becomes a stock insurance company, an amount equal to 25 percent of the deduction under section 832(c)(11) (relating to dividends to policyholders) shall not be allowed, and

"(2) section 812(b)(1)(A)(iii) (relating to additional years to which losses may be carried by new life insurance companies) shall not apply.

"(c) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section."

(2) CLERICAL AND CONFORMING AMENDMENTS.—

(A) The table of sections for part IV of subchapter L of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 844. Special Loss Carryover Rules.

(B) Sections 809(e)(5) and 823(b)(1) are each amended by striking out "The" and inserting in lieu thereof "Except as provided by section 844, the".

Section 825(g)(2) is amended by striking out "to or from" and inserting in lieu thereof "except as provided by section 844, to or from".

(D) Section 825(g)(3) is amended by striking out "to any" and inserting in lieu thereof "except as provided by section 844, to any".

(d) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 1957. The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 1968. The amendments made by subsection (c) shall apply with respect to losses incurred in taxable years beginning after December 31, 1962, but shall not affect any tax liability for any taxable year beginning before January 1, 1967.

SEC. 908. CERTAIN UNIT INVESTMENT TRUSTS

(a) NOT TO BE TREATED AS SEPARATE TAXPAYER.—Section 851 (relating to definition of regulated investment company) is amended by adding at the end thereof the following new subsection:

"(f) CERTAIN UNIT INVESTMENT TRUSTS.—For purposes of this title—

"(1) A unit investment trust (as defined in the Investment Company Act of 1940)—

"(A) which is registered under such Act and issues periodic payment plan certificates (as defined in such Act) in one or more series,

"(B) substantially all of the assets of which, as to all such series, consist of (i) securities issued by a single management company (as defined in such Act) and securities acquired pursuant to subparagraph (C), or (ii) securities issued by a single other corporation, and

"(C) which has no power to invest in any other securities except securities issued by a single other management company, when permitted by such Act or the rules and regulations of the Securities and Exchange Commission,

shall not be treated as a person.

"(2) In the case of a unit investment trust described in paragraph (1)—

"(A) each holder of an interest in such trust shall, to the extent of such interest, be treated as owning a proportionate share of the assets of such trust;

"(B) the basis of the assets of such trust which are treated under subparagraph (A) as being owned by a holder of an interest in such trust shall be the same as the basis of his interest in such trust; and

"(C) in determining the period for which the holder of an interest in such trust has held the assets of the trust which are treated under subparagraph (A) as being owned by him, there shall be included the period for which such holder has held his interest in such trust.

This subsection shall not apply in the case of a unit investment trust which is a segregated asset account under the insurance laws or regulations of a State."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years of unit investment trusts ending after December 31, 1968, and to taxable years of holders of interests in such trusts ending with or within such taxable years of such trusts. The enactment of this section shall not be construed to result in the realization of gain or loss by any unit investment trust or by any holder of an interest in a unit investment trust.

SEC. 909. FOREIGN CORPORATIONS NOT AVAILED OF TO REDUCE TAXES.

(a) EXCLUSION FROM FOREIGN BASE COMPANY INCOME.—Section 954(b)(4) (relating to exception for foreign corporations not availed of to reduce taxes) is amended to read as follows:

"(4) EXCEPTION FOR FOREIGN CORPORATIONS NOT AVAILED OF TO REDUCE TAXES.—For purposes of subsection (a), foreign base company income does not include any item of income received by a controlled foreign corporation if it is established to the satisfaction of the Secretary or his delegate that neither—

"(A) the creation or organization of such controlled foreign corporation under the laws of the foreign country in which it is incorporated (or, in the case of a controlled foreign corporation which is an acquired corporation, the acquisition of such corporation created or organized under the laws of the foreign country in which it is incorporated), nor

"(B) the effecting of the transaction giving rise to such income through the controlled foreign corporation,

has as one of its significant purposes a substantial reduction of income, war profits, or excess profits or similar taxes."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years ending after October 9, 1969.

SEC. 910. SALES OF CERTAIN LOW-INCOME HOUSING PROJECTS.

(a) NONRECOGNITION OF GAIN IN CASE OF APPROVED DISPOSITIONS.—Part III of subchapter O of chapter 1 (relating to common nontaxable exchanges) is amended by adding at the end thereof the following new section:

"SEC. 1039. CERTAIN SALES OF LOW-INCOME HOUSING PROJECTS.

"(a) NONRECOGNITION OF GAIN.—If—

"(1) a qualified housing project is sold or disposed of by the taxpayer in an approved disposition, and

"(2) within the reinvestment period the taxpayer constructs reconstructs, or acquires another qualified housing project,

then, at the election of the taxpayer, gain from such approved disposition shall be recognized only to the extent that the net amount realized on such approved disposition exceeds the cost of such other qualified housing project. An election under this subsection shall be made at such time and in such manner as the Secretary or his delegate prescribes by regulations.

"(b) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED HOUSING PROJECT.—The term 'qualified housing project' means a project to provide rental or cooperative housing for lower income families—

"(A) with respect to which a mortgage is insured under section 221(d)(3) or 236 of the National Housing Act, and

"(B) with respect to which the owner is, under such sections or regulations issued thereunder—

(i) limited as to the rate of return on his investment in the project, and

"(ii) limited as to rentals or occupancy charges for units in the project.

"(2) APPROVED DISPOSITION.—The term 'approved disposition' means a sale or other disposition of a qualified housing project to the tenants or occupants of units in such project, or to a cooperative or other nonprofit organization formed solely for the benefit of such tenants or occupants, which sale or disposition is approved by the Secretary of Housing and Urban Development under section 221(d)(3) or 236 of the National Housing Act or regulations issued under such sections.

"(3) REINVESTMENT PERIOD.—The reinvestment period, with respect to an approved disposition of a qualified housing project, is the period beginning one year before the date of such approved disposition and ending—

"(A) one year after the close of the first taxable year in which any part of the gain from such approved disposition is realized, or

"(B) subject to such terms and conditions as may be specified by the Secretary or his delegate, at the close of such later date as the Secretary or his delegate may designate on application by the taxpayer. Such application shall be made at such time and in such manner as the Secretary or his delegate prescribes by regulations.

"(4) NET AMOUNT REALIZED.—The net amount realized on an approved disposition of a qualified housing project is the amount realized reduced by—

"(A) the expenses paid or incurred which are directly connected with such approved disposition, and

"(B) the amount of taxes (other than income taxes) paid or incurred which are attributable to such approved disposition.

"(c) SPECIAL RULES.—For purposes of applying subsection (a)(2) with respect to an approved disposition—

"(1) no property acquired by the taxpayer before the date of the approved disposition shall be taken into account unless such

property is held by the taxpayer on such date, and

"(2) no property acquired by the taxpayer shall be taken into account unless, except as provided in subsection (d), the unadjusted basis of such property is its cost within the meaning of section 1012.

"(d) BASIS OF OTHER QUALIFIED HOUSING PROJECT.—If the taxpayer makes an election under subsection (a) with respect to an approved disposition, the basis of the qualified housing project described in subsection (a)(2) shall be its cost reduced by an amount equal to the amount of gain not recognized by reason of the application of subsection (a).

"(e) ASSESSMENT OF DEFICIENCIES.—

"(1) DEFICIENCY ATTRIBUTABLE TO GAIN.—If the taxpayer has made an election under subsection (a) with respect to an approved disposition—

"(A) the statutory period for the assessment of any deficiency, for any taxable year in which any part of the gain on such approved disposition is realized, attributable to the gain on such approved disposition shall not expire prior to the expiration of 3 years for the date the Secretary or his delegate is notified by the taxpayer (in such manner as the Secretary or his delegate may by regulations prescribe) of the construction, reconstruction, or acquisition of another qualified housing project or of the failure to construct, reconstruct, or acquire another qualifield housing project, and

"(B) such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of section 6212(c) or the provision of any other law or rule of law which would otherwise prevent such assessment.

"(2) TIME FOR ASSESSMENT OF OTHER DEFICIENCIES ATTRIBUTABLE TO ELECTION.—If a taxpayer has made an election under subsection (a) with respect to an approved disposition and another qualified housing project is constructed, reconstructed, or acquired before the beginning of the last taxable year in which any part of the gain upon such approved disposition is realized, any deficiency, to the extent resulting from such election, for any taxable year ending before such last taxable year may be assessed (notwithstanding the provisions of section 6212(c) or 6501 or the provisions of any other law or rule of law which would otherwise prevent such assessment) at any time before the expiration of the period within which a deficiency for such last taxable year may be assessed."

(b) AMENDMENTS TO SECTION 1250.—

(1) Section 1250(d) (relating to exceptions and limitations) is amended by adding at the end thereof the following new paragraph:

"(8) DISPOSITION OF QUALIFIED LOW-INCOME HOUSING.—If section 1250 property is disposed of and gain (determined without regard to this section) is not recognized in whole or in part under section 1039, then—

"(A) RECOGNITION LIMIT.—The amount of gain recognized by the transferor under subsection (a) shall not exceed the greater of—

"(i) the amount of gain recognized on the disposition (determined without regard to this section), or

"(ii) the amount determined under subparagraph (B).

"(B) ADJUSTMENT WHERE INSUFFICIENT SECTION 1250 PROPERTY IS ACQUIRED.—With respect to any transaction, the amount determined under this subparagraph shall be the excess of—

"(i) the amount of gain which would (but for this paragraph) be taken into account under subsection (a), over

"(ii) the cost of the section 1250 property acquired in the transaction.

"(C) BASIS OF PROPERTY ACQUIRED.—The basis of property acquired by the taxpayer, determined under section 1039(d), shall be allocated—

"(i) first to the section 1250 property described in subparagraph (E)(i), in the amount determined under such subparagraph, reduced by the amount of gain not recognized attributable to the section 1250 property disposed of,

"(ii) then to any property (other than section 1250 property) to which section 1039 applies, in the amount of its cost, reduced by the amount of gain not recognized except to the extent taken into account under clause (i), and

"(iii) then to the section 1250 property described in subparagraph (E)(ii), in the amount determined thereunder, reduced by the amount of gain not recognized except to the extent taken into account under clauses (i) and (ii).

"(D) ADDITIONAL DEPRECIATION WITH RESPECT TO PROPERTY DISPOSED OF.—The additional depreciation with respect to any property acquired shall include the additional depreciation with respect to the corresponding section 1250 property disposed of, reduced by the amount of gain recognized attributable to such property.

"(E) PROPERTY CONSISTING OF MORE THAN ONE ELEMENT.—There shall be treated as a separate element of section 1250 property—

"(i) that portion of the section 1250 property acquired the cost of which does not exceed the net amount realized (as defined in section 1039(b)) attributable to the section 1250 property disposed of, reduced by the amount of gain recognized (if any) attributable to such property, and

"(ii) that portion of the section 1250 property acquired the cost of which exceeds the net amount realized (as defined in section 1039(b)) attributable to the section 1250 property disposed of.

"(F) ALLOCATION RULES.—For purposes of this paragraph—

"(i) the amount of gain recognized attributable to the section 1250 property disposed of shall be the net amount realized with respect to such property, reduced by the greater of the adjusted basis of the section 1250 property disposed of or the cost of section 1250 property acquired, but shall not exceed the gain recognized in the transaction, and

"(ii) if any section 1250 property is treated as consisting of more than one element by reason of the application of subparagraph (E) to a prior transaction, then the amount of gain recognized, the net amount realized, and the additional depreciation, with respect to each such element shall be allocated in accordance with regulations prescribed by the Secretary or his delegate.

(2) Section 1250(e) (relating to holding period) is amended by adding at the end thereof the following new paragraph:

"(4) QUALIFIED LOW-INCOME HOUSING.—The holding period of any section 1250 property acquired which is described in subsection (d)(8)(E)(i) shall include the holding period of the corresponding element of section 1250 property disposed of."

(3) Section 1250 (relating to gain from dispositions of certain depreciable realty) is amended by redesignating subsections (g) and (h) as subsections (h) and (i) and by inserting after subsection (f) the following new subsection:

"(g) SPECIAL RULES FOR QUALIFIED LOW-INCOME HOUSING.—

"(1) AMOUNT TREATED AS ORDINARY INCOME.—If, in the case of a disposition of section 1250 property, the property is treated as consisting of more than one element by reason of the application of subsection (d)(8)(E), and gain is recognized in whole or in part, then the amount taken into account under subsection (a) as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231 shall be the sum of the amounts determined under paragraph (2).

"(2) ORDINARY INCOME ATTRIBUTABLE TO AN ELEMENT.—For purposes of paragraph (1), the amount taken into account for any element shall be the amount determined by multiplying—

"(A) the amount which bears the same ratio to the lower of the additional depreciation or the gain recognized for the section 1250 property disposed of as the additional depreciation for such element bears to the sum of the additional depreciation for all elements disposed of, by

"(B) the applicable percentage for such element.

For purposes of this paragraph, determinations with respect to any element shall be made as if it were a separate property."

(c) CLERICAL AMENDMENT.—The table of sections for part III of subchapter O of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1039. Certain sales of low-income housing projects."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to approved dispositions of qualified housing projects (within the meaning of section 1039 of the Internal Revenue Code of 1954, as added by subsection (a)) after October 9, 1969.

SEC. 911. PER-UNIT RETAIN ALLOCATIONS.

(a) PAYMENTS OF MONEY AND OTHER PROPERTY.—Section 1382(b)(3) (relating to patronage dividends and per-unit retain allocations) is amended to read as follows:

"(3) as per-unit retain allocations (as defined in section 1388(f)), to the extent paid in money, qualified per-unit retain certificates (as defined in section 1388(h)), or other property (except nonqualified per-unit retain certificates, as defined in section 1388(i)) with respect to marketing occurring during such taxable year; or".

(b) CONFORMING AMENDMENT.—Section 1388(f) (relating to per-unit retain allocations) is amended by striking out "other than by payment in money or other property (except per-unit retain certificates)".

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to per-unit retain allocations made after October 9, 1969.

SEC. 912. FOSTER CHILDREN.

(a) IN GENERAL.—Section 152(b)(2) (relating to rules relating to definition of dependent) is amended by inserting immediately before "shall be treated" the following: ", or a foster child of an individual (if such child satisfies the requirements of subsection (a)(9) with respect to such individual),".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) of this section shall apply to taxable years beginning after December 31, 1969.

SEC. 913. COOPERATIVE HOUSING CORPORATIONS.

(a) STOCK HELD BY GOVERNMENTAL UNITS.—Section 216(b) (relating to definitions) is amended by adding at the end thereof the following new paragraph:

"(4) STOCK OWNED BY GOVERNMENTAL UNITS.—For purposes of this subsection, in determining whether a corporation is a cooperative housing corporation, stock owned and apartments leased by the United States or any of its possessions, a State or any political subdivision thereof, or any agency or instrumentality of the foregoing empowered to acquire shares in a cooperative housing corporation for the purpose of providing housing facilities, shall not be taken into account."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1969.

SEC. 914. PERSONAL HOLDING COMPANY DIVIDENDS.

(a) DIVIDENDS PAID AFTER CLOSE OF YEAR.—Section 563(b) (relating to personal holding company tax) is amended by striking out "10 percent" in paragraph (2) and inserting in lieu thereof "20 percent".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1969.

SEC. 915. REPLACEMENT OF PROPERTY INVOLUNTARILY CONVERTED WITHIN A 2-YEAR PERIOD.

(a) IN GENERAL.—Section 1033(a)(3)(B) (relating to the period within which property must be replaced) is amended by striking out "one year" in clause (i) and inserting in lieu thereof "2 years."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply only if the disposition of the converted property (within the meaning of section 1033(a)(2) of the Internal Revenue Code of 1954) occurs after the date of the enactment of this Act.

SEC. 916. CHANGE IN REPORTING INCOME ON INSTALLMENT BASIS.

(a) IN GENERAL.—Section 453(c) (relating to change from accrual to installment basis of reporting) is amended by adding at the end thereof the following new paragraphs:

"(4) REVOCATION OF ELECTION.—An election under paragraph (1) to report taxable income on the installment basis may be revoked by filing a notice of revocation, in such manner as the Secretary or his delegate prescribes by regulations, at any time before the expiration of 3 years following the date of the filing of the tax return for the year of change. If such notice of revocation is timely filed—

"(A) the provisions of paragraph (1) and subsection (a) shall not apply to the year of change or for any subsequent year;

"(B) the statutory period for the assessment of any deficiency for any taxable year ending before the filing of such notice, which is attributable to the revocation of the election to use the installment basis, shall not expire before the expiration of 2 years from the date of the filing of such notice, and such deficiency may be assessed before the expiration of such 2-year period notwithstanding the provisions of any law or rule of law which would otherwise prevent such assessment; and

"(C) if refund or credit of any overpayment, resulting from the revocation of the election to use the installment basis, for any taxable year ending before the date of the filing of the notice of revocation is prevented on the date of such filing, or within one year from such date, by the operation of any law or rule of law (other than section 7121 or 7122), refund or credit of such overpayment may nevertheless be made or allowed if claim therefor is filed within one year from such date. No interest shall be allowed on the refund or credit of such overpayment for any period prior to the date of the filing of the notice of revocation.

"(5) ELECTION AFTER REVOCATION.—If the taxpayer revokes under paragraph (4) an election under paragraph (1) to report taxable income on the installment basis, no election under paragraph (1) may be made, except with the consent of the Secretary or his delegate, for any subsequent taxable year before the fifth taxable year following the year of change with respect to which such revocation is made."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to an election made for any year of change (as defined in section 453(c)(1) of the Internal Revenue Code of 1954) ending on or after the date of the enactment of this Act, and shall also apply to any such year of change which ended before such date if the 3-year statutory period for assessment of any deficiency for such year has not expired on the date of the enactment of this Act.

SEC. 917. RECOGNITION OF GAIN IN CERTAIN LIQUIDATIONS.

For purposes of applying section 333 (e) and (f) of the Internal Revenue Code of 1954 to a distribution in liquidation of a corporation during 1970, stock (including stock received in respect of such stock by reason of a stock dividend or stock split), or securities received by a qualified electing shareholder in exchange for his stock in the liquidating corporation shall be considered as having been acquired by the liquidating corporation before January 1, 1954, if—

(1) such stock or securities were acquired by the liquidating corporation after December 31, 1953, from such qualified electing shareholder (or from a person from whom such qualified electing shareholder acquired such stock in the liquidating corporation by gift, bequest, or inheritance) solely in exchange for its stock in a transaction to which section 351 of such Code (or the corresponding provisions of prior law) applied, and

(2) the holding period of such stock or securities in the hands of the liquidating corporation, determined under section 1223(2) of such Code, includes any period before January 1, 1954.

SUBTITLE B—MISCELLANEOUS EXCISE TAX PROVISIONS

SEC. 931. CONCRETE MIXERS.

(a) EXEMPTION FROM TAX ON MOTOR VEHICLES.—Section 4063(a) (relating to exemption of specified articles from the tax on motor vehicles) is amended by adding at the end thereof the following new paragraph:

"(5) CONCRETE MIXERS.—The tax imposed under section 4061 shall not apply in the case of—

"(A) any article designed (i) to be placed or mounted on an automobile truck chassis or truck trailer or semitrailer chassis and (ii) to be used to process or prepare concrete, and

"(B) parts or accessories designed primarily for use on or in connection with an article described in subparagraph (A)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to articles sold after December 31, 1969.

SEC. 932. CONSTRUCTIVE SALE PRICE.

(a) DETERMINATION OF FAIR MARKET PRICE.—Section 4216(b) (relating to constructive sale price) is amended by adding at the end thereof the following new paragraphs:

"(3) FAIR MARKET PRICE IN CASE OF CERTAIN ARTICLES.—Except as provided in paragraph (4), for purposes of paragraph (1)(C), if—

"(A) the manufacturer, producer, or importer of an article regularly sells such article to a distributor which is a member of the same affiliated group of corporations (as defined in section 1504(a)) as the manufacturer, producer, or importer, and

"(B) such distributor regularly sells such article to one or more independent retailers, but does not regularly sell to wholesale distributors,

the fair market price of such article shall be 90 percent of the lowest price for which such distributor regularly sells such article in arm's-length transactions to such independent retailers. The price determined under this paragraph shall not be adjusted for any exclusion (except for the tax imposed on such article) or readjustments under subsections (a) and (f) and under section 6416(b)(1). If both this paragraph and paragraph (4) apply with respect to an article, the fair market price for such article shall be the lower of the fair market price determined under this paragraph or paragraph (4).

"(4) FAIR MARKET PRICE IN CASE OF CERTAIN OTHER ARTICLES.—For purposes of paragraph (1)(C), if—

"(A) the manufacturer, producer, or importer of an article regularly sells (except for tax-free sales) only to a distributor which is a member of the same affiliated group of corporations (as defined in section 1504(a)) as the manufacturer producer, or importer,

"(B) the distributor regularly sells (except for tax-free sales) such article only to retailers, and

"(C) the normal method of sales for such articles within the industry by manufacturers, producers, or importers is to sell such articles in arm's-length transactions to distributors,

the fair market price for such article shall be the price at which such article is sold to retailers by the distributor, reduced by a percentage of such price equal to the percentage which (i) the difference between the price for which comparable articles are sold to wholesale distributors, in the ordinary course of trade, by manufacturers or producers thereof, and the price at which such wholesale distributors in arm's-length transactions sell such comparable articles to retailers, is of (ii) the price at which such wholesale distributors in arm's-length transactions sell such comparable articles to retailers. The price determined under this paragraph shall not be adjusted for any exclusion (except for the tax imposed on such article) or readjustment under subsections (a) and (f) and under section 6416(b)(1)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to articles sold after December 31, 1969.

SUBTITLE C—MISCELLANEOUS ADMINISTRATIVE PROVISIONS

SEC. 941. FILING REQUIREMENTS.

(a) IN GENERAL.—Section 6012(a) (relating to persons required to make returns of income) is amended by striking out paragraph (1) and inserting in lieu thereof the following:

"(1)(A) Every individual having for the taxable year a gross income of $600 or more, except that a return shall not be required of an individual (other than an individual referred to in section 142(b))—

"(i) who is not married (determined by applying section 143(a)) and for the taxable year has a gross income of less than $1,700, or

"(ii) who is entitled to make a joint return under section 6013 and whose gross income, when combined with the gross income of his spouse, is, for the taxable year, less than $2,300 but only if such individual and his spouse, at the close of the taxable year, had the same household as their home.

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

"(B) The $1,700 amount specified in subparagraph (A)(i) shall be increased to $2,300 in the case of an individual entitled to an additional personal exemption under section 151(c)(1), and the $2,300 amount specified in subparagraph (A)(ii) shall be increased by $600 for each additional personal exemption to which the individual or his spouse is entitled under section 151(c);".

(b) TECHNICAL AMENDMENT.—Subsections (b) and (c)(2) of section 151 (relating to allowance of deductions for personal exemptions) are amended by striking out "if a separate return is made by the taxpayer" and inserting in lieu thereof "if a joint return is not made by the taxpayer and his spouse".

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 1969.

(d) TAXABLE YEARS AFTER 1972.—Effective with respect to taxable years beginning after December 31, 1972, section 6012(a)(1) is amended—

(1) by striking out "$600" each place it appears therein and inserting in lieu thereof "$750";

(2) by striking out "$1,700" each place it appears and inserting in lieu thereof "$1,750"; and

(3) by striking out "$2,300" each place it appears and inserting in lieu thereof "$2,500".

SEC. 942. COMPUTATION OF TAX BY INTERNAL REVENUE SERVICE.

(a) IN GENERAL.—The first sentence of section 6014(b) (relating to regulations; tax not computed by taxpayer) is amended to read as follows: "The Secretary or his delegate shall prescribe regulations for carrying out this section, and such regulations may provide for the application of the rules of this section—

"(1) to cases where the gross income includes items other than those enumerated by subsection (a),

"(2) to cases where the gross income from sources other than wages on which the tax has been withheld at the source is more than $100,

"(3) to cases where the gross income is $10,000 or more,

"(4) to cases where the taxpayer is entitled to the credit provided by section 37 (relating to retirement income credit), or

"(5) to cases where the taxpayer does not elect the standard deduction."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1969.

SEC. 943. FAILURE TO MAKE TIMELY PAYMENT OR DEPOSIT OF TAX.

(a) FAILURE TO PAY TAX.—Section 6651 (relating to failure to file tax return) is amended to read as follows:

"SEC. 6651. FAILURE TO FILE TAX RETURN OR TO PAY TAX.

"(a) ADDITION TO THE TAX.—In case of failure—

"(1) to file any return required under authority of subchapter A of chapter 61 (other than part III thereof), subchapter A of chapter 51 (relating to distilled spirits, wines, and beer), or of subchapter A of chapter 52 (relating to tobacco, cigars, cigarettes, and cigarette papers and tubes), or of subchapter A of chapter 53 (relating to machine guns and certain other firearms), on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be added to the amount required to be shown as tax on such return 5 percent of the amount of such tax if the failure is for not more than 1 month, with an additional 5 percent for each additional month or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate;

"(2) to pay the amount shown as tax on any return specified in paragraph (1) on or before the date prescribed for payment of such tax (determined with regard to any extension of time for payment), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be added to the amount shown as tax on such return 0.5 percent of the amount of such tax if the failure is for not more than 1 month, with an additional 0.5 percent for each additional month or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate; or

"(3) to pay any amount in respect of any tax required to be shown on a return specified in paragraph (1) which is not so shown (including an assessment made pursuant to section 6213(b)) within 10 days of the date of the notice and demand therefor, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be added to the amount of tax stated in such notice and demand 0.5 percent of the amount of such tax if the failure is for not more than 1 month, with an additional 0.5 percent for each additional month or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate.

"(b) PENALTY IMPOSED ON NET AMOUNT DUE.—For purposes of—

"(1) subsection (a)(1), the amount of tax required to be shown on the return shall be reduced by the amount of any part of the tax which is paid on or before the date prescribed for payment of the tax and by the amount of any credit against the tax which may be claimed on the return,

"(2) subsection (a)(2), the amount of tax shown on the return shall, for purposes of computing the addition for any month, be reduced by the amount of any part of the tax which is paid on or before the beginning of such month and by the amount of any credit against the tax which may be claimed on the return, and

"(3) subsection (a)(3), the amount of tax stated in the notice and demand shall, for the purpose of computing the addition for any month, be reduced by the amount of any part of the tax which is paid before the beginning of such month.

"(c) LIMITATIONS AND SPECIAL RULE.—

"(1) ADDITIONS UNDER MORE THAN ONE PARAGRAPH.—

"(A) With respect to any return, the amount of the addition under paragraph (1) of subsection (a) shall be reduced by the amount of the addition under paragraph (2) of subsection (a) for any month to which an addition to tax applies under both paragraphs (1) and (2).

"(B) With respect to any return, the maximum amount of the addition permitted under paragraph (3) of subsection (a) shall be reduced by the amount of the addition under paragraph (1) of subsection (a) which is attributable to the tax for which the notice and demand is made and which is not paid within 10 days of notice and demand.

"(2) AMOUNT OF TAX SHOWN MORE THAN AMOUNT REQUIRED TO BE SHOWN.—If the amount required to be shown as tax on a return is less than the amount shown as tax on such return, subsections (a)(2) and (b)(2) shall be applied by substituting such lower amount.

"(d) EXCEPTION FOR DECLARATION OF ESTIMATED TAX.—This section shall not apply to any failure to file a declaration of estimated tax required by section 6015 or to pay any estimated tax required to be paid by section 6153 or 6154."

(b) FAILURE TO MAKE DEPOSIT OF TAX.—Section 6656(a) (relating to penalty for failure to make deposit of taxes) is amended by striking out the first sentence and inserting in lieu thereof the following: "In case of failure by any person required by this title or by regulation of the Secretary or his delegate under this title to deposit on the date prescribed therefor any amount of tax imposed by this title in such government depositary as is authorized under section 6302(c) to receive such deposit, unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be imposed upon such person a penalty of 5 percent of the amount of the underpayment."

(c) CONFORMING AMENDMENTS.—

(1) Section 3121(k)(1)(F)(i) (relating to definitions of waiver of exemption by religious, charitable, and certain other organizations) is amended by inserting "or pay tax" after "tax return".

(2) Section 3121(k)(1)(G)(i) (relating to definitions of waiver of exemption by religious, charitable, and certain other organizations) is amended by inserting "or pay tax" after "tax return".

(3) Section 3121(k)(1)(H)(i) (relating to definitions of waivers of exemption by religious, charitable, and certain other organizations) is amended by inserting "or pay tax" after "tax return".

(4) Section 5684(d)(2) (relating to cross references for penalties relating to the payments and collections of liquor taxes) is amended by inserting "or pay tax" after "tax return".

(5) The table of sections for subchapter A of chapter 68 is amended by striking out:

"Sec. 6651. Failure To File Tax Return."

and inserting in lieu thereof:

"Sec. 6651. Failure To File Tax Return or Pay Tax."

(6) Section 6653(d) (relating to penalty for failure to pay tax if fraud assessed) is amended by adding "or pay tax" after "such return".

(d) EFFECTIVE DATES.—The amendments made by subsections (a) and (c) shall apply with respect to returns the date prescribed by law (without regard to any extension of time) for filing of which is after December 31, 1969, and with respect to notices and demands for payment of tax made after December 31, 1969. The amendment made by subsection (b) shall apply with respect to deposits the time for making of which is after December 31, 1969.

SEC. 944. DECLARATIONS OF ESTIMATED TAX BY FARMERS.

(a) RETURN AS DECLARATION OR AMENDMENT.—Section 6015(f) (relating to return considered as declaration or amendment) is amended by striking out "February 15" and inserting in lieu thereof "March 1".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1968.

SEC. 945. PORTION OF SALARY, WAGES, OR OTHER INCOME EXEMPT FROM LEVY.

(a) IN GENERAL.—Section 6334(a) (relating to enumeration of property exempt from levy) is amended by adding at the end thereof the following new paragraph:

"(8) SALARY, WAGES, OR OTHER INCOME.—If the taxpayer is required by judgment of a court of competent jurisdiction, entered prior to the date of levy, to contribute to the support of his minor children, so much of his salary, wages, or other income as is necessary to comply with such judgment."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to levies made 30 days or more after the date of the enactment of this Act.

SEC. 946. INTERESTS AND PENALTIES IN CASE OF CERTAIN TAXABLE YEARS.

(a) INTEREST ON UNDERPAYMENT.—Notwithstanding section 6601 of the Internal Revenue Code of 1954, in the case of any taxable year ending before the date of the enactment of this Act, no interst on any underpayment of tax, to the extent such underpayment is attributable to the amendments made by this Act, shall be assessed or collected for any period before the 90th day after such date.

(b) DECLARATIONS OF ESTIMATED TAX.—In the case of a taxable year beginning before the date of the enactment of this Act, if any taxpayer is required to make a declaration or amended declaration of estimated tax, or to pay any amount or additional amount of estimated tax, by reason of the amendments made by this Act, such amount or additional amount shall be paid ratably on or before each of the remaining installment dates for the taxable year beginning with the first installment date on or after the 30th day after such date of enactment. With respect to any declaration or payment of estimated tax before such first installment date, sections 6015

6154, 6654, and 6655 of the Internal Revenue Code of 1954 shall be applied without regard to the amendments made by this Act. For purposes of this subsection, the term "installment date" means any date on which, under section 6153 or 6154 of such Code (whichever is applicable), an installment payment of estimated tax is required to be made by the taxpayer.

SUBTITLE D—UNITED STATES TAX COURT

SEC. 951. STATUS OF TAX COURT.

Section 7441 (relating to the status of the Tax Court) is amended to read as follows:

"SEC. 7441. STATUS.

"There is hereby established, under article I of the Constitution of the United States, a court of record to be known as the United States Tax Court. The members of the Tax Court shall be the chief judge and the judges of the Tax Court."

SEC. 952. APPOINTMENTS; TERM OF OFFICE.

(a) Subsection (b) of section 7443 (relating to appointment of Tax Court judges) is amended by adding at the end thereof the following new sentence: "No individual shall be a judge of the Tax Court unless he is appointed to that office before attaining the age of 65."

(b) Subsection (e) of such section (relating to terms of office of Tax Court judges) is amended to read as follows:

"(e) TERM OF OFFICE.—The term of office of any judge of the Tax Court shall expire 15 years after he takes office."

SEC. 953. SALARY.

Section 7443(c) (relating to salaries of Tax Court judges) is amended to read as follows:

"(c) SALARY.—

"(1) Each judge shall receive salary at the same rate and in the same installments as judges of the district courts of the United States.

"(2) For rate of salary and frequency of installment see section 135, title 28, United States Code, and section 5505, title 5, United States Code."

SEC. 954. RETIREMENT.

(a) Subsection (b) of section 7447 (relating to time of retirement) is amended to read as follows:

"(b) RETIREMENT.—

"(1) Any judge shall retire upon attaining the age of 70.

"(2) Any judge who has attained the age of 65 may retire any time after serving as judge for 15 years or more.

"(3) Any judge who is not reappointed following the expiration of the term of his office may retire upon the completion of such term, if (A) he has served as a judge of the Tax Court for 15 years or more and (B) not earlier than 9 months preceding the date of the expiration of the term of his office and not later than 6 months preceding such date, he advised the President in writing that he was willing to accept reappointment to the Tax Court.

"(4) Any judge who becomes permanently disabled from performing his duties shall retire.

Section 8335(a) of title 5 of the United States Code (relating to automatic separation from the service) shall not apply in respect of judges."

(b) Subsection (d) of such section (relating to retired pay) is amended to read as follows:

"(d) RETIRED PAY.—Any individual who—

"(1) retires under paragraph (1), (2), or (3) of subsection (b) and elects under subsection (e) to receive retired pay under this subsection shall receive retired pay during any period at a rate which bears the same ratio to the rate of the salary payable to a judge during such period as the number of years he has served as judge bears 10; except that the rate of such retired pay shall not be more than the rate of such salary for such period; or

"(2) retires under paragraph (4) of subsection (b) and elects under subsection (e) to receive retired pay under this subsection shall receive retired pay during any period at a rate—

"(A) equal to the rate of the salary payable to a judge during such period if before he retired he had served as a judge not less than 10 years; or

"(B) one-half of the rate of the salary payable to a judge during such period if before he retired he had served as a judge less than 10 years.

Such retired pay shall begin to accrue on the day following the day on which his salary as judge ceases to accrue, and shall continue to accrue during the remainder of his life. Retired pay under this subsection shall be paid in the same manner as the salary of a judge. In computing the rate of the retired pay under paragraph (1) of this subsection for any individual who is entitled thereto, that portion of the aggregate number of years he has served as a judge which is a fractional part of 1 year shall be eliminated if it is less than 6 months, or shall be counted as a full year if it is 6 months or more."

(c) Subsection (g) of such section is amended by striking out paragraphs (2), (3), and (4) and inserting in lieu thereof the following:

"(2) EFFECT OF ELECTING RETIRED PAY.—In the case of any individual who has filed an election to receive retired pay under subsection (d)—

"(A) no annuity or other payment shall be payable to any person under the civil service retirement laws with respect to any service performed by such individual (whether performed before or after such election is filed and whether performed as judge or otherwise);

"(B) no deduction for purposes of the Civil Service Retirement and Disability Fund shall be made from retired pay payable to him under subsection (d) or from any other salary, pay, or compensation payable to him, for any period beginning after the day on which such election is filed; and

"(C) such individual shall be paid the lump-sum credit computed under section 8331(8) of title 5 of the United States Code upon making application therefor with the Civil Service Commission."

(d) Section 7447 (relating to retirement) is amended by adding at the end thereof the following new subsections:

"(h) RETIREMENT FOR DISABILITY.—

"(1) Any judge who becomes permanently disabled from performing his duties shall certify to the President his disability in writing. If the chief judge retires for disability, his retirement shall not take effect until concurred in by the President. If any other judge retires for disability, he shall furnish to the President a certificate of disability signed by the chief judge.

"(2) Whenever any judge who becomes permanently disabled from performing his duties does not retire and the President finds that such judge is unable to discharge efficiently all the duties of his office by reason of permanent mental or physical disability and that the appointment of an additional judge is necessary for the efficient dispatch of business, the President shall declare such judge to be retired."

(e) Section 7447 (relating to retirement) is further amended as follows:

(1) Paragraph (4) of subsection (a) is repealed.

(2) Paragraph (1) of subsection (g) is amended by striking out "Civil Service Retirement Act" and inserting in lieu thereof "civil service retirement laws" and by striking out "such Act applies" and inserting in lieu thereof "such civil service retirement laws apply."

SEC. 955. SURVIVORS.

(a) Section 7448(b) (relating to election of survivor annuities) is amended to read as follows:

"(b) ELECTION.—Any judge may by written election filed while he is a judge (except that in the case of an individual who is not reappointed following expiration of his term of office, it may be made at any time before the day after the day on which his successor takes office) bring himself within the purview of this section. In the case of any judge other than the chief judge the election shall be filed with the chief judge; in the case of the chief judge the election shall be filed as prescribed by the Tax Court."

(b) Section 7448 (relating to survivor annuities) is further amended as follows:

(1) Subsections (d), (h), and (r) are each amended by striking out "Civil Service Retirement Act" the last place it appears in each such subsection and inserting in lieu thereof in each such place "civil service retirement laws".

(2) Subsections (d) and (n) are each amended by striking out "section 3 of the Civil Service Retirement Act (5 U.S.C. 2253)" and inserting in lieu thereof in each such place "section 8332 of title 5 of the United States Code".

(3) Subsection (m) is amended by striking out "section 1(c) of the Civil Service Retirement Act (5 U.S.C. 2251(c))" and inserting in lieu thereof "section 2197 of title 5 of the United States Code".

(4) Subsection (r) is amended by striking out "a waiver filed under section 7447(g)(3)" and inserting in lieu thereof "an election filed under section 7447(e)".

SEC. 956. POWERS.

Section 7456 (relating to powers of the Tax Court) is amended by adding at the end thereof the following new subsection:

"(d) INCIDENTAL POWERS.—The Tax Court and each division thereof shall have power to punish by fine or imprisonment, at its discretion, such contempt of its authority, and none other, as—

"(1) misbehavior of any person in its presence or so near thereto as to obstruct the administration of justice;

"(2) misbehavior of any of its officers in their official transactions; or

"(3) disobedience or resistance to its lawful writ, process, order, rule, decree, or command.

It shall have assistance in the carrying out of its lawful writ, process, order, rule, decree, or command as is available to a court of the United States."

SEC. 957. TAX DISPUTES INVOLVING $1,000 OR LESS.

(a) Part II of subchapter C of chapter 76 (relating to Tax Court procedure) is amended by renumbering section 7463 as 7464, and by inserting after section 7462 the following new section:

"SEC. 7463. DISPUTES INVOLVING $1,000 OR LESS

"(a) IN GENERAL.—In the case of any petition filed with the Tax Court for a redetermination of a deficiency where neither the amount of the deficiency placed in dispute, nor the amount of any claimed overpayment, exceeds—

"(1) $1,000 for any one taxable year, in the case of the taxes imposed by subtitle A and chapter 12, or

"(2) $1,000, in the case of the tax imposed by chapter 11,

at the option of the taxpayer concurred in by the Tax Court or a division thereof before the hearing of the case, proceedings in the case shall be conducted under this section. Notwithstanding the provisions of section 7453, such proceedings shall be conducted in accordance with such rules of evidence, practice, and procedure as the Tax Court may prescribe. A decision, together with a

brief summary of the reasons therefor in any such case shall satisfy the requirements of sections 7459(b) and 7460.

"(b) FINALITY OF DECISIONS.—A decision entered in any case in which the proceedings are conducted under this section shall not be reviewed in any other court and shall not be treated as a precedent for any other case.

"(c) LIMITATION OF JURISDICTION.—In any case in which the proceedings are conducted under this section, notwithstanding the provisions of sections 6214(a) and 6512(b), no decision shall be entered redetermining the amount of a deficiency, or determining an overpayment, except with respect to amounts placed in dispute within the limits described in subsection (a) and with respect to amounts conceded by the parties.

"(d) DISCONTINUANCE OF PROCEEDINGS.—At any time before a decision entered in a case in which the proceedings are conducted under this section becomes final, the taxpayer or the Secretary or his delegate may request that further proceedings under this section in such case be discontinued. The Tax Court, or division thereof hearing such case, may, if it finds that (1) there are reasonable grounds for believing that the amount of the deficiency placed in dispute, or the amount of an overpayment, exceeds the applicable jurisdictional amount described in subsection (a), and (2) the amount of such excess is large enough to justify granting such request, discontinue further proceedings in such case under this section. Upon any such discontinuance, proceedings in such case shall be conducted in the same manner as cases to which the provisions of sections 6214(a) and 6512(b) apply.

"(e) AMOUNT OF DEFICIENCY IN DISPUTE.—For purposes of this section, the amount of any deficiency placed in dispute includes additions to the tax, additional amounts, and penalties imposed by chapter 68, to the extent that the procedures described in subchapter B of chapter 63 apply."

(b) The table of sections for part II of subchapter C of chapter 76 is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 7463. Disputes involving $1,000 or less.

"Sec. 7464. Provisions of special application to transferees."

SEC. 958. COMMISSIONERS.

Section 7456(c) (relating to Tax Court commissioners) is amended to read as follows:

"(c) COMMISSIONERS.—The chief judge may from time to time appoint commissioners who shall proceed under such rules and regulations as may be promulgated by the Tax Court. Each commissioner shall receive the same compensation and travel and subsistence allowances provided by law for commissioners of the United States Court of Claims."

SEC. 959. NOTICE OF APPEAL.

(a) Section 7483 (relating to petition for review) is amended to read as follows:

"SEC. 7483. NOTICE OF APPEAL.

"Review of a decision of the Tax Court shall be obtained by filing a notice of appeal with the clerk of the Tax Court within 90 days after the decision of the Tax Court is entered. If a timely notice of appeal is filed by one party, any other party may take an appeal by filing a notice of appeal within 120 days after the decision of the Tax Court is entered."

(b) The table of sections for subchapter D of chapter 76 is amended by striking out the item relating to section 7483 and inserting in lieu thereof the following:

"Sec. 7483. Notice of appeal."

SEC. 960. CONFORMING AMENDMENTS.

(a) Section 6214(a) (relating to jurisdiction to determine increased deficiencies, etc.) is amended by striking out "The Tax Court" and inserting in lieu thereof "Except as provided by section 7463, the Tax Court".

(b) Section 6512(b)(1) (relating to jurisdiction to determine overpayments) is amended by striking out "If the Tax Court" and inserting in lieu thereof "Except as provided by paragraph (2) and by section 7463, if the Tax Court".

(c) Sections 7447(a)(1) and 7448(a)(1) (relating to retirement and survivor annuities) are each amended by striking out "Tax Court of the United States" and inserting in lieu thereof "United States Tax Court".

(d) Section 7447(a)(5) (relating to periods of service) is amended by striking out "or as a member of the Board." and inserting in lieu thereof ", as judge of the Tax Court of the United States, or as a member of the Board of Tax Appeals."

(e) Section 7448 (n) (relating to includible service) is amended by inserting after "Tax Appeals" the following: ", as a judge of the Tax Court of the United States,".

(f) Section 7453 (relating to rules of practice, procedure, and evidence) is amended by striking out "The" and inserting in lieu thereof "Except in the case of proceedings conducted under section 7463, the".

(g) Section 7471(c) (relating to travel and subsistence allowances of commissioners) is amended to read as follows:

"(c) COMMISSIONERS.—

"For compensation and travel and subsistence allowances of commissioners of the Tax Court, see section 7456(c)."

(h)(1) Section 7481 (relating to date when Tax Court decision becomes final) is amended—

(A) by striking out so much of such section as precedes paragraph (2) thereof and inserting in lieu thereof the following:

"(a) REVIEWABLE DECISIONS.—Except as provided in subsection (b), the decision of the Tax Court shall become final—

"(1) TIMELY NOTICE OF APPEAL NOT FILED.—Upon the expiration of the time allowed for filing a notice of appeal, if no such notice has been duly filed within such time; or";

(B) by striking out "PETITION FOR REVIEW" in the heading of paragraph (2) and inserting in lieu thereof "APPEAL";

(C) by striking out "petition for review" each place it appears in the text of paragraph (2) and inserting in lieu thereof "appeal"; and

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

"(b) NONREVIEWABLE DECISIONS.—The decision of the Tax Court in a proceeding conducted under section 7463 shall become final upon the expiration of 90 days after the decision is entered."

(2) Section 7482(c) (relating to courts of review) is amended—

(A) by striking out "section 2074 of title 28" in paragraph (2) and inserting in lieu thereof "section 2072 of title 28";

(B) by striking out the second sentence of paragraph (2); and

(C) by striking out "petition" in paragraph (4) and inserting in lieu thereof "notice of appeal".

(3) Section 7485 (relating to bond to stay assessment and collection) is amended—

(A) by striking out "PETITION FOR REVIEW" in the heading of subsection (a) and inserting in lieu thereof "NOTICE OF APPEAL";

(B) by striking out "petition for review" each place it appears in the text of subsection (a) and inserting in lieu thereof "notice of appeal"; and

(C) by striking out "review bond" in paragraph (2) of subsection (a) and inserting in lieu thereof "appeal bond".

(i)(1) Section 7487 (relating to cross references) is amended to read as follows:

"SEC. 7487. CROSS REFERENCES.

"(1) Nonreviewability.—For nonreviewability of Tax Court decisions in small claims cases, see section 7463(b).

"(2) Transcripts.—For authority of the Tax Court to fix fees for transcript of records, see section 7474."

(2) The last item in the table of sections for subchapter D of chapter 76 (relating to court review of Tax Court decisions) is amended to read as follows:

"Sec. 7487. Cross references."

(j) Section 7701(a)(27) (relating to definition of Tax Court) is amended by striking out "Tax Court of the United States" and inserting in lieu thereof "United States Tax Court".

SEC. 961. CONTINUATION OF STATUS.

The United States Tax Court established under the amendment made by section 951 is a continuation of the Tax Court of the United States as it existed prior to the date of enactment of this Act, the judges of the Tax Court of the United States immediately prior to the date of enactment of this Act shall become the judges of the United States Tax Court upon the enactment of this Act, and no loss of rights or powers, interruption of jurisdiction, or prejudice to matters pending in the Tax Court of the United States before the date of enactment of this Act shall result from the enactment of this Act.

SEC. 962. EFFECTIVE DATES.

(a) The amendments made by sections 951, 953, 954 (c) and (e), 955, 956, 958, and 960 (c), (d), (e), (g), and (j) shall take effect on the date of enactment of this Act.

(b) The amendment made by section 952 (a) shall apply to judges appointed after the date of enactment of this Act.

(c) The amendment made by section 952 (b) shall take effect on the date of enactment of this Act, except that—

(1) the term of office being served by a judge of the Tax Court on that date shall expire on the date it would have expired under the law in effect on the day preceding the date of enactment of this Act; and

(2) a judge of the Tax Court on the date of enactment of this Act may be reappointed in the same manner as a judge of the Tax Court hereafter appointed.

(d) The amendments made by subsections (a), (b), and (d) of section 954 shall apply to—

(1) all judges of the Tax Court retiring on or after the date of enactment of this Act, and

(2) all individuals performing judicial duties pursuant to section 7447(c) or receiving retired pay pursuant to section 7447(d) on the day preceding the date of enactment of this Act.

Any individual who has served as a judge of the Tax Court for 18 years or more by the end of one year after the date of the enactment of this Act may retire in accordance with the provisions of section 7447 of the Internal Revenue Code of 1954 as in effect on the day preceding the date of the enactment of this Act. Any individual who is a judge of the Tax Court on the date of the enactment of this Act may retire under the provisions of section 7447 of such Code upon the completion of the term of his office, if he is not reappointed as a judge of the Tax Court and gives notice to the President within the time prescribed by section 7447(b) of such Code (or if his term expires within 6 months after the date of enactment of this Act, gives notice to the President before the expiration of 3 months after the date of enactment of this Act), and shall receive retired pay at a rate which bears the same ratio to the rate of the salary payable to a judge as the number of years he has served as a judge of the Tax Court bears to 16; except that the

rate of such retired pay shall not exceed the rate of the salary of a judge of the Tax Court. For purposes of the preceding sentence the years of service as a judge of the Tax Court shall be determined in the manner set forth in section 7447(d) of such Code.

(e) The amendments made by sections 957 and 960 (a), (b), (f), and (i) shall take effect one year after the date of enactment of this Act.

(f) The amendments made in sections 959 and 960(h) shall take effect 30 days after the date of the enactment of this Act. In the case of any decision of the Tax Court entered before the 30th day after the date of the enactment of this Act, the United States Court of Appeals shall have jurisdiction to hear an appeal from such decision, if such appeal was filed within the time prescribed by Rule 13(a) of the Federal Rules of Appellate Procedure or by section 7483 of the Internal Revenue Code of 1954, as in effect at the time the decision of the Tax Court was entered.

TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

SEC. 1001. SHORT TITLE.

This title may be cited as the "Social Security Amendments of 1969".

SEC. 1002. INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS.

(a) Section 215 of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
----------	$16.20	$55.40 or less	----------	$76	$64.00	$96.00
$16.21	16.84	56.50	$77	78	65.00	97.50
$16.85	17.60	57.70	79	80	66.40	99.60
$17.61	18.40	58.80	81	81	67.70	101.60
$18.41	19.24	59.90	82	83	68.90	103.40
$19.25	20.00	61.10	84	85	70.30	105.50
$20.01	20.64	62.20	86	87	71.60	107.40
$20.65	21.28	63.30	88	89	72.80	169.20
$21.29	21.88	64.50	90	90	74.20	111.30
$21.89	22.28	65.60	91	92	75.50	113.30
$22.29	22.68	66.70	93	94	76.80	115.26
$22.69	23.08	67.80	95	96	78.00	117.00
$23.09	23.44	69.00	97	97	79.40	119.10
$23.45	23.76	70.20	98	99	80.80	121.20
$23.77	24.20	71.50	100	101	82.30	123.50
$24.21	24.60	72.60	102	102	83.50	125.30
$24.61	25.00	73.80	103	104	84.90	127.40
$24.01	25.48	75.10	105	106	86.40	129.60
$25.49	25.92	76.30	107	107	87.80	131.70
$25.93	26.40	77.50	108	109	89.20	133.80
$26.41	26.94	78.70	110	113	90.60	135.90
$26.95	27.46	79.90	114	118	91.90	137.90
$27.47	28.00	81.10	119	122	93.30	140.00
$28.01	28.68	82.30	123	127	94.70	142.10
$28.69	29.25	83.60	128	132	96.20	144.30
$29.26	29.68	84.70	133	136	97.50	146.30
$29.69	30.36	85.90	137	141	98.80	148.20
$30.37	30.92	87.20	142	146	100.30	150.50
$30.93	31.36	88.40	147	150	101.70	152.60
$31.37	32.00	89.50	151	155	103.00	154.50
$32.01	32.60	90.80	156	160	104.50	156.80
$32.61	33.20	92.00	161	164	105.80	158.70
$33.21	33.88	93.20	165	169	107.20	160.80
$33.89	34.50	94.40	170	174	108.60	162.90
$34.51	35.00	95.60	175	178	110.00	165.00
$35.01	35.80	96.80	179	183	111.40	167.10
$35.81	36.80	98.00	184	188	112.70	169.10
$36.41	37.08	99.30	189	193	114.20	171.30
$37.09	37.60	100.50	194	197	115.60	173.40
$37.61	38.20	101.60	198	202	116.90	175.40
$38.21	39.12	102.90	203	207	118.40	177.60
$39.13	39.68	104.10	208	211	119.80	179.70
$39.69	40.33	105.20	212	216	121.00	181.50
$40.34	41.12	106.50	217	221	122.50	183.80
$41.13	41.76	107.70	222	225	123.90	185.90
$41.77	42.44	108.90	226	230	125.30	188.00
$42.45	43.20	110.10	231	235	126.70	190.10
$43.21	43.76	111.40	236	239	128.20	192.30
$43.77	44.44	112.60	240	244	129.50	195.20
$44.45	44.88	113.70	245	249	130.80	199.20
$44.89	45.60	115.00	250	253	132.30	202.40
		116.20	254	258	133.70	206.40
		117.30	259	263	134.90	210.40
		118.60	264	267	136.40	213.60
		119.80	268	272	137.80	217.60
		121.00	273	277	139.20	221.60
		122.20	278	281	140.60	224.80
		123.40	282	286	142.00	228.80
		124.70	287	291	143.50	232.80
		125.80	292	295	144.70	236.00
		127.10	296	300	146.20	240.00
		128.30	301	305	147.60	244.00
		129.40	306	309	148.90	247.20
		130.70	310	314	150.40	251.20
		131.90	315	319	151.70	255.20
		133.00	320	323	153.00	258.40
		134.30	324	328	154.50	262.40
		135.50	329	333	155.90	266.40
		136.80	334	337	157.40	269.60
		137.90	338	342	158.60	273.60
		139.10	343	347	160.00	277.60

"I		II	III		IV	
(Primary insurance benefit under 1939 act, as modified)		(Primary insurance amount under 1967 act)	(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount fo benefits payable as provided in sec. 20J(a)) on the basis of his wages and self-employment income shall be—
At least—	But not more than—		At least—	But not more than—		
		$140.40	$348	$351	$161.50	$280.80
		141.50	352	356	162.80	284.80
		142.80	357	361	164.30	288.80
		144.00	362	365	165.60	292.00
		145.10	366	370	166.90	296.00
		146.40	371	375	168.40	300.00
		147.60	376	379	169.80	303.20
		148.90	380	384	171.30	307.20
		150.00	385	389	172.50	311.20
		151.20	390	393	173.90	314.40
		152.50	394	398	175.40	318.40
		153.60	399	403	176.70	322.40
		154.90	404	407	178.20	325.60
		156.00	408	412	179.40	329.60
		157.10	413	417	180.70	333.70
		158.20	418	421	182.00	336.80
		159.40	422	426	183.40	340.80
		160.50	427	431	184.60	344.80
		161.60	432	436	185.90	348.80
		162.80	437	440	187.30	350.40
		163.90	441	445	188.50	352.40
		165.00	446	450	189.80	354.40
		166.20	451	454	191.20	356.00
		167.30	455	459	192.40	358.00
		168.40	460	464	193.70	360.00
		169.50	465	468	195.00	361.60
		170.70	469	473	196.40	363.60
		171.80	474	478	197.60	365.60
		172.90	479	482	198.90	367.20
		174.10	483	487	200.30	369.20
		175.20	488	492	201.50	371.20
		176.30	493	496	202.80	372.80
		177.50	497	501	204.20	374.80
		178.60	502	506	205.40	376.80
		179.70	507	510	206.70	378.40
		180.80	511	515	208.00	380.40
		182.00	516	520	209.30	382.40
		183.10	521	524	210.60	384.00
		184.20	525	529	211.90	386.00
		185.40	530	534	213.30	388.00
		186.50	535	538	214.50	389.60
		187.60	539	543	215.80	391.60
		188.80	544	548	217.20	393.60
		189.90	549	553	218.40	395.60
		191.00	554	556	219.70	396.80
		192.00	557	560	220.80	398.40
		193.00	561	563	222.00	399.60
		194.00	564	567	223.10	401.20
		195.00	568	570	224.30	402.40
		196.00	571	574	225.40	404.00
		197.00	575	577	226.60	405.20
		198.00	578	581	227.70	406.80
		199.00	582	584	228.90	408.00
		200.00	585	588	230.00	409.60
		201.00	589	591	231.20	410.80
		202.00	592	595	232.30	412.40
		203.00	596	598	233.50	413.60
		204.00	599	602	234.60	415.20
		205.00	603	605	235.80	416.40
		206.00	606	609	236.90	418.00
		207.00	610	612	238.10	419.20
		208.00	613	616	239.20	420.80
		209.00	617	620	240.40	422.40
		210.00	621	623	241.50	423.60
		211.00	624	627	242.70	425.20
		212.00	628	630	243.80	426.40
		213.00	631	634	245.00	428.00
		214.00	635	637	246.10	429.20
		215.00	638	641	247.30	430.80
		216.00	642	644	248.40	432.00
		217.00	645	648	249.60	433.60
		218.00	649	650	250.70	434.40".

(b)(1) Section 203(a) of such Act is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) when two or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1970 on the basis of the wages and self-employment income of such insured individual and at least one such person was so entitled for December 1969 on the basis of such wages and self-employment income, such total of benefits for January 1970 or any subsequent month shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), as in effect prior to the enactment of the Social Security Amendments of 1969 (and prior to January 1, 1970), for each such person for such month, by 115 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202(k)(2)(A) was applicable in the case of any such benefits for January 1970, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202(k)(2)(A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for January 1970, or".

(2) Notwithstanding any other provision of law, when two or more persons are entitled to monthly insurance benefits under title II of the Social Security Act for any month after 1969 on the basis of the wages and self-employment income of an insured individual (and at least one of such persons was so entitled for a month before January 1971 on the basis of an application filed before 1971), the total of the benefits to which such persons are entitled under such title for such month (after the application of sections 203(a) and 202(q) of such Act) shall be not less than the total of the monthly insurance benefits to which such persons would be entitled under such title for such month (after the application of such sections 203(a) and 202(q)) without regard to the amendment made by subsection (a) of this section.

(c) Section 215(b)(4) of such Act is amended by striking out "January 1968" each time it appears and inserting in lieu thereof "December 1969".

(d) Section 215(c) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1967 Act

"(c)(1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1969.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223 before January 1970, or who died before such month."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969 and with respect to lump-sum death payments under such title in the case of deaths occurring after December 1969.

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act before December 1969 and became entitled to old-age insurance benefits under section 202(a) of such Act for January 1970, or he died in such month, then, for purposes of section 215(a)(4) of the Social Security Act (if applicable), the amount in column IV of the table appearing in such section 215(a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215(c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

SEC. 1003. INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER.

(a)(1) Section 227(a) of the Social Security Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(2) Section 227(b) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(b)(1) Section 228(b)(1) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(2) Section 228(b)(2) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46", and by striking out "$20" and inserting in lieu thereof "$23".

(3) Section 228(c)(2) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(4) Section 228(c)(3)(A) of such Act is amended by striking out "$40" and inserting in lieu thereof "$46".

(5) Section 228(c)(3)(B) of such Act is amended by striking out "$20" and inserting in lieu thereof "$23".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

SEC. 1004. MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFIT.

(a) Section 202(b)(2) of the Social Security Act is amended to read as follows:

"(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such month."

(b) Section 202(c)(3) of such Act is amended to read as follows:

"(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to one-half of the primary insurance amount of his wife for such month."

(c) Sections 202(e)(4) and 202(f)(5) of such Act are each amended by striking out "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105" and inserting in lieu thereof "one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based".

(d) The amendments made by subsections (a), (b), and (c) shall apply with respect to monthly benefits under title II of the Social Security Act for months after December 1969.

SEC. 1005. ALLOCATION TO DISABILITY INSURANCE TRUST FUND.

(a) Section 201(b)(1) of the Social Security Act is amended—

(1) by striking out "and" at the end of clause (B); and

(2) by striking out "1967, and so reported," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and so reported, and (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969 and so reported,".

(b) Section 201(b)(2) of such Act is amended—

(1) by striking out "and" at the end of clause (B); and

(2) by striking out "1967," and inserting in lieu thereof the following: "1967, and before January 1, 1970, and (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969,".

SEC. 1006. DISREGARDING OF RETROACTIVE PAYMENT OF OASDI BENEFIT INCREASE.

Notwithstanding the provisions of section 2(a)(10), 402(a)(7), 1002(a)(8), 1402(a)(8), and 1602(a)(13) and (14) of the Social Security Act, each State, in determining need for aid or assistance under a State plan approved under title I, X, XIV, or XVI, or part A of title IV, of such Act, shall disregard (and the plan shall be deemed to require the State to disregard), in addition to any other amounts which the State is required or permitted to disregard in determining such need, any amount paid to an individual under title II of such Act (or under the Railroad Retirement Act of 1937 by reason of the first proviso in section 3(e) thereof), in any month after December 1969, to the extent that (1) such payment is attributable to the increase in monthly benefits under the old-age, suvivors, and disability insurance system for January or February 1970 resulting from the enactment of this title, and (2) the amount of such increase is paid separately from the rest of the monthly benefit of such individual for January or February 1970.

SEC. 1007. DISREGARDING OF INCOME OF OASDI RECIPIENTS IN DETERMINING NEED FOR PUBLIC ASSISTANCE

In addition to the requirements imposed by law as a condition of approval of a State plan to provide aid or assistance in the form of money payments to individuals under title I, X, XIV, or XVI of the Social Security Act, there is hereby imposed the requirement (and the plan shall be deemed to require) that, in the case of any individual receiving aid or assistance for any month after March 1970 and before July 1970 who also received in such month a monthly insurance benefit under title II of such Act which is increased as a result of the enactment of the other provisions of this title, the sum of the aid or assistance received by him for such month, plus the monthly insurance benefit received by him in such month (not including any part of such benefit which is disregarded under section 1006), shall exceed the sum of the aid or assistance which would have been received by him for such month under such plan as in effect for March 1970 plus the monthly insurance benefit which would have been received by him in such month without regard to the other provisions of this title, by an amount equal to $ or (if less) to such increase in his monthly insurance benefit under such title (whether such excess is brought about by disregarding a portion of such monthly insurance benefit or otherwise).

And the Senate agree to the same.

W. D. MILLS,
HALE BOGGS,
JOHN C. WATTS,
AL ULLMAN,
JOHN W. BYRNES,
JAMES B. UTT,
JACKSON E. BETTS,
Managers on the Part of the House.

RUSSELL B. LONG,
CLINTON P. ANDERSON,
ALBERT GORE,
HERMAN E. TALMADGE,
WALLACE F. BENNETT,
JACK MILLER,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at he conference on the disagreeing votes of he two Houses on the amendment of the enate to the bill (H.R. 13270) to reform he income tax laws submit the following in xplanation of the effect of the action agreed pon by the conferees and recommended in he accompanying conference report:

The Senate stuck out all of the House bill fter the enacting clause and inserted a sub- titute amendment. The conference has greed to a substitute for both the Senate mendment and the House bill. The follow- ng statement explains the principal differ- nces between the effect of the House bill nd the effect of the substitute agreed to in onference:

ITLE I—TAX EXEMPT ORGANIZATIONS[1]

SUBTITLE A—PRIVATE FOUNDATIONS

. Excise tax based on investment income (sec. 4940 of the code)

The House bill imposes a tax of 7.5 percent n the net investment income of a private oundation for each taxable year.

The Senate amendment substitutes for the ouse provision an annual audit-free tax of ne-tenth of 1 percent (one-fifth of 1 per- ent for 1970) of the noncharitable assets f a private foundation, but in no event less han $100.

The conference substitute (sec. 101(b) of he substitute and sec. 4940 of the code) pro- ides a tax of 4 percent of the net investment ncome of each foundation for the taxable ear.

. Prohibitions against self-dealing (sec. 4941 of the code)

Both the House bill and the Senate amend- ent impose taxes on the following acts of elf-dealing:

(*a*) The sale, exchange, or leasing of prop- rties between a private foundation and a isqualified person,

(*b*) The lending of money or other exten- on of credit between such persons,

(*c*) The furnishing of goods, services, or cilities between such persons,

(*d*) The payment of compensation by a rivate foundation to a disqualified person.

(*e*) The transfer to or use by, or for the enefit of, disqualified persons of the income r assets of a private foundation, and

(*f*) Agreement by a private foundation to ake any payment of money or other prop- rty to a Government official (other than an greement to employ such individual for cer- in periods after termination of Govern- ent service).

The Senate amendment adds a seventh ategory to the term "self-dealing." It speci- es that payment by a private foundation of y of the taxes imposed under the new pro- sions added by the bill upon any disquali- ed person constitutes self-dealing.

The conference substitute (sec. 101(b) of e substitute and sec. 4941(d)(1) of the ode) omits this category in view of the fact at such payments are already considered be self-dealing by paragraph (*e*) referred above.

The conferees also agree with the statement ppearing in the report of the Senate Com- ittee on Finance to the effect that where ock is bought or sold by the foundation in der to manipulate the price of the stock r the benefit of a disqualified person (as ferred to below), then the foundation's sets have been used for the "benefit of a squalified person" within the meaning of aragraph (*e*) above.

The term "disqualified person", as it ap- ears in both the House bill and the Senate amendment, includes a substantial contributor to the foundation. A substantial contributor under the House bill is anyone who (with his spouse) contributes more than $5,000 in any one year or who (with his spouse) contributes more than anyone else in any one year, even though less than $5,000.

The Senate amendment modifies the definition of subtantial contributor to mean any person who contributes more than $5,000 to a private foundation if such amount is more than 2 percent of the contributions received by the foundation before the end of the year in which the foundation receives the contribution of the person.

The conference substitute (sec. 101(a) of the substitute and sec. 507(d)(2) of the code) follows the Senate amendment.

The Senate amendment also modifies the definition of a disqualified person in other respects. The House bill provides that a general partner of a substantial contributor is also to be treated as a disqualified person. The Senate substitute limits this to an owner of more than 20 percent of the profits interest of a partnership.

The conference substitute (sec. 101(b) of the substitute and sec. 4946(a)(1) of the code) follows the Senate amendment.

The House bill provides that a disqualified person includes a member of the family (within the meaning of sec. 341(d) of the code) of a substantial contributor, foundation manager or certain other persons. Included in the definition in section 341(d) is a brother or sister (and any of their descendants) of any of the foregoing persons. The Senate amendment omits such brothers and sisters and their descendants from the definition of the term "family."

The conference substitute (sec. 101(b) of the substitute and sec. 4946(d) of the code) follows the Senate amendment.

Under both the House bill and the Senate amendment a violation of the self-dealing provision results in an annual tax on the self-dealer of 5 percent of the amount involved in the violation. If the self-dealing is not corrected within an appropriate length of time, then a tax of 200 percent of the amount involved is imposed on the self-dealer. If the foundation manager is knowingly involved in the self-dealing, a tax of 2.5 percent initially is imposed upon him (subject to a maximum of $10,000). Where the foundation manager refuses to agree to the correction of the initial transaction, a tax of 50 percent of the amount involved is imposed (subject to a maximum of $10,000). In the case of repeated or willful violations, the tax imposed on the self-dealer or foundation managers may be doubled. (A third level of tax may also be assessed as described below in "Change of Status".)

The Senate amendment provides that the tax on the foundation manager who knowingly participates in the self-dealing is not to apply unless the violation is willful and is not due to reasonable cause. In addition, the amendment provides that the burden of proof that a violation by a foundation manager is "knowing" is to be upon the Government to the same extent as in civil fraud in present law.

The conference substitute (secs. 10 (b) and (1) of the substitute and sec. 4941(a) of the code) follows the Senate amendment.

The Senate amendment provides that in the case of leases and loans outstanding on October 9, 1969, and also where under arrangements in existence prior to that date, goods and services or facilities were shared by a private foundation and a disqualified person, such transactions are not to constitute self-dealing if the foundation receives terms at least as favorable as terms offered to third parties in arm's-length transactions. Under the amendment these existing arrangements can continue for a period up to 10 years.

The conference substitute (sec. 101(1)(2) of the substitute) follows the Senate amendment but includes within the term "loan," reference to "extension of credit."

The Senate amendment provides that where a private foundation and disqualified person, together owned on October 9, 1969, more than 20 percent of voting stock of a company, then the foundation may make fair-market-value sales of that stock or nonvoting stock to disqualified persons before January 1, 1975, so long as the sales do not bring the combined holdings of the voting stock below 20 percent. After that date, such sales may be made to disqualified persons only if the stock has to be disposed of in order to avoid violating the excess business holdings rules, described below.

The conference substitute (sec. 101(1)(2) of the substitute) follows the Senate amendment.

The House bill and the Senate amendment both require as a condition of tax exemption that a foundation's governing instrument conform to the new provisions added by this bill (regarding the rules relating to self-dealing, distribution of income, excess business holdings, investments jeopardizing charitable purpose, and taxable expenditures). Both the House bill and the Senate amendment give existing organizations until 1972 to modify their governing instruments in the respects set out above (or longer if it is impossible to conform their governing instruments by that time).

The House bill and Senate amendment also contain savings clauses permitting fair-price sales of existing holdings to disqualified persons under certain circumstances. The Senate amendment also provides that an organization's governing instrument need not prohibit activities which are permitted to it under the excess business holdings savings clauses.

The conference substitute (sec. 101(1)(6) of the substitute) follows the Senate amendment and extends it to activities permitted under any other of the special savings clauses.

3. Taxes on failure to distribute income (sec. 4942 of the code)

Both the House bill and the Senate amendment provide for the imposition of taxes on a private foundation where it does not distribute currently an amount equal to all of its income, or if higher, an amount equal to a specified percentage of the value of its assets (other than those assets currently being used in the active conduct of the foundation's exempt activities).

Both the House bill and the Senate amendment provide that a tax of 15 percent of the undistributed amount is to be imposed where there has been a failure to distribute by the end of the taxable year after the income is earned (unless certain exceptions apply). If the distribution of the remaining amount is not made during the "correction period", a tax of 100 percent of the amount not distributed is then imposed.

The minimum amount which must be paid out, for years beginning in 1970, is the greater of the adjusted net income or 5 percent of the assets (the Secretary or his delegate is authorized in certain years to make changes in this percentage based upon changes in money rates and investment yields).

The Senate amendment changes this percentage to 6 percent.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(e) of the code) follows the Senate amendment.

Both the House bill and the Senate amendment do not apply the minimum investment return for the years 1970 and 1971.

In addition, the Senate amendment provides that the minimum investment return is not to be more than 3.5 percent in 1972,

[1] All references to titles, subtitles, and sections of the bill, unless otherwise specified, will use the designation in the conference substitute.

4 percent in 1973, 4.5 percent in 1974, 5 percent in 1975, and 5.5 percent in 1976.

The conference substitute (sec. 101(l)(3) of the substitute) provides that the minimum investment return is not to be more than 4.5 percent in 1972, 5 percent in 1973, and 5.5 percent in 1974.

The Senate amendment allows foundations to make deficiency distributions (along the lines of deficiency dividend procedures presently allowable to personal holding companies) if failure to distribute is due to failure to properly value the assets and is not willful but is due to reasonable cause.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(a) of the code) follows the Senate amendment.

Under the House bill the tax on investment income and any tax on unrelated business income reduce the amount of the required current distribution only when the foundation's income exceeds the minimum percentage for that year.

The Senate amendment allows the audit-fee tax and any tax on unrelated business income as deductions in determining the amount of income which must be distributed currently.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(d) of the code) follows the Senate amendment.

The Senate amendment makes it clear that reasonable administrative expenses in operating a private foundation are also to be treated as qualifying distributions.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(g) of the code) follows the Senate amendment.

Loans to individuals which are related to the exempt purpose for which a private foundation was established (for example, student loans) have generally been considered as qualifying distributions at the time the loan was made. The Senate amendment also provides that when the loan is repaid (or when amounts are received from the sale of assets previously used for charitable purposes) these amounts should be treated as income, for purposes of the minimum distribution requirement, to the extent the private foundation had previously treated the amounts as expenditures which were qualifying distributions. (This rule also applies where an amount previously set aside and treated as a qualifying distribution at that time is no longer needed for the purpose for which it was set aside.)

The conference substitute (sec. 101(b) of the substitute and sec. 4942(f) of the code) follows the Senate amendment.

The House bill provides that where a private foundation spends more than the minimum required distributable amount in a given year, the excess expenditures over this amount are to be treated as qualifying expenditures in the next 5 years. The Senate amendment makes it clear that the distributions in years before the first taxable year beginning after December 31, 1969, are not to be taken into account for purposes of applying this 5-year carryover rule.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(i) of the code) follows the Senate amendment.

The Senate amendment provides that where written commitments have been made before October 9, 1969, by one private foundation to another private foundation, the grants made by December 31, 1974, under such commitments are to be treated as qualifying distributions if the foundation to which the distributions are made is not controlled by the granting foundation. For the grant to be so treated, however, it must be made for the charitable, educational, or other purpose consistent with the basis for the organization's exemption.

The conference substitute (sec. 101(l)(3) of the substitute) follows the Senate amendment but provides that the written commitment must have been made before May 27, 1969.

The Senate amendment provides that if a corporation redeems existing excess business holdings of a private foundation, such a redemption is not to be treated as essentially the equivalent of a dividend for purposes of determining the foundation's income that must be distributed.

The conference substitute (sec. 101(l)(3) of the substitute) follows the Senate amendment.

4. Taxes on excess business holdings (sec. 4943 of the code)

The House bill as a general rule limits to 20 percent the combined ownership of a corporation's voting stock which may be held by a foundation and all disqualified persons together. However, if someone else can be shown to have control of the business, the 20-percent limit is raised to 35 percent. Excess holdings acquired by gift or bequest in the future under the House bill generally must be disposed of within 5 years.

The House bill provides that the 20-percent limit referred to above (or the 35-percent limit if applicable) needs to be met with respect to existing holdings only after the lapse of a 10-year period. The House bill also provides certain interim requirements of progressive partial divestiture at the end of 2 years and at the end of 5 years.

The Senate amendment provides that in the case of present holdings the combined holdings of a private foundation and all disqualified persons in any one business (if at present in excess of 50 percent) must generally be reduced to 50 percent by the end of the 10 years after the date of enactment of the bill. However, where the combined holdings now exceed 75 percent, an additional 5 years is allowed before the 50-percent limit must be reached. Present holdings in excess of 20 percent but less than 50 percent need not be decreased but also may not be increased.

The conference substitute (sec. 101(b) of the substitute and sec. 4943(c)(4) of the code) provides that where existing holdings are in excess of 50 percent but are not in excess of 75 percent, a 10-year period is to be available before the holdings must be reduced to 50 percent. If the holdings are more than 75 percent but not over 95 percent, the reduction to 50 percent need not occur for a 15-year period. If the foundation itself holds more than 95 percent of a corporation's stock, the reduction to 50 percent need not occur until the lapse of a 20-year period. The excess time provided above the 10 years in the second case is not to be available if a disqualified person having 15 percent or more of the stock of the corporation objects to this additional time for disposition of the excess holdings.

If at the end of the 10, 15, or 20-year period referred to above, the foundation and all disqualified persons together have holdings not in excess of 50 percent and the foundation has holdings of not more than 25 percent, then no further divestiture is required in order for the taxes on excess holdings not to apply. If the disqualified persons together hold no more than 2 percent of the stock, then the foundation is not subject to the 25-percent limit of the preceding sentence (however, the 50-percent total still applies to the combined holdings at the end of this first period); then the foundation is to have 15 additional years to bring its holdings of the stock in question down to 35 percent without imposition of any tax under this provision.

The House bill and the Senate amendment both permit fair price sales by a private foundation to disqualified persons in the case of existing excess business holdings without tax consequences.

Under the Senate amendment fair market value exchanges and other dispositions are also permitted under the same conditions as in the case of sales.

The conference substitute (sec. 101(l)(2) of the substitute) follows the Senate amendment.

5. Taxes on investments which jeopardize charitable purpose (sec. 4944 of the code)

At present a private foundation loses its tax exemption if its accumulated income is invested in such a manner as to jeopardize the carrying out of its charitable purposes. The House bill and the Senate amendment provide that unless this test is met with respect to all of its assets (not merely its accumulated income), a foundation will be subject to a special tax.

The House bill provides that where a foundation invests in a manner which would jeopardize the carrying out of its charitable purposes a tax is to be imposed equal to 10 percent of the investment.

The Senate amendment provides an initial tax on private foundations of 5 percent of the amount involved, and an initial tax on the foundation manager, where he knowingly jeopardizes the carrying out of the foundation's exempt purposes, of 5 percent (up to a maximum of $5,000 on the manager). The Senate amendment also modifies the second level tax where the jeopardy situation is not corrected by providing a 25-percent tax on the foundation and a 5-percent tax on the foundation manager who refuses to take action to correct the situation. (In the case of the foundation manager, this sanction may not exceed $10,000.)

The conference substitute (sec. 101(b) of the substitute and sec. 4944 of the code) follows the Senate amendment.

6. Taxes on taxable expenditures (sec. 4945 of the code)

Among the activities which under the House bill give rise to taxable expenditures are those to influence the outcome of any public election.

The Senate amendment modifies this to prohibit expenditures for the purpose of influencing the outcome of any specific public election.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(d) of the code) follows the Senate amendment.

Both the House bill and the Senate amendment provide for taxes on expenditures where the private foundations spend money on activities generally referred to as lobbying expenditures. The House bill prohibits expenditures on attempts to influence legislation through attempts to affect the opinion of the general public.

The Senate amendment taxes expenditures where attempts are made to influence legislation by attempting to cause members of the general public to propose, support, or oppose legislation.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(e) of the code) follows the House provision except that the managers on the part of the House desire to make it clear that in retaining this language it is not intended to prevent the examination of broad social, economic, and similar problems of the type the Government could be expected to deal with ultimately, even though this would not permit lobbying of matters which have been proposed for legislative action. In addition, the conferees are in accord with the Senate Finance Committee's report language regarding the application of this provision to noncommercial educational broadcasting.

The House bill attempts to influence legislation through private communications with persons who participate in the formation of legislation other than through making available the results of nonpartisan analysis or research (except that private foundations could communicate with respect to their own tax-exempt status, etc.)

The Senate amendment would tax attempts to influence legislation through communications with Government personnel who may participate in the formation of legislation except in the case of technical advice or assistance provided to a governmental body in response to a written request by such body or person. In addition, an exception is provided where the activity consists of making available nonpartisan analysis, study, or research and an exception is also provided for communications with respect to the tax-exempt status, etc., of the foundation itself.

The House bill provides that where a foundation invests in a 4945(e) of the code) follows the Senate amendment except that in the case of technical advice or assistance provided to a governmental body in response to a written request by such body or member of such body, the substitute limits the request which can be made of this type to requests by the body itself or a subdivision such as a committee of such body and provides that the response can be given only to such body or subdivision.

The House bill provides for the imposition of taxes on expenditures for grants to organizations other than public charities unless the granting organization becomes responsible for how the money is spent and for providing information to the Secretary or his delegate regarding the expenditures.

Under the Senate amendment this expenditure responsibility does not make the granting foundation an insurer of the activity of the organization to which it takes a grant, if it uses reasonable efforts and establishes adequate procedures so that the funds will be used for public charitable purposes. In effect, this provides a "prudent man" standard in such cases and would permit, for example, without imposition of tax, situations where an organization to whom the grant is made supplies a certified audit as to the purpose of the expenditures.

The conference substitute (sec. 101(b) of the substitute and sec. 4905(h) of the code) follows the Senate amendment.

The House bill provides that voter registration drives are to be permitted where: (1) the organization's principal activity is nonpartisan political activity; (2) the organization's nonpartisan political activities are carried on in five or more States; (3) substantially all of the support (other than gross investment income) normally comes from five or more independent exempt organizations or from the general public; and (4) no more than 25 percent of the support (other than gross investment income) may normally come from any one exempt organization.

The Senate amendment provides that voter registration drives are to be permitted where: (1) the organization's activities are nonpartisan; (2) the organization's activities are carried on in more than one State; (3) substantially all of the support (other than gross investment income) normally comes from three or more independent exempt organizations, government, or the general public; (4) no more than 40 percent of the support (other than gross investment income) may come from any one exempt organization in 5 consecutive years; and (5) voter registration drive contributions may not be subject to the condition that they be used in only one specific election period.

The conference substitute (sec. 101(b) of the substitute and sec. 4945(f) of the code) provides that voter registration drives are to be permitted where: (1) the organization's principal activities are nonpartisan; (2) the organization's activities are carried on in five or more States; (3) not over 50 percent of the organization's support is derived from gross investment income; (4) no more than 25 percent of the support (other than gross investment income) may come from any one exempt organization in 5 consecutive years; and (5) voter registration drive contributions may not be subject to the condition that they may be used in only one specific election period.

Under the House bill there is one level of taxation in the case of expenditures for activities representing taxable expenditures. A tax equal to 100 percent of the amount improperly spent is provided plus a tax on the foundation manager who knowingly makes the improper expenditure of 50 percent of that amount.

The Senate substitute provides an initial tax of 10 percent of the amount improperly spent (plus a tax of 2½ percent up to a maximum of $5,000 on the foundation manager who knowingly makes the improper expenditure). The second tax (100 percent) is to apply later only if the foundation fails to correct the earlier improper action to the extent possible. In addition, the second level (50 percent) tax on the manager (up to a maximum of $10,000) is to apply later only if he refuses to agree to the correction.

The conference substitute (sec. 101(b) of the substitute and secs. 4945(a), (b), and (c) of the code) follows the Senate amendment except that if full recovery of the expenditure is not possible, than (in order to avoid the second-level tax) the foundation must take such additional corrective action as may be prescribed by regulations.

7. Disclosure and publicity requirements (secs. 6033, 6034, 6056, 6104, 6652, 6685, and 7207 of the code)

The House bill provides that every exempt organization (whether or not a private foundation) must file an annual information return, except where the Secretary or his delegate determines that this is unnecessary for efficient tax administration.

The Senate amendment provides two exceptions from this provision. First it exempts churches and their integrated auxiliary organizations and associations or conventions of churches from the requirement of filing this annual information return (where the church or its auxiliary organization, etc., is engaged in an unrelated trade or business, however, it would still be required to file an unrelated business income tax return). The integrated auxiliary organizations to which this applies include the church's religious school, youth group, and men's and women's clubs.

The Senate amendment also exempts from the requirement for filing the annual information return any organization that normally has gross receipts of $5,000 or less where the organization is of a type not required to file an information return under present law. (As under the House bill, in addition to these two exempt categories the Secretary or his delegate can exempt other types of organizations from the filing requirement if he concludes that the information is not of significant value.)

The conference substitute (sec. 101(d) of the substitute and sec. 6033(a) of the code) follows the Senate amendment except that it also exempts from the filing requirement any religious order with respect to its exclusively religious activities (but not including any educational, charitable, or other exempt activities which would serve as a basis of exemption under section 501(c)(3) if an organization which is not a religious organization is required to report with respect to such activities).

The House bill requires that there be shown on each information return the names and addresses of all substantial contributors, directors, trustees, and other management officials, and of highly compensated employees. Compensation and other payments to managers and highly compensated employees also must be shown.

The Senate amendment differs from the House bill provision only in that it does not require the names and addresses of substantial contributors to be disclosed to the public in the case of exempt organizations other than private foundations. (Such organizations would, however, still be required to disclose these names to the Internal Revenue Service.)

The conference substitute (sec. 101(e) of the substitute and sec. 6104(b) of the code) follows the Senate amendment.

The Senate amendment provides that private foundations with at least $5,000 of assets at any time during the year are required to file an annual report providing information in addition to that previously described. The principal additional information consists of lists of assets showing book and market values, lists of grants (including amounts and purposes thereof), and grantees' names, as well as other information. In addition to this information being filed with the Service, a copy of this annual report must be made available to any citizen at the foundation's office for at least 180 days and the foundation must publicize its availability.

The conference substitute (secs. 101(d) and (e) of the substitute and secs. 6056, 6104, 6652, 6685, and 7207 of the code) follows the Senate amendment.

8. Termination of private foundation status and certain other rules with respect to sec. 501(c)(3) organizations (secs. 507 and 508 of the code)

The House bill provides that an organization which was a private foundation for its last taxable year ending before May 27, 1969, or becomes one subsequently may not change its status unless it repays to the Government the aggregate tax benefits (with interest) which have resulted from its tax-exempt status. (This tax may be abated, however, as described below.) The tax benefits to be repaid in these cases are the net increases in income, estate, and gift taxes which would have been imposed upon the organization and all substantial contributors if the organization had been liable for income taxes and if its contributors had not received deductions for contributions to the organization.

If a private foundation is required to pay this tax or volunteers to pay this tax in order to change its status, the Secretary or his delegate may then abate any part of the tax which has not been paid if the foundation (1) distributes all of its assets to organizations which had been public charities for 5 years or (2) itself operates for at least 5 years as a section 501(c)(3) organization which is not a private foundation.

The Senate amendment modifies this provision in several respects: (1) it provides that an existing private foundation need not go through the "change of status" process if it becomes a public charity by the end of its first taxable year beginning after December 31, 1969; (2) if the foundation intends to change its status by acting as a public charity for 5 years it must notify the Secretary or his delegate in advance of its intention to do so as well as demonstrate at the end of the period that it has fully lived up to the appropriate requirements; (3) where the private foundation volunteers to change its status by acting in all respects as a public charity for at least 5 years, the foundation is to be classified as a public charity during the 5-year period (should the organization fail to act as a public charity during that period it would lose its status as of that date as a public charity but it would still be subject to the "change of status" rules during this period); (4) the tax on the change of status may be abated if the Secretary or his delegate is satisfied that corrective action to preserve the foundation's assets for charity has been taken by the State attorney general or other appropriate State official under the supervision of the appropriate courts.

The conference substitute (sec. 101(a) of the substitute and sec. 507 of the code) follows the Senate amendment.

The House bill provides that new exempt organizations (those coming into existence after May 26, 1969) must notify the Secretary or his delegate if they claim exempt status under section 501(c)(3). It also requires that they and existing organizations notify the Secretary or his delegate if they claim to be other than private foundations. In addition, the House bill provides that the Treasury Department may exempt from either or both of these notification requirements the following: churches (or conventions and associations of churches), schools and colleges, and any other class of organization where the Treasury determines that full compliance is not necessary for efficient administration.

The Senate amendment modifies the House bill in several respects. It provides that the organizations which must notify the Service as to their exempt status are those coming into existence after October 9, 1969, rather than after May 26, 1969; it provides that churches, their integrated auxiliaries and conventions or associations of churches are not in any event to be required to claim exempt status in order to be exempt from tax, nor are they to be required to file with the Secretary or his delegate in order to avoid classification as private foundations; and it excludes from these notice rules those educational or public charitable organizations whose gross receipts normally are $5,000 or less. In addition, the Senate amendment requires special information returns to be filed by exempt organizations upon their liquidation, dissolution, or substantial contraction.

The conference substitute (sec. 101(a) of the substitute and sec. 508 of the code) follows the Senate amendment.

9. Private foundation defined (sec. 509 of the code)

The House bill in general defines private foundations as organizations described in section 501(c)(3) of the code other than:

(1) Organizations contributions to which may be deducted to the extent of 30 percent (or 50 percent under the bill) of an individual's income:

(2) Broadly publicly supported organizations; and

(3) Organizations organized and operated exclusively for the benefit of one or more of the types of organizations described in (1) or (2) above which are controlled by one or more of these organizations or are operated in connection with one of them and are not controlled by disqualified persons; and

(4) Organizations organized and operated exclusively for testing for public safety.

The Senate amendment in general provides that an organization which would meet all of the tests of the third category described above except that it is operated in connection with more than one organization, nevertheless may qualify where all of the organizations it operates in connection with are educational organizations.

The conference substitute (sec. 101(a) of the substitute and sec. 509(a) of the code) follows the Senate amendment except that it provides that an organization which meets all of the tests of the third category described above except that it is operated in connection with two or more specific organizations may qualify where all of the specific organizations are the type of organizations described in (1) or (2) above.

The Senate amendment also provides that a foundation which is run in conjunction with an organization exempt under paragraphs (4), (5), or (6) of section 501(c) (such as a social welfare, labor, or agricultural organization, business league, or real estate board, etc.) which is publicly supported is to be treated as meeting the publicly supported tests for purposes of being a public charity rather than a private foundation.

The conference substitute (sec. 101(a) of the substitute and sec. 509(a) of the code) follows the Senate amendment.

10. Private operating foundation defined (sec. 4942(j) of the code)

The House bill provides that an operating foundation is a private foundation substantially all of whose income is spent directly for the active conduct of its activities representing the purpose or function for which it is organized and operated. The foundation must also meet one of two other tests. The first of these alternative tests requires that substantially more than half of the assets of the foundation must be devoted directly to the activities for which it is organized or to functionally related businesses. The second alternative covers cases where the organization normally receives substantially all of its support (other than gross investment income) from five or more exempt organizations or private individuals. In this case not more than 25 percent of the foundation's support (other than gross investment) may be received from any of these exempt organizations.

Under the Senate amendment, in addition to the categories that meet the private operating foundation definition under the House bill, another category also qualifies. The new category is a private foundation substantially all of whose income is spent directly for the active conduct of its activities representing the purpose or function for which it is organized and operated and where the organization's endowment based upon a rate of return of 80 percent of the minimum investment rate (for purposes of minimum distribution requirement) is no more than adequate to meet its current operating expenses.

The conference substitute (sec. 101(b) of the substitute and sec. 4942(j)(3) of the code) follows the Senate amendment but modifies the rate of return referred to above to 66⅔ percent.

11. Hospitals (sec. 501 of the code)

The House bill provides that hospitals, if they meet all the other requirements of section 501(c)(3), are exempt under that provision, whether or not they provide charitable services on a no-cost or low-cost basis. The Senate amendment strikes out these provisions.

The conference substitute (sec. 101(j) of the substitute and sec. 501(c)(3) of the code) follows the Senate amendment.

SUBTITLE B—OTHER TAX-EXEMPT ORGANIZATIONS

1. Unrelated debt-financed income (sec. 514 of the code)

The House bill provides that all exempt organizations' income from "debt-financed" property which is unrelated to their charitable function is to be subject to tax in the proportion in which the property is financed by the debt. Capital gains on the sale of debt-financed property also are taxed. Exceptions are made for property to be used for an exempt purpose of the organization within a reasonable time and also for property acquired by gift or inheritance under certain conditions. Special exceptions are also provided for the sale of annuities and for debts insured by the Federal Housing Administration to finance low- and moderate-income housing.

The Senate amendment makes minor or technical modifications in the House bill.

The conference substitute (sec. 121(d) of the substitute and sec. 514 of the code) in general follows the Senate amendment.

2. Tax on unrelated business income (secs. 511 and 512 of the code)

The House bill extends the unrelated business income tax to all exempt organizations (except U.S. instrumentalities). The bill contains several administrative provisions including one providing that no audit of a church, its integrated auxiliaries or convention or association of churches is to be made unless the principal internal revenue officer for the region believes the church may be engaged in a taxable activity. Churches will not be subject to tax under this provision for 6 years on businesses they now own.

The Senate amendment among other technical provisions provides that the unrelated business income tax is not to apply to a religious order or to an educational institution maintained by such religious orders or by a State that has held unrelated businesses which provide services under licenses issued by a Federal regulatory agency for 10 years or more, if the unrelated business distributes not less than 90 percent of its earnings each year and it is established to the satisfaction of the Secretary or his delegate that rates and other charges for services charged by such a business are fully competitive with, and do not exploit, similar businesses operated in the same general area.

The conference substitute (sec. 121(b)(2)(C) of the substitute and secs. 511 and 512 of the code) follows the Senate amendment except that it does not extend this provision to educational institutions maintained by a State.

The fact that an unrelated business income tax is payable by an organization is not intended to mean that the organization should, or should not, retain its exemption. This is to be determined on the basis of the organization's overall activities without regard to the fact that some of its activities are subject to the unrelated business income tax.

3. Taxation of investment income of social, fraternal and similar organizations (sec. 512 of the code)

The House bill provides for the taxation (at regular corporate rates) of the investment income of social clubs, fraternal beneficiary associations and employee beneficiary associations. In the case of the income of fraternal beneficiary associations and employees beneficiary associations this tax does not apply, however, to the extent the income is set aside to be used only for the exempt insurance function of these organizations or for charitable purposes. In any year such an amount is taken out of the set-aside and used for any other purpose, however, this amount becomes subject to tax at that time.

The Senate amendment modifies the House bill by excluding fraternal beneficial associations from the tax on investment income. It also provides a new category of exemption for fraternal beneficiary associations where the fraternal activities are largely religious, charitable, or educational in nature but where no insurance is provided for the members.

The conference substitute (sec. 121(b) of the substitute and sec. 512 of the code) follows the Senate amendment.

The Senate amendment extends the exemption from the investment income tax available in the House bill for fraternal beneficiary associations and employees beneficiary associations in the case of amounts set aside for charitable purposes to social clubs. The Senate amendment also provides that the tax on investment income is not to apply to the gain from the sale of assets used by the organizations in the performance of their exempt functions to the extent that the proceeds are reinvested in assets used for such exempt functions beginning 1 year before the date of the sale and ending 3 years after that date.

The conference substitute (sec. 121(b) of the substitute and sec. 512 of the code) follows the Senate amendment.

4. Interest, rent and royalties from controlled corporations (sec. 512 of the code)

The House bill provides that where a tax-exempt organization owns more than 80 percent of a taxable subsidiary, interest, annu-

ities, royalties, and rents received by it are to be treated as "unrelated business income" and subject to tax. The deductions connected with the production of this income are allowed.

The Senate amendment makes minor and technical modifications in the House bill.

The conference substitute (sec. 121(b) of the substitute and sec. 512 of the code) generally follows the Senate amendment with minor modifications.

5. Limitation on deductions of nonexempt membership organizations (sec. 277 of the code)

The House bill provides that in the case of a taxable membership organization, the deductions for expenses incurred in supplying services, facilities, or goods to the members is to be allowed only to the extent of the income received from these members.

The Senate amendment modifies this provision to exclude from its application organizations which receive prepaid dues income as consideration for services and also securities and commodity exchanges organized on a membership basis. The Senate amendment also provides a carryover to succeeding years of the cost of furnishing services, facilities or goods to members where this exceeds the income from members. It also treats as income received from members income received from institutes and trade shows. The Senate Amendment further postpones the effective date of this provision until 1971.

The conference substitute (sec. 121(b) of the substitute and sec. 277 of the code) follows the Senate amendment except that, in the case of institutes and trade shows it limits the treatment described above to most institutes and trade shows which are primarily for the education of members.

6. Income from advertising, etc., activities (sec. 513 of the code)

The House bill provides that the term "trade or business" for purposes of the tax on unrelated business income includes any activity which is carried on for the production of income from the sale of goods or the performance of services. It further indicates that for this purpose the activity does not lose its identity as a trade or business merely because it is carried on within a larger aggregate of similar businesses which may, or may not, be related to the exempt purposes of the organization.

The Senate amendment provides that the provision should apply only in the case of advertising in the case of a sale by a hospital pharmacy of drugs to persons other than hospital patients and to the operation of a racetrack by an exempt organization.

The conference substitute (sec. 121(c) of the substitute and sec. 513—of the code) follows the House bill except that it provides that where an activity carried on for profit constitutes an unrelated trade or business no part of it is to be excluded from such classification merely because it does not result in profit.

TITLE II—INDIVIDUAL DEDUCTIONS

SUBTITLE A—CHARITABLE CONTRIBUTIONS

1. 50-percent charitable contribution deductions (sec. 170(b) of the code)

The House bill generally increases the limitation on the charitable contribution deduction for individual taxpayers from 30 percent of adjusted gross income to 50 percent. However, the 50-percent limit is not available with respect to property in which there is unrealized appreciation in value.

The Senate amendment provides that the taxpayer's cost or other basis for property contributed to public charities is to be eligible for the 50 percent limitation and that only the appreciation element in the donated property is to come under the 30 percent limitation.

The conference substitute (sec. 201(a) of the substitute and sec. 170(b) of the code) follows the House bill except that it provides that where a taxpayer makes a contribution to a public charity of property which has appreciated in value the taxpayer may deduct such contributions of property under the 50 percent limitation if he elects to take the unrealized appreciation in value into account for tax purposes.

Under the House bill contributions to private foundations are subject to the 20-percent charitable contribution limitation.

Under the Senate amendment contributions to a private operating foundation, and contributions to a private nonoperating foundation which distributes the contributions it receives to public charities or to private operating foundations within 1 year following the year of receipt qualify for the 50 percent limitation (30 percent in the case of gifts of appreciated property).

The conference substitute (sec. 201(a) of the substitute and section 170(b) of the code) follows the Senate amendment except that it provides that in the case of contributions to private nonoperating foundations, the contribution such foundations receive must be distributed to public charities or private operating foundations within 2½ months following the year of receipt if the 50 percent limitation (or the 30 percent limitation as the case may be) is to apply.

2. Repeal of the unlimited charitable deduction (secs. 170(b)(1)(C), (f)(6), and (g) of the code)

The House bill eliminates the unlimited charitable contribution deduction for years beginning after 1974. During the interim period an increasing limitation is placed on the amount by which the deduction may reduce an individual's taxable income. For taxable years beginning in 1970, the total charitable deduction (for those qualifying under this provision is not to be allowed to reduce the individual's taxable income to less than 20 percent of his adjusted gross income. This percentage is increased by 6 percentage points a year for the years 1971 through 1974. Corresponding downward adjustments are made in the percentage of a taxpayer's income which must be given to charity (or paid in income taxes) in 8 out of the 10 preceding taxable years in order to qualify for the extra charitable deduction during the interim period.

The Senate amendment modifies the House bill to provide that two rules are not to apply in the case of a person qualifying for the extra charitable contribution deduction: (1) the 30-percent limit on gifts of appreciated property and (2) the appreciated property rule which takes the appreciation into account for tax purposes in the case of gifts of property which would give rise to a long-term capital gain is sold.

The conference substitute (sec. 201(a) of the substitute and secs. 170(b)(1)(C), (f)(6), and (g) of the code) follows the Senate amendment.

3. Charitable contributions of appreciated property (sec. 170(e) of the code)

The House bill in the case of charitable contributions of appreciated property takes this appreciation into account for tax purposes in five types of situations. These are as follows:

(1) Appreciation is taken into account in the case of gifts to a private foundation other than an operating foundation and other than a private foundation which within 1 year distributes an amount equivalent to the total amount of gifts of appreciated property;

(2) Appreciation is taken into account in the case of property (such as inventory or works of art created by the donor) which would give rise to ordinary income if sold;

(3) Appreciation is taken into account in the case of gifts of tangible personal property (such as paintings, art objects, and books not produced by the donor) which would result in capital gain if the property were sold.

(4) Appreciation is taken into account in the case of gifts of future interests in property (such as a remainder interest in trust) which would result in capital gain if the property were sold.

(5) The cost or other basis of property in the case of a so-called bargain sale to charity is allocated between the portion of the property which is "sold" to the charity and the portion which is "given" to the charity on the basis of the fair market value of each portion.

The Senate amendment deleted categories (3), (4), and (5) listed above.

The conference substitute (sec. 201(a) of the substitute and sec. 170(e) of the code) follows the House bill except that in the case of category (3), listed above, it does not take appreciation in value into account in the case of gifts of tangible personal property (which would result in capital gain if the property were sold) where the use of the property is related to the exempt function of the donee. In addition, the conference substitute does not take appreciation into account in the case of category (4) referred to above relating to gifts of future interests in property.

The House bill provides that the amendments relating to charitable contributions generally apply to contributions paid after December 31, 1969.

The Senate amendment modifies this effective date to provide that in the case of a gift of a letter or memorandum or similar property, the charitable contribution amendments are to apply to contributions paid after December 31, 1968.

The conference substitute (sec. 201(g)(1)(B) of the substitute) follows the Senate amendment except that it changes the date to July 25, 1969.

4. Two-year charitable trust (sec. 673(b) of the code)

No substantive change is made by the Senate amendment in the House bill.

5. Gifts of the use of property (sec. 170(f)(3) of the code)

The House bill provides that a charitable deduction is not to be allowed for contributions to charity of less than the taxpayer's entire interest in property.

The Senate amendment modifies the House bill by providing that:

(1) A deduction is to be allowed for contributions of a remainder interest in real property;

(2) A charitable deduction is to be allowed where an outright gift is made of an undivided interest in property;

(3) The amendments are to apply to gifts made after October 9, 1969 (the House bill applies to gifts made after April 22, 1969).

The conference substitute (sec. 201(a) of the substitute and sec. 170(f)(3) of the code) follows the Senate amendment except that in the case of the first modification referred to above the charitable deduction is allowed only for contributions of remainder interests in real property consisting of personal residences or farms.

The conferees on the part of both Houses intend that a gift of an open space easement in gross is to be considered a gift of an undivided interest in property where the easement is in perpetuity.

6. Charitable contribution by estates and trusts (sec. 642(c) of the code)

The House bill denies nonexempt trusts a deduction for the amount of their current income set aside for charity. The House bill also denies this deduction to estates.

The Senate amendment makes the following modifications in the House provision:

(1) In the case of estates it restores the set aside deduction;

(2) It restores the set aside deduction in the case of pooled income funds under which a person transfers property to a public charity which places the property in an investment pool and then pays the donor (or perhaps another person) the income attributable to the property for his life. The set-aside deduction is restored in this case to the extent the pool accumulates capital gains for the benefit of charity. The set aside deduction also is restored in the case of certain trusts in existence on October 9, 1969, and trusts established by wills in existence on October 9, 1969, in specified circumstances.

The conference substitute (sec. 201(b) of the substitute and sec. 642(c) of the code) follows the Senate amendment.

7. Charitable remainder trusts (secs. 170(f), 664, 2055(e), 2106(a), 2522(c) of the code)

The House bill limits the availability of the charitable contribution deduction for income, estate, and gift tax purposes in the case of a charitable gift of a remainder interest in trusts to situations where the trust specifies the annual amount which is to be paid to the noncharitable income beneficiary in dollar terms (annuity trust) or as a fixed percentage of the value of the trust's assets as determined each year (unitrust).

The Senate amendment retains the treatment described above with the following modifications:

(1) When a person transfers property to a charity which places the property in a pooled income fund, a charitable contribution deduction is to be allowed to the donor determined by reference to the highest rate of return from the particular pool or fund in which the investment is placed during the 3 years prior to the contribution.

(2) In the case of a gift of a remainder interest in real property to charity it is provided that in determining the value of the gift straight line depreciation or cost depletion is to be taken into account.

(3) The unitrust and annuity trust rules of the House bill are modified by providing that the trust instrument need not require the full distribution of the stated amount to the income beneficiary so long as the distribution of the full current income (other than capital gains) is required. In addition, an annuity trust or unitrust must be required to distribute each year 5 percent of the value of its assets or the amount of trust income if lower. The value of a charitable remainder in an annuity trust or unitrust is to be determined on the basis of the higher of a 5-percent payout to the income beneficiary or the amount of the stated payout.

(4) Although the new charity remainder trust rules generally apply for estate tax purposes in the case of decedents dying after December 31, 1969, it is provided that the new rules are to be inapplicable with respect to wills in existence on October 9, 1969, under specified circumstances and also in the case of certain transfers in trusts prior to October 10, 1969.

(5) The new charitable remainder trust rules apply for income and gift tax purposes in the case of transfers in trusts and gifts made after October 9, 1969 (under the House bill this date is April 22, 1969).

The conference substitute (secs. 201(a)(d), and (e) of the substitute and secs. 170(f), 664, 2055(e), 2106(a), and 2522(c) of the code) follows the Senate amendment with the following modifications:

(1) No. 2 above is modified to provide that given today's money rates and investment returns, the value of the charitable gift is to be computed on the basis of a 6-percent discount rate, except that the Secretary or his delegate may vary this amount as money rates and investment returns change.

(2) No. 3, above is modified to make the provision that the trust may distribute the lesser of the stated payout or the trust income inapplicable to annuity trusts and to provide that in the case of unitrusts this flexibility of payment may not be discretionary with the trustee.

(3) The new rules are made applicable for income and gift tax purposes in the case of transfers in trusts and gifts after July 31, 1969.

8. Charitable income trust with noncharitable remainders (secs. 170(f), 2055(e), 2106(e), 2106(a), and 2522(c) of the code)

The House bill generally provides that a charitable contribution deduction for income and gift tax purposes is not to be allowed where a person gives an income interest to charity in trust unless he is taxable on the trust income. Even in this case the charitable deduction is not to be allowed unless the charity income interest is in the form of a guaranteed annuity or is a fixed percentage (payable annually) of the value of the trust property (as determined each year). In addition, a charitable deduction for estate tax purposes is denied for gifts of income interest in trust.

The Senate amendment provides that the rules described above (other than the requirement that the gift take the form of a guaranteed annuity or fixed percentage payout) are to be inapplicable for gift and estate tax purposes. In addition, the Senate amendment provides that this provision is to apply for income and gift tax purposes with respect to transfers of property to a trust after October 9, 1969 (under the House bill this date is April 22, 1969).

The conference substitute (secs. 201 (a) and (d) of the substitute and secs. 170(f), 2055(e), 2106(a), 2522(c) of the code) follows the Senate amendment except that the October 9, 1969 date is changed to July 31, 1969.

9. Limitation on nonexempt trusts (secs. 508 and 4947 of the code)

The House bill generally imposes on nonexempt charitable trusts the same requirements and restrictions which are made applicable to private foundations (i.e., those provisions relating to self-dealing, retention of excess business holdings, and the making of speculative investments or taxable expenditures, but not the current income payout requirement except where all of the interests in the trust are charitable).

The House bill also provides that a charitable contribution deduction (for income, gift and estate tax purposes) for a contribution to charity in trust would not be allowed unless the trust instrument prevents the trust from violating these requirements or restrictions.

The Senate amendments make the following modifications in the House provision:

(1) The stock ownership and speculative investment requirements are not to apply to split-interest trusts (i.e., trusts having a noncharitable income beneficiary and a charitable remainder beneficiary or vice versa) (A) in cases where charity is only an income beneficiary and the beneficial interest of charity in the trust is less than 60 percent of the value of the trust property and (B) in cases where the only interest of charity in the trust is as a remainderman (in the latter case the stock ownership and speculative investment requirements are to become applicable at the time the remainder interest comes into possession).

(2) In the case of a trust created before January 1, 1970, the requirement that the governing instruments of the trust must be conformed in order for a charitable contribution deduction to be available is to apply in the case of contributions in years beginning after 1971 (under the House bill these changes would apply to contributions in years beginning after 1969).

The conference substitute (sec. 101 of the substitute and secs. 508 under 4947 of the code) follows the Senate amendment.

SUBTITLE B—FARM LOSSES, ETC.

1. Gain from disposition of property used in farming where farm losses offset nonfarm income (sec. 1251 of the code)

The House bill in effect converts capital gains into ordinary income to the extent a taxpayer's farm losses (above limitations) have been offset against nonfarm income. Under the House bill a taxpayer is required to maintain an "excess deductions account" to record his farm losses. In the case of individuals, farm losses would be added to EDA only if the taxpayer has more than $50,000 of nonfarm income for the year and only to the extent the farm losses for the year exceed $25,000. Limitations are placed on the extent to which farm losses would be recaptured on the sale of farm land with reference to amounts spent for soil and water conservation and land clearing. To the extent of the gain on farm property which would be treated under these rules as ordinary income, there would be a reduction in the taxpayer's excess deduction account. The limitations described above do not apply where the taxpayer follows generally applicable (accrual) accounting rules.

The Senate amendment contained a substitute for the House provision which, in general, provided that farm losses may be offset against nonfarm income only to the extent of 50 percent of the farm losses. The remaining half of the farm deductions may be taken in subsequent years to the extent that ordinary farm income exceeds farm deductions. In the case of all taxpayers, the deduction of farm losses against nonfarm income is limited in the manner described above only if the taxpayer has more than $50,000 of nonfarm income and, in addition, only to the extent the farm loss for the year exceeds $25,000.

The conference substitute (sec. 211 of the substitute and sec. 1251 of the code) follows the House bill except that it makes the dollar limitations described above also applicable to subchapter S corporations in cases where none of the shareholders of the corporation who are individuals have farm losses.

2. Depreciation recapture (sec. 1245(a) of the code)

The Senate amendment makes no substantive change in the House bill.

3. Holding period for livestock (sec. 1231(b) of the code)

The House bill provides that livestock, in order to be eligible for capital gains treatment upon sale (in the case of animals held for draft, dairy, breeding or sporting purposes) must have been held by the taxpayer for at least a year after the animal would have normally been used for draft, dairy, breeding or sporting purposes.

The Senate amendment provides that in order for any gain on the sale of horses or cattle to result in capital gain where the animals are held for draft, dairy, breeding, or sporting purposes, the horses or cattle must have been held for at least 2 years. The gain on the sale of other types of livestock held for one of these purposes would continue to be subject to the 1-year holding period presently in existing law.

The conference susbtitute (sec. 212(b) of the substitute and sec. 1231(b) of the code) follows the Senate amendment.

4. Exchange of livestock of different sexes (sec. 1031 of the code)

The House bill contains no comparable provision.

The Senate amendment provides that for purposes of applying the tax-free like kind exchange rules of present law, livestock of different sexes are not property of a like kind.

The conference substitute (sec. 212(c) of the substitute and sec. 1031 of the code) follows the Senate amendment.

5. Hobby losses (secs. 183 and 270 of the code)

The House bill replaces the present hobby loss provision with a rule which disallows the deduction of losses from an activity carried on by the taxpayer where the activity is not carried on with "a reasonable expectation of profit." An activity would be presumed to have been carried on without this expectation of profit where the losses from the activity were greater than $25,000 in 3 out of 5 years.

The Senate amendment makes a series of modifications in this provision:

(1) In lieu of the test of a "reasonable expectation of profit" the Senate amendment substitutes the test of "not engaged in for profit."

(2) The Senate amendment restricts the applicability of the hobby loss provision to individual taxpayers and subchapter S corporations.

(3) The Senate amendment provides that deductions will not be disallowed under this provision for items which presently may be deducted without regard to whether the taxpayer incurs them in a trade or business or for the production of income (for example, the capital gains deduction and the deduction for certain State and local taxes).

(4) The Senate amendment allows deductions in the case of an activity not engaged in for profit to the extent income is earned from such an activity.

(5) In lieu of the presumption in the House provision to the effect that the activity constitutes a hobby where there are losses of $25,000 or more in 3 out of 5 years, the Senate amendment substitutes a presumption that the taxpayer is not engaged in carrying on the activity as a hobby if he has profits in 2 out of 5 years (or in the case of an activity which in major part consists of the breeding, training, showing, or racing of horses if he has profits in 2 out of 7 years).

The conference substitute (sec. 213 of the substitute and sec. 183 of the code) follows the Senate amendment except for the effective date relating to the presumption described in No. 5 above.

6. Gain from the disposition of farm land (sec. 1252 of the code)

There is no comparable provision in the House bill.

The Senate amendment provides for the recapture of soil and water conservation expenditures and land clearing expenditures made with respect to farm land where the land is disposed of within 5 years after it was acquired. If the land is sold within 6 to 9 years after it is acquired the amount of the expenditures recaptured is reduced by 20 percent a year. There is no recapture if the land is disposed of 10 years or more after it is acquired.

The conference substitute (sec. 214 of the substitute and sec. 1252 of the code) follows the Senate amendment.

7. Crop insurance proceeds (Sec. 451 of the code)

There is no comparable House provision.

The Senate amendment provides that, at his election, a cash basis farmer whose crops have been damaged or destroyed and who receives crop insurance proceeds in compensation for his loss may elect to defer the reporting of these proceeds for Federal income tax purposes until the year following the year of the damage or destruction, if he normally would have reported the income from the sale of the crops in a year after the receipt of the insurance proceeds.

The conference substitute (sec. 215 of the substitute and sec. 451 of the code) follows the Senate amendment.

8. Capitalization of cost of planting citrus groves (sec. 278 of the code)

There is no comparable House provision.

The Senate amendment provides that the expendtures of purchasing, planting, cultivating, maintaining, or developing a citrus grove must be capitalized if they are incurred within 4 years after the grove is planted. This capitalization rule is not to apply to expenditures incurred in replanting a citrus grove which was damaged or destroyed by freeze, drought, disease, pest or casualty.

The conference substitute (sec. 215 of the substitute and sec. 278 of the code) follows the Senate amendment.

SUBTITLE C—INTEREST (SEC. 163 OF THE CODE)

The House bill limits the deduction allowed individuals for interest on funds borrowed for investment purposes (but not interest incurred in a trade or business). Under this provision, a taxpayer's deduction for investment interest is to be limited to the amount of his net investment income (dividends, interest, rents, etc.), plus the amount of his long-term capital gains, plus $25,000. Investment interests in excess of $25,000 first is offset against net investment income and then is offset against long-term capital gain income (before the 50 percent capital gains deduction which is reduced by the amount of investment interest which offsets capital gains). A carryover of disallowed interest is allowed so that the disallowed interest can be used to offset investment income (and capital gains) in subsequent years.

The Senate amendment deleted this provision.

The conference substitute (sec. 221 of the substitute and sec. 163 of the code) follows the House provision with the modifications set forth below:

(1) A deduction is to be allowed for excess investment interest to the extent of 50 percent of the excess interest. Appropriate modification is made for the carryover of excess investment interest which may not be currently deducted (the carryover is not allowed against capital gains but the capital gains deduction allowable in subsequent years reduces the amount of any further carryover).

(2) Capital gains which are used to offset investment interest are treated as ordinary income for purposes of the alternative capital gains tax, the capital gains deduction and the minimum tax for tax preferences.

(3) The interest limitation is to apply in the case of partnerships only at the partner level and in the case of subchapter S corporations only at the shareholder level. The $25,000 floor is not to apply in the case of trusts.

(4) In computing the amount of investment against which investment interest may be offset it is provided that depreciation may be taken into account on a straight-line basis and depletion may be taken into account on a cost basis.

(5) Amounts treated as ordinary income upon the sale of investment assets as a result of the recapture rules are to be treated as income against which investment interest may be offset for purposes of this provision.

(6) Interest on indebtedness incurred with respect to property which is being constructed and which will be used in a trade or business when the construction is completed is to be considered as interest incurred in a trade or business rather than investment interest for purposes of this provision.

(7) It is provided that the above rules are not to apply to investment interest, investment income or expenses attributable to a specific item of property if the indebtedness with respect to the property (A) is for a specified term and (B) was incurred before December 17, 1969, or is incurred on or after that date pursuant to a binding written contract or commitment.

(8) The limitation on the deduction of interest is not to apply to taxable years beginning prior to 1972.

SUBTITLE D—MOVING EXPENSES (SECS. 217 AND 82 OF THE CODE)

The House bill extends the present moving expense deduction to cover three additional types of job-related moving expenses:

(1) Traveling, meals, and lodging expenses for premove house-hunting trips;

(2) Expenses for meals and lodging in the general location of the new job location for a period of up to 30 days after obtaining employment; and

(3) Expenses incident to the sale of a residence or a settlement of a lease at the old job location or to the purchase of a residence or the acquisition of a lease at the new job location. A limitation of $2,500 is placed on the deduction allowed for these three additional categories of moving expenses. In addition, expenses for house hunting trips and temporary living expenses may not account for more than $1,000 of the $2,500. The House bill provides that the 39-week test is to be waived if the taxpayer is unable to satisfy it due to circumstances beyond his control. In addition, the House bill requires that reimbursements of moving expenses must be included in gross income.

The Senate amendment modifies the House bill in the following respects:

(1) The moving expense deduction (both the categories which are deductible under present law and those made deductible by this bill) are extended to self-employed persons. However, the period of time the self-employed person is required to work at the new location is extended from 39 to 78 weeks.

(2) The moving expense deduction which may be claimed by a husband and wife, both of whom work, is limited to the amount which could be claimed if only one were employed.

(3) The Senate amendment provides that the taxpayer's new principal place of work must be located at least 20 miles (the same as under existing law instead of the 50 miles as provided by the House bill) farther from his former residence than his former place of work. However, the distance between the two points is to be the shortest of the more commonly traveled routes between these two points rather than the distance between the two points.

The conference substitute (sec. 231 of the substitute and secs. 217 and 82 of the code) follows the Senate amendment except that it substitutes a 50-mile test for the 20-mile test referred to in No. 3 above. In addition, the conference substitute permits taxpayers who move before July 1, 1970, pursuant to notices received from their employers on or before December 19, 1969, to apply the provisions of existing law rather than the new provisions.

TITLE III—MINIMUM TAX; ADJUSTMENTS PRIMARILY AFFECTING INDIVIDUALS

SUBTITLE A—MINIMUM TAX (SECS. 56, 57, AND 58 OF THE CODE)

The House bill requires individuals with substantial amounts of otherwise tax-free income to pay significant amounts of tax through the use of two basic provisions: a limit on tax preferences which requires the individual taxpayer to aggregate his taxable income and his tax-free income and to include at least one-half of this amount in his tax base; and an allocation of deductions under which individual taxpayers are required to allocate their personal itemized expenses between taxable and nontaxable income, disallowing those deductions attributable to the nontaxable income.

The Senate amendment substitute for the two House provisions provides a minimum

tax on preference income made equally applicable to individuals and corporations. Under the Senate amendment tax preference income, after the deduction of a $30,000 exemption and after the deduction of the taxpayer's regular Federal income tax, is taxed at a 10-percent rate. Approximate adjustment is made for net operating losses. The items of tax preference included in the base of the 10-percent tax under the Senate amendment are as follows:

(1) excess investment interest;

(2) accelerated depreciation on personal property subject to a net lease in excess of straight line depreciation;

(3) accelerated depreciation on real property in excess of straight line depreciation;

(4) amortization of rehabilitation expenditures in excess of straight line depreciation;

(5) amortization of certified pollution control facilities in excess of accelerated depreciation;

(6) amortization of railroad rolling stock over accelerated depreciation;

(7) in the case of qualified stock options, the excess of the fair market value of the stock at the time of the exercise of the option over the option price of the stock;

(8) bad debt deductions of financial institutions to the extent they exceed the additions to the bad debt reserves which would have been allowed if the institution had always computed its reserve for bad debts on the basis of its own loss experience;

(9) depletion costs to the extent they exceed the cost or other basis for the property involved;

(10) intangible drilling expenses (other than in the case of dry holes) in cases where the taxpayer's income for the taxable year exceeds $3 million;

(11) capital gains in the case of individuals to the extent of one-half of the gains and in the case of corporations to the extent of 18/48th of the gain.

Special rules are provided in the case of estates or trusts, multiple corporations, subchapter S corporations, regulated investment companies, real estate investment trusts and in the case of husbands and wives filing separate returns.

The conference substitute (sec. 301 of the substitute and secs. 56, 57, and 58 of the code) follows the Senate amendment with the following adjustments:

(1) the preference item for excess investment interest applies only to individuals, subchapter S corporations, and personal holding companies, and only until 1972 when the interest limitation deduction provision becomes applicable.

(2) the preference relating to accelerated depreciation on personal property subject to a net lease applies only in the case of individuals, subchapter S corporations, and personal holding companies;

(3) the preference relating to intangible drilling and development costs is deleted, but the cost or other basis on which the depletion deduction preference is computed does not include such costs.

SUBTITLE B—INCOME AVERAGING (SEC. 1301–1305 OF THE CODE)

The House bill lowers the percentage by which an individual's income must increase before the averaging provision is available from 33⅓ to 20 percent. The House bill also extends income averaging to long-term capital gains, income from wagering, and income from gifts. The House bill denies a taxpayer who elects averaging both the benefit of the limitation on tax in the case of a distribution from an accumulation trust and the maximum tax on earned income.

The Senate amendment modifies the provisions of the House bill by restoring existing law regarding the types of income eligible for averaging. (This makes averaging unavailable to long-term capital gains, income from wagering, and income from gifts.) The Senate amendment also modifies the House bill by permitting a taxpayer receiving accumulation trust distributions to elect income averaging but excludes the trust distribution from the income eligible for averaging.

The conference substitute (sec. 311 of the substitute and secs. 1302 and 1304(b) of the code) follows the House bill but adopts the Senate amendment rule with respect to distributions from accumulation trusts. It also provides that taxpayers electing income averaging may not also make use of the alternative capital gains rate. The conference substitute further provides that the maximum tax on earned income is to be unavailable to taxpayers electing averaging.

SUBTITLE C—RESTRICTED PROPERTY (SECS. 83, 402(b) AND 403(c) OF THE CODE)

The House bill provides that a person who receives compensation in the form of property, such as stock, which is subject to a restriction generally is to be taxed on the value of the property at the time of its receipt unless his interest is subject to a substantial risk of forfeiture. In this latter case, he is to be taxed on the value of the property at the time the risk of forfeiture is removed. The restrictions on the property are not taken into account in determining its value except in cases where the restriction by its terms will never lapse.

The Senate amendment generally accepts the House provision but makes a series of modifications, the more important of which are as follows:

(1) The amendment permits employees receiving property subject to forfeitable restrictions to treat the receipt of the property under these conditions as the receipt of property not subject to forfeitable conditions, and pay tax on the basis of the unrestricted value of the property at that time. If, subsequently, the employee's right to the property is forfeited, he would not, if he elects this option, be eligible for a refund of the tax previously paid or receive any deduction for the amount forfeited.

(2) The amendment further provides that if restricted stock (or other property) is exchanged in a tax-free exchange for other stock or property subject to substantially the same restrictions, the exchange is not to cause the holder of the stock to become taxable, and the stock received in the exchange is to be treated as restricted property. The same principle is applied where stock not subject to the restricted property provision because of the effective date is exchanged in a tax-free exchange. The stock received in the exchange in this case is not to be treated as subject to the new restricted property rules if it is subject to substantially the same restrictions as the stock given up. This also applies to stock received on a tax-free conversion of convertible stock or securities.

(3) The amendment provides rules for deductions for the employer with respect to restricted property and nonexempt trusts.

(4) The amendment makes it clear that the amount subject to tax in the case of nonexempt trusts and nonqualified annuities when the employee's interest becomes nonforfeitable is the value at that time of his interest in the trust (or the then value of the annuity contract).

(5) Under the amendment, the restricted property provision does not apply where property is transferred before May 1, 1970 (rather than February 1, 1970, as under the House bill), pursuant to a written plan adopted and approved before July 1, 1969.

The conference substitute (sec. 321 of the substitute and secs. 83, 402(b) and 403(c) of the code) follows the Senate amendment.

SUBTITLE D—ACCUMULATION TRUSTS, MULTIPLE TRUSTS, ETC. (SECS. 663, 665–669, 677 AND 6401 OF THE CODE)

The House bill provides that in the case of accumulation trusts (including multiple trusts), the beneficiaries are to be taxed on the distributions of accumulated income in substantially the same manner as if the income had been distributed to the beneficiaries when it was earned by the trust. The taxes paid by the trust on the income, in effect, are considered as paid by the beneficiary for this purpose. A shortcut method of computing the tax on accumulated income is provided under which the tax attributable to the distribution is, in effect, averaged over the number of years in which the income was earned by the trust.

The Senate amendment, among other technical provisions, makes the following substantive modifications in the House provision:

(1) In the case of capital gains an unlimited throwback rule is provided for those gains allocated to the corpus of an accumulation trust. This provision does not apply to any trust so long as it distributes its ordinary income currently.

(2) An interest charge is provided to cover the tax payments which are deferred by the income beneficiaries (to the extent their taxes exceed those paid by the trust) as a result of the use of accumulation trusts.

(3) The accumulation trust rules are not applied to distributions made to a beneficiary before January 1, 1972, from a trust which was in existence on December 31, 1969, if the beneficiary elects to have existing law apply to the distributions. If the beneficiary is the beneficiary of more than one such trust, he may designate only one trust for which this provision is to apply. However, where a person is a beneficiary of two trusts, one of which is for the lifetime benefit of a surviving spouse, then both trusts qualify under this provision.

The conference substitute (secs. 331 and 332 of the substitute and secs. 663, 665–669, 677, and 6401 of the code) generally follows the Senate technical amendments and the amendment relating to capital gains (described in No. (1) above). The conference substitute also provides for a delay until 1972 of the application of the throwback rules in the case of capital gain distributions where the person is a beneficiary of only one trust and such trust was in existence on December 31, 1969, or in the case of two such trusts where one is for the lifetime benefit of a surviving spouse. The conference substitute does not adopt the Senate amendment provision relating to interest charges (described in No. (2) above) or the broader exception until 1972 (described in No. (3) above).

HOUSE PROVISION OMITTED FROM CONFERENCE SUBSTITUTE—OTHER DEFERRED COMPENSATION (SEC. 331 OF THE HOUSE BILL)

The House bill continues to tax deferred compensation as under present law when it is received but, to the extent the deferred compensation exceeds $10,000 a year, it taxes the income at rates which would be applicable had the income been received when earned. This result is accomplished by determining the tax that would apply had the income been received over the employee's entire period of service with the employer or over the period to which the deferred compensation is properly attributable. An alternative method bases the tax on the average income for the 3 highest years during the last 10 of the earning period. The Senate amendment does not contain this provision.

The conference substitute does not contain this provision.

TITLE IV—ADJUSTMENTS PRIMARILY AFFECTING CORPORATIONS

SUBTITLE A—MULTIPLE CORPORATIONS (SECS. 1561–1564, 46, 48, 179, AND 804 OF THE CODE)

The House bill provides that a group of controlled corporations may have only one of each of a number of special provisions designed to aid small corporations. The most important of these are the surtax exemption and the accumulated earnings credit. A controlled group of corporations is limited to

one $25,000 surtax exemption and one $100,000 accumulated earnings credit after an 8-year transitional period (in which the additional surtax exemptions in excess of one are reduced by $3,125 in each of the years 1969 through 1976). The House bill also modifies the present definition of a brother-sister controlled corporation.

The Senate amendment, in addition to certain technical changes, modifies the House bill by providing a 5-year transitional period, reducing the additional surtax exemption by $5,000 in each of the years 1970 through 1974.

The conference substitute (sec. 401(b) of the substitute and sec. 1564 of the code) provides a 6-year transitional period, reducing the surtax exemptions in excess of one by $4,167 in each of the years 1970 through 1975. In other respects the conference substitute follows the Senate amendment.

SUBTITLE B—DEBT-FINANCED CORPORATE ACQUISITIONS AND RELATED PROBLEMS

1. Interest on indebtedness incurred by corporation to acquire stock or assets of another corporation (sec. 279 of the code)

In general the House bill disallows a deduction of interest on bonds issued in connection with the acquisition of a corporation where the bonds have specified characteristics which make them more closely akin to equity.

The disallowance rule only applies to bonds and debentures issued by a corporation to acquire stock in another corporation or to acquire at least two-thirds of the assets of another corporation. In addition, the disallowance rule only applies to bonds or debentures which have three characteristics:

(1) The bonds are subordinated to the corporation's trade creditors;

(2) The bonds are convertible into stock or are issued as an investment unit including warrants;

(3) The ratio of debt to equity of the acquiring corporation (including affiliated corporations) is more than 2:1 or the annual interest expense on its indebtedness is not covered at least three times over by its earnings.

An exception to the interest disallowance rule is provided for up to $5 million of interest per year on obligations to which the interest disallowance rule would otherwise apply. The amount of this exception is reduced by interest on debt used for acquisition purposes which are not subject to the disallowance rule.

The Senate amendment adopts the basic House provision but makes a series of modifications, the most important of which are as follows:

(1) The interest disallowance rule does not apply unless the ratio of debt to equity exceeds 4:1 or the annual interest expense on the indebtedness of the corporation is not covered at least two times over by its earnings.

(2) The exception in the House bill for up to $5 million of interest under the Senate amendment takes into account only interest on obigations issued after December 31, 1967.

(3) The amendment provides that the interest disallowance rule applies where a corporation acquires at least two-thirds of the assets (excluding money) used in the business carried on by another corporation (i.e., operating assets) rather than where it acquired two-thirds of a company's "total" assets (as under the House bill).

(4) The amendment provides that the subordination test referred to above includes an obligation which is expressly subordinated in right of payment to any substantial amount of the corporation's unsecured indebtedness.

(5) The amendment provides that the interest disallowance rule is no longer to apply after a corporation, for a period of at least 3 consecutive years, has brought itself down below the 4:1 debt-equity ratio and the interest charges over the 3-year period are covered more than two times by the earnings of the corporation.

(6) This provision is made applicable to indebtedness incurred after October 9, 1969 (rather than May 27, 1969, as in the House bill). The provision also is made inapplicable where stock or assets of a corporation were acquired pursuant to a binding contract entered into before this effective date.

The conference substitute (sec. 411 of the substitute and sec. 279 of the code) follows the Senate amendment with the following modification:

The 2:1 debt-equity ratio of the House bill was adopted and the earnings ratio whereby the interest expense must be covered at least three times over, as contained in the House bill, was adopted except that in computing earnings for this purpose depreciation and amortization charges are not to be taken into account.

2. Installment method (sec. 453(b) of the code)

The House bill provides that where bonds have interest coupons attached, are in registered form or have other features which make them readily tradeable in the market, these bonds are to be considered as payments in the year of sale for purposes of the installment sales provision. The House bill also would deny the use of the installment method unless the payment of the principal of the loan or the payment of the principal of the loan and the interest taken together are spread relatively evenly over the installment period. This requirement would be satisfied if at least 5 percent of the principal was paid by the end of the first quarterr, 15 percent by the end of the second quarter and 40 percent by the end of the third quarter.

The Senate amendment made three changes in the House bill:

(1) The amendment excludes from the category of bonds or debentures in registered form (which otherwise would be considered as payments received in the year of sale) bonds or debentures which the taxpayer establishes will not be readily tradeable in the established securities market.

(2) The amendment makes the new rules effective with respect to sales occurring after October 9, 1969 (rather than after May 27, 1969, in the House bills). In addition, the amendment provides that the new rules are not to apply to sales made pursuant to a binding contract entered into before October 9, 1969.

(3) The amendment deletes the provision of the House bill denying the use of the installment method unless the payments are spread relatively evenly over the installment period.

The conference substitute (sec. 412 of the substitute and sec. 453(b) of the code) follows the Senate amendment except that the effective date of May 27, 1969, contained in the House bill is substituted for the October 9, 1969, date in the Senate amendent.

3. Bonds and other evidences of indebtedness (sec. 1232 of the code)

The House bill provides that the bondholder and issuing corporation are generally to be treated in a consistent manner with respect to original issue discount. Bondholders are to include the original issue discount in income ratably over the life of the bond. This rule applies to the original bondholder and subsequent bondholders. (Issuing corporations already take deductions ratably under this period.) Corporations issuing bonds in registered form are to furnish the bondholder and the Government with annual information return indicating the amount of the original issue discount to be included in income for the year in question.

The Senate amendment provides an exception to the rule set forth above in the case of life insurance companies which already accrue discount on a basis which produces essentially the same result. The Senate amendment also limits the application of this rule in cases where the bonds are issued for property to situations where either the bond is a part of an issue which is traded on an established securities market or the property for which the bond is issued consists solely of securities which are so traded.

The Senate amendment makes these rules applicable to debt obligations issued after October 9, 1969 (instead of after May 27, 1969, as under the House bill). In addition the new rules are made inapplicable to debt obligations issued after this effective date which are issued pursuant to a binding contract entered into on or before October 9, 1969.

The conference substitute (sec. 413 of the substitute and sec. 1232 of the code) follows the Senate amendment except that the effective date of the provision (and also for the binding contract rule) is the date contained in the House bill, namely May 27, 1969.

4. Limitation on deduction of bond premium on repurchase (sec. 249 of the code)

The House bill provides that a corporation which repurchases its convertible indebtedness at a premium may deduct only that part of the premium which represents the cost of borrowing and not that portion attributable to the conversion feature. Generally, the deduction is limited to the normal call premium for nonconvertible corporate debt except where the corporation can satisfactorily demonstrate that a larger amount of the premium is related to the cost of borrowing.

The Senate amendment accepts the House bill provision but makes it apply to repurchases of convertible indebtedness after October 9, 1969 (instead of after April 22, 1969, as in the House bill).

The conference substitute (sec. 414 of the substitute and sec. 249 of the code) follows the House provision.

5. Treatment of certain corporate interests as stock or indebtedness (sec. 385 of the code)

The House bill does not contain a comparable provision.

The Senate amendment provides a statutory authorization for the Treasury Department to issue regulatory guidelines distinguishing between debt and equity. The factors which may be taken into account in these guideline include the following:

(1) Whether there is a written unconditional promise to pay on demand or on a specified date a sum certain in money in return for an adequate consideration in money or moneys worth, and to pay a fixed rate of interest;

(2) Whether there is a subordination to, or preference over, any indebtedness of the corporation;

(3) The ratio of debt to equity of the corporation;

(4) Whether there is convertibility into the stock of the corporation; and

(5) The relationship between the holdings of stock in the corporation and the holdings of the interest in question.

The conference substitute (sec. 415 of the substitute and sec. 385 of the code) follows the Senate amendment.

SUBTITLE C—STOCK DIVIDENDS (SEC. 301 AND 305 OF THE CODE)

The House bill provides that a stock dividend is to be taxable if one group of shareholders receives a distribution in cash and there is an increase in the proportionate interest of other shareholders in the corporation. In addition, the distribution of convertible preferred stock is to be taxable unless it does not cause this result. The House bill gives the Treasury Department regulatory authority to treat as distributions

changes in conversion ratios, systematic redemptions, and other transactions that have the effect of creating disproportionate distributions. The House bill also provides that stock dividends on preferred stock (except antidilution distributions on convertible preferred stock) are taxable.

The Senate amendment makes a series of modifications in the House bill, which are as follows:

(1) The amendment provides a de minimis rule under which the disproportionate distribution rules are not to apply to certain distributions which increase the proportionate interest of shareholders, if the distribution and all prior distributions during the prior 36 months do not increase the proportionate interest of shareholders by more than one-tenth of 1 percent.

(2) Generally, under the House bill and the Senate amendment, the provisions apply to distributions made after January 10, 1969 (or in certain cases, after April 22, 1969). The House bill contains a transitional rule for stock dividends paid on stock that was outstanding on the effective date or issued pursuant to a contract binding on the effective date. The Senate amendment provides that where a corporation had two classes of stock outstanding for at least a year before the effective date, but had not prior to the effective date used them in a way which would have given rise to tax under the new rules, the corporation cannot begin after the effective date making disproportionate distributions of the kind covered by the bill (without the distributions becoming subject to tax).

(3) If the transitional rule applies where two classes of stock were in existence before the effective date, one convertible into the other and one paying cash dividends and the other paying stock dividends, the Senate amendment provides that a corporation that qualifies for the transitional rule is to be able to continue issuing one class of stock, and the stock which may be issued in such a case is to be the largest of the two classes. The Senate amendment also specifically permits a corporation that qualifies for the transitional rule to issue nonconvertible preferred stock, and convertible preferred stock that has full antidilution protection.

(4) The Senate amendment also contains a transitional rule under which existing law continues to apply to stock dividends paid before 1991 on preferred stock issued before the effective date.

(5) Under the Senate amendment, a special rule is provided for corporations with specified capital stock which are subject to the transitional rule for disproportionate distributions. These corporations would be permitted to issue before 1975 certain kinds of stock not otherwise permitted to be issued under the transitional rule.

The conference substitute (sec. 421 of the substitute and sec. 305 of the code) follows the Senate amendment except that the rules referred to in numbers (1) and (5) above were omitted from the substitute.

SUBTITLE D—FINANCIAL INSTITUTIONS

1. Commercial banks—Reserves for losses on loans (sec. 585 of the code)

The House bill limits the deduction allowed commercial banks for additions to bad-debt reserves to the amount called for on the basis of their own bad-debt loss experience. The House provision also permits new banks to take bad-debt deductions during the first 10 years of their existence on the basis of the industrywide average. In addition, the House provision permits banks (and other financial institutions to carry back net operating losses for 10 years instead of 3 years as under present law.

The Senate amendment provides that in the future the deduction allowed commercial banks for additions to bad-debt reserves is to be limited to 1.8 percent of eligible loans, or the amount called for on the basis of their own experience as indicated by losses for the current year and the 5 preceding years. Banks presently below the 1.8-percent reserve will be permitted to bring their reserves up to this level over a 5-year period. Banks with bad-debt reserves in excess of 1.8 percent of eligible loans are not to be permitted to add to these reserves unless additions are justified on the basis of their own experience. However, these banks will not be required to reduce their existing level of reserves. Moreover, they will be allowed in any event to deduct their actual bad debt losses during the year.

The Senate amendment deleted the 10-year industry average for new banks and the 10-year carryback of net operating losses.

The conference substitute (sec. 431 of the substitute and sec. 585 of the code) follows the Senate provision relating to the bad-debt reserve for the next 6 years, at which time the addition to the reserve will be limited to 1.2 percent of eligible loans for 6 years, then .6 percent for 6 additional years, after which the addition to the bad-debt reserve is to be based on the bank's own bad-debt loss experience. The conference substitute follows the House provision permitting banks to carry back net operating losses for 10 years, except that it changes the effective date to December 31, 1975.

The Senate amendment added a provision not contained in the House bill which allows banks for cooperatives a 10-year carryback for net operating losses.

The conference substitute (sec. 431 of the substitute and sec. 172 of the code) follows the Senate amendment.

2. Small business investment companies, etc.—reverse for losses on loans (sec. 586 of the code)

No substantive change is made by the Senate amendment in the House bill.

3. Mutual savings banks, savings and loan associations, etc. (secs. 593, 596, and 7701(a) of the code)

The House bill revises the tax treatment of mutual savings banks, cooperative banks, and savings and loan associations in a number of ways. It amends the special bad-debt reserve provisions by eliminating the 3-percent method and reducing the present, 60-percent method to 30 percent gradually over a 10-year period.

The Senate amendment also eliminates the 3-percent method and reduces the 60-percent method to 50 percent over a 4-year period.

The conference substitute (sec. 432 of the substitute and sec. 593 of the code) provides that the 60-percent method is to be reduced to 40 percent over a 10-year period.

The Senate amendments among other technical modifications provides that the intercorporate dividends-received deduction is to be allocated between the portion of the income subject to tax and the portion which is allowed as a bad-debt reserve deduction. The effect is to disallow the portion of the dividends-received deduction equal to the percentage of taxable income allowed as a bad-debt deduction, an thus not taxed. The Senate amendment also gives mutual savings banks and savings and loan institutions the option of computing their bad-debt reserves under the commercial bank formula (with certain modifications relating to their reserve accounts) in lieu of their special bad debt reserve formulas.

The conference substitute (secs. 432 and 434 of the substitute and secs. 593, 596, and 7701(a) of the code) follows these provisions of the Senate amendment.

4. Treatment of bonds held by financial institutions (sec. 582 of the code)

The House bill provides parallel treatment for gains and losses derived by financial institutions on transactions in corporate and governmental bonds and other evidences of indebtedness. Under the bill, financial institutions treat net gains from these transactions as ordinary income, instead of as capital gains, and they continue to treat net losses from such transactions as ordinary losses in the same manner as under present law.

The Senate amendment provides the same rule for indebtedness acquired after July 11, 1969. However, in the case of indebtedness held by financial institutions on or before that date, this indebtedness, if sold at a gain, is to continue to receive capital gains treatment if the gain is realized within 13 years (until July 11, 1982), but only if it is a net capital gain, taking into consideration transactions in all such securities in any year.

The conference substitute (sec. 433 of the bill and sec. 582 of the code) provides a transitional rule for bonds held by banks on July 11, 1969. The gains on or before July 11, 1969, receive capital gains treatment and the gains after July 11, 1969, receive ordinary income treatment. This will be determined when the bonds are sold based pro rata on the number of days before July 12, 1969, and afterward.

5. Mergers of savings and loan associations (593(f) of the code)

The House bill does not include this provision.

The Senate amendment provides that in those cases where section 381 applies (relating to carryovers in certain corporate acquisitions which qualify as tax-free reorganizations or liquidations), the bad-debt reserves are not to be restored to income (i.e., the provision of sec. 593(f) are not applicable).

The conference substitute (sec. 432 of the substitute and sec. 593(f) of the code) follows the Senate amendment.

6. Foreign deposits in U.S. banks (secs. 861 and 2104(c) of the code)

The House bill provides that in the case of deposits in U.S. banks, the special income and estate tax rules regarding U.S. bank deposits (including deposits with savings and loan associations and certain amounts held by insurance companies) of foreign persons are to continue until the end of 1975. As a result, income from deposits in the United States by nonresident alien individuals and foreign corporations which is not effectively connected with a U.S. business will be exempt from U.S. income tax until the end of 1975.

The Senate amendment revises the treatment of U.S. bank deposits of foreign persons to provide the same treatment for deposits in U.S. branches of a foreign bank as now exists in the case of deposits in U.S. banks.

The conference substitute (sec. 435 of the substitute and secs. 861 and 2104(c) of the code) follows the Senate amendment.

SUBTITLE E—DEPRECIATION ALLOWED REGULATED INDUSTRIES; EARNINGS AND PROFITS ADJUSTMENT FOR DEPRECIATION

1. Depreciation allowed regulated industries (sec. 167 of the code)

The House bill provides that in the case of certain listed regulated industries (the furnishing or sale of electrical energy, water, sewage disposal services, gas through a local distribution system, telephone services, and transportation of gas by pipeline) a taxpayer is not permitted to use accelerated depreciation unless it "normalizes" the current income tax reduction resulting from the use of such accelerated depreciation. (Normalization involves the utility retaining the current tax reduction and using this money in lieu of capital that would otherwise have to be obtained from equity investments or borrowing.)

This rule is not to apply in the case of a taxpayer that is at present flowing through the tax reduction to earnings for purposes of computing its allowable expenses on its reg

ulated books of account. Also, if the taxpayer is now using straight line depreciation as to any public utility property it may not change to accelerated depreciation as to that property.

The Senate amendment makes the following changes in the House bill: (*a*) oil pipelines are removed from and steam transporters and distributors and Comsat are added to the categories of utilities to which the provision applies; (*b*) where a company was in the process of changing methods of depreciation or methods of keeping its regulated books of account, the company is treated as having changed if it had filed a timely request for permission to change befor August 1, 1969, or had changed in its regulated books of account for its July 1969 accounting period; (*c*) several technical changes are made to insure that the normalization requirement is not avoided by those to whom the bill applies; (*d*) an election is permitted to be made within 180 days after the date of enactment by a company at present on flowthrough to come under the rules of the bill; and (*e*) a special provision permits a company under specified circumstances to avoid the rules of the bill by changing from normalization to flowthrough.

The conference substitute (sec. 441 of the substitute and sec. 167(l) of the code) follows the Senate amendment except that the special provision referred to in (*e*) above is stricken and the 180-day election (item (*d*), above) is modified to apply to new property and not to replacement property. Even in the case of new property, however, the right to change over from the flowthrough method is to be available only to the extent the new property increases the productive or operational capacity of the company.

2. Treatment of depreciation for earnings and profits (sec. 312 of the code)

The House bill provides that, in computing its earnings and profits (on the basis of which a distribution is treated as a dividend or as a nontaxable return of capital), a corporation is to deduct depreciation on the straight-line method or similar ratable method.

The Senate amendment provides that this rule is not to apply in determining the earnings and profits of a foreign corporation less than 20 percent of whose income is from the United States.

The conference substitute (sec. 442 of the substitute and sec. 312(m) of the code) follows the Senate amendment.

TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

SUBTITLE A—NATURAL RESOURCES

1. Percentage depletion rates (sec. 613 of the code)

The House bill reduces the percentage depletion rate for oil and gas from 27½ to 20 percent and makes percentage depletion unavailable in the case of foreign oil and gas wells. In addition, the percentage depletion rates applicable to other minerals are reduced by approximately 25 percent (except for domestic gold, silver, oil shale, copper, and iron ore, which are left at the present rate of 15 percent).

The Senate amendment makes the following changes in the treatment of percentage depletion:

(1) The percentage depletion rate for both domestic and foreign oil and gas wells is reduced from 27½ to 23 percent.

(2) The percentage depletion rate for molybdenum is increased from 15 to 23 percent.

(3) The 50 percent of taxable income limitation on the percentage depletion allowance is increased to 70 percent in the case of gold, silver, and copper, and is increased to 65 percent in the case of oil and gas produced by a taxpayer whose aggregate gross income from oil and gas wells is less than $3 million.

(4) For purposes of percentage depletion, minerals other than sodium chloride extracted from brine pumped from a saline perennial lake within the United States are not to be considered minerals from an inexhaustible source (in which case percentage depletion would not be allowable). Thus the specific percentage depletion rates are to be available with respect to these minerals.

The conference substitute (sec. 501 of the substitute and sec. 613 of the code) makes the following changes in the treatment of percentage depletion:

(1) The percentage depletion rate for both domestic and foreign oil and gas wells is reduced from 27½ to 22 percent.

(2) In the case of other minerals which presently receive percentage depletion at a rate of 23 percent, the rate is reduced to 22 percent. Molybdenum is included in the category of minerals subject to the 22-percent depletion rate.

(3) In the case of those minerals which presently receive percentage depletion at a rate of 15 percent, the rate is reduced to 14 percent (except in the case of domestic gold, silver, oil shale, copper, and iron ore).

(4) For percentage depletion purposes, minerals other than sodium chloride, extracted from brine pumped from a saline perennial lake within the United States are not be be considered minerals from an inexhaustible source.

2. Treatment processes in the case of oil shale (sec. 613(c)4 of the code)

No substantive change is made by the Senate amendment in the House bill.

3. Mineral production payments (sec. 636 of the code)

The House bill provides that carved-out production payments and retained payments (including ABC transactions) are to be treated as loans by the owner of the production payment to the owner of the mineral property. In the case of a carved-out production payment the payment is to be treated as a mortgage loan on the mineral property (rather than as an economic interest in the property). In the case of retained production payments the payment is to be treated as a purchase money mortgage loan (rather than as an economic interest in the mineral property).

The Senate amendment makes the following modifications in the House provision:

1. These rules are to apply to mineral production payments created on or after October 9, 1969, other than to payments created before January 1, 1971, pursuant to a binding contract entered into before October 9, 1969. (In the House bill April 22, 1969, was used instead of October 9, 1969.)

(2) Taxpayers may elect to apply the new rules to carved-out payments (i.e., treat them as loans) if they were sold during and after the taxpayer's last taxable year ending prior to October 9, 1969.

(3) It is provided that the new rules relating to carved out production payments are not to apply (except for percentage depletion and foreign tax credit purposes) to payments sold during the part of the taxpayer's year which occurs on or after October 9, 1969, to the extent the payments offset a net operating loss which otherwise would have occurred in the taxable year. The amount of carved out production payments qualifying for this treatment, plus the amount of payments sold by the taxpayer in the prior part of his taxable year, however, may not exceed the amount of carved out payments sold by him during his preceding taxable year. (The House bill allowed payments to be carved out during the part of the taxable year occurring after the effective date of this provision to the extent of the exploration, drilling, or development costs incurred during the portion of the taxpayer's taxable year prior to the effective date.)

The conference substitute (sec. 503 of the substitute and sec. 636 of the code) follows the Senate amendment except that the October 9, 1969, date in the basic effective date and the transition rules is changed to August 7, 1969.

4. Exploration expenditures (secs. 615 and 617 of the code)

The House bill provides that insofar as future mining exploration expenditures are concerned, the general recapture rules of present law are to apply (under which exploration expenditures previously deducted are recaptured when a mine reaches the producing stage, generally by disallowing an appropriate portion of the depletion deduction with respect to the mine). Taxpayers may continue to deduct expenditures for foreign (and oceanographic) exploration to the extent permitted under the limited provision of present law (generally up to a maximum of $400,000). The House provision applies to mining exploration expenditures made after July 22, 1969.

The Senate amendment modifies the House provision to make it applicable to exploration expenditures made after December 31, 1969.

The conference substitute (sec. 504 of the substitute and secs. 615 and 617 of the code) follows the Senate amendment.

5. Continental shelf areas (sec. 638 of the code)

The House bill does not contain a comparable provision.

The Senate amendment provides that for purposes of applying the income and employment tax provisions of the code with respect to mines, oil and gas wells, and other natural deposits, the term "United States" includes the seabed and subsoil of the submarine areas adjacent to the territorial waters of the United States over which the United States has exclusive rights under international law with respect to the exploration and exploitation of natural resources. A similar definition of the term "foreign country" also is provided.

The conference substitute (sec. 505 of the substitute and sec. 638 of the code) follows the Senate amendment.

6. Foreign tax credit with respect to certain foreign mineral income (secs. 901 and 904 of the code)

The House bill provides that a taxpayer who uses the per country limitation on the foreign tax credit and who reduces his U.S. tax on U.S. income by reason of a loss from a foreign country is to have the resulting tax benefit recaptured when income is subsequently derived from the foreign country involved. The House bill also imposes a separate foreign tax credit limitation on foreign mineral income so that excess credits from this source cannot be used to reduce U.S. tax on other foreign income. In other words, the foreign tax credit allowed on mineral income from a foreign country is limited to the amount of U.S. tax on that income. This limitation applies generally where the foreign country receives mineral royalties with respect to the property or where it has substantial mineral rights in the properties. Excess credits can be carried over under normal foreign tax credit carryover rules and credited against U.S. tax in other years on the foreign mineral income from the same country.

The Senate amendment deletes these provisions of the House bill.

The conference substitute (sec. 506 of the substitute and secs. 901 and 904 of the code) provides that a foreign tax credit is not to be allowed for foreign taxes imposed on foreign mineral income considered on a country-by-country basis to the extent the foreign tax is attributable to the percentage depletion allowance granted by the United States. Thus, excess foreign tax credits attributable

to the percentage depletion allowance on mineral income from a foreign country cannot reduce U.S. tax payable on other foreign income. For this purpose mineral income includes income from extraction, processing, transportation, distribution, and sales of the primary products derived from the mineral or the mineral itself. This rule applies to taxable years beginning after December 31, 1969. Taxpayers who previously elected the overall limitation on the foreign tax credit may revoke the election without the consent of the Treasury Department for the taxpayer's first taxable year beginning after 1969.

SUBTITLE B—CAPITAL GAINS AND LOSSES

1. Increase in alternative capital gains tax (sec. 1201 of the code)

The House bill repeals the 27½ percent (including the surcharge) alternative capital gains tax rate for noncorporate taxpayers effective with respect to sales on other dispositions after July 25, 1969. As a result, after that date noncorporate taxpayers are to include one-half of their net long-term capital gains in income without regard to their tax rate bracket. Given the rate schedules in the House bill, this means a top, capital gains rate of 32½ percent in 1972 and subsequent years for those in the top bracket rate of 65 percent. In addition, the House bill increases the alternative capital gains rate which is applied to a corporation's net long-term capital gains from the present 27½ percent rate (including the surcharge) to 30 percent. This change applies to sales and other dispositions occurring after July 31, 1969.

The Senate amendment makes the following modifications in the House provision:

(1) In the case of noncorporate taxpayers the alternative rate continues to apply to up to $140,000 of capital gains. The $140,000 limit on the amount of capital gains qualifying for the alternative rate is reduced to the extent the taxpayer's tax preferences exceed $10,000.

(2) The changes made by these provisions are to apply to taxable years beginning after December 31, 1969. In addition in the case of noncorporate taxpayers the maximum effective rate on capital gains not eligible for the 25-percent alternative rate is phased in over a 3-year period. The present rate of 27½ percent (including the surcharge) is increased to 28¾ percent for 1970, to 31 percent for 1971, and then to 35 percent for 1972. In the case of corporations the full 30 percent rate is not effective until 1971. In 1970 a special rate of 28 percent applies.

(3) The present 25-percent capital gains tax rate continues to apply in the case of binding contracts in effect on October 9, 1969.

(4) The present 25-percent alternate rate also continues to apply to installment payments received after 1969 pursuant to sales made before October 10, 1969. Furthermore, the 25-percent rate continues to apply to distributions from corporations made prior to October 10, 1970, which are made pursuant to plans of complete liquidation adopted before October 10, 1969.

The conference substitute (sec. 511 of the substitute and sec. 1201 of the code) follows the Senate amendment with the following modifications:

(1) In the case of noncorporate taxpayers, it is provided that $50,000 of long-term capital gains continue to qualify for the alternative gains rate without regard to the amount of the taxpayer's tax preferences.

(2) In the case of noncorporate taxpayers the rate of tax on capital gains not eligible for the 25-percent alternative rate is increased to 29½ percent for 1970, to 32½ percent for 171, and then to 35 percent for 1972.

(3) The continuation of the 25-percent alternative tax rate in the case of payments received pursuant to certain binding contracts and installment sales (described in Nos. 3 and 4 above) is limited to amounts received before 1975.

2. Capital losses of corporations (sec. 1212 of the code)

The House bill does not contain a comparable provision.

The Senate amendment provides a 3-year capital loss carryback for corporations which is in addition to the 5-year capital loss carryforward presently allowed corporations. The 3-year carryback is not available for foreign expropriation capital losses for which a special 10-year carryforward is presently available or for losses incurred by, or to be used by, a subchapter S corporation. The "quickie" refund procedure presently available in the case of net operating loss carrybacks (under which the refund is made after only a preliminary check by the Internal Revenue Service on the appropriateness of the refund) is made available in the case of the 3-year capital loss carryback. This provision applies to capital losses sustained in taxable years beginning after December 31, 1969.

The conference substitute (sec. 512 of the substitute and sec. 1212 of the code) follows the Senate amendment.

3. Capital losses of individuals (sec. 1211 of the code)

The House bill provides that only 50 percent of an individual's long-term capital losses may be offset against his ordinary income up to the $1,000 limit. Thus, $2,000 of losses are required to obtain the full $1,000 offset. (Short-term capital losses, however, continue to be fully deductible within the $1,000 limitation.) In addition, the deduction of capital losses against ordinary income for married persons filing separate returns is limited to $500 for each spouse (rather than the $1,000 presently allowed).

The Senate amendment retains the treatment provided by the House bill except that it is made applicable for taxable years beginning after December 31, 1969 (rather than July 25, 1969, as under the House bill).

The conference substitute (sec. 513 of the substitute and sec. 1211(b) of the code) follows the Senate amendment.

4. Letters, memorandums, etc. (secs. 1221 (3) and 1231(b)(1)(c) of the code)

The House bill provides that letters, memorandums, and similar property (or collections thereof) are not to be treated as capital assets if they are held by the taxpayer whose personal efforts created the property or for whom the property was prepared or produced (or by a person who received the property as a gift from the person who created it). Gains from the sale of these letters and memorandums, accordingly, are to be taxed as ordinary income, rather than as capital gains.

The Senate amendment modifies this provision of the House bill to make it applicable to sales or other disposition of these letters, memorandums, etc., occurring after December 31, 1968 (rather than July 25, 1969, as provided by the House bill).

The conference substitute (sec. 514 of the substitute and secs. 1221(3) and 1231(b)(1)(c) of the code) follows the House bill.

5. Total distribution from qualified pension, etc., plans (secs. 482(a), 403(a)(2), and 72(n) of the code)

The House bill limits the extent to which capital gains treatment is to be allowed for lump-sum distributions from qualified employee trusts (qualified pension, profit sharing, stock bonus, and annuity plans). Amounts attributable to employer contributions for plan years beginning after 1969 are treated as ordinary income. All other amounts received in the lump-sum distribution continue to be accorded capital gains treatment if received in one taxable year upon separation from employment or death. A special 5-year "forward" averaging is provided for the amounts to be treated as ordinary income. The tax on this amount may be recomputed at the end of 5 years by including one-fifth of the ordinary income amount in gross income for the 5 taxable years. If the recomputed tax determined in this manner results in a lower tax than previously paid, the taxpayer would be entitled to a refund.

The Senate amendment deletes this provision from the bill.

The conference substitute (sec. 515 of the substitute and secs. 402(a), 403(a)(2), and 72(n) of the code) follows the House provision whereby employer contributions to qualified pension, profit sharing, stock bonus, and annuity plans for plan years beginning after 1969 are to be treated as ordinary income when received in a lump-sum distribution. The amounts to be treated as ordinary income, however, are to be eligible for a special 7-year "forward" averaging. In addition, the amounts received by the employee as compensation (other than deferred compensation) during the taxable year the lump-sum distribution is received and the capital gains portion of the lump-sum distribution are not to be taken into account for the calculation of the tax on the ordinary income portion of the distribution under the 7-year special averaging procedure. There is no recomputation or refund procedure.

6. Sales of life estates, etc. (sec. 1001 of the code)

The House bill provides that the entire amount received on the sale or other disposition of a life (or term of years) interest in property or an income interest in trust, if such interest was acquired by gift, bequest, inheritance, or a transfer in trust, is to be taxable, rather than only the excess of the amount received over the seller's basis for his interest. The provision does not, however, change present law in the situation where there is a sale or other disposition of a life (or term of years) interest in property or an income interest in trust where such sale is a part of a single transaction in which the entire interest in the property is transferred to another person or to two or more other persons jointly.

The Senate amendment makes the provision applicable to sales or other dispositions after October 9, 1969, rather than with respect to sales or other dispositions made after July 25, 1969, as under the House bill.

The conference substitute (sec. 516(a) of the substitute and sec. 1001 of the code) follows the Senate amendment.

7. Certain casualty losses under section 1231 (sec. 1231 of the code)

The House bill modifies the treatment of casualty losses and casualty gains (under sec. 1231) to provide that casualty (or theft) losses with respect to depreciable property and real estate used in a trade or business and capital assets held for the production of income are to be consolidated with casualty (or theft) gains with respect to this type of property. If the casualty losses exceed the casualty gains, the net loss is treated as an ordinary loss without regard to whether there may be noncasualty gains under section 1231. If, however, the casualty gains exceed the casualty losses, the net gain is treated as a section 1231 gain and must be consolidated with other gains and losses under section 1231.

The Senate amendment includes personal assets in this netting of casualty gains and casualty losses and applies the new rules to taxable years beginning after December 31, 1969, rather than July 25, 1969, the effective date under the House bill.

The conference substitute (sec. 516(b) of the substitute and sec. 1231 of the code) follows the Senate amendment.

8. Transfers of franchises, trademarks, and trade names (sec. 1253 of the code)

The House bill denies a franchisor capital gains treatment on the transfer of a franchise if he retains any significant power, right, or continuing interest with respect to the subject matter of the franchise. If the franchise agreement includes significant rights or restrictions which are subject to the franchisor's approval on a continuing basis, or if the franchisor's conduct constitutes participation in the commercial or economic activities of the franchise, the franchisor is regarded as having retained a significant power, right, or continuing interest.

The Senate amendment makes more specific the rules of the House bill and extends these rules to trademarks and trade names. A "franchise" includes "an agreement which gives one of the parties to the agreement the right to distribute, sell, or provide goods, services, or facilities, within a specified area." A "significant power, right, or continuing interest" includes, but is not limited to, a right to disapprove any assignment; a right to terminate at will; a right to prescribe standards of quality; a right to require exclusive sale or advertising of products or services of the transferor; a right to require exclusive purchases of supplies and equipment from the transferor; and a right to payments contingent on productivity of such payments constitute a substantial element under the transfer agreement.

Under the Senate amendment, contingent payments are treated as ordinary income and are deductible by the transferee as trade or business expenses.

The Senate amendment also provides rules with resepct to initial payments (including a lump sum or fixed amount payable in installments). If the transaction is treated as a sale, the transferor treats an initial payment as proceeds from the sale of a capital asset (except in the case of a dealer). The transferee is not entitled to depreciation or amortization deductions for the payment made to the transferor if the intangible asset does not have an ascertainable useful life. If, however, the transfer is a license, the transferor treats the initial payment as ordinary income, and the transferee treat its as a deductible expense over the period to which the payment is attributable but in no event over more than 10 years.

The Senate amendment excludes transfers of a franchise to engage in professional sports.

The Senate amendment provides that in the case of transfers before the effective date, the transferee may elect to deduct payments which would be deductible under the new rules (as if the transfer had occurred after the effective date), but only with respect to payments made in taxable years ending after December 31, 1969.

The conference substitute (sec. 516(c)) of the substitute and sec. 1253 of the code) follows the Senate amendment, except that the transferee may elect to deduct only contingent payments made in taxable years ending after December 31, 1969, and beginning before January 1, 1980, with respect to transfers before the effective date.

9. House provision omitted—holding period of capital assets (sec. 1222 of the code)

The House bill extends the holding period for long-term capital gain treatment from 6 to 12 months.

The Senate amendment restores the 6-month holding period of present law.

The conference substitute follows the Senate amendment.

SUBTITLE C—REAL ESTATE DEPRECIATION (SECS. 167 AND 1250 OF THE CODE)

The House bill provides that the 200 percent declining balance and sum of the years digits methods of real estate depreciation are to be limited to new residential housing. To qualify for this accelerated depreciation, at least 80 percent of the income from the building must be derived from rentals of residential units.

Other new real estate, including commercial and industrial buildings, under the House bill is limited to the 150-percent declining balance depreciation method.

In the case of used building (including housing acquired in the future), the House bill limits depreciation on future acquisitions to straight line depreciation.

Under the House bill, a special 5-year amortization deduction is provided in the case of expenditures made on or after July 25, 1969, for the rehabilitation of buildings for low-cost rental housing. This rapid amortization is to be available only where the property is held for occupancy by families and individuals of low or moderate income determined in a manner consistent with the policies of the Housing and Urban Development Act of 1968. The aggregate rehabilitation may not exceed $15,000 per dwelling unit and the sum of the rehabilitation expenditures (over a 2-year period) must exceed 3,000 per dwelling unit.

The House bill also provides that accelerated depreciation taken in the future in excess of allowable straight-line depreciation is to be recaptured as ordinary income to the extent of the gain occurring upon subsequent sale of real estate.

The Senate amendment made a series of modifications in the House bill, the more important of which are as follows:

(1) 150 percent declining balance depreciation is allowed on used residential housing with a useful life of 30 years or more and 125 percent declining balance depreciation is allowed with respect to used residential rental housing with a useful life of 20 to 30 years (all other used assets acquired after July 24, 1969, are limited to straight-line depreciation).

(2) The Senate amendment modifies the recapture rules by providing a reduction of 1 percent per month in the amount to be recaptured after the property has been held for 60 full months in the case of residential housing and in the case of all other real property after the property has been held for 10 years.

(3) The changes in the recapture rules are not to apply in the case of federally assisted projects (such as the FHA 221(d)(3) and 236 programs) or to other publicly assisted housing programs under which the return to the investor is limited on a comparable basis. These projects are to be subject to the present recapture rules which provide for a recapture of the depreciation in full if the sale occurs in the first 12 months and for a phaseout of the recapture of the excess of accelerated over straight-line depreciation after 20 months. The recapture is reduced at the rate of 1 percent per month until 120 months after which no recapture applies. These recapture rules of existing law will continue to apply only with respect to such property constructed, reconstructed, or acquired before January 1, 1975.

(4) The Senate amendment modifies the House bill to allow accelerated depreciation under pre-existing law with respect to a building constructed after July 25, 1969, if the taxpayer had filed with the appropriate local government authority, before July 25, 1969, an initial application for permission to construct, and if construction of such property is begun within 1 year after the date the initial application was filed.

(5) The Senate amendment applies the new recapture rules to depreciation attributable to periods after December 31, 1969 (rather than to periods after July 24, 1969, as under the House bill).

(6) The Senate amendment applies the existing recapture rules where the sale of the property was subject to a binding contract in existence prior to October 9, 1969, even though the transfer takes place after that date.

(7) The Senate amendment provides that the special 5-year amortization deduction for rehabilitation expenditures is to apply only with respect to such expenditures made before December 31, 1974.

The conference substitute (sec. 521 of the substitute and secs. 167 and 1250 of the code), generally follows the Senate amendment with the following modifications:

(1) The conference substitute permits 125 percent declining balance depreciation on used residential rental property with a useful life of 20 years or more acquired after July 24, 1969. All other used real property acquired after July 24, 1969 (other than that acquired pursuant to pre-July 25, 1969, contracts), is limited to straight line depreciation.

(2) The conference substitute modifies the recapture rules pertaining to residential housing by allowing a 1-percent-per-month reduction in the amount to be recaptured as ordinary income after the property has been held for 100 full months. Other real property is subject to full recapture, thus eliminating the phaseout of recapture after 10 years for nonhousing under the Senate amendment.

(3) The conference substitute applies the existing recapture rules where the sale of the property was subject to a binding contract in existence prior to July 25, 1969, even though the transfer took place after that date.

(4) The conference substitute deletes the Senate amendment (No. 4 above) which would allow accelerated depreciation under existing law if the taxpayer had filed an application to construct with the appropriate local government authority before July 25, 1969.

SUBTITLE D—SUBCHAPTER S CORPORATIONS (SEC. 1379 OF THE CODE)

Both the House bill and the Senate amendment provide limitations similar to those contained in the retirement plans for individuals (the so-called H.R. 10-type plans) with respect to contributions made by subchapter S corporations to the retirement plans for individuals who are "shareholder-employees." Under the bill, a shareholder-employee must include in his income the contributions made by the corporation under a qualified plan on his behalf to the extent contributions exceed 10 percent of his salary or $2,500, whichever is less.

The Senate amendment makes the following modifications in the House provision:

(1) The definition of a shareholder-employee is changed from an employee or officer who owns more than 5 percent of the corporation's stock to one who holds 10 percent or more.

(2) The provision is not to apply until taxable years beginning after 1970. The House bill would apply this provision to taxable years beginning after 1969.

The conference substitute (sec. 531 of the substitute and sec. 1379 of the code) follows the Senate amendment deferring the application of this provision to 1971. The conference substitute, however, does not follow the Senate amendment changing the percentage rerating to the definition of a shareholder-employee.

E. HOUSE PROVISION OMITTED—COOPERATIVES (SEC. 531 OF THE HOUSE BILL)

The House bill requires cooperatives to revolve out patronage dividends and per unit retains within 15 years from the time the written notice of allocation was made or the per unit retain certificate was issued. In addition, the percentage of patronage allocations which must be paid out currently in cash or by qualified check are increased under the House bill from 20 to 50 percent. The additional 30 percent is to be paid with respect to the current allocation or in redemption of prior allocations. The increase

in the required payout is phased in ratably over a 10-year period.

The Senate amendment omits this provision.

The conference substitute omits this provision.

The conference noted that the Treasury Department and congressional staffs had been requested by the Committee on Finance to study problems in the tax treatment of cooperatives, particularly as to whether cooperatives engage in activities which are unrelated to the purpose for which special tax treatment is given and that a report had been requested on this subject. The conferees requested that this report be made by January 1, 1972.

TITLE VI—STATE AND LOCAL OBLIGATIONS

1. Arbitrage bonds (sec. 103(d) of the code)

The House bill provides for the taxation of arbitrage bonds issued by State or local governments. The bill provides that, under regulations issued by the Secretary or his delegate, any arbitrage obligation is not to be treated as a tax-exempt State or local government bond.

The Senate amendment makes four modifications in the House bill:

(1) The amendment defines arbitrage bonds as obligations issued where all or a major part of the proceeds can be reasonably expected to be used (directly or indirectly) to acquire securities or obligations which may be reasonably expected, at the time of the issuance of the State and local obligation, to produce a yield which is materially higher than the yield on the State or local governmental bond issue.

(2) Arbitrage bonds are defined as not including issues where a major part of all of the proceeds of the issue are reasonably expected to be used to provide permanent financing for real property used, or to be used, for residential purposes where the yield on the Government obligation at the time of issue is not expected to be substantially lower than the yield on the permanent financing.

(3) An obligation is not treated as an arbitrage bond solely because the proceeds of the issue may for a temporary period be invested in higher yield securities or other obligations until the proceeds are used for the purpose for which the State or local government bonds were issued. Nor are obligations to be classified as arbitrage bonds where the proceeds of the Government issue may be invested in higher yield securities which are part of a reasonable reserve or replacement fund so long as this fund does not exceed 15 percent of the total issue (unless the issuer establishes that a higher amount is necessary).

(4) This provision of the amendment is effective with respect to obligations issued after October 9, 1969 (after July 11, 1969, under the House bill).

The conference substitute (sec. 601 of the substitute and sec. 103(d) of the code), follows as the Senate amendment except that in the case of the modification described in No. (2) above the permanent financing for real property is limited to real property used, or to be used, for residential purposes for the personnel of an educational institution of higher learning.

2. House provision omitted from conference substitute—election to issue taxable bonds and information reporting (secs. 6056 and 6685 of the code under the Senate amendment)

The House bill provides that States and local governments can voluntarily relinquish the tax exemption with respect to given debt security issues and in these cases the Secretary or his delegate is to pay a fixed percentage of the interest yield on each such issue. The fixed percentage may vary within a range of 30 to 40 percent of the yield up to 1975 and from 25 to 40 percent of the yield thereafter.

The Senate amendment deletes this provision of the House bill. It substitutes a requirement that every person who receives or accrues $600 or more of tax exempt State and local government bond interest or who is required to file an income tax return is to report the amounts of any tax-exempt State or local government bond interest he receives.

The conference substitute omits both the provision of the House bill and the provision of the Senate amendment.

TITLE VII—EXTENSION OF TAX SURCHARGE AND EXCISE TAXES; TERMINATION OF INVESTMENT CREDIT

1. Extension of tax surcharge (secs. 51(a) and 963(b) of the code)

The Senate amendment makes no substantive change in this provision of the House bill.

2. Continuation of excise taxes on communication services and automobiles (secs. 4061(a), 6412(a), and 4251 of the code)

The Senate amendment makes no substantive change in this provision of the House bill.

3. Termination of investment credit (sec. 49 of the code)

The House bill provides that the investment credit is not to be available with respect to property, the physical construction, reconstruction, or erection of which is begun after April 18, 1969, or which is acquired by the taxpayer after that date. The House bill contains essentially the same transition rules as were contained in the bill which suspended the investment credit in 1966. This includes transition rules relating to an equipped building, a plant facility, the construction of machinery or equipment, and certain contracts or leases with third parties requiring the construction of machinery or equipment. Other transitional rules were also included in the House bill.

The Senate amendment made a series of modifications in the transition rules provided by the House bill. The more important of these are as follows:

(1) The investment credit is made available where the site of a plant facility was acquired before April 19 to construct a refinery and substantial expenditures for the acquisition of pipeline were incurred before that date.

(2) The investment credit is made available where under a binding contract or contract to lease entered into before April 18, a lessor or lessee is obligated to construct or acquire property specified in documents related to the lease or contract which were filed with a Federal regulatory agency before April 19.

(3) The investment credit is made available in the case of property which a taxpayer must construct or acquire in order to carry out a pre-April 19, 1969, contract with a person who must take substantially all of the production from the property over its useful life. The property must be specified in the binding contract or must be extractive property with respect to which a series of specified requirements are satisfied.

(4) The House bill makes the investment credit available in the case of barges where the oceangoing vessel with respect to which the barges are to be used is eligible for the investment credit. The number of barges qualifying is limited to the number specified in binding contracts with the Maritime Administration. The Senate amendment modifies this provision to make the credit available where the barges are specified in a pre-April 19 application for mortgage or construction loan insurance filed with the Secretary of Commerce or when more than 50 percent of the barges planned to be used with the vessel qualify under the binding contract or other transitional rules.

(5) The House bill makes available the investment credit in the case of certain new design projects where certain conditions are met. The Senate amendment modifies these conditions to provide that fixed-price binding contracts may allow for price changes due to material costs in addition to those due to pay increases and also increases from 50 to 60 percent the amount of the production of the new design products to be delivered before 1973 which must be covered by the binding contracts.

(6) The House bill phases out the investment credit available in 1971 through 1974 by reducing the rate of the investment credit by 0.1 of 1 percentage point a month during this period. Under the Senate amendment the investment credits are to be available at the full 7 percent rate if the property is placed in service before 1979.

(7) The House bill limits the amount of unused credits from prior years which may be carried over and used in 1969 and subsequent years generally by providing that no more than 20 percent of the carryovers available at the end of 1968 may be used in any one year. The Senate amendment adopts this feature of the House bill but provides an additional 3-year carryforward period for unused investment credits to the extent these credits cannot be used in the year solely because of the special 20-percent limitation.

(8) The amendment exempts from the repeal of the investment credit up to $20,000 of investment in eligible property.

(9) The amendment provides that the investment credit is to be available for certain property which a taxpayer places in service to carry out a local organization's plan for works of improvement within the meaning of the Watershed Protection and Flood Prevention Act.

(10) An exception to the repeal of the investment credit is provided for certain investments in depressed areas.

The conference substitute (sec. 703 of the substitute and sec. 49 of the code) generally follows the Senate amendment but deletes the items referred to in paragraphs 1, 8, 9, and 10 and moves the termination date for property placed in service back from before 1979 to before 1976 (par. 6 referred to above).

4. Amortization of pollution control facilities (sec. 169 of the code)

Under the House bill, a taxpayer is allowed to amortize any certified pollution control facility over a period of 60 months. The amortization replaces the depreciation deduction, but the additional first year 20-percent depreciation allowance still is available.

The Senate amendment made the following changes in the provision of the House bill:

(1) The amendment limits the amortization deduction to pollution control facilities added to plants which were in operation on December 31, 1968.

(2) Under the House provision it is necessary for the appropriate Federal authority to certify to the Treasury Department that the facility meets minimum performance standards which are to be promulgated by the Federal authority from time to time and which must take technological advances into account and specifiy the tolerance of such pollutants and contaminants as is appropriate. The amendment modifies this to provide that the Federal authorities are not to establish effluent standards for water or emission standards for air but rather are to set national guidelines for the standards to be specified by the States.

(3) The 5-year amortization deduction is to apply only to those facilities placed in service before January 1, 1975.

(5) The 5-year amortization is limited to the proportion of the cost of the property attributable to the first 15 years of its normal useful life. Where property has a normal useful life of more than 15 years one portion of the facility is to be amortized over

the 5-year period and the remaining portion is to receive regular depreciation based upon the entire normal useful life of the property.

The conference subtstitute (sec. 704 of the substitute and sec. 169 of the code) follows the Senate amendment.

5. Amortization of certain railroad rolling stock, etc. (secs. 184, 185 and 263(e) of the code)

The Hill bill provides that a domestic common carrier by railroad, subject to regulation by the Interstate Commerce Commssion, may elect to amortize its rolling stock (other than locomotives) over a 7-year period. This treatment is available in the case of rolling stock acquired after July 31, 1969. Rolling stock constructed by the taxpayer after that date also is eligible for the 7-year amortization provision.

The Senate amendment substitutes a broader provision which differs from the House provision in the following respects:

(1) Instead of 7-year amortization of new rolling stock, the Senate amendment provides for a 5-year amortization of new rolling stock, including locomotives.

(2) The 5 year (or 4 year described below) amortization referred to above is available with respect to the rolling stock of all railroads, switching, and terminal companies all of whose stock is owned by railroads and rolling stock of lessors who lease to railroads. The 5 (or 4) year amortization provision is not available, however, in the case of rolling stock owned and used by companies other than railroads or rolling stock leased to companies other than railroads.

(3) Rolling stock placed in service during 1969 and owned by a railroad (or a 95-percent-owned subsidiary of a railroad) is eligible for 4-year amortization to the extent of any unrecovered costs as of January 1, 1970. Rolling stock placed in service in 1969 and owned by a lesser is not eligible.

(4) The 5-year amortization provision applies to qualified rolling stock placed in service before January 1, 1975.

(5) For purposes of the amortization provision, property placed in service at any time during 1970 by a railroad (or 95-percent-owned subsidiary of a railroad) is presumed to be placed in service on December 31, 1969. For 1970 in the case of a lessor and for subsequent years for railroads and for lessors, the question of when the rolling stock is placed in service is to depend upon the depreciation convention generally followed by the taxpayer.

(6) The Secretary of the Treasury is to issue regulations indicating particular classes of cars or locomotives which are not in short supply. Rolling stock in these specific classes which is placed in service after 1972 or 30 days after the regulations become effective, whichever is later, are not eligible for the 5-year amortization writeoff.

(7) The Senate amendment treats the cost of repairs as an expense in all cases where such costs in any 12-month period do not exceed 20 percent of the original basis of the unit involved.

(8) The Senate amendment also adds a new provision which provides railroads with an option to amortize railroad gradings and tunnel bores on the basis of a 50-year life. Under present law, railroads capitalize these costs but have not been able to depreciate them because of uncertainties as to the length of their useful lives.

The railroad property which would be amortized would include only improvements resulting from excavating (including tunneling), constructing embankments, clearings, diverting of roads and streams, sodding of slopes, and all similar work necessary to provide, construct, reconstruct, alter, protect, improve, replace, or restore a roadbed or right-of-way for railroad track.

The conference substitute (secs. 705 and 706 of the substitute and secs. 184, 185, and 263(e) of the code) follows the Senate amendment except that the amortization provisions relating to railroad grading and tunnel bores apply only to such property the original use of which commences after December 31, 1968. Improvements to existing gradings and bores are to be treated as a separate item of such property for purposes of the provisions.

6. Amortization of certain coal mine safety equipment (sec. 187 of the code)

The House bill does not contain this provision.

The Senate amendment provides that a taxpayer may elect 5-year amortization for certified coal mine safety equipment. This is in lieu of the depreciation deduction with respect to this equipment.

Certified coal mine safety equipment for this purpose means electric face equipment which is required in order to comply with the Federal Coal Mine Health and Safety Act of 1969, which is certified by the Secretary of Interior, and which is placed in service within 6 years after the operative date of title III of that act. Property placed in service in connection with used electric face equipment also is eligible for this 5-year amortization when certified by the Secretary of Interior as property which makes such used equipment permissible under that act.

The conference substitute (sec. 707 of the substitute and sec. 187 of the code) follows the Senate amendment, but applies it to taxable years ending after December 31, 1969 (instead of years ending after date of enactment). In addition, under the substitute, the coal mine safety equipment eligible for the amortization must be placed in service before January 1, 1975.

TITLE VIII—ADJUSTMENT OF TAX BURDEN FOR INDIVIDUALS

1. Personal exemption (secs. 151 and 6013(b) of the code)

The House bill does not change the present $600 personal exemption.

The Senate amendment increases the personal exemption to $700 in 1970 and $800 in 1971.

The conference substitute (sec. 801 of the substitute and sec. 151 of the code) increases the personal exemption to $625 for calendar year 1970 (by increasing it to $650 on July 1, 1970, for withholding purposes), to $650 for 1971, to $700 for 1972, and to $750 for 1973, and thereafter.

2. Increase in standard deduction (141 of the code)

The House bill increases the present 10-percent standard deduction with a $1,000 ceiling to 13 percent with a $1,400 ceiling in 1970, to 14 percent with a $1,700 ceiling in 1971, and to 15 percent with a $2,000 ceiling for 1972 and thereafter.

The Senate amendment does not increase the percentage standard deduction.

The conference substitute (sec. 802 of the substitute and sec. 141 of the code) increases the percentage standard deduction to 13 percent with a $1,500 ceiling in 1971, to 14 percent with a $2,000 ceiling in 1972, and to 15 percent with a $2,000 ceiling for 1973 and thereafter.

3. Low-income allowance (141 of the code)

The House bill replaces the present minimum standard deduction with a low-income allowance of $1,100. In 1970 only, the excess of the low-income allowance over the present minimum standard deduction is reduced $1 for every $2 of income above the new nontaxable levels. Thereafter, there is no reduction in the $1,100 minimum standard deduction.

The Senate amendment substitutes a $1,000 low-income allowance for the $1,100 in the House bill and, in 1970 only, reduces the entire amount by $1 for every $4 of income in excess of the nontaxable levels provided by the amendment.

The conference substitute (sec. 802 of the substitute and sec. 141 of the code) follows the House bill low-income allowance provision for 1970 and provides a $1,050 allowance in 1971 with a reduction in the excess over the present minimum standard deduction by $1 for every $15 of income above the nontaxable levels. For 1972 and thereafter the low-income allowance is $1,000 with no reduction.

4. Tax treatment of single persons (sec. 1 of the code)

The House bill provides that widows and widowers regardless of age and single persons age 35 or over are to use the head-of-household rate schedule, and surviving spouses are to use the joint return rates as long as they have dependent children under age 19 or attending school.

The Senate amendment substitutes for the House provision a new rate schedule for single persons which provides a tax that is no more than 20 percent in excess of that paid on a joint return with the same amount of taxable income and provides a new head-of-household rate schedule half way between the schedule applicable to joint returns and the new schedule applicable to single persons. The Senate amendment does not extend surviving spouse treatment beyond the 2 years provided in present law.

The conference substitute (sec. 803 of the substitute and sec. 1 of the code) follows the Senate amendment.

5. 50 percent maximum rate on earned income (sec. 1348 of the code)

The House bill provides that the maximum marginal tax rate applicable to an individual's earned income is not to exceed 50 percent.

The Senate amendment does not contain this provision.

The conference substitute (sec. 804 of the substitute and new sec. 1348 of the code) generally follows the House 50-percent rate limit on earned income except that the 50-percent limit is applicable to earned income reduced by tax preferences in excess of $30,000 in the current year or the average tax preferences in excess of $30,000 for the current year and the prior 4 years, whichever is greater. Tax preferences for this purpose are the same as those applicable to individuals under the minimum tax.

6. Collection on income tax at source on wages (sec. 3402 of the code)

The House bill requires the Secretary of the Treasury to prescribe withholding rates and tables incorporating the low-income allowance, the higher standard deduction, the reduced tax rates, and, for the first 6 months of 1970, the 5-percent surcharge.

The Senate amendment provides that withholding is to incorporate the low-income allowance, the higher personal exemption, the new tax rates for single persons, and the 5-percent surcharge.

The conference substitute (sec. 805(a) of the substitute and sec. 3402(a) of the code) provides percentage method withholding tables (and requires the Secretary of the Treasury to prescribe wage bracket tables) which incorporate: for 1970, the low-income allowance (with a phaseout), the 5-percent surcharge for the first 6 months, and the $650 personal exemption for the second 6 months; for 1971, the low-income allowance (with a phaseout), the $650 personal exemption, the 13-percent standard deduction (with a $1,500 ceiling) and the new tax rates for single persons; for 1972 the low-income allowance (with no phaseout), the $700 personal exemption, the 14-percent standard deduction (with a $2,000 ceiling) and the new tax rates for single persons. For 1973 and thereafter withholding is further changed to reflect the $750 personal exemption and the 15 percent standard deduction (with a $2,000 ceiling).

7. Provision for flexibility in withholding procedures (sec. 3402(h) of the code)

The House bill does not contain a provision dealing with flexibility in withholding procedures.

The Senate amendment permits the Secretary of the Treasury to authorize withholding methods which provide substantially the same amount of withholding as the present methods or withhold the correct amount of tax for the entire year. Withholding on the basis of cumulative wages and on the basis of annualized wages is specifically permitted.

The conference substitute (sec. 805(d) of the substitute and sec. 3402(h) of the code) follows the Senate amendment.

8. Additional withholding allowances for excess itemized deductions (sec. 3402(m) of the code)

The House bill does not contain a provision dealing with withholding allowances.

The Senate amendment permits a taxpayer to claim estimated itemized deductions which are higher than those for the prior year if he can demonstrate that there is a reasonable expectation that the deductions will be higher in the current year.

The Senate amendment changes the level for determining itemized deductions above which an allowance is permitted. It is changed from 10 percent of the first $7,500 of wages and 17 percent of the excess, to 15 percent of all wages. In addition, the Senate amendment changes present law to permit a withholding allowance to be claimed where a fractional allowance of one-half or more results.

The conference substitute (sec. 805(e) of the substitute and sec. 3402(m) of the code) follows the Senate amendment except that it substitutes $750, the amount of the personal exemption under the substitute in 1973, for the $600 amount in the Senate amendment and present law.

9. Certification of nontaxability for withholding tax purposes (sec. 3402 of the code)

The House bill contains no provision dealing with certification of nontaxability.

The Senate amendment provides that an individual is not to be subject to withholding of income tax if he certifies to his employer that he expects to have no Federal income tax liability for the year and, in fact, had no income tax liability for the preceding year.

The conference substitute (sec. 805(f) of the substitute and sec. 3402 of the code) follows the Senate amendment.

10. Withholding on supplemental unemployment benefits (sec. 3402 of the code)

The House bill contains no provision concerning withholding on supplemental unemployment benefits.

The Senate amendment requires the payor of taxable supplemental unemployment compensation benefits to withhold Federal income tax from these payments.

The conference substitute (sec. 805(g) of the substitute and sec. 3402 of the code) follows the Senate amendment.

11. Voluntary withholding on payments not defined as wages (sec. 3402 of the code)

The House bill contains no provision concerning withholding on nonwage payments.

The Senate amendment provides that employers or other payors must withhold income tax on taxable pension and annuity payments when the payee requests withholding. In the case of payments for services not defined as wages (or other payments where the Secretary of the Treasury finds withholding would be appropriate) the payor and payee may agree to withholding.

The conference substitute (sec. 805(g) of the substitute and sec. 3402 of the code) follows the Senate amendment.

12. House provisions omitted—individual income tax rates (sec. 1 of the code and sec. 804 of the bill)

The House bill reduces tax rates by at least 1 percentage point in all brackets, reducing tax by at least 5 percent in all brackets.

The Senate amendment does not reduce tax rates generally. Selected rate reductions are made for single persons and heads-of-households (as indicated above).

The conference substitute follows the Senate amendment.

TITLE IX—MISCELLANEOUS PROVISIONS

SUBTITLE A—MISCELLANEOUS INCOME TAX PROVISIONS

1. Exclusion of additional living expenses (sec. 123 of the code)

The House bill does not include this provision.

The Senate amendment provides that in the case of an individual whose residence is destroyed or damaged by fire, storm or other casualty, gross income does not include amounts received under an insurance contract for reimbursement for living expenses incurred by the taxpayer and members of his household as the result of the loss of use or occupancy of a residence. The amendment allows the exclusion only to the extent that the amounts received do not exceed the excess of actual living expenses (for the taxpayer and members of his household) resulting from the loss of the use of the residence over the normal living expenses which would have been incurred by the taxpayer (for himself and members of his household) during this period.

The conference substitute (sec. 901 of the substitute and sec. 123 of the code) follows the Senate amendment.

2. Deductibility of treble damage payments, fines, penalties, etc. (secs. 162 (c), (f), and (g) of the code)

The House bill does not include this provision.

The Senate amendment codifies court decisions that deductions are not to be allowed for fines or similar penalties paid to a government for the violation of any law. It also denies deductions for three other types of expenditures: two-thirds of treble damage payments under the antitrust laws, deductions for bribes of public officials (whether or not foreign officials), and other unlawful bribes or "kickbacks."

Under the Senate amendment, deductions are denied for treble damage payments under the antitrust laws only where there has been a conviction in a criminal prosecution (or a plea of guilty or nolo contendere). This is also true of the provisions relating to bribes and kickbacks other than to public officials. Illegal bribes and kickbacks with respect to public officials are in a different category, however, and deductions for such payments are denied in accordance with the treatment which is already accorded bribes of or kickbacks to foreign governmental officials or employees.

The provisions of the Senate amendment relating to antitrust treble damage payments apply to amounts paid or incurred after December 31, 1969, with regard to convictions after that date. The provisions as to fines and penalties paid to a government and illegal payments to government officials and employees apply to all taxable years to which the code applies. The provisions as to other bribes and kickbacks apply to payments made after the date of enactment.

The conference substitute (sec. 902 of the bill and sec. (c), (f), and (g) of the code) follows the Senate amendment.

3. Deductibility of accrued vacation pay (sec. 97 of the Technical Amendments Act of 1958)

The House bill contains no comparable provision.

The Senate amendment postpones for 2 years the effective date of Revenue Ruling 54–608. As a result, deductions for accrued vacation pay, if computed by an accounting method consistently followed, will not be denied for any taxable year ending before January 1, 1971, solely because the liability to a specific person for vacation pay cannot be clearly estimated or the amount computed with reasonable accuracy.

The conference substitute (sec. 903 of the substitute) follows the Senate amendment.

4. Deduction of recoveries of antitrust damages, etc. (sec. 186 of the code)

The House bill contains no comparable provision.

The Senate amendment provides that in the case of losses resulting from patent infringement, breach of contract, breach of fiduciary duty, or an antitrust injury for which there is a recovery under section 4 of the Clayton Act, a special deduction is to be allowed which has the effect of reducing the amounts required to be included in income to the extent that the losses to which they relate did not give rise to a tax benefit. This result is accomplished by providing, in effect, that the amount includable in gross income is to be the compensatory amount reduced by the amount of the losses which have not been recovered for tax purposes which were sustained as a result of the compensable injury.

The compensatory amount for this purpose means the amount of the award, settlement, or recovery reduced by the amounts paid or incurred in securing it. The unrecovered losses are the net operating losses for the year to the extent the losses are attributable to the compensable injury, reduced by the net operating losses which are allowed as offsets against income in other years.

This provision applies only to recoveries (which are includible in taxable income) for actual economic injury and not for additional amounts. In the case of treble damage recoveries under section 4 of the Clayton Act, for example, the provision applies to that part of the recovery which represents the economic injury and not to the other part which is punitive in nature.

The conference substitute (sec. 904 of the substitute and sec. 186 of the code) follows the Senate amendment.

5. Corporations using appreciated property to redeem their own stock (sec. 311 of the code)

The House bill contains no similar provision.

The Senate amendment provides that if a corporation distributes property to a shareholder in redemption of part or all of the shareholder's stock and the property distributed has appreciated in value in the hands of the distributing corporation, gain is to be recognized to the extent of this appreciation. This provision applies whether or not the redemption is classified as a dividend, but it does not apply to redemptions in complete or partial liquidation of the corporation or to redemptions in a tax-free reorganization or splitoff (secs. 355 and 356).

The conference substitute (sec. 905 of the substitute and sec. 311 of the code) generally follows the Senate amendment except that certain additional exceptions and transitional rules are provided. These include the following:

(1) The provision is made inapplicable to distributions in complete termination of the interest of a shareholder owning at least 10 percent of the stock, distributions of stock of a 50 percent or more owned subsidiary, distributions pursuant to an antitrust decree, redemptions under section 303 of the code, certain redemption distributions to private foundations, and distributions by regulated investment companies.

(2) The transitional rules make the provision inapplicable to contracts in existence on November 30, 1969, and written offers which were made before December 1, 1969, or are made pursuant to a ruling request filed with the Internal Revenue Service or a registration statement filed with the Securities and Exchange Commission before that date. Such offers must not be revocable by their express terms.

The Treasury Department and congressional staff were requested to analyze this provision both from the standpoint of whether any tax avoidance possibilities still remain and also from the standpoint as to whether the changes made by this provision constituted hardships in any areas.

6. Reasonable accumulations by corporations (sec. 537 of the code)

The House bill does not contain a comparable provision.

The Senate amendment provides that for purposes of the accumulated earnings tax (sec. 531 et seq. of the code), the reasonable needs of the business (sec. 537 of the code) are to include the amount needed (or reasonably anticipated to be needed) in the year of death and in later years to accomplish a section 303 redemption. It is also provided that the reasonable needs of the business include the amounts needed (or reasonably anticipated to be needed) to redeem from private foundations stock held, or received pursuant to a will or irrevocable trust treated as binding on October 9, 1969, which constitutes excess business holdings.

It is further provided that no inference is to be drawn with respect to earlier years as a result of distributions in redemption to which this provision is applicable.

The conference substitute (sec. 906 of the substitute and sec. 537 of the code) adopts the Senate amendment except that this provision is made effective with respect to the accumulated earnings tax in taxable years ending after May 26, 1969 (rather than October 9, 1969 as in the Senate amendment).

7. Special contingency reserves of insurance companies (secs. 805(e) and 810(c) of the code)

The House bill does not include a comparable provision.

The Senate amendment provides that in computing the taxable income of a life insurance company a deduction is to be allowed for interest paid on special contingency reserves under contracts of group term life insurance or group health and accident insurance which are established and maintained to provide for insurance on retired lives, for premium stabilization, or for a combination of the two. A similar amendment is made to the life insurance company provisions relating to the items taken into account as reserves for purposes of the so-called "phase II" tax imposed on life insurance company income (i.e., the tax on gains from operations other than investment income).

The conference substitute (sec. 907(a) of the bill and sec. 805(e) and 810(c) of the code) follows the Senate amendment.

8. Spinoff by life insurance companies (sec. 815 of the code)

The House bill does not contain a comparable provision.

The Senate amendment permits the spinoff of a second tier ordinary business subsidiary by a life insurance company to the parent holding company without the application of phase III tax consequences at that time, but in a manner designed to preserve the potential application of a phase III tax. The phase III tax continues to apply as if the spinoff had not been made and as if distributions to the holding company by the ordinary business corporation were channeled through the life insurance company. The sale or other disposition of the stock of the ordinary business subsidiary is treated as reducing the shareholders surplus account or policyholders surplus account of the life insurance company. These effects are limited to the amount of the fair market value of the stock of the ordinary business corporation at the time of the spinoff.

This provision applies only where a life insurance company has, at all times since December 31, 1957, owned all of the stock of the business subsidiary which is spun off to the parent holding company. The phase III tax does not apply (except to the extent of any post-1957 contributions to capital of the business subsidiary) at the time of the spinoff but will continue to apply to distributions by (or the sale of stock of) the ordinary business subsidiary.

The conference substitute (sec. 907(b) of the substitute and sec. 815 of the code) follows the Senate amendment.

9. Loss carryover of insurance company on change of form of organization or nature of insurance business (sec. 844 of the code)

The House bill does not include a comparable provision.

The Senate amendment permits an insurance company to carry over and deduct a net operating loss when its insurance company tax status changes. However, this provision forestalls any tax advantage by limiting the net operating loss which may be carried over to the lesser of the loss carryover as computed under the rules applicable to the company before the change or the loss carryover as computed under the rules which apply to the company after the change.

Where a casualty insurance company changes from a mutual to a stock company, the Senate amendment further provides that in computing the loss carryover allowable under the stock company rules the deduction for dividends paid to policyholders is denied.

The conference substitute (sec. 907(c) of the substitute and sec. 844 of the code) follows the Senate amendment, except that only 25 percent of the deduction for dividends paid to policyholders is denied for purposes of the loss carryover computation where a casualty insurance company changes from a mutual to a stock company.

10. Mutual funds under periodic payment plans (sec. 851(f) of the code)

The House bill does not include this provision.

The Senate amendment adds a provision to the regulated investment company provisions, the effect of which is to preclude a periodic payment plan from being treated as a corporation, partnership or trust where the bank custodian can purchase shares only in a single specified fund. Instead, the mutual fund shares are to be treated as owned directly by the investor with the bank custodian acting as a nominee. The new provision does not apply in the case of a unit investment trust which is a segregated asset account under the insurance laws or regulations of a State.

The conference susbtitute (sec. 908 of the bill and sec. 851(f) of the code) follows the Senate amendment.

11. Foreign base company income (sec. 954 (b)(4) of the code)

There is no comparable provision in the House bill.

The Senate amendment revises the exception from foreign base company income to provide that foreign base company income does not include any item of income received by a foreign corporation if it is established to the satisfaction of the Treasury Department that neither the creation nor organization (or acquisition) of the controlled foreign corporation in the particular foreign country nor the transaction giving rise to the income in question has as one of its significant purposes a substantial reduction of income or similar taxes.

The conference substitute (sec. 909 of the substitute and sec. 954(b)(4) of the code) follows the Senate amendment.

12. Deferral of gain upon the sale of certain low-income housing (sec. 1039 of the code)

There is no comparable provision in the House bill.

The Senate amendment provides that no gain is to be recognized to the initial investor in federally assisted housing projects where the properties are sold to the occupant or a tax-exempt organization managing the property, but only to the extent that the investor reinvests the proceeds from the sale in other similar Government-assisted housing. In this case, the taxpayer's basis for the project is carried over and becomes part or all of his basis for the new project in which the funds are invested (depending upon whether or not he also invests additional funds in the second project). The holding period of the first property is taken into account in determining how long the second property is held in this case, but only to the extent the proceeds from sale of the old project are reinvested in the new project. This provision also applies to certain State-assisted projects.

The conference substitute (sec. 910 of the bill and sec. 1039 of the code) follows the Senate amendment except as it relates to State-assisted projects.

13. Cooperative per unit retain allocations paid in cash (sec. 1382(b) of the code)

The House bill does not include this provision.

The Senate amendment provides that a cooperative can deduct or exclude from gross income per unit retain allocations whether they are paid in qualified per unit retain certificates (as under existing law) or whether they are paid in money (or other property).

The conference substitute (sec. 911 of the substitute and sec. 1382(b)(3) of the code) follows the Senate amendment.

14. Inclusion of foster children in the definition of dependents (sec. 152(b)(2) of the code)

The House bill does not include this provision.

The Senate amendment redefines the rules relating to the definition of a dependent (sec. 152(b)(2)) to enable foster parents to claim additional exemptions for dependent foster children on the same terms as for natural children. Thus, a foster child may have gross income for a year in excess of $600 (if the child is less than 19 years of age or is a student) without the taxpayer losing the dependency exemption for the child, provided he continues to furnish more than one-half of the foster child's support.

The conference substitute (sec. 912 of the substitute and sec. 152(b)(2) of the code) follows the Senate amendment except that the provision is made applicable to taxable years beginning after December 31, 1969 (rather than after the date of enactment as in the Senate amendment).

15. Cooperative housing corporations (sec. 216(b) of the code)

The House bill does not include a comparable provision.

The Senate amendment provides that, in determining whether a corporation is a cooperative housing corporation, no account is to be taken of stock owned and apartments leased by governmental entities empowered to acquire shares in a cooperative housing corporation for the purpose of providing housing facilities. The effect of the amendment is to allow individual tenant-stockholders to deduct their proportionate share of interest and taxes even though more than 20 percent of the cooperative housing corporation's income is derived from a governmental entity.

The conference substitute (sec. 913 of the substitute and sec. 216(b) of the code) follows the Senate amendment, except that it is made applicable to taxable years beginning after December 31, 1969 (instead of after December 31, 1968, as in the Senate amendment).

16. Personal holding company dividends (sec. 563(b) of the code)

The House bill does not include this provision.

The Senate amendment provides that in computing the personal holding company tax, a taxpayer may elect to take a deduction for dividends paid on or before the 15th day of the third month following the close of its taxable year, provided that the dividend deduction may not exceed 20 percent (instead of 10 percent as under present law) of the dividends paid by the corporation during the year.

The conference substitute (sec. 914 of the substitute and sec. 563(b) of the code) follows the Senate amendment, except that it is made effective for taxable years beginning after December 31, 1969 (the Senate amendment does not contain an effective date).

17. Replacement of property involuntarily converted within a 2-year period (sec. 1033(a)(3)(B) of the code)

The House bill does not include this provision.

The Senate amendment modifies the rule of existing law that no gain is recognized if property is compulsorily or involuntarily converted into replacement property which is similar or related in use or service, provided the property is replaced within 1 year after the year in which the involuntary conversion occurred, to allow a 2-year period for the replacement.

The conference substitute (sec. 915 of the substitute and sec. 1033(a)(3)(B) of the code) follows the Senate amendment.

18. Change in reporting income on installment basis (sec 453 of the code)

The House bill does not include this provision.

The Senate amendment modifies the installment reporting provision of present law to allow a taxpayer to retroactively revoke an election to report on the installment basis. For this treatment to be available, the taxpayer must file a notice of revocation within 3 years following the date of the filing of the tax return for the year the installment method was elected. The revocation would apply to the year installment reporting was elected and subsequent years. Interest would not be allowed, however, on any refunds or credits resulting from a revocation.

The conference substitute (sec. 916 of the substitutes and sec. 453 of the code) follows the Senate amendment with a modification prohibiting, within 5 years, a new election to report on the installment basis except with the consent of the Secretary or his delegate.

19. Recognition of gain in certain liquidations (sec. 333 of the code)

The House bill does not include this provision.

The Senate amendment provides that for purposes of the 1-month liquidation rule of section 333 of the code, securities transferred to a controlled corporation after December 31, 1953, solely in exchange for stock in a tax-free transfer under section 351 will be treated as acquired by the corporation before that date, if they were acquired before that date by the person making the transfer. The amendment applies only to liquidations occurring prior to 1971.

The conference substitute (sec. 916 of the substitute) follows the Senate amendment, except that this provision is made applicable only during calendar year 1970.

SUBTITLE B—MISCELLANEOUS EXCISE TAX PROVISIONS

1. Application of excise taxes on trucks to concrete mixers (sec. 4063 of the code)

The House bill does not include a comparable provision.

The Senate amendment provides an exemption from the manufacturers' excise tax on trucks in the case of articles designed to be mounted on an automobile truck trailer or semitrailer chassis which are designed to be used primarily to process or prepare concrete. In addition, an exemption is provided for parts and accessories designed primarily to be used in connection with the use of these concrete mixers.

The conference substitute (sec. 931 of the substitute and sec. 4063 of the code) follows the Senate amendment, except that this provision is made applicable to articles sold after December 31, 1969 (rather than June 30, 1968, as under the Senate amendment).

2. Constructive sale price (sec. 4216 of the code)

The House bill does not include a comparable provision.

The Senate amendment adds two constructive price rules to the excise tax provisions dealing with situations where a manufacturer or importer regularly sells an article subject to excise tax to an affiliated corporation and that corporation regularly sells the article to independent retailers but does not regularly sell to wholesale distributors.

The first of these rules provides that the fair market price of the article is to be 90 percent of the lowest price for which the subsidiary corporation regularly sells the article in arms-length transactions to independent retailers.

The second rule provides that where the distributor regularly sells only to retailers and the normal method of sales in the industry is by arms-length sales to distributors, the fair market price of the article is to be the price at which the article is sold to retailers by the affiliated distributor reduced by a percentage equal to the markup used by independent distributors in that industry.

The conference substitute (sec. 932 of the substitute and sec. 4216 of the code) follows the Senate amendment with minor modifications, except that the provision is made applicable to articles sold after December 31, 1969 (rather than January 1, 1969).

SUBTITLE C—MISCELLANEOUS ADMINISTRATIVE PROVISIONS

1. Filing requirements for individuals (sec. 6012 of the code)

The House bill does not include this provision.

The Senate amendment raises the income levels at which an individual is required to file a tax return to correspond to the new nontaxable levels under the Senate amendment.

The conference substitute (sec. 941 of the substitute and sec. 6012 of the code) adopts the principle of the Senate amendment that the filing requirement should generally correspond to the nontaxable levels of income and raises the income level at which a return must be filed to correspond generally with the nontaxable levels under the conference substitute: For 1970, 1971, and 1972 the income level up to which returns are not required is $1,700 for a single person and $2,300 for a married couple filing jointly. These amounts are increased $600 for each additional personal exemption to which the taxpayer or married couple filing jointly are entitled. In 1973 and thereafter, when the increase in the personal exemption and the low income allowance are fully effective, the income levels are $1,750 for a single person and $2,500 for a married couple filing jointly, plus $750 for each additional personal exemption.

2. Computation of tax by Internal Revenue Service (sec. 6014 of the code)

The House bill removes some of the present limitations with respect to the type of taxpayer who may elect to have his tax computed by the Internal Revenue Service. The House bill removes the $5,000 income limitation of present law and permits the use of the optional tax table containing the minimum standard deduction in computing the tax for married taxpayers filing separate returns. In addition, the House bill permits the Secretary of the Treasury to issue regulations under which the tax computation may take account of the retirement income credit and the marital status of the taxpayer and may extend the election to any taxpayer regardless of the specified limitations.

The Senate amendment modifies the House bill in the following manner:

(1) Those present law limitations which remain are specifically listed and the Secretary of the Treasury is permitted to waive them by regulation. The Secretary may issue regulations which permit the taxpayer to request that the Internal Revenue Service compute his tax without regard to the amount or the source of his adjusted gross income and without regard to whether he claims the retirement income credit or whether he itemizes or takes the standard deduction.

(2) The Senate amendment also substitutes $7,500 for the $5,000 amount under present law and removes the restriction on taking into account the marital status of the taxpayer and the use of the optional tax table for married taxpayers filing separate returns. The Internal Revenue Service is permitted to compute the tax for persons with income above $7,500 if it so decides.

The conference substitute (sec. 942 of the substitute and sec. 6014 of the code) follows the Senate amendment but substitutes $10,000 for the $7,500 amount under the Senate amendment.

3. Penalties for failure to pay tax or make deposits (sec. 6661 of the code)

The House bill does not include this provision.

The Senate amendment provides a penalty for failure to pay income tax when due. The penalty is 5 percent of the amount of the tax if the failure is for not more than 1 month, with an additional 5 percent for each additional month while the failure continues, not exceeding 25 percent in total. In the case of failure to pay income tax shown on a return when due, the penalty is imposed on the amount shown in the return less amounts that have been withheld, estimated tax payments, partial payments, and other applicable credits. In the case of failure to pay a deficiency within 10 days of the date of notice and demand, the penalty is imposed on the tax stated in the notice reduced by the amount of any partial payments. The penalty is not to be imposed in any case if it is shown that the failure to pay the tax or the deficiency is due to reasonable cause and not to willful neglect.

With respect to failure to make deposits of tax, the Senate amendment changes the 1-percent-per-month penalty to a flat 5-percent penalty.

The conference substitute (sec. 943 of the substitute and sec. 6651 of the code) generally follows the Senate amendment but reduces the penalty for failure to pay income tax to one-half of 1 percent per month limited to a total of 25 percent.

4. Declarations of estimated tax by farmers (sec. 6015 of the code)

The House bill does not include this provision.

The Senate amendment advances the due

date for filing of tax returns by farmers and fishermen in order to be excused from filing declarations of estimated tax from February 15 to March 15.

The conference substitute (sec. 944 of the substitute and sec. 6015 of the code) advances this date from February 15 to March 1.

5. Portion of salary, wages, or other income exempt from levy (sec. 6334 of the code)

The House bill does not include this provision.

The Senate amendment provides that if the taxpayer is required by a court judgment to contribute to the support of his minor children, his salary, wages, or other income to the extent necessary to comply with the judgment is exempt from levy to pay Federal taxes. The provision applies only if the court decree providing for the support of minor children is entered prior to the date of the levy.

The conference substitute (sec. 945 of the substitute and sec. 6334 of the code) follows the Senate amendment.

6. Interest and penalties in case of certain taxable years

The House bill does not include this provision.

The Senate amendment provides relief from interest and penalties with respect to payments of estimated tax where this results from understatement of tax because of the repeal of the investment credit or extension of the surcharge.

The conference substitute (sec. 946 of the substitute) provides relief from interest and penalties with respect to underpayments of tax and payments of estimated tax where this results from understatement of tax because of any amendments made by this act. If a taxpayer is required to pay any additional amount of estimated tax, as a result of changes made by this act, such amount is to be paid ratably over the taxpayer's remaining estimated tax installment dates for his taxable year.

SUBTITLE D—U.S. TAX COURT

1. Article I status for Tax Court and provision for small claims cases (secs. 7441, 7443(b), (c), and (e) and 7447 of the code)

The House bill does not include this provision.

The Senate amendment makes the following changes in the Tax Court provision of the code:

(1) The Tax Court is established as a court under Article I of the Constitution;

(2) The term of office is established as 15 years from the date the judge takes office;

(3) A judge may not be appointed for the first time after reaching age 65;

(4) The provisions in the code dealing with the salaries of Tax Court judges are altered so as to make applicable the statutory provisions dealing with salaries or district court judges, but no actual change in the salary provisions is made;

(5) The provisions regarding retirement are revised to require, among other provisions, retirement at age 70 whether or not the judge has completed 10 years of service at that time;

(6) As in the case of the district court, a judge may retire at age 65 if he has served 15 years, but he may retire at a younger age with 15 years of service if he is available for reappointment at the conclusion of his term but is not reappointed;

(7) A Tax Court judge may retire if he is permanently disabled;

(8) An election to provide for survivors' benefits may be made at any time during service as a judge instead of only at the specific times now set forth;

(9) The Tax Court is given powers regarding contempt, and the carrying out of its writs, orders, etc., equivalent to those which Congress has previously given to the district courts;

(10) A small claims procedure is established, for deficiencies or overpayments not exceeding $1,000 in any year and estate tax deficiencies under $1,000, under which the decision is to be based upon a brief summary opinion instead of formal findings of fact, is not to be a precedent for future cases and is not to be reviewable upon appeal;

(11) Commissioners can be used by the Tax Court in the small claims cases and are to be paid at the same rate as commissioners of the Court of Claims;

(12) Changes are made as to time for appeal and terminology in order to conform the code provisions to the Federal Rules of Appellate Procedure;

(13) The U.S. Tax Court, as established by this act, is a continuation of the existing Tax Court of the United States and the act is to have no effect upon existing litigation, jurisdiction, etc.

The conference substitute (secs. 951–962 of the substitute and secs. 7441, 7443 (b), (c), and (e) and 7447 of the code) follows the Senate amendment. The conferees believe the Tax Court should sit in a greater number of cities than the 50 in which it presently sits so as to ease the burdens imposed on taxpayer who must travel substantial distances in order to take advantage of the new and small claims procedures.

E. SENATE PROVISIONS OMITTED

1. Income earned abroad (sec. 910 of the Senate amendment)

No such provision is contained in the House bill.

The Senate amendment reduces from $20,000 or $25,000 to $6,000 the amount of earned income received from abroad which a U.S. citizen who is a bona fide resident of a foreign country or who is abroad for 17 out of 18 months may exclude from income in computing his U.S. income tax.

This provision is omitted from the conference substitute.

2. Deductions for medical care, medicine, and drugs for individuals who have attained the age of 65 (sec. 914 of the Senate amendment)

No such provision is contained in the House bill.

The Senate amendment eliminates the 3 and 1 percent floors applicable to medical and drug expenses of individuals age 65 and over.

The conference substitute omits this provision.

3. Transportation expenses of handicapped individuals (sec. 915 of the Senate amendment)

No such provision is contained in the House bill.

The Senate amendment provides a tax deduction for transportation expenses incurred in getting to and from work, up to $600 a year, for certain handicapped persons. The deduction is available to taxpayers using the standard deduction. A handicapped person to be eligible for this deduction may prove his disability by presenting a certificate from a State vocational rehabilitation agency. The certificate must indicate he has a disability that is expected to last for a continuous period of long and indefinite duration that prevents him from using public transportation without undue hardship or danger.

The conference substitute omits this provision.

4. Tax credit for certain expenses of higher education (sec. 917 of the Senate amendment)

No such provision is contained in the House bill.

The Senate amendment provides an income tax credit for certain expenses of higher education to the individual incurring the expenses. The credit is limited to a maximum of $325 a year and is reduced by 2 percent of the amount by which the adjusted gross income of the taxpayer exceeds $15,000.

The conference substitute omits this provision.

5. Special tax treatment for property acquired with funds obtained through violation of criminal laws (sec. 921 of the Senate amendment)

No such provision is contained in the House bill.

The Senate amendment denies capital gains tax treatment on the sale or exchange of property that directly or indirectly was purchased or financed in whole or in part with money or other property which was obtained through violation of the criminal laws of the United States or the District of Columbia. In addition the provision allows only straight line depreciation for such property.

The conference substitute omits this provision.

6. Elimination of child's insurance benefit payments in determining support (sec. 922 of the Senate amendment)

No such provision is contained in the House bill.

The Senate amendment provides that amounts received by an individual as a child's insurance benefit under the Social Security Act is not to be taken into account in determining whether the child has received more than half of his support from the taxpayer.

The conference substitute omits this provision.

7. Reporting of medical payments (sec. 944 of Senate amendment)

No such provision is contained in the House bill.

The Senate amendment requires the filing of information returns for payments of $600 or more to a supplier of medical goods and services including doctors and dentists. The information return requirement also applies to bills for services by doctors, dentists, etc., which are reimbursed by the insurance company or other organizations to the patient.

The conference substitute omits this provision.

8. Reimbursement of taxpayer's costs in certain cases (sec. 945 of the Senate amendment)

No such provision is contained in the House bill.

The Senate amendment provides that once a taxpayer accepts a deficiency or an overpayment, or has received a notification that there is no change in his initial tax liability, then if there is a subsequent determination which is not more favorable to the Government, the taxpayer is to be reimbursed for all costs he incurs in connection with the second deficiency or reduction in overpayment proposed.

The conference substitute omits this provision.

9. Reimbursement of certain costs of litigation (sec. 984 of the Senate amendment)

No such provision is contained in the House bill.

The Senate amendment provides for awarding costs to the prevailing party in a Tax Court proceeding. In the case where the Tax Court determines the deficiency was assessed without good cause or for purposes of harassment, costs may include reasonable attorney fees and costs of expert witnesses.

The conference substitute omits this provision.

10. Statistics based on ZIP code areas (sec. 949 of the Senate amendment)

No such provision is contained in the House bill.

The Senate amendment provides that the publication of statistics of income and the compilation of statistics for special studies are not to contain statistics classified in any way by a coding system for the delivery of mail (i.e., the ZIP code), except for statistics made available on an official basis to a Federal, State, or local agency or instrumentality (which may not publish or disclose such information).

The conference substitute omits this provision.

F. PROTECTION OF AMERICAN INDUSTRY AND LABOR

This Senate provision, not in the House bill, would have authorized the President to impose limitations on imports when he finds that an imported product is disrupting the domestic market or causing injury to domestic-producing interests and when the exporting country is imposing restrictions of any kind on imports of articles produced in the United States. The conference substitute does not include this provision. This provision is extraneous to the subject of tax reform and for that reason was not included in the conference substitute. It was not considered on its merits one way or the other. The problems to which the amendment was addressed will be the subject of extensive hearings by the Committee on Ways and Means early next year.

TITLE X—INCREASE IN SOCIAL SECURITY BENEFITS

The Senate amendment added to the House bill a new title X (the "Social Security Amendments of 1969") increasing social security benefits and making related changes in the OASDI and public assistance programs.

1. Benefit increase and related OASDI provisions

The Senate amendment increased regular OASDI benefits by 15 percent with a minimum primary insurance amount of $100, beginning January 1970, and provided a similar (15 percent) increase in the special payments for certain individuals aged 72 and older who have no coverage or whose coverage is insufficient to qualify for regular benefits. In addition, it eliminated the $105 limitation on wife's, husband's, widow's, and widower's insurance benefits, revised the allocation of tax receipts between the OASI and DI trust funds, and raised from $7,800 to $12,000 (beginning January 1973) the social security earnings base for benefit and tax purposes.

Although the House bill itself had no corresponding provisions, H.R. 15095 (which passed the House on December 15, 1969) contained provisions which are the same as those in the Senate amendment except that (*a*) the minimum primary insurance amount is left at $64 (the figure which results from simply applying the 15-percent increase to the existing $55 minimum), and (*b*) the earnings base is not raised above its present level of $7,800.

The conference substitute (secs. 1002 through 1005) follows H.R. 15095; i.e., it retains, with technical modifications, those benefit increase provisions of the Senate amendment which are also contained in H.R. 15095 and omits those provisions (the specially increased minimum PIA and the higher earnings base) which are not.

2. Public assistance provisions

The Senate amendment also contained provisions designed to assure that at least a part of the OASDI benefit increase will be reflected in the total income of public assistance recipients; under these provisions each State is required, in determining need under any of the public assistance programs, to disregard any retroactive social security benefit increase payments (including those made under future laws as well as those resulting from this increase), and in addition to disregard $7.50 per month of the income of each adult public assistance recipient or (if the State is already satisfying this requirement) to otherwise provide at least a $7.50 increase in the amount of such recipient's aid or assistance.

The conference substitute contains provisions which are similar in intent to those in the Senate amendment.

Under section 1006 of the conference substitute, each State is required (in determining the need of its public assistance recipients) to disregard any retroactive payment of the OASDI benefit increase provided by the bill for January and February 1970, which is expected to be paid (by separate check) in April; but this requirement would be limited to the situation created by the bill and would not apply to any retroactive payments which may result from future laws.

Under section 1007 of the conference substitute, each State is also required (in determining the need of its public assistance recipients) to assure that every recipient of aid or assistance under any of its adult public assistance programs who also receives an OASDI benefit which is increased under the bill will realize an increase in the total of his public assistance and OASDI benefit payments equal to $4 a month (or the amount of the increase in his OASDI benefit if less), whether such increase in his total payment is brought about by disregarding a portion of his OASDI benefit or otherwise (e.g., by raising the State's standard of assistance for all recipients under the program involved). This requirement is made applicable only to months before July 1970 in order to allow the Congress time to consider the matter in connection with its work on major welfare proposals early next year.

The 15-percent OASDI benefit increase will mean an average $9.50 increase to those beneficiaries also eligible for public assistance under the programs of aid or assistance to the aged, blind, and disabled. This increase is more than sufficient to meet the requirement (discussed above) that all such persons have their total incomes raised by $4 a month. Moreover, for practically all States, the savings from the remaining $5.50 will be sufficient to raise the incomes of those not receiving OASDI benefits by $4 a month; and the conferees hope that the States will do so.

Senate provision omitted—social security retirement age

The Senate amendment contained a provision making qualified individuals eligible for actuarially reduced OASDI benefits at age 60, instead of at age 62 as under present law, to be effective upon a determination by the President that it is desirable to expand consumer purchasing power by making additional persons eligible for such benefits. The conference substitute omits this provision.

MISCELLANEOUS SENATE PROVISIONS OMITTED

1. Submittal of Federal funds budget information to the Congress

The House bill did not contain this provision.

The Senate amendment requires the President to send a report to Congress to accompany the budget and each supplemental appropriation request in which he describes the extent to which the request will result directly or indirectly in a surplus or deficit in the Federal funds portion of the budget or an increase or decrease in the national debt of the United States. The supporting factors and circumstances which form the basis for the effects on the debt and Federal funds budget also are to be presented in the report. The report is to be sent to the Committees on Appropriations and Ways and Means of the House of Representatives and the Committees on Appropriations and Finance of the Senate.

The conference substitute omits this provision.

2. Presidential Commission on Philanthropic Activities

The House bill did not contain this provision.

The Senate amendment creates a Presidential Commission on Philanthropic Activities to study whether the national interest requires philanthropic and similar tax-exempt activity and the effect of the internal revenue laws on such activity.

The conference substitute omits this provision.

3. Securities and Exchange registration of tax-exempt securities

The House bill did not contain this provision.

The Senate amendment exempts States and municipalities from the requirement that they register with the Securities and Exchange Commission any industrial development bonds which they propose to issue if the issue qualifies for tax exemption under the tax laws including both the $1 and $5 billion exemptions.

The conference substitute omits this provision. Nevertheless, the conferees are concerned at the time required and costs involved in these small issues of industrial revenue bonds. It recommends to the Securities and Exchange Commission that it give serious consideration to expediting its consideration of these issues and reducing the registration requirements and costs of these small industrial revenue bond issues.

4. Capitol Guide Service

The House bill did not contain this provision.

The Senate amendment establishes within the Congress of the United States an organization to be known as the Capitol Guide Service. This organization is to provide, without charge, guided tours of the interior of the U.S. Capitol Building for the education and enlightment of the general public.

The conference substitute omits this provision.

W. D. MILLS,
HALE BOGGS,
JOHN C. WATTS,
AL ULLMAN,
JOHN W. BYRNES,
JAMES B. UTT,
JACKSON E. BETTS,
Managers on the Part of the House.

Mr. MILLS (during the reading). Mr. Speaker, the statement of the managers on the part of the House is rather lengthy, and since we do have some 2 hours to discuss the conference report, I ask unanimous consent that the statement of the managers be considered as read and printed in the RECORD.

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

There was no objection.

The SPEAKER. The gentleman from Arkansas is recognized for 2 hours.

Mr. MILLS. Mr. Speaker, I yield myself 15 minutes.

Mr. Speaker, the conference report before us concerns the tax reform bill on which the Committee on Ways and Means began hearings last February 18, a little over 10 months ago. Fundamentally it is a bill conceived and written by the House of Representatives. However, I would like to acknowledge the major support and the help received from the Treasury. Without the Treasury's cooperation, I am sure this legislation would

not have been possible. Also I want to acknowledge the very fine cooperation we had in conference on the part of the Senate conferees, for without that cooperation it would not have been posible for us to have had the bill that is before us today in the form of a conference report. Nevertheless, it is still a measure fundamentally created by the House, with the cooperation of Senate conferees—something, at least on this scale, which has never happened before.

Actually, Mr. Speaker, this is really a legislative miracle in many respects.

I have in my hand a volume which consists of nothing but Senate amendments.

Members will recall the size of the bill when it passed the House. This is the Senate bill.

To give you some idea of the magnitude and the proportion of the matter, the conference report, including the statement of the managers on the part of the House is some 340 pages in length.

I want also to pay tribute to the work of the staffs of the Ways and Means Committee and the Joint Committee on Internal Revenue Taxation. Also, I would call attention to the size and difficulty of the job performed by the legislative counsel's office—the legislative drafting service—in working with us day and night, Friday, Saturday, and Sunday. We were some 5 days in conference on the bill. Actually, we started on Monday, December 15. We worked well past dark on Monday, Tuesday, Wednesday, and Thursday, and then adjourned at 2:55 a.m.—not p.m.—Friday.

We came back at 12 o'clock on Friday for about 2 or 3 hours to consider the finishing touches and also to receive some information that we had requested from our staffs and from the Treasury Department. We signed the conference report around 3 o'clock on Friday afternoon.

You will recall I asked the House for permission to have until midnight Sunday night to file this conference report.

Mr. Speaker, when I think of the work involved, I wonder how those who were drawing up the conference report and writing the statement of the managers could have performed this service within that limited period of time.

I think we must recognize that this type of legislation in the past has normally consumed two sessions of Congress. Here it has been accomplished in one session. The hope that I had in mind for a long time was that we could hand the bill to the President in such a way that he would readily accept it and sign it if he wanted to before Christmas.

Mr. Speaker, the bill contains substantial tax reform measures in a wide range of areas that we have seldom if ever tackled before in such proportion.

It is not in all respects what I would have preferred or what many other Members of Congress in all probability would have preferred. In view of the size and range of the issues with which the bill deals, I doubt that anyone agrees with each and every provision contained in it. Nevertheless, I think it is a significant bill and a major step forward for tax reform. The very fact that it deals with areas that have not been dealt with before is an indication of the mood of the country with respect to tax reform. I believe it will go down in the records as the turning point in our concern in improving tax equity although we will have to let the future tell us whether I am right or wrong.

Insofar as I know, this bill deals with all but one area which taxpayers are using to an appreciable extent in completely avoiding the income tax. The exception, of course, is in the State and municipal bond interest, a problem that the Senate was unwilling to deal with at the present time in view of the difficulty which the State and local governments are now encountering in marketing their bonds. So, there is no reference whatsoever to this subject matter in the conference report. The only provision in this regard which was retained was that relating to so-called arbitrage transactions, which was included in both the House and Senate bills.

The areas in which this bill brings about substantial tax reform for individuals are as follows:

First, percentage depletion;
Second, real estate depreciation;
Third, capital gains;
Fourth, interest deduction;
Fifth, farm losses; and
Sixth, charitable contributions.

Nor is the bill limited to individuals. It also applies in the major areas of corporate taxation requiring reform. This includes multiple surtax exemptions, the tax treatment of commercial banks, the taxation of mutual savings banks and savings and loan associations, corporate mergers, percentage depletion, and capital gains taxation.

We have not been satisfied, however, merely to reduce the deductions, exemptions, or other tax benefits in these areas by specific provisions directed specifically to curtailing undue tax preferences. The bill also provides a secondary line of defense which supplements the specific remedial provisions by providing a minimum tax on tax preferences. The minimum tax in the conference version differs somewhat from the approach with which we started, also from that worked out in the Senate Committee on Finance, but its general objective remains the same.

We have also approached tax reform by reducing substantially the differential between the tax on earned income and the tax on capital gains income. The attempt in one manner or another to convert income into capital gains, yet take the deductions against ordinary income, is almost the universal tax ploy. This is the root cause of most tax avoidance. It is my belief that by limiting the top marginal rate on earned income to 50 percent—after it is reduced by tax preferences—and at the same time by raising modestly the rate on capital gains, the bill substantially reduces the interest of the executive or professional man in looking for tax shelters.

Very briefly, this outlines the tax reform objectives of the bill. I realize that there probably is more current interest in the tax relief the bill provides than in the tax reform it achieves. However, I believe in the long run it is the tax reform provisions that will be the more significant. Tax reductions, of course, always arouse more interest than tax equity, but it is equity in our tax system which provides that necessary sense of fair play that all of us must feel if we are willing to pay our taxes, and in a voluntary tax system it is essential that most of us approach our taxes in this manner.

Let me turn first to the substantial relief the bill provides. Perhaps its most important single relief measure—at least, from the standpoint of the total dollars of tax relief granted—is the increase in the per capita exemption from its present level of $600. For budgetary reasons, this increase in the exemption level is phased in gradually. The exemption rises to $650 as of July 1, 1970, the exemption remains at $650 for the entire calendar year 1971, and then rises to $700 for 1972, and to $750 for 1973.

The Tax Reform Act originally passed by the House did not provide for increases in the exemption level; instead, it provided relief to a combination of measures including substantial cuts in tax rates, a low income allowance, and a minimum standard deduction.

However, because of the widespread interest in the House, as well as throughout the country, in increasing the level of personal exemptions, the House conferees agreed to incorporate a substantial increase in the personal exemption level in the tax reform bill.

I would like to emphasize that in the pending bill this increase in exemption level is achieved without the unfortunate fiscal and budgetary effects that would have resulted under the Senate bill. You will recall that the Senate bill would increase exemptions to $700 in 1970, and to $800 in 1971, involving a revenue cost of close to $3.3 billion in calendar year 1970, and $6.4 billion in calendar 1971. This was one of the primary reasons why the Senate bill involved such large revenue losses, amounting to more than $4.7 billion in calendar 1971 and $6.3 billion in calendar 1972. The Nation can ill afford to have deficits of this magnitude, particularly in view of the strong and widely prevalent inflationary pressures in the economy.

The sound fiscal effects under the conference bill are achieved first by raising the exemption level to $750 instead of $800 provided by the Senate bill; and, second, by phasing in the increases in the exemption level gradually instead of abruptly. As a result, although the increased exemptions provided by the bill will give taxpayers over $4.8 billion of relief a year when fully effective, the pending bill achieves a surplus of over $2.2 billion in calendar 1970, exclusive of the revenue raised by the extension of the surcharge and the excise taxes.

This compares with a revenue loss of $1.3 billion for calendar 1970 under the Senate bill. Similarly, the net revenue loss from the combined reform and relief package provided by the conference bill amounts to a modest $500 million in calendar 1971 compared with the $5.5 billion of revenue loss for that year under the combined reform and relief package under the Senate bill.

Actually, the net revenue effect of the pending measure, taking into consideration all the features including the exten-

sion of the surcharge and excise taxes, follows the same general pattern—and I want you to get this—as those that would have resulted under the Treasury recommendations made in September before the Finance Committee. This is particularly true in the next few years when it will be most important for purposes of keeping the economy under control to maintain a proper fiscal stance. For example, in calendar 1970 the bill now before us on this basis will produce a surplus of about $6.4 billion, including the revenue effects of the surcharge and excise tax extensions, as compared with an increase of $7 billion under the Treasury recommendation. In 1971 the pending bill will result in a surplus of close to $300 million as compared with a surplus of somewhat over $600 million for the Treasury proposals. In 1972 the pending bill will result in a net revenue loss of $1.8 billion; however, this is substantially less than the net revenue loss of $2.3 billion for that year which would have resulted under the Treasury recommendation. In the long run—based on current income levels—the pending bill is expected to result in an estimated revenue loss of about $2.5 billion a year as compared with a net loss of $1.4 billion which would have resulted under the Treasurey recommendation made before the Finance Committee.

The tax relief provided by the pending bill is substantial. On the average, after taking into consideration both tax relief measures and tax reform measures, those with incomes up to $3,000 will get a tax reduction amounting to close to 70 percent of their present law tax, while those with incomes between $5,000 and $7,000 will get a tax reduction of approximately 20 percent. The percentage tax reductions under the bill amount to almost 16 percent for those with incomes between $10,000 and $15,000, about 8½ percent for those with incomes between $15,000 and $20,000, 5 percent for those with incomes between $20,000 and $50,000 and 1.5 percent for those with incomes between $50,000 and $100,000. For those over $100,000 there is generally an increase in taxes to be paid.

In addition to providing an increase in personal exemptions, the pending legislation provides for a new low income allowance which is specifically designed to concentrate tax relief on low income individuals living at poverty or near-poverty levels. The House and Senate bills both provided for such a low-income allowance, with relatively minor difference between the two bills. The provision agreed to by the conferees grants a minimum standard deduction to taxpayers amounting to $1,100 when first effective in calendar 1970, $1,050 in 1971 and $1,000 in 1972 and thereafter. This new low income allowance is in addition to the personal exemptions. The modest decrease in the low income allowance in 1971 and 1972 is timed to coincide with the increases in the personal exemption levels scheduled to take effect in those years. The net result is to produce a stable and adequate level of combined exemption and low income allowance. Because of budgetary reasons the low income allowance is reduced in 1970 and 1971 where taxpayers' incomes exceed specified poverty levels. However, in 1972 and later years the low-income allowance is available without any reduction regardless of the size of the taxpayer's income. This provision when fully effective will give over $2 billion of relief and will completely exempt from tax many millions of taxpayers at or near poverty levels.

I wish—and I think every Member of this House joins me in this—that it would have been possible in this bill to provide substantial reductions in tax rates as well as to grant an increase in exemptions. The traditional objective of tax reform is to broaden the tax base and thereby to make it possible to lower tax rates by spreading the tax burden over a larger tax base. I believe that this is an important objective of tax reform and I think we should keep this objective firmly in mind for the future as a high priority item whenever the fiscal and economic situation make further tax reform feasible. However, as we all know, rate reductions and exemption increases share the distinction of being very costly. As a result, in the present bill we have been forced to make a hard choice—a choice between these two forms of tax reduction, particularly in view of the present budgetary and economic situation. As I have indicated, the original House bill provided for substantial cuts in tax rates. But in view of the desire of the Congress to raise the exemption level substantially—a desire which is fully recognized in this bill—it just is not possible to provide substantial tax rate cuts, too. However, the bill before us does make an important start in the direction of rate reductions, which has the virtue in the present situation, of involving relatively little loss in revenue.

Under present law, the marginal tax rates applicable to all taxpayers including those with earned income go as high as 70 percent. Under the bill, no individual will be required to pay a marginal rate in excess of 50 percent on his earned income. To prevent individuals with substantial amounts of tax preferences from deriving undue benefits from the rate limitation for earned income, however, the benefits of this limit are reduced where such individuals have over $30,000 of tax preferences.

This rate limitation for earned income has importance far beyond its modest cost. The tax reform or loophole closing provisions of this bill will substantially increase the tax liabilities of many high income people. Insofar as this means that a man is now required to pay tax on a preference which should have been taxed in the first place, the result is fair.

However, I think the emphasis should be on the word "fair." The 50-percent limit on the marginal tax rate on earned income will help to some modest degree to provide significant relief to those who have large incomes as a result of their personal efforts.

The marginal rate limitation for earned income also has the advantage of recognizing the importance of providing adequate work incentives. These incentives are frequently impaired under present excessively high marginal tax rates which merely have the result of discouraging professional people and other earned income individuals from putting forth their full and best efforts.

In addition, the rate limitation for earned income works hand in hand with the tax reform or loophole closing measures of the pending bill. Tax preferences give rise to problems not only because they result in revenue losses but also because they divert the attention of professional individuals and other individuals with substantial amounts of earned income from their occupations to tax considerations. This provision in effect tells a man that if he sticks to his knitting and concentrates his attention on his profession, the Government will not take an undue portion of the amounts that he earns through his own efforts. This should encourage him not to hunt for tax shelters. It will, for example, make it less attractive for individuals to convert earned income to capital gains by reducing the gap between the taxes applicable to capital gains and earned income.

The conference bill provides for a significant increase in the standard deduction which is now limited to 10 percent of adjusted gross income or $1,000, whichever is less. The Senate bill would have retained these limits on the standard deduction. However, the conference adopted the broad outlines of the House provision to liberalize the standard deduction.

As a result, the pending bill provides for gradually increasing the standard deduction until it reaches a level of 15 percent of adjusted gross income, with a ceiling of $2,000 by 1973. This increase in the standard deduction will provide very substantial simplification in the preparation of tax returns by inducing large numbers of taxpayers to take the standard deduction instead of itemizing their deductions. The change will provide about $1.6 billion of relief annually to about 34 million returns and will result in taking about 5 million taxpayers off the tax rolls.

Single people will also receive substantial tax relief under the conference bill. Since the Revenue Act of 1948, single people have been required to pay relatively heavy tax burdens compared with married couples. The extension of head-of-household treatment to certain categories of single people has granted some relief, but most single people still bear unduly heavy tax burdens. Both the House and Senate bills grant single people substantial tax relief. The conferees adopted the Senate approach which generally provides that single people will not pay more than 120 percent of the tax liabilities of married couples at comparable income levels.

If I may make myself clear, under the House bill we would have made the tax relief available only to single people under 35 and to widows and widowers regardless of age. But in conference we accepted the Senate's provision which says that the single individual, regardless of his age shall not pay more than 120 percent of what the married couple pays under the split income provision.

So much for the tax relief provisions. I would like to turn now to the tax reform features of the bill. As I have already indicated, though the tax relief provisions of the bill have attracted greater attention, I think that in the long run the tax reform aspects will be the more significant. I know that everyone is not going to agree with each and every tax reform provision in the bill. Certainly, we cannot expect the man whose preferences are eliminated to be enthusiastic about the tax reform bill. On the other hand, some would go even further than we have gone in the present bill in reducing tax preferences. I, myself, did not get everything that I wanted in this bill in the way of tax reform. Nonetheless, I think we should all be able to agree that this bill represents a substantial and comprehensive step forward toward a fairer tax system—and a step which is particularly needed to dispel the widespread and pervasive feeling that our tax system is now not as fair as it should be.

The House conferees have generally been successful in getting conference agreement on restoration of a number of tax reforms which were in the initial House bill but which were made somewhat less effective in the bill that passed the Senate.

Let me give you a few examples of this. Under the initial House bill, private foundations were to be subject to a 7½-percent tax on investment income. The Senate bill reduced this tax to one-tenth of 1 percent of the value of assets, which roughly is equivalent to a 2 percent tax on income. The conference restored the tax to 4 percent of investment income. Similarly, the conference report strengthens the rules relating to the divestiture of stock by foundations which were not as strict in the Senate bill as in the initial House bill.

Another indication of the desire of the conferees to provide adequate guideposts for foundations concerns the payout rules. The Senate required private foundations to pay out 6 percent of their assets for charitable purposes, and that is the provision which the conferees accepted.

Similarly, the conference report basically accepts the House provisions limiting deductions for charitable gifts of appreciated property. Under these provisions, charitable deductions for gifts of appreciated property were limited to 30 percent of income even though deductions for charitable contributions generally were allowed to reach 50 percent of income. Moreover, for purposes of the 30-percent limit, the entire value of the appreciated property, including basis, was taken into consideration. The Senate bill relaxed this rule by subjecting to the 30-percent limit only that part of a gift which represented the appreciation in value, while the portion representing basis could be deducted under the 50 percent limit. Under the conference report, the House version was accepted. As a result, under the conference bill gifts of appreciated property can be deducted under the 50-percent limit only if the donor elects to account for the appreciation for tax purposes.

Still another instance in which the House conferees were able to restore the initial House provision concerns the limitation on the deduction of interest. This involves a most important limitation since the undue use of interest deductions by taxpayers constituted one of the primary reason why 154 individuals with adjusted gross incomes in excess of $200,000 were able to avoid payment of all income taxes in 1966. In general, this tax reduction device consists of deducting interest paid on loans for the purpose of acquiring appreciating investment assets held for capital gains purposes. The Senate bill contained no provision to limit interest deductions in such cases. However, the House conferees were able to reach agreement in conference to restore the House provision to limit deductions for investment interest to the amount of the taxpayer's net investment income plus the amount of his long-term capital gains and $25,000.

The House conferees have not blindly insisted on the House provisions, when it was clear that the Senate provision was preferable. This is illustrated in the case of the House provisions for a limit on tax preferences and allocation of deductions, which together were intended to impose a minimum tax liability on those with preference income as a sort of second line of defense against escape of tax on preference income after the particular preferences were limited by specific provisions. After these provisions were adopted, it became apparent that though their purpose was commendable, they were unduly complex and could not be put into effect without causing very considerable hardship in terms of administrative work for taxpayers. The Senate provision for a minimum tax achieves basically the same objective as the House provisions in a much simpler and more effective manner.

Basically, the Senate approach imposes a 10-percent tax on selected tax preference items after reduction by a specific exemption of $30,000 and the income tax paid by the taxpayer. Unlike the House provision which applied only to individuals, the Senate provision has the advantage of applying to both individuals and corporations. In addition, it raises more revenue than the House provision. Accordingly, the House conferees accepted most of the Senate provision which is incorporated in the pending bill.

In the area of corporate mergers the House conferees stood firm on a House provision to disallow interest deductions where the ratio of debt to equity of an acquiring corporation is 2 to 1 instead of 4 to 1 as under the Senate bill. Similarly, we were able to secure agreement to disallow such interest unless the annual interest expense on such indebtedness is covered at least three times instead of two times as under the Senate bill. However, we have had to acknowledge the logic of allowing depreciation allowances to be treated like earnings for purposes of this earnings—interest expense test, inasmuch as depreciation allowances can be used, if need be, to meet interest expenses.

The Senate retained the House provision on the taxation of stock dividends. Transitional rules are available under limited conditions but a corporation will not lose the benefit of these rules if it issues any type of stock under a conversion right contained in other stock which it was permitted to issue under these rules.

The Senate deleted the House provisions designed to eliminate abuses in the foreign tax credit. The House conferees succeeded in securing agreement in restoring one of these provisions. As a result, the pending bill provides a separate foreign tax credit limitation for foreign mineral income so that excess credits from this source cannot be used to reduce U.S. tax on other foreign income. However, we were not able to secure agreement to restore the House provision specifying that a taxpayer who uses the per country limitation and who reduces his U.S. tax on U.S. income by reason of the loss from a foreign country is to have the resulting tax benefit recaptured when income is subsequently derived from the foreign country involved. I regret the fact that this recapture provision is not included in the pending bill. I think that this is a worthwhile reform which should be considered in any future tax reform legislation.

The House bill reduced substantially the permissible deductions for the additions to bad debt reserves of financial institutions which were altogether excessive and resulted in unduly reducing the tax liabilities of these institutions. While the Senate bill also reduced such deductions, we on the House side did not believe that the Senate provisions were as effective as the House provisions. In conference we were able to reach agreement to restore much, but not all, of the effectiveness of the House provision. Under the pending bill, commercial banks are generally permitted to deduct additions to bad debt reserves at 1.8 percent of outstanding eligible loans for 6 years instead of the 2.4 percent level permitted by present law.

The 1.8 percent figure corresponds to the level of reserves permitted under the Senate bill. However, the deductions of commercial banks for this purpose are reduced gradually until after 18 years, they will be permitted to deduct only those bad debt expenses which are justified on the basis of their actual experience.

If a bank's reserve at the end of its taxable year is less than the appropriate permissible percentage, the reserve can be increased to this percentage as set forth in the act. For this purpose the pertinent percentage will also apply to any increase in eligible loans during the taxable year. Actual bad debt losses charged against the bad debt reserve during the year can, of course, be restored.

In addition, savings and loan institutions and mutual savings banks will generally be permitted to deduct as additions to bad debt reserves 40 percent of taxable income—half-way between the 50 percent of taxable income figure permitted under the Senate bill and the 30 percent

of taxable income figure under the House bill.

In the natural resource area, the overriding issue is the percentage depletion rate for oil and gas which now is 27½ percent of gross income. The House provision reduces percentage depletion rate to 20 percent while the Senate set this rate at 23 percent. The conferees agreed to a percentage depletion rate of 22 percent for oil and gas.

The conferees agreed to a Senate provision permitting percentage depletion on minerals taken from saline perennial lakes—but, of course, do not intend that any inference as to present law be drawn from this action.

I would like to stress, however, that under the pending bill the income from oil and gas wells will be subjected to increased taxes not only as a result of the reduction in the percentage depletion rate, but also as a result of the minimum tax which I have described above. This is because percentage depletion allowances in excess of the cost of the property is included as a tax preference under the minimum tax. I would also like to point out that in addition to reducing the percentage depletion rate on oil and gas, the pending bill provides for at least some reductions in the percentage depletion rates of a large number of other minerals. The Senate bill did not provide for such reductions.

The conference bill retains the present 6-month holding period for long-term capital gains. It is hard for me to see the logic of such a holding period which accords treatment akin to averaging for assets held for less than 1 year. However, the Senate bill deleted the House provision to extend the holding period to 1 year and the Senate conferees insisted on the same treatment. However, the House conferees were able to secure agreement on eliminating the 25 percent alternative rate for all gains in excess of the first $50,000 of gain. This goes a long way toward the original House provision.

The pending bill achieves very real tax reform by eliminating the widely prevalent abuses resulting from unduly large depreciation allowances. In general, under both the House and Senate bills, depreciation allowances are reduced substantially for all property except new residential housing which, because of the need for additional dwellings, continues to be eligible for the double declining balance method at 200 percent of straight line depreciation as well as for the sum of the digits method.

However; the Senate bill would have accorded used housing 150 percent of the straight line method in some cases. The conference report reduced this allowance for used residential housing to 125 percent of the straight line method where such property has a useful life of more than 20 years.

In addition, the conference report imposes stricter recapture rules than would be required by the Senate bill. These recapture rules are essential in order to insure that gains on the sale of property which are attributable to accelerated depreciation allowances taken previously are taxed as ordinary income rather than as capital gain.

A House provision granting State and local governments a subsidy if they voluntarily agree to issue taxable bonds was deleted by the Senate, and the Senate conferees insisted on this deletion. I regret that the pending bill does not include this subsidy provision. In my opinion, it is a useful device which would provide considerable opportunity for a State and local government to expand the markets for their securities without involving additional cost to them. However, in view of the present chaotic state of the market for State and local bonds and the present psychology of investors, apparently any change in the area of State and local government was frowned upon even where the change tries to help State and local governments as was the case of the subsidy provision. Accordingly, we had no choice but to agree to the deletion of this provision.

Finally, under both the House and Senate bills, the investment credit is generally repealed for property constructed on or after April 19, 1969, unless a binding contract for such construction was entered into before this date. The Senate added a number of amendments providing for continuing the investment credit in certain specified situations. However, for the most part these were eliminated in conference unless it was clear that they had substantial merit. For example, the conference eliminated Senate amendments to continue the investment credit for the first $20,000 of investment in eligible property, and for investment in depressed areas. The House conferees insisted on elimination of these exemptions because they would have been contrary to the fundamental purpose of repeal of the credit and would have involved an annual loss of $790 million which would clearly be inappropriate in the present budgetary situation.

So much for the details of the bill. In closing I would like to emphasize again that I am well aware this bill is not perfect in many respects. I don't think that anyone can be expected to agree with every single provision in the legislation. As I have indicated, I too have some reservations on some of the provisions and if I could write the bill myself, a number of the provisions would be changed substantially. But I think that we should all keep in mind the fact that this is inevitable with a bill of this magnitude. What is important in judging the bill is that it is a good bill—that its adoption will improve the tax system and will make our tax system a fairer system. In other words, the main question is, does this bill, on balance, improve the tax system? I think that the answer to this is unquestionably, yes. The taxpayers are looking to us for tax reform and for tax relief. This bill provides this relief and reform.

Mr. VANIK. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Ohio.

Mr. VANIK. Mr. Speaker, I would like to inquire what action the conferees took on the provisions of the law which permits a taxpayer to deduct interest on the late payments of taxes to the Federal Government.

Mr. MILLS. I think I understand what the gentleman means. Is that the situation, for example, where an individual files his income tax which shows he owes $5,000, and he has not transmitted payment?

Mr. VANIK. And he pays the Government 6 percent interest on his money, which he would otherwise have to pay 8 or 9 percent on.

Mr. MILLS. We have corrected that. In addition to the continued requirement of paying the 6-percent interest that is presently in the law, which, of course, is deductible once it is paid, there is a provision that says for each month this taxpayer is delinquent in paying the tax he says he owes, there is a one-half of 1 percent interest charged for each month he waits. If he waits a whole year, it is 6 percent. This 6 percent is not deductible from the income tax as interest.

So in the case of a 50-percent taxpayer, he is out of pocket about 9 percent. He gets 3 percent on the first 6 percent as a deduction, but he pays the remaining total 6 percent, which must come out of his income after tax. As a result he will be paying 9 percent as the privilege of delaying his payment to the Government, which is rather a heavy charge, and I think that is a great improvement.

Mr. FULTON of Pennsylvania. Mr. Speaker, will the gentleman yield?

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

Mr. FULTON of Pennsylvania. Mr. Speaker, my question is the exact opposite from that asked by the gentleman from Ohio.

When people want to help their own communities by paying their local taxes ahead of time because of the local stringency on tax money, is that a deduction? For example, in 1969 if an individual wants to pay his local community taxes for 1970 in 1969, is there any way that can be worked out as an adjustment in the 1969 tax?

Mr. MILLS. No, he is not permitted to deduct those taxes until 1970.

Mr. FULTON of Pennsylvania. I want to know whether under this bill that will be.

Mr. MILLS. That is not affected in this bill.

Mr. FULTON of Pennsylvania. Will it be in 1970, if one pays his local taxes ahead of time?

Mr. MILLS. No, that is not affected in this bill. We leave those provisions of the law as they are. He does not get a deduction until the taxes are due.

Mr. RHODES. Mr. Speaker, will the genteman yield?

Mr. MILLS. I am glad to yield to the gentleman from Arizona.

Mr. RHODES. First, I want to compliment the gentleman from Arkansas for his usual workmanlike job in explaining a very complex bill.

In order to ask this question I shall have to give a hypothetical case.

I understand a provision inserted in the bill by the Senate would have made the following a taxable transaction:

Corporation A decides to divide its assets equally between newly formed corporations B and C, taking the capital stock of corporations B and C, as payment.

The stock of corporation B would then be spun off to one group of corporation A stockholders, the stock in corporation B contemporaneously being spun off to the other group of corporation A stockholders. The end result would leave the stockholders of corporation A with stock in the corporations B and/or C with substantially the same book value as the original holdings in corporation A possessed.

It is my understanding that amendments made in conference would leave such a transaction in the same position as it occupies under the present law. Is this correct?

Mr. MILLS. The gentleman is correct.

The SPEAKER pro tempore. The time yielded by the gentleman from Arkansas has expired.

Mr. MILLS. Mr. Speaker, I yield myself 1 additional minute.

Mr. ROUDEBUSH. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Indiana.

Mr. ROUDEBUSH. I know the gentleman from Arkansas shares my concern, because we have been over this many times in the past, as to the effect of the increase in social security on those veterans who receive nonservice, totally permanent injuries. I wonder if the gentleman will explain any understanding he has along the line, so that we who want to support this tax bill will know these former members of the armed services are protected.

Mr. MILLS. It is my understanding from talking with the chairman of the Veterans' Affairs Committee—and I do not see him on the floor now—that it would be his intention to have his committee report legislation sometime in the coming year that would discount that portion of social security which would be required to be discounted in order to avoid the income level rising in the hands of the veteran to such an extent that his pension would be reduced; just as we did in 1967. The gentleman will remember that his committee reported such legislation after we passed the social security bill.

It should be borne in mind, this is not a matter that has to be passed right now or in the immediate future, because we are talking about income that the veteran may have in the year 1970 for the purpose of determining whether or not he is eligible to a pension in the following year.

The SPEAKER pro tempore. The time yielded by the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 1 additional minute.

Mr. ROUDEBUSH. I thank the gentleman, and I agree that the report on that income would have to be made January 1, 1971.

Mr. MILLS. That is right. It is my understanding it would affect what the veteran would get in 1971 rather than 1970.

Mr. ROUDEBUSH. That is correct.

Mr. TEAGUE of California. Mr. Speaker, will the gentleman yield?

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

Mr. TEAGUE of California. As the ranking Republican on the Committee on Veterans' Affairs I am glad to say it is my understanding that the gentleman in the well, the gentleman from Arkansas (Mr. MILLS), has correctly stated the intentions of the chairman of the Committee on Veterans' Affairs.

Mr. MILLS. I appreciate that affirmation.

Mr. DORN. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from South Carolina.

Mr. DORN. I should like to commend the distinguished chairman, of course, for his outstanding work on this bill. I should like to ask about section 433, I believe it is, where in the House version there was some reference to the small bankers. The case I have in mind is of a small banker.

Mr. MILLS. Is the gentleman referring to the provision of the House bill that converted the gain on a bond to ordinary income?

Mr. DORN. Capital gains on municipal bonds, and the change of the rules in the middle of the ball game.

Mr. MILLS. The House bill was too harsh in that respect.

The SPEAKER pro tempore. The time yielded by the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 2 additional minutes.

In one sense we were levying a tax increase on the holders of these assets, retroactively. A bank might have bought a municipal bond, let us say, in 1961, which might have had a 20-year maturity. We made this change effective in July of 1969. Certainly there were 8 or 9 years of appreciation in value in the past to which we were denying the 25 percent rate, and saying, "You have to be now taxed at the ordinary income rate."

What we have done is to pick the day July 11 as the point of departure. Any assets that were owned by one of these institutions on that date would have the appreciation attributable to the time prior to July 12 continue to result in capital gain no matter when realized. The portion of the gain attributable to the period after July 12 will be treated as ordinary income. The portions of the gains attributable to these two periods will be determined on a pro rata basis—the portions of the period the bond is held which is before and after July 11.

The reason why we make this change, I think the gentleman realizes, is we presently allow banks—and only banks, no individual or other corporation—the privilege of deducting against their ordinary income the losses that they incur with respect to bonds they held, whether they are State, local, Federal, or corporate bonds. So if they have the privilege of writing off losses as ordinary losses, is it not fair that any gain they have be treated as ordinary income? But certainly it would not be fair to treat them that way with respect to gains on holdings attributable to the past.

Mr. FRELINGHUYSEN. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from New Jersey.

Mr. FRELINGHUYSEN. Mr. Speaker, I would like to commend the chairman of the committee for a very comprehensive statement.

I have a brief question about charitable contributions of tangible personal property, because I understand the language on page 294 to be that tangible personal property may be given—for example, an art object may be given to a museum—without the imposition of a capital gains tax.

Mr. MILLS. That is true.

Mr. FRELINGHUYSEN. But I am not sure whether or not the language means the property is related to the tax-exempt property of the donee. Supposing an art object were given to a university. Would that require a tax on the appreciation?

Mr. MILLS. Not if the university used it in accordance with some educational program of the university, in an art appreciation course or something of that type.

Mr. FRELINGHUYSEN. Suppose it were to be sold by the university or an object of art were given to a hospital, for example, in order to have that object sold for the use of the hospital or the money to be used for that purpose.

Mr. MILLS. It is the use of the property that is the determining factor. If it was contemplated that the property would be sold, rather than used for the organization's exempt purposes, then the appreciation must be taken into account for tax purposes by the donor.

The SPEAKER pro tempore. The time of the gentleman has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 2 additional minutes.

What we are trying to say is that we will allow you to give this appreciated property and take today's market value as a charitable deduction without any tax consequences to you whatsoever if you give it to a charitable organization that normally would use the property for its exempt purpose. Now, a clear case is a gift of a picture or work of sculpture, or anything of that sort, to a museum. The question does arise with respect to a college or university as to whether or not they are using this for their exempt purpose, whether it is used in their teaching. Of course, the college could have a course in art, and if the gift were to be used for that purpose it would probably qualify as such a gift.

Mr. FRELINGHUYSEN. If, for instance, an object were given to a hospital and the intention on the part of the donor and hospital was to sell the object, would that require a tax on the appreciation of the value of that?

Mr. MILLS. The appreciation would be taken into account for tax purposes in that case, because of the requirement that the property be given where it is really used for the exempt purpose of the organization.

Mr. BYRNES of Wisconsin. Will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. I do not think it would be done on the appreciated value. You would have to deduct it so it would relate to its value.

Mr. MILLS. The modification made by the Senate, which was agreed to by the

conference, provides that the appreciation is taken into account by reducing the charitable contribution by one-half the appreciation, if the property involved is a capital asset.

Mr. BYRNES of Wisconsin. That is true.

Mr. HARSHA. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman.

Mr. HARSHA. This is in reference to losses. Capital gains or capital losses on stock transactions. As I understand it, under the present law you can deduct total losses from ordinary income at the rate of $2,000 per year.

Mr. MILLS. An individual can deduct $1,000 a year against ordinary income and carry over the remainder to subsequent years to offset losses in those years or to the extent of $1,000 a year to offset ordinary income.

The SPEAKER pro tempore. The time of the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Speaker, I yield myself 2 additional minutes.

Mr. HARSHA. This means that one would have to incur a $2,000 loss in order to get credit for the $1,000?

Mr. MILLS. That is the case. Since nearly half of capital gains are taken into income it was thought that when losses are offset against ordinary income only half the loss should be allowed.

Mr. HARSHA. Mr. Speaker, if the gentleman will yield further, he could do that if this goes into effect? It is my understanding that it goes into effect next year. Am I right about that?

Mr. MILLS. Yes.

Mr. HARSHA. Assuming he would have a $5,000 loss this year and he carried part of that over into next year, how does that affect that loss which has incurred previously?

Mr. MILLS. Let me yield to the gentleman from Oregon (Mr. ULLMAN) to respond to that question.

Mr. ULLMAN. The new provision would not reduce a carryover from 1969 by one half.

Mr. MILLS. The reduction by one half applies to the years beginning after this year.

Mr. HARSHA. In other words, in case of a carryover, it does not apply?

Mr. MILLS. That is correct. I wanted that in the RECORD because I thought that was right.

Mr. BURTON of California. Mr. Speaker, will the gentleman yield?

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

Mr. BURTON of California. First, I would like to commend the distinguished gentleman from Arkansas (Mr. MILLS), the gentleman from Wisconsin (Mr. BYRNES) and the conferees for reflecting great credit upon themselves and upon the Congress with respect to this tax reform measure.

With respect to social security programs I would like to inquire of the gentleman from Arkansas with reference to two specific aspects of the conference agreement.

First, I understand that the amendment on which the gentleman and I have had discussions earlier this year with reference to disregarding the retroactive social security payments for those who also receive public assistance is in the bill. Would those retroactive payments be required to be disregarded by the States? This disregard applies not only to the aged, blind, and disabled, but also to AFDC recipients.

Mr. MILLS. The gentleman is correct.

Mr. BURTON of California. Certainly. As I understand the social security provisions, there is provided a 15-percent increase and that the States are required for those who receive the social security increase under the terms of this bill, it is expected and required of the States either to disregard that income or provide an equivalent increase in grants for all those on adult public assistance, of $4 a month?

Mr. MILLS. The State must, for payments made in April, May, and June of next year, disregard, insofar as a person getting social security is concerned not less than $4 of this increase in determining his grant under the State programs of aid for the aged, blind or disabled. We did not go beyond this but suggested that the States increase the payments to all recipients in the adult categories by $4. However, I want the RECORD to be eminently clear that there are enough savings resulting from the 15-percent increase in social security benefits to enable practically every State to raise every individual it has on its rolls in those three adult categories by $4 a month. There is enough savings in their own hands and most States will have money left after they do that. If this could be done on a uniform national basis the amount of net increase for these recipients could actually go to $4.35.

Mr. BURTON of California. Mr. Speaker, if the distinguished gentleman will yield further, to briefly restate what the gentleman has stated for those receiving social security income, the States are required to see that those persons are permitted to retain at least $4 of that increase, without reduction of their public assistance grants?

Mr. MILLS. In other words, if a person gets $80 a month now, part of which is from social security that person's payment must be supplemented by the State so that he will have a combined payment counting both OASDI and public assistance of $84.

Mr. BURTON of California. As I understand it, and as has been stated by the chairman on previous occasions, it is the earnest desire and expectation of the committee, because of public assistance savings generated to the States under this bill, that the States will raise the grants $4 for those who are not helped by the social security disregard?

Mr. MILLS. We are not saying they have to do it, but I will be the most disappointed individual around here if they do not and when we come to the consideration of the welfare programs their actions will certainly be considered.

Mr. BURTON of California. The gentleman from Arkansas has anticipated my next question. I am very grateful for that reassurance as there are literally over 1.1 million aged, crippled and blind who are helped by the $4.00 disregard and when that question comes up in the committee deliberations next year, I rely upon the chairman's assurance if the States do not provide an increase for those people on public assistance but who do not receive social security that that failure to act will be taken into consideration when you review the public assistance program next year.

Mr. MILLS. The gentleman from California reads my mind.

Mr. Speaker, I now yield to the gentleman from Montana (Mr. MELCHER).

Mr. MELCHER. Mr. Speaker, I thank the gentleman for yielding. I might say, Mr. Speaker, that the distinguished chairman of the Committee on Ways and Means has given a very lucid picture of the bill, but I do not recall that the gentleman has mentioned repeal of the investment tax credit.

Mr. MILLS. I did not get onto it as deeply as perhaps I should have. There is so much in this that I have not been able to cover in detail, but the 7-percent investment credit is repealed; there are no exceptions to it. There are some transitional rules we put in, not for the benefit of any individual company or one individual taxpayer, but as a result of general problems presented to the committee. By and large the investment credit rules are the same as the House-passed provisions.

Mr. MELCHER. Then the Senate amendment was stricken?

Mr. MILLS. The $20,000 exemption was stricken, as well as the amendment which would allow you to locate businesses in an area of underemployment. I believe the Senator from Alaska offered the latter amendment, and the Senator from Indiana, the $20,000 exemption, but they are both out of the conference.

Mr. MELCHER. Then under the effective date of April 18, the typical farmers and small businessmen could very well have a tax increase instead of securing tax relief for this calendar year, and also for the taxable year 1970?

Mr. MILLS. If he had gotten the benefit of the 7-percent provision to a large extent, and did not have a large family of children to which the $50 increase in personal exemptions for the last half of 1970 would apply and did not benefit from the new minimum standard deduction, then that might well occur, but this $20,000 exemption involves $720 million of revenue loss. We thought that we needed that amount of money for revenue purposes at this particular time.

The SPEAKER pro tempore. The time of the gentleman from Arkansas has again expired.

Mr. MILLS. I yield myself 1 additional minute.

Mr. OTTINGER. Mr. Speaker, will the gentleman yield?

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

Mr. OTTINGER. Mr. Speaker, I have two questions. Would the gentleman please explain what restrictions were placed, if any, in the operation of foundations in the public field?

Mr. MILLS. Mr. Speaker, I would suggest to the gentleman from New York that there is a great deal in the report

on this subject and to try to answer here would take considerable time. But this was the very first thing that we talked about in the statement of the managers on the part of the House, beginning on page 278 of the conference report, and if the gentleman will notice, he will see we continue on with this subject for several pages before we get to another subject matter. In fact, we go over to page 290 before we get onto a new subject matter. If the gentleman will read that, I believe that explains the situation in considerable detail. Basically we prohibit self dealing between foundations and their substantial contributors, require the current pay out of income, require the disposition of stock holdings above certain levels, prohibit investments in ways which jeopardize the foundations assets, and prohibit the foundations from getting into certain types of activities, such as trying to influence legislation.

The SPEAKER. The time of the gentleman has again expired.

Mr. MILLS. I yield myself 1 additional minute.

Mr. OTTINGER. Mr. Speaker, will the gentleman yield further?

Mr. MILLS. Yes, I will yield further to the gentleman from New York.

Mr. OTTINGER. Mr. Speaker, in the Senate, Senator ED KENNEDY pointed out that there were a large number of special interest provisions put in the Senate bill for individual companies.

Mr. MILLS. Well, we took out virtually all of those provisions including the one that he referred to as for the constituent in Massachusetts. Often, however, provisions may have quite wide application even though they are called to our attention by one person. Sometimes these are mistaken as special purpose provisions.

Mr. ZABLOCKI. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Wisconsin.

Mr. ZABLOCKI. Mr. Speaker, I thank the chairman for yielding. I want to join my other colleagues in commending the chairman, Mr. MILLS, and the ranking minority member, Mr. BYRNES and the entire committee for the excellent job they have done on the tax bill. Undoubtedly the gentleman from Arkansas recalls that when the bill was considered in the House in August we had a colloquy on the closing of certain tax loopholes?

Mr. MILLS. Yes; I do recall that.

Mr. ZABLOCKI. And on the revenue from advertising, I wondered if there had been any change in the House version in any way.

Mr. MILLS. In reply to the inquiry of the gentleman from Wisconsin let me say that there is a slight change. I would refer the gentleman to page 292 of the conference report.

Mr. ZABLOCKI. Mr. Speaker, am I correct in my understanding the conferees have agreed that; when an organization publishes more than one magazine, periodical, and so forth, the organization may treat the advertising appearing in these separate activities or publications on a consolidated basis for accounting purposes, but the editorial costs of any publications such as throwaways may be deducted only from advertising revenues of that publication, and not on a consolidated basis?

Mr. MILLS. The Senate amendment would have provided that the provision should apply only in the case of advertising, in the case of a sale by a hospital pharmacy of drugs to persons other than hospital patients, and in the operation of a race track by an exempt organization. The conference took our own House version but added one sentence. The conference substitute follows the House bill except that it provides that where an activity carried on for profit constitutes an unrelated trade or business no part of it is to be excluded from such classification merely because it does not result in profit.

Mr. ZABLOCKI. For purposes of clarification, in other words, the publication may consolidate the profit or loss for accounting purposes?

Mr. MILLS. It may consolidate where it is the policy to make a profit out of the publication of a journal involved.

Mr. ZABLOCKI. In other words, that is the House version in this instance is retained?

Mr. MILLS. That is right. The provision is the same as passed by the House except for one minor addition which does not go to the problem with which you are concerned.

Mr. ZABLOCKI. I thank the gentleman.

Mr. MATSUNAGA. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Hawaii.

Mr. MATSUNAGA. Will the gentleman from Arkansas explain what was done with reference to profit sharing?

Mr. MILLS. Yes. The provision treating as ordinary income amounts employers contribute to profit sharing arrangement where lump sum payments are made was stricken by the amendment on the floor of the Senate. We felt very strongly that the amount of the payment by the employer for the employee's benefit ought to be treated as ordinary income and not as a capital gain in the case of a lump-sum payment. So what we have done is provide for an averaging device. Looking only at what the employer has put into the fund, you disregard all of his other earned income, but you combine with any investment income he may have one-seventh of the amount he receives representing the employer's contribution. The tax on this amount is determined and also the extent to which this tax is attributable to employer contribution. Then you multiply this latter tax by seven. In that way you in effect spread this income out over a 7-year period and treat it as if it were ordinary income received over this period. On many amounts received the tax is less than that paid under present law. Of course where the amounts get quite large there would be a bigger tax. In other words the smaller amounts are not adversely affected, but the bigger amounts would be subjected to a heavier tax.

Mr. PUCINSKI. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Illinois.

Mr. PUCINSKI. I certainly share my colleagues' congratulations of the gentleman for the work that he and his committee have done.

I understand that they increased the deduction—that the increase in deduction does not become operative until after January 1, 1971.

Mr. MILLS. Not if the gentleman is talking about the personal exemption.

Mr. PUCINSKI. Yes, I am talking about the personal exemption.

Mr. MILLS. The first $50 increase in the personal exemption goes into effect on next July 1.

Mr. PUCINSKI. Actually, though, there are millions of Americans who are under tax withholding and they will feel some immediate relief from this bill in their first pay check after January 1, 1970, because you have readjusted the surtax. Is that correct?

Mr. MILLS. Yes. It is dropped from 10 percent to 5 percent. That is right. Actually there may also be many who will be affected by the new minimum standard deduction.

Mr. PUCINSKI. I wonder if the gentleman could comment on this matter. A person with an increase of $9,500 would save roughly $138 next year—2¼ percent—would he not?

Mr. MILLS. That would depend on how many exemptions he has. However, let me tell the gentleman a great many will be getting decreases next year because the low income allowance and the increase in the personal exemption to $650 will go into effect. The loss of revenue is estimated to be about $1.4 billion for 1970.

Mr. PUCINSKI. But the effect of the withholding will be felt almost immediately as a result of the readjustment.

Mr. MILLS. Oh, yes. There is a big difference—the difference between the 5-percent and a 10-percent surcharge as well as the difference in the minimum standard deduction. Then the withholding will reflect another decrease next July when they get the benefit of an increased personal exemption, also at that time for withholding purposes the 5-percent surcharge goes off for the remainder of the year for withholding tax purposes.

Mr. TAYLOR. Mr. Speaker, will the gentleman yield?

Mr. MILLS. I yield to the gentleman.

Mr. TAYLOR. Mr. Speaker, if I may ask the gentleman from Arkansas a question concerning donations, let us say an individual owns stock that cost $10,000 and a college is putting on a drive for money for building purposes. The individual gives that stock to the college, and the college immediately converts it into cash at an appreciated price of, let us say, $50,000. What effect will the bill have on the tax situation in such a case?

Mr. MILLS. That depends on the taxpayer's level of income. If the taxpayer is a $100,000-a-year man, he can give up to $30,000 in appreciated property under the provisions of the bill and get a deduction for it. You cannot get the full 50 percent credit for a contribution if you are giving property that has appreciated

in value unless you are in effect willing to convert the property into cash. We said, "If you want to come under the 50-percent provision, you can make the gift in cash, or for tax purposes treat it as if you had." Of course you can get credit for $30,000 if you want to give the gift in the form of property, and then you can carry the remainder of the deduction over to the next year.

Mr. TAYLOR. The amendment relates to the individual tax credit.

Mr. MILLS. Yes. There is a lower limit on what corporations can give—5 percent.

Mr. REID of New York. Mr. Speaker, will the gentleman yield?

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

Mr. REID of New York. I thank the distinguished gentleman for yielding. Am I correct in stating that there is no change in the law relative either to appreciated property or crystal gifts to educational institutions?

Mr. MILLS. I regret to say the gentleman is correct. If ever there is a loophole in the law, it is in this business of being able to give property that has appreciated tremendously in value. It is possible to get a tax break and save money under the tax law, doing it all under the guise of charity. This is a part of the bill with which I do not agree completely. But we backed off of it, I guess because the people running the museums said, "If you do not let them donate property and receive a tax deduction, they will sell the property for the benefit of Europeans and we will be deprived of the opportunity to see it."

Mr. REID of New York. Second, Mr. Speaker, may I ask this question: It is my understanding that personal property, such as a painting, given to a charity or foundation is not taxable, but you have changed the statute as you have indicated a minute ago relative to appreciated property given to a charity or foundation?

Mr. MILLS. We limit the taxpayer in the deduction he may take. He can give this kind of property and get a charitable contribution deduction for up to 30 percent of his adjusted gross income.

Mr. Speaker, I include in my remarks a table which has been prepared by the staff of the Joint Committee on Internal Revenue Taxation which has a number of charts, tables, and other statistical information showing the financial effect, the dollar effect of any of these provisions:

TABLE 1.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)

[In millions of dollars]

	1970	1971	1972	1974	Long run
Tax reform program under House bill [1]	+1,665	+2,080	+2,215	+2,650	+3,605
Repeal of investment credit	+2,500	+3,000	+3,000	+3,100	+3,300
Tax reform and repeal of investment credit [1]	+4,165	+5,080	+5,215	+5,750	+6,905
Income tax relief under House bill	[1] −1,912	[1] −6,568	−9,273	−9,273	−9,273
Balance between reform (+) and relief (−) under House bill [1]	+2,253	−1,488	−4,058	−3,523	−2,368
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,523	−688	−3,258	−3,523	−2,368

B. AS PASSED BY THE SENATE (DEC. 11, 1969)

	1970	1971	1972	1974	Long run
Tax form program under Senate bill	+915	+1,135	−455	+65	+895
Amendment of investment credit	+1,710	+2,200	+2,200	+2,300	+2,510
Tax reform and amendment of investment credit	+2,625	+3,335	+1,745	+2,365	+3,405
Income tax relief under Senate bill	−3,963	−8,883	−8,883	−8,883	−8,883
Balance between reform (+) and relief (−) under Senate bill [1]	−1,338	−5,548	−7,138	−6,581	−5,478
Extension of surcharge and excises	+4,720	+800	+800		
Total	+2,932	−4,748	−6,338	−6,518	−5,478

C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

	1970	1971	1972	1974	Long run
Tax reform program under conference bill	+1,150	+1,430	+1,660	+2,195	+3,320
Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief under conference bill	−1,441	−4,927	−7,269	−9,134	−9,134
Balance between reform (+) and relief (−) under conference bill [1]	+2,209	−507	−2,619	−3,849	−2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	−1,819	−3,849	−2,514

[1] Revised.

TABLE 2.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY

[In millions of dollars]

	1970	1971	1972	1974	Long run
A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)					
Tax reform program under House bill [1]	+1,665	+2,080	+2,215	+2,650	+3,605
Repeal of investment credit	+2,500	+3,000	+3,000	+3,100	+3,300
Tax reform and repeal of investment credit [1]	+4,165	+5,080	+5,215	+5,740	+6,905
Income tax relief:					
Low-income allowance	−625	−625	−625	−625	−625
Removal of phaseout on low income allowance		−2,027	−2,027	−2,027	−2,027
Increase in standard deduction [2]	[1] −1,087	[1] −867	−1,373	−1,373	−1,373
Rate reduction		−2,249	−4,498	−4,498	−4,498
A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)—Continued					
Income tax relief:					
Maximum 50-percent rate on earned income	−200	−150	−100	−100	−100
Intermediate tax treatment for certain single persons, etc		−650	−650	−650	−650
Total tax relief under House bill	[1] −1,912	[1] −6,568	−9,273	−9,273	−9,273
Balance between reform (+) and relief (−) under House bill [1]	+2,253	−1,488	−4,058	−3,523	−2,368
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,523	−688	−3,258	−3,523	−2,368

TABLE 2.BALANCING OF TAX REFORM AND TAX RELIEF UNDER H.R. 13270—CALENDAR YEAR TAX LIABILITY—Continued

[In millions of dollars]

	1970	1971	1972	1974	Long run
B. AS PASSED BY THE SENATE (DEC. 11, 1969)					
Tax reform program under Senate bill	+915	+1,135	—455	+65	+895
Amendment of investment credit	+1,710	+2,200	+2,200	+2,300	+2,510
Tax reform and amendment of investment credit	+2,625	+3,335	+1,745	+2,365	+3,405
Income tax relief:					
Low-income allowance	—550	—550	—550	—550	—550
Change in phaseout on low income allowance	—146	—1,507	—1,507	—1,507	—1,507
Increase in exemption	—3,267	—6,406	—6,406	—6,406	—6,406
Tax treatment of single persons		—420	—420	—420	—420
Total tax relief under Senate bill	—3,963	—8,883	—8,883	—8,883	—8,883
Balance between reform (+) and relief (—) under Senate bill	—1,338	—5,548	—7,138	—6,518	—5,478
Extension of surcharge and excises	+4,270	+800	+800		
Total	+2,932	—4,748	—6,338	—6,518	—5,478
C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)					
Tax reform under conference bill	+1,150	+1,430	+1,660	+2,195	+3,320
Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief:					
Low-income allowance	—625	+1,592	—2,057	—2,057	—2,057
Increase in standard deduction [2]		—1,207	—1,355	—1,642	—1,642
Increase in exemption	—816	—1,633	—3,267	—4,845	—4,845
Maximum 50-percent rate on earned income		—75	—170	—170	—170
Tax treatment of single persons		—420	—420	—420	—420
Total tax relief under conference bill	—1,441	—4,927	—7,269	—9,134	—9,134
Balance between reform (+) and relief (—) under conference bill	+2,209	—507	—2,619	—3,849	—2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	—1,819	—3,849	—2,514

[1] Revised.

[2] 1970: 13 percent, $1,400 ceiling; 1971: 14 percent, $1,700 ceiling; 1972: 15 percent $2,000 ceiling.

[3] 1971: 13 percent, $1,500 ceiling; 1972: 14 percent, $2,000 ceiling; 1973: 15 percent, $2,000 ceiling.

TABLE 3.—INDIVIDUAL INCOME TAX LIABILITY—TAX UNDER PRESENT LAW AND AMOUNT AND PERCENTAGE OF CHANGE UNDER REFORM AND RELIEF PROVISIONS UNDER H.R. 13270 WHEN FULLY EFFECTIVE

Adjusted gross income class	Tax under present law [1] (millions)	Increase (+) decrease (—) from reform and relief provisions: Amount (millions)	Percentage
A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)			
0 to $3,000	$1,169	—$775	—66.3
$3,000 to $5,000	3,320	—1,049	—31.6
$5,000 to $7,000	5,591	—996	—17.8
$7,000 to $10,000	11,792	—1,349	—11.4
$10,000 to $15,000	18,494	—1,932	—10.4
$15,000 to $20,000	9,184	—775	—8.4
$20,000 to $50,000	13,988	—976	—7.0
$50,000 to $100,000	6,659	—365	—5.5
$100,000 and over	7,686	+324	+4.2
Total	77,884	—7,893	—10.1
B. AS PASSED BY THE SENATE (DEC. 11, 1969)			
0 to $3,000	$1,169	—$925	—79.1
$3,000 to $5,000	3,320	—1,355	—40.8
$5,000 to $7,000	5,591	—1,581	—28.3
$7,000 to $10,000	11,792	—2,380	—20.2
$10,000 to $15,000	18,494	—2,460	—13.3
$15,000 to $20,000	9,184	—1,092	—11.9
$20,000 to $50,000	13,988	—851	—6.1
$50,000 to $100,000	6,659	—108	—1.6
$100,000 and over	7,686	+625	+8.1
Total	77,884	—10,128	—13.0
C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)			
0 to $3,000	$1,169	—$816	—69.8
$3,000 to $5,000	3,320	—1,101	—33.2
$5,000 to $7,000	5,591	—1,112	—19.9
$7,000 to $10,000	11,792	—1,859	—15.8
$10,000 to $15,000	18,494	—2,327	—12.6
$15,000 to $20,000	9,184	—791	—8.6
$20,000 to $50,000	13,988	—715	—5.1
$50,000 to $100,000	6,659	—128	—1.9
$100,000 and over	7,686	+557	+7.2
Total	77,884	—8,294	—10.6

[1] Exclusive of tax surcharge.

Note: Details do not necessarily add to totals because of rounding.

TABLE 4.—TAX RELIEF PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS, WHEN FULLY EFFECTIVE BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)

[In millions of dollars]

Adjusted gross income class	Reform provisions	Relief provisions: Low income allowance	Elimination of phaseout	15-percent $2,000 standard deduction	General rate reduction	Maximum tax on earned income	Intermediate tax treatment	Total relief provisions	Total, all provisions
0 to $3,000	+16	—552	—202		—27		—10	—791	—775
$3,000 to $5,000	—3	—72	—788		—141		—45	—1,046	—1,049
$5,000 to $7,000	+3	—1	—594		—329		—75	—999	—996
$7,000 to $10,000	+7		—335	—228	—663		—130	—1,356	—1,349
$10,000 to $15,000	+26		—83	—789	—975		—111	—1,958	—1,932
$15,000 to $20,000	+23		—16	—231	—496		—55	—798	—775
$20,000 to $50,000	+90		—8	—117	—806		—135	—1,066	—976
$50,000 to $100,000	+137		—1	—7	—420	—20	—54	—502	—365
$100,000 and over	+1,081			—1	—641	—80	—35	—757	+324
Total	+1,380	—625	—2,027	—1,373	—4,498	—100	—650	—9,273	—7,893

TABLE 4.—TAX RELIEF PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS, WHEN FULLY EFFECTIVE BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS—Continued

B. AS PASSED BY THE SENATE (DEC. 11, 1969)

[In millions of dollars]

Adjusted gross income class	Reform provisions	Relief provisions: Low income allowance	$800 exemption	Tax treatment of single persons	Total relief provisions	Total, all provisions
0 to $3,000	−69	−682	−174		−856	−925
$3,000 to $5,000	−159	−719	−477		−1,196	−1,355
$5,000 to $7,000	−313	−458	−803	−7	−1,268	−1,581
$7,000 to $10,000	−492	−198	−1,645	−45	−1,888	−2,380
$10,000 to $15,000	−517		−1,875	−68	−1,943	−2,460
$15,000 to $20,000	−391		−639	−62	−701	−1,092
$20,000 to $50,000	−57		−615	−179	−794	−851
$50,000 to $100,000	+71		−139	−40	−179	−108
$100,000 and over	+682		−40	−17	−57	+625
Total	−1,245	−2,057	−6,406	−420	−8,883	−10,12

C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

[In millions of dollars]

Adjusted gross income class	Reform provisions	Relief provisions: Low income allowance	$750 exemption	15-percent $2,000 standard deduction	Maximum tax on earned income	Tax treatment of single persons	Total relief provisions	Total all provisions
0 to $3,000	+6	−682	−140				−822	−816
$3,000 to $5,000	−6	−719	−366	−10			−1,095	−1,101
$5,000 to $7,000	−4	−458	−612	−31		−7	−1,108	−1,112
$7,000 to $10,000	−5	−198	−1,244	−366		−45	−1,853	−1,858
$10,000 to $15,000	+6		−1,407	−858		−68	−2,333	−2,327
$15,000 to $20,000	−7		−480	−242		−62	−784	−791
$20,000 to $50,000	+56		−462	−125	−5	−179	−771	−715
$50,000 to $100,000	+54		−104	−8	−30	−40	−182	−128
$100,000 and over	+740		−30	−1	−135	−17	−183	+557
Total	+840	−2,057	−4,845	−1,642	−170	−420	−9,134	−8,294

Note: Details do not necessarily add to totals because of rounding.

TABLE 4A.—INDIVIDUAL INCOME TAX RELIEF PROVISIONS IN H.R. 13270, CALENDAR YEARS 1970-73

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Provision	1970	1971	1972	1973
Minimum standard deduction	$1,100–1:2 [1]	$1,100	$1,100	
Percentage standard deduction	13 percent—$1,400	14 percent—$1,700	15 percent—$2,000	
Rate reduction [2]		½ of reduction	Full reduction	
Maximum tax rate on earned income [3]	50 percent	50 percent	50 percent	
Intermediate tax treatment for certain single persons, etc.[4]		½ split income benefit	½ split income benefit	

B. AS PASSED BY THE SENATE

Minimum standard deduction	$1,000–1:4 [5]	$1,000	$1,000	
Personal exemption	$700	$800	$800	
Tax treatment of single persons		Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.	

C. AS APPROVED BY THE CONFERENCE

Minimum standard deduction	$1,100–1:2 [1]	$1,050–1:15 [6]	$1,000	$1,000.
Percentage standard deduction		13 percent—$1,500	14 percent—$2,000	15 percent—$2,000.
Personal exemption	$650 from July 1	$650	$700	$750.
Maximum tax rate on earned income [3]		60 percent	50 percent	50 percent.
Tax treatment of single persons		Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.

[1] This low-income allowance, or minimum standard deduction, is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,100) by $1 for every $2 of adjusted gross income in excess of the 1970 nontaxable level.

[2] A reduction of at least 1 percentage point in each bracket with a 5 percent or more reduction in tax in all brackets, taking place in 2 equal stages in 1971 and 1972.

[3] Under the House bill the specified maximum marginal rate is applicable to earned income; under the conference bill the specified maximum marginal rate is applicable to earned income less preference income over $30,000 in the current year or the average tax preferences in excess of $30,000 for the current year and the prior 4 years, whichever is greater.

[4] Widows and widowers, regardless of age, and single persons age 35 and over use the head of household rate schedule, i.e., tax liability halfway between that of the regular rate schedule used by single persons and the joint return schedule; surviving spouses with dependent children under age 19 or attending school would have the joint return privilege.

[5] This entire minimum standard deduction ($1,000) is "phased out" by reducing it by $1 for every $4 of adjusted gross income above the nontaxable level.

[6] This minimum standard deduction is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,050) by $1 for every $15 of adjusted gross income in excess of the 1971 nontaxable level.

TABLE 5.—TAX REFORM PROVISIONS UNDER H.R. 13270 AFFECTING INDIVIDUALS, FULL-YEAR EFFECT—BY ADJUSTED GROSS INCOME CLASS

[In millions]

A. AS PASSED BY THE HOUSE OF REPRESENTATIVES (AUG. 7, 1969)

Adjusted gross income class	Eliminate alternative tax rate on long-term gains [1]	6- to 12-month gains included at 100 percent [1]	Capital loss limitation	Pension plan provision	Life estates provision	Averaging including capital gains and 120 percent	Deferred compensation	Charitable deductions	Interest deduction	Reduced percentage depletion	Accumulation trusts	Moving expenses	Farm losses	Real estate	Tax-free dividends	Limit on tax preferences	Allocation	Total
0 to $3,000		+$1	+$5	(2)		(2)	(2)			+$1	(2)	−$1		(2)	(2)	+$10	(2)	+$16
$3,000 to $5,000		+2	+3	+$1		(2)	(2)			+1	(2)	−11		(2)	(2)	+1	(2)	−3
$5,000 to $7,000		+2	+5	+2		(2)	(2)			+2	+$1	−13		(2)	+$1	+3	(2)	+3
$7,000 to $10,000		+5	+9	+3		(2)	(2)			+2	+1	−23		+$5	+2	+3	(2)	+7
$10,000 to $15,000		+10	+15	+9		−$5	(2)			+5	+3	−29		+10	+3	+3	+$2	+26
$15,000 to $20,000		+10	+8	+6		−30	(2)			+5	+3	−10		+10	+3	+15	+3	+23
$20,000 to $50,000	+$1	+35	+16	+17	(2)	+110	(2)			+19	+16	−11		+45	+17	+10	+35	+90
$50,000 to $100,000	+11	+30	+4	+10	+$5	+105	+$5			+13	+17	−2	+$5	+50	+19	+10	+65	+137
$100,000 and over	+348	+55	(2)	+22	+5	−50	+20	+$20	+$20	+22	+29	(2)	+20	+140	+35	+30	+365	+1,081
Total	+360	+150	+65	+70	+10	−300	+25	+20	+20	+70	+70	+100	+25	+260	+80	+85	+470	+1,380

B. AS PASSED BY THE SENATE (DEC. 11, 1969)

[In millions]

Adjusted gross income class	Change alternative tax on long-term gains [1]	Capital loss limitation	Life estates provision	Averaging at 120 percent	Charitable deductions	Reduced per centage depletion	Accumulation trusts	Moving expenses	Foreign income	Farm losses	Real estate	Tax free dividends	Tax on preference income	Aged medical expenses	Transportation for disabled	Higher education expenses	Citrus grove costs	Children's exemption	Total
0 to $3,000		+$5		(2)		(2)	(2)	−$1			(2)	(2)	+$2	−$2	−$1	−$70		−$2	−$69
$3,000 to $5,000		+3		(2)		+$1	+$1	−12			(2)	(2)	(2)	−6	−8	−130		−8	−159
$5,000 to $7,000		+5		(2)		+1	+1	−14	(2)		(2)	+$1	(2)	−13	−18	−260	(2)	−16	−313
$7,000 to $10,000		+9		(2)		+1	+1	−26	+$1		+$5	+2	(2)	−18	−33	−410	(2)	−24	−492
$10,000 to $15,000		+15		−$5		+2	+5	−32	+3		+10	+3	(2)	−26	−20	−455	(2)	−17	−517
$15,000 to $20,000		+8		−20		+2	+6	−11	+10		+10	+3	(2)	−15	−5	−375	(2)	−4	−391
$20,000 to $50,000	+$1	+16	(2)	−45		+8	+30	−12	+10		+40	+17	+48	−65	−4	−100	+$2	−3	−57
$50,000 to $100,000	+7	+4	+$5	−30		+5	+32	−2	+1	+$5	+45	+19	+28	−49	−1		+3	−1	+71
$100,000 and over	+242	(2)	+5	−10	+$20	+10	+54	(2)	(2)	+20	+125	+35	+207	−31	(2)		+5	(2)	+682
Total	+250	+65	+10	−110	+20	+30	+130	−110	+25	+25	+235	+80	+285	−225	−90	−1,800	+10	−75	−1,245

C. AS APPROVED BY THE CONFERENCE (DEC. 19, 1969)

[In millions]

Adjusted gross income class	Change alternative tax on long-term gains [1]	Capital loss limitation	Pension plan provision	Life estates provision	Averaging including capital gains and 120 percent	Charitable deductions	Interest deduction	Reduced percentage depletion	Accumulation trusts	Moving expenses	Farm losses	Real estate	Tax free dividends	Tax on preference income	Citrus grove costs	Total
0 to $3,000		+$5	(2)		(2)			(2)	(2)	−$1		(2)	(2)	+$2		+$6
$3,000 to $5,000		+3	+$1		(2)			+$1	+$1	−12		(2)	(2)	(2)		−6
$5,000 to $7,000		+5	+2		(2)			+1	+1	−14		(2)	+$1	(2)	(2)	−4
$7,000 to $10,000		+9	+3		(2)			+1	+1	−26		+$5	+2	(2)	(2)	−5
$10,000 to $15,000		+15	+8		−$5			+3	+4	−32		+10	+3	(2)	(2)	+6
$15,000 to $20,000		+8	+5		−30			+3	+5	−11		+10	+3	(2)	(2)	−7
$20,000 to $50,000	+$1	+16	+14	(2)	−110			+11	+27	−12		+42	+17	+48	+$2	+56
$50,000 to $100,000	+7	+4	+8	+$5	−105			+7	+28	−2	+$5	+47	+19	+28	+3	+54
$100,000 and over	+267	(2)	+19	+5	−50	+$20	+$20	+13	+48	(2)	+20	+131	+35	+207	+5	+740
Total	+275	+65	+60	+10	−300	+20	+20	+40	+115	−110	+25	+245	+80	+285	+10	+840

[1] Assumes ½ of effect as compared with no change in realization. [2] Less than $500,000.

TABLE 6.—REVENUE ESTIMATES, TAX REFORM UNDER H.R. 13270, CALENDAR YEAR LIABILITY [1]

[In millions of dollars]

Provision	As passed by the House of Representatives					As passed by the Senate					As approved by the conference				
	1970	1971	1972	1974	Long run	1970	1971	1972	1974	Long run	1970	1971	1972	1974	Long run
Corporate capital gains	175	175	175	175	140	175	175	175	175	175	105	175	175	175	175
Foundations	65	70	75	85	100	20	25	25	25	30	35	35	40	45	55
Unrelated business income	5	5	5	5	20	5	5	5	5	20	5	5	5	5	20
Contributions	5	10	20	20	50	5	10	20	20	20	5	10	20	20	20
Farm losses	(2)	5	10	10	25	25	25	25	25	25	(2)	5	10	10	25
Moving expenses	−100	−100	−100	−100	−100	−110	−110	−110	−110	−110	−110	−110	−110	−110	−01
Railroad amortization [3]	(2)	−5	−[4]15	−[4]60	−[4]85	−125	−115	−160	−185	−105	−105	−95	−140	−165	−85
Amortization of pollution facilities [3]	−40	−130	−230	−380	−400	−15	−40	−70	−115	−120	−15	−40	−70	−115	−120
Corporate mergers, etc	10	20	25	40	70	(2)	(2)	(2)	(2)	(2)	5	10	15	25	40
Multiple corporations	[4]45	[4]75	[4]105	[4]175	235	30	70	120	235	235	25	60	100	195	235
Accumulation trusts	50	70	70	70	70	5	10	35	60	130	10	25	35	55	115
Income averaging	−300	−300	−300	−300	−300	−110	−110	−110	−110	−110	−300	−300	−300	−300	−300
Deferred compensation:															
Restricted stock	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Other deferred compensation	(2)	(2)	5	10	25										

Footnotes at end of table.

TABLE 6.—REVENUE ESTIMATES, TAX REFORM UNDER H.R. 13270, CALENDAR YEAR LIABILTY [1]—Continued

[In millions of dollars]

Provision	As passed by the House of Representatives					As passed by the Senate					As approved by the conference				
	1970	1971	1972	1974	Long run	1970	1971	1972	1974	Long run	1970	1971	1972	1974	Long run
Stock dividends	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	[2]()	(2)	(2)	(2)	(2)	(2)
Subchapter S	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Tax-free dividends				80	80				80	80				80	80
Financial institutions:															
Commercial banks:															
Reserves	250	250	250	250	250	225	150	125	100	100	225	150	125	100	250
Capital gains	50	50	50	50	50	(2)	5	5	10	50	5	10	15	25	50
Mutual thrift reserves:															
Savings and loan associations	10	25	35	60	125	10	20	30	40	40	20	35	45	60	85
Mutual savings banks	(2)	5	10	15	35	20	25	30	35	35	25	25	30	30	35
Tax-exempt interest	(2)	(2)	(2)	(2)	(2)										
Individual capital gains:															
Capital loss provisions	50	50	55	60	65	50	50	55	60	65	50	50	55	60	65
6-months-1 year holding period [6]	100	150	150	150	150										
Pension plans	(2)	5	10	25	70						(2)	5	10	20	60
Casualty loss	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Sale of papers	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Life estates	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Franchises	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Alternative rate provision [6]	360	360	360	360	360	150	200	250	250	250	165	220	275	275	275
Natural resources:															
Production payment	100	110	125	150	200	100	110	125	150	200	110	110	125	150	200
Percentage depletion	400	400	400	400	400	150	150	150	150	150	235	235	235	235	235
Foreign depletion	25	10	(2)	(2)	(2)										
Foreign income:															
Loss carryover	35	35	35	35	35										
Restriction on mineral credits	30	30	30	30	30										
Reduced exclusion						25	25	25	25	25					
Individual interest deduction	20	20	20	20	20								20	20	20
Regulated utilities [3 5]	60	140	185	260	310	60	140	185	260	310	60	140	185	260	310
Cooperatives	(2)	(2)	(2)	(2)	(2)										
Limit on tax preferences	40	50	60	70	85										
Allocation	205	420	425	440	470										
Tax on preference income						630	635	645	670	680	590	595	600	625	635
Real estate:															
Used property [3 5]	15	40	65	150	250	15	35	55	125	210	15	35	55	130	220
New nonhousing [3 5]	(2)	60	170	435	960	(2)	60	170	435	960	(2)	60	170	435	960
Capital gain, recapture	5	15	25	50	125	(2)	5	10	20	50	(2)	10	15	30	80
Rehabilitation [3 5]	−15	−50	−100	−200	−330	−15	−50	−100	−200	−330	−15	−50	−100	−200	−330
Medical expenses for aged						−225	−225	−225	−225	−225					
Transportation deduction for disabled						−90	−90	−90	−90	−90					
Exemption for foster children						(2)	(2)	(2)	(2)	(2)					
Revision of children's support test						−75	−75	−75	−75	−75					
Capitalization of citrus grove expenses						5	10	10	10	10	5	10	10	10	10
Credit for education expense								−1,800	−1,800	−1,800					
Total tax reform	[4] 1,665	[4] 2,080	[4] 2,215	[4] 2,650	[4] 3,605	915	1,135	−455	65	895	1,150	1,430	1,660	2,195	3,320
Plus investment credit	2,500	3,000	3,000	3,100	3,300	1,710	2,200	2,200	2,300	2,510	2,500	2,990	2,990	3,090	3,300
Total	[4] 4,165	[4] 5,080	[4] 5,215	[4] 5,750	[4] 6,905	2,625	3,335	1,745	2,365	3,405	3,650	4,420	4,650	5,285	6,620

[1] Except as indicated these estimates are all at current levels, the time difference being solely to show the phasein.
[2] Less than $2,500,000.
[3] The figures in the "long run" columns are for 1979.
[4] Revised.
[5] Assumes growth.
[6] Assumes ½ of effect as compared with no change in realization.

Note: Calendar year 1969 estimates, not shown above, are as follows: Under the House bill and the Conference bill repeal of the investment credit $900,000,000 and under the Senate bill amendment of the investment credit $370,000,000; under the House bill corporate capital gains $75,000,000, multiple corporations $20,000,000, accumulation trusts $20,000,000, and individual capital gains $175,000,000.

TABLE 7.—TAXABLE RETURNS UNDER PRESENT LAW AND NUMBER MADE NONTAXABLE BY RELIEF PROVISOINS OF H.R. 13270

[Number of returns in thousands]

Adjusted gross income class	Returns taxable under present law	Returns made nontaxable by low-income allowance and 15 percent $2,000 standard deduction [2]	Returns remaining taxable—but benefiting from the relief provisions [2]
A. AS PASSED BY THE HOUSE OF REPRESENTATIVES [1] (AUG. 7, 1969)			
0 to $3,000	10,053	5,149	4,904
$3,000 to $5,000	9,562	405	9,157
$5,000 to $7,000	9,779	24	9,755
$7,000 to $10,000	13,815	8	13,807
$10,000 to $15,000	13,062	4	13,058
$15,000 to $20,000	3,852	2	3,850
$20,000 to $50,000	2,594		2,594
$50,000 to $100,000	340		340
$100,000 and over	95		95
Total	63,152	5,592	57,560

Adjusted gross income class	Returns taxable under present law	Returns made nontaxable by low income allowance and $800 exemption	Returns remaining taxable—but benefiting from the relief provision
B. AS PASSED BY THE SENATE [3] (DEC. 11, 1969)			
0 to $3,000	10,053	6,111	3,942
$3,000 to $5,000	9,562	1,445	8,117
$5,000 to $7,000	9,779	570	9,209
$7,000 to $10,000	13,815	211	13,604
$10,000 to $15,000	13,062	36	13,026
$15,000 to $20,000	3,852		3,852
$20,000 to $50,000	2,594		2,594
$50,000 to $100,000	340		340
$100,000 and over	95		95
Total	63,152	8,373	54,779

Adjusted gross income class	Returns taxable under present law	Returns made nontaxable by low-income allowance, 15 percent $2,000 standard deduction and $750 exemption	Returns remaining taxable—but benefiting from the relief provisions
C. AS APPROVED BY THE CONFERENCE [4] (DEC. 19, 1969)			
0 to $3,000	10,053	5,846	4,207
$3,000 to $5,000	9,562	1,131	8,431
$5,000 to $7,000	9,779	424	9,355
$7,000 to $10,000	13,815	172	13,643
$10,000 to $15,000	13,062	28	13,034
$15,000 to $20,000	3,852	2	3,850
$20,000 to $50,000	2,594		2,594
$50,000 to $100,000	340		340
$100,000 and over	95		95
Total	63,152	7,603	55,549

[1] Provisions effective for tax year 1972 and thereafter.
[2] Revised.
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 8.—TAX BURDEN ON THE SINGLE PERSON UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE [4]

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Single persons under 35 (other than widows and widowers)				Single persons 35 and over (and widows and widowers at any age)		
	Tax under present law	Tax under H.R. 13270	Tax decrease		Tax under H.R. 13270	Tax decrease	
			Amount	Percentage		Amount	Percentage
$900	0	0	0	0	0	0	0
$1,700	$115	0	$115	100.0	0	$115	100.0
$1,750	123	$7	116	94.3	$7	116	94.3
$1,800	130	13	117	90.0	13	117	90.0
$3,000	329	180	149	45.3	175	154	46.0
$3,500	415	258	157	37.8	250	165	39.8
$4,000	500	344	156	31.2	331	169	33.8
$5,000	671	524	147	21.9	501	170	25.3
$7,500	1,168	1,023	145	12.4	957	211	18.1
$10,000	1,742	1,507	235	13.5	1,399	343	19.7
$12,500	2,398	2,078	320	13.3	1,907	491	20.5
$15,000	3,154	2,806	348	11.0	2,532	622	19.7
$17,500	3,999	3,683	316	7.9	3,250	749	18.7
$20,000	4,918	4,650	268	5.4	4,042	876	17.8
$25,000	6,982	6,566	416	6.0	5,643	1,339	19.2

2. AS PASSED BY THE SENATE

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$900	0	0	0	0
$1,700	$115	0	$115	100.0
$1,750	123	0	123	100.0
$1,800	130	0	130	100.0
$3,000	329	$177	152	46.2
$3,500	415	259	156	37.6
$4,000	500	348	152	30.4
$5,000	671	538	133	19.8
$7,500	1,168	1,047	121	10.4
$10,000	1,742	1,640	102	5.9
$12,500	2,398	2,212	186	7.8
$15,000	3,154	2,833	321	10.2
$17,500	3,999	3,505	494	12.4
$20,000	4,918	4,238	680	13.8
$25,000	6,982	5,876	1,106	15.8

3. AS APPROVED BY THE CONFERENCE

Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$900	0	0	0	0
$1,700	$115	0	$115	100.0
$1,750	123	0	123	100.0
$1,800	130	$7	123	94.6
$3,000	329	185	144	43.8
$3,500	415	267	147	35.5
$4,000	500	357	143	28.5
$5,000	671	547	124	18.4
$7,500	1,168	1,031	136	11.7
$10,000	1,742	1,530	212	12.2
$12,500	2,398	2,059	339	14.2
$15,000	3,154	2,702	452	14.3
$17,500	3,999	3,442	556	13.9
$20,000	4,918	4,255	663	13.5
$25,000	6,982	5,895	1,087	15.6

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Single persons under 35 (other than widows and widowers)				Single persons 35 and over (and widows and widowers at any age)		
	Tax under present law	Under H.R. 13270	Tax decrease		Under H.R. 13270	Tax decrease	
			Amount	Percentage		Amount	Percentage
$900	0	0	0	0	0	0	0
$1,700	$114	0	$114	100.0	0	$114	100.0
$1,750	120	$7	113	94.2	$7	113	94.2
$1,800	126	13	113	89.7	13	113	89.7
$3,000	286	180	106	37.1	175	111	38.8
$3,500	361	258	103	28.5	250	111	30.7
$4,000	439	344	95	21.6	331	108	24.6
$5,000	595	524	71	11.9	501	94	15.8
$7,500	1,031	976	55	5.3	915	115	11.3
$10,000	1,530	1,438	92	6.0	1,336	194	12.7
$12,500	2,092	1,976	116	5.5	1,816	276	13.2
$15,000	2,734	2,580	154	5.6	2,342	392	14.3
$17,500	3,460	3,265	195	5.6	2,910	550	15.9
$20,000	4,252	4,016	236	5.6	3,520	732	17.2
$25,000	6,025	5,688	337	5.6	4,905	1,120	18.6

TABLE 8.—TAX BURDEN ON THE SINGLE PERSON UNDER PRESENT LAY [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE [4]—Continued

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME—Continued

2. AS PASSED BY THE SENATE

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$900	0	0	0	0
$1,700	$114	0	$114	100.0
$1,750	120	0	120	100.0
$1,800	126	0	126	100.0
$3,000	286	$177	109	38.1
$3,500	361	259	102	28.3
$4,000	439	348	91	20.7
$5,000	595	538	57	9.6
$7,500	1,031	974	57	5.5
$10,000	1,530	1,446	84	5.5
$12,500	2,092	1,953	139	6.6
$15,000	2,734	2,495	239	8.7
$17,500	3,460	3,080	380	11.0
$20,000	4,252	3,706	546	12.8
$25,000	6,025	5,122	903	15.0

3. AS APPROVED BY THE CONFERENCE

Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$900	0	0	0	0
$1,700	$114	0	$114	100.0
$1,750	120	0	120	100.0
$1,800	126	$7	119	94.5
$3,000	286	185	101	35.4
$3,500	361	267	94	26.0
$4,000	439	357	82	18.6
$5,000	595	547	48	8.0
$7,500	1,031	984	47	4.6
$10,000	1,530	1,458	72	4.7
$12,500	2,092	1,965	127	6.1
$15,000	2,734	2,509	225	8.3
$17,500	3,460	3,094	366	10.6
$20,000	4,252	3,722	530	12.5
$25,000	6,025	5,140	885	14.7

[1] Exclusive of tax surcharge.
[2] Provisions effective for tax year 1972 and thereafter
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 9.—TAX BURDEN ON THE MARRIED COUPLE WITH NO DEPENDENTS UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE [4]

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$1,600	0	0	0	0
$2,300	$98	0	$98	100.0
$2,500	126	$26	100	79.4
$2,600	140	39	101	72.1
$3,000	200	91	109	54.5
$3,500	275	158	117	42.5
$4,000	354	228	126	35.6
$5,000	501	375	126	25.1
$7,500	915	792	123	13.4
$10,000	1,342	1,174	168	12.5
$12,500	1,831	1,599	232	12.7
$15,000	2,335	2,098	237	10.1
$17,500	2,898	2,669	229	7.9
$20,000	3,484	3,276	208	6.0
$25,000	4,796	4,530	266	5.5

2. AS PASSED BY THE SENATE

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$1,600	0	0	0	0
$2,300	$98	0	$98	100.0
$2,500	126	0	126	100.0
$2,600	140	0	140	100.0
$3,000	200	$56	144	72.0
$3,500	275	126	149	54.2
$4,000	354	200	154	43.5
$5,000	501	354	147	29.3
$7,500	915	791	124	13.6
$10,000	1,342	1,266	76	5.7
$12,500	1,831	1,743	88	4.8
$15,000	2,335	2,238	97	4.2
$17,500	2,898	2,798	100	3.5
$20,000	3,484	3,372	112	3.2
$25,000	4,796	4,668	128	2.7

TABLE 9.—TAX BURDEN ON THE MARRIED COUPLE WITH NO DEPENDENTS UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES [2] AS PASSED BY THE SENATE [3] AND AS APPROVED BY THE CONFERENCE [4]—Con.

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

3. AS APPROVED BY THE CONFERENCE

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$1,600	0	0	0	0
$2,300	$98	0	$98	100.0
$2,500	126	0	126	100.0
$2,600	140	$14	126	90.0
$3,000	200	70	130	65.0
$3,500	275	140	135	49.1
$4,000	354	215	139	39.3
$5,000	501	370	131	26.2
$7,500	915	786	128	14.0
$10,000	1,342	1,190	152	11.3
$12,500	1,831	1,628	203	11.1
$15,000	2,335	2,150	185	7.9
$17,500	2,898	2,760	138	4.8
$20,000	3,484	3,400	84	2.4
$25,000	4,796	4,700	96	2.0

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

$1,600	0	0	0	0
$2,300	$96	0	$96	100.0
$2,500	119	$26	93	78.2
$2,600	130	39	91	70.0
$3,000	179	91	88	49.2
$3,500	241	158	83	34.4
$4,000	303	228	75	24.8
$5,000	434	375	59	13.6
$7,500	801	751	50	6.2
$10,000	1,190	1,120	70	5.9
$12,500	1,611	1,521	90	5.6
$15,000	2,062	1,951	111	5.4
$17,500	2,548	2,405	143	5.6
$20,000	3,060	2,876	184	6.0
$25,000	4,184	3,951	233	5.6

2. AS PASSED BY THE SENATE

$1,600	0	0	0	0
$2,300	$96	0	$96	100.0
$2,500	119	0	119	100.0
$2,600	130	0	130	100.0
$3,000	179	$56	123	68.7
$3,500	241	126	115	47.7
$4,000	303	200	103	34.0
$5,000	434	354	80	18.5
$7,500	801	725	76	9.5
$10,000	1,190	1,114	76	6.4
$12,500	1,611	1,523	88	5.5
$15,000	2,062	1,974	88	4.3
$17,500	2,548	2,448	100	3.9
$20,000	3,060	2,960	100	3.3
$25,000	4,184	4,072	112	2.7

3. AS APPROVED BY THE CONFERENCE

$1,600	0	0	0	0
$2,300	$96	0	$96	100.0
$2,500	119	0	119	100.0
$2,600	130	$14	116	89.3
$3,000	179	70	109	60.9
$3,500	241	140	101	41.8
$4,000	303	215	88	29.0
$5,000	434	370	64	14.8
$7,500	801	744	57	7.1
$10,000	1,190	1,133	57	4.8
$12,500	1,611	1,545	66	4.1
$15,000	2,062	1,996	66	3.2
$17,500	2,548	2,473	75	2.9
$20,000	3,060	2,985	75	2.5
$25,000	4,184	4,100	84	2.0

[1] Exclusive of tax surcharge.
[2] Provisions effective for tax year 1972 and thereafter.
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 10.—TAX BURDEN ON THE MARRIED COUPLE WITH 2 DEPENDENTS UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE [4]

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage
$3,000	0	0	0	0
$3,500	$70	0	$70	100.0
$4,000	140	$65	75	53.6
$4,200	170	91	79	46.5
$5,000	290	200	90	31.0
$7,500	687	576	111	16.2
$10,000	1,114	958	156	14.0
$12,500	1,567	1,347	220	14.0
$15,000	$2,062	$1,846	$216	10.5
$17,500	2,598	2,393	205	7.9
$20,000	3,160	2,968	192	6.1
$25,000	4,412	4,170	242	5.5

TABLE 10.—TAX BURDEN ON THE MARRIED COUPLE WITH 2 DEPENDENTS UNDER PRESENT LAW [1] AND UNDER H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES,[2] AS PASSED BY THE SENATE,[3] AND AS APPROVED BY THE CONFERENCE [4]—Continued

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME—Continued

2. AS PASSED BY THE SENATE

$3,000	0	0	0	0
$3,500	$70	0	$70	100.0
$4,000	140	0	140	100.0
$4,200	170	0	170	100.0
$5,000	290	$112	178	61.4
$7,500	687	501	186	27.1
$10,000	1,114	962	152	13.6
$12,500	1,567	1,391	176	11.2
$15,000	2,062	1,886	176	8.5
$17,500	2,598	2,398	200	7.7
$20,000	3,160	2,960	200	6.3
$25,000	4,412	4,184	228	5.2

3. AS APPROVED BY THE CONFERENCE

$3,000	0	0	0	0
$3,500	$70	0	$70	100.0
$4,000	140	0	140	100.0
$4,200	170	$28	142	83.5
$5,000	290	140	150	51.7
$7,500	687	514	173	25.2
$10,000	1,114	905	209	18.8
$12,500	1,567	1,309	258	16.5
$15,000	2,062	1,820	242	11.7
$17,500	2,598	2,385	213	8.2
$20,000	3,160	3,010	150	4.8
$25,000	4,412	4,240	172	3.9

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

1. AS PASSED BY THE HOUSE OF REPRESENTATIVES

$3,000	0	0	0	0
$3,500	$66	0	$66	100.0
$4,000	123	$65	58	47.2
$4,200	147	91	56	38.1
$5,000	245	200	45	18.4
$7,500	578	540	38	6.6
$10,000	962	904	58	6.0
$12,500	1,352	1,273	79	5.8
$15,000	1,798	1,699	99	5.5
$17,500	2,249	2,130	119	5.3
$20,000	2,760	2,600	160	5.8
$25,000	3,848	3,627	221	5.7

2. AS PASSED BY THE SENATE

$3,000	0	0	0	0
$3,500	$66	0	$66	100.0
$4,000	123	0	123	100.0
$4,200	147	0	147	100.0
$5,000	245	$112	133	54.0
$7,500	578	442	136	23.3
$10,000	962	810	152	15.5
$12,500	1,352	1,200	152	11.8
$15,000	1,798	1,622	176	9.2
$17,500	2,249	2,073	176	7.8
$20,000	2,760	2,560	200	7.8
$25,000	3,848	3,624	244	5.2

C. AS APPROVED BY THE CONFERENCE

$3,000	0	0	0	0
$3,500	$66	0	$66	100.0
$4,000	123	0	123	100.0
$4,200	147	$28	119	80.9
$5,000	245	140	105	42.9
$7,500	578	476	102	17.7
$10,000	962	848	114	11.9
$12,500	1,352	1,238	114	8.4
$15,000	1,798	1,666	132	7.3
$17,500	2,249	2,117	132	5.9
$20,000	2,760	2,610	150	5.4
$25,000	3,848	3,680	168	4.4

[1] Exclusive of tax surcharge.
[2] Provis ons effective for tax year 1972 and thereafter.
[3] Provisions effective for tax year 1971 and thereafter.
[4] Provisions effective for tax year 1973 and thereafter.

TABLE 11.—EFFECT OF H.R. 13270 AS PASSED BY THE HOUSE OF REPRESENTATIVES, AS PASSED BY THE SENATE, AND AS APPROVED BY THE CONFERENCE, FISCAL YEAR RECEIPTS, 1970 AND 1971

[In billions]

As passed by the House of Representatives		
	Fiscal year	
Provision	1970	1971
Tax reform provisions (+):		
Corporation	+$0.4	+$1.0
Individual	+.3	+.6
Total, tax reform provisions	+.7	+1.6
Tax relief provisions (−): Individual	−.7	−3.6
Other provisions (+):		
Repeal of investment credit:		
Corporation	+.9	+1.9
Individual	+.4	+.6
Total, repeal of investment credit	+1.3	+2.5
Extension of tax surcharge:		
Corporation	+.3	+.7
Individual	+1.7	+.4
Total, surcharge extension	+2.0	+1.1
Extension of excise taxes	+.5	+1.1
Total, other provisions	+3.8	+4.7
Total, all provisions	+3.8	+2.7

As passed by the Senate		
	Fiscal year	
Provision	1970	1971
Tax reform provisions (+):		
Corporation [1]	+$0.2	+$0.9
Individual [2]	(3)	(3)
Total, tax reform provisions	+.2	+.9
Tax relief provisions (−):		
Individual [4]	−1.7	−6.1
Other provisions (+):		
Repeal of investment credit:		
Corporation	+.7	+1.6
Individual	(3)	+.1
Total, repeal of investment credit	+.7	+1.7
Extension of tax surcharge:		
Corporation	+.3	+.7
Individual	+1.7	+.4
Total, surcharge extension	+2.0	+1.1
Extension of excise taxes	+.5	+1.1
Total, other provisions	+3.2	+3.9
Total, all provisions	+1.7	−1.3

As approved by the conference		
	Fiscal year	
Provision	1970	1971
Tax reform provisions (+):		
Corporation [1]	+$0.2	+$0.9
Individual [2]	(3)	+.2
Total, tax reform provisions	+.2	+1.1
Tax relief provisions (−):		
Individual [4]	−.3	−3.1
Other provisions (+):		
Repeal of investment credit:		
Corporation	+.9	+1.9
Individual	+.4	+.6
Total, repeal of investment credit	+1.3	+2.5
Extension of tax surcharge:		
Corporation	+.3	+.7
Individual	+1.7	+.4
Total, surcharge extension	+2.0	+1.1
Extension of excise taxes	+.5	+1.1
Total, other provisions	+3.8	+4.7
Total, all provisions	+3.7	+2.7

[1] Does not reflect the increase in tax receipts resulting from the imposition of increased penalties for failure to pay tax and make deposits when due.

[2] Does not reflect increase in tax receipts resulting from the imposition of increased penalties for failure to pay tax and make deposits when due; nor the increase in receipts resulting from the provisions regarding the reporting of medical payments for which data are not available.

[3] Less than $50,000,000.

[4] Does not reflect $200,000,000 reduction in receipts resulting from certification of nontaxability for withholding tax purposes.

TABLE 12.—EFFECT OF MAJOR SOCIAL SECURITY AMENDMENTS IN H.R. 13270

[In billions]

	1970	1971	1972	1973	1974
A. AS PASSED BY THE SENATE					
Calendar years: [1]					
Benefits (−)	−$5.7	−$6.4	−$6.4	−$6.4	−$6.4
Tax (+)				+6.7	+6.7
Total	−5.7	−6.4	−6.4	+.3	+.3
Fiscal years: [1]					
Benefits (−)	−2.6	−6.3	−6.4	−6.4	−6.4
Tax (+)				+.7	+6.7
Total	−2.6	−6.3	−6.4	−5.7	+.3
B. AS APPROVED BY THE CONFERENCE					
Calendar years: [1]					
Benefits (−)	−$3.9	−$4.4	−$4.4	−$4.4	$4.4
Fiscal years: [1]					
Benefits (−)	−1.8	−4.3	−4.4	−4.4	−4.4

[1] These estimates are at present levels.

Mr. MILLS. Mr. Speaker, I yield 15 minutes to the gentleman from Wisconsin (Mr. BYRNES).

(Mr. BYRNES of Wisconsin asked and was given permission to revise and extend his remarks and to include extraneous material.)

Mr. BYRNES of Wisconsin. Mr. Speaker, we approach the end of a long, arduous, and at times very frustrating journey.

I am finishing my 24th year on the Ways and Means Committee, and in that time we have had some major undertakings in the field of trade, social security, and taxes, but I do not know of any legislation that has consumed more of our time than the consideration of the arduous task we undertook almost a year ago.

We have had a number of major reforms in the Tax Code since it was originally enacted in 1913. The general revision of 1939 was followed 15 years later by the basic revisions of 1954. I was involved in the basic reform of 1954, and it took a considerable period of time to produce the final product. Now, 15 years later, we have accomplished this basic revision during the current year.

I suppose we might ask the question, have the frustrations and the long hours and all that went into it been worthwhile? While I must confess that I am not elated at the results, since I had hoped for more than has been accomplished, I must conclude that it has been a worthwhile undertaking. It may be that my hopes were exaggerated. There were those who told us last year and again earlier this year, that Congress would not undertake meaningful reform of the Internal Revenue Code, that it was an impossibility, that it was something that would always be deferred. We have accomplished something that many said was not within the capability of the Congress, so maybe I should be elated when it is put in that context.

I am disappointed, however, because we cannot, Mr. Speaker, say that no one with substantial income will escape taxes.

Mr. LANDRUM. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Georgia.

Mr. LANDRUM. Mr. Speaker, we have heard the gentleman from Wisconsin talk about his hopes being abridged and his appreciation for what has been accomplished, and about not as much being accomplished as he had hoped for. I think I can speak for the majority, or I think when I say this I will be expressing the feelings of the majority of the Ways and Means Committee, that except for the diligent efforts of the distinguished chairman, the gentleman from Arkansas, and the distinguished ranking minority member, the gentleman from Wisconsin, in keeping all the members of the committee and the staff at work day and night over a longer period of time than I have known a committee to be kept at work since I have been a Member of this House, this would not have been accomplished, and the monumental task that has been accomplished is due in no small measure to the combined efforts of the distinguished gentleman from Arkansas, and the distinguished gentleman from Wisconsin.

Mr. Speaker, I am glad to have been a part of the group that these gentlemen led to this accomplishment.

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

Mr. BYRNES of Wisconsin. I yield to the gentleman from Arkansas.

Mr. MILLS. Mr. Speaker, certainly I do not want the gentleman from Wisconsin to conclude his remarks and take his seat without my having an opportunity to thank the gentleman from Wisconsin from the bottom of a very grateful heart for the very splendid and wonderful cooperation that he gave, as well as the members of the committee on his side and the members on my own side of the aisle in developing this bill, first of all, in the Ways and Means Committee.

Then, Mr. Speaker, I want to thank the gentleman from Wisconsin again for standing as he did, along with the other members of the conference, to see to it that we developed in conference a conference report that could take on at least the characteristics of fiscal responsibility and the characteristics of tax reform.

I thank the gentleman, because without him none of this would have been possible.

Mr. BYRNES of Wisconsin. I thank the chairman most deeply.

I suppose some of my disappointment

results from the fact that we cannot say that no one with substantial income will be able to escape the payment of his fair share of taxes, since there are areas we did not come to grips with for one reason or another.

One of them, mentioned by the chairman, is the use of municipal bonds. Also, we did not do as much as we had hoped to do or as the House did in the area of closing the use of intangible drilling costs to reduce taxes. Presently, we allow these costs to be expensed rather than capitalized.

Additionally, the continuation of the special 200 percent declining balance and sum of the years digit methods of real estate depreciation on residential housing leaves avenues open to reduce or escape taxation.

There are justifications for the conference action in relaxing the House bill in this area, because of the great need for an increase in housing in this country. But the point still remains that some of these avenues have not been completely closed.

It is also regrettable that the reform represented by rate changes which were contained in the House bill and in the Senate Finance Committee bill were scuttled in the conference argument. It is rate reform, I would tell my colleagues, that is needed if we are to provide an equitable change in the tax burden on our people.

It is rate reform that will provide equity for the great mass of Americans in the middle income group. There was a complaint about the bill as it originally passed the House committee, because we did not recognize the problem of the individual in the middle income level who pays high State and local taxes, meets high interest payments on his home mortgage, and incurs high medical costs that prevent him from benefiting from the increase in the standard deduction. Similarly, the middle income groups will not benefit from the low-income allowance.

After the bill was reported from the Ways and Means Committee we recognized this gap, and the committee met again after it filed its report to provide rate changes benefiting the middle income groups as well as all other taxpayers. I must report to you that those rate changes, which were also included in the bill that passed the Senate Finance Committee, have been eliminated from the bill.

On the other hand, I would not want my disappointments to indicate that all of the work and effort underlying this bill have not been worth while, because they have been. The great majority of devices used to reduce or escape taxation have been materially limited.

While I disagree with some of the details of our final proposal—particularly the deletion of any reform in the area of tax exempt bonds—I do recommend the final bill to the House of Representatives.

By and large it combines most of the better elements in both the House and Senate bills.

In this connection, it is appropriate to emphasize the singularly unstinting efforts throughout the last year of the dedicated and able chief of staff of the Joint Committee on Internal Revenue Taxation, Dr. Woodworth, and his fine staff, and the Assistant Secretary and Deputy Assistant Secretary of Treasury for Tax Policy, Mr. Edwin Cohen and Mr. John Nolan, and their staffs. At the same time, I want to emphasize the contribution made by Mr. Ed Craft and his staff in the House legislative counsel's office in working long hours in the difficult task of drafting this legislation and the conference report. For a solid year these people have been burning the midnight oil to assist both the Ways and Means Committee and the Senate Finance Committee, as well as the conference committee to produce this monumental legislation.

I will not go into great detail, as this is provided in the conference report that is available to all the members and since our able chairman has provided his usual thorough and accurate explanation of the details of this bill. As one who has worked long and hard for tax reform, I do want to point out that this bill does represent a real accomplishment in three fundamental areas.

First, it increases tax equity by substantially closing loopholes that have enabled some citizens to avoid paying their fair share of taxes while imposing unduly heavy burdens on other citizens. When the tax reform bill was before the House in August, I pointed out that comprehensive reforms were recommended in nearly every major area of our Federal income tax law. These reforms have enabled us to include a program of tax relief that will reduce the unduly heavy burdens borne by the average American taxpayer who has for too long carried more than his fair share of the load. The tax reforms recommended will, in the long run, raise $6.6 billion, and the relief provided will total over $9 billion. This relief includes improved tax equity for single people, a liberalized standard deduction, and a low income allowance that will remove over 5 million low-income individuals from the tax rolls. A phased-in increase in the personal exemption from its present level of $600 to $750 is also included. The personal exemption, which was last increased from $500 to $600 by a Republican Congress in 1948, has long been considered inadequate.

The conferees also retained a fundamental improvement in the relief provisions of the House tax bill that will insure that no one will pay a higher marginal rate on their earned income than 50 percent. By insuring that the Federal Government will not be more than an equal partner, in the income earned by our citizens, a substantial reduction in incentive to avoid taxes through loopholes and a fundamental improvement in equity was achieved.

Second, the final bill takes an important step in the direction of a goal that I have consistently worked for—simplification of our complex tax laws for the average taxpayer. The conference agreement includes provisions that were in the House bill for liberalizing the standard deduction for the first time since this provision was enacted a quarter of a century ago. The standard deduction permits an individual to file a very simple return, but present law limits the standard deduction to 10 percent of an individual's income, or $1,000, whichever is less. The final bill would increase these limitations in stages to 15 percent of adjusted gross income subject to a $2,000 ceiling. This will enable 8.4 million individuals who now itemize to utilize the standard deduction and file the simplified return. The percentage of taxpayers using the standard deduction will increase from 58 percent to 70 percent.

In recent years, the Ways and Means Committee has addressed itself to the problem of taxpayers with fluctuations in income from year to year, who under our progressive tax rate schedule bear an unduly heavy tax burden. In the 1964 Revenue Act, Congress attempted to alleviate this "bunched income problem," by enacting the income averaging provisions, which permit an individual to even out the fluctuations in income—to average out the "bunching."

For many individuals, however, income averaging represents the greatest complexity in the law. This complexity largely stems from provisions of present law that deny income averaging to capital gains and income from gifts. Instead of computing simple averages, a taxpayer must net out these items through elaborate computations in the base period and the current taxable year. The House bill extended income averaging to capital gains and income from gifts, and also made income averaging available to citizens with smaller fluctuations in income than is required by provisions of existing law. These improvements, which were retained by the conferees, will greatly simplify the tax forms and enable the typical individual with bunched income problems to utilize the income averaging provisions.

Third, the conference agreement includes amendments that will provide fundamental improvements in the administration of our tax laws as they affect the American taxpayer. The Tax Court of the United States will be made an article one court with powers to enforce its own subpenas and other improvements that will enable it to more efficiently discharge its growing volume of business. Additionally, a procedure for adjudicating small claims is provided that will be informal, expeditious, and inexpensive. This procedure will be available in many other areas beyond the 50 cities in which the Tax Court now holds hearings. Under present law the expenses of litigation, the judicial formality necessarily associated with a transcript and written opinions, and the inconvenience and expense of travel impose a burden on the average taxpayer that dissuades him from seeking an independent judicial hearing in view of the small amount of taxes that may be in controversy. The new procedure will provide every American with the oppor-

tunity to have his "day in court" when he feels he is being treated unfairly by the Internal Revenue Service.

Another provision of the final bill provides for an advisory committee to assist the Internal Revenue Service with difficult administrative problems in the area of farm losses. Relief is provided for students and other individuals who only work part of the year, and from whom taxes are withheld that cannot be recovered until they file their returns in the following year. Provision is made for voluntary wage withholding agreements where it is convenient for employees not covered by existing law, and improvements are included to insure that the graduated withholding that was enacted several years ago will not result in some citizens having an excess amount of taxes withheld from their wages.

Mr. Speaker, these goals are accomplished under the conference agreement consistent at least in the short run with the paramount need to be fiscally responsible. In the long run, however, there will be a loss under the conference agreement of $2.5 billion. During fiscal years 1970 and 1971, which are critical to the President's efforts to introduce order into the fiscal chaos he inherited, the conference agreement on the tax reform bill will result in an increase in revenues of $6.4 billion, including the extension of the surcharge and excise taxes, which is slightly less than the $6.5 billion increase provided for the same period under the House bill. We should take note of the fact that this conference agreement is a substantial improvement over the Senate bill which would have resulted in a $1.3 billion loss in fiscal 1971, increasing in 1972 and beyond until a long range loss of $5.5 billion annually was attained.

The SPEAKER, pro tempore. The time of the gentleman has again expired.

Mr. MILLS. I yield the gentleman 5 additional minutes.

Mr. ZWACH. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Minnesota.

Mr. ZWACH. When this bill left the House it had a tax on cooperatives and changed the formula for co-op tax loss. Are they now under this conference report in exactly the same position as they were previously?

Mr. BYRNES of Wisconsin. The present law prevails. That was eliminated in the conference.

Mr. ZWACH. And, the investment tax credit has been entirely eliminated?

Mr. BYRNES of Wisconsin. We repealed the investment credit in another bill that passed the House earlier this year. We repeated that action in the tax reform bill, and the conference agreement includes this repeal.

Mr. ZWACH. Mr. Speaker, with reference to the old-age security benefits, the floor is still at $64 as it was in the House bill?

Mr. BYRNES of Wisconsin. Insofar as the social security provisions of this legislation are concerned—which I think is entirely separate from tax reform—we do not change that item. Including the social security provisions in the conference agreement was a means of expeditiously providing for the 15-percent across-the-board increase in benefits which was passed by the House in a separate bill on December 15. It was accepted in this conference, not because it had a place in tax reform, but simply as a method of expediting action. We accepted what the House did with one minor exception. This minor exception involves a "pass through" provision for social security beneficiaries on welfare that was not part of the social security bill that passed the House. In the interests of administrative simplicity, the States will, in determining the needs of their old age assistance cases, be required to ignore the benefit increase attributable to January and February that will be payable by a separate check in April. Additionally, the States will be required to ignore the $4 of the monthly increase in benefits received in April, May, and June. While I have real reservations about requiring the States to treat social security differently from other income individuals on public assistance receive, this will give the Ways and Means Committee time to review the entire question when we consider social security amendments and welfare reform early next year.

Mr. BUSH. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Texas, a most valuable member of the Committee on Ways and Means.

Mr. BUSH. I thank the gentleman for yielding.

I would like to ask the gentleman to enlighten the House if he would on the overall impact of this legislation on inflation. Since the social security legislation is included, I think many Members are confused as to exactly what the effects are. As I understand the situation the bill produces a surplus in the first year, is that correct?

Mr. BYRNES of Wisconsin. Yes. But let me make this clear. I think social security should be considered entirely apart from tax reform, as an item that stands on its own feet. The funds for social security are raised through separate taxes.

In my opinion the tax reform and tax relief provisions contained in this legislation should also be considered apart from the extension of the surtax and the excise taxes. We acted on these items, which were included in the budget submitted by President Johnson in January and the revised budget submitted in April by President Nixon, in a separate bill in the House earlier this year.

This bill is fundamentally a tax reform bill and on that basis reform and relief provisions of the bill do leave us in fiscal 1970 $1.2 billion more than we would have had if we had simply extended the surtax and the excise taxes.

The SPEAKER pro tempore. The time of the gentleman from Wisconsin has expired.

Mr. MILLS. Mr. Speaker, I yield 5 additional minutes to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Mr. Speaker, I thank the gentleman for the additional time.

Mr. Speaker, I think our problem concerns the situation that will develop as a result of the long-range impact of some of the provisions of this legislation that will take effect in 1972, in 1973, and 1974. In the long run there is the potential of inflationary problems because this bill, taken by itself, does produce deficits in those years which would not exist if this bill was not passed.

But I would call attention to the fact that the balance of reform and relief in this bill will produce $1.2 billion of additional revenue in fiscal 1970, and if we include the extension of the excise taxes and the extension of the surcharge on a reduced basis, the bill produces an additional $3.7 billion for fiscal 1970.

Mr. MILLS. Mr. Speaker, if the gentleman will yield at that point——

Mr. BYRNES of Wisconsin. I yield to our distinguished chairman.

Mr. MILLS. Mr. Speaker, I have a table here that I referred to earlier that was prepared by the staff, and the Joint Committee on Internal Revenue, which shows that when the bill passed the House, in fiscal 1970, we would pick up, as a result of all of the provisions, $3.82 billion for fiscal year 1970, and $3.8 billion in 1971.

As the conference report comes back in the House, for fiscal 1970 we pick up $3.7 billion and in fiscal 1971 we pick up $2.7 billion.

So as the gentleman from Wisconsin says, why, in those 2 years in the House bill we would be satisfied with the income.

Mr. BYRNES of Wisconsin. Mr. Speaker, as far as fiscal 1970 and 1971 are concerned—even disregarding the surtax extension and the excise tax extension which we considered as a separate item in the House—we are better off from an anti-inflationary and budgetary standpoint with this bill than we would be without it.

Mr. BUSH. Mr. Speaker, will the gentleman yield for an additional question?

Mr. BYRNES of Wisconsin. I will in just one moment.

However, I have to express a different opinion as it relates to 1973 and 1974, because in these years the bill before us does result in a loss of revenue.

Now I will yield to the gentleman from Texas.

Mr. BUSH. Mr. Speaker, I thank the gentleman for yielding. I understand the point made by the gentleman about separating social security, and I think from a tax standpoint it is a valid observation. But one of the things that concerns many of the Members of the House is the fact that the President indicated that he might have to veto the bill. I think he was speaking largely to the other body, because of the inflationary effects of the legislation that they passed.

Let me ask this question of the distinguished ranking minority member, and perhaps he would want to have the chairman join in answering it.

My question is this: If in subsequent years it becomes evident that a tax cut would be fiscally dangerous, is there anything that precludes the Committee on Ways and Means from reconsidering and making suggestions that would be more appropriate to the economic conditions prevailing at that time?

Mr. BYRNES of Wisconsin. No Congress can bind another Congress. Certainly whoever is here the year after next can do what they feel the circumstances at that time require, either changing provisions of this act or amending other provisions of the tax law. We should not make our judgment about this conference report on the basis that no changes can or will be made.

I anticipate that we will consider various other changes in our tax law. We deferred action in some areas because of their complexities, the desire to have further studies, and the time limitations we were working under. I refer particularly to the area of estate and gift taxation. We have asked that the Treasury Department study the entire area of deferred compensation, and studies are going forward relative to the taxation of foreign income. The Committee on Ways and Means and the Congress is going to continue its work on taxes.

It is also my hope that from here on the Internal Revenue Service and the Treasury will be more alert than in the past pointing out to us areas of tax evasion as they develop and are used by taxpayers so that we can act promptly instead of letting them accumulate over a 15-year period.

I certainly feel that further changes need to be made and I would hope they would be recommended by the Committee on Ways and Means.

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

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. MILLS. The gentleman from Texas raises what I think is a very good question. But for the life of me I do not see how any of us, and you are better informed in this field than I am, could look only at the tax side of the total fiscal picture and decide that something is, or is not, inflationary.

This bill itself is not inflationary. It is the combination of all things that one has to consider.

If we must assume, and admit, and continue to allow expenditures to be made faster than you get an increase in the revenues—and if you know that that is going to happen down the road—then of course we would be making a mistake in reducing taxes ahead of time.

If we know that we are not going to stop, and if we are going to let them go just as it has been in recent months—at the same rate of speed—there will be no place or any time for the taxpayer to get any relief now or in the future.

But in so doing you are looking only at one-half of the whole picture and trying to make a decision as to whether looking upon this one-half, we are creating inflation or not creating inflation.

The expenditure side must be added to it. It is a total of all that mixture that determines. I have said repeatedly I think the Congress is just as much in the right to establish as a No. 1 priority the return of some of the increment in taxes to the taxpayers as it has to establish as a No. 1 priority the retention of all of that money for use in enlarged programs or new programs of Government.

What we are doing here is to say that some of this will be returned down the road to the American taxpayers.

Mr. JONAS. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman.

Mr. JONAS. Can the gentleman in the well inform the House what is the latest and most current estimate of revenues for the fiscal year? We can exercise some control over the expenditure level in appropriation bills, but we cannot exercise much control over the revenues if earnings decline or there is a business slowdown. Is it not true that there may be a sharp fall in revenues next June 30, and do we have a current estimate?

Mr. BYRNES of Wisconsin. Since the chief of staff of the Joint Committee on Internal Revenue Taxation who assists the committee is here let me inquire whether they have made a recent recomputation of revenues. I yield to the gentleman from Arkansas (Mr. MILLS).

Mr. MILLS. I can give you the latest staff estimate for the fiscal year 1970 but I do not have the figure for 1971 yet.

Mr. JONAS. The 1970 figure is the one I am interested in.

Mr. MILLS. That is $198.8 billion—almost $200 billion.

Mr. JONAS. How is that changed from the estimate in the budget submitted last January?

Mr. MILLS. You would add to this figure which the President included in his budget, and I believe you did, 5 percent—and the repeal of the 7-percent investment tax credit.

Mr. JONAS. If I might interrupt, he included a lot of other things that Congress has not enacted.

Mr. MILLS. This is only revenue I am talking about. You would not add those figures to this. They are already in here.

Mr. JONAS. I had reference to the postal rate increase.

Mr. MILLS. That is not included in this.

Mr. JONAS. In this fiscal year income tax payments were made in September, in October, and the December 15 payment I think can be carried over to January 15.

Mr. MILLS. January 15.

Mr. JONAS. We ought to be able to have a fairly responsible estimate. I wonder how the estimate compiled by the joint committee coincides or compares with Treasury estimates that have been prepared for the committee.

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

Mr. BYRNES of Wisconsin. I yield to the gentleman from Arkansas.

Mr. MILLS. This estimate is higher than the prior estimates prepared by the staff of the joint committee. These estimates vary somewhat from the Treasury estimates. I do not know what the present Treasury estimate of revenue is, but there has always been some relation.

Mr. JONAS. I guess we will not be able to get the final Treasury estimates until the first of the year. But I thought the House might be interested in the best estimate the committee could provide now. I understand it to be about $198 billion in revenue.

Mr. MILLS. We said also, you will remember, early in the year we would not exceed $191 billion of spending, was it? If we had stayed with that, we would have a sizable surplus altogether.

Mr. JONAS. I was interested to know whether there has been any estimate relating to changes in receipts—not in balances or surpluses.

Mr. MILLS. They have gone up.

Mr. BYRNES of Wisconsin. I yield to the gentleman from Florida.

Mr. HALEY. I thank the gentleman for yielding.

I would like to propound a question or two of the gentleman in the well, who is one of the most able men in the House, next to the gentleman from Arkansas.

I would like to propound this question to the gentleman: If the raise of 15 percent in the social security fund is passed by the House, in the opinion of the gentleman would that in any way jeopardize the actual soundness of this fund?

Mr. BYRNES of Wisconsin. No, the chief actuary for the social security program has advised us that the taxes assessed under current law for the Old-Age, Survivors, and Disability Insurance System will finance a 15-percent across-the-board benefit increase.

Additional liberalizations will, since we are using the present surplus for this 15-percent across-the-board benefit increase, will require a change in either the tax base or the tax rates, or a combination of the two.

Mr. HALEY. Mr. Speaker, will the gentleman yield further?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Florida.

Mr. HALEY. So that I may propound the same question to the chairman of the full committee.

Mr. BYRNES of Wisconsin. I hope he does not disagree with me.

Mr. MILLS. If the gentleman will yield, I can forgo repeating the answer to the question by saying I agree completely with the gentleman from Wisconsin with respect to your question. I just wish I could say as much about the actuarial soundness of the hospital trust fund.

Mr. HALEY. Mr. Speaker, if the gentleman will yield further, now we have the opinion of two of the most able men in that field in the Congress of the United States.

Mr. ANDERSON of Illinois. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. I, too, wish to compliment the gentleman now in the well for his splendid statement and his contribution to this act. I was particu-

larly interested in that portion of your discussion where you related the fact that when the bill passed the House, there had been no change in the individual exemption. As I understand it, on the floor of the other body there were two proposals, one offered by the senior Senator from Illinois and also the junior Senator from Kansas, and one by the senior Senator from Tennessee, on the subject of increasing the personal exemption.

I would be interested in having the opinion of the gentleman from Wisconsin as to which of those positions was adopted by the conference committee.

Mr. BYRNES of Wisconsin. Frankly, if I were to make a judgment I would have said the more appropriate way to provide reform at this time was to give all of our people tax equity through rate revision rather than the personal exemption. If the gentleman wants my opinion, I would take the lesser of the two proposals, although I did not agree with either one of them.

Mr. ANDERSON of Illinois. But my question really was, the conference committee in its final position came closer to which position?

Mr. BYRNES of Wisconsin. I am no student of all the actions the Senate considered. I cannot comment on all the various amendments and actions of the Senate in the last month or so, but let me allow the gentleman to make his own conclusion by saying the increase in the personal exemption to $750 is phased in over a period of time to avoid having an adverse impact on fiscal years 1970 and 1971.

Mr. ANDERSON of Illinois. Mr. Speaker, let me ask just one more brief question further to show the gentleman's opinion. However, if we were to give really effective income tax relief to the middle income tax or average income tax payer, it would have to be in the area of rate reform rather than tampering with the personal exemption?

Mr. BYRNES of Wisconsin. I think that would be true, because that has a more direct impact on all taxpayers. An increase in the personal exemptions is great for a man like myself with seven dependents, but it does not provide the same true equity to a person with one or two exemptions, so I have serious doubts about it.

Mr. ANDERSON of Illinois. Mr. Speaker, I thank the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Mr. Speaker, let me conclude my remarks by saying that this is not the millenium by any means but it is considerable improvement. Justice Holmes once said, "I like to pay taxes, it is the price of civilization." While most Americans are probably not as enamoured as Justice Holmes with the privilege of paying taxes, the great success of our voluntary self-assessment system attests to the responsibility all our citizens feel for supporting our democracy. This kind of support is essential if we are to raise the necessary revenues to meet our critical problems without an oppressive tax system inimical to the fundamental precepts underlining our form of government.

Tax scholars have often remarked that a tax system is capable of producing a relatively high yield with maximum taxpayer cooperation if it is fundamentally fair, but a very low yield with a high degree of taxpayer resistance if it is rifled with inequities. The serious inequities on which Congress focused in this bill were eroding the confidence of our citizens in the integrity of our tax system. The bill produced by the conference agreement is an important step towards restoring taxpayer confidence in our tax system and will provide the basis for further reforms in the future.

Mr. Speaker, I think the conference report should be adopted.

Mr. WATSON. Mr. Speaker, the 15-percent increase in social security benefits to our retired citizens is long overdue, and that accomplishment alone makes this extraordinary Christmas week session worthwhile.

For several years, I have advocated an increase in these benefits for our elderly and retired people, who have to bear the most serious impact of the alarming increase in the cost of living. Too long have we spent billions upon billions of dollars on so-called poverty programs while allowing those Americans on social security to exist on less than poverty payments.

While applauding this long overdue help for our social security recipients, I am equally disappointed that the conference committee did not retain the educational tax credit feature of the bill. The costs of education have skyrocketed, and this tax relief should be the least we can do for our overburdened parent taxpayer. It seems most inconsistent for the Federal Government to provide every conceivable program for the education of the underprivileged, and I believe in helping them, yet we should also show some consideration for the American parent who is trying to pay for the tremendous cost of educating his children.

Although I am disappointed that such was not included in this year's bill, I shall continue to fight for the passage of the measures I have introduced to give our citizens some help in this area.

Mr. ZWACH. Mr. Speaker, it was in my assessment an unwise move on the part of the conferees to eliminate all investment credit. The farm producers and their smalltown supplier have not shared in the increased incomes. Instead they have been the victims of inflation. The producer also must in the main sell on a world market and buy on an American market. To compete he must do so by modernization. Investment credit was an assist to countryside America. A credit of $10,000 to $15,000 should be retained.

Mr. Speaker, another matter in which I feel the conferees erred seriously was in not making a larger across-the-board increase for those receiving the minimum. The cost increases of these recipients have been the same as those in the higher brackets. Yet in dollars their increases are very small. I had hoped that the Congress would have made further increases on these floor amounts before applying a percentage increase.

Mr. BUSH. Mr. Speaker, in August, when we voted on the tax bill I voted "No." I set out in the minority views in the Ways and Means Committee report and on the floor of the House my reasons for voting against the bill.

Basically I was opposed to the disincentives built into this bill and the Senate bill and I was strongly opposed to the inflationary effects of the Senate bill. In addition, I felt there was an imbalance in the bill between punishing investment and favoring cosumption. I felt that this would result in fewer goods being chased by more and more money. I still have serious reservations about some of these points.

But now we have a different bill before us—in my view a better bill. It includes a needed increase in social security benefits to our older citizens—a group whose savings have been eroded away by the ravages of inflation. I support the 15 percent across-the-board increase. I would prefer to see legislation encompassing the President's recommendation for a built-in cost-of-living increase; but the social security increase, which is accomplished without an increase in taxes is sound. I am troubled, I will admit, by the fact that we are in fact pumping more money out through this measure, but on balance this increase is needed, and since it can be accomplished without higher taxes I favor it.

The bill before us today is better than the House-passed bill in several other ways, but let me quickly add it still is imperfect.

I was amazed to find many Members of Congress feeling that the tax free features on municipal bonds was a loophole. At a time when the country is literally crying out for decentralized answers—for the "new federalism" concept that President Nixon advocates—the House charged in and passed a bill which in effect considered tax-free municipal bonds as loopholes. The conference appropriately omitted the alternative tax on municipals that we passed in the House and appropriately left municipals alone as far as the minimum tax goes.

If our cities and local governments are to finance themselves—if they are to innovate and solve problems locally—it is important that the tax-free status of municipal securities be protected. This we are doing in the legislation before us.

I do not like the thought of some rich person escaping all taxation because of putting his money into tax-exempt securities, but it is essential that a sound method of decentralized financing not be torpedoed in order to get at a miniscule handful of people who in my opinion stupidly invest all of their funds in tax-exempt issues. I personally feel our committee should keep probing for ways to see that all people with significant incomes pay some tax. We should not forget all about it—but I commend the conference committee for not shooting the piano player just because they did not like one tune.

I still am very much concerned about many of the disincentives in the bill. I favor tax credits and tax incentives as the way to answer many of our problems as opposed to direct Government subsidy or starting some new bureau on the Potomac to try to solve all the Nation's problems.

In this regard the conference improved on the House-passed bill as far as natural resource taxation goes—but the bill is still imperfect in this regard. I do not want to whip a dead horse, but I do want to remind the House that we are faced in this country with declining gas reserves. Our reserve to consumption ratios are plummeting. The new FPC chairman recently reiterated his concern about growing shortages of natural gas. He warned that the consumers will be facing major shortages, but the Congress plows ahead terming depletion on oil and gas a giant loophole. The House cut depletion from 27½ percent to 20 percent. The Senate bill set it at 23 percent. The conference has recommended 22 percent. I do not know what the magic figure should be. Many countries directly subsidized their oil industries due to the extra risks involved and due to the importance to national security that oil and gas carry. All I can say is that we are unwise to cut incentives at all in the face of declining reserve to consumption ratios. I do not support the cut to 23 percent just as I did not support the cut to 22 percent. I am bitterly disappointed that the conference kicked out the provision that would have raised the 50 percent of net limitation on depletion to 65 percent for certain operators. The independent is usually the real wildcatter. This little recognized provision would have given him additional incentive in order to look for more reserves.

I commend the conference for not altering the tax treatment of intangible drilling costs—the conference apparently recognized that this provision is more fundamental to the acquisition of future reserves than any other provision of the tax law.

I must again speak up against the taxation of foundations. The answer to the foundation problem is already wisely in the bill; namely, the provisions to make the foundations pay out their funds for charitable purposes and to see them butt out of politics and remain in the area of helping out in charitable, educational, and scientific pursuits. The bill properly eliminates "self-dealing." It cracks down on asset hoarding and it does not permit foundations to be a device by which families perpetuate control of businesses.

Yes, the bill corrects abuses, and this is as it should be. These are excellent reforms, but I cannot see why there should be a foundation tax. A fee for policing "yes," but a tax "no." The tax moves us again away from pluralism, away from innovative decentralization, away from the diversity we need so badly in trying to find new ways to solve the lingering old problems. To the degree we levy a tax—to that degree the legitimate services performed by foundations will now either go unperformed or there will be some new bill, some new plea to Washington, D.C., to solve the problem. It has become fashionable to assail foundations, but for the most part, they have done an imaginative, creative job and have made fantastic contributions to the general welfare.

To summarize, a 4-percent tax is less onerous than a 7-percent tax, but I oppose the theory of taxing legitimate charities. Clean up the ball game, blow the whistle on those who cheat, or get involved in non-tax-exempt pursuits, but don't sideline the players. Under the conference-approved bill, foundations will be able to continue in operation, but they will be slightly hobbled, at a time when the country is crying more than ever for innovation and new ideas to help the problems of the cities and the poor and underprivileged.

One thing that causes me grave concern is the tendency on the part of some Members of Congress to treat capital gains the same as income. I will not dwell on this, but I would like to remind the House that it is the private sector that provides the jobs. It is the private sector that does far more than Government toward the alleviation of human suffering. It is indeed that very fact—that there is a difference between capital and income—that makes our system strong and progressive. And now we see some well-intentioned Members wanting to redistribute the capital, as it were, through moving toward taxing capital on the same basis as income. This is wrong for this country. The bill's provisions are admittedly not sweeping in this regard, but it is the trend, the direction that bothers me—the direction away from capital accumulation and investment.

I reiterate my opposition to the tendency to restrict the horizontal flow of capital through such devices as cracking down on the ability of a man in the farming businesses to charge off his losses against other income. The conference bill is far better than the Senate bill in this regard, but again I warn against the direction that this legislation will take us.

In real estate I fear by cracking down on the rapid depreciation provisions on new commercial and industrial real estate we may adversely affect the building goals that this country faces over the next 20 years.

The conferees in my view should be commended by this House. They worked grueling hours and came up with a piece of legislation far better than the Senate bill or House bill as far as I am concerned. The increase in the personal exemption is long overdue. I would not have been able to vote for it, as much as I would have liked to see it, had the bill had the horrible inflationary effects of the Senate bill. I am impressed this bill should enable us to stay out of the red, for we must stay out of the red. Should the inflationary pressures still be as great in 1971 and 1972, it seems to me that the Congress can take a new look at the overall tax structure. I for one would not feel wed to the tax relief provisions of the bill should these provisions throw us into tremendous deficits in the years ahead.

It seems to me we are now in a position of delicate balance. People are crying for tax relief—the bill provides this. We repeal the investment tax credit which will give us more income and which after all was placed on to "get the economy moving again." We extend the surtax for a very shortrun period. We must be very careful that we not move too far away from the incentive to invest. We must, to phrase it differently, guard against recession at the same time we try to come to grips with the pressures of inflation—no easy task, this. Should we need investment incentives in the future I would prefer to see these done through changes in depreciation schedules rather than through trying to put on an investment tax credit.

For this bill to work out in the long run just as it is now written, there must continue to be a growing gross national product and there must continue to be strong business in this country. Without these the bill could prove to be disastrous—certainly we would have to come back in and change some things. I think we will continue to enjoy considerable growth in this country. Though I deplore certain of the disincentives in the bill, based on the way in which the conference has handled the income versus the outgo, I can now support the legislation. I do it with some little enthusiasm because I feel so strongly in opposition to some of the specific disincentive provisions I discussed above. I have not dwelled as long on the parts of the legislation I approve—much has been said on them here today.

My congratulations to Chairman MILLS and to Representative BYRNES and the others who worked so long and so hard on this legislation.

These men took a gigantic can of wiggly worms from the Senate. They did not exactly convert the worms to caviar—it is more like C–rations—but at least we can live with it.

Mr. UTT. Mr. Speaker, I have requested this time from the chairman of the committee to briefly explain my position on the conference report covering the tax reform bill. I took part in a most strenuous conference committee and signed the conference report, believing it to be the best solution to the differences between the House and Senate versions. I wish to compliment the conference committee for its joint efforts, and especially I wish to express my deep appreciation to Chairman MILLS, who presided over the joint conference throughout its long days and nights.

There were many items not in conference which therefore could not be considered for solution. I signed the report with the expressed understanding that I reserved my options to vote against the bill and to point out certain deficiencies in the legislation, which will have a terrific collateral impact on the American system of free enterprise.

I do not intend to urge anyone to vote against the bill, as there is much present gain to be found in the legislation. In case there appears to be a motion to recommit with instructions. I shall offer a straight motion to recommit the bill to the conference committee, for the sole purpose of using the parliamentary privilege granted to the minority, to protect the bill.

In this legislation there is the opening move to implement the Marxian philos-

ophy enunciated in "Das Kapital," to wit, the theory that earned income should receive a high privilege over "unearned income" in the form of rents, issues and profit, together with the belief that the capital gains dollar should not receive any preferred consideration.

Most of the earned income, which now stands at the highest per capita level of any country in the world, as well as having reached the highest point in our own history, could not occur, if it were not that some people have been able to accumulate sufficient reserve funds to expend from $20,000 to $30,000 to create one single job. In 1970 there will be 1,400,000 additional men and women coming into the work force. To provide gainful employment it will take $28 billion in plant expansion, machinery, and tools of the trade, to provide gainful employment for these 1,400,000. If there are no reserves, from whence will this money come?

The source of these funds, while coming from an aggregate of small savings, also comes in a large part from those people who have had the incentive and the motivation to put capital to work.

In 1970, the economy will demand another $16.5 billion to provide new housing for our expanding population. The young marrieds have the right to expect financing to be available for this purpose. That money also comes from reserve savings.

It will take another $18 billion for the repair and upgrading of existing housing. This money also comes from reserve savings.

These last three figures total up to $62.5 billion. This figure does not include repair and replacement of obsolescent machinery in order to maintain production at a high and efficient level.

These are just the needs in the private economic sector. The past few years the Federal Government has been sopping up these reserves as the first and biggest hog at the trough, followed closely by the financial demands of the States, the counties, the cities, the school districts, and water districts, to name but a few. These public demands will reach $20 billion in 1970. Add that to the previous total and you have in exoess of $82 billion needed in 1970.

In the last 2 years, total accumulations available for the above needs have been falling, to a point in 1968 of $65 billion, and they are currently running at the rate of just under $61 billion. This will deteriorate further next year, with a deficit in excess of $20 billion.

We are all concerned about the scarcity of money and the high interest rates. We act as if we did not know what caused this scarcity and these high interest rates. It is much like the woman who, after having ten children, finally discovered what was causing it. Apparently, we cannot comprehend what causes the shortage of money. The simple answer is Government. When there is a demand for $4 and a supply of $3, the one who bids the highest will get the money. That is Government.

The current trend toward the abolition of capital has been long in the making, but like the timelag between the lighting of a fuse and the explosion of the dynamite, there is also a timelag between the shortage of funds and the skyrocketing of interest rates.

The theory behind the destruction of private capital is the theory that government should own all productive capacity, and then the fruits of that production would be spread among the 200,000,000 people in America. That sounds good, but it does not work that way.

Let me give you just one example of a privately owned domestic water company whose service rates are lower than the municipally owned water system in the city of Los Angeles, the city of Santa Ana, and in fact lower than any city rate in Orange County, Calif., none of which pays any tax, local, State, or Federal, and yet this privately owned water company pays 20 percent of its gross revenue to the county, State, and Federal Governments. If this system were sold to the city, that city would pay no tax, and even though it would save 20 percent of the revenues, the history is that inefficient operation, political jobs, and so forth, would eat up that tax saving, and the consumer would not be benefited.

The Federal Government owns, controls and operates 17 percent of the total productive capacity in the United States. It is being operated on a tax-free basis, and the consumer is not benefited, because of inefficient operation. That inefficiency occurs because there is no profit motive in its operation and, if this 17 percent could be returned to the private sector, it would yield more than $10 billion a year in tax revenues.

There is one area that this administration should examine and implement as rapidly as possible. That is the value added tax. We are outmaneuvered and outtraded by nearly every country in the world, from the Common Market to Japan, simply because we do not modernize our tax structure to provide fair and equal competition with the other countries of the world. Until we do this, all the loopholes in the law, if they were plugged, would not equal this one item alone. Not only would such a tax put us on an equal competitive basis, but it would soon correct the imbalance of payments under which we have suffered for years.

Mr. MILLS. Mr. Speaker, I yield such time as he may consume to the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Speaker, as one of the conferees I want to say just a word about the chairman of our conference, the gentleman from Arkansas, one of the most able men to have served in this great body. He certainly demonstrated it in those many, many hours that we sat in conference. There is nobody who knows more about the tax problem, and nobody who is more dedicated to tax reform and tax equity than is our chairman.

I would say this is monumental legislation. As has been stated by the distinguished gentleman from Wisconsin, certainly there are compromises in this bill, and there are things that each one of us would do differently, but, when we look down the long road of tax equity, this, indeed, is monumental.

It is a monument to the gentleman from Arkansas, and his distinguished and able efforts in this field.

I want also to say a word about the ranking minority member, the gentleman from Wisconsin, who was equally dedicated to tax reform in the many months this committee had this matter before it, and in the conference. I know this bill would not have been possible without his efforts also.

I am pleased to have been a part of it. I am proud of the bill. None of us will know its consequences for many months, and even years, but I believe over the long haul we will look upon this piece of legislation as milestone legislation.

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

Mr. CONABLE. Mr. Speaker, if I may be forgiven a poetic allusion at this intensely practical moment in the life of the House, I should like to call up the words of the great Scotch poet who, when he scattered the nest of a mouse with his plow, said not only—

> The best-laid schemes o' mice an' men,
> Gang aft a-gley—

But also ended his poem with the the words—

> But, och! I backward cast my e'e
> On prospects drear.'
> An' forward, though I canna see,
> I guess and fear!

These lines have some relevance to the situation in which we find ourselves. There are many people, aware of the chances for plans to go awry, who expected after all this rumbling only a mouse would be brought forth by the Ways and Means Committee and by the conference committee. We may not have a tiger, but we certainly do not have a mouse.

I believe it is a great tribute to the distinguished chairman of our committee and to the ranking minority member of our committee that, leading the conferees, they preserved the spirit of the House measure and have brought us back a bill which has fiscal sanity and still preserves its reform aspects.

Also we have to admit as we look back to the beginning of this effort that the prospects were not very good. We can see it took a great deal of statesmanship and determination to arrive at this point.

Looking ahead, I say that we need not "guess and fear" because, having accomplished this very difficult task, it seems to me quite clear it is within the capacity of Congress to reform not only this central institution between the Government and the people, but many other aspects of Government which have fallen under the shadow of what we call a "credibility gap."

There are two points I believe must be made about tax reform at this stage. One of them is quite obvious, the other controversial.

I believe the gentleman from California (Mr. UTT) made this point very

clearly in his additional remarks in the original House report on tax reform; that is, the ultimate tax reform must be simplicity. We have not struck any blows for simplicity in this bill. Complexity raises an issue of credibility, I suppose, if it is going to be difficult for people to comply with the very complicated tax law we have generated over the years and have added to in the complexity of this measure.

But let us console ourselves with the thought that perhaps this bill itself will be one of the compelling motives toward that ultimate reform of simplicity.

The second and more controversial point which I think must be made relates to a statement made by the chairman of the committee at the outset of our effort when he said there was a head of steam behind tax reform in this country. That head of steam relates not just to the Federal level. As a matter of fact, if I were to guess, I would say people are upset about taxes more on the State and local level than they are on the Federal level simply because our State and local taxes are so inequitable and in many cases so regressive. We must accept as a part of our responsibility, I think, the relieving of some of the pressure on State and local taxes through some form of revenue sharing if we are going to eliminate the popular "head of steam" in favor of tax reform.

We have made a very good step here and one of which I think this body and the other body can both be extremely proud. We have a long way to go yet and we must face up to the issue of the burdens placed on State and local taxpayers if we are going ultimately to relieve the American people who are calling for greater equity in the total tax system.

Mr. Speaker, again I wish to express my thanks and my gratitude to the conference committee for the excellent work they have done in bringing this bill back in its present form for today's very gratifying moment of truth.

Mr. ULLMAN. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts (Mr. BURKE).

Mr. BURKE of Massachusetts. Mr. Speaker, I rise in support of the conference report.

I wish to commend our distinguished chairman, the Honorable WILBUR MILLS, the ranking member of the minority the Honorable JOHN BYRNES, all the Members on both sides of the aisle who serve on the House Ways and Means Committee including the gracious gentlewoman from Michigan (Mrs. GRIFFITHS), the able member from Illinois, DAN ROSTENKOWSKI; PHIL LANDRUM, of Georgia; CHARLES VANIK, of Ohio; RICHARD FULTON, of Tennessee; JACOB GILBERT, of New York; OMAR BURLESON, of Texas; JAMES C. CORMAN, of California; WILLIAM GREEN, of Pennsylvania, and SAM GIBBONS, of Florida. Every one of these members of the House Committee on Ways and Means gave unstintingly of their time and effort to bring about this far-reaching legislation before us today.

They deserve the thanks of the American people for the action that is taking place today.

Mr. Speaker, the conference report before the House represents many months of arduous and dedicated labor and effort on the part of the Committee on Ways and Means, this House, and the congressional staffs. It will be recalled that tax reform was the initial major order of business before the committee in this session of Congress.

Only time will tell, but I am convinced that we have done a workmanlike job on this measure, and at the outset of my remarks, I wish to commend Chairman MILLS for his unsurpassed leadership in the development of this bill. I also wish to commend the ranking minority member, Congressman JOHN W. BYRNES, of Wisconsin, and Members from both sides of the aisle, who have contributed to the development of this monumental piece of legislation. As I have said on other occasions, without the spirit of team effort, the moment at which we have presently arrived would not have been possible.

Again, let me say that I am not stating that the bill is perfect in every respect, and there are provisions of it that I would change, if it were in my power to do so. We cannot overlook the fact, however, that the bill is unprecedented in the generosity of its relief provisions for our low-income citizens, and for that reason, if for no other, the conference report deserves prompt approval by the House. The provision which has the greatest salutary impact on those at or near the poverty level is the low-income allowance in the bill, which will remove some 5.2 million returns from the tax rolls in 1970.

Looking at the bill as a whole, as approved by the conference committee, it would on the average reduce the tax liability of those in the lowest adjusted gross income class, that is, those with incomes up to $3,000, by nearly 70 percent; those with incomes of between $3,000 to $5,000 would on the average enjoy a tax reduction of over 33 percent. Those with incomes between $5,000 and $7,000 would on the average enjoy a tax reduction of approximately 20 percent. Appropriately, therefore, the bill gives proportionately greater relief to people with low and moderate incomes than to people with high incomes.

Mr. Speaker, there is one provision of the bill about which I am particularly gratified, and I hope that Members of the House will pardon my pride of authorship with respect to it. I am speaking of the liberalization in the deduction for moving expenses. Members of the House know that I have introduced bill after bill on this subject, seeking to expand the tax treatment of legitimate, job-related employee moving expenses. The foundation for the provision in this bill was laid by my successive bills that have been introduced in this and preceding Congresses. I am not saying that the conference provision is perfect or that it is as generous as we would have desired. It is, however, a significant move in the direction of recognizing that moving expenses are really a cost of earning income and that the mobility of labor is an important and necessary part of a healthy, growing economy.

Mr. Speaker, I am also very much gratified that this bill contains a provision to increase social security benefits across-the-board. By supporting this measure, however, I am not by any means stating that the 15 percent increase is adequate. As members of the House know, I have introduced a bill, H.R. 55, which, among other things, would increase benefits across the board by 50 percent. In view of the time element, it is obvious that if we are going to bring to the deserving senior citizens of this Nation word of an increase before Congress adjourns and during this blessed Christmas season, it must be done now in this legislation. I am advised that social security and welfare revision will be a subject high on the committee's priorities for consideration early in the next session of Congress. At that time, we can make other determinations and judgments respecting needed changes in these programs.

Mr. Speaker, again I wish to reiterate that this measure does not represent the end of tax reform. This will be a continuing responsibility of the Congress to see that every person shares in the burden of the costs of running the Federal Government proportionate to his ability. We have closed many of the unconscionable loopholes of present law; we have granted very considerable tax relief benefits, especially to those in the low-income brackets; and we have provided a much-needed increase in social security benefits as an interim measure looking toward more extensive revision in social security and welfare next year. These elements make this a well-balanced measure deserving of the support of every Member of the House. I urge prompt approval of the conference report.

Mr. ULLMAN. Mr. Speaker, I yield 5 minutes to the gentleman from Ohio (Mr. VANIK).

Mr. VANIK. Mr. Speaker, the chairman of the Ways and Means Committee, the distinguished gentleman from Arkansas (Mr. MILLS) has led the Ways and Means Committee, the House, and the House-Senate conferees in accomplishing a great public service in developing this tax bill. For this monumental task, he has the gratitude of every member of this body and every taxpayer of America. Every Member of Congress must share some pride in the fact that this proposal originated in the Congress. There was no other clarion call to action—but the indignation of the taxpayer.

A bill of this magnitude cannot satisfy every citizen. But it does take a step toward tax justice—and insofar as it does, it is a step in the right direction and should be enacted.

The provisions in this bill to reduce the depletion allowance to 22 percent are perhaps the most glaring concessions to privileged interests.

Under circumstances in which the oil and gas industry can utilize only 23 percent of the 27½-percent depletion allowance, the bill provides a light touch on a force in our economy which has exer-

cised a heavy hand on the consumer, the Government and politics in America. The industry can rejoice on its political policies and actions which would never muscle—but the taxpayers of America have served notice that they will not stand back and continue to take it.

This bill continues the extension of the depletion allowance to foreign-produced oil. It is regrettable that the conferees dropped the House provision which completely eliminated the depletion allowance on foreign oil. There never was a justification for extending the depletion allowance to foreign production. Nor does one exist today. Some American investments in foreign oil and mineral development enjoy several depletion allowances. One from the U.S. Government and one from the host country. When the depletion allowance or allowances are combined with the foreign tax credit, the tax obligation of American investors in the foreign development of oil and minerals is negligible. The Federal Treasury, under this bill, will gain very little tax revenue from these American resource developments in foreign countries. And yet these operations in foreign countries have involved our Government in foreign occur if it were not for the economic pressure of the oil and mineral development interests.

This bill will still permit certain American taxpayers of high income to escape taxation or pay much less than their fair share. As long as there is taxation, there will be avoidance. In the final analysis, the taxpayer retains considerable discretion as to whether he pays his fair share.

The pride with which some citizens escape taxation borders on tax treason. It would serve tax justice if the Ways and Means Committee and the Congress were to consider a more frequent perusal of the tax structure. High density utilization of tax avoidance should be publicized and exposed. Loopholes must be closed as rapidly as they are discovered.

Although this bill provides the first extensive review of the tax laws in 15 years, I hope that tax laws can be reviewed in every Congress—so that the burden of extensive tax review may be lessened—so that action in revising our tax laws can be calm, deliberate, and less subject to a hasty timetable.

This bill is not the end of tax reform—it is only a good beginning.

This bill settles the controversy on the capability of the social security fund to provide a 15-percent increase across-the-board in social security benefits. The administration and the President sought to hold the increase to only 7 percent, placing the full burden of curing inflation on the elderly. The senior citizens of America who need increased benefits to survive are the victors by this action for a 15-percent across-the-board increase which originated in the Congress.

The President and the administration resisted every effort to increase dependency exemptions. No citizen can be expected to support his dependents on a dependency exemption of $600 per person. The gradual increase to $750 is not realistic, but it does begin to recognize the problem of family support.

Following are tables prepared by the Joint Committee on Internal Revenue and Taxation which outlines the effect of the new law on the taxpayer:

TABLE 1.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER THE TAX REFORM BILL OF 1969.—CALENDAR YEAR TAX LIABILITY

[In millions of dollars]

	1970	1971	1972	1974	Long run
Tax reform program under conference bill	+1,150	+1,430	+1,660	+2,195	+3,320
Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief under conference bill	−1,441	−4,927	−7,269	−9,134	−9,134
Balance between reform (+) and relief (−) under conference bill	+2,209	−507	−2,619	−3,849	−2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	−1,819	−3,849	−2,514

THE TAX REFORM BILL OF 1969

TABLE 2.—BALANCING OF TAX REFORM AND TAX RELIEF UNDER THE TAX REFORM BILL OF 1969—CALENDAR YEAR TAX LIABILITY

[In millions of dollars]

	1970	1971	1972	1974	Long run
Tax reform under conference bill	+1,150	+1,430	+1,660	+2,195	+3,320
Repeal of investment credit	+2,500	+2,990	+2,990	+3,090	+3,300
Tax reform and repeal of investment credit	+3,650	+4,420	+4,650	+5,285	+6,620
Income tax relief:					
Low-income allowance	−625	−1,592	−2,057	−2,057	−2,057
Increase in standard deduction [1]		−1,207	−1,355	−1,642	−1,642
Increase in exemption	−816	−1,633	−3,267	−4,845	−4,845
Maximum 50-percent rate on earned income		−75	−170	−170	−170
Income tax relief—Continued					
Tax treatment of single persons		−420	−420	−420	−420
Total tax relief under conference bill	−1,441	−4,927	−7,269	−9,134	−9,134
Balance between reform (+) and relief (−) under conference bill	+2,209	−507	−2,619	−3,849	−2,514
Extension of surcharge and excises	+4,270	+800	+800		
Total	+6,479	+293	−1,819	−3,849	−2,514

[1] 1971: 13 percent, $1,500 ceiling; 1972: 14 percent, $2,000 ceiling; 1973: 15 percent, $2,000 ceiling.

TABLE 3.—INDIVIDUAL INCOME TAX LIABILITY—TAX UNDER PRESENT LAW AND AMOUNT AND PERCENTAGE OF CHANGE UNDER REFORM AND RELIEF PROVISIONS UNDER THE TAX REFORM KILL OF 1969 WHEN FULLY EFFECTIVE

Adjusted gross income class	Tax under present law (millions)	Increase (+) decrease (−) from reform and relief provisions: Amount (millions)	Percentage
0 to $3,000	$1,169	−$816	−69.8
$3,000 to $5,000	3,320	−1,101	−33.2
$5,000 to $7,000	5,591	−1,112	−19.9
$7,000 to $10,000	11,792	−1,859	−15.8
$10,000 to $15,000	18,494	−2,327	−12.6
$15,000 to $20,000	9,184	−791	−8.6
$20,000 to $50,000	$13,988	−$715	−$5.1
$50,000 to $100,000	6,659	−128	−1.9
$100,000 and over	7,686	+557	+7.2
Total	77,884	−8,294	−10.6

TABLE 4.—TAX RELIEF PROVISIONS UNDER TAX REFORM BILL OF 1969 AFFECTING INDIVIDUALS AND TOTAL FOR ALL REFORM AND RELIEF PROVISIONS AFFECTING INDIVIDUALS, WHEN FULLY EFFECTIVE, BY ADJUSTED GROSS INCOME CLASS, 1969 LEVELS

Adjusted gross income class	Reform provisions	Relief provisions: Low income allowance	$750 exemption	15-percent $2,000 standard deduction	Maximum tax on earned income	Tax treatment of single persons	Total relief provisions	Total, all provisions
	(millions)							
0 to $3,000	+$6	−$682	−$140				−$822	−$816
$3,000 to $5,000	−6	−719	−366	−$10			−1,095	−1,101
$5,000 to $7,000	−4	−458	−612	−31		−$7	−1,108	−1,112
$7,000 to $10,000	−5	−198	−1,244	−366		−45	−1,853	−1,858
$10,000 to $15,000	+6		−1,407	−858		−68	−2,333	−2,327
$15,000 to $20,000	−7		−480	−242		−62	−784	−791
$20,000 to $50,000	+56		−462	−125	−$5	−179	−771	−715
$50,000 to $100,000	+54		−104	−8	−30	−40	−182	−128
$100,000 and over	+740		−30	−1	−135	−17	−183	+557
Total	+840	−2,057	−4,845	−1,642	−170	−420	−9,134	−8,924

TABLE 4A.—INDIVIDUAL INCOME TAX RELIEF UNDER THE TAX REFORM BILL OF 1969, CALENDAR YEARS 1970–73

	1970	1971	1972	1973
Minimum standard deduction	[1] $1,100–1:2	[2] $1,050–1:15	$1,000	$1,000.
Percentage standard deduction		13 percent—$1,500	14 percent—$2,000	15 percent—$2,000.
Personal exemption	$650 from July 1	$650	$700	$750.
Maximum tax rate on earned income [3]		60 percent	50 percent	50 percent.
Tax treatment of single persons		Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.	Tax no greater than 120 percent of joint return tax with same taxable income.

[1] This low-income allowance, or minimum standard deduction, is "phased out" by reducing the additional allowance (difference between the 1969 minimum standard deduction and $1,100) by $1 for every $2 of adjusted gross income in excess of the 1970 nontaxable level.

[2] This minimum standard deduction is "phased out" by reducing the additional allowance difference between the 1969 minimum standard deduction and $1,050) by $1 for every $15 of adjusted gross income in excess of the 1971 nontaxable level.

[3] Under the House bill the specified maximum marginal rate is applicable to earned income; under the conference bill the specified maximum marginal rate is applicable to earned income less preference income over $30,000 in the current year or the average tax preferences in excess of $30,000 for the current year and the prior 4 years, whichever is greater.

TABLE 5.—TAX REFORM PROVISIONS UNDER THE TAX REFORM BILL OF 1969 AFFECTING INDIVIDUALS, FULL-YEAR EFFECT—BY ADJUSTED GROSS INCOME CLASS

Adjusted gross income class	Change alternative tax on long-term gains [1]	Capital loss limitation	Pension plan provision	Life estates provision	Averaging including capital gains and 120 percent	Charitable deductions	Interest deduction	Reduced percentage depletion	Accumulation trusts (millions)	Moving expenses	Farm losses	Real estate	Tax free dividends	Tax on preference income	Citrus grove costs	Total
0 to $3,000		+$5	[2]		[2]			[2]	[2]	−$1		[2]	[2]	+$2		+$6
$3,000 to $5,000		+3	+$1		[2]			+$1	+$1	−12		[2]	[2]	[2]		−6
$5,000 to $7,000		+5	+2		[2]			+1	+1	−14		[2]	+$1	[2]	[2]	−4
$7,000 to $10,000		+9	+3		[2]			+1	+1	−26		+$5	+2	[2]	[2]	−5
$10,000 to $15,000		+15	+8		−$5			+3	+4	−32		+10	+3	[2]	[2]	+6
$15,000 to $20,000		+8	+5		−30			+3	+5	−11		+10	+3	[2]	[2]	−7
$20,000 to $50,000	+$1	+16	+14	[2]	−110			+11	+27	−12		+42	+17	+48	+$2	+56
$50,000 to $100,000	+7	+4	+8	+$5	−105			+7	+28	−2	+$5	+47	+19	+28	+3	+54
$100,000 and over	+267	[2]	+19	+5	−50	+$20	+$20	+13	+48	[2]	+20	+131	+35	+207	+5	+740
Total	+275	+65	+60	+10	−300	+20	+20	+40	+115	−110	+25	+245	+80	+285	+10	+840

[1] Assumes ½ of effect as compared with bo change in realization. [2] Less than $500,000.

TABLE 6.—TAX BURDEN ON THE SINGLE PERSON UNDER TAX REFORM BILL OF 1969

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0
$1,700	$115	0	$115	100.0
$1,750	123	0	123	100.0
$1,800	130	$7	123	94.6
$3,000	329	185	144	43.8
$3,500	415	267	147	35.5
$4,000	500	357	143	28.5
$5,000	671	547	124	18.4
$7,500	$1,168	$1,031	$136	11.7
$10,000	1,742	1,530	212	12.2
$12,500	2,398	2,059	339	14.2
$15,000	3,154	2,702	452	14.3
$17,500	3,999	3,442	556	13.9
$20,000	4,918	4,255	663	13.5
$25,000	6,982	5,895	1,087	15.6

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease: Amount	Tax decrease: Percentage
$900	0	0	0	0
$1,700	$114	0	$114	100.0
$1,750	120	0	120	100.0
$1,800	126	$7	119	94.5
$3,000	286	185	101	35.4
$3,500	361	267	94	26.0
$4,000	439	357	82	18.6
$5,000	595	547	48	8.0
$7,500	$1,031	$984	$47	4.6
$10,000	1,530	1,458	72	4.7
$12,500	2,092	1,965	127	6.1
$15,000	2,734	2,509	225	8.3
$17,500	3,460	3,094	366	10.6
$20,000	4,252	3,722	530	12.5
$25,000	6,025	5,140	885	14.7

Exclusive of tax surcharge.

TABLE 7.—TAX BURDEN ON THE MARRIED COUPLE WITH NO DEPENDENTS UNDER TAX REFORM BILL OF 1969

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease		Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage				Amount	Percentage
$1,600	0	0	0	0	$7,500	$915	$786	$128	14.0
$2,300	$98	0	$98	100.0	$10,000	1,342	1,190	152	11.3
$2,500	126	0	126	100.0	$12,500	1,831	1,628	203	11.1
$2,600	140	$14	126	90.0	$15,000	2,335	2,150	185	7.9
$3,000	200	70	130	65.0	$17,500	2,898	2,760	138	4.8
$3,500	275	140	135	49.1	$20,000	3,484	3,400	84	2.4
$4,000	354	215	139	39.3	$25,000	4,796	4,700	96	2.0
$5,000	501	370	131	26.2					

TABLE 8.—TAX BURDEN ON THE MARRIED COUPLE WITH NO DEPENDENTS UNDER TAX REFORM BILL OF 1969

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease		Adjusted gross income (wages and salaries)	Tax under present law [1]	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage				Amount	Percentage
$1,600	0	0	0	0	$7,500	$801	$744	$57	7.1
$2,300	$96	0	$96	100.0	$10,000	1,190	1,133	57	4.8
$2,500	119	0	119	100.0	$12,500	1,611	1,545	66	4.1
$2,600	130	$14	116	89.3	$15,000	2,062	1,996	66	3.2
$3,000	179	70	109	60.9	$17,500	2,548	2,473	75	2.9
$3,500	241	140	101	41.8	$20,000	3,060	2,985	75	2.5
$4,000	303	215	88	29.0	$25,000	4,184	4,100	84	2.0
$5,000	434	370	64	14.8					

TABLE 9.—TAX BURDEN ON THE MARRIED COUPLE WITH 2 DEPENDENTS UNDER PRESENT LAW AND UNDER TAX REFORM BILL OF 1969

A. ASSUMING NONBUSINESS DEDUCTIONS OF 10 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease		Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage				Amount	Percentage
$3,000	0	0	0	0	$10,000	$1,114	$905	$209	18.8
$3,500	$70	0	$70	100.0	$12,500	1,567	1,309	258	16.5
$4,000	140	0	410	100.0	$15,000	2,062	1,820	242	11.7
$4,200	170	$28	142	83.5	$17,500	2,598	2,385	213	8.2
$5,000	290	140	150	51.7	$20,000	3,160	3,010	150	4.8
$7,500	687	514	173	25.2	$25,000	4,412	4,240	172	3.9

B. ASSUMING NONBUSINESS DEDUCTIONS OF 18 PERCENT OF INCOME

Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease		Adjusted gross income (wages and salaries)	Tax under present law	Tax under H.R. 13270	Tax decrease	
			Amount	Percentage				Amount	Percentage
$3,000	0	0	0	0	$10,000	$962	-848	$114	11.9
$3,500	$66	0	$66	100.0	$12,500	1,352	1,238	114	8.4
$4,000	123	0	123	100.0	$15,000	1,798	1,666	132	7.3
$4,200	147	$28	119	80.9	$17,500	2,249	2,117	132	5.9
$5,000	245	140	105	42.9	$20,000	2,760	2,610	150	5.4
$7,500	578	476	102	17.7	$25,000	3,848	3,680	168	4.4

Mr. BURLESON of Texas. Mr. Speaker, will the gentleman yield?

Mr. VANIK. I yield to the gentleman from Texas.

Mr. BURLESON of Texas. I thank the gentleman for yielding.

Mr. Speaker, I notice the gentleman emphasizes oil and gas when speaking on the subject of depletion. This seems to be a general practice.

As a matter of fact, as the gentleman well knows, there are well over 100 minerals which receive some percentage of depletion. It seems to me it would be more proper to use the term mineral depletion rather than simply refer to oil and gas alone.

Under the provisions of the conference report before us, 41 minerals out of the 105 or 106 receiving the depletion allowance will have the same depletion as oil and gas. I do not complain of the depletion allowance on other minerals because I think it is well justified, both when first allowed and at the present time. I do not believe, however, that it can be successfully agreed that the risk capital which goes into oil and gas exploration is not much greater than any other mineral and, hence, the reason for it heretofore having had a higher depletion than any other mineral.

If the gentleman will yield further, let me further point out that the provisions of the conference report, as I understand it, further reduce the 22-percent figure for oil and gas by imposing a 10-percent surcharge under a formula relating to tax preferences. Theoretically, this could mean another 10-percent reduction on the 22 percent, or result in an allowance depreciable rate of 19.8 percent.

Now, Mr. Speaker, for the first time in the history of our country natural gas is in short supply. The explorer does not go out and look for gas or oil, but drills for either. The incentive for risk capital in these ventures is already greatly reduced because of prices, foreign oil imports and inflation. Reducing it further will invetiably result, finally, in shorter supplies, which will mean higher prices to the consumer. This is the direction in which we are headed and I fear on down the line we will see the mistake of this action.

One thing further, if the gentleman will further yield. I doubt if there is any such thing as fairness in the tax structure or that we can ever equalize the tax burden on everyone and every industry. We must, however, work toward fairness, equality, and justice in the taxing process. Equally important is to exercise a more careful judgment in the expenditure of these revenues.

This conference report is going to pass this House overwhelmingly. No changes can be made in the provisions of this bill at this stage of its consideration. As all of us know, it is a matter of taking it or leaving it, since we have reached the point of no return. Certainly, this measure is not going to please a great many people affected by it and

I fear it holds out some false hopes in tax relief, but it is the best that can be done at this time and I must join with others who have expressed their appreciation for the diligence and arduous hours of work devoted to producing this legislation by the leaders of the Ways and Means Committee, and particularly the conferees.

The SPEAKER pro tempore (Mr. HOLIFIELD). The time of the gentleman from Ohio has expired.

Mr. ULLMAN. Mr. Speaker, I yield the gentleman 1 additional minute.

Mr. BURLESON of Texas. I appreciate the gentleman yielding and I shall take just one other second.

It is a dramatic thing that for the first time in the history of our Nation we are short of natural gas. You do not go out and look for gas alone. You go out and look for oil and you may get gas. You cannot separate the two. When the day comes that the incentive of risk capital to search for oil and gas puts us in a deficit position to depend upon foreign-owned imports—and this is another problem that is now pending—and the price to the consumer is going to inevitably increase, this country can be placed in a dangerous position because today with oil and gas furnishing more than 87 percent of all energy, what will our Nation do if we find ourselves in a deficit position?

So I know when the gentleman from Ohio is talking about oil and gas that he wants to look at this from an overall picture and consider all of the minerals. But I do not complain about the depletion allowance because I think it is justified by its great historical background.

The SPEAKER pro tempore. The time of the gentleman from Ohio has expired.

Mr. ULLMAN. I yield 1 additional minute to the gentleman from Ohio.

Mr. VANIK. Mr. Speaker, I thank the gentleman for yielding me the additional time.

Mr. Speaker, I would like to respond to the gentleman from Texas by saying that I understand the economic force that oil and gas are in his community. But I must agree with the gentleman from Wisconsin that we did not touch intangibles, we did not touch drilling costs, we did not touch bookkeeping practices, and we did not touch a great many privileges enjoyed by the extraction industry.

I would like to say this: that in recent years there has been a tremendous effort on the part of mineral and oil producing industries to suppress information on their reserves so that they do not have to pay taxes on known reserves. However, I think that this is a debate that we can better carry on next year when time will permit a more extensive discussion as to the effect of the depletion allowance, and the availability of oil and gas reserves.

Mr. ULLMAN. Mr. Speaker, I yield such time as he may consume to the gentleman from Tennessee (Mr. FULTON).

Mr. FULTON of Tennessee. Mr. Speaker, passage of the conference report today on the Tax Reform Act of 1969 will mark a significant step forward in our efforts to provide for more equity in our tax laws.

Today's vote will climax days and hours of strenuous effort which began almost 11 months ago when the Ways and Means Committee of the House opened public hearings on tax reform.

In the intervening months we have seen tax reform move from a concept long overdue and frequently denied to a concrete and meaningful piece of legislation.

This bill has its weaknesses and imperfections, to be sure. For my part, I was particularly disappointed that the House approved a reduction in the oil depletion allowance to only 20 percent. This disappointment was heightened by the conference committee's decision to cut back this reduction to 22 percent.

Also, it was a disappointment to me and to an overwhelming majority of the near 5 million small businesses in the country that the conference committee eliminated the Senate amendment to exclude the first $20,000 of annual capital investment per firm from the elimination of the investment tax credit. This would have been a great assistance to the small businessman who, in today's money market, finds investment funds hard to secure and very costly to borrow.

It is heartening to see the 15 percent across-the-board social security benefit increase in this bill. However, this does not finish the work of the 91st Congress on social security. When the second session of the Congress reconvenes in January, we must consider further needed changes in the social security law such as reduction of age requirements for benefit eligibility and liberalization of the outside earnings limitation which, at $1,680 a year, is far too low. I also feel that by next July the Congress should increase social security benefits by at least another 10 percent.

On balance, the positive aspects of the tax reform bill far outweigh the negative ones.

The House conferees accepted, with important modification, the Senate's action to increase the personal exemption. Unfortunately, the ultimate $750.00 figure did not match the $800 which was passed by the Senate, but the conferees, by this slight reduction and by phasing out the ultimate impact of the exemption increase, eliminated from the bill a very strong inflationary impact.

In addition, the bill provides meaningful relief for the poor and near poor. About 5 to 5½ million persons in these categories will be removed from the Federal tax rolls by this bill while the impact of taxation on millions of other middle income taxpayers will be reduced.

Also, because of the minimum income tax provisions, the average taxpayer can be assured that all taxpayers except the poor, will pay some tax on income.

Mr. Speaker, time does not permit an item-by-item discussion of the provisions of the bill. I have attempted here to touch on some of the highlights. However, I feel the bill is a genuine accomplishment and step forward. It was a privilege and pleasure to sit on the Ways and Means Committee during the hearings and writing of the House version. I recommend favorable consideration of the conference report of the Tax Reform Act of 1969.

Mr. ULLMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Montana (Mr. MELCHER).

Mr. MELCHER. Mr. Speaker, the tax reform bill, which has been reported by the conference committees, does a serious injustice, which can have serious consequences to the whole Nation, to two categories of citizens who most need tax relief instead of a tax increase—farmers and ranchers and small business.

The bill will increase taxes for 1969—the present year—for these two groups of people, and it will continue to assess higher tax bills against them, in spite of some relief in the rate schedules, in the years ahead.

The bill repeals the 7 percent investment tax credit as of April 18, 1969, and the Senate amendment to allow a $20,000 exemption has been discarded.

This is both inequitable and inadvisable.

The big corporations and the biggest operators with continuous investment requirements all undoubtedly used up $20,000 or $100,000, or a million dollar investment credit in the first 3½ months of the year or have salted it down with valid contracts by the April 18 cutoff date. They will get theirs.

But farmers and small business would not have started making their investments in new equipment, building improvements, modernization of their business operations in the winter months.

They generally wait until later in the calendar year to determine whether they will have the money in their business, or the chance of a crop, before investing in new machinery and equipment which might be delayed another year.

Sales of farm machinery are much higher in the final quarters of the year than in the first quarter. Sales of farm machinery are insignificant in the first 3 months compared to the last 9 of the year.

The investment tax credit for the farmer-rancher and small businessmen in 1969 will be almost nil. They will find themselves confronted with unexpectedly high tax liabilities when they make out their income tax returns on the 1969 income next month, while their larger competitors have gotten considerable advantage out of the credit as a consequence of their continuing programs of expansion, improvement and modernization and doubtless also as having had the advantage of consultation with able tax counsel who foresaw, because of earlier public discussion, the probable termination of this tax advantage.

The repeal as of April 18 is clearly discriminatory, and the discrimination can only be eliminated by the inclusion of an exemption which will extend the credit, on a reasonable amount of investment. I think the Senate chose a good level—$20,000—but even if that were reduced to $15,000 to reach the most hard-pressed farmers and small businessmen, it would promote equity.

Make no mistake—this is an instant tax increase for virtually all of the 3 million farmers in America, and for millions of small business establishments. This is an increase in the 1969 taxes—the income taxes they will be figuring and paying next month.

It is also an increase in their tax burden for 1970, 1971, 1972 and ensuing years, but the first shock of this highly touted tax reform bill comes for these struggling people—all faced by giant competition just a few days after we write this measure into law, if we do.

It is a case of: "Merry Christmas, your taxes are up. Happy new year, your taxes are going to stay up."

We have been losing about 100,000 farm units a year for the past two decades. The decline ran over that in the fifties. It has been under for most years in the sixties, but I predict that it will rise again if this tax bill passes as the conference has reported it and you will find more and more farmers, ranchers and rural residents migrating to your overcrowded cities to find some sort of economic opportunity.

I am not talking about just the smallest farmers—the 400,000 that the Department of Agriculture says may one day be provided for under President Nixon's family welfare plan.

I am talking about farmers who are producing $25,000 to $60,000 or more in products, whose adjusted gross income runs in the $3,000 to $7,000 range, and above that.

I am talking about people whose average age is 53 years, who pay high property taxes to the county, the schools, and the State to maintain education and necessary local services, who is now confronted with 9 percent interest on the operating loans he needs, and who has to anticipate that the prices for the products he sells will average less than 80 percent of parity, and probably a good deal less than that.

He has been staying on the land only because his wife is a full, working partner, who drives the tractors when necessary, the trucks, runs the errands for parts and supplies, keeps the records, cooks the meals, and keeps the household running.

The loss of this investment tax credit—even though most of the farmers and ranchers will only use $4,000 to $5,000 of it on an average, will not be made up by reductions in personal tax rates.

For those whose incomes are $3,500 or below, who have no business investments to make, there is substantial help in the bill.

But for the farmer who handles $20,000 to $60,000 in products each year, and has to keep up his equipment, build and maintain barns and outbuildings, fences—operators whose annual investment to remain efficient enough to stay in business, the loss of the investment tax credit on his likely $5,000 annual yearly investments will be $350. For those with larger operations, but still commercial family farms, investment may easily run $10,000 to $15,000 yearly, and their tax loss under this bill $700 to $1,000 although their net, and their offsetting savings from rate reductions, in only a fraction of that. For the small businessman struggling to keep his business progressing and solvent, he, too, needs this tax tool.

This bill will definitely speed up the outmigration, not just from the farms and ranches of the Nation, but from the rural communities and larger trading centers, to the overcrowded urban areas.

Recently I put in the RECORD a newspaper article about the jump in farm closing out sales in eastern Montana. The sellouts and the migration is already at an alarmingly high level because of the diminishing margin of returns to agriculture as farm prices stay around 20-year-ago levels and farm costs continue rising. A couple of weeks ago the railroads increased freight rates, across-the-board, by 6 percent, but the agriculture producers or small business raise their prices to absorb that increase; indeed, it will come out of their pocketbooks for the farm price of commodities is always the urban price, less freight, whatever that may be. And the competitive position of small businessmen is shakey, so it comes out of their pocket, too.

High interest, high credit, skyrocketing operating costs and now higher Federal income taxes are going to start a migration out of the rural areas of this Nation that will plague us next year, and for many years to come.

The surtax has not controlled inflation.

High interest has not curtailed inflation—it is fueling the fire in most instances.

Repeal of every cent of the investment tax credit—the omission of the Senate's $20,000 exemption—is not going to make or break inflation control.

But it is going to trigger trouble for our whole economy and society, in my opinion, and is a mighty sorry sort of Christmas package to present to the Nation—and especially farmers and small business—on Christmas eve.

I can understand why this tax reform bill is welcomed in some quarters: there is relief in some instances. There is a little but probably wholly inadequate shift back to progressive taxation in some instances.

But I cannot welcome a measure which will increase the tax burden of a major segment of my people and will, in my judgment, do an unjustified overall economic injury to my district and my State.

In spite of the rush to adjournment, we have the time to send this bill back to conference with instructions to accept the exemption for the small operators of this Nation to help keep them in business or in agriculture.

THE TAX SCHEDULES UNDER THE TAX BILL FOR FARMERS, RANCHERS, AND SMALL BUSINESS (EFFECT ON A FAMILY OF FOUR)

Income	1970 tax	Savings due to new rates	Estimated investment by farmers, ranchers, and small businessmen	Loss due to investment credit repeal	Net tax increase
$3,500	None	$70			
$5,000	$275	15	$3,000	[1] $210	$195
$7,500	685	71	4,000	[1] 280	209
$10,000	1,122	103	5,000	[1] 350	247
$15,000	2,091	177	6,000	[1] 420	243

[1] In nearly all instances this sum will be lost on 1969 income tax returns as well as in all future years due to Apr. 18, 1969 repeal of the investment tax credit—a date in advance of normal farm and small business buying season.

Note: Data on 1970 tax and savings from Joint Committee on Internal Revenue Taxation.

Mr. ULLMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri. (Mr. RANDALL).

Mr. RANDALL. Mr. Speaker, it was not until this morning that there was delivered to each of our offices the 346-page conference report that accompanies H.R. 13270 being the bill which started out in the House several months ago as the Tax Reform Act of 1969. Until the receipt of this copy of the conference report we have had to rely on hearsay or press accounts of the actual agreement reached by our conferees. The actual content of what we are going to be called upon to vote for or against was not in our hands until a few hours ago. For that reason I ask at this time to propound some questions either to the chairman of the committee or to some member who was a conferee.

In recent weeks while the Senate was considering this measure, and during the time of the conference our mail was heaviest on such subjects as taxation of municipal bonds; the taxation of professional service corporations; the treatment of lump sum distributions under pension plans; the tax treatment of dividend distributions of cooperatives, and the amount of the reduction of taxable income that can be kept as a reserve for bad debts by savings and loan associations. Accordingly, I hope I can make a record on exactly what is contained in the conference report with respect to these separate provisions.

I ask the gentleman from Oregon (Mr. ULLMAN) whether the only change as to taxation of the income from municipal or State bonds is in the requirement that there be an arbitrage charge and that the formula of the House to tax the income from municipal bonds is not a part of this conference report?

Mr. ULLMAN. The only provision as to municipal bonds is on arbitrage. All the other provision of taxation of municipal bonds under the House version have been deleted.

Mr. RANDALL. Now, if I may ask the gentlemen from Oregon a question concerning the professional service corporations that have been set up by dentists and doctors which were organized to relieve them from being subject to the limitations of the Keough Act. As I understand it there was nothing in our bill

as it went to the Senate to effect the tax treatment of these professional corporations. As I understand it the Senate Finance Committee subjected these corporations to the same limitations as the Keough Act and this change by the Senate Finance Committee was knocked out on the Senate floor. I want to be sure that there is nothing in this conference report that would change the present tax treatment of these professional corporations?

Mr. ULLMAN. That is correct—these corporations are not dealt with in any way in the conference report.

Mr. RANDALL. Now if I may ask the gentleman from Oregon a question with reference to any changes in the tax treatment of lump sum distribution under company pension plans. I refer to the situation where a pensioner elects to take a lump sum settlement of his pension plan when he may need these funds for some investment purpose. I received a lot of mail complaining against the change which made these distributions taxable at ordinary tax rates instead of capital gains rate. As I recall it, our bill passed by the House provided that the payment of taxes on this lump sum distribution could be averaged out over a 5-year period. That is, the tax on such distribution could be paid in five installments. Now I understand that the agreement of the conferees contained in this conference report provides taxes may be paid over a period of 7 years. In other words, whatever amount a distributee may receive may be divided by seven and pay one-seventh of the tax each year? I am asking you for the record if that is what is contained in the conference report?

Mr. ULLMAN. That is correct.

Mr. RANDALL. There is another question which has generated some mail from our constituents and that is the provision concerning taxation of the portion of dividends retained and not paid out by cooperatives. If my memory serves me correctly the House version provided these dividends were required to be paid out within 15 years. As I read the portion of the conference report which concerns this subject, I cannot find any reference to the House version. Is it true that the House requirement that dividends had to be paid out in 15 years was knocked out by the Senate and the House receded and at the present time there is no provision in the conference report concerning the taxation of dividends of cooperatives. Is that right?

Mr. ULLMAN. That is correct.

That provision as to cooperatives was taken out of the bill completely.

Mr. RANDALL. One final question which although last in the order of my inquiries should not be construed to be the least important. I have received mail from our savings and loan people who feel the method of taxing their reserve for bad debts is being unfairly treated. My recollection is the House version of H.R. 13270 reduced the amount of taxable income that can be kept by savings and loan associations as a reserve for bad debts from 60 percent to 30 percent. In other words, after all deductions have been made, a savings and loan could set up only 30 percent of its taxable income to take care of its bad debts. As I remember it the Senate reduced this from 60 percent to only 50 percent. The point that I must have clarified in order that I may be able to report to the several savings and loan associations in our congressional district is the final figure agreed to by the conferees. In other words is it true the conferees have compromised the difference between 30 and 50 percent and have in effect reduced the amount these associations can set aside for bad debts from 60 percent to only 40 percent?

Mr. ULLMAN. That is correct, 40 percent.

Mr. RANDALL. I am grateful to the gentleman from Oregon who as one of the conferees has provided me with such clear and accurate answers to my several questions.

Mr. STEIGER of Wisconsin. Mr. Speaker, I shall support the adoption of the conference report on H.R. 13270, the Tax Reform Act of 1969.

The House of Representatives can be proud of this effort and I particularly want to pay tribute to the chairman, the gentleman from Arkansas (Mr. MILLS), and the ranking Republican, the gentleman from Wisconsin (Mr. BYRNES).

The product of the conference is a major step toward greater tax equity. But it should be clear that there remains much yet to be done since this bill has not touched all areas.

I am particularly pleased, Mr. Speaker, with the adoption of an income in the personal exemption from $600 to $750 over a period of time. This significant improvement in distributing the burden of taxation coupled with changes in the taxation of single persons, in the standard deduction and in the adoption of a low-income allowance are valuable. While I still believe a further increase in the personal exemption is desirable a start on this road has been made.

I remain concerned about the treatment of foundations contained in this report which parallels the House version. Those in the private sector deserve better at this critical time in our history than efforts to limit their role. I fear a greater reliance on Government which is not, at this point, appropriate.

This conference report represents both reform and relief. It also contains an increase in social security benefits which is desperately needed as well as a continuation of the surtax at 5 percent for the first 6 months of 1970, which is also needed.

Thus, Mr. Speaker, the overall concept of tax equity has been maintained by this bill and since its inflationary impact has been seriously lessened in fiscal years 1971 and 1972 I believe the conference report should be passed.

Mr. TUNNEY. Mr. Speaker, passage of the tax reform bill will do much to restore the faith and confidence of millions of Americans in the fairness of our system of taxation. I hope that we give this bill our overwhelming support.

Our belief in the principle that taxes should be assessed on the basis of ability to pay has been strained to the limit by reports of wealthy taxpayers who pay no tax at all. It is acutely clear that the progressive tax rate has been a myth for thousands of privileged taxpayers. Now, because of the marathon efforts of Members in both bodies, those less privileged will no longer be forced to bear the major share of Federal taxes, while the wealthy shield their incomes from any significant tax bite.

Some have called this bill a tax giveaway program, citing the generous relief afforded low- and middle-income citizens. I raise strong objection to these charges that tax relief and tax reductions undermine the purposes of tax reform.

Too often we speak of tax reform and tax relief as if they were two separate things. I believe that tax relief is at the heart of comprehensive tax reform. Tax justice demands not only that we tighten restrictions on the availability of tax loopholes, but also that we lighten the burdens which low- and middle-income citizens have borne for so long.

There is merit to the complaint that revenues lost as a result of tax relief will exceed revenues gained as a result of narrower loopholes. My answer to that is a simple one. If there is a genuine fear that lost revenues are excessive, we can, and should, do more to place a fairer share of the tax burden on the select few who receive sheltered income. Municipal bond interest is still tax free. Taxpayers can still arrange to protect substantial earnings through oil depletion allowances.

The failure of the tax reform bill to incorporate the House proposals to place some tax on income from tax-exempt bonds is a glaring omission. The tax-exempt bonds that are owned by individuals are concentrated in the hands of the wealthiest 2 percent of the population. The reason is easy to understand. A 6-percent return from a tax-free bond, for a person in the 70 percent bracket, puts as much money in his pocket as a taxable investment bearing 20 percent interest. There are taxpayers with income from tax-free bonds in excess of $1 million who pay no tax at all, and who do not even have to file a return. And because they pay no tax, they pay no surtax.

Last January I introduced a tax reform bill which would have imposed a minimum tax of 10 percent on all income. This minimum tax would have reached income presently sheltered by depletion, accelerated depreciation and the exclusion of one-half of all long-term capital gains, as well as income from tax-free bonds. I will be happy to see adopted the mechanism of a minimum tax, which I feel goes further to assure that tax preference income will not escape tax entirely, than did the original House proposal. The exclusion of tax-free bond income in the conference bill, however, leaves millions of dollars of income completely immune from tax. It will still be possible for a select few to receive vast amounts of tax-free income, while persons with incomes of one-hundredth the size will be taxed at effective rates of 20 to 30 percent. This is not tax justice, and we will be making a mistake if we think that we can sit comfortably back, after the passage of this bill, and wait

another 50 years before the cry for reform is heard again.

I strongly urge support for this bill as a dramatic, albeit a first step toward comprehensive tax reform.

Mr. KLEPPE. Mr. Speaker, farmers and small businessmen will be especially disappointed that the conference report on the Tax Reform Act of 1969 does not include the Senate amendment exempting investments up to $20,000 in eligible property from the investment credit repeal.

This might have been fully justified had no special concessions been made to some other groups in the treatment of investment credit. I do not object to the provisions affecting amortization of certain railway rolling stock, pollution control facilities, and coal mine safety equipment; but I believe that an equally strong case could be made for at least a limited tax credit on equipment purchases by farmers and small businessmen.

With farm machinery prices continuing to move sharply higher, while most farm prices remain at generally depressed prices, American agriculture is in a tighter cost-price squeeze than any other segment of the economy. The typical commercial farmer has far more than $20,000 invested in machinery and equipment which must be replaced periodically if he is to maintain an efficient operation. This hard economic fact deserves recognition in the Federal tax structure.

From a safety factor alone, farmers should be encouraged to replace obsolete and other dangerous equipment. More farmers and agricultural workers are killed or injured every year in on-the-job accidents than in any other industry. Many of these tragedies could be averted with newer and safer farm equipment. Even a modest tax incentive would encourage farmers to replace obsolete and dangerous equipment at a much faster rate.

Mr. BINGHAM. Mr. Speaker, there is no question but that the pluses in this enormous tax bill outweigh the minuses.

Tax relief is provided, increasingly over a period of years, for those income groups that most need it.

A small increase is provided in social security benefits—far too small but better than nothing.

While the bill does not go nearly as far in the direction of closing tax loopholes as many of us would have liked, it still goes further than any of us could surely have predicted a year ago.

Today's New York Times contains an excellent summary by Eileen Shanahan of the tax reform aspects of the bill, which I insert herewith:

FOR MOST WEALTHY NONTAXPAYERS, NEW BILL ENDS FAVORED STATUS

(By Eileen Shanahan)

WASHINGTON, December 21.—How many of that well-publicized group of 155 individuals who pay no Federal income taxes, although they have incomes in excess of $200,000 a year, will have to start paying taxes now?

The answer is most, and possibly every one of them, assuming that the tax reform bill now awaiting final congressional action and Presidential approval does, as expected, become law. To say that the new tax reform bill might eliminate the nontaxable status of all 155 overstates the amount of reform, however.

The reason is that the figure of 155 always drastically understated the true number of high-income persons who paid no taxes. The only ones who made the famous list were those who had "adjusted gross income" of $200,000 or more, and many oilmen, real estate operators and owners of municipal bonds did not have any such amount of "adjusted gross income," even though their real, economic income may have been in the millions. The reason has to do with the mechanics of the way income—and tax-avoidance devices—is reported on tax returns.

Leaving aside the deficiencies of the number 155, the bill really does go most of the way toward blocking the routes for escape of all Federal taxes on sizable amounts of income.

STILL NO BOND TAX

Owners of municipal bonds can continue to pay no tax at all, if their sole income is from the interest on such bonds. Despite the reduction in the depletion allowance that the bill contains, some, and possibly many, oilmen will be able to arrange their affairs so that they can legally continue to avoid all Federal income tax.

But for other zero taxpayers, on or off the list of 155, the party is over. Or, more precisely, it will be shortly, once some transitional provisions of the bill have run their course.

It is the new "minimum tax" contained in the tax reform act of 1969 that will do the most toward eliminating complete tax avoidance by wealthy individuals (and by economically profitable corporations, as well, it should be noted.) The minimum tax stands as the most striking feature of the new legislation, the one that seems likely to earn for the 1969 act a place in the record books as the most significant tax reform bill since the inauguration of the income tax in 1913.

EFFECT ISN'T CERTAIN

This is true, even though no one is precisely sure how the minimum tax will work out in practice. The concept and mechanics of the tax are completely novel, and experienced tax lawyers tend to feel that it will probably produce some inequitable results, as between different individuals and different companies, and will need some amending in the future.

Basically, the minimum tax lumps together a long list of current provisions of the tax law—the depletion allowance is one, rapid depreciation of buildings is another—and commands the taxpayer to add up all of his income that is sheltered from tax by the operation of these various devices. If the total amount so sheltered exceeds $30,000, plus the amount of tax the individual is paying on his other income, he must pay the minimum tax on the amount of the excess.

The rate of tax on income subject to the minimum tax is only 10 per cent, compared with the rates on other income that go as high as 70 per cent. This is a defect in the minimum tax, in the view of ardent tax reformers.

STARTING WITH LOW RATE

But many others feel that a relatively low, flat rate of tax is a good way to start, particularly when no one knows exactly how the complex idea of setting levies on tax-sheltered income that exceeds taxes otherwise due will actually work out.

While the minimum tax may be the most striking single feature of the reform bill the measure contains countless other sections that also make its title "tax reform act" no misnomer. Some of these have almost been lost sight of recently because they have stirred relatively little controversy.

In this category come the provisions taxing, for the first time, the income that churches receive from ownership of businesses. Similarly noncontroversial but significant are extensive new statutory rules aimed at preventing individuals from creating and operating allegedly charitable foundations solely or partly for personal financial benefit.

FOUNDATION PROVISIONS

The other provisions of the bill involving tax-exempt foundations are highly controversial, and even some vigorous tax reformers do not necessarily regard them as improvements in the tax law. There is general agreement, however, that the new restrictions on politically oriented activities of foundations, the requirement that foundations pay out 6 percent of their income annually for their stated purposes, the audit fee they will pay the Government, the limitations on their ownership of businesses, and the restrictions on making grants to individuals on an arbitrary basis—that all of these are requirements the foundations can, in fact, live with.

One of the most significant sections of the bill affects both corporations and individuals—the one dealing with real estate. The measure cuts back drastically on the amount of rapid depreciation that can be deducted from income before any tax is calculated, and also limits to $21,000 a year the interest reductions that can be taken, unless the interest payments lead to profits or capital gains.

The combination of these provisions is expected to put many real estate operators in the taxpayer category for the first time in years.

The interest provision by itself will also reduce the zero taxpayer list to about half its present size, with most of those eliminated being either real estate men or speculators in securities.

Successful securities speculators and many other persons with large amounts of capital gains will be paying heavier taxes because of two or three different provisions of the bill.

However, for those who realize a big capital gain only occasionally, over a lifetime, the advantages of averaging would be granted.

FEW NEW PREFERENCES

But persons with an occasional big capital gain would be among the few to be better off under the reform provisions of the 1969 act. The relief provisions are another matter. For the legislation is emerging from Congress remarkably free of new tax preferences, although there are a few such as the increase in the depletion allowance on molybdenum, even though it is already in surplus supply.

There are four other major new tax preferences in the bill: tax incentives (which is what preferences always are at their birth) aimed at stimulating the installation of antipollution equipment, the modernization of railroad equipment, the rehabilitation of old residential housing, and the adoption of safety devices in coal mines. But all of these preferences contain an unprecedented feature: an automatic termination date five years hence.

EFFECT IS UNCLEAR

One of the great unknowns concerning the tax bill is its economic impact, because of both its reform provisions and its relief provisions. The tax reductions contained in the bill will reduce Government collections by billions in the years ahead. These are considerably more billions than the $9-billion figure usually cited, which, among other things, contains no allowance for increased income over the years that is a result of normal economic growth.

It is not yet clear just how this reduction in revenues, which would be phased over a period of years through 1973, will affect the economy. It depends on what shape the economy is in at the time.

Even more interesting is the question of how the various tax reform provisions will

affect business activity. There should be considerably less building of office buildings and shopping centers and other forms of nonresidential construction; there might be more building of apartment houses. There could be relatively more investment in the oil industry which had its tax preferences cut back a bit, but relatively little compared with other areas of past tax avoidance, such as real estate.

The repeal of the investment credit, and the concentration of tax relief in the hands of those who spend all their money, rather than save and invest, might have some depressing effect on investment.

Finally, there is another interesting question. Will the bill make people stop trying so hard to find tax-avoidance routes? Plain old earned income—salaries, commissions, professional fees—would be taxed at a top rate of 50 percent under the act. If that is the top rate (rather than the 70 percent it is now, or the 91 percent it was until 1963), is it really going to be worthwhile to pursue, for example, income that is taxed as capital gains, just by definition under the tax laws, and taxable at a maximum 35 percent? Will it be worthwhile to pursue income that would be subject just to the 10 percent minimum tax?

The Assistant Secretary of the Treasury for tax policy, Edwin S. Cohen, hopes and believes that one of the most beneficial effects of the legislation will be a lessening of the amount of energy and intelligence that is devoted to chasing after avoidance devices, Mr. Cohen's Democratic predecessor, Stanley S. Surrey, now of the Harvard Law School, advocated a somewhat different version of a maximum tax on earned income, but he believed the same thing.

Most other tax lawyers seem to think that Mr. Cohen and Mr. Surrey are wrong, that a 35 percent tax is better than a 50 percent and that the pursuit of tax preferences will continue unabated.

Mr. SEBELIUS. Mr. Speaker, I should like to comment on a most disturbing fact involving the Tax Reform Act of 1969.

I do not think it is equitable or right for the economic problems of the small businessman and farmer to increase as a result of measures taken to combat inflation in the economy as a whole.

I am speaking about the repeal of the 7 percent investment tax credit. The small businessman and the farmer should be the beneficiaries, not the victims of anti-inflationary policy.

This tax provision is a key factor in stimulating growth and economic development in our rural and smalltown areas. Certainly any successful effort to stimulate new jobs in rural America will serve the national interest. It has become apparent that the crisis in urban America is related to and in many cases due to our problems of rural migration.

I also want to stress this repeal will be a crushing blow to many farmers and small businessmen who have just managed to keep their heads above the waters of bankruptcy. While those of us vitally interested in rural America fully understand the obvious need for inflationary control, we were hopeful that at least this tax credit would be retained up to $25,000. Just this morning I received a call from a dryland farmer who was forced to sink new wells this summer or simply give up his investment and call it quits. He and his banker informed me the repeal of the 7 percent investment tax credit made his operation extremely marginal—dependent entirely upon how much more money he could borrow to avert financial ruin.

Mr. Speaker, I am most hopeful that future tax proposals and future proposals for revitalizing rural and smalltown America as well as plans to aid our cities can include special tax credits in this area. Once again I think we have cut off the farmer's nose in an effort to save the Nation's fiscal face. The investment tax credit was in effect an investment in future revenue, an investment we need desperately in rural America.

Mr. BURTON of California. Mr. Speaker, while I am delighted that the conference approved in part, amendments that Senator HARRIS and I prepared and which were vital to assure some measure of equity for our Nation's needy on public assistance—I must note with regret, that about 1.5 million aged, blind, and disabled who do not receive social security must rely on the States for any benefit under this bill.

I must further note that many of the 1.4 million who benefit under the Burton-Harris amendments will still have $5.50 or more a month of their small social security increase taken away from them if they are currently on public assistance.

However, some progress in this area is better than none at all.

The following reflect the results of the adoption of those portions of the Burton-Harris amendments agreed to by the conference committee:

Increased amounts received as a result of the Burton-Harris "pass-on" and "retroactive payment" amendments

California (285,000 persons receive increase as result of Burton–Harris amendments):	
Retroactive payment [1]	$5,700,000
Pass-on amendment [2]	3,420,000
Subtotal	9,120,000
Retroactive payment AFDC [3]	472,500
Total	9,592,500
Nationwide (1.4 million persons receive increase as result of Burton-Harris amendments):	
Retroactive payment amendment [1]	28,000,000
Pass-on amendment [2]	16,800,000
Subtotal	44,800,000
Retroactive payment AFDC [3]	3,510,000
Total	48,310,000

[1] Retroactive amendment requires the states to ignore for purposes of computing income of public assistance recipients the lump sum payment (averaging about $20) which will appear as a back payment for Jan. and Feb. in their April Social Security checks.

[2] Pass-on amendment requires the states to ignore for purpose of computing income of public assistance recipients $4 per month for March, April and May of the increase in benefits enacted in the Social Security Amendments of 1969.

[3] Retroactive payment AFDC represents 130,000 families nationally (17,500 Calif.) with combined AFDC/SS income—average SS income per family $90 per month—plus 15% increase for Jan. and Feb.=average retroactive payment of $27 for each family.

CALIFORNIA

	Public assistance recipients as of October 1969	April 1970 projections: Percent also receiving social security	April 1970 projections: Number public assistance recipients also receiving social security (rounded)
Aged	311,691	75	234,000
Blind	13,173	45	6,000
Disabled	157,091	27	45,000
Total	481,955		285,000

Note: In addition 17,500 families receive concurrent aid to families with dependent children/social security benefits.

Mr. Speaker, the following is the latest available information on the varying ways the different States have acted—or failed to act—on the 1967 social security legislation permitting the States to disregard $7.50 per month and as a result, increase payments to aged, blind, and disabled public assistance recipients by that amount.

My colleagues will note that in California, Governor Reagan's administration has failed to act to provide this $7.50 per month increase.

The Congress in 1967 urged the States to enact the increase because of the great savings to the States in welfare cost as the result of the 1967 social security amendments.

The only group in California who received the benefit of this $7.50 increase were the blind, under an amendment I offered to State legislation which was enacted in 1963.

I hope, but am not optimistic, that the States are more compassionate in dealing with the 1969 amendments, than they were with the 1967 Social Security Amendments.

THE 1965–67 AMENDMENTS

(Effective October 1, 1965; January 2, 1968)

OAA, AB, APTD and AABD: Disregarding some amount of income received from any source prior to disregarding of other amounts, as reported September 30, 1969:

Provision in effect [1]: *26 Jurisdictions.*

A. Not more than $5 a month (1965): *13 Jurisdictions.*

Connecticut [2]	New Hampshire
Delaware [3]	Ohio
Georgia [4]	Pennsylvania
Guam	South Carolina [2]
Indiana	South Dakota
Missouri	Virgin Islands
Nevada [5]	

B. Not more than $7.50 a month (1967): *13 Jurisdictions.*

Alabama [6]	Maine
Arizona [2]	Massachusetts [6]
California [6]	Mississippi
Hawaii [7]	Montana
Idaho	Texas [2]
Iowa	Wyoming [8]
Kentucky	

[1] Plan material approved for all jurisdictions except Connecticut.

[2] OAA only. *Connecticut*—Disregards $2.50.

[3] *Delaware*: OAA and APTD—up to $5. *AB*—up to $7.50.

[4] AABD—up to $5 a month.

[5] OAA and AB. State has no APTD program. Plan material submitted for 1967 amendment.

[6] AB only. Will not implement at present for other categories. *Massachusetts DPW*—Needs legislation.

[7] OAA and APTD only.

[8] OAA, AB, APTD—adults only.

Not in effect; plan material submitted: *0 Jurisdictions.*
Plan material in preparation: *0 Jurisdictions.*
Legislation enacted: *0 Jurisdictions.*
Legislation in process: *0 Jurisdictions.*
Interested or intend to use: *2 Jurisdictions.*
Oklahoma.
Tennessee.
Will not implement at present: *26 Jurisdictions.*

Alaska	New Mexico [13]
Arkansas [9]	New York*
Colorado	North Carolina
D.C.	North Dakota
Florida [10]	Oregon [13]
Illinois	Puerto Rico [14]
Kansas [11]	Rhode Island
Louisiana [12]	Utah [11]
Maryland	Vermont [10]
Michigan	Virginia
Minnesota [11]	Washington [11]
Nebraska [11]	West Virginia
New Jersey	Wisconsin [11]

Mr. OBEY. Mr. Speaker, I intend to vote in favor of the tax reform bill which is before us for a final vote today.

With the enactment of this legislation, I think the Congress will take a long first step in making our tax laws more equitable for all our people.

I am particularly happy that the bill contains increases in social security benefits for our senior citizens, without increasing the earnings base on which social security taxes are paid. Although I would have been happier if the bill did more for those receiving minimum payments, there is no doubt that further social security reforms are needed. Surely it is incredibly difficult for anyone, let alone an elderly person with large medical expenses, to live on $64 a month, the minimum benefits contained in the bill. Nor does the bill contain automatic cost-of-living increases or provisions assuring pensioners that increases in social security will not result in a disproportionate decrease in veterans or other types of retirement benefits. So, in this area, while we have made a start, much remains to be done.

I am disappointed also because this bill does not contain some of the provisions regarding the 7-percent investment credit which had been adopted by the Senate. While I generally support the repeal of the 7-percent investment credit, I doubt the economy would have been injured if the credit had remained available to small businessmen and farmers up to say $10,000 or $15,000 per year.

The provisions regarding tax loss farming could also be improved upon. The provisions adopted in this bill would only pertain to tax-loss farmers with nonfarm income over $50,000 per year, and then only if their losses exceeded $25,000. As Secretary of the Treasury David Kennedy said when he testified before the Senate Finance Committee, "In practice this exclusion renders the bill ineffective."

Mr. Speaker, tax-loss and hobby farmers do injury to the principle of tax equity, and pose a great threat to the family farmer in this country and the tax reform bill is deficient in dealing with them.

On the plus side, the bill does delete the provisions inserted by the House regarding cooperatives. The House bill—which would have required cooperatives to revolve out patronage dividends within 15 years—would have proved a significant hardship on agricultural cooperatives. The conference committee bill calls for a study of the taxation of cooperatives some time before January 1, 1972, and I am pleased to see that no action has been taken before this matter is studied thoroughly.

Mr. Speaker, some of the provisions inserted by the Senate to benefit specific industries have wisely been deleted. We will have a minimum tax which will make it more difficult for any high-income persons to avoid all Federal taxation as they have in the past, although the interest earned on individual investment in municipal bonds will still be exempt from taxation.

Although I think it is still too high, the oil depletion allowance has been decreased from 27½ to 22 percent. There will be a minimum tax on all earned income. The standard deduction has been increased, and will reach 15 percent or $2,000 in 1973. Income tax exemptions will be increased $150 over a 3-year period, from $600 to $650 on July 1st, to $700 in 1972, and to $750 in 1973.

Overall, as the chairman of the Ways and Means Committee has pointed out, our low-income wage earners who need tax relief the most, will be able to get it. Under the bill, it is estimated that those with an income less than $3,000 will have a 70-percent reduction in taxes. Those with incomes between $5,000 and $7,000 will have their taxes reduced 20 percent. Those who make $10,000 to $15,000 will have a 10 percent reduction. Those making $15,000 to $20,000 will have an 8½ percent decrease. Those making $20,000 to $50,000 will have a 5 percent reduction. Those with an income of $50,000 to $100,000 will have a 1½ percent reduction, and those who make over $100,000 will probably be paying more in taxes than they do today.

Mr. Speaker, I am sure all of us here would change parts of this bill if we were given the opportunity to do so. There are other faults which I have not mentioned. Nonetheless, I believe this legislation provides a foundation on which to build more tax equity in future years and I intend to vote for it.

I am very hopeful too that President Nixon will not decide to veto this legislation. In 1970 the bill will increase the revenue coming into the Treasury by $6.4 billion and in 1971 there will be a $315 million surplus. If the inflationary impact of this legislation was the President's major concern when he threatened to veto it several weeks ago, it seems to me that this has been taken care of. The Members of both Houses of Congress, especially the House Ways and Means and the Senate Finance Committees, are to be congratulated for the reforms we have achieved in this legislation. A veto of this measure by the President would only be a step backwards in efforts to get as just a tax system as we can for the people in this Nation.

Mr. MILLER of Ohio. Mr. Speaker, the House has overwhelmingly approved the conference report on the tax reform and social security legislation with only two dissenting votes. This measure is commendable in that it will grant long overdue tax relief to most low- and middle-income taxpayers and will increase social security benefits by 15 percent across the board, effective January 1.

The legislation as finally approved will tighten up a number of special tax advantages available to specified industries and individuals with certain sources of income. The end result is that these groups will be paying more taxes under the reformed laws. In some cases it is proper and fair that loopholes be closed, but at the same time I was not satisfied that proper consideration had been given to such features as abolishing the investment tax credit for small farmers and changing the tax treatment on income derived from employee pension plans.

The procedural rules in effect during original consideration of the House tax reform measure precluded floor amendments and therefore prevented individual House Members from amending the bill to correct the unfair or unwise provisions. After the Senate passed legislation with major variations from the House measure, the conferees hastily compromised the differences and we were then asked to approve the conference report less than a day later after only 2 hours of debate.

The tax reform legislation has its good points, but the entire measure could have been much better if additional time had been available to study its impact on various sectors of the economy. The opportunity for comprehensive review of the tax system comes along very rarely; we should insure that truly wise and equitable legislation is enacted so that our hard-working, taxpaying businesses and individuals will retain their confidence in the fairness of the Federal tax structure.

Mr. DONOHUE. Mr. Speaker, I most earnestly urge and hope that the House will promptly and overwhelmingly accept this compromise conference tax reduction and reform report now before us.

Even though it does not eliminate every loophole, correct every discrimination, and project the full reductions that so many of us sponsored and desired, it still represents the first substantial effort in a good many years to fundamentally revise, and reform, our tax system and redistribute the heavy tax burden being imposed upon the people of this country. Let us clearly emphasize that this measure is not intended to be an ending; it is only a promising beginning. We know that it has had the indication of a Presidential veto hanging over it, which we trust has been averted.

Of course, a conference report, by its nature, is an accommodation of a wide range of differences; such an accommodation is inevitably and always far from perfect. However, as it stands, this bill does represent a responsible, earnest and long overdue attempt toward placing our tax system back where it belongs on the

*As of June 30, 1969. No report received for Sept. 30, 1969.
[9] AABD—Deleted effective March 1, 1968.
[10] Plan material withdrawn. Provision in AABD terminated June 30, 1966.
[11] Needs legislation.
[12] Expects to disregard larger amount when funds are available.
[13] Insufficient funds.
[14] Plan withdrawn. Ceiling on Federal financial participation a deterrent.

foundation principle of "ability to pay." It moves closer to this principle, through its provisions to remove the impoverished from the tax rolls, raise personal exemptions and deductions, exact heavier taxes from the very wealthy, restrict special privileges, lessen the disproportionate burdens of the middle income and single head-of-household taxpayers, and in general more equitably distribute the overall tax load.

It is obvious that, under the existing circumstances, this is the most progressive compromise of all the varied viewpoints that can be accomplished. Let us, then, accept it in that spirit and realization, while we pledge to persevere in our common efforts toward early, further accomplishment of urgently needed tax relief to parents for college tuition and expenses, to persons over 65 for full medical expenses, to the handicapped, to small business, and in so many other areas where extraordinary economic distress is being unjustly and disproportionately experienced, by both individuals and organizations.

Mr. PICKLE. Mr. Speaker, at 10 o'clock this morning, we received the massive conference report on the tax reform bill. Some 3 hours later, we began debate—debate that lasted only 2 hours.

I am distressed that we were forced to consider this crash legislation, under these circumstances. The members of the conference committee did an admirable job in informing Congress in detail via their conference report. But the sad fact of life is that only a handful of men, the House and Senate conferees, have had the opportunity to develop any expertise in this, one of the major legislative items of the 90th Congress. I recognize and understand this political reality, but I cannot say I concur with the principle.

For example, today I spent a large part of the morning calling tax attorneys, businessmen, accountants, farmers and just folks in an attempt to gain deeper insights into the multifaceted provisions of the tax reform bill. When the bill was first voted earlier this year you will recall I offered the motion to recommit the tax bill. My concern then, as it does now, stems from the alarming fact that we were not given ample time to analyze this legislation.

I recall when the bill first faced the House, we were only given 2 or 3 days to investigate a highly technical document that had taken the committee months to prepare. The Senate, by contrast, spent almost a month on a measure that we passed in just days.

I repeat—this is crash legislation and we were faced with the alternative of accepting or rejecting major legislation almost completely on blind faith and newspaper accounts.

I am pleased that the bill we passed today is more palatable, in many respects, than either the House or Senate version. There are trouble areas; some trouble areas, I suspect, will not surface until we have the opportunity to really dig into this bill. Too, this bill within a year or two may increase government deficits.

There are certain areas that I think a better solution could have been found and I anticipate that I—and others—will be offering amendatory legislation at the first of the next session.

But basically, the bill we passed today is a sound compromise. The most telling arguments for supporting the bill comes from the provisions giving overdue tax relief to the middle- and low-income taxpayers.

Additionally, we instituted substantial reform. Probably we did not go far enough in some reform measures and too far in others.

Perhaps, if we had been allowed more time, we could have voted a cleaner bill. But still, this is the first major tax reform bill passed by Congress in 50 years.

Mr. REID of New York. Mr. Speaker, I am voting for the conference report on the Tax Reform Act of 1969 but I recognize that it is a very close question. Certainly the bill does contain the danger of yet greater inflation. Yet it is extremely difficult to foresee the effect of this bill in our present inflationary period, characterized by some recessionary trends. Those most familiar with the measure disagree as to whether there will be a net revenue gain to the Government in 1970 of $6.5 billion or a net loss of $8 billion. Similarly, for 1971, some estimate a revenue gain of $315 million while others predict a loss of $13.5 billion. It is simply impossible to predict with any degree of accuracy what will happen to the GNP and the net revenue picture as a result of this legislation. However, should the bill prove to be inflationary, the administration and the Congress have a special responsibility to take appropriate fiscal and monetary actions to offset this effect.

I would hope, however, that such actions will not include further reductions in urgently needed social and urban programs which are already grossly under funded. There are other ways for the administration and the Congress to curb Federal spending through the reordering of national priorities—postponement of an unnecessary SST; meaningful, rather than token, cuts in the defense budget; elimination of the ABM, to name just a few.

There are, however, certain limited steps toward tax equity in this bill and a number of flagrant loopholes have been closed. It was unconscionable that some 155 very wealthy persons paid no tax at all in prior years; the minimum tax and list of tax preferences should foreclose this opportunity. Equally, the decrease in the oil depletion allowance from 27½ percent to 22 percent is a step in the right direction but far too modest. The low-income allowance is a long-needed action to remove the poor from the tax rolls but there is some question whether this benefit will be offset by inflation.

In particular, there are benefits in the tax bill for some middle-income families. Principally, their tax obligations will be somewhat lower as a result of the increase in the personal exemption to $650 this year and ultimately to $750, and from the increase in the standard deduction. The provisions affecting deductions for moving expenses are also broadened to include certain other kinds of costs associated with relocating a family, including pre-move house hunting, but the move must now be at least 50 miles from the present location to qualify, instead of 20 miles as in existing law. Self-employed persons would be eligible for moving expenses deductions for the first time.

Single persons have won a major victory in this bill; starting in 1971, certain single persons over 35 will qualify as heads of households and their tax rates will accordingly be adjusted so that they will be no more than 20 percent above the tax for married couples with the same income.

The 15-percent social security increase is, I believe, also a necessary expenditure. Perhaps the cost of living has only risen 9 percent since the last social security increase, but far too many older citizens live bleak lives, surrounded by malnutrition, ill health and fear, because they lack adequate incomes.

There are, however, a number of special interest provisions in the tax bill which are cause for some concern. First, while much can be said from the point of view of controlling inflation for repealing the investment tax credit, I think we should bear in mind its importance to new plant and equipment in a competitive world market.

Second, I am gratified that the law was left unchanged with regard to gifts of appreciated stock or personal property to educational institutions. To impose an onerous tax burden on gifts of this nature would have been to jeopardize the future of higher education which is already in a precarious financial position and largely dependent on individual private bequests. I am concerned, however, that while the law affecting gifts of personal property to charities was left unchanged, a full charitable deduction can no longer be taken for the short-term appreciation on gifts of appreciated property to charity. This action may vitiate the philanthropy on which some hospitals and other social and humanitarian charities rely, without any evident means of replacement.

Finally, I am deeply concerned about the limitations in this bill on foundations. While foundations are not immune to some criticism for certain of their actions, their endeavors in the main have been excellent, and this bill is punitive rather than constructive.

In sum, Mr. Speaker, I think that greater tax equity will be achieved by the passage of this bill than by its defeat, although it is not without some potentially serious inflationary dangers. Stern measures may yet be required to offset this danger and there should be no hesitation in applying them. Lastly, however, let it be clear that a real job of major tax reform yet lies ahead, particularly for the middle-income family; the bill we are approving today is just a beginning.

Mr. RANDALL. Mr. Speaker, when the roll is called I suppose I will vote in favor of the conference report on H.R. 13270. That should not mean I agree with all of its provisions. In a separate colloquy with one of the conferees, the gentleman from Oregon (Mr. ULLMAN) I tried to make

a record about the changes in tax treatment of income from municipal bonds; what changes if any were provided for the taxation of professional service corporations; the tax treatment of the lump sum distribution of proceeds under employment pension plans; the requirement for the taxation of undistributed dividends of cooperatives, and the reduction in the percentage of taxable income for savings and loans to be exempt as a reserve for bad debts.

I am grateful for his answers and his cooperation in attempting to make clear the provisions of the conference report on these matters. I recognize that this bill does have some meritorious provisions. There is some long needed tax reform. Some tax loopholes have been closed. There has been a reduction of the disparity or gap between those that are taxed on earned income, and those who seek the enjoyment of tax shelters from capital gains treatment. I recognize there has been some important reforms. Certainly tax equity and fairness are necessary in a voluntary system such as ours.

Last summer I was delighted to be able to call the attention of my people to tax reforms in the measure we sent to the other body. In that bill there were actually some reductions on rates. Now it comes back to us and about all we have is an increase in the per capita exemption. I doubt if many of us are happy with the slight increase in these exemptions but I know we all recognize that we can ill afford to operate our Government under large deficits occasioned by the loss of revenues at a time of inflation. The House bill, is not inflationary. Through the combination of the reform and the reduction provisions our bill will not contribute to inflation. As much as I would prefer a larger reduction there is still some tax relief for the middle-income groups. Of course everyone must recognize that we cannot both increase personal exemptions and at the very same time lower the tax rates. Either procedure is costly in terms of revenue but both together would create such a revenue loss as to be unacceptable in our present fiscal condition. That brings us down to the hard choice. While the House provided rate cuts the Senate version and the conference report provides for exemption increases, and we are forced to accept the latter.

Mr. Speaker I shall not take the time to express myself on each of the provisions of the conference report. That would be impossible. I received a copy of the report barely just a few hours before the House considered this voluminous tax bill. You will recall the bill which passed the House several months ago contained 363 pages. The Senate bill contained 600 pages. Today, by an extraordinary relaxation of House rules we will have 2 hours for explanation of this bill instead of the usual 1 hour. Then as representatives of the people we are expected to cast an enlightened vote.

Let us not forget that back in August we debated a bill in this House which contained more sweeping changes in our tax law than at any time since 1913. Even that debate took place under a rule which barred the rank and file of the Members from offering any amendments to the bill.

Only last week we passed an important bill to adjust the social security benefits for our older citizens in the declining years of their lives. We were allowed to debate that bill for 40 minutes under a procedure which barred the offering of amendments. Today we consider these two bills combined as one and once again we will have only one vote—"yes" or "no"—on final passage.

Mr. Speaker this kind of a situation demonstrates the crying need for some congressional reorganization or congressional reform. Perhaps it is impossible in a body as large as ours that each Member should be permitted to offer multiple amendments but at least there should be a rule for separate rollcall votes on a limited number of motions to recommit with instructions, or else some other parliamentary procedure which will give us a chance to express ourselves. We deserve more than to have to swallow this whole package without an expression of our displeasure at some of its provisions. True, it is a complex and complicated bill. Yet, we should have a chance to show our constituents how we stand on the more important provisions when the roll is called. As it is we are denied that prerogative.

To say what we have just said is not to lessen our confidence in the great Ways and Means Committee. But neither is it to say that 410 Members of the House who are not members of that committee are incapable of making reasonable recommendations to be incorporated in tax legislation. Over on the other end of the Capitol the other body enjoyed virtual carte blanche on the legislation we now debate. One of the Eastern papers said they had "fun" with the bill and they went "wild" with their changes. But at least they had the right to make the changes. We the Members of the House of Representatives or the body closest to the people and most answerable to them have only the right of giving this conference report either the rubber stamp approval or vote it down. If we routinely adopt this conference report then we are surrendering rights and to a degree abdicate our responsibilities to the country. On the other hand if we vote the conference report down then the benefits in the form of tax reform, tax breaks for the disadvantaged, and increases in payments to social security beneficiaries may be indefinitely postponed or denied.

It is interesting to note in the limited time that I have had to examine the conference report, that the agreement of the conferees followed the Senate amendments 111 times. That means in 111 instances this bill was written over in the other body in spite of article I section VII of the Constitution which clearly states bills to raise revenue shall originate in the House. If we approve this conference report today then we are put in a position of legislating after the fact in an area of responsibility specifically reserved to this body by the Constitution.

Mr. Speaker, I have said before and let me repeat at this point the way we are proceeding today is no way to legislate upon such an important subject as taxes. The House actually provided a percentage reduction in the tax table in the bill which we passed. But now we see substituted for that a woefuly inadequate increase in personal exemption. It makes you wonder what effort was made to relieve the tax burden on middle income America. Today under the present rules of the House governing consideration of tax bills and conference reports we must accept this slight relief or get nothing at all.

If there was one reason I would vote against this bill it is because it makes the burden heavier which our small family farmer must bear. For that matter, it makes the burden for the small businessman heavier because of the elimination of the 7-percent investment tax credit. This percentage of investment credit was one of the few things left for our family farmer. Now that has been taken away. It is even possible that to offset the small savings due to the new rates when considered against the loss of the investment credit repeal, there could be no tax relief at all for our farmers, ranchers and small businessmen. Certainly this will be true in 1970 although there could be reductions in the years to follow.

In the bill which we must approve or disapprove after 2 hours of debate with all of its massive provisions, we find those who had the special privilege to write our tax legislation have ordained that the surtax will be continued at 5 percent through next June 30. I have already voted against the surtax upon at least four or perhaps five occasions. I wish it were possible to vote against it again without sacrificing the benefits contained in this bill.

Finally, we come to social security. The bill does provide for a 15-percent increase in benefits paid to social security annuitants. I approve of that 15-percent increase. Last May I introduced my own bill which would grant an across-the-board increase of 15 percent. In my bill these increases would apply to the first quarter following the enactment of the bill. In other words, my proposal would have gone into effect last July 1 granting at least six additional months benefits. My bill would have been less miserly by increasing minimum benefits to $80 instead of $64. My bill would have protected the elderly against erosion from inflation by carrying a provision for automatic increases in benefits when the cost of living rose 1 percent for 3 consecutive months.

It may be repetition but I repeat once again when we get a printed copy of a conference report just a matter of 3 to 4 hours before we have to vote on that conference report the only conclusion can be this is no way to run a railroad. Certainly there should be a rule included in whatever congressional reorganization or reform that we enact in the future that such a conference report cannot be finally considered until at least 5 days after a printed copy is in the hands of Members.

I recall so well my vote against the gag rule when we considered the House

version of this bill last August. I appeared before the Rules Committee urging at least a modified closed rule. I recognize the Ways and Means Committee have their specialists and staff technicians but the time should never come when the general membership of the House has to accept the work of the members of this committee or their staff on faith alone.

As we come to vote on this conference report we are faced once again with the hard fact of having to swallow the surtax. On the other hand, this conference report provides increased benefits for about 25,000,000 of our older and most deserving citizens. If we oppose this increase because of our abhorrence to the surtax or if we vote against the conference report because of its shabby treatment of our family farmers or the new and less than fair treatment of lump sum distributees of pension funds and the damage done to our small businessmen for loss of their investment credit then of course we have to vote against the benefits for our 25 million deserving senior citizens. The truth is there is not enough time left to explain to these folks why we had to oppose their new benefits just to try to do tax justice to a few others.

For those who may think that they know all the provisions in this 346-page conference report let me respectfully suggest that in all likelihood just before the next congressional election someone will raise an embarrassing question that may be hard to explain.

If there is one way to describe the situation that many find ourselves in as we come to a vote on this massive measure, it is to say we are all held hostage because of the long-over-due and richly deserved social security increases for our 25,000,000 senior citizens. There are some benefits in the conference report but not nearly enough in tax reform or tax reduction. To accept these shortcomings is the ransom that we must pay for being held hostage because of the social security increases. Such a situation today should provide the strongest reason for congressional reorganization to give the Members of the House a few of the rights enjoyed by the other body.

Mr. ROBISON. Mr. Speaker, earlier, in making reference to adoption of the conference report on this year's Labor-HEW appropriation bill, I touched upon the perils of "package" legislation—my specific reference in that instance having to do with the approval, some months ago, by this House of the so-called Joelson amendment that, more than anything else, renders possible a Presidential veto of that important measure which the other body may now hold back until next year.

Now, once again, and only a few hours later, we face another "package" vote, but this time on an even more far-reaching and important matter—the so-called Tax Reform Act of 1969.

The legislative history of this bill has been an interesting one, it having been stimulated, as much as by anything else, by the rather surprising public reaction early this year to the new publicity given to a fact long known—which was, that a few Americans do not pay any Federal income tax at all, or not very much income tax, on their very large incomes.

The full-throated public outcry that then ensued was for tax "reform"—and it came from an awful lot of our constituents who were fed up to the ears with high taxes and inflation, and the pocketbook-squeeze exerted by the two together, and it seemed likely to many of us that there might, indeed, be more than just talk to the "taxpayers' revolt" they threatened us with.

Unfortunately, there just did not prove to be time enough on the political clock—tangled up as the drive for tax reform got with the new administration's obvious need for at least a temporary extension of the surtax—to do the kind of painstakingly careful background work that an honest-to-goodness and thorough overhaul of our Federal tax system has long demanded. Our Ways and Means Committee members did the best they could, working overtime against a self-imposed deadline for House action that ought to have been avoided, and by mid-August had produced a complex and far-reaching product that—although far from perfect—was at least an acceptable beginning point if true tax reform was still our goal. This House—with its non-committee members having only a "yes" or "no" vote on that product, and having a great deal of faith in its tax-writing committee's wisdom and integrity—accepted that package on a 394-to-30 vote and hoped for the best as it sent what was already then being called the "most sweeping overhaul of the Nation's tax laws in its history" on over to the other body.

By this time, the public clamor for reform had died down—and the shouts about a possible "taxpayers' revolt" had become merely echoes; and, as someone has suggested, the vacuum of public interest in true tax reform was shortly thereafter filled by the private interests which seem never to sleep.

Some of this growing impetus for a second look at what the House had done was useful in nature, for some of the putative tax loopholes the House had made an effort to close had been slammed shut—our treatment of municipal bond interest being an example of this—without adequate consideration of the economic or social justifications that lay behind the creation of such loopholes, years ago.

But what was of far more consequence was the fact that, by now, our colleagues in that other body were reading the earlier cries for tax reform as really being cries for tax relief—meaning tax reduction—and, as the days and weeks of second thoughts about all this went by, what had started out as a tax reform bill became more and more to look like a tax reduction bill, and one possessing alarmingly inflationary possibilities unless it could somehow, in conference, be brought back within the confines of some degress of fiscal responsibility.

This, apparently, has been largely accomplished—for which we owe, again, a large vote of thanks to those who serve on our Ways and Means Committee. But, also again, we each now face one more of those "yes" or "no" votes on the final package, all wrapped up as it is in Christmas ribbon, with only scant newspaper accounts of what it may contain to guide us, along with a frustratingly-technical report from the conference committee that just reached our desks this very morning. Obviously, a good deal of blind faith in the wisdom and integrity of our Ways and Means Committee members is going to be required, and I—like nearly everyone here, I suspect—am going, by my vote, to exhibit my hope that my confidence in this respect is not misplaced.

But, Mr. Speaker, let us have no misunderstanding about what we are doing. We have responded—responsibly or not—to what we have read as our constituents' political demands for Federal tax relief; relief they all probably need, though the extra pounds that have been added to their overall tax burdens in recent years have come at the hands of State and local legislators rather than at our hands, but relief that may well be of a very exceedingly short-term nature, only, unless we shape our future actions in other regards with one eye constantly on the still potentially disastrous inflationary impact of this whole package.

That impact has been, at best, postponed by the conferees' action—which we will shortly endorse. In fact, this bill in its present form will—thanks largely to the repeal of the investment-credit business and the 6-months' extension of the surtax at 5 percent—actually increase anticipated Federal revenues during calendar 1970 by an estimated $6.5 billion. As to that, so far, so good—and we can surely use the money, the way we have been voting to spend it lately. But, then, as the tax relief portions of the bill begin to catch up with its remaining reform provisions—with tax reduction for individuals expected to reach a total of $9.1 billion by 1973—it will be necessary for the executive and legislative branches of our Federal Government to begin to cooperate together in a manner they have not this year if that amount of relief, and more, is not to be totally consumed in the continuing fires of inflation.

As I see it, Mr. Speaker, this means that we must look harder than before at wasteful Federal spending, rooting out low-priority and obsolete programs no matter what the political pain thereof, and harder, too, at our table of national priorities, for we simply cannot take care of everyone's needs and demands and have tax reduction, too, unless we wish to totally destroy the dollar.

Hopefully, this task may be made a bit easier if defense spending—and not altogether as a result of phasing out our misadventure in Vietnam—can go on being restrained; but this must be considered as largely a hope, until the realities of the world's future become clearer than now.

As I said, in connection with the Labor-HEW appropriation bill earlier today, we can expect this coming year to see the debate between proponents of greater spending on our more urgent domestic problems and those who warn we need to go slow on cutting back in military spending areas intensify. Some observers are already suggesting that

this surge for tax relief—that reaches its climax this afternoon in this body—is part and parcel of that developing fight. The theory evidently is that the more vocal proponents of even greater tax relief than we are now about to vote for, see the same as one way to keep pressure on the administration to change from military to domestic priorities. But I would doubt that many who will, today, vote for this bill see their vote as cast with such a purpose even though—who knows?—such could ultimately be the result.

In any event, Mr. Speaker, those who may be trying to move in that direction would be playing a dangerous game. The prospects for peace in Vietnam—or, at a minimum, for a gradual reduction of our role there—may look good, but the simmering threat of war in the Middle East cannot be ignored and, though we can all take heart from the fact that the SALT talks have, at last, begun, it is very premature for anyone to begin to assume that the cold war, therefore, is about to end.

World peace—lasting peace—would be the greatest Christmas gift any of us could have, but there is no sign that Santa, this year, has such a priceless present in his bag; and, though I am just as dedicated as anyone to getting military spending cut down to size, I am nowhere near as optimisitic about how small that "size" can be for awhile as some of my less realistic colleagues here seem to be.

At the same time, our own domestic problems loom large on our horizon. We have not, as a Government nor as a people, done very well about solving any of them yet, but we must go on trying and all of us must recognize that the better approaches to solutions we are reaching for—such as the pending welfare-reform proposals—will require substantial investment of Federal moneys if they are to have a chance at working.

I am prepared to give some of those new proposals favorable consideration. The future of our entire society may well depend upon their adoption and implementation, both in the social welfare field and the equally important environmental field. And, though I shall vote for this tax bill, I want it to be noted that I do so with considerable reservations about its possible effect on our being able to carry through in these important areas of domestic concern.

For, as the former Director of the Bureau of the Budget, Charles L. Schultze, has recently said:

> There is much brave talk about "new priorities," but with the large tax cuts enacted, there simply will not be the revenues available to pay for these new priorities. When the chips were down on tax cuts, those who talked about priorities for pollution control and education and an end to hunger, voted for a different set of priorities—for beer and cosmetics and white-wall tires.

That sort of criticism—as now echoed by Governor Rockefeller and others—may well be valid criticism.

It comes close to striking home, as there is in what we are about to do a good deal of that old high-spending-low-tax approach to fiscal matters that has led this Nation into trouble before and, unless we watch our future steps with great care, could do so again.

At the very least, Mr. Speaker, let us all recognize the fact that, in approving this bill, we have put ourselves on a tight rope that, though urged upon us by our constituents, is largely of our own fashioning, and that we will be required to summon up a good deal more political courage and wisdom than we have of, late shown if we are to walk that "rope" safely across to a satisfactory conclusion of what may prove to be one of the world's greatest balancing acts in history.

Oh, one more thing: As to those 155 or so individuals who supposedly had incomes in excess of $200,000 a year but, because they paid no Federal income taxes thereon, set this whole matter in motion, it might be noted that most, and possibly all of them, from now on, will have to start paying at least something again in the way of Federal income taxes as a result of this bill's passage. This is all not as clear yet as it might be, but that seems to be the indicated result. So, at the very least, we have accomplished something—and that is what we started out to do.

But, after reviewing the nature and the result of this whole exercise, Mr. Speaker, I am not at all sure but I was right years ago when, despairing of the ability and sense of purpose of Congress, as an institution, to develop a true tax reform bill, I introduced legislation which would have established a nonpartisan tax-reform commission, composed of economists, private citizens and Congressmen, that would review that crazy-quilt structure we call our Federal tax "system," and come up eventually with reform recommendations of the sort around which an objective and thoughtful public consensus could be formed, to be followed by congressional action.

That may well still be the best—and perhaps the ony—approach to honest tax reform, in light of all its complex angularities.

However, as to that, we will probably never know for a good long while, for we have now tried for tax reform "our" way, and that effort will probably end any further efforts in this direction for years to come.

We have done the best we could, Mr. Speaker, under the circumstances.

And let us now hope that the "best" was good enough.

Mr. MILLS. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the conference report.

The question was taken, and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. MILLS. 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 pro tempore. 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 381, nays 2, not voting 50, as follows:

[Roll No. 351]

YEAS—381

Abernethy	Diggs	Kazen
Adair	Dingell	Kee
Adams	Donohue	Keith
Addabbo	Dorn	King
Albert	Dowdy	Kleppe
Alexander	Downing	Kluczynski
Anderson, Calif.	Dulski	Koch
Anderson, Ill.	Duncan	Kuykendall
Anderson, Tenn.	Dwyer	Kyl
Annunzio	Eckhardt	Kyros
Arends	Edmondson	Landrum
Ashley	Edwards, Ala.	Langen
Aspinall	Edwards, La.	Latta
Ayres	Eilberg	Leggett
Baring	Erlenborn	Lennon
Barrett	Esch	Lloyd
Beall, Md.	Eshleman	Long, La.
Belcher	Evans, Colo.	Long, Md.
Bell, Calif.	Fallon	Lowenstein
Bennett	Fascell	Lujan
Betts	Feighan	Lukens
Biaggi	Fish	McCarthy
Biester	Flood	McCloskey
Bingham	Flowers	McClure
Blackburn	Flynt	McCulloch
Blanton	Foley	McDade
Blatnik	Ford, Gerald R.	McDonald, Mich.
Boggs	Ford, William D.	McEwen
Boland	Foreman	McFall
Bow	Fountain	McKneally
Brademas	Fraser	McMillan
Brasco	Frelinghuysen	Macdonald, Mass.
Bray	Frey	MacGregor
Brinkley	Friedel	Madden
Brock	Fulton, Pa.	Mahon
Brooks	Fulton, Tenn.	Mailliard
Broomfield	Fuqua	Mann
Brotzman	Galifianakis	Marsh
Brown, Calif.	Gallagher	Mathias
Brown, Mich.	Garmatz	Matsunaga
Broyhill, N.C.	Gaydos	May
Broyhill, Va.	Gettys	Mayne
Buchanan	Giaimo	Meeds
Burke, Fla.	Gibbons	Melcher
Burke, Mass.	Gilbert	Meskill
Burleson, Tex.	Gonzalez	Michel
Burlison, Mo.	Goodling	Mikva
Burton, Calif.	Gray	Miller, Ohio
Burton, Utah	Green, Pa.	Mills
Bush	Griffin	Minish
Button	Gross	Mink
Byrne, Pa.	Grover	Minshall
Byrnes, Wis.	Gubser	Mize
Cabell	Gude	Mizell
Camp	Hagan	Mollohan
Carter	Haley	Monagan
Casey	Halpern	Moorhead
Cederberg	Hamilton	Morgan
Chamberlain	Hammer-schmidt	Morton
Chappell	Hanley	Mosher
Chisholm	Hanna	Murphy, Ill.
Clancy	Hansen, Idaho	Murphy, N.Y.
Clark	Hansen, Wash.	Myers
Clausen, Don H.	Harrington	Natcher
Clawson, Del	Harsha	Nedzi
Clay	Hastings	Nelsen
Cleveland	Hathaway	Nichols
Cohelan	Hawkins	Nix
Collins	Hays	Obey
Conable	Hechler, W. Va.	O'Hara
Conte	Heckler, Mass.	O'Konski
Corbett	Helstoski	Olsen
Corman	Henderson	O'Neill, Mass.
Coughlin	Hicks	Ottinger
Cowger	Hogan	Passman
Cramer	Holifield	Patman
Crane	Horton	Patten
Culver	Hosmer	Pelly
Cunningham	Howard	Pepper
Daddario	Hungate	Perkins
Daniel, Va.	Hunt	Pettis
Daniels, N.J.	Hutchinson	Philbin
Davis, Ga.	Ichord	Pickle
Davis, Wis.	Jacobs	Pike
de la Garza	Jarman	Pirnie
Delaney	Johnson, Calif.	Podell
Dellenback	Johnson, Pa.	Poff
Denney	Jonas	Pollock
Dennis	Jones, Ala.	Preyer, N.C.
Dent	Jones, N.C.	Price, Ill.
Derwinski	Jones, Tenn.	Price, Tex.
Devine	Karth	Pryor, Ark.
Dickinson	Kastenmeier	Pucinski
		Purcell

Quie	Schwengel	Vander Jagt
Quillen	Scott	Vanik
Railsback	Sebelius	Vigorito
Randall	Shipley	Waggonner
Rarick	Shriver	Waldie
Reid, Ill.	Skubitz	Wampler
Reid, N.Y.	Slack	Watson
Reuss	Smith, Iowa	Watts
Rhodes	Smith, N.Y.	Weicker
Riegle	Snyder	Whalen
Rivers	Springer	Whalley
Roberts	Stafford	White
Robison	Staggers	Whitehurst
Rodino	Stanton	Whitten
Roe	Steed	Widnall
Rogers, Colo.	Steiger, Ariz.	Wiggins
Rogers, Fla.	Steiger, Wis.	Williams
Rooney, N.Y.	Stokes	Wilson, Bob
Rooney, Pa.	Stratton	Wilson, Charles H.
Rosenthal	Stubblefield	Winn
Roth	Stuckey	Wold
Roudebush	Symington	Wolff
Roybal	Taft	Wyatt
Ruppe	Taylor	Wydler
Ruth	Teague, Calif.	Wylie
Ryan	Thompson, Ga.	Wyman
St Germain	Thompson, N.J.	Yates
St. Onge	Thomson, Wis.	Yatron
Satterfield	Tiernan	Young
Saylor	Tunney	Zablocki
Schadeberg	Udall	Zion
Scherle	Ullman	Zwach
Scheuer	Utt	
Schneebeli	Van Deerlin	

NAYS—2

Ashbrook	Landgrebe

NOT VOTING—50

Abbitt	Evins, Tenn.	Moss
Andrews, Ala.	Farbstein	O'Neal, Ga.
Andrews, N. Dak.	Findley	Poage
	Goldwater	Powell
Berry	Green, Oreg.	Rees
Bevill	Griffiths	Reifel
Bolling	Hall	Rostenkowski
Brown, Ohio	Harvey	Sandman
Caffery	Hébert	Sikes
Cahill	Hull	Sisk
Carey	Kirwan	Smith, Calif.
Celler	Lipscomb	Stephens
Collier	McClory	Sullivan
Colmer	Martin	Talcott
Conyers	Miller, Calif.	Teague, Tex.
Dawson	Montgomery	Watkins
Edwards, Calif.	Morse	Wright

So the conference report was agreed to.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Hall.
Mr. Moss with Mr. Berry.
Mr. Andrews of Alabama with Mr. Brown of Ohio.
Mr. Evins of Tennessee with Mr. Martin.
Mr. Rostenkowski with Mr. Collier.
Mr. Teague of Texas with Mr. Watkins.
Mr. Morse with Mr. Edwards of California.
Mr. Celler with Mr. Cahill.
Mr. Wright with Mr. Findley.
Mr. Montgomery with Mr. Reifel.
Mr. Sandman with Mr. Colmer.
Mrs. Griffiths with Mr. McClory.
Mr. Sisk with Mr. Smith of California.
Mrs. Green of Oregon with Mr. Talcott.
Mr. Andrews of North Dakota with Mr. Miller of California.
Mr. Sikes with Mr. Goldwater.
Mr. Carey with Mr. Harvey.
Mrs. Sullivan with Mr. Lipscomb.
Mr. Stephens with Mr. Caffery.
Mr. Bevill with Mr. Abbitt.
Mr. Farbstein with Mr. Conyers.
Mr. Kirwan with Mr. Powell.
Mr. Rees with Mr. Dawson
Mr. O'Neal of Georgia with Mr. Hull.

The result of the vote was announced as above recorded.

The doors were opened.

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 5 legislative days in which to revise and extend their remarks in the RECORD just prior to the vote on the conference report, and to include extraneous material.

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

There was no objection.

PERSONAL EXPLANATION

Mr. PHILBIN. Mr. Speaker, I was unavoidably delayed at the National Airport this morning in the air, by low ceilings, and did not arrive in the House Chamber until after the rollcall vote on the conference report on the HEW appropriations bill was concluded.

I strongly favor this bill, which I voted for when it was pending in the House, and ask unanimous consent that my remarks may be appropriately inserted in the RECORD.

PERSONAL EXPLANATION

Mr. BROWN of Ohio. Mr. Speaker, I take this time to indicate that I just missed the vote on the tax reform measure, because I was in the television gallery making a tape on how I voted on the tax reform measure. I would like to state that had I been present and not making that tape, I would have voted in favor of the tax reform measure.

PERSONAL EXPLANATION

Mr. TALCOTT. Mr. Speaker, on the vote on the tax reform bill H.R. 13270, which was just concluded, I was unavoidably detained, so I did not vote, but if I had been here I would have voted "yea."

DUTY-FREE STATUS OF CERTAIN GIFTS FROM SERVICEMEN IN COMBAT ZONES

Mr. MILLS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H.R. 15071) to continue for 2 additional years the duty-free status of certain gifts by members of the Armed Forces serving in combat zones, which was unanimously reported to the House by the Committee on Ways and Means.

The Clerk read the title of the bill.

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

Mr. BYRNES of Wisconsin. Mr. Speaker, reserving the right to object, and I do not intend to object, I do so only that Members may have a brief explanation of the bill, and I yield to the chairman of the Committee on Ways and Means, the gentleman from Arkansas, for that purpose.

Mr. MILLS. Mr. Speaker, the purpose of H.R. 15071 as reported by the Committee on Ways and Means is to extend for 2 years until December 31, 1971, the existing provision of the tariff schedules which permits members of the Armed Forces serving in combat areas to send from abroad on a duty-free basis gifts not exceeding $50 in retail value.

Under existing customs law and regulations, gifts may be sent from abroad and enter free of duty if they are valued at not more than $10 fair retail value. Historically, we have made an exception to this $10 rule in the case of gifts from servicemen serving abroad in time of war.

In recognition of the Vietnam conflict, Congress reenacted this $50 exception for servicemen on duty in combat zones in Public Law 89–368, on a temporary basis. The duty exemption was further extended by Public Law 90–240, and will expire on December 31 of this year unless extended, as proposed in H.R. 15071.

In view of the continuation of the Vietnam war, it is believed that a 2-year extension of the duty exception is warranted.

The enactment of H.R. 15071 was urged by interested agencies in the executive branch and no objection to the bill was received by the Committee on Ways and Means.

The committee, therefore, unanimously recommends enactment of H.R. 15071.

Mr. BYRNES of Wisconsin. Mr. Speaker, I withdraw my reservation of objection.

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

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) item 915.25 of the appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by striking out "On or before 12/31/69" and inserting in lieu thereof "On or before 12/31/71".

(b) The amendment made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after January 1, 1970.

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.

AMENDING TARIFF ACT OF 1930—TO EXTEND DUTY-FREE TREATMENT OF CERTAIN DYES

Mr. MILLS .Mr. Speaker, I ask unanimous consent for the immediate consideraiton of the bill (H.R. 14956), to amend the Tariff Act of 1930—to extend the duty-free treatment of certain dyes, which was unanimously reported to the House by the Committee on Ways and Means.

The Clerk read the title of the bill.

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

Mr. BYRNES of Wisconsin. Mr. Speaker, reserving the right to object, and I do not intend to object, I do believe a brief explanation might be in order, and I yield to the chairman of the Committee on Ways and Means for that purpose.

Mr. MILLS. Mr. Speaker the purpose of H.R. 14956, as introduced by our colleague on the Committee on Ways and Means, the Honorable GEORGE BUSH of Texas, is to continue for 3 years until the close of September 30, 1972, the suspension of duties on certain dyeing and tanning materials.

The duties on certain dyeing and tanning extracts were initially suspended in 1957 and the suspension of duties, with some changes, has been continued on a temporary basis until September 30, 1969.

There has long been an insufficient supply of raw materials from domestic sources for United States producers of tanning extracts. In particular, the blight affecting chestnut trees in the Appalachian area drastically reduced the only vegetable tanning material which was produced in the United States in significant quantity.

The imported vegetable dyeing and tanning materials are needed by the leather industry to convert raw hides and skins into leather. In addition, certain of the materials are used by the oil well drilling industry as a thinner for fluids used in rotary drilling operations.

Since the last extension of the duty suspension expired on September 30, 1969, prior to the time the Committee on Ways and Means could consider the bill, H.R. 14956 provides for the free entry of imports made between that date and the effective date of the bill.

Mr. Speaker, I would like to point out a printing error in the report of the Committee on Ways and Means (Report No. 91–704 to accompany H.R. 14956). In this report the full text of the committee amendments is not set off in italics. That part of the committee amendment beginning with "SEC. 2" and ending at the bottom of page 1 with "this Act." should have been italicized. In addition, the first full word "offices" in the fifth line from the bottom of page 2 should read "officer".

No objection to this bill was received by the Committee on Ways and Means, and the committee is unanimous in recommending its enactment.

Mr. Speaker, as far as I know, there is no domestic production in sufficient quantity to justify allowing this duty suspension to expire.

Mr. BYRNES of Wisconsin. Mr. Speaker, I withdraw my reservation of objection.

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

There was no objection.

The Clerk read the bill, as follows:

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

(a) Item 907.80 (relating to certain dyeing products) of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by striking out "9/30/69" and inserting in lieu thereof "9/30/72".

(b) The amendment made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse for consumption, on or after the date of enactment of this Act.

(c) Upon request therefor filed with the Collector of Customs concerned on or before the one hundred twentieth day after the date of enactment of this Act, all articles classified under items 470.23, 470.25, 470.55, 470.57, and 470.65 in the Tariff Schedules of the United States Annotated entered into the United States or withdrawn from warehouse for consumption on or after October 1, 1969, shall be liquidated or relinquished as if such articles had been free of duty at the time of such entry or withdrawal.

With the following committee amendment:

Strike out all after the enacting clause and insert:

"That item 907.80 of the appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by striking out "9/30/69" and inserting in lieu thereof "9/30/72".

"SEC. 2. (a) The amendment made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption after the date of the enactment of this Act.

"(b) Upon request therefor filed with the customs officer concerned on or before the one hundred and twentieth day after the date of the enactment of this Act, the entry or withdrawal of any article—

"(1) which was made after October 1, 1969, and on or before the date of the enactment of this Act, and

"(2) with respect to which there would be no duty if the amendment made by the first section of this Act applied to such entry or withdrawal,

shall, notwithstanding the provisions of section 514 of the Tariff Act of 1930 or any other provision of law, be liquidated or reliquidated as though such entry or withdrawal had been made on the day after the date of the enactment of this Act."

Mr. MILLS (during the reading). Mr. Speaker, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

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

There was no objection.

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.

The title was amended so as to read: "A bill to extend for three years the period during which certain dyeing and tanning materials may be imported free of duty."

A motion to reconsider was laid on the table.

EXTENSION OF DATE FOR TRANSMISSION TO THE CONGRESS OF THE PRESIDENT'S ECONOMIC REPORT AND THE REPORT OF THE JOINT ECONOMIC COMMITTEE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H.J. Res. 1040) extending the time for filing the Economic Report and the report of the Joint Economic Committee.

The Clerk read the title of the joint resolution.

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

Mr. GERALD R. FORD. Mr. Speaker, reserving the right to object, and I do not intend to object, am I correct in the statement that the proposed action is only for the purpose of adjusting the time for the sending up of the President's Economic Report and the filing of the report by the Joint Economic Committee at later dates because of the January 19th date for the reconvening of the second session of the 91st Congress?

Mr. PATMAN. The gentleman is correct. I have discussed it with the gentleman in advance, of course. The Economic Report is due on January 20, and the joint resolution would make the date February 2. The report of the Joint Economic Committee is due on March 1. We are making it April 1 under this resolution.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I yield to the gentleman from Iowa.

Mr. GROSS. I suppose it is understandable that there should be a delay, for the longer it is delayed, the longer the bad news will be withheld from the public. The Economic Report will show how deep in the mire of debt this Nation is. Last year's report showed the country to have 1 trillion 500 and some-odd billion dollars of debt, public and private. So I suppose the longer it is delayed the better some people will feel about it.

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

There being no objection, the Clerk read the joint resolution as follows:

H.J. RES. 1040

Resolved by the Senate and House of Representatives of the United States of America in Congress Assembled, That (a) notwithstanding the provisions of section 3 of the Act of February 20, 1946, as amended (15 U.S.C. 1022), the President shall transmit to the Congress not later than February 2, 1970, the Economic Report; and (b) notwithstanding the provisions of clause (3) of section 5(b) of the Act of February 20, 1946 (15 U.S.C. 1024(b)), the Joint Economic Committee shall file its report on the President's Economic Report with the House of Representatives and the Senate not later than April 1, 1970.

The joint resolution 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.

APPOINTMENT OF CONFEREES ON H.R. 15149, FOREIGN ASSISTANCE APPROPRIATIONS, 1970

Mr. PASSMAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 15149) making appropriations for foreign assistance and related programs for the fiscal year ending June 30, 1970, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the further conference asked by the Senate.

The Clerk read the title of the bill.

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

Mr. CONTE. Mr. Speaker, reserving the right to object, I have tried on two occasions to knock down the appropriation of $54.5 million for jets to China. When we debated the aid bill on December 9, I fought to completely delete these funds. However, when we debated the conference bill on December 20, I simply called for the deletion of the specific earmarking of funds. I did not call for a reduction in the total military assistance appropriation. And on this effort, I was pleased to have 135 of my colleagues go along with me.

I am very pleased that the other body has knocked down this item. We should have also because the way this request was initiated raises some very serious questions. I want to see these questions answered before going ahead with jets for China—and specifically, I want someone to explain to me why China needs them. And I want explanation where I have the opportunity to follow it up with questions. That is all I am asking, that we go through the regular processes of Government and not through any surprise maneuvers on the floor.

The situation now, Mr. Speaker, is that a new conference must be called and conferees must be appointed. I do not intend to object at this time. However, I want it clearly understood that I reserve the right to object. Although I do not plan to move to instruct the conferees, I also do not plan to abrogate my right to question their recommendation on these jets.

I am hopeful that we can work this out in conference. I am confident that an effort in this direction will be made by all parties concerned.

I also realize that it is very, very late in the session, and that the aid bill will not come up until we reconvene in January.

In view of all this, I am reserving my objections at this time. But I want to make it clear that I plan to fight on in January if this money remains in the conference bill for China.

In the meantime, I hope that my colleagues will take a good hard look at just what has happened with these China jets.

I have said many times that something is fishy. I know some of my colleagues agree with me. This being the case, I think we should resolve this conflict in favor of the American people and the great trust they put in this body. Let us look the request over, talk with Secretary Laird, Secretary Rogers, and Dr. Hannah, and see what the story is. Then we can act.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana? The Chair hears none, and appoints the following conferees: Messrs. PASSMAN and ROONEY of New York, Mrs. HANSEN of Washington, Messrs. COHELAN, LONG of Maryland, MCFALL, MAHON, SHRIVER, and CONTE, Mrs. REID of Illinois, and Messrs. RIEGLE and BOW.

Mr. PASSMAN. Mr. Speaker, I question that few times, if ever, in the history of the Congress could we find such an affirmative record in such a short period of time in support of any item as that record-supporting military assistance for our stanch and dependable ally, the Republic of China.

There have been 10 separate and distinct votes on this matter, either on this floor, in the Committee on Appropriations, or the conference sustaining the belief that it was a "must" to provide funds for our proven friend, the Republic of China. The table below shows the voting record on this amendment.

HISTORY OF FUNDS FOR REPUBLIC OF CHINA IN HOUSE OF REPRESENTATIVES

	Yeas	Nays
Authorization bill (H.R. 14580):		
Nov. 20, 1969—Adopted Sikes amendment to include $54,500,000 for China	176	170
Nov. 20, 1969—Final passage, including China funds	176	163
Appropriations bill (H.R. 15149):		
Dec. 3, 1969—Subcommittee—Motion to include $54,500,000 for China	8	4
Dec. 8, 1969—Full committee—Motion to delete China funds	11	21
Dec. 9, 1969:		
House floor—Motion to retain $54,500,000 for China (Broomfield substitute for Conte motion to delete)	250	142
Final passage, including China funds	200	195
Dec. 19, 1969—Conference action—agreement to retain China funds:		
House conferees	9	3
Senate conferees	8	0
Dec. 20, 1969—House action on conference report:		
Conte motion to recommit deleting China funds	136	220
House adopted conference report including China funds	181	174

Mr. Speaker, may I assure the Members of this House that I have not and will not enter into any agreement that would pull the rug out from under those who believe that right should, and will prevail, notwithstanding the fact that there are those who insist on their way whether it is sustained with facts or not.

Mr. Speaker, for my part, I shall return to conference as quickly as possible and endeavor to sustain the will and position of this body which has expressed itself so forcefully and so often so recently. As of today no agreement has been reached between the Senator from Wyoming and myself as to when the next meeting of the conference committee will take place, statements made to the contrary notwithstanding.

(Mr. PASSMAN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

CONFERENCE REPORT ON H.R. 15209, SUPPLEMENTAL APPROPRIATIONS (H. DOC. NO. 91-208)

Mr. MAHON. Mr. Speaker, I call up the conference report on the bill (H.R. 15209) making supplemental appropriations for the fiscal year ending June 30, 1970, 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 gentlemen from Texas?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of December 20, 1969.)

Mr. MAHON (during the reading). Mr. Speaker, I ask unanimous consent that further reading of the statement of the managers on the part of the House be dispensed with.

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

Mr. MACGREGOR. Mr. Speaker, reserving the right to object—and I will not object—I would like to ask the chairman of the Committee on Appropriations, since I glanced at the conference report quickly and found no reference therein to the so-called Philadelphia plan, the rider adopted by the Senate, will the chairman call to our attention where in the report of the statement of the managers on the part of the House we might find reference to the Philadelphia plan rider?

Mr. MAHON. Mr. Speaker, if the gentleman will yield, because of a technicality the conference agreement is not incorporated in the conference report. On page 6 of the report it is stated: "Amendment No. 33: Reported in technical disagreement."

But agreement was reached, and that agreement is to move to recede from disagreement and concur in the Senate amendment. The matter will be before us when we take up the amendments reported in technical disagreement.

Mr. MACGREGOR. Mr. Speaker, may we then expect the chairman of the Committee on Appropriations to discuss the issue of the Philadelphia plan in some detail?

Mr. MAHON. I plan to discuss the issue of what is involved when I offer the motion to recede and concur.

Mr. MACGREGOR. Mr. Speaker, I thank the chairman of the committee and withdraw my reservation of objection.

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

There was no objection.

SUMMARY OF THE CONFERENCE BILL

Mr. MAHON. Mr. Speaker, the supplemental appropriation bill for the fiscal year 1970 has passed both bodies, has been agreed to in conference, and the conference report is now before the House.

This report provides a total of $278 million-plus. The great bulk of the funds provided in this bill relate to the small business disaster loans required as a result of Hurricane Camille and otherwise. There are additional funds in the bill to which reference should be made, because many Members are interested in them.

The final action has not been taken toward the enactment of the mine safety bill. It has not been signed into law, but we provide in this report today for mine safety $22 million, contingent, of course, upon the approval of the authorization.

We provide $1.8 million for weather facilities on the east coast growing out of recommendations that came as a result of the hurricane.

We provide $4 million for Secret Service police protection for embassies in the District of Columbia.

We provide for a continuing resolution which would continue funds for any agency of the Government for which appropriations have not been provided at the time of the adjournment of Congress.

There is a provision relating to what is commonly known as the Philadelphia plan. This is somewhat of a misnomer, because the Philadelphia plan is in no way mentioned in the bill.

We provide, for claims, the additional sum of $530,000 for additional claims and judgments which were sent to the Senate.

I do not believe there is any real controversy about this conference report. I do not plan to belabor the issue, because I know that Members want to get to the subject of the impending controversy.

I have been advised by the minority, by the gentleman from Michigan (Mr. GERALD R. FORD), and my counterpart, the gentleman from Ohio (Mr. BOW), that some reference will be made to the so-called Philadelphia plan, and that a motion will be made to delete the language approved by the Senate which will be before us on a special motion which I shall offer.

Mr. Speaker, the Philadelphia plan is by no means and to no extent the actual issue involved here. The issue involved is the integrity of the House of Representatives. The issue involved is the stature of the House of Representatives and the Congress.

There has been a lot of talk about the erosion of the power of the legislative branch. Most of us have not agreed that such erosion has taken place; but we have to acknowledge that the courts, by overstepping themselves in some instances, and the Executive, by speaking with one voice and having an advantage when it comes to presenting an image to the American people, have done rather well in promoting their power in this country.

An effort will be made to reduce the power of the Congress during the course of this debate, and I shall not be in favor of reducing the power of the Congress and denying the Comptroller General, who is the creature of the Congress, the authority which he has had since 1921, when the office was created, to be the final arbiter as to the legality of Federal expenditures.

In other words, the issue here is the power of the Congress over the Federal purse. I believe we should retain that power unrestrained and unsullied by any action on the part of the executive branch.

Many of us have served here with a number of Speakers. I remember serving with Joe Byrns of Tennessee, with Bill Bankhead of Alabama, with Sam Rayburn of Texas, and Joe Martin of Massachusetts, and with JOHN MCCORMACK.

These men have held somewhat different views in many ways, but in one respect they have all been alike. They have all had a passionate desire to uphold the dignity and power of the House of Representatives and the U.S. Congress. That position is being or will be challenged here today.

Can you not close your eyes and hear Sam Rayburn or some other Speaker of the past, or the present Speaker, saying how much he loved the House and how jealous he was of the prerogatives of the House? Well, that is the true issue involved here.

Now, if you would turn to the Senate version of the bill or get a copy of the statement which is available on the committee table here, you will see precisely what is in the bill and you will see why I say that the Philadelphia plan is not the issue.

Here is the section in the bill that others want to knock out. I am going to make a motion that we retain it in the bill. It was hard fought in the Senate and adopted by a strong vote. Here is what the provision I shall move that we approve provides:

SEC. 1004. In view of and in confirmation of the authority invested in the Comptroller General of the United States—

And the Comptroller General of the United States is our lawyer, the lawyer of the House of Representatives—

by the Budget and Accounting Act of 1921, as amended,

Here is what we say—

no part of the funds appropriated or otherwise made available to finance, either directly or through any Federal aid or grant, any contract or agreement which the Comptroller General of the United States holds to be in contravention of any Federal statute:

Under the provision, the executive branch cannot legally pay out money if it is in contravention of the law, and the man holding sole authority in making that determination—although, of course, the courts can be appealed to, the man with sole authority in that field is the Comptroller General of the United States.

Now continuing with the quote:

Provided, That this section shall not be construed as affecting or limiting in any way the jurisdiction or the scope of judicial review of any Federal court in connection with the Budget and Accounting Act of 1921, as amended, or any other Federal law.

That is the provision we shall be voting on here. It is the question as to whether or not the Comptroller General of the United States will be the sole arbiter in matters involving expenditures and as a representative of the Congress determine whether or not moneys appropriated by the Congress are expended out of the Treasury in a legal manner. It is just that simple.

This is not a civil rights issue at all.

It is not a Philadelphia plan issue at all.

It is simply, as I stated, a question of the power, the authority, the position, and the prestige of the Congress.

Before 1921, when we set up the Budget and Accounting Act, and when we established the office of the Comptroller General to be our spokesman in the regard, there was a Comptroller of the Treasury, and the executive branch had the final determination, but it was thought that a more or less independent agency not amenable to the Executive and more amenable to the Congress should have the final determination and should be the final arbiter of the legality of funds paid out of the Federal Treasury.

This is the Budget and Accounting Act of 1921, and it says:

Balances certified by the General Accounting Office upon the settlement of public accounts—

And when the public accounts are settled is when you have to pay—

shall be final and conclusive upon the Executive Branch of the Government. . . .

Now, the question of the finality of the Comptroller General's decisions arose during the debate back in 1921 when this law was adopted.

Chairman Good at that time said this:

if he—

Meaning the Comptroller General—

is allowed to have his decisions modified or changed by the will of an Executive, then we might as well abolish the office.

He was chairman of the committee that brought in the bill creating the office of Comptroller General. He was chairman of the Committee on Appropriations.

As chairman of the Committee on Appropriations today, I say if we did not allow our lawyer, our spokesman, the Comptroller General of the United States, the authority to determine whether or not funds appropriated by Congress shall be paid out, then we might as well abolish the General Accounting Office.

Mr. Good also observed:

There ought to be an independent body, independent of the Executives, with an official who could say, "This appropriation can or cannot be used for this purpose."

And certainly that is true today.

We have a man with a 15-year appointment, not a Democrat, not a Republican, not an independent, but the spokesman and the representative of all of us in determining the power of the purse as to the paying out of Federal money.

So, that is the problem. How did we get into the civil rights question? The Comptroller General has held that the so-called Philadelphia plan contravenes the law of the country and, therefore, he supports the position which I have expressed to you with respect to this matter.

Mr. ECKHARDT. Mr. Speaker, will the gentleman yield?

Mr. MAHON. Let me proceed for a few moments and then I shall be glad to yield to the gentleman.

Here is what the Civil Rights Act of 1964 says, and the Comptroller General must not permit money to be paid out when in violation of that law or any other law:

Nothing contained in this subchapter shall be interpreted to require any employer, employment agency, labor organization, or joint labor-management committee subject to this subchapter to grant preferential treatment to any individual or to any group because of the race, color, religion, sex, or national origin of such individual or group *on account of an imbalance which may exist with respect to the total number or percentage of persons* of any race, color, religion, sex, or national origin employed by any employer, *referred or classified for employment by any employment agency or labor organization*, admitted to membership or classfied by any labor organization, or admitted to, or employed in, any apprenticeship or other training program, in comparison with the total number or percentage of persons of such race, color, religion, sex, or national origin

in any community, State, section, or other area, or in the available work force in any community, State, section, or other area. (Italics added.)

If Congress wanted to change the law and permit the establishment of quotas with respect to those who draw Federal moneys on a contract with the Government, that would be something that the Congress could do. But that is not the law at the present time.

I hasten to say that I believe the people who receive contracts from the U.S. Government ought to give fair consideration to all people and to all elements of labor seeking to work. I believe that there should be no discrimination against a man because of his religion, and no discrimination because of race or color, and no discrimination because of sex. This is a principle on which I think we can all agree. So, we are not confronted with the question of whether or not we believe in a policy of fairness and non-discrimination. We do believe in a policy of fairness and we do not believe in discrimination. But we simply say that the law of the land should be upheld until changed by due process and should not be brushed aside.

No official of the Government should be able to brush aside the law of the land. No one should be given the privilege of thwarting the law of the land which provides that the final decision insofar as the expenditure of Federal moneys is concerned rests with the Comptroller General of the United States who serves for a 15-year term.

Mr. PUCINSKI. Mr. Speaker, will the gentleman yield?

Mr. MAHON. I yield to the gentleman from Illinois.

Mr. PUCINSKI. Mr. Speaker, I would like to congratulate the gentleman from Texas for making one of the most important pronouncements on the floor of the House this year, and I want to further congratulate the gentleman for putting this whole issue into its proper perspective. We have all been reading about the Philadelphia plan. The Philadelphia plan is a smoke screen. The gentleman has quite properly put before this House what the issue is. The issue is whether or not our Attorney, and the General Accounting Office, is going to have the right to advise us as Members of the Congress, on the legality of actions of the executive branch of the Government.

This is one of the most brazen power grabs you have ever been confronted with. The Secretary of Labor, when he comes before Congress and the people, raising the question of the Philadelphia plan, is raising a strawman.

The fact of the matter is——

Mr. MAHON. Mr. Speaker, I cannot yield further.

Mr. PUCINSKI. Mr. Speaker, if the gentleman will yield just a moment further so that I may quote a paragraph, because I think it spells out what the gentleman has been trying to tell us. It is on page 40017, the RECORD of December 18, in a series of questions and answers:

Question: Just what did the Attorney General say which conflicts with the authority of the Comptroller General?

And the answer is exactly as the chairman said:

Answer: The Attorney General, in an opinion to the Secretary of Labor, not only upheld the action of the Secretary of Labor but went on to say, and I quote:

"I hardly need to add that the conclusions expressed herein may be relied on by your Department and other contracting agencies and their accountable officers in the administration of Executive Order No. 11246."

This, in effect, tells the agencies to ignore the opinion of the Comptroller General. Now, where will this lead? If this position is allowed to stand, it will be used in other cases, and Congress might as well forget about trying to exercise its Constitutional authority.

That is what the gentleman from Texas is trying to tell us.

Mr. MAHON. Mr. Speaker, I thank the gentleman for his remarks.

The issue is very clear. I do not know all there is to be known about the Philadelphia plan, and for the purposes of this discussion that is not important. The only thing that is important, as I see it, is whether or not the House is willing to stand on its two feet and protect itself and the prerogatives of Congress. It is up to us to make that determination.

I would think that we would not want to adjourn this Congress with an action which in any way militates against our constitutional powers to any branch of the Government—and I would quote from Holy Writ, the King James Version:

If any provide not for his own and especially for those of his own house, he hath denied the faith and is worse than an infidel.

Now, in the Standard Version, there is a slight modification:

But if any man provideth not for his own, and especially for his own household, he hath denied the faith, and is worse than an unbeliever.

I believe that we are believers in the House of Representatives, and in our prerogatives, and in the carrying out of our duties, and in our oath of office. And I hope that the Members of the Congress will stand up and be counted, not on the Philadelphia plan, but on the issue of whether we shall maintain the power and the prestige of the U.S. Congress or let it slip away, and let one of the strong points of our Government be destroyed.

Mr. FRASER. Mr. Speaker, will the gentleman yield?

Mr. MAHON. Mr. Speaker, how much time have I used?

The SPEAKER pro tempore. The gentleman has consumed 21 minutes.

Mr. MAHON. I have promised to yield a great deal of time but I yield briefly to the gentleman, but not for a speech.

Mr. FRASER. No, no—I just want to ask the chairman a question or two.

Does section 1004 which the chairman wants us to agree to add anything to existing law?

Mr. MAHON. Does it add to existing law?

Mr. FRASER. Yes.

Mr. MAHON. It does not add, I believe, significantly to existing law. I think it just recites and clarifies the existing law.

Mr. FRASER. But this is important.

Mr. MAHON. The Comptroller General's decision has been overriden by the executive branch. This is an effort to make clear just what the position of the Congress is with respect to this issue.

Mr. FRASER. Would the chairman agree that it has been the position of the Congress that the Comptroller General's opinion should prevail? Has that not been the past position of the Congress?

Mr. MAHON. With respect to the use of Federal funds?

Mr. FRASER. In matters dealing with the use of funds.

Mr. MAHON. Decisions on the use of Federal funds are up to the Comptroller General, and he is the sole arbiter for the paying out of funds.

Mr. FRASER. That is our view of the present law?

Mr. MAHON. That is our view.

Mr. FRASER. My question is does section 1004 add anything to that law?

Mr. MAHON. The gentleman can be his own judge of that.

Mr. FRASER. Will the chairman advise us as to whether or not we are making a substantive change in the law or not? Does the chairman have a position on that question? Are we changing the law or are we here simply restating it?

Mr. MAHON. We are restating it and reaffirming it and to some extent clarifying the law enacted in 1921.

Mr. FRASER. I would just say to the chairman if we are expanding the law today as a rider on an appropriation bill without hearings and without Congress inquiring into the nature of the contest that has developed between the Comptroller General and the Attorney General it does not seem to me to be a very fruitful way to legislate. I wonder what the chairman says about that.

Mr. MAHON. I will say that whenever the U.S. Congress is attacked I believe in standing like Horatio at the bridge and saying, "They shall not pass."

The SPEAKER pro tempore. The gentleman from Texas has consumed 23 minutes.

Mr. MAHON. Mr. Speaker, I yield 10 minutes to the gentleman from Ohio (Mr. Bow).

Mr. BOW. Mr. Speaker, this is a question of civil rights. There is no question but that this rider, which has been placed on this appropriation bill, has been for one purpose and that is to destroy the Philadelphia plan.

On the question of whether the Comptroller General should completely control the spending of this House, may I point out that the Comptroller General is appointed for 15 years. He is not a lawyer, and it seems to me that what the House is doing—if we follow the advice of my distinguished friend, the gentleman from Texas and chairman of my committee—is delegating to a nonelected czar with a term of 15 years the opportunity to cancel anything that we may think is right; and that includes the Philadelphia plan.

Now, I have talked to a number of Members and they all say to me, "What is the Philadelphia plan?" So I believe my contribution in this debate should be to discuss, to a certain extent, the Philadelphia plan.

I definitely believe the Philadelphia

plan is a question of civil rights, and the question concerns a group of people who want to maintain complete control of labor and want to dictate who may and may not work.

The revised Philadelphia plan sets forth ranges for minority manpower utilization on federally involved construction projects. These ranges are expressed for six designated trades—ironworkers, sheetmetal workers, electricians, plumbers and pipefitters, steamfitters, and elevator construction workers—which have less than 2 percent minority membership. The ranges are based on a realistic evaluation of existing labor force factors in Philadelphia and were issued on September 23, 1969.

To be eligible for award, a contractor must include in his bid a goal for the utilization of minority persons in the designated trades which meets these standards. If he fails to submit a goal or his goal does not meet the established standards the contractor's bid will be rejected as nonresponsive. If a contractor meets his goals he will be presumed in compliance. However, if he fails, he will not automatically be in noncompliance with his obligations under the plan and Executive Order 11246. All that is required is a "good faith" effort to satisfy his goals. The plan specifies criteria for the measurement of "good faith" which include among others efforts by the contractor to broaden his recruitment base by soliciting employment applicants from known sources of minority workers and from training programs established within the Philadelphia area.

Numerous questions have arisen in the months since the revised Philadelphia plan was issued concerning the authority of the Department of Labor to take such action. Thus, a brief review of the Department's position regarding the revised plan seems in order here.

The authority of the President to issue Executive orders requiring fair employment practices by Government contractors has been exercised for more than 28 years. Since 1941 Presidents have issued Executive orders requiring equal employment opportunity of those persons doing business with the Federal Government and the validity of these Executive orders has been upheld by opinions of the Attorney General, the Comptroller General and several courts which have dealt with that issue. This authority derives from the right of the Government to decide with whom and upon what conditions it will do business. Indeed, under the reasoning of certain cases, Federal contracts or assistance to private employers who discriminate would amount to unconstitutional discrimination by the Government.

The passage of the Civil Rights Act of 1964 did not deprive the President of his authority nor relieve him of his responsibility to achieve equal employment opportunity among government contractors. Far from the Executive order or the Civil Rights Act frustrating the purposes of one another, the objective of both is equality of employment opportunity for all Americans, and the procedures of one law complement the procedures of the other.

Executive Order 11246 imposes more than a duty not to discriminate. It requires "affirmative action" to insure equal employment opportunity for minority groups. The Congress recognized this separate obligation when it enacted title VII of the 1964 Civil Rights Act. The legislative history and the statutory language of that act, and several court decisions make manifestly clear the fact that title VII was not intended as a general mandate to replace all laws and actions of the Executive to achieve the goal of equal job opportunity.

In the construction industry, special measures are required to implement the "affirmative action" requirements of Executive Order 11246 and to overcome the effects of past discrimination in the designated trades. This is so because:

First. Contractors rely upon labor unions as their source of labor supply; and

Second. Contractors often hire a new employee labor complement for each job.

In order to achieve equal employment opportunity in the construction trades it is necessary, therefore, to require that bidders on federally involved construction projects commit themselves to "goals" of minority manpower utilization.

Allegations have been made that the revised Philadelphia plan sets required quotas for the hiring of minorities and, as such, contravenes title VII of the Civil Rights Act of 1964 and Executive Order 11246.

Initially, I believe it is important to understand that the plan does not require, nor does it allow, discriminatory hiring practices as implied by the use of the word "quota." Instead, the plan establishes a range of desirable hiring within which the contractor must set his goal. To emphasize the point that there is no magic in these numbers or percentages it established ranges and allowed the contractors to set their own hiring goals within these ranges. Furthermore, it does not require that such goals be met but rather that the government contractor make every good faith effort to meet those goals. Thus, what is required is what any effective business, government or other organization requires of itself; the establishment of goals for achievement and the requirement of a good faith, but lawful effort to meet those goals.

Of course, no one contends that the ranges and goals as well as the contractor's good faith efforts are to be defined in a color vacuum. But, as stated by the Attorney General, title VII does not prohibit and the Executive order may require encouraging the employment of members of minority groups.

It is not intended by this plan to hold any contractor responsible for the exclusionary practices of any union or unions. That responsibility rests upon the union itself.

However, under the Executive order, contractors and subcontractors have a responsibility to provide equal employment opportunity if they want to participate in federally involved contracts. To the extent that they have delegated the responsibility for some of their employment practices to another organization or agency which prevents them from providing equal employment opportunity, they cannot be considered in compliance with the Executive order. Otherwise, the affirmative action obligation might be nullified particularly in the construction industry.

Again, I wish to emphasize that what the Philadelphia plan "requires" of a contractor in that area is a good faith effort. He is required to broaden his recruitment base, and thus the size and makeup of the pool of available employees, by informing minority recruitment organizations and training programs that he is willing to hire minority group persons and by urging these sources to refer minorities to him for employment. A review of the availability of minority manpower in the area has been made, and it has been determined that recruitment efforts as described above should produce minority applicants for employment in sufficient numbers that a contractor may satisfy his goal of minority employment as a matter of course.

In conclusion, Mr. Speaker, I emphasize the Philadelphia plan does not set quotas, it establishes goals. But again I say, as the gentleman from Minnesota (Mr. FRASER) has said, this is not the place—as a rider on the last appropriation bill to come before this Congress—to include this language. It is very evident, whatever may be said, that there was only one reason why this rider was included in this bill. That reason was to stop the Philadelphia plan and prevent equal employment opportunities in the city of Philadelphia, where it has been denied over the years. There can be no question about this.

When the time comes, when the gentleman from Texas and chairman of the committee, offers a motion to recede and concur with the Senate amendment, I shall ask for a rollcall vote. In order to defeat this motion, the vote, of course, should be "No." I hope the Members of this body will vote "No."

Mr. MAHON. Mr. Speaker, I yield 10 minutes to the gentleman from Michigan (Mr. GERALD R. FORD), the minority leader.

Mr. GERALD R. FORD. Mr. Speaker, I think it is important to understand as clearly as possible the parliamentary situation. We have before us a conference report on the Supplemental Appropriations Act for 1970. We are now debating the conference report, and at the conclusion of this 1 hour, there will be a motion made to approve the conference report. I intend to vote for the conference report on the Supplemental Appropriations Act for 1970. We are now debating the conference report, and at the conclusion of this 1 hour, there will be a motion made to approve the conference report. I repeat, I intend to vote for the conference report.

I think it is immaterial whether we win or lose on the conference report on the basic issue which has just been discussed by the chairman and by the ranking minority member of the Committee on Appropriations.

However, subsequent to the consideration of the conference report, there will

be a number of motions made by the distinguished chairman of the Committee on Appropriations, the gentleman from Texas (Mr. MAHON). On amendment No. 33, the test will come. At that point, the gentleman from Texas will move to recede and accept the Senate amendment which involves the Philadelphia plan. At that time it is possible for additional debate on the specifics involving this issue, which is the Senate rider. As I understand it, the gentleman from Texas has agreed when that point comes, if there is a desire, we can have and will have more debate on this equal job opportunity issue.

The history of the appropriation bill is that we passed the supplemental. It then went to the other body, and they incorporated amendment No. 33.

The gentleman from Texas has indicated that the issue on amendment No. 33 is not civil rights, but the issue is the power of the purse, or to put it another way will or will not Congress lose that power if amendment No. 33 prevails. Before discussing that I should like to indicate for the benefit of the membership some of the support which is coming for the action the gentleman from Ohio (Mr. Bow) and I are advocating. We hope there will be a "no" vote—a "no" vote—at the time the gentleman from Texas moves to recede and concur in the Senate amendment.

Let me read a communication received today from Mr. Steven Horn, the Vice Chairman of the U.S. Commission on Civil Rights. I might say parenthetically here, he intended to refer to the supplemental. It reads as follows:

On behalf of Father Theodore M. Hesburgh, Chairman, and the other members of the U.S. Commission on Civil Rights, I urge the defeat of the Senate rider on the HEW-Labor appropriations bill which would destroy the Philadelphia Plan. In the judgment of the Commission, the Philadelphia Plan not only is an appropriate exercise of the contracting power of the executive branch but is required by the Constitution as well. To frustrate the Philadelphia Plan would interfere with the Constitutional duty of the federal government to guarantee equal employment opportunity in fact in all contracts entered into by the government. The plan represents a major breakthrough in opening skilled and high-paying jobs to members of minority groups. It has great potential and must be continued.

STEVEN HORN,
Vice Chairman.

Of course, the Secretary of Labor has been working hard to make the Philadelphia plan work. He is vigorously opposed to the Senate rider on the appropriation bill:

STATEMENT BY SECRETARY SHULTZ

The country's long-established commitment to—and affirmative action for—equal job opportunity have been gravely jeopardized by the United States Senate and by the Senate-House conferees.

This blow against social justice started with a rider attached to a supplemental appropriations bill by the Senate Appropriations Committee last Wednesday night. This drastic legislation was proposed without even the procedure of a public hearing.

The rider is part of an effort by some unions in the construction trades, and supported vigorously by lobbyists for the AFL–CIO, to block affirmative steps to open skilled and high-paying jobs to black and other minority people.

I call attention to the impending vote on this bill in the House of Representatives. I hope it will be done on the record—by roll call vote—so all Americans can know whether or not each Member stands with the President for equal job opportunity.

I trust the House Members will vote to open construction and all other jobs to all. Let us continue the struggle for fairness and justice in job opportunity. And let us get on with the job of building a good society as well as the homes, factories, schools and other structures so desperately needed.

The President of the United States has issued two strong statements urging the defeat of the Senate rider on the appropriation bill.

STATEMENT BY THE PRESIDENT

The House of Representatives now faces an historic and critical civil rights vote.

Tucked into the supplemental appropriations conference report is a provision vesting the Comptroller General a new quasi-judicial role. The first effect of this proposal will be to kill the "Philadelphia Plan" effort of this Administration to open up the building trades to non-white citizens. It is argued that the Administration seeks to restrict the role of the General Accounting Office and the Comptroller General. This is a false issue.

I wish to assure the Congress and the public of this nation that I consider the independence of the Comptroller General of the United States of the utmost importance is the separation of powers in our federal system. The amendment now under discussion by the Congress will not and should not be permitted to bring this principle into any doubt.

Of course, in the conduct of his independent review of all Executive actions, the Comptroller General may raise, and has often raised, questions about the legality of federal contracts and whether funds, according to the law, should be spent under such contracts. The Executive has always, will always, give the fullest attention to his recommendations and his rulings.

When rulings differ, however, when the chief legal officer of the Executive Branch and the chief watchdog of the Congress end up with opposing views on the same matter of law, the place for resolution of such differences, is the courts—just as it is for the resolution of differences between private citizens.

The amendment as presently written makes a court review extremely difficult, even questionable. For example, fourteen contracts have been let under the Philadelphia Plan. If the amendment passes, these contracts will have to be cancelled. If the contractors should not elect to sue, the Executive Branch of the Federal Government could not—and the matter would not reach the courts unless a member of my Cabinet were intentionally to violate the law.

The position I am taking is, therefore, that the amendment need not be stricken but that it should be modified to permit prompt court review of any difference between legal opinions of the Comptroller General and those of the Executive, and to permit the Comptroller General to have his own counsel (rather than the Attorney General) to represent him in such cases.

To be quite candid, I share the Attorney General's serious doubts as to the constitutionality of this amendment and may have to withhold my signature from any legislation containing it.

STATEMENT BY THE PRESIDENT

The civil rights policy to which this Administration is committed is one of demonstrable deeds—focussed where they count. One of the things that counts most is earning power. Nothing is more unfair than that the same Americans who pay taxes should by any pattern of discriminatory practices be deprived of an equal opportunity to work on Federal construction contracts.

The Philadelphia Plan does not set quotas; it points to goals. It does not presume automatic violation of law if the goals are not met; it does require affirmative action if a review of the totality of a contractor's employment practices shows that he is not affording equal employment opportunity.

The Attorney General has assured the Secretary of Labor that the Philadelphia Plan is not in conflict with Title VII of the Civil Rights Act of 1964. I, of course, respect the right and duty of the Comptroller General to render his honest and candid views to the Congress. If in effect we have here a disagreement in legal interpretation between the Attorney General and the Comptroller General the place for the resolution of this issue is in the courts.

However, the rider adopted by the Senate last night, would not only prevent the Federal departments from implementing the Philadelphia Plan; it could even bar a judicial determination of the issue.

Therefore, I urge the conferees to permit the continued implementation of the Philadelphia Plan while the courts resolve this difference between Congressional and Executive legal opinions.

My distinguished friend, the gentleman from Texas has said this is not a civil rights issue, this is an issue as to whether the Congress should control the power of the purse. My dear friend from Texas is very wrong.

The issue is civil rights and jobs—equal job opportunity for members of minority groups in America.

Let me answer the distinguished chairman by saying this: The Congress of the United States has controlled the power of the purse since the first day the Congress convened about 180 years ago, and it has controlled the power of the purse without this rider in the past and it will control the power of the purse in the future without this rider.

Second, the gentleman seems to indicate that if we defeat this rider the Comptroller General will lose his control over the purse as far as the Federal Government is concerned. Well, since 1921, when the Congress established the General Accounting Office under the Budget and Accounting Act, the Comptroller General has had an influence on expenditures by the Federal Government. He did not have to have this rider in the past. He does not have to have this rider in the future.

My dear friend from Texas, when asked a question by the gentleman from Minnesota (Mr. FRASER), honestly said that this amendment does expand the power and the control of the Comptroller General. Of course it does. If it did not expand the power of the Comptroller General there would be no argument. As a matter of fact, there would be no need for the Senate rider in the minds of those who sponsor it because it would be meaningless. The authors in the other body want the Senate rider because it adds authority to the Office of the Comptroller General. They know it expands his power, his control. They know, too, that that amendment raises a serious constitutional issue.

The gentleman from Minnesota (Mr.

MACGREGOR) will discuss the constitutional issue later during this debate.

Let me tell you, as I see it, what is the real issue. It does involve civil rights, and it does it in this way: In the 1950's and in the 1960's the Congress passed far-reaching civil rights legislation involving social rights. We passed legislation in 1965 to give to individuals in minority groups the right to vote in America. In the 1950's and in the 1960's we passed other social legislation protecting the rights of minorities—open housing and other rather sweeping legislation to protect people against discrimination because of race, creed, and color.

Now let me say this: All of those social rights are important, but if you do not have a job, it does not do you much good in some of these cases. If you do not have a job to earn the money to buy a house, then open housing legislation does not do you one bit of good. If you do not have a job to earn a living for your family, it does not do you any good in many of these other areas, many of the other areas where Congress has given protection against discrimination.

This rider prevents minority groups from getting a job in a meaningful way. This rider precludes the opportunity for job equality under Federal contracts. Make no mistake about that. Those who vote "yea" in effect are saying all these other rights are fine but we are not going to help get you a job under Federal contracts. An "aye" vote will permit the kind of discrimination in employment that has existed in the past. An "aye" vote is going to mean you vote to perpetuate job discrimination in Federal contracts. A "nay" vote means that individuals will have the protection of the Federal Government in getting jobs. Minority groups will have an opportunity to earn a living so that they can enjoy the fruits of social legislation which the Congress has passed in the last two decades.

I say to you as strongly as I can that there is no need for the rider on the appropriation bill. It was put on the appropriation bill without any consideration by the House of Representatives, without any hearings in the Committee on Appropriations in the U.S. Senate. It is unneeded. I think it is discriminatory. I hope and trust when the issue is faced up to that we will get a resounding "no" vote. I am sure the other body will accept our vote.

Mr. MAHON. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. HOLIFIELD).

Mr. HOLIFIELD. Mr. Speaker, the House is faced today with a dilemma, and it is a very clever arrangement. It is almost as clever as the Powell amendment, which we are all familiar with. The Philadelphia plan is similar to the Powell amendment. It is advanced for political purposes.

Now, the Comptroller General acts under the Budget and Accounting Act of 1921, which comes under the jurisdiction of the House Committee on Government Operations of which I am the ranking Democratic member. That is why I am speaking in the well, because this is a special jurisdictional field I think I know something about.

The Comptroller General is a servant of the Congress. If we ever lose the services of the Comptroller General and his independence in evaluating the internal expenditures of this Government, we have lost something far more important than this ethereal Philadelphia plan.

Mr. Speaker, we have a great body of civil rights laws. I voted for every one of the civil rights bills because I believe in civil rights and also believe in the rights of labor and I have voted to protect labor.

Mr. Speaker, we are caught between the two horns of a dilemma at this time. This is a political struggle between the Attorney General and the Comptroller General. It is as clear as that.

If you decide on behalf of the Attorney General in his struggle in place of letting this go to the courts, if it is necessary to be decided, then you nullify the Comptroller General's power for all time insofar as his ability is concerned to make final decisions. And, I want to underline the word "final," because somewhere in this Government you have got to have someone to make a final decision as to where moneys are allowed to be spent in a particular field; that is, the Comptroller General being able to make such decisions as he is doing today for the Congress and not for the executive branch.

He is doing it for the Congress, and if you undermine his authority to do that, you undermine the control of the purse-strings of the Congress. That is what you would be doing. This is a real struggle for power and it is also a very clever little gimmick to put the liberals and the Democrats on the spot on this thing. Upon many occasions we have had the so-called Powell amendment put on legislation for education, housing and other programs in the United States and some of us had the guts to go down and vote against the Powell amendment because we knew it would jeopardize education and housing and the other programs. It was a mischievous amendment. It was not an amendment that would bring any good. It would bring nothing but confusion and disaster to the programs which the Congress has set up.

We have also set up a lot of programs upon which the Comptroller General has to render decisions as to the validity of expenditures. His job is to render decisions based on the statutes Congress has enacted and in accord with the intent and purpose of Congress.

The SPEAKER, pro tempore. The time of the gentleman from California has expired.

Mr. MAHON. Mr. Speaker, I yield the gentleman 1 additional minute.

Mr. HOLIFIELD. We have, as I said, set up a lot of new programs under which the Comptroller General will have to make decisions which will either validate or nullify the expenditure of funds.

If you want to kill the power and authority of the Comptroller General, the servant of the Congress, and turn over to the Attorney General this power—and I am not speaking about personalities because Attorneys General come and go and the Comptroller General we have at this time is not a political individual. He is a public servant, one of the greatest public servants we have ever had and as for my money, I would rather have for my part this man's evaluation as to where our money should be spent rather than to put it in the office of the Attorney General which shifts with the changing tides of political opinion. The 15-year term of the Comptroller General gives him independence from political influences. His record of response to the duties Congress has imposed on him, is well known to all of us.

The SPEAKER pro tempore. The time of the gentleman from California has again expired.

Mr. MAHON. Mr. Speaker, I yield 4 minutes to the gentleman from Michigan (Mr. O'HARA).

Mr. O'HARA. Mr. Speaker, the rider to the supplemental appropriation bill that has been the subject of most of the discussion here today does indeed pose a very serious problem for those of us who have voted to gain equality in employment for all Americans. Indeed, I was one of the sponsors of the legislation, the Equal Employment Act, which was finally picked up by the Judiciary Committee and included as title VII of the Civil Rights Act of 1964. Since that time it has become apparent that the enforcement provisions of that legislation are inadequate to do the job as we intended.

For that reason I have together with a number of the members of the Committee on Education and Labor, sponsored a bill that would give the Commission on Equal Employment Opportunities power to issue cease-and-desist orders to enforce their findings upon those in violation, whether they be employers or labor unions. Unfortunately, that legislation has not prospered. In fact, it has recently been opposed by this administration.

Now I am told that for the sake of equal justice I should vote against a provision in an appropriation bill that affirms the finding of the Comptroller General that quotas in employment are a violation of title VII. I am sorry but I do not see it that way.

What I would really like to do is enact legislation providing for fair and binding administrative enforcement of title VII. If we had effective enforcement of title VII we would not have to worry about this rider.

Mr. Speaker, I have consistently opposed quotas including compensatory quotas in employment. I would like to see a colorblind America in which the color of a man's skin makes no difference. It does him no harm and it does him no good. That is the kind of America I envision. And quotas, whether or not they are benign quotas, promulgated with a good intent, are wrong.

Therefore, Mr. Speaker, I will vote to uphold the committee and to concur in the Senate amendment. I do so reluctantly, because the goal that is sought by the Philadelphia plan is one that I heartily endorse although I cannot approve of the method. But I hope that we in Congress who are expressing ourselves today in favor of equality in employment opportunities will move rapidly now to strengthen the Equal Employment Op-

portunities Commission and to give it power to effectively enforce title VII and make it meaningful.

Mr. MAHON. Mr. Speaker, I yield 1 minute to the gentleman from Illinois (Mr. PUCINSKI).

Mr. PUCINSKI. Mr. Speaker, several statements have been made here, one by the gentleman from Ohio (Mr. BOW), and the distinguished minority leader, that the Philadelphia plan does not have any quotas; that it is not a quota system; that it is not in violation of the 1964 Civil Rights Act. I would ask my colleagues to reach down underneath their chairs and secure the CONGRESSIONAL RECORD for December 18, and commencing on page 39952, the whole Philadelphia plan is spelled out in the RECORD.

I call your attention first of all to page 39952, which points out how the Labor Department has the right to cancel—to cancel a construction contract if he is not satisfied that a good-faith effort, as is set forth in step 10, has been unfinished by the contractor. Mind you, under the Philadelphia plan the Labor Department can set aside low bidders. This opens the door to more brutal skulduggery. Here is what it says:

> Before the sanctions of cancellation, termination, suspension, or debarment are imposed against any contractor or subcontractor, he will be given the further opportunity to request a formal hearing.

In other words, any faceless bureaucrat who does not believe a contractor is making a "good faith" effort to meet the quota can cancel a contract.

Then I call your attention to page 39955, which says:

> Further ordered: That the following ranges are hereby established as the standards for minority manpower utilization for each of the designated trades in the Philadelphia area for the next four years:

And the timetable for 1973 calls for—and you have it there in front of you, do not take my word for it, 22 to 26 percent ironworkers must be from minority groups, 20 to 24 percent plumbers and pipefitters must be from minority groups by 1973; 20 to 24 percent for steamfitters, 19 to 23 percent for sheet metal workers, 19 to 23 percent for electrical workers, and 19 to 23 percent for elevator construction workers. These are the quotas the Labor Department has ordered for Philadelphia by 1973 and any contractor who does not meet this quota will not be eligible to bid on Federal construction contracts.

If these are not quotas, then the English language has lost its meaning. It is childish to suggest that the table I cite here from the Labor Department's own directive does not constitute a quota system. Of course the Department uses the word "ranges" but in this case you cannot, by the widest stretch of the imagination, argue that the words "the following ranges are hereby established as the standards for minority manpower utilization for each of the designated trades in the Philadelphia area for the next 4 years," is not an affirmation of quotas for each of the designated categories by 1973 in order to qualify for a contract.

I am enclosing with my remarks the order issued by the Department of Labor on quotas:

4. *Order:* Therefore, after full consideration and in light of the foregoing, be it *ordered:* That the Order of June 27, 1969 entitled "Revised Philadelphia Plan for Compliance with Equal Employment Opportunity Requirements of Executive Order 11246 for Federally-Involved Construction" is hereby implemented, affirmed, and in certain respects amended, this Order to constitute a supplement thereto as required and contemplated by said Order of June 27, 1969.

Further ordered: That the following ranges are hereby established as the standards for minority manpower utilization for each of the designated trades in the Philadelphia area for the next four years:

Range of minority group employment until Dec. 31, 1970

[Percent]

Identification of trade:	[1]
Ironworkers	5–9
Plumbers and pipefitters	5–8
Steamfitters	5–8
Sheetmetal workers	4–8
Electrical workers	4–8
Elevator construction workers	4–8

Range of minority group employment for the calendar year 1971 [2]

[Percent]

Identification of trade:	
Ironworkers	11–15
Plumbers and pipefitters	10–14
Steamfitters	11–15
Sheetmetal workers	9–13
Electrical workers	9–13
Elevator construction workers	9–13

[1] The percentage figures have been rounded.

[2] After December 1, 1970 the standards set forth herein shall be reviewed to determine whether the projections on which these ranges are based adequately reflect the construction labor market situation at that time. Reductions or other significant fluctuations in federally involved construction shall be specifically reviewed from time-to-time as to their effect upon the practicality of the standards. In no event, however, shall the standards be increased for contracts after bids have been received.

Range of minority group employment for the calendar year 1972

[Percent]

Identification of trade:	
Ironworkers	16–20
Plumbers and pipefitters	15–19
Steamfitters	15–19
Sheetmetal workers	14–18
Electrical workers	14–18
Elevator construction workers	14–18

Range of minority group employment for the calendar year 1973

[Percent]

Identification of trade:	
Ironworkers	22–26
Plumbers and pipefitters	20–24
Steamfitters	20–24
Sheetmetal workers	19–23
Electrical workers	19–23
Elevator construction workers	19–23

The above ranges are expressed in terms of man hours to be worked on the project by minority personnel and must be substantially uniform throughout the entire length of the project for each of the designated trades.

I tell you, Mr. Speaker, the Labor Department and the President are engaging in a scheme that violates every concept of prohibition against quotas. They are turning the clock back.

I agree with the distinguished gentleman from Michigan. Of course we want to give every person in America an equal opportunity for jobs and employment in the building trades. But the Philadelphia plan, with its quota system, is not the way to do it. And your Comptroller General, the man that each of you relies on day in and day out for information has told you that this plan runs contrary to the 1964 Civil Rights Act.

Mr. Speaker, I support the committee and its full recommendation. I can tell you this: If the Labor Department persists in the Philadelphia plan you will see the cost of construction skyrocket. What will happen as a probable proposition is that contractors will hire minority group workers to show they meet the quota but if such workers don't have the training to do the job, contractors will hire white workers to actually do the work and add the additional workers to the cost of the project. The whole concept is incredible and indefensible. More important, if you think it will stop in Philadelphia or the building industry you are mistaken. The Secretary of Transportation has adopted the Philadelphia plan procedure in awarding of highway construction contracts.

Mr. MAHON. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota (Mr. FRASER).

Mr. FRASER. Mr. Speaker, I do not know if the Philadelphia plan is legal or illegal. I am not impressed by the reading from title VII of the Civil Rights Act, because the President is not proceeding under that power, so that the provision which rightfully proscribes quotas under title VII, it seems to me may not be applicable in this case.

What I am concerned about is for us to say today that the Comptroller General's opinion should be binding and that no money can be paid out and, therefore, no contracts may be let or carried forward which would affirmatively seek to end discrimination in employment and expand employment opportunities for minority groups under the scheme known as the revised Philadelphia plan.

I cannot tell, except for the word of the chairman, whether or not in section 904 what we are asked to embrace really does alter the relationship between the Attorney General and the Comptroller General.

If it does not alter the relationship, if it is simply a restatement of existing law, it is not necessary. If it does change the law, I would like to have spelled out just how that law is changed.

This is a matter of some importance. I think the chairman is right when he says that this goes to a very fundamental question relative to the rights of the Congress in the control of the use of funds. But I am not prepared to dispose of that very fundamental question in the kind of limited time frame that we have here this afternoon.

It seems to me that the Government Operations Committee might well take this question up next year to see if in fact the Attorney General has acted unwisely or improperly and perhaps strengthen our statutory powers as a Congress.

I remain committed to the principle that in this Nation which is torn so severely by racial tensions, when I can I want to cast my vote in favor of trying to make it possible for those who have suffered for so long to gain equal access to employment in America.

Mr. MAHON. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. THOMPSON).

Mr. THOMPSON of New Jersey, Mr. Speaker, one has only to sit in this Chamber and listen to such thoughtful people as the gentleman from Minnesota and the gentleman from Michigan and the chairman of the committee to realize the enormity of this problem and the difficulty that is involved.

I think I am not alone on this side of the aisle in saying perfectly candidly at this minute that I have yet to make up my mind as to how I am going to vote. I am not really terribly impressed by the minority leader's invocation of Father Hesburgh's name in support of his argument today, especially in view of the fact that when the voting rights bill was up just a few days ago Father Hesburgh's advice was ignored by that gentleman—just as an indication of the schizophrenia, I suppose, that exists throughout this body.

I hope to develop at an appropriate time an amendment which will be acceptable to the great majority of this House who favor equal opportunity for all, an amendment which will, I think, if I may develop it in time, rather dramatically demonstrate who is for and who is not for equal employment opportunity.

Mr. MAHON. Mr. Speaker, I would like to make this further statement.

We are about to vote on the conference report. The conference report deals with mine safety funds, appropriations to the Small Business Administration for disaster loans, and sundry other items.

The final provision in the bill, which was brought back in technical disagreement, is amendment No. 33. As I noted a while ago, amendment No. 33, about which we have had much discussion, is not included in the conference report. So far as I know, there is nothing controversial about the conference report.

As this point, I would like to move the previous question on adoption of the conference report.

Mr. BOW. Mr. Speaker, will the gentleman yield before he moves the previous question?

Mr. MAHON. I yield to the gentleman from Ohio.

Mr. BOW. I would like to say to the gentleman from Texas that, insofar as this Member, and I believe most of the members of our committee are concerned, we shall support the report. The real question will come when the gentleman from Texas offers his motion to recede and concur with amendment No. 33. That I do not approve of, but I do want to make it clear that I have no objection to the other items in the conference report, and I shall support the gentleman's motions.

Mr. CRAMER. Mr. Speaker, I rise in support of the amendment to the supplemental appropriations bill. I want to state at the outset my firm belief that the matter before us transcends the civil rights considerations with which it is, unfortunately, intertwined. It is far more fundamental and basic than that. It involves the very essence of our tripartite system of government and the respect for the role and responsibility of each branch which is essential for the effective functioning of all.

In the congressional debate establishing the Office of the Comptroller General a half century ago, it was declared:

If, he, the Comptroller General, is allowed to have his decisions modified or changed by the will of the Executive, then we might as well abolish the office.

I regret to say that we are confronted with a situation in which precisely that authority is being asserted by an agency of the executive branch.

The Comptroller General, as agent of this body, undertook to declare that an expenditure of public money was illegal and should not be paid out. The Attorney General, thereupon sought to contravene that ruling. He declared that the expenditures in question were legal and that the executive departments involved should proceed to make them.

The language of the amendment before us is simple and direct. It would overrule this attempted arrogation of authority. It provides that:

No part of the funds appropriated or otherwise made available by this or any other act shall be available to finance, either directly or through any Federal aid or grant, any contract or agreement which the Comptroller General of the United States holds to be in contravention of any Federal statute.

The purpose of the amendment is to reaffirm the power which we long ago granted to the Comptroller General. If we do not, if we allow the current challenge by the executive branch to go unanswered, I am very much afraid that the constitutional consequences will be very grave indeed. Can there be any doubt that if the Attorney General can overrule one decision he can overrule any and all decisions made by the Comptroller General.

In my judgment, to sanction such an assertion of power would be for Congress to surrender its power over the purse to the executive branch.

Opponents of the amendment assert that its passage would somehow or other override the constitutional authority of the courts; that the judiciary will in some manner be inhibited from carrying out its function to interpret the laws. This is a fallacious argument. Decisions of the Comptroller General are binding on the executive branch, not on anyone outside of it. Any aggrieved citizen may appeal his rulings. As Senator ALLOTT so eloquently declared when this measure was under consideration in the other body:

The Comptroller General is not a Super God in Government. He is the arm of Congress, and that is all he is; and Thank God we have such an arm in the Government. If we did not have that arm, we in Congress would be subject to the will and whim of the Executive Branch.

On May 22, 1968, the Comptroller General ruled, on my request, that the EEO requirements relating to highways were illegal. I believe that subsequent efforts to enforce the Philadelphia plan are contrary to competitive bidding laws as well as the 1964 Civil Rights Act, § 703(a) and § 703(j).

My letter of April 8 and a copy of the May 22 letter in reply follows.

APRIL 8, 1968.

Hon. ELMER B. STAATS,
Comptroller General of the United States, General Accounting Office, Washington, D.C.

DEAR MR. STAATS: The Office of Federal Contract Compliance of the United States Department of Labor has recently proposed procedures designed to insure that contractors and subcontractors on Federally-assisted construction contracts would provide "affirmative action programs" relative to equal employment opportunities. Attached is a draft memorandum submitted for comment to the heads of all agencies by the Director of the Office of Federal Contract Compliance. A final order regarding compliance with the procedures outlined in the draft memorandum has not yet been issued. I am informed, however, that a final order will be issued in the relatively near future, and that it will contain substantially the same requirements as set forth in the draft memorandum.

Briefly speaking, the procedures contemplate the following actions: On all projects to cost $1 million or more the specifications for the project would include a notice to the prospective bidders that the low bidder will be required to submit, in writing, an "acceptable affirmative action program" to assure equal employment opportunity. The specifications for the project apparently would not include a statement outlining the details of what would be an "acceptable affirmative action program". After the bids are opened, but before the contract is awarded, the low bidder would have to submit an action program for evaluation by the contracting or administrative agency. If the proposed action program is not acceptable to the contracting or administrative agency, negotiations would ensue and the contract not awarded until agreement has been reached on the acceptability of the program.

Imposition of these procedures will certainly cause added delay and cost to the Federal-aid highway program. In my opinion, there is considerable doubt as to whether these procedures are permissible under the competitive bidding requirements applicable to Federal-aid highway contracts. Under the provisions of section 112 of title 23, United States Code, construction of each Federal-aid highway project "shall be performed by contract awarded by competitive bidding, unless the Secretary shall affirmatively find that, under the circumstances relating to such project, some other method is in the public interest."

In order for bidding to be truly competitive, all bidders must compete on the same basis with no allowance for registrations on particular aspects of the project after the bids are opened.

Under the procedures proposed by the Office of Federal Contract Compliance, the bidders will not know, at the time of bidding, what will constitute an acceptable action program, and therefore will not be able to make a reasonable estimate of the probable cost of the program. Since the proposed procedures apply to subcontractors as well as prime contractors, the prime contractor will have to run the risk that the subcontractors he expected to use may not submit an acceptable action program. If they fail to do so, the prime contractor will have to use different subcontractors, with the possibility of added cost to him. It should also be pointed out that if a low bidder decides for reasons satisfactory to him that he does not wish to enter into a contract on the basis of the bid, he can accomplish his purpose by failing or

refusing to submit an acceptable action program.

There are other legal and practical problems which would be created by imposition of the procedures proposed by the Office of Federal Contract Compliance. My major concern at the present time, however, is whether, under the provisions of the competitive bidding requirements of section 112, title 23, United States Code, the proposed procedures can legally be required.

I will appreciate your opinion on this question.

With kindest regards, I am

Sincerely,

WILLIAM C. CRAMER.

COMPTROLLER GENERAL
OF THE UNITED STATES,
Washington, D.C. May 22, 1968.

Hon. WILLIAM C. CRAMER,
House of Representatives.

DEAR MR. CRAMER: Further reference is made to your letter of April 8, 1968, with enclosure, concerning requirements for acceptable "affirmative action programs" for compliance with the equal employment opportunity conditions of Executive Order No. 11246 of September 24, 1965. You enclose a copy of a draft memorandum of a proposed order which was submitted for comment to the heads of all agencies by the Director, Office of Federal Contract Compliance (OFCC), Department of Labor.

We understand your request for our opinion is confined to the propriety of the prepared requirements, particularly with reference to the Federal-aid highway program, in view of the specific provision of 23 U.S.C. 112 that such highway projects shall be performed by contracts awarded by competitive bidding and that you do not question generally the legality of the requirement for the inclusion of nondiscrimination clauses, which were first imposed as to Government contracts by Executive Order No. 3802, June 25, 1941, and extended to construction contracts under federally aided or financed programs by Executive Order No. 1114, June 22, 1963.

You state that the procedures proposed by the Department of Labor contemplate that the low bidder and its subcontractors, on contracts covered by the order, will be required to submit before award acceptable affrmative action programs to assure equal employment opportunities, but that the invitation for bids apparently would not include a statement outlining the details of an acceptable program. Further, that when an unacceptable program is submitted award will not be made until agreement is reached on an acceptable program. You say that since bidders will not know what will constitute an acceptable program they will not be able to make a reasonable estimate of the probable cost of the program, and thus must run the risk of added costs, including possible additional subcontracting costs, when the proposed subcontractors do not submit acceptable action programs. You also point out that a low bidder has the opportunity to avoid entering into a contract by failing or refusing to submit an acceptable action program. Finally, you state that you believe imposition of the proposed procedures will cause added delay and cost to the Federal-aid highway program.

The purpose and background for the proposed order is stated therein as follows:

"1. *Purpose*

"This Order is to insure that before contracts are awarded, Federally involved construction contractors provide affirmative action programs which comply with the requirements of Executive Order 11246 and with Rules and Regulations issued pursuant to it.

"2. *Background*

"For over one and a half years, acceptable affirmative action programs have been required before contract award by a number of Federal contracting and administering agencies. Detailed pre-award programs are now required by this Office in three specific geographical areas (St. Louis, San Francisco Bay, and Cleveland) for all Federal contracting and administering agencies. Experience has shown that such procedures are considerably more effective in implementing the Executive Order than exclusively post-award approaches. The pre-award requirement for nonconstruction contracts has been in effect since May 3, 1966."

The following pertinent provisions of the proposed order are set forth under paragraph 3b:

"On all projects for Federal or Federally-assisted construction, in which the total construction cost may be one million dollars or more:

"(1) Each agency shall include, or require the applicant to include, in the specifications for each formally-advertised construction contract, a notice (the form of which is approved by the Office of Federal Contract Compliance) to all prospective bidders stating that, if its bid is one million dollars or more, the low bidder must submit, in writing, (an) acceptable affirmative action program(s) which will have the result of assuring equal employment opportunity in all trades and particularly the better-paid trades (such as electricians, plumbers, pipefitters, sheet metal workers, ironworkers and Operating Engineers) to be used on the job and in all phases of the work, whether or not the work is to be subcontracted.

"(2) Before each contract is awarded, the contracting or administering agency shall make an evaluation of the proposed affirmative action program submitted with the bid. The evaluation *shall be* conducted by *qualified specialists* regularly involved in equal employment opportunity programs, in cooperation with the OFCC Area Coordinator if one serves the area where the contract will be performed."

Under paragraph 3c each Federal contracting and administering agency is required to submit to the CFCC its program to implement the order.

Existing regulations issued by the Secretary of Labor pursuant to the authority of the Executive Order, which appear in Title 41, Chapter 60, of the Code of Federal Regulations, require that federally assisted construction contracts shall include a clause under which the contractor and subcontractors agree to take various affirmative actions to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. 41 CFR 60–1.3(b). A proposed revision of 41 CFR Ch. 60 issued by the Office of Federal Contract Compliance pursuant to Executive Order No. 11246, was published in the Federal Register, Vol. 33, No. 32, on February 15, 1968. Requirements for a similar clause in federally assisted construction contracts and subcontracts are stated under Section 60–1.4(b) of the proposed revision, and general requirements of satisfactory affirmative action programs are set forth in Subpart C thereof. Other than the submission of an affirmative action program prior to award, and the requirement for approval thereof by CFCC prior to award, we do not find a substantial basis on which to conclude that the proposed order contemplates that the affirmative actions required of contractors or subcontractors under federally examined construction contracts will be materially different from those which have been required of such parties after award for several years.

A review of the records of this Office does not show receipt of any cases involving undue restrictions on competition resulting from the requirement for affirmative actions by contractors to ensure compliance with the Equal Employment Opportunity Program in federally assisted construction contracts, or involving contractors having encountered substantially higher costs in satisfactorily complying with equal opportunity requirements than were anticipated in the preparation of their bids. It is further noted that, in the background information quoted above, it is stated that preaward acceptable affirmative action programs have been required by a number of Federal procurement agencies for over two years, and our records fail to show any cases presented to this Office wherein award was not made to the low bidder because of his failure or refusal to submit an acceptable affirmative action program, or involving claims for unanticipated costs resulting from such a program.

While, as noted above, problems in the existing preaward acceptable affirmative action program have not been reflected in our contract work, statements contained in records of your office which you have made available for examination by representatives of this Office reflect that road contractors may be encountering serious problems in connection with the preaward program as it is being administered in the geographical areas mentioned in the proposed order. Such statements indicate that the preaward procedures have in some instances resulted in extended periods of delay in the awarding of contracts; that bidders are furnished inadequate guidelines for the develoment of an acceptable affirmative action program, and the responsive (and otherwise responsible) bidder may therefore be required to enter into negotiation procedure on an acceptable program in order to obtain the award; that a program which is acceptable on one contract may not be acceptable on another; that a program which is acceptable at the time the contract is awarded may be unacceptable when the project is half completed; and that a bidder operating under negotiated labor agreements would in some cases be required to violate those agreements in order to comply with the proposed order.

Statutory provisions, such as that contained in 23 U.S.C. 112, for competitive bidding in the award of contracts have been interpreted to require award after advertising to the lowest responsible bidder whose bid is responsive to the terms of the invitation, and it is elementary that bidders must be adequately advised beforehand of all material requirements which will affect their costs or ability to perform. Invitations for bids were designed to secure a firm commitment upon which award could be made for securing the Government's requirements described therein, and not as a first step for subsequent negotiation procedures. In view thereof, there would appear to be a technical defect in an invitation's requirement for submission of a program subject to Government approval prior to contract award which does not include or incorporate definite standards on which approval or disapproval will be based. We believe that the basic principles of competitive bidding require that bidders be assured that award will be made only on the basis of the low responsive bid submitted by a bidder meeting established criteria of responsibility, including any additional specific and definite requirements set forth in the invitation, and that award will not thereafter be dependent upon the low bidder's ability to successfully negotiate matters mentioned only vaguely before the bidding. We are therefore advising the Secretary of Labor that if the proposed order is adopted it should be appropriately implemented, before becoming effective, by regulations which should include a statement of definite minimum requirements to be met by the bidder's program, and any other standards or criteria by which the acceptability of such program will be judged.

As to any added delay or cost to the Federal-aid highway program which might be occasioned by the requirement for acceptable

affirmative action programs by contractors and subcontractors, such factors would not negate the apparent legality of the requirement. As indicated above, one of the basic requisites in awarding contracts pursuant to competitive bidding is that award be made to a responsible bidder, and added delay and cost in determining the responsibility or acceptabiltiy of the low responsive bidder are matters commonly associated with the awarding of such contracts.

Although, as you state, imposition of the procedures proposed by the Office of Federal Contract Compliance will no doubt create other legal and practical problems, we believe that many areas of such contemplated problems may be subject to resolution or disposition by regulations promulgated by the Office of Federal Contract Compliance or by implementing regulations of the agencies as provided for in the proposed order. In any event, we cannot conclude at this time that the proposed requirement for submission of acceptable affirmative action programs prior to awarding federally assisted construction contracts is as a matter of law clearly incompatible with competitive bidding requirements of 23 U.S.C. 112, and therefore illegal, provided the implementing regulations discussed above are issued before the proposed order establishing such requirement becomes effective.

We trust this serves the purpose of your letter of April 8. Please let us know if we can be of any further assistance in this matter.

Sincerely yours,

/s/ FRANK H. WEITZEL,
Assistant Comptroller General of the United States.

Mr. TAFT. Mr. Speaker, the elimination by the conference committee of funding for a Commission on Population Growth and the American Future points up the failure of this House to act on H.R. 15165. This measure was recently removed from consideration under suspension of the rules. Hopefully this legislation will get a rule early in the next session and will be enacted and then funded by a supplemental appropriation bill.

This makes it appropriate to discuss other developments in this important area.

Mr. Speaker, today the House Republican Task Force on Earth Resources and Population, chaired by the gentleman from Texas (Mr. BUSH) released a comprehensive report on Federal family planning programs after having conducted extensive hearings and research throughout this session of Congress.

As chairman of the House Republican Research Committee, I wish to commend Chairman BUSH and his task force colleagues for preparing this timely report which has been placed in the RECORD today. The report contains a careful analysis of the domestic and international problems associated with providing family planning services to those who desire and need this service. The task force has also made a series of recommendations, which I endorse, that would strengthen the Federal Government's family planning programs and enable us to meet the national goal enunciated by President Nixon of providing family planning services to all who desire and need such services but cannot afford them.

Through their hearings with prominent figures in the field of family planning and population, their independent research, and the issuance of their report, the Republican Task Force on Earth Resources and Population has provided the Congress and the American people with much needed information on a topic which should be a matter of high priority among governmental and private sector decisionmakers.

The problems associated with family planning and population growth are among the most critical we face as a nation. I therefore urge all Members of Congress to consider the report with utmost care. The earth resources and population task force's recommendations merit early consideration by this body next session.

A related matter in the population field requiring prompt congressional action next session is H.R. 15165, the bill to create a Commission on Population Growth and America's Future. I was deeply disappointed when I learned last week that the Democratic House leadership had failed to schedule this legislation. It was reported unanimously by the Committee on Government Operations on December 10. Similar legislation has already passed the other body without opposition.

It was my understanding that H.R. 15165 would be considered on Monday, December 15, under suspension. The Democratic House leadership, however, failed to place this important piece of legislation on the calendar for last Monday. There is no reason for holding up this bill.

The President recognized the urgency of the population problem in his message to Congress on July 18 when he called for creation of a Commission on Population Growth and the American Future. All Members of the House Republican Task Force on Earth Resources and Population, the Republican leadership, along with a substantial majority of the members of the Government Operations Committee heeded the President's call for action and cosponsored the Commission bill. Now, however, the House has been denied an opportunity to work its will on the legislation until next year. The work of this Commission is too important to be delayed indefinitely. Rather, it should be starting its work immediately.

At present rates of growth, the United States will reach a population of 300 million in the next 30 years. An increase of that magnitude is going to place a tremendous strain on both our natural resources and our social institutions. We need to know what the impact of that population growth will be on our society. We need this information gathered in a comprehensive and systematic manner, as quickly as possible because all the values we prize—decent housing, quality education, economic opportunity, outdoor recreation, privacy, natural beauty, and even free institutions—are at stake.

In his message to the Congress, President Nixon correctly stated that too few people are examining the problems associated with population growth from the viewpoint of the whole society. The Commission proposal in H.R. 15165 would therefore address itself to these problems:

First, the probable course of population growth, internal migration and related demographic developments between now and the year 2000;

Second, the resources in the public sector of the economy that will be required to deal with the anticipated growth in population;

Third, the ways in which population growth may affect the activities of Federal, State, and local governments;

Fourth, the impact of population growth on environmental pollution and on the depletion of natural resources; and

Fifth, the various means appropriate to the ethical values and principles of this society by which our Nation can achieve a population level properly suited for its environmental, natural resources, and other needs.

There should be no delay in our search for these answers and that is why the Commission legislation is so important. Certainly H.R. 15165, the bill to create a Commission on Population Growth and the American Future, should be the first item on the House agenda in January.

Mrs. HANSEN of Washington. Mr. Speaker, the House was so occupied this afternoon debating other items in this supplemental appropriations bill, H.R. 15209, that I did not take the time to advise the House of exactly why the Indian health service appropriation appears not as large in the conference report as the amount which reached us from the other body. I, therefore, take this opportunity to place in the RECORD the following table on Indian health service:

	Appropriations
1968	$90,860,000
1969	94,350,000
1970	99,481,000
1970 supplemental	2,048,000
Total, 1970	101,529,000

In considering these figures it should be noted that—even as the Congress is adding funds and even if there is a shortage of service and medical care in various Indian health facilities—the Bureau of the Budget in its "infinite wisdom" has held back in reserve $957,000 of operating funds appropriated earlier this year.

This was not a construction cut. These are funds for medicine, personnel services and all the other things that mean health care for Indians.

I have heard this afternoon a lot of double talk and lip service to civil rights. Civil rights is more than casting an occasional vote. Civil rights is an administration caring enough to release that $957,000 to buy medical help and assistance to American Indians.

I now list for you the total amount of contract medical care year by year:

1965	$11,815,000
1966	12,861,000
1967	14,106,000
1968	15,537,000
1969	17,779,000
1970	19,114,000
1970 supplemental	1,000,000
Total available in 1970	20,114,000

You will note that H.R. 15209 has added $1 million relative to the additional money provided in the other body

to this supplemental appropriation. It is useless to provide funding for additional positions when the regular 1970 appropriations bill provides for 6,583 positions but the Bureau of the Budget imposed a personnel ceiling on the Indian health service at 5,982. There are 5,813 now on duty and, due to personnel freezes, the department has filled only 65 percent of all vacancies.

I list below construction totals for the Indian health service:

1968	$16,848,000
1969	18,156,000
1970	19,000,000
Supplemental	1,952,044
Total 1970	20,952,000

Of the $19,000,000 appropriated for construction in the regular 1970 appropriation bill, $1,432,000 has not be apportioned.

Mr. Speaker, it is time that this House recognized that only by lifting these ceilings—only by the actual expenditures of these funds—can we expect better Indian health services.

It is sheer hypocrisy to expect while there are personnel ceilings and unspent reserves that health care can be made available in the manner which this House intended when it passes an appropriation bill.

Mr. BOLAND. Mr. Speaker, I am pleased that the House and Senate conferees on the fiscal year 1970 supplemental appropriations have agreed to include necessary funds in the bill for the stationing of an additional weather ship in the North Atlantic Ocean, approximately 200 miles south southeast of Nantucket Island.

The Department of Transportation has been allowed $1 million so the Coast Guard can provide and maintain this ocean station vessel. Meteorological equipment and instruments for the vessel will be provided for under the $1,040,000 supplemental appropriations for the Environmental Science Services Administration.

This ship will provide New England and the entire northeastern section of the Nation with vastly improved weather forecasting information. The data provided would save many lives and prevent considerable economic loss when hurricanes and blizzard-type winter storms blow northward along the Atlantic Ocean coastline. The "killer" snowstorms last year, striking without adequate warning, caused loss of lives and economic damages estimated at $100 million in the New York-New England regions.

The United States now maintains four vessels in the North Atlantic as part of the ocean stations program. This additional ship, south of New England, will assist ESSA in gathering surface weather observational data, upper air soundings and weather radar information in order to better track and forecast east coast storms and tropical hurricanes. The ocean area south of New England is now a meteorological blind area. The need to have weather observations from this area has become increasingly greater as the population has increased along the Eastern seaboard and as the economy has become more dependent on technology with the corresponding increase in the need for more accurate weather forecasts and warnings.

From this Coast Guard operated vessel, ESSA will be equipped to take upper air soundings of pressure, temperature and wind—data essential for numerical computer calculations of hurricanes and east coast storms. The weather radar aboard the ship will enable ESSA to provide a detailed hour-by-hour track of the centers of storms and their accompanying precipitation. Surface weather observations from the vessel will provide additional essential data for use in storm tracking and forecasting.

Mr. Speaker, I want to take this opportunity to commend my colleague from Massachusetts, Senator EDWARD W. BROOKE, for the time and effort he put into the investigation of the adequacy of storm warnings for New Englanders, following the destructive storms of last winter. With the money provided in this bill, an additional vessel will be stationed in the data-sparse area of the North Atlantic south of Nantucket so that the accuracy of forecasts and warnings can be improved along the east coast.

Mr. MAHON. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The SPEAKER pro tempore (Mr. HOLIFIELD). The question is on the conference report.

The conference report was agreed to.

The SPEAKER pro tempore. The Clerk will report the first committee amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 4: Page 3, line 18, insert: ", to remain available until June 30, 1972."

MOTION OFFERED BY MR. MAHON

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 4 and concur therein.

The motion was agreed to.

The SPEAKER pro tempore. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 8: Page 5, line 5, insert:

"BUREAU OF MINES

"For expenses necessary to improve health and safety in the Nation's coal mines, $15,000,000."

MOTION OFFERED BY MR. MAHON

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 8 and concur therein with an amendment, as follows: In lieu of the matter proposed by said amendment, insert:

"BUREAU OF MINES

"HEALTH AND SAFETY

"For an additional amount for expenses necessary to improve health and safety in the Nation's coal mines, $12,000,000: *Provided*, That this paragraph shall be effective only upon the enactment into law of S. 2917, 91st Congress."

The motion was agreed to.

The SPEAKER pro tempore. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 13: Page 5, line 19, insert:

"MAINTENANCE AND REHABILITATION OF PHYSICAL FACILITIES

"For an additional amount for "Maintenance and Rehabilitation of Physical Facilities", $75,000, for reconstruction of certain streets in Harpers Ferry, West Virginia."

MOTION OFFERED BY MR. MAHON

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 13 and concur therein with an amendment, as follows: In lieu of the sum named in said amendment, insert: "$50,000".

The motion was agreed to.

The SPEAKER pro tempore. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 19: Page 7, line 11, insert:

"DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

"For expenses necessary to improve health and safety in the Nation's coal mines, $10,000,000."

MOTION OFFERED BY MR. MAHON

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 19 and concur therein with an amendment, as follows: In lieu of the matter proposed by said amendment, insert:

"DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

"CONSUMER PROTECTION AND ENVIRONMENTAL HEALTH SERVICES

"ENVIRONMENTAL CONTROL

"For expenses necessary to improve health and safety in the Nation's coal mines, $10,000,000: *Provided*, That this paragraph shall be effective only upon the enactment into law of S. 2917, 91st Congress."

The motion was agreed to.

The SPEAKER pro tempore. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 27: Page 11, line 1, insert:

"UNITED STATES SECTION OF THE UNITED STATES-MEXICO COMMISSION FOR BORDER DEVELOPMENT AND FRIENDSHIP

SALARIES AND EXPENSES

"For necessary expenses of the United States Section of the United States-Mexico Commission for Border Development and Friendship, including expenses for liquidating its affairs $159,000, to be available from July 1, 1969, and to remain available until January 31, 1970.

MOTION OFFERED BY MR. MAHON

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 27 and concur therein.

The motion was agreed to.

The SPEAKER pro tempore. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 29: Page 12, line 15, insert:

"UNITED STATES SECRET SERVICE

"SALARIES AND EXPENSES

"For an additional amount for "Salaries and Expenses," including purchase of an additional forty-two motor vehicles for police-type use without regard to the general purchase price limitation for the current fiscal year, $4,250,000: *Provided,* That this paragraph shall be available only upon enactment into law of H.R. 14944, 91st Congress, or similar legislation."

MOTION OFFERED BY MR. MAHON

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. Mahon moves that the House recede from its disagreement to the amendment of the Senate numbered 29 and concur therein with an amendment, as follows: In lieu of the sum named in said amendment, insert "$4,000,000".

The motion was agreed to.

The SPEAKER pro tempore. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 32: On page 15, line 15, insert:

"SEC. 1003. The appropriations, authorizations, and authority with respect thereto in this Act, the Department of Defense Appropriation Act, 1970, the District of Columbia Appropriation Act, 1970, the Foreign Assistance and Related Agencies Appropriation Act, 1970, the Departments of Labor, and Health, Education, and Welfare Appropriation Act, 1970, the Military Construction Appropriation Act, 1970, and the Department of Transportation Act, 1970, shall be available from the sine die adjournment of the first session of the Ninety-first Congress for the purposes provided in such appropriations, authorizations, and authority. All obligations incurred during the period between the sine die adjournment of the first session of the Ninety-first Congress and the dates of enactment of such Acts in anticipation of such appropriations, authorizations, and authority are hereby ratified and confirmed if in accordance with the terms of such Acts or the terms of Public Law 91–33, Ninety-first Congress, as amended, except that subsection (c) of section 102 of Public Law 91–117, as amended, is hereby repealed, and in lieu thereof the following is inserted: "(c) January 30, 1970, whichever first occurs."."

MOTION OFFERED BY MR. MAHON

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 32 and concur therein with an amendment, as follows: In lieu of the matter proposed by said amendment, insert:

"SEC. 1003. Section 102 of the Act of November 14, 1969 (Public Law 91–117), as amended, is further amended by striking "the sine die adjournment of the first session of the Ninety-first Congress" and inserting in lieu thereof, "January 30, 1970"."

The SPEAKER pro tempore. The gentleman from Texas is recognized.

Mr. STEED. Mr. Speaker, will the gentleman yield?

Mr. MAHON. I yield to the gentleman from Oklahoma.

Mr. STEED. Mr. Speaker, I appreciate the gentleman from Texas yielding.

Mr. Speaker, I think it is only fair to call the attention of the House to the fact that this amendment is a continuing resolution, and while I think we are probably going to adopt it, I personally am opposed to it. Let me point out that, in my opinion, the minute we adopt this resolution, we are saying to the American people that we are not only incapable of finishing our work, but also that we have no intention of doing so. When we adopt this amendment, we shall have given up our chance to see to it that the appropriation bills that should be passed will be passed—especially the Labor-HEW on which the House has finished all its action.

I think it ought to be clear to every Member here that by the time we get home, we will be hearing a great deal about the incompetent session of Congress that could not finish its work. I am opposed to adopting a continuing resolution at this stage of affairs.

I think it ought to be stricken out here. If it becomes necessary before we adjourn to have such a continuing resolution, it could very easily be accomplished. I am going to oppose this amendment in the hope that the House will take it out at this stage and retain some ability to try to get this Congress to finish its work before we adjourn.

Mr. ICHORD. Mr. Speaker, will the gentleman yield?

Mr. MAHON. I yield to the gentleman from Missouri.

Mr. ICHORD. Mr. Speaker, I would like to ask the distinguished gentleman from Texas this question. It has been rumored that the Senate conferees have already decided it will not go into further conference with the gentleman from Louisiana on the Foreign Assistance Act, and the amendment of the distinguished gentleman from Texas does provide for continuing appropriations on the Foreign Aid Assistance Act. Is there not some basis for the concern of the gentleman from Oklahoma? Are we not here acquiescing in the intention of the Senate to adjourn without completing action on appropriation measures?

I disagree with the intentions of the Senate. I think they should stay here and finish their work. I would have to concur with the gentleman from Oklahoma and object to the amendment also.

Mr. MAHON. Mr. Speaker, the issue before the House now is, Shall we provide that in any instance where an appropriation has not been enacted to carry out the functions of any department or agency of the Government, that department or agency of the Government shall be authorized to proceed under certain conditions up to January 30, 1970? This applies to the entire Government and applies to any bills not enacted before adjournment. So I would think this is the only appropriate thing to do.

There has been a great deal of controversy as to how we should restructure the foreign aid program. Mr. Nixon says he wants it restructured. There must be a study first. Officials are supposed to report on the findings of this study, I believe, in March, so some delay in that bill should not be taken as an indication of any inability of the Congress to proceed. AID can proceed at the level of last year, which is below the level of the bill which cleared the House a few days ago under the continuing resolution. With reference to the Labor-HEW bill, the President sent a message to the Congress last week, when the issue arose, stating that the President would veto the Labor-HEW bill because it was considerably above his budget request and was inflationary.

I made a statement to Mr. Harlow and asked him to convey it to the President, saying that we should not proceed without some definite statement and that we would need a letter from the President. Mr. Harlow got back in touch with me and said the President would provide a letter.

Later in the evening of that day I was over in the other body, with the leaders of the other body, and a letter to the leaders was arranged.

The House could stay in session, let the President make his veto, which as I understand he is committed to do, and then we would vote on the issue. Or we could wait and let the President veto a Labor-Health, Education, and Welfare bill in January, when we return on about the 19th.

It seems to me nothing will be jeopardized particularly by this procedure. So, under the circumstances, in view of Christmas, the time when we celebrate the birthday of the Saviour of the world, it seems to me even this deliberative and august body might recess, so that Members might unwind in an atmosphere of peace and quiet and come back with clearer minds and warmer hearts in late January and determine what to do about the President's veto. This does not seem to be too unreasonable to me, although I am willing to proceed either way.

Mr. STEED. Mr. Speaker, will the gentleman yield further?

Mr. MAHON. I yield.

Mr STEED. We may come back with clearer minds and purer hearts but without any hides when the people get through with us because we would not finish our work.

I am not aware of what the President's position is on this, but I believe all of us have to be aware of our own responsibilities. I believe we ought to defeat this amendment now. We could take up a continuing resolution later in the session, if it became absolutely necessary. To foreclose our prerogatives by adopting a continuing resolution now seems to me to be not in the best interest of the House. I hope we will take it out and try to find a better way to complete our work in the time remaining.

It is a very simple thing to send a bill to the White House. The President said he might veto it, but that was before the conference report. None of the changes had been made in the bill by the conferees. He might have a different opinion about it now.

I believe our main concern is not so much what the President is going to do, but what are we going to do! I do not

want us to go home, saying at this stage of the game not only that we cannot but we do not intend to finish our work.

Mr. MAHON. The gentleman's views are of interest. I happened to be in Oklahoma in his district not long ago. I learned of the affection in which he is held by the people. His concern that if we adjourn for Christmas and return to our people we will not be well received I believe is ill founded, especially in the case of the gentleman from Oklahoma, who is much beloved and respected.

I feel all of us will be well received by the folks at home, and they will understand we have done the best we could under the circumstances.

Mr. COHELAN. Mr. Speaker, will the gentleman yield?

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

Mr. COHELAN. I wonder if my distinguished chairman would comment further on the continuing resolution. As I understand it, we passed the Labor-HEW bill, which is now over in the Senate. Apparently, if I understand the colloquy between the gentleman and the gentleman from Oklahoma, the Senate does not propose to act on it until January; therefore, it is required we have a continuing resolution.

My question of the gentleman is: What happens to title B funds under the continuing resolution?

Mr. MAHON. In answer to the gentleman's question, let me say I do not know what the other body will do. The other body is somewhat like this body. One cannot always be sure what we are going to do from moment to moment. We have to do whatever is necessary to meet the demands of the hour. A time of adjournment is very unpredictable. I do not know what the other body will do.

In response to the gentleman's question as to what happens to impacted aid funds, under the present law impacted aid funds are payable and they will continue to be payable under the continuing resolution up to the 30th day of January. It will not change the situation.

Mr. COHELAN. If the gentleman will yield further, my distinguished chairman, I am sure, is aware that for the last 60 days there have been no payments made by HEW. Can we expect more of the same under a continuing resolution?

Mr. MAHON. I would assume that the President would continue to wait until he has the final package before he makes a final determination as to the release of these funds. What our people are interested in in impacted aid is more especially whether or not they eventually get the money. Whether it is early or in the middle of the year or later in the year is not important to them in some districts, although it very well may be in some others.

Mr. Speaker, I move the previous question on the motion.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Texas (Mr. MAHON).

The question was taken; and on a division (demanded by Mr. STEED) there were—ayes 108, noes 35.

Mr. ICHORD. 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.

PARLIAMENTARY INQUIRY

Mr. GERALD R. FORD. Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. GERALD R. FORD Mr. Speaker, on this vote a "yea" vote would strike out the continuing resolution?

The SPEAKER pro tempore. The Chair will inform the gentleman that this motion relates to Senate amendment 32, which has to do with the continuing resolution.

Mr. GERALD R. FORD. Excuse me, Mr. Speaker, Would the Chair repeat that answer? A "yea" vote would strike out——

The SPEAKER pro tempore. The Clerk will re-read the motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 32 and concur therein with an amendment as follows: In lieu of the matter proposed by said amendment, insert:

"SEC. 1003. Section 102 of the Act of November 14, 1969 (Public Law 91–117) as amended, is further amended by striking "the sine die adjournment of the first session of the Ninety-first Congress" and inserting in lieu thereof, "January 30, 1970"."

The question was taken; and there were—yeas 276, nays 99, not voting 58, as follows:

[Roll No. 352]

YEAS—276

Abernethy
Adair
Adams
Addabbo
Albert
Alexander
Anderson, Ill.
Anderson, Tenn.
Annunzio
Arends
Ashley
Ayres
Baring
Barrett
Beall, Md.
Belcher
Bell, Calif.
Bennett
Betts
Biaggi
Bingham
Blatnik
Boggs
Boland
Bow
Brademas
Brasco
Brock
Brooks
Brotzman
Brown, Mich.
Brown, Ohio
Broyhill, N.C.
Broyhill, Va.
Buchanan
Burke, Mass.
Burleson, Tex.
Burlison, Mo.
Burton, Calif.
Burton, Utah
Bush
Button
Byrne, Pa.
Byrnes, Wis.
Cabell
Camp
Carter
Casey
Cederberg
Chamberlain
Chisholm
Clark
Clausen, Don H.
Clay
Collins
Conable
Conte
Corbett
Corman
Coughlin
Cramer
Crane
Culver
Cunningham
Daddario
Daniels, N.J.
Davis, Ga.
de la Garza
Denney
Derwinski
Dickinson
Diggs
Dingell
Donohue
Dorn
Downing
Dulski
Duncan
Eckhardt
Edmondson
Edwards, Ala.
Edwards, La.
Eilberg
Erlenborn
Esch
Eshleman
Evans, Colo.
Fallon
Fascell
Feighan
Fish
Flood
Foley
Ford, Gerald R.
Ford, William D.
Fraser
Frelinghuysen
Friedel
Fulton, Pa.
Fuqua
Galifianakis
Gallagher
Garmatz
Gaydos
Gilbert
Gray
Green, Pa.
Gubser
Gude
Halpern
Hamilton
Hammer-schmidt
Hanley
Hanna
Hansen, Wash.
Harrington
Hathaway
Hays
Hechler, W. Va.
Heckler, Mass.
Helstoski
Hicks
Hogan
Holifield
Horton
Hosmer
Howard
Hunt
Jacobs
Jarman
Johnson, Calif.
Jonas
Jones, Ala.
Jones, Tenn.
Karth
Kastenmeier
Kee
Keith
King
Kluczynski
Koch
Kuykendall
Kyros
Latta
Lloyd
Long, La.
Long, Md.
Lujan
McCarthy
McCloskey
McCulloch
McDade
McDonald, Mich.
McEwen
McFall
McKneally
McMillan
MacGregor
Madden
Mahon
Mailliard
Mathias
Matsunaga
May
Mayne
Meeds
Melcher
Meskill
Michel
Mikva
Mills
Minish
Minshall
Mizell
Mollohan
Monagan
Moorhead
Morgan
Morton
Mosher
Murphy, Ill.
Murphy, N.Y.
Myers
Natcher
Nedzi
Nix
Obey
O'Hara
O'Konski
Olsen
O'Neill, Mass.
Ottinger
Passman
Patman
Patten
Pelly
Pepper
Perkins
Pettis
Philbin
Pirnie
Podell
Pollock
Preyer, N.C.
Price, Ill.
Pryor, Ark.
Purcell
Quillen
Railsback
Reid, Ill.
Reid, N.Y.
Riegle
Rivers
Robison
Rodino
Rooney, N.Y.
Rooney, Pa.
Rosenthal
Roth
Roudebush
Ruppe
Ruth
Ryan
St Germain
St. Onge
Sandman
Saylor
Scheuer
Schneebeli
Schwengel
Scott
Shipley
Slack
Smith, Iowa
Springer
Stafford
Staggers
Stanton
Stokes
Stubblefield
Taft
Talcott
Taylor
Teague, Calif.
Thompson, Ga.
Thompson, N.J.
Tiernan
Tunney
Udall
Ullman
Utt
Vander Jagt
Vanik
Vigorito
Waggonner
Watson
Watts
Whalen
Whalley
White
Whitten
Widnall
Wiggins
Williams
Wilson, Bob
Wilson, Charles H.
Winn
Wold
Wolff
Wyatt
Wylie
Wyman
Yates
Yatron
Young
Zion

NAYS—99

Anderson, Calif.
Ashbrook
Biester
Blackburn
Bray
Brinkley
Broomfield
Brown, Calif.
Burke, Fla.
Chappell
Clancy
Clawson, Del
Cleveland
Cohelan
Cowger
Daniel, Va.
Davis, Wis.
Dellenback
Dennis
Devine
Dowdy
Fisher
Flowers
Flynt
Foreman
Fountain
Frey
Gettys
Giaimo
Gibbons
Gonzalez
Goodling
Griffin
Gross
Grover
Hagan
Haley
Hansen, Idaho
Harsha
Hastings
Hawkins
Henderson
Hungate
Hutchinson
Ichord
Jones, N.C.
Kazen
Kleppe
Kyl
Landgrebe
Langen
Leggett
Lennon
Lowenstein
Lukens
McClure
Macdonald, Mass.
Mann
Marsh
Miller, Ohio
Mink
Mize
Nelsen
Nichols
Pickle
Pike
Price, Tex.
Pucinski
Quie
Randall
Rarick
Rhodes
Roberts
Roe
Rogers, Colo.
Rogers, Fla.
Roybal
Satterfield
Schadeberg
Scherle
Sebelius
Shriver
Smith, N.Y.
Snyder
Steed
Steiger, Ariz.
Steiger, Wis.
Stratton
Stuckey
Symington
Thomson, Wis.
Van Deerlin
Waldie
Wampler
Weicker
Whitehurst
Wydler
Zablocki
Zwach

NOT VOTING—58

Abbitt
Andrews, Ala.
Andrews, N. Dak.
Aspinall
Berry
Bevill
Blanton
Bolling
Caffery
Cahill
Carey
Celler
Collier
Colmer
Conyers
Dawson
Delaney
Dent
Dwyer
Edwards, Calif.
Evins, Tenn.
Farbstein
Findley
Fulton, Tenn.
Goldwater
Green, Oreg.
Griffiths
Hall
Harvey
Hébert
Hull
Johnson, Pa.
Kirwan
Landrum
Lipscomb
McClory
Martin
Miller, Calif.
Montgomery
Morse
Moss
O'Neal, Ga.
Poage
Poff
Powell
Rees
Reifel
Reuss
Rostenkowski
Sikes
Sisk
Skubitz
Smith, Calif.
Stephens
Sullivan
Teague, Tex.
Watkins
Wright

So the motion was agreed to.

The Clerk announced the following pairs:

Mr. Miller of California with Mr. Lipscomb.
Mr. Sisk with Mr. Smith of California.
Mr. Celler with Mr. Morse.
Mr. Evins of Tennessee with Mr Watkins.
Mrs. Griffiths with Mrs. Dwyer.
Mr. Hébert with Mr. Hall.
Mr. Moss with Mr. Andrews of North Dakota.
Mr. Sikes with Mr. Harvey.
Mr. Bevill with Mr. Goldwater.
Mr. Caffery with Mr. Martin.
Mr. Aspinall with Mr. Cahill.
Mr. Rostenkowski with Mr. Collier
Mr. Abbitt with Mr. Poff.
Mr. Fulton of Tennessee with Mr. Johnson of Pennsylvania.
Mr. Delaney with Mr. Reifel.
Mr. Hull with Mr. Skubitz.
Mr. Dent with Mr. Findley.
Mr. Colmer with Mr. Berry.
Mr. Carey with Mr. McClory.
Mr. Andrews of Alabama with Mr. Montgomery.
Mr. Conyers with Mr. Edwards of California.
Mr. Blanton with Mr. O'Neal of Georgia.
Mr. Farbstein with Mr. Dawson.
Mrs. Green of Oregon with Mr. Landrum.
Mr. Reuss with Mr. Powell.
Mr. Stephens with Mr. Rees.
Mrs. Sullivan with Mr. Teague of Texas.
Mr. Wright with Mr. Kirwan.

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 33: On page 16, line 11, insert:

"SEC. 1004. In view of and in confirmation of the authority invested in the Comptroller General of the United States by the Budget and Accounting Act of 1921, as amended, no part of the funds appropriated or otherwise made available by this or any other Act shall be available to finance, either directly or through any Federal aid or grant, any contract or agreement which the Comptroller General of the United States holds to be in contravention of any Federal statute: *Provided,* That this section shall not be construed as affecting or limiting in any way the jurisdiction or the scope of judicial review of any Federal court in connection with the Budget and Accounting Act of 1921, as amended, or any other Federal law."

MOTION OFFERED BY MR. MAHON

Mr. MAHON. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. MAHON moves that the House recede from its disagreement to the amendment of the Senate numbered 33 and concur therein.

The SPEAKER. For what purpose does the gentleman from New Jersey rise?

Mr. THOMPSON of New Jersey. Mr. Speaker, I ask that the question be divided. Mr. Speaker, I have a motion at the desk.

Mr. MAHON. Mr. Speaker, I do not yield for a motion at this time.

The SPEAKER. The gentleman from New Jersey demands a division?

Mr. THOMPSON of New Jersey. The gentleman does.

The SPEAKER. The question is, Will the House recede from its disagreement to the amendment of the Senate numbered 33?

PARLIAMENTARY INQUIRY

Mr. MACGREGOR. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MACGREGOR. I should like to ask the Speaker if the time for debate on the motion of the gentleman from Texas (Mr. MAHON) is under the control of the gentleman from Texas and if it is in order for me at this time to ask the gentleman from Texas to yield to me for 5 minutes?

Mr. MAHON. I have agreed to yield to the gentleman from Minnesota for 5 minutes for the purpose of debate.

Mr. MACGREGOR. Am I recognized, Mr. Speaker?

The SPEAKER. The gentleman from Texas will be recognized for 1 hour, but the question before the House now is on the motion of the gentleman from Texas that the House recede from its disagreement to the Senate amendment.

Mr. MAHON. Mr. Speaker, I yield to the gentleman from Minnesota for 5 minutes.

Mr. THOMPSON of New Jersey. Mr. Speaker, a parliamentary inquiry.

Mr. MAHON. Mr. Speaker, I do not yield for that.

The SPEAKER. The gentleman from Texas is recognized for 1 hour.

Mr. MACGREGOR. Mr. Speaker, will the gentleman from Texas yield 5 minutes to me?

Mr. MAHON. I yield 5 minutes to the gentleman from Minnesota.

The SPEAKER. The gentleman is recognized for 5 minutes.

Mr. MACGREGOR. Mr. Speaker and Members of the House, I rise in opposition to the pending motion with respect to the Senate rider which would kill the Philadelphia plan. I speak as a member of the House Committee on the Judiciary who was pleased to play a role in the draftsmanship and passage of title VII of the Civil Rights Act of 1964. The revised Philadelphia plan is not—I repeat, not—in conflict with any provision of the Civil Rights Act of 1964. It is a lawful implementation of the provisions of Executive Order 11246. It should be enforced in accordance with its terms in the award of Government contracts. The plan provides that the contractor's commitment to specific goals is not intended and shall not be used to discriminate against any qualified applicant or employee. Furthermore, the obligation to meet the goals set forth pursuant to the Philadelphia plan is not absolute. "In the event of failure to meet the goals the contractor shall be given an opportunity to demonstrate that he made every good faith effort to meet his commitment." That last sentence is a direct quote from the Philadelphia plan and the program. Now neither the Executive order nor the Philadelphia plan, which implements the order, with respect to certain construction contracts, regulates the practices of employers generally.

While the power of the Government to determine the terms which shall be included in its contracts is subject to limitations imposed by the Constitution or by acts of Congress, the existence of such power does not depend on an affirmative legislative enactment. In evaluating the Comptroller General's challenge to the Philadelphia plan on the basis of conflict with title VII of the Civil Rights Act, it is important to distinguish between those things prohibited by title VII as to all employers covered by that act, and those things which are merely not required of employers by that act. Therefore the United States as a contracting party may not require an employer to engage in practices which Congress has prohibited. It does not follow, however, that the United States may not require of those who contract with it certain employment practices which Congress has not seen fit to require of employers generally. Nothing in the Philadelphia plan requires an employer to violate section 703(a) (1) and (2) of the Civil Rights Act of 1964. The employer's obligation is to make every good faith effort to meet his goals. A good faith effort does not include any action which would violate section 703 (a) or any other provision of title VII of the Civil Rights Act of 1964.

The Philadelphia plan addresses itself to a situation in which, according to the Department of Labor's findings, the contractors have in the past delegated an important part of the hiring function to labor organizations by selecting their work force on the basis of union referrals. The referral practices of certain unions, whether or not amounting to violations of title VII, have in fact contributed to the virtual exclusion of Negroes from employment in certain trades in the Philadelphia area. Continued reliance by contractors on established hiring practices may reasonably be expected to result in continued exclusion of Negroes. The purpose of the Philadelphia plan is to place squarely upon the contractor the burden of broadening his recruitment base whether within or without the existing union referral system, as he, the contractor, shall determine. The contractor's obligation is phrased primarily in terms of goals and not quotas; the choice of methods of employment is his, provided only that he does not discriminate against qualified employees or applicants. Unless it can be demonstrated that the hiring goals cannot be achieved without unlawful discrimination, I fail to see why the Government is not permitted to require a pledge of good faith efforts to meet them as a condition for the award of contracts.

Mr. Speaker, I cannot assume that any contractor who desires to participate in good faith in the Philadelphia plan will be forced, as a practical matter, to choose between noncompliance with his affirmative action obligation under the Executive order and violation of title VII. If unfairness in the administration of the plan should develop, it cannot be doubted by any Member of this House that judicial remedies are available.

We have heard here earlier in this debate that it is important that we uphold the dignity of this House by agreeing to the Senate rider. But let me point out a few things to you:

In essence, the Senate rider would

grant judicial powers to the Comptroller General. It would give him the authority of a court in determining whether or not the Philadelphia plan violates the Constitution. I do not think the Comptroller General wants that authority. He should not have it. He is not a lawyer. He is not trained in the law. He is a brilliant accountant and a fine administrator. After completing his undergraduate studies he earned a Master's degree from Kansas and a Ph. D. from the University of Minnesota. None of these graduate degrees are in law.

I urge you not to give to the Comptroller General—who ought to be concerned with spending practices, not hiring practices—I urge you not to give him this judicial authority, but to leave it to the courts.

Finally, Mr. Speaker, Christmas is 3 days away and there is a temptation at this time to appeal on the basis of compassion for those who have been denied equality of opportunity in any area. I make no such appeal. I ask you for justice, not compassionate pity, for those who are victims of discrimination.

It does not avail a man much to be guaranteed the opportunity to be served in a Howard Johnson restaurant——

The SPEAKER. The time of the gentleman has again expired.

Mr. MAHON. I yield 1 additional minute to the gentleman from Minnesota.

Mr. MACGREGOR. It does not avail a man much to be able to be served in Howard Johnson restaurants across the face of America, as indeed he now can do through the Civil Rights Act of 1964, if he does not have the money to pay for his meal.

It does not avail a man much to be able to buy a house, as our distinguished minority leader said, if he does not have a job to earn the money to pay for that house.

It does not avail a Negro American much if he has the equal right to see the Minnesota Vikings defeat the Los Angeles Rams next Saturday but lacks the money to buy a ticket.

A good job enables those discriminated against because of race to earn the money to enjoy all of the equal opportunities guaranteed by recent acts of Congress.

I ask you to let the Philadelphia plan go forward by defeating the motion offered by the gentleman from Texas. If the plan is offensive to the Constitution or laws of the United States, let that be decided ultimately in the Federal courts, not by the opinion of the Comptroller General.

The SPEAKER. The time of the gentleman from Minnesota has again expired.

Mr. MAHON. Mr. Speaker, I yield 4 minutes to the gentleman from Arizona (Mr. RHODES), a member of the conference.

Mr. RHODES. Mr. Speaker, there has been much said today about whether or not this rider enlarges the power of the Comptroller General. I suggest to you that it enlarges his power almost beyond recognition. A look at the language which is relied upon from the Budget Act of 1921 for this enlargement shows that it reads like this:

Balances certified by the General Accounting Office on the settlement of public accounts shall be final, and conclusive upon the executive branch of the Government.

I suggest that when you talk about "balances" you are talking about the postaudit functions of the Comptroller General. He has that function, and what he says about the accounts of the Government indeed are final, there is no doubt about it. But let us look at the subject before us. We do not have a question of monetary balances, we have a question where the Comptroller General has very properly gone into a situation to see whether or not an act of Congress has actually been interpreted or administered as the Congress intended it. However, whether he believes this proper or whether he does not believe it is proper I submit in this instance is not and should not be binding, and is not binding under the Budget and Accounting Act. It is not an opinion on accounts, it is not a postaudit, it is an opinion on the validity of the exercise of a power by the Executive, under the Civil Rights Act of 1964. It is, in reality, the determination of what the Congress intended when it enacted that law.

The Comptroller General has very properly given to the Congress a warning that its intent may have been misinterpreted. In exercise of its function of legislative oversight, the Congress should inquire of the executive department, whether or not it has in this instance properly administered the law. If it has not, we should see that it does so. The courts often make final determination on matters like this. When the Executive received the opinion of the Comptroller General, he very properly inquired of the Attorney General as to his opinion. In this case, the Attorney General said succinctly, "I disagree with the Comptroller General."

The next thing to be done of course is for the Congress either to decide between the two, in a proper form, a proper bill, or to let a court decide the matter. But at any stage of the whole discussion the Congress can take over and say, "look, do not put words in my mouth, Mr. Comptroller General—do not put words in my mouth, Mr. Court—here is what I meant when I passed that law." This is a thing that this Congress should do, and has done. But we cannot and should not delegate this authority.

This is a supplemental appropriation bill. This is no vehicle upon which we should determine the legislative intent of the Congress which passed the Civil Rights Act of 1964. Yet this is what we are being asked to do—to state whether or not when we passed the Civil Rights Act of 1964 we had in mind an arrangement such as the Philadelphia plan.

Mr. Speaker, let us let the Committee on the Judiciary, from which the Civil Rights Act of 1964 came, take this up under the function of legislative oversight and if necessary submit legislation to the House and clarify what our intent was at that time. I submit, however, that this is not the time and this is not the hour to take an action which is as far reaching as this one would be because, gentlemen and ladies of the House and Mr. Speaker, believe me you are setting up the Comptroller General of the United States as an arbiter, with power which is almost beyond precedent. I do not believe this is the time or this is the hour to do that particular job.

So I ask you, when the vote comes that you vote "no" on the motion of the gentleman from Texas.

Mr. MAHON. Mr. Speaker, I yield 3 minutes to the gentleman from Indiana (Mr. DENNIS) for the purpose of debate only.

Mr. DENNIS. Mr. Speaker, we are dealing here today with an important and fundamental question, which is, really, the question of the opportunity and the right of a man to learn a trade and make a living; and when the proposition is put to me in those basic terms I have to vote for that right and for that opportunity.

Now, we have heard many eloquent statements here on the floor of the House about civil rights and civil liberties, and I hope that some of these eloquent voices will agree with me here today because they are so much more eloquent than I am. But in some of these matters there are very grave constitutional questions and social questions and conflicts of rights that are involved. Here we have a question which, although it is fundamental, is relatively simple. There is no great constitutional question here of the structure of our Federal Government or of the powers of the Federal Government and of the several States. There is just a question of the right of a man to go out and learn a trade and get a job. Stated simply the real issue is, should a man's race or color affect adversely his right and opportunity to do that? And I say that if the promise of this country means anything the answer to that question has to be "No"; and if our citizens and all of them are ever going to reach the plane of equality which I think they must reach if we are going to have peace and happiness in this country the answer to that question has to be "No."

The gentleman from Michigan said here a while ago that he wanted to see a colorless society insofar as employment and the right to employment is concerned—and I do too—in theory you should not have to legislate anything along these lines. In respect to employment it should not make any difference whether a man is black, brown, white, or checkered. But as a matter of fact, as we all know, it does.

So really the only question here today is whether it is proper for the Federal Government, the situation being as it is, to give a small amount of encouragement in its own contracts to its own citizens, in respect to their right to make a living.

I say our Government ought to be entitled to do that. Whatever the powers of the Comptroller General may be, they were never such as to create a dictatorship entitling him to tell the Federal Government that it cannot do a fundamental thing of that kind; and if any money is actually spent contrary to the Civil Rights Act, or any other act, the courts will determine that. So when you

get right down and strip the verbiage away, it is just a question of whether or not the Federal Government, in its own contracts, can do a little something to help people have an economic opportunity and economic equality, and nothing else. And this House ought to be for that.

Mr. MAHON. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania (Mr. FULTON).

Mr. FULTON of Pennsylvania. Mr. Speaker, this is a question of where two of our U.S. progressive policies contravene each other. One is civil rights and the other is the right of free collective bargaining. The question on civil rights does not go to the basic foundation of civil rights legislation, but is our method of proposed enforcement in one field, in one area of Government contracts.

I am glad to advise the House and the Congress that I have voted for every civil rights bill that has passed the Congress during my service in Congress. In the 80th Congress, Senator Ives of New York and I cosponsored the Republican civil rights bill, commonly designated the Ives-Fulton civil rights bill. I am for civil rights, but will not break the basic principle of collective bargaining, on a point of limited enforcement. Already there is an Executive order of the President in force on this very subject. This is an added method of enforcement that is being considered.

I believe that Congress should not set the terms and conditions of contracts that should be arrived at by collective bargaining. Congress must protect the right of collective bargaining for voluntary contracts mutually agreed, and voluntarily complied with by the parties.

I have stood here almost alone when the question of compulsory arbitration for railroad workers arose and I have said, "No, the parties must bargain collectively, and the Federal Government should not move in and impose contract provisions on the parties by law." When the Government takes collective bargaining away from any section of industry, you take it away from everyone, and gradually Government spoils collective bargaining procedures.

In my estimation, I believe the AFL–CIO and local unions should bargain. I do not want quota systems or any procedure that will assign in various sections of the country a purely white labor force and in some sections a mixed force, and in other sections a completely colored labor force. Quotas are not the solution.

We in Pittsburgh have had a confrontation on this question and we have learned not to settle our collective bargaining procedures by Government or groups force. Our people, the AFL–CIO, the building trades, are voluntarily working out this problem. We ask you in Congress to give our good labor unions the time to work this out by consent and not to force us by law, shutting off good collective bargaining procedures.

Mr. MAHON. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. HAWKINS).

(Mr. HAWKINS asked and was given permission to revise and extend his remarks, and to include extraneous material.)

Mr. HAWKINS. Mr. Speaker, in opposing today this rider to the supplemental appropriation bill which will kill the so-called Philadelphia plan, I cannot in good conscience believe the issue of equal employment opportunities is being presented to us by the administration in the constructive and forthright manner such a concept deserves. I am willing to encourage, however, what may be its first sign of repentance.

The alleged purpose of the administration's Philadelphia plan is to place more Negroes in skilled construction work. It is proposed that approximately 20 percent of the work force be hired in the next 4 years. This is stated as a goal rather than a quota, thereby in the opinion of the administration it is not a violation of the Civil Rights Act which forbids hiring on a racial quota basis.

The provision inserted by the Senate would forbid Government spending on "any contract which the Comptroller General of the United States holds to be in contravention of any Federal statute." Since such a ruling has already been made on the Philadelphia plan, this plan is naturally the focus of controversy.

Basically the administration has made the Philadelphia plan its program of providing more jobs for Negroes. Serious questions may be raised as to its reason. Why should minority employment be limited in effect to a single industry? And, why only to certain cities in the first instance? If it is in futherance of Executive order, why has the order not been invoked before?

If in fact the administration supports the concept of affirmative action in ending racial discrimination in employment, why has it failed to use the tools clearly available under law?

The Office of Contract Compliance in the Department of Labor is charged with policing nondiscrimination in Government contracts. Yet earlier this year the Department of Defense chose to ignore this office by awarding over $9 million of contracts in the textile industry to companies that had a history of discriminatory hiring practices.

The Federal Equal Employment Opportunity Commission also has some powers in "affirmative action" employment which have not been utilized even to the limited extent available. As a matter of fact, the Department of Justice with support from the Commission is even now in a position to move in ending discrimination in three major industries—motion pictures, communications, and aerospace—involving Federal contracts but apparently seems more interested in confining its civil rights attention to a single industry under the Philadelphia plan.

The administration has a golden opportunity to obtain strong powers, including affirmative action, under the EEOC part of the Civil Rights Act, title VII, by supporting a bill which Mr. OGDEN REID of New York, and I have introduced to give cease and desist power to this Federal Commission. Incidentally, a similar bill is pending in the Senate backed by 35 sponsors. The administration, however, prefers to confuse the issue with a new and different approach unsupported by a single civil rights authority or organization.

A few weeks ago the administration sought to dilute the Voting Rights Act on the basis of extending its coverage nationally, although the problem was clearly limited to certain States. Now the same administration seeks to narrowly confine its civil rights posture in a limited area although the problem is clearly national.

The Philadelphia plan is designed to implement Executive Order 11246, 1965, issued by President Johnson and forbidding discrimination in employment by Federal contractors. But prohibition of discrimination is not enough. Positive action is now necessary.

Under the Philadelphia plan, the Government, in opening jobs for competitive bidding, will require bidders to state their plans for meeting certain goals based primarily on new job openings and to show good faith in reaching the goals.

Such a plan certainly is one of the many tools suited for opening up new and better jobs in industry. Its application, however, should be national in scope and extended to all industries as a showing of good faith and expression of fairness. And it must be understood that this plan is only one, and not necessarily the best of the tools for opening opportunities.

It is, therefore, difficult to understand the inconsistency of this administration in the civil rights field and its ejection of political favoritism.

If, however, the administration is willing to assume the national leadership for correction of one of our major urban ills, racial discrimination, I am willing to support it as long as it moves ahead consistently and uncompromisingly.

Let it then, push on to removing discrimination against three out of every four black children who attend segregated schools instead of supporting a slowdown in school desegregation.

Let it reverse itself and now support us on a strong Voting Rights Act.

Let it move in to support of a strong Equal Employment Act, and to ending discrimination in employment in its own executive departments.

Then, we can truly make the Philadelphia plan an American plan.

Mr. Speaker, I include a letter on this subject:

WASHINGTON, D.C.,
December 22, 1969.

HON. JOHN MCCORMACK,
Speaker, U.S. House of Representatives, Washington, D.C.:

In order that the record may be clear I am sending this wire to confirm the fact that we had a conversation in your office with Mr. Carl Albert and Mr. O'Hara on Friday, December 19, concerning the so-called Philadelphia Plan rider that was attached to the supplemental appropriations bill in the Senate. The NAACP is opposed to this rider as we have opposed similar riders to the appropriations bill in other fields. I am deeply shocked to learn that the Nixon Administration is seeking to convey the impression that civil rights groups are not opposed to this amendment.

It is amazing that the same administration which has sought to destroy the voting rights bill, which is against strengthening existing equal employment opportunity legislation, which has been guilty of outrageous

footdragging in school desegregation, now suddenly is on a great crusade to save the Philadelphia Plan. It is very odd that at the beginning of the year the administration was perfectly willing to let the textile industry continue employment discrimination by reaching a dubious unwritten agreement with the big employers of that highly discriminating industry, but now is enthusiastically cracking down on discrimination that involves labor unions. The NAACP opposes all kinds of racial discrimination whether by employers or labor unions. Now that the Nixon Administration is giving such vigorous defense to the Philadelphia Plan, we hope it will show equal zeal in supporting the Hawkins-Reid bill on strengthening EEOC.

We urge the defeat of the rider attached to the Senate bill, but I personally would like to have this telegram serve as a record of the fact that the Administration spokesmen who said we have not acted against it simply are not telling the truth.

CLARENCE MITCHELL,
Director, Washington Bureau, NAACP.

Mr. REID of New York. Mr. Speaker, will the gentleman yield?

Mr. HAWKINS. I yield to the gentleman from New York, (Mr. REID).

Mr. REID of New York. Mr. Speaker, I commend the gentleman from California (Mr. HAWKINS) for his statement, and I urge support for the Philadelphia plan, the position the Secretary of Labor has taken, and a "no" vote on the motion of the gentleman from Texas.

This is a key vote for an effective road to racial justice and in support of equal employment opportunity.

Further, as a cosponsor with the gentleman from California (Mr. HAWKINS) of legislation to give the Equal Employment Opportunity Commission cease-and-desist powers, I would strongly hope that Members will support that legislation at an appropriate time as well.

GENERAL LEAVE

Mr. MAHON. Mr. Speaker, I ask unanimous consent that all Members may revise and extend their remarks at this point in the Record.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. MAHON. Mr. Speaker, I yield 1 minute to the gentleman from Florida (Mr. PEPPER).

Mr. PEPPER. Mr. Speaker, I merely want to say we lawyers know there is an old saying in the law that hard cases make bad law. Assuming there is no political motivation behind the action of the administration, it would then be a case whether or not the law that gave to the Comptroller General, since his inception in 1921, his authority to determine the propriety of governmental payments is to be set aside by the opinion of an Attorney General appointed by the President under the authority of an Executive order even to achieve a desirable result.

What is the source of the authority of the Executive order?

This conflict was not initiated by this House or by the other body. What happened was, if Members recall, the Department of Labor put into effect in Philadelphia in Government contracts the Philadelphia plan. The Comptroller General held that plan was in contravention of the Civil Rights Act of 1964.

Did the administration come to Congress and ask for an amendment of the authority of the Comptroller General or of the Civil Rights Act of 1964?

On the contrary, the Attorney General held under the Executive order of the President the Department of Labor act contrary to the Civil Rights Statute of 1964. By this provision we are simply protecting the authority of the Comptroller General under the statute we enacted in 1921 except as the courts may hold to the contrary.

Mr. MAHON. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. CORMAN) for debate only.

Mr. CORMAN. Mr. Speaker, the fundamental issues are the same, it seems to me, and the words are almost the same on this as on every other civil rights matter. Last week we took up on the floor of this House the fundamental right of Americans to participate in government. Now we are talking about their right to participate in the economy of this Nation.

Mr. Speaker, I very much hope we defeat the motion and speak out loudly and clearly in support of racial justice. As the gentleman from California (Mr. HAWKINS) pointed out, I, too, was pleased to see we had support this week we did not have last week. When I listened to the distinguished minority leader I felt very much like a father who welcomes home his prodigal son as told in the biblical parable:

When the prodigal son returned his father said: "Bring quickly the best robe and put it on him; and put a ring on his hand, and shoes on his feet, and bring the fattest calf and kill it, and let us eat and make merry; for this my son was dead, and is alive again; he was lost, and is found."

Mr. Speaker, I have not checked yet to see how long the prodigal son stayed home. I hope this one stays home for the rest of the 91st Congress.

Mr. GERALD R. FORD. Mr. Speaker, I hope the gentleman from California (Mr. CORMAN) would give me the same consideration and I hope he treats me with the same consideration as he gave the gentleman from Michigan (Mr. O'HARA) when that gentleman quoted Father Hesburgh last week, but this week the gentleman from Michigan (Mr. O'HARA) is going contrary to the good father's recommendation.

Mr. CORMAN. Mr. Speaker, my heart, which was healed in one respect was broken in another when I heard the other gentleman from Michigan make the statement he did. However, I have no fear that the gentleman from Michigan (Mr. O'HARA), who has been a consistent and effective champion of civil rights during all the 9 years it has been my privilege to serve with him, will continue those efforts.

Mr. MAHON. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan (Mr. GERALD R. FORD) for debate only.

Mr. GERALD R. FORD. Mr. Speaker, I take this time only for the purpose of seeking to clarify the vote on the motion by the gentleman from New Jersey to divide the motion.

A "no" vote on the motion to recede is a vote for the Philadelphia plan, and for equal job opportunity. If that motion does not prevail, then a motion will be made to insist on the House disagreement with the Senate. That motion, if it prevails, will mean that the House will have sought to strip from the conference report the Senate rider.

If the motion to recede prevails with an "aye" vote—to which I am opposed—then a motion to concur with an amendment would be in order. I believe it is far better to have the issue straight up or down, rather than the alternative. Therefore, I hope and trust those who believe in equal job opportunity will vote "no" on the motion to recede.

Mr. MAHON. Mr. Speaker, I yield, for debate only, 3 minutes to the gentleman from New Jersey (Mr. THOMPSON).

Mr. THOMPSON of New Jersey. Mr. Speaker, earlier, when the distinguished chairman of the committee moved to recede and concur, I asked that the question be divided. Therefore, there will be, as the gentleman from Michigan (Mr. GERALD R. FORD) described it, an opportunity to vote for or against receding.

Before concurring, I have an amendment which ought to be extremely attractive to the champions of equal employment opportunities.

The issue before us is confined for the moment to Philadelphia. My amendment says:

"Provided, That no holding of the Comptroller General that a contract or agreement is in contravention of title VII of the Civil Rights Act of 1964 shall have any effect until he shall have examined and reported upon the employment practices of the J. P. Stevens Company, Burlington Mills and Dan River Mills for compliance with said title VII."

This is simple. I want to extend this equal opportunity to the thousands and thousands of textile workers who, by the admission of those three major employers, are being discriminated against. I want the great friends of civil rights to be consistent, to broaden this to include another great industry or indeed all industries. That simply is what I hope to do when the time comes to concur.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. THOMPSON of New Jersey. I yield to my friend from Michigan.

Mr. GERALD R. FORD. I somewhat anticipated the gentleman from New Jersey might offer such an amendment or raise the issue, and I have a communication from the Secretary of Labor that the executive branch has written agreements from the textile plants involved and is getting full compliance and regular reports. I believe, therefore, there is no necessity for the gentleman's amendment.

Mr. THOMPSON of New Jersey. Would the gentleman tell me the date of that letter?

Mr. GERALD R. FORD. I received this communication some time this afternoon. I assume that it is up to date as of today.

Mr. THOMPSON of New Jersey. I hope that the gentleman is right.

Mr. GERALD R. FORD. The Secretary tells me it is accurate, and I happen to believe he has done his job.

Mr. THOMPSON of New Jersey. I am certain he does his job. The Comptroller General does his job. The Attorney General does his. Yet they are at loggerheads.

I have evidence here from the Secretary of Defense that there is no compliance, and yet the Secretary of Labor says there is. I have a file here an inch thick showing noncompliance.

The gentleman should have no objection to my amendment if they are complying. I wish he would accept it.

Mr. MAHON. Mr. Speaker, I yield, for debate only, 3 minutes to the gentleman from New York (Mr. RYAN).

Mr. RYAN. Mr. Speaker, I rise in opposition to the motion which will be offered by the distinguished chairman of the Committee on Appropriations to recede and concur in section 1004, Senate amendment numbered 33.

The distinguished chairman earlier this afternoon said that this was not a civil rights issue. I do not know what else it is but a civil rights issue. This question goes to the very fundamental question of the right of an individual to a job, to gainful employment, without regard to race, creed, or color.

It also goes to the heart of the President's Executive Order 11246 which prohibits discrimination on the part of those who have contracts with the Federal Government.

That Executive order has not been effectively implemented. The Philadelphia plan is a small step, but an important step, toward the implementation of that Executive order.

The conference report on the Supplemental Appropriations Act, H.R. 15209, has been amended by the Senate to include Senate amendment No. 33—section 1004. The amendment is in disagreement.

Amendment No. 33 would deny the use of Federal funds "to finance, either directly or through any Federal aid or grant, any contract or agreement which the Comptroller General of the United States holds to be in contravention of any Federal statute." Despite its broad language, the Senate debate shows the intent of this amendment—blocking of the so-called Philadelphia plan.

The revised Philadelphia plan was issued on June 27 of this year. Its purpose is to implement Executive Order 11246, which bans discrimination in Federal employment and in the hiring practices of Federal contractors, and which mandates affirmative action to insure nondiscriminatory employment practices, by establishing goals for contractors to seek to reach in hiring minority group members.

I have long been critical of the failure of the Government to fully implement Executive Order 11246. The ad hoc hearings which I and several of my colleagues held last year on discrimination in Federal employment and on the failure to enforce contract compliance pointed out to me the long way we must yet travel, and the strong affirmative actions that must yet be taken before discrimination in hiring and promotion is overcome.

The Philadelphia plan is one small step in this direction. In brief, the plan establishes employment goals for concontractors on Federal or federally assisted construction projects in Philadelphia. As issued by Arthur A. Fletcher, Assistant Secretary for Wage and Labor Standards, Department of Labor:

> In order to promote the full realization of equal employment opportunity on Federally-assisted projects, it is the policy of the Office of Federal Contracts Compliance that no contracts or subcontracts shall be awarded for General and Federally-assisted construction in the Philadelphia area on projects whose cost exceeds $500,000 unless the bidder submits an acceptable affirmative action program which shall include specific goals of minority manpower utilization, meeting the standards included in the invitation or other solicitation for bids, in trades utilizing the following classifications of employees: Iron workers, plumbers, pipefitters, steamfitters, sheetmetal workers, electrical workers, roofers and water proofers, and elevator construction workers.

The premise behind this policy is that the construction trade relies on the construction craft unions as its prime or sole source of labor, and that, because of the exclusionary policies of these unions, minority member employees are excluded from working on construction projects.

Although several HEW contracts have successfully been negotiated in accordance with the Philadelphia plan's prescriptions, full implementation has largely been stymied by an adverse opinion of the Comptroller General. He has held that funds expended for contracts entered into in accordance with the plan would be expended illegally.

This conclusion is based on his reading of the plan as setting quotas for minority group members' employment in controvention of title VII of the 1964 Civil Rights Act.

At this time I do not propose to engage in legal debate over the merits of the Comptroller General's conclusion. The Attorney General has already done that; it is his position that the Philadelphia plan is legal. He does not read "goals," which the plan is directed at, as "quotas." Nor does he read good faith efforts to take affirmative action as meaning exclusion of qualified white workers.

The distinction is drawn by the editorial appearing in the Washington Post on December 22, 1969:

> A quota is a specific, fixed figure nominated in a contract and binding upon its parties; the goals contemplated in the Philadelphia Plan are elastic aims agreed upon as feasible and desirable in individual situations, toward the attainment of which contractors pledge themselves to make a "good faith" effort. They constitute simply a reaching toward decency and fairness.

Mr. Speaker, thus far, the administration, both by action and by inaction, has shown a distressing disregard for the poor and for the black people of America. There can be no clearer testimony to this than its substitute for an extension of the Voting Rights Act, which the House passed, over my opposition, less than 2 weeks ago. However, where there is merit, it must be recognized, and the Philadelphia plan is a step in the right direction and should not be destroyed. For too long we have been content to pass legislation which purports to extend opportunity to all. And for too long we have stood by as that purported opportunity proves to be a chimera—attractive in conception, defective in implementation. Discrimination in hiring and promotion still exists; access to well-paying, skilled jobs is still very limited when it is the black man or the Spanish-speaking citizen who seeks them.

The report published by the Civil Rights Commission in April 1969, and entitled "Jobs and Civil Rights" makes this clear:

> Every year, for the past thirteen years, the unemployment rate for nonwhites has been twice that for whites. Even with optimistic expectations for the future of the economy, government statisticians currently project that "the 1975 unemployment rate for nonwhites would still be twice that for the labor force as a whole." Moreover, when an adjustment is made for the undercount by the Census Bureau of the nonwhite population of working age, the spread between unemployment rates for nonwhites and whites widens.
>
> Besides entry level discrimination, there is also a vertical or skill-level aspect of job inequality for nonwhites. In many industries, the jobs held by nonwhites are less desirable, requiring less skill and paying lower wages, than the jobs held by whites. 1966. According to Arthur M. Ross, former Commissioner of Labor Statistics, they are under-represented in the occupations with smaller percentages (all the white collar and skilled-labor categories) and over-represented in those with larger percentages (all the semi-skilled, unskilled, and service activities except for protective service workers, as well as farm laborers).

Statistics recently revealed by the Equal Employment Opportunity Commission further underline how essential the need is to change current employment patterns. William H. Brown III, Chairman of EEOC, released results on September 28, 1969, of a survey made of 3,700 local unions throughout the country, reflecting their membership in 1967.

These figures do not isolate the situation in Philadelphia alone, but that is not the real issue before us. The Philadelphia story is not an atypical one. And the figures from across the country show how devastating the story is.

Chairman Brown discussed minority membership in referral unions, which he defined as unions with hiring halls, unions which have agreements with employers requiring the employers to consider or hire persons referred by the union or any agent of the union; and unions which have 10 percent or more of their members employed by employers who customarily and regularly look to the union for the employees to be hired on a casual or temporary basis, for a specified period of time or for the duration of a specific job.

Of the 2 million members of these 3,700 local unions having referral bargaining units, 10 percent were black, 6 percent had Spanish surnames, 1 per-

cent were orientals, and 0.5 percent were American Indians.

These figures are certainly disheartening. Even though the 10 percent figure for blacks is in line with the national population proportions, the disparity becomes apparent when one considers that most black workers are, in practice, largely excluded from white collar jobs, and thus must look to blue-collar jobs for their employment.

Even more discouraging are these figures, when they are broken down to consider only the construction industry unions. These unions account for five-eighths, or 1.3 million, of the 2 million union members in referral bargaining units. Of these 1.3 million, only 106,000—8.4 percent—are blacks and only 56,000—4.5 percent—are Spanish surnamed. Thus, these percentages are even lower than the aggregate figures I have previously noted.

And of these 106,000 blacks, 81,000, or about 75 percent, are laborers. In the skilled occupations, the percentages are bleak:

[In percentages]

	Blacks	Spanish surnamed
Electrical workers	0.6	1.8
Elevator constructors	0.4	1.3
Asbestos workers	0.9	1.2
Plumbers	0.2	1.4
Sheetmetal workers	0.2	(1)

[1] Not available.

Mr. Speaker, these statistics are 2 years old, but as Chairman Brown noted:

(It) is most likely that these minority membership figures of two years ago are generally representative of the situation existing today. Even the most optimistic expectations for the Apprenticeship Outreach programs and other attempts to enroll minorities in apprenticeship programs only affect a small proportion of referral union membership.

Clearly the need is great. Clearly, the time is late. I have spoken of the merits of the Philadelphia plan, and of the statistics—statistics which represent blacks and Indians and Puerto Ricans who are being foreclosed from hope and from opportunity—which make this, and many other firmer steps essential now.

But even if the issue is to be framed in terms of the language of Senate amendment No. 33, how can we let such an amendment pass? To me, it is most disturbing for the Comptroller General to become the judicial body determinative of a matter of such great national significance. Surely, the Civil Rights Act of 1964 is not to be the judicial preserve of this nonjudicial office.

If the Comptroller General, as the Senate amendment would permit him to do it, is given the authority to nullify the Philadelphia plan, then he would have the authority, it must follow, to nullify any other affirmative action plan which is initiated by the Federal Office of Contract Compliance. In other words, the Comptroller General would have a complete veto power over the action of any department or agency head who acts under authority of the President of the United States to implement Executive Order 11246.

If there is a constitutional question as to whether or not the Philadelphia plan contravenes title VII of the Civil Rights Act of 1964, then that issue should be determined by the judiciary. That is the proper place for that question to be decided.

Adoption of the Senate amendment would be tantamount to turning over the equal employment program of the Federal Government to the Comptroller General.

In matters of technical contract matters, the Comptroller General serves well as the Congress' watchdog over the funds which we have appropriated. But there his sphere must stop.

What is left for the Office of Federal Contract Compliance to do, for compliance officers to do, if the Comptroller General is to assess each contract to determine whether the affirmative action plan of the contracting agency, which the Executive order compels, is, in his view, in contravention of any Federal statute.

If the Comptroller General can block the Philadelphia plan by ruling that funds expended for contracts in pursuance of it would be expended illegally, so can he block all efforts to rectify discrimination in employment. This must not be permitted.

The SPEAKER. The time of the gentleman from New York has expired.

Mr. MAHON. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. ECKHARDT).

Mr. ECKHARDT. Mr. Speaker, I favor permitting the use of the Philadelphia plan.

I grasp this small forceps even though it has been in the hands of the other party and there are many larger tools and more effective ones that they have eschewed.

I agree with the able chairman of the committee that this is not altogether just a civil rights matter, but it seems to me that under the proposed agreement with the Senate the Comptroller General becomes a master of the House and not its servant.

Under the original act, the 1921 act, the Comptroller General can determine as a matter of auditing for the House the extent to which transactions have been consummated in accordance with the laws, but under the bill that is before us, if we accept the Senate viewpoint, then the Comptroller General turns the faucet through which funds flow.

The SPEAKER. The time of the gentleman from Texas has expired.

Mr. MAHON. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. HOLIFIELD) for the purpose of debate only.

Mr. HOLIFIELD. Mr. Speaker, why did this question arise? The question arose because the Attorney General and the Comptroller General are in conflict over the jurisdiction of the Comptroller General. That is why it arose.

The Comptroller General for 50 years, under the Budgeting and Accounting Act, has been given the following authority, and I read:

Balances certified by the General Accounting Office upon the settlement of public accounts shall be final and conclusive upon the Executive Branch of the Government—

Not on the contractor, Mr. Speaker, but upon the executive branch of the Government. In other words, you pay the bill if the Comptroller General says you pay it and you do not pay it if he says you do not. That is as far as the executive branch is concerned.

Because of this fight, this section 1004 reads as follows:

In view of and in confirmation of the authority invested in the Comptroller General of the United States by the Budget and Accounting Act of 1921, as amended, no part of the funds appropriated or otherwise made available by this or any other Act shall be available to finance, either directly or through any Federal aid or grant, any contract or agreement which the Comptroller General of the United States holds to be in contravention of any Federal statute:

This is a confirmation of the rights and the privileges and the authority which the Comptroller General has been exercising for 50 years. Then the question arose in the other body as to whether this language went too far and that it gave the Comptroller General additional authority far beyond what he was supposed to have had and exercised. Then the gentleman from West Virginia, Senator BYRD, offered this amendment:

Provided, That this section shall not be construed as affecting or limiting in any way the jurisdiction or the scope of judicial review of any Federal court in connection with the Budget and Accounting Act of 1921, as amended, or any other Federal law.

So, this does not affect the right of a litigant to go into court and get a judgment set aside which has been made by the Comptroller General, provided the Comptroller General has not made that decision in line with the intent and purpose of the statute which the Congress has enacted.

That is what the fight is about. The Labor Department represented by Mr. Schultz and the Attorney General, Mr. Mitchell have now said that the Philadelphia plan is the only way they can enforce the Civil Rights Act of 1964 in regard to job opportunities. And, of course, as the people on the floor who are on the Education and Labor Committee know—and I see one of the gentlemen standing—this is untrue.

If they want to enforce the job opportunities provisions against discrimination which are contained in the Civil Rights Act they can use that statute which is already on the books, I will state to the gentleman from Illinois.

Mr. PUCINSKI. Mr. Speaker, if the gentleman will yield, the gentleman is telling the House now that there is nothing in this bill that precludes any agency of the executive branch from going into court and testing the decision of the Comptroller General?

Mr. HOLIFIELD. The gentleman is right insofar as litigants are concerned.

Mr. Speaker, I ask that the Members support the gentleman from Texas and his motion.

Mr. MAHON. Mr. Speaker, permission will be sought for all Members to extend their remarks in connection with the pending issue.

Anyone reading this RECORD might think that we have been debating the question of whether or not we should

adopt the Philadelphia plan. But the question before us is not the Philadelphia plan. The Philadelphia plan is not mentioned, is not singled out in any way in the wording of the Senate amendment. The question before us is the supremacy of the Congress over the executive branch in deciding the purposes for which appropriations may or may not be used, whether expenditures shall be within the law or outside the law. This is the vital question. The power of the purse is the one certain and continuing power by which the Congress, as a representative of the people, controls the operations of Government.

It is unthinkable that we would do anything that would in any way militate against the authority which the Constitution gives us to control appropriations, and the authority which for almost 50 years we have given to our agent, the Comptroller General, to decide whether or not expenditures by the executive branch are in compliance with the appliable laws. All the amendment does is to reaffirm—in view of the dispute which has arisen—the authority of the Comptroller General to determine whether or not the expenditures of the Government are within the laws of the land. That is all there is to it.

It seems to me that it is wrong to throw a red herring in the form of civil rights into the discussion. There may be some practices of certain of the labor unions that are not good. I would not say that there has not been some discrimination in the labor unions. Congress has the authority to undertake to legislate in this field if it desires to do so. But that is not the issue before us today. The simple question is, shall we support the General Accounting Office and its chief officer, the Comptroller General, who represents the Congress of the United States in determining whether or not the money we appropriate is to be spent in accord with the applicable laws. The executive branch has challenged his decision on the so-called Philadelphia plan, and has indicated it will proceed despite the ruling that it would be an illegal expenditure.

So I would hope that, regardless of one's views on the Philadelphia plan—and if the Congress wants to adopt such legislation, that is a matter for Congress to decide—but regardless of one's own opinion on that, I hope that we will take action here today reasserting congressional control of the Federal purse.

The SPEAKER. The time of the gentleman has expired.

Mr. MIKVA. Mr. Speaker, I was pleased to see Americans for Democratic Action take an unequivocal position in favor of the Philadelphia plan. In a telegram to the leadership of this House, Joseph L. Rauh, Jr., vice chairman of the ADA and one of the great names in civil rights history, made clear ADA's position. As he pointed out, this is no time for retreat in such an important area of the civil rights front.

The text of the telegram to Speaker JOHN W. MCCORMACK and Majority Leader CARL ALBERT follows:

Americans for Democratic Action strongly urges you to support efforts to delete from Supplemental Appropriation bill the rider outlawing Philadelphia and similar affirmative action plans. Only strong governmental action can reverse long history of exclusion of blacks from construction industry. Philadelphia Plan offers greatest hope for minority employment in skilled construction work. To dash that hope at this time by rider barring this Plan would be to heap coals on the fires of racial tension. This is worst possible time for such retreat on the civil rights front. We trust you will lead the House of Representatives away from such retreat.

JOSEPH L. RAUH, JR.,
vice chairman, ADA.

Mr. ANDERSON of Illinois. Mr. Speaker, I shall vote "no" on the motion of the gentleman from Texas (Mr. MAHON) to recede and concur in Senate amendment No. 904 which would have the effect of imposing a death sentence on the so-called Philadelphia plan. I have been shocked and surprised at some erstwhile supporters of civil rights who have sought in vain to explain their dislike for a plan to admit blacks to the building trades unions from which they have heretofore been barred because of crass discrimination. I received Mr. George Meany's wire in which he professes his attachment to equality of opportunity in employment and yet finds the rider to the Supplemental Appropriations bill acceptable because "quota systems are illegal, un-American, and in and of themselves discriminatory." This, of course, begs the question. The Secretary of Labor and others have pointed out that under the Philadelphia plan we are dealing with goals, not arbitrary fixed quotas.

In the current issue of Harpers, Bayard Rustin has written an article entitled "Black Separatism." In it he concludes that the future economic welfare of the black man depends upon a perpetuation of the ancient coalition between the trade unions and the Democratic Party. Mr. Speaker with such notable exceptions as the gentleman from Minnesota (Mr. FRAZER), the gentleman from California (Mr. CORMAN), the gentleman from Indiana (Mr. JACOBS), and a few others, that coalition has not served the black man very well on the floor of this House this evening.

Look at the situation in the Philadelphia area. Thirty percent of all those engaged in the construction industry are members of a minority group, but only 1.6 percent are privileged to be members of the six skilled trades such as plumbers, pipefitters, electricians, and sheet metal workers. The obvious purpose of these selfish, shortsighted craft unions has been to constrict the labor supply at a time when we need hundreds of thousands of new skilled building craftsmen to meet our Nation's housing goals.

I hope the amendment of the gentleman from Texas (Mr. MAHON) is defeated.

Mr. MAHON. Mr. Speaker, I move the previous question on the motion.

The previous question was ordered.

The SPEAKER. The gentleman from New Jersey (Mr. THOMPSON) demanded a division on the motion made by the gentleman from Texas (Mr. MAHON).

The question is on the motion offered by the gentleman from Texas (Mr. MAHON) that the House recede from its disagreement to the amendment of the Senate numbered 33.

The question was taken; and on a division (demanded by Mr. MAHON) there were ayes 83, noes 125.

Mr. MAHON. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 156, nays 208, answered "present" 1, not voting 68, as follows:

[Roll No. 353]

YEAS—156

Abernethy	Fuqua	O'Konski
Addabbo	Galifianakis	Olsen
Alexander	Gaydos	Passman
Anderson, Tenn.	Gettys	Patman
Ashbrook	Giaimo	Pepper
Baring	Gray	Perkins
Bennett	Griffin	Philbin
Biaggi	Gross	Pickle
Blackburn	Grover	Preyer, N.C.
Bray	Hagan	Pryor, Ark.
Brinkley	Haley	Pucinski
Brooks	Hansen, Wash.	Purcell
Brown, Calif.	Harsha	Quillen
Broyhill, N.C.	Hays	Randall
Broyhill, Va.	Henderson	Rarick
Burke, Mass.	Hicks	Rivers
Burleson, Tex.	Holifield	Roberts
Burlison, Mo.	Hungate	Roe
Cabell	Ichord	Rogers, Fla.
Casey	Jarman	Rooney, Pa.
Chappell	Johnson, Calif.	Roudebush
Clancy	Jonas	Ruth
Clark	Jones, Ala.	St Germain
Clawson, Del	Jones, N.C.	St. Onge
Collins	Jones, Tenn.	Satterfield
Corbett	Karth	Scherle
Cramer	Kazen	Scott
Crane	Kee	Shipley
Daniel, Va.	King	Slack
Daniels, N.J.	Kluczynski	Smith, Iowa
Davis, Ga.	Kyros	Snyder
de la Garza	Lennon	Steed
Denney	Long, La.	Steiger, Ariz.
Derwinski	Long, Md.	Stubblefield
Devine	McDonald, Mich.	Stuckey
Dingell	McFall	Symington
Donohue	McMillan	Taylor
Dorn	Macdonald, Mass.	Thompson, Ga.
Dowdy	Mahon	Tiernan
Downing	Mann	Ullman
Duncan	Marsh	Vigorito
Edmondson	Melcher	Waggonner
Eilberg	Minshall	Wampler
Fisher	Mizell	Watson
Flood	Mollohan	Watts
Flowers	Monagan	Whitehurst
Flynt	Morgan	Whitten
Ford, William D.	Murphy, Ill.	Wiggins
Foreman	Myers	Williams
Fountain	Natcher	Yatron
Frey	Nedzi	Young
Fulton, Pa.	O'Hara	Zablocki

NAYS—208

Adams	Button	Esch
Albert	Byrne, Pa.	Eshleman
Anderson, Calif.	Byrnes, Wis.	Evans, Colo.
Anderson, Ill.	Camp	Feighan
Annunzio	Carter	Fish
Arends	Cederberg	Foley
Ashley	Chamberlain	Ford, Gerald R.
Ayres	Chisholm	Fraser
Barrett	Clausen, Don H.	Frelinghuysen
Beall, Md.	Clay	Friedel
Belcher	Cleveland	Gallagher
Bell, Calif.	Cohelan	Garmatz
Betts	Conable	Gibbons
Biester	Conte	Gilbert
Bingham	Corman	Gonzalez
Blatnik	Coughlin	Goodling
Boggs	Cowger	Green, Pa.
Boland	Culver	Gubser
Bow	Cunningham	Gude
Brademas	Daddario	Halpern
Brasco	Davis, Wis.	Hamilton
Broomfield	Dellenback	Hanley
Brotzman	Dennis	Hanna
Brown, Mich.	Dickinson	Hansen, Idaho
Brown, Ohio	Diggs	Harrington
Buchanan	Dulski	Hastings
Burke, Fla.	Eckhardt	Hathaway
Burton, Calif.	Edwards, Ala.	Hawkins
Bush	Erlenborn	Hechler, W. Va.
		Heckler, Mass.

Helstoski	Minish	Sebelius
Hogan	Mink	Shriver
Horton	Mize	Smith, N.Y.
Hosmer	Moorhead	Springer
Howard	Morton	Stafford
Hunt	Mosher	Staggers
Hutchinson	Murphy, N.Y.	Stanton
Jacobs	Nelsen	Steiger, Wis.
Kastenmeier	Nix	Stokes
Keith	Obey	Stratton
Kleppe	O'Neill, Mass.	Taft
Koch	Ottinger	Talcott
Kuykendall	Patten	Teague, Calif.
Kyl	Pelly	Thompson, N.J.
Landgrebe	Pettis	Thomson, Wis.
Langen	Pike	Tunney
Latta	Pirnie	Udall
Leggett	Podell	Utt
Lloyd	Price, Ill.	Van Deerlin
Lowenstein	Price, Tex.	Vander Jagt
Lujan	Quie	Vanik
Lukens	Railsback	Waldie
McCarthy	Reid, Ill.	Weicker
McCloskey	Reid, N.Y.	Whalen
McClure	Rhodes	Whalley
McCulloch	Riegle	White
McDade	Robison	Widnall
McEwen	Rodino	Wilson, Bob
McKneally	Rogers, Colo.	Wilson, Charles H.
MacGregor	Rooney, N.Y.	
Madden	Rosenthal	Winn
Mailliard	Roth	Wold
Mathias	Roybal	Wyatt
Matsunaga	Ruppe	Wydler
May	Ryan	Wylie
Mayne	Sandman	Wyman
Meeds	Saylor	Yates
Meskill	Schadeberg	Zion
Michel	Scheuer	Zwach
Mikva	Schneebeli	
Miller, Ohio	Schwengel	

ANSWERED "PRESENT"—1

Pollock

NOT VOTING—68

Abbitt	Edwards, La.	Montgomery
Adair	Evins, Tenn.	Morse
Andrews, Ala.	Fallon	Moss
Andrews, N. Dak.	Farbstein	Nichols
Aspinall	Fascell	O'Neal, Ga.
Berry	Findley	Poage
Bevill	Fulton, Tenn.	Poff
Blanton	Goldwater	Powell
Bolling	Green, Oreg.	Rees
Brock	Griffiths	Reifel
Burton, Utah	Hall	Reuss
Caffery	Hammer-schmidt	Rostenkowski
Cahill	Harvey	Sikes
Carey	Hébert	Sisk
Celler	Hull	Skubitz
Collier	Johnson, Pa.	Smith, Calif.
Colmer	Kirwan	Stephens
Conyers	Landrum	Sullivan
Dawson	Lipscomb	Teague, Tex.
Delaney	McClory	Watkins
Dent	Martin	Wolff
Dwyer	Miller, Calif.	Wright
Edwards, Calif.	Mills	

So the motion was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Montgomery for, with Mr. Pollock against.

Mr. Hébert for, with Mr. Reuss against.

Mr. Andrews of Alabama for, with Mr. Hammerschmidt against.

Mr. Bevill for, with Mr. Conyers against.

Mr. Nichols for, with Mr. Farbstein against.

Mr. O'Neal of Georgia for, with Mr. Celler against.

Until further notice:

Mr. Colmer with Mr. Goldwater.

Mr. Evins of Tennessee with Mr. Brock.

Mr. Fallon with Mr. Watkins.

Mr. Miller of California with Mr. Lipscomb.

Mr. Mills with Mr. Hall.

Mr. Hull with Mr. Burton of Utah.

Mr. Powell with Mr. Edwards of California.

Mr. Rostenkowski with Mr. Collier.

Mr. Edwards of Louisiana with Mr. Skubitz.

Mr. Fulton of Tennessee with Mr. Findley.

Mrs. Green of Oregon with Mr. Cahill.

Mr. Rees with Mr. Reifel.

Mr. Sikes with Mr. Martin.

Mr. Stephens with Mr. Berry.

Mr. Carey with Mr. Morse.

Mr. Sisk with Mr. Smith of California.

Mr. Teague of Texas with Mr. Adair.

Mrs. Sullivan with Mrs. Dwyer.

Mr. Landrum with Mr. Andrews of North Dakota.

Mr. Moss with Mr. Harvey.

Mr. Abbitt with Mr. Poff.

Mr. Delaney with Mr. Cahill.

Mrs. Griffiths with Mr. McClory.

Mr. Dent with Mr. Johnson of Pennsylvania.

Mr. Aspinall with Mr. Blanton.

Mr. Dawson with Mr. Kirwan.

Mr. Wolff with Mr. Wright.

Messrs. GARMATZ and ROONEY of New York changed their vote from "yea" to "nay."

Mr. POLLOCK. Mr. Speaker, I have a live pair with the gentleman from Mississippi (Mr. MONTGOMERY). If he had been present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

The doors were opened.

MOTION OFFERED BY MR. BOW

Mr. BOW. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. Bow moves that the House insist on its disagreement to the amendment of the Senate numbered 33.

The SPEAKER. The question is on the motion offered by the gentleman from Ohio (Mr. Bow).

The motion was agreed to.

A motion to reconsider the votes by which action was taken on the conference report and on the several motions was laid on the table.

GENERAL LEAVE

Mr. MAHON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks in the RECORD on the conference report and motions.

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

There was no objection.

COMPOSITION OF COMMITTEE ON EDUCATION AND LABOR

Mr. ALBERT. Mr. Speaker, I offer a resolution (H. Res. 764) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That during the remainder of the Ninety-first Congress, the Committee on Education and Labor shall be composed of thirty-seven members.

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

Mr. PUCINSKI. Mr. Speaker, reserving the right to object——

Mr. WAGGONNER. Mr. Speaker, reserving the right to object——

The SPEAKER. The Chair will not entertain a reservation of objections.

Mr. WAGGONNER. Mr. Speaker, then I object.

The SPEAKER. Objection is heard.

COMMUNICATION FROM S. DILLION RIPLEY, SECRETARY, SMITHSONIAN INSTITUTION

The SPEAKER laid before the House the following communication from S. Dillon Ripley, Secretary, Smithsonian Institution:

SMITHSONIAN INSTITUTION,
Washington, D.C., December 4, 1969.

Hon. JOHN W. MCCORMACK,
Speaker of the House of Representatives, Washington, D.C.

DEAR MR. SPEAKER: On the occasion of the address to the Houses of Congress by the crew of Apollo 11, we understand that two United States flags were presented to you and the Vice President. These flags were carried aboard the Apollo 11 to the Moon and back.

We would like very much to display one of these two flags in our Hall of Flags in the museum of History and Technology. Would a loan of one flag be possible? We would, of course, document in the label the presentation to the House of Representatives and its loan to the Smithsonian Institution.

The millions of visitors each year to the Smithsonian will be inspired by seeing this symbolic display. It is our hope, therefore, that you will find it possible to approve this loan.

Sincerely yours,

S. DILLON RIPLEY,
Secretary.

AUTHORIZING SMITHSONIAN INSTITUTION TO DISPLAY U.S. FLAG PRESENTED BY APOLLO 11 ASTRONAUTS

Mr. ALBERT. Mr. Speaker, I offer a resolution (H. Res. 765) and ask unanimous consent for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 765

Whereas, Commander Neil A. Armstrong, Colonel Michael Collins, and Colonel Edwin E. Aldrin, Jr., Apollo XI astronauts, were received by the House of Representatives and the Senate in a Joint Meeting on September 16, 1969;

Whereas, Colonel Aldrin, on behalf of the Appollo XI astronauts, presented to the House one of the two United States flags that had been flown over the Capitol, and taken on Apollo XI on the epic moonlanding mission when man first trod the surface of the moon;

Whereas, The Speaker of the House of Representatives, the Honorable John W. McCormack, in accepting the flag on behalf of the House, assured the Apollo XI astronauts that every care and caution would be taken to safeguard this treasured possession; and

Whereas, The Smithsonian Institution has expressed its desire to display this flag in the Hall of Flags in the Museum of History and Technology: Now, therefore, be it

Resolved, That the Sergeant at Arms of the House of Representatives is authorized and directed, on behalf of the House of Representatives, to loan the United States flag presented to the House by the Apollo XI astronauts to the Smithsonian Institution, under procedures which will assure its proper documentation, preservation, display and return; *Provided, however*, That said flag shall be returned to the House of Representatives on or before June 1, 1970.

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

Mr. FULTON of Pennsylvania. Mr. Speaker, reserving the right to object,

as ranking minority member of the House Science and Astronautics Committee, and also ranking member on the Manned Space Flight Subcommittee, my question is first for how long is this loan? I might say so far as the wording of the resolution is concerned, "loan" is a noun and "lend" is the verb. So it would be very nice to have it read—lend the flag—instead of loan it.

How long is this loan to be for? I favor lending the flag to the Smithsonian for a definite period, but not indefinitely. I am very interested in this flag taken to the moon by Apollo 11 astronauts, as I was the member who purchased the flag flown over the U.S. Capitol to be carried to the moon on behalf of the House. I have had the hope that the historic flag would be kept up in the Capitol for display by the House, as the House certainly had a lot to do with the Apollo 11 going to the moon—we were the strong backers of the Apollo moon program, backing it unanimously in the House on a record vote which I called, to support President Kennedy in his courageous plan announced in the House Chamber in a joint session in 1961, to land a man on the moon and return him safely in this decade.

The SPEAKER. In reply to the gentleman's inquiry, the resolution provides that the flag shall be returned to the House of Representatives on or before June 1, 1970.

Mr. FULTON of Pennsylvania. For how long, Mr. Speaker? I did not hear—until June 1, 1970?

The SPEAKER. Exactly.

Mr. FULTON of Pennsylvania. There is a definite time limit on the loan then when the flag will be returned?

The SPEAKER. Until June 1, 1970.

Mr. FULTON of Pennsylvania. I am glad to hear the loan is of limited time duration, and return will be made to the House. I had hoped originally that the flag would be brought up here and displayed either in the Rotunda of the Capitol or inside of the House, because it was for the purpose of display in the Capitol by the House of Representatives that I acquired the flag.

Mr. Speaker, on the basis the flag is returned by the Smithsonian Institution to the House, on June 1, 1970, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma (Mr. ALBERT)?

There was no objection.

The resolution was agreed to.

A motion to reconsider was laid on the table.

CONFERENCE REPORT ON S. 1075, NATIONAL ENVIRONMENTAL POLICY ACT OF 1969

Mr. DINGELL. Mr. Speaker, I call up the conference report on the bill (S. 1075) to declare a national policy which will encourage productive and enjoyable harmony between man and his environment; to promote efforts which will prevent or eliminate damage to the environment and biosphere and stimulate the health and welfare of man; to enrich the understanding of the ecological systems and natural resources important to the Nation; and to establish a Council on Environmental Quality, 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 Michigan?

Mr. GROSS. Mr. Speaker, reserving the right to object, does the gentleman propose to take some time to explain this conference report?

Mr. DINGELL. In answer to the question of my good friend, the gentleman from Iowa, the answer is yes.

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

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of December 17, 1969.)

Mr. DINGELL (during the reading). Mr. Speaker, I ask unanimous consent that the statement of the managers on the part of the House be considered as read.

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

There was no objection.

The SPEAKER. The gentleman from Michigan is recognized for 1 hour.

Mr. DINGELL. Mr. Speaker, S. 1075, as originally passed by the Senate, contained three titles in the bill. Title I provided for a declaration by the Congress of a national environmental policy; title II provided the necessary authorization for the Federal agencies to carry out the purposes of the act in conjunction with their existing ongoing programs and activities; and title III provided for the creation of a Board of Environmental Quality Advisers in the Executive Office of the President.

Mr. Speaker, as the Members of the House will recall, the House struck out of the Senate bill all after the enacting clause and inserted in lieu thereof a substitute amendment. The House amendment to the bill was very similar to title III of the Senate-passed bill except for the name "Board of Environmental Quality Advisers" which was changed to read "Council on Environmental Quality." There were no provisions in the House amendment similar to titles I and II of the bill as originally passed by the Senate.

Mr. Speaker, the committee of conference has agreed to a substitute for both the Senate bill and the House amendment. The substitute is in effect title I of the bill as originally passed by the Senate and the House amendment to the bill.

Except for technical, clarifying, and conforming changes, following is a brief explanation of the differences between the bill, as passed by the House, and the substitute, as provided by the conference agreement:

PROVISIONS OF THE CONFERENCE SUBSTITUTE

Section 1 of the Senate bill provided that the bill may be cited as the "National Environmental Policy Act of 1969". Section 2 of the Senate bill contained a statement of the purpose of the bill. There were no similar provisions in the House amendment. The conference substitute conforms to the Senate bill with respect to these two sections.

Title I of the bill provides for a declaration of a national environmental policy. There was no similar provision in the House amendment to the bill.

Section 101 of the Senate bill contained a recognition by Congress of (1) the critical dependency of man on his environment, (2) the profound influences which the factors of contemporary life have had and will have on the environment, and (3) certain specified goals in the management of the environment which the Federal Government should, as a matter of national policy, attain by use of all possible means, consistent with other essential considerations of national policy. The House amendment (in the first section thereof) contained a general statement of national environmental policy, but did not include specified policy goals. The first section of the House amendment also stated that the Federal Government should achieve the general policy in cooperation with State and local governments and certain specified public and private organizations and that financial and technical assistance should be among the means and measures used by the Federal Government to achieve the policy. Under the conference agreement, the language of the House amendment is substantially retained in section 101(a) of the conference substitute.

The national goals of environmental policy specified in the Senate bill are set forth in section 101(b) of the conference substitute. Some of the national goals are as follows:

(1) assure for all Americans safe, healthful, productive, and esthetically and culturally pleasing surroundings;

(2) attain the widest range of beneficial uses of the environment;

(3) preserve important historic, cultural, and natural aspects of our national heritage;

(4) achieve a balance between population and resource use which will permit high standards of living and a wide sharing of life's amenities; and

(5) enhance the quality of renewable resources and approach the maximum attainable recycling of depletable resources.

Section 101(c) of the conference substitute states that "Congress recognizes that each person should enjoy a healthful environment and that each person has a responsibility to contribute to the preservation and enhancement of the environment. There was no similar provision in the House amendment.

Section 102 of the conference substitute is based on section 102 of the Senate bill. There was no comparabe provision in the House amendment. Under the conference substitute, the Congress authorizes and directs that, *to the fullest extent possible:* (1) the Federal laws, regulations, and policies be administered in accordance with the policies set forth in the bill; and (2) all Federal agencies shall—

(A) utilize a systematic, interdisciplinary approach to insure integrated use of the sciences and arts in any official planning or decision-making which may have an impact on the environment;

(B) in consultation with the Council on Environmental Quality, identify and develop methods and procedures to insure that unquantified environmental amenities will be considered in the agency decision-making process, along with economic and technical considerations;

(C) include in every recommendation or report on proposals for legislation or other major Federal actions a detailed statement by the responsible official on the environmental impact of the proposed action, any adverse environmental effects which cannot be avoided should the proposal be adopted, alternatives to the proposed action, the relationship between the short-term uses of

the environment and the maintenance and enhancement of long-term productivity, and any irreversible and irretrievable commitments of resources which would be involved. Prior to making any such detailed statement, the responsible Federal official would be required to consult with and obtain the comments of any Federal agency having jurisdiction by law or special expertise with respect to any environmental impact involved and the comments of any such agency, together with the comments and views of appropriate State and local agencies, would be required thereafter to be made available to the President, the Council on Environmental Quality, and the public.

In addition, the Federal agencies would be required to—

(D) study, develop, and describe appropriate alternatives to recommend courses of action in any proposal which involves unresolved conflicts concerning alternative uses of available resources;

(E) recognize the worldwide and long-range character of environmental problems and, where consistent with the foreign policy of the United States, lend support to programs and other ventures designed to maximize international cooperation in anticipating and preventing a decline in the world environment;

(F) make available to State and local governments and individuals and organizations advice and information useful in restoring, maintaining and enhancing the quality of the environment;

(G) initiate and utilize ecological information in the planning and development of resource-oriented projects; and

(H) assist the Council on Environmental Quality established under title II of the bill.

Section 103 is based upon a provision of the Senate bill (section 102(f)) which was not in the House amendment. This section provides that all agencies of the Federal Government shall review their "present statutory authority, administrative regulations, and current policies and procedures to determine whether there are any deficiencies and inconsistencies therein which prohibit full compliance with the purpose and provisions" of the bill. If an agency finds such deficiencies or inconsistencies, it is required under this section to propose to the President not later than July 1, 1971, such measures as may be necessary to bring its authority and policies into conformity with the intent, purposes, and procedures of the bill.

Section 104, which was not in the House amendment, provides that nothing in sections 102 or 103 shall affect the specific statutory obligations of any Federal agency—

(1) to comply with criteria and standards of environmental quality;

(2) to coordinate or consult with any Federal or State agency; or

(3) to act, or refrain from acting contingent upon the recommendations or certification of any other Federal or State agency.

Section 105 declares that the policies and goals set forth in the bill are supplementary to those set forth in existing authorities of Federal agencies. The effect of this section is to give recognition to the fact that the bill does not repeal existing law and that it does not obviate the requirement that the Federal agencies conduct their activities in accordance with the provisions of this bill unless to do so would clearly violate their existing statutory authorizations.

Title II of the bill has to do with the establishment of the Council on Environmental Quality and is essentially the same as the House amendment to S. 1075.

Section 201 of the conference substitute requires the President to submit to the Congress annually, beginning July 1, 1970, an Environmental Quality Report which will set forth an up-to-date inventory of the American environment, broadly and generally identified, together with an estimate of the impact of visible future trends upon the environment. Such report shall also include a review of the programs and activities of the Federal, State, and local governments, as well as those of nongovernmental groups, with respect to environmental conditions, together with recommendations for remedying the deficiencies of existing programs, including legislative recommendations.

Section 202 of the conference substitute establishes in the Executive Office of the President a Council on Environmental Quality composed of three members appointed by the President by and with the advice and consent of the Senate. One of the members shall be designated by the President as the chairman of the Council. The conference substitute provision is basically the House provision except that the membership of the Council would be reduced from five to three and the members of the Council would have to be approved by and with the advice and consent of the Senate.

Section 203 of the conference substitute (which were contained in both the House amendment and the bill as it originally passed the Senate) would permit the Council to hire such officers and employees as are necessary to carry out the purposes of the Act and also would permit the Council to hire such experts and consultants as may be appropriate.

The House amendment set forth the following duties and functions of the Council on Environmental Quality—

(1) to assist the President in the preparation of the Environmental Quality Report;

(2) to gather information on the short- and long-term problems that merit Council attention, together with a continuing analysis of these problems as they may affect the policies stated in section 101;

(3) to maintain a continuing review of Federal programs and activities as they may affect the policies declared in section 101, and to keep the President informed on the degree to which those programs and activities may be consistent with those policies;

(4) to develop and to recommend policies to the President, on the basis of its activities, whereby the quality of our environment may be enhanced, consistent with our social, economic and other requirements;

(5) to make studies and recommendations relating to environmental considerations, as the President may direct; and

(6) to report at least once each year to the President.

Section 204 of the conference substitute contains the functions and duties listed above and also adds the following functions and duties (which, under title II of the bill as it originally passed the Senate, would have been the responsibilities of other Federal agencies)—

(1) to conduct investigations, studies, surveys, research, and analyses relating to ecological systems and environmental quality; and

(2) to document and define changes in the natural environment, including the plant and animal systems, and to accumulate necessary data and other information for a continuing analysis of these changes or trends and an interpretation of their underlying causes.

Section 205 of the conference substitute sets forth those public and private organizations with which the Council on Environmental Quality shall consult in carrying out its functions and duties under the Act and states that the Council should utilize, to the fullest extent possible, the services, facilities, and information of public and private organizations and individuals in carrying out such functions and duties. Section 205 conforms to the language in section 7 of the House amendment, with the exception that the conference substitute provision specifies that the Council shall consult also with the Citizens' Advisory Committee on Environmental Quality, which was established in May, 1969, by Executive Order of the President.

Section 206 provides that the Chairman of the Council on Environmental Quality shall be compensated at the rate provided for at Level II of the Executive Schedule Pay Rates, and that the other members of the Council shall be compensated at the rate provided for in Level IV of such Rates. This section conforms with the rates of compensation provided for in both the House amendment and the bill as it originally passed the Senate.

Section 207 of the conference substitute authorizes the appropriation of not to exceed $300,000 in fiscal year 1970, $700,000 in fiscal year 1971, and $1,000,000 in each fiscal year thereafter, to carry out the purposes of the Act. Under the House amendment, the same amounts were authorized to be appropriated except with respect to fiscal year 1971, for which $500,000 was authorized.

Mr. Speaker, before closing I would like to take this opportunity to pay tribute to my colleagues, particularly to my distinguished chairman, the Honorable EDWARD A. GARMATZ, the members of the Merchant Marine and Fisheries Committee, and the House and Senate conference committee, who have worked so courageously and diligently in seeing that this legislation came to fruition. It has been a long and hard-fought battle, but we have been successful, and I cannot congratulate my colleagues enough.

Mr. Speaker, my efforts in behalf of this legislation date back to March of 1967, when in the first session of the 90th Congress, I and several other members of the House introduced similar legislation to provide for the establishment of a Council on Environmental Quality. Although no action—other than hearings—was taken in the 90th Congress, much valuable groundwork was laid.

In February of this year, I again introduced legislation and was most fortunate in having it referred to the Committee on Merchant Marine and Fisheries, and subsequently to the Subcommittee on Fisheries and Wildlife Conservation, the subcommittee I have the honor of chairing. The subcommittee held 7 full days of hearings on the legislation, and as a result of the hearings, H.R. 12549, which was reported by the committee and passed by the House, was cosponsored by all the members of the subcommittee. As you will probably recall, the bill passed on the floor of the House overwhelmingly with a vote of 372 to 15.

Mr. Speaker, the passage of this legislation will constitute one of the most significant steps ever taken in the field of conservation. With the establishment of the Council on Environmental Quality, we can now move forward to preserve and enhance our air, aquatic, and terrestrial environments, and at the same time it will offer us an opportunity to carry out the policies and goals set forth in the bill to provide each citizen of this great country a healthful environment.

Mr. Speaker, I strongly recommend the adoption of this conference report.

Mr. Speaker, I have reviewed the state-

ment of the chairman of the Senate Interior and Insular Affairs Committee and find no inconsistencies in his statement with that of the statement on the part of the House managers.

Mr. Speaker, a communication from the gentleman from Maryland follows:

HOUSE OF REPRESENTATIVES,
COMMITTEE ON PUBLIC WORKS,
Washington, D.C., December 20, 1969.

HON. JOHN D. DINGELL,
House Committee on Merchant Marine and Fisheries, Rayburn House Office Building, Washington, D.C.

DEAR JOHN: It is my understanding that the Conference Report on S. 1075 will shortly be scheduled for Floor consideration. I have had an opportunity to review the Conference Report.

I have a few questions concerning the effects of the legislation which I would like to address to you for clarification on the Floor. Four questions are enclosed.

Sincerely yours,

GEORGE H. FALLON,
Chairman.

QUESTIONS BY MR. FALLON

I have had an opportunity to review the Conference Report on S. 1075. I have a few questions concerning the effects of the legislation which I would like to address to the gentleman.

1. Would the gentleman advise as to the intent of the House Conferees with regard to committee jurisdiction concerning the annual report required of the President by Section 201 and the recommendations made therein?

Answer: It is the clear intent of the House Conferees that the annual report required by Section 201 would be referred in the House of Representatives to all committees which have exercised jurisdiction over any part of the subject matter contained therein. The House Conferees' refusal to accept specific language for inclusion in the Conference Report was based upon a parliamentary technicality and was in no way intended to place exclusive jurisdiction over the President's report in any one committee.

The House Conferees intend that under the language of the Conference Report, the annual report and the recommendations made by the President would be the vehicle for oversight hearings and hearings by the appropriate legislative committees of the House, and the referral of the annual report would be made to all appropriate committees.

2. H.R. 4148 which is now in conference includes provision for the Office of Environmental Quality which would serve to advise the Council of Environmental Quality which is established in S. 1075. Is there any conflict between the Office and the Council?

Answer: Title II establishes a Council on Environmental Quality in the Executive Office of the President. This Council will provide an institution and an organizational focus at the highest level for the concerns of environmental management. It will provide the President with objective advice, and a continuing and comprehensive overview of the Federal jurisdictions involved with the environment. The Council's activities in this area will be complemented by the support of the Office of Environmental Quality proposed in H.R. 4148, the Water Quality Improvement Act of 1969. It is not intended that the Council will employ, pursuant to Section 203, a staff which would in any way conflict with the capabilities of the staff of the Office of Environmental Quality.

It is further understood that, when the Office of Environmental Quality is established, it will mesh with the Council as an integrated agency in the Office of the President—the Council operating on the policy level and the Office of Environmental Quality on the staff level. The professional staff of the Office will be available to the Council to assist in the implementation of existing environmental policy and the provisions of the legislation and to assist in forecasting future environmental problems, values and goals.

3. Is it intended that the Council become involved in the day to day operation of the Federal agencies, specific project, or in interagency conflicts which arise from time to time?

Answer: In including Section 204, Item (3), pertaining to the duties and functions of the Council, the Conferees on the part of the House did not view this direction to the Council as implying a project-by-project review and commentary on Federal programs. Rather, it is intended that the Council will periodically examine the general direction and impact of Federal programs in relation to environmental trends and problems and recommend general changes in direction or supplementation of such programs when they appear to be appropriate.

It is not the Conferees' intent that the Council be involved in the day-to-day decision-making processes of the Federal Government or that it be involved in the resolution of particular conflict between agencies and departments. These functions can best be performed by the Bureau of the Budget, the President's Interagency Cabinet-level Council on the Environment or by the President himself.

4. What would be the effect of this legislation on the Federal Water Pollution Control Agency?

Answer: Many existing agencies such as the Federal Water Pollution Control Agency already have important responsibilities in the area of environment control. The provisions of Sections 102 and 103 are not designed to result in any change in the manner in which they carry out their environmental protection authority. This provision is primarily designed to assure consideration of environmental matters by agencies in their planning and decision-making—but most especially those agencies who now have little or no legislative authority to take environmental considerations into account.

GENERAL LEAVE

Mr. DINGELL. Mr. Speaker, I ask unanimous consent that all Members may revise and extend their remarks on the conference report on environmental quality.

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

There was no objection.

Mr. MAILLIARD. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from California (Mr. MAILLIARD).

Mr. MAILLIARD. Mr. Speaker, I consider this a very important bill.

I support the conference report and statement of the House managers on S. 1075 to establish a national policy for the environment, and to provide for the establishment of a Council on Environmental Quality. I urge my colleagues to adopt this report.

S. 1075, as passed by the House, would establish a five-member Council on Environmental Quality appointed by the President whose principal duty would be to assist the President in the preparation of an annual environmental quality report. Additionally, the Council would make and furnish to the President such studies, together with policy and legislative recommendations in the area of environmental quality as the President might request. The bill contained a brief statement of policy recognizing the impact of man's activity on all components of the natural environment, and the critical importance of restoring and maintaining environmental quality for the welfare of mankind.

The Senate bill would establish a comparable three-member Board on Environmental Quality which would perform essentially the same functions called for in the House bill. The Senate, however, substantially increased the responsibilities of this advisory group so that it would have continuing statutory authority and responsibility to monitor the quality of the environment and review the activities of the Federal Government to determine the extent to which its programs contribute to the achievement of environmental quality. The Senate bill would thus create a more dynamic council, one that need not wait for an executive request to pursue the policy mandate of the Congress. I believe this is an important and significant strengthening of the Council.

The Senate bill also contained a more detailed statement of policy and, most significantly, positive direction to all agencies of the Federal Government that they shall administer their programs to the fullest extent possible in a manner which reflects the declaration of national environmental policy set forth in the bill.

What the conference has done, in essence, is to adopt the basic House version of S. 1075 with respect to the establishment of the Council, together with the strengthening provisions I have mentioned previously, and that portion of the Senate bill setting forth detailed policy statements and agency directives.

Title I of the conference bill sets forth the statements of policy and requirements for implementation of these policies while title II of the bill establishes the Council on Environmental Quality.

Mr. Speaker, the work of the conference has produced a careful blending of the House and Senate-passed bills while retaining the basic thrust of both. This legislation stands as a commitment of the Federal Government to the American people that the quality of life in this country in terms of its basic environmental components will be restored and maintained for our own benefit and that of succeeding generations of Americans.

Again, Mr. Speaker, I urge adoption of the conference report.

Mr. SAYLOR. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I yield to my good friend the gentleman from Pennsylvania.

Mr. SAYLOR. Mr. Speaker, I rise in strong support of the conference report on S. 1075, the National Environmental Policy Act of 1969. The bill as agreed upon by the conference is a landmark in the history of conservation legislation.

While this landmark legislation is not as strong and inclusive as I would pre-

fer it to be, it provides the foundation upon which this Congress and future Congresses can forge ahead toward the goal of providing all Americans with a quality environment in which they can live.

Mr. Speaker, the importance of this legislation cannot be overstated. My colleagues in this body should well understand the need and goals behind this legislation. In this Nation today, we read with ever increasing frequency about the pollution of our waters, pollution of the air we breathe, the scarring of our natural landscape, through the exploitation of our resources. The profound impact of man's activity through technological advances, to accommodate the growing urbanization, resource exploitation, and the industrial expansion has a direct interrelation to the health and welfare of all Americans.

The report of the conference committee seeks to meet this challenge by recognizing the need for a coordinated Federal program to attack the abuses so nonchalantly inflicted upon all mankind. The bill as reported by the committee of conference proposes a Council on Environmental Quality to coordinate the directives that each Federal agency examine its authority and programs, and to administer and interpret that authority and programs so as to assure for all Americans a safe, healthful, productive, esthetic, and cultural environment.

I am privileged to have sponsored a similar measure, H.R. 12900, in this first session of the 91st Congress. I have also witnessed during this first session of the 91st Congress a number of converts to our environmental concerns. I am thankful for their concern and support because it expresses the responsibility of Congress to the public demand. That public demand is for a coordinated Federal program directed toward the protection of our environment.

Mr. Speaker, I most strongly support the adoption of the conference report and urge my colleagues to support its adoption.

Mr. HARSHA. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I yield to my good friend, the gentleman from Ohio (Mr. HARSHA).

Mr. HARSHA. Mr. Speaker, I would like to ask the distinguished gentleman from Michigan a question. It is my understanding this legislation contains several questions about jurisdiction of various committees in the House. It was my understanding there was to be a statement on the part of the managers, or on the part of the gentleman from Michigan, on the subject.

Mr. DINGELL. Mr. Speaker, I assure the gentleman from Ohio the statement will be in my extension of remarks.

Mr. HARSHA. Do I have the gentleman's assurance this will not invade the jurisdiction of the Public Works Committee in particular?

Mr. DINGELL. Mr. Speaker, it is not the intention of this committee to impair or alter or change in any fashion the jurisdiction of any sitting committee in this body.

Mr. HARSHA. Mr. Speaker, I thank the gentleman.

Mr. GARMATZ. Mr. Speaker, I would like to join my colleagues in recommending passage of the conference report on S. 1075. This legislation, if enacted, would provide for the establishment of a Council on Environmental Quality.

The Council, which would be composed of outstanding and qualified leaders of the scientific, industrial and business community, would oversee and review all national policies relating to our environment; it would report directly to the President and recommend national programs to foster and promote the improvement of the Nation's total environmental quality.

One of the vital functions of this Council would be to consult with State and local governments and other interested groups and individuals, and to utilize the services, facilities and information of these agencies and organizations. I consider this to be an extremely important and significant function, since, for the first time, it would establish an effective liaison between the Federal Government and individual States, thereby creating a long-needed central clearinghouse of information.

Mr. Speaker, the ugly and devastating disease of pollution has contaminated every aspect of our environment—air, land, and water. The problem is so vast and interrelated, one segment of the environment cannot be separated from another. The only logical and practical approach is a broad-ranging, coordinated Federal program, as proposed in this legislation.

Establishing such a Council will not solve all our massive pollution problems. It will, however, constitute the most significant step yet taken to conserve and preserve our natural resources for future generations.

I also think it is fitting to add a word of praise about my distinguished colleague, JOHN DINGELL, because it is he—more than any other—who pioneered the movement that gradually evolved into the legislation we have before us today. Although we are considering the Senate bill, I think it is important to recognize that Congressman Dingell's efforts date back to March, 1967, when he first introduced legislation on this issue. As chairman of our Subcommittee on Fisheries and Wildlife Conservation, he also sacrificed much in personal time and effort in a series of seven hearings—which he chaired in May and June of this year. An impressive record was established at those hearings, which were held both morning and afternoon—on each of the 7 days.

Mr. Speaker, I am sure that this important legislation will be passed and enacted expeditiously, so that we can all get on with the job of protecting our environment from further destruction by man.

Mr. ASPINALL. Mr. Speaker, the conference report on S. 1075, which is now before this House for consideration, brings to the attention of the Members of Congress the many facets of the problems of environmental quality which are continually coming before the Congress of the United States for consideration and solution. Most apparent of these various problems is the matter of jurisdiction of not only the executive departments but also the committees of Congress. For the first time, to my knowledge, since I have been a Member of Congress—some 21 years—the conferees appointed from this body included members of two different standing committees of the House. I do not see how the matter could have been resolved otherwise, although I would be the first one to admit that perhaps other committees of the House should have had representation on the conference committee in addition to those two committees handling the conference report. As a House conferee, I have signed the conference report but I have refused to sign the statement of the managers on the part of the House. This is the first time that I have found myself in this unenviable position. However, I find that I cannot read into the language that was finally agreed upon by the conferees the interpretation that is given to it in the statement of the House managers. I desire my position to be clearly set forth.

The two principal purposes of S. 1075 are: First, to state congressional policy with respect to protecting our natural environment; and, second, to establish a Council on Environmental Quality to alert this Nation with respect to environmental problems that we must face up to and resolve in the years ahead. The legislation which has emerged from the conference committee accomplishes both of these purposes. And while environmental problems are already receiving increased attention in connection with ongoing Federal programs, I believed that this legislation will add new emphasis and urgency to their resolution. Thus, the language of the conference report has my approval. However, the statement of managers, in certain respects, does not accurately interpret the language in the conference report.

Since I first became involved in this legislation at the time it was considered in the House, it has been my purpose to try to establish an orderly procedure for bringing the operations of all existing Federal agencies into compliance with the environmental policy requirements of this legislation. It has been my position from the beginning that existing Federal agencies should not be given new statutory authority by this legislation. All agencies should cooperate so far as possible under their existing authority in complying with the congressional statement of environmental policy and should seek, through normal procedures, the authority they need to fully comply with this policy. This agency procedure is established in sections 102 and 103 of the conference report, the final language of which is language that I suggested to the conference committee.

Section 102 tells the agencies to follow to the fullest extent possible under their existing auhority the procedures required to make their operations consistent with the environmental policy established in this act; and section 103

tells them to review their statutory authority and, if there are deficiencies or inconsistencies which prohibit full compliance with the purposes and provisions of this act, to report not later than July 1, 1971, what additional authority is needed to permit them to operate in conformity with this act. There is no language in these two sections to support the interpretation given in the statement of managers which reads:

The House conferees are of the view that the new language does not in any way limit the Congressional authorization and directive to all agencies of the Federal Government set out in subparagraphs (A) through (H) of clause (2) of section 102. The purpose of the new language is to make it clear that each agency of the Federal Government shall comply with the directives set out in such subparagraphs (A) through (H) unless the existing law applicable to such agency's operations expressly prohibits or makes full compliance with one of the directives impossible. * * * the intent of the conferees is that all Federal agencies shall comply with the provisions of section 102 "to the fullest extent possible," unless, of course, there is found to be a clear conflict between its existing statutory authority and the bill.

The conference report language requires the agencies to determine whether there are any deficiencies in their statutory authority which prohibit compliance, and you cannot make "deficiencies in statutory authority" mean "clear conflict between its existing statutory authority and the bill" merely by statements of intent and interpretation in the statement of managers. A deficiency in an agency statutory authority which prohibits compliance cannot be interpreted to mean that—

Each agency * * * shall comply * * * unless the existing law applicable to such agency's operations expressly prohibits or makes full compliance * * * impossible.

Mr. Speaker, I do not believe that this matter is of such urgency that we cannot take the time to follow an orderly procedure in requiring all agencies to get their operations in line with the environmental policy, needs, and goals of this Nation. They can do that by proceeding as required in the conference report to examine their authority and move quickly to recommend the necessary changes. The new statutory authority that is needed can then be recommended to the Congress and can be considered by the committees of Congress having jurisdiction.

I recommend approval of the conference report.

Mr. GALIFIANAKIS. Mr. Speaker, I am very pleased to see the results of the House-Senate conference committee on S. 1075, the National Environmental Policy Act of 1969. Our colleagues have brought forth an excellent piece of legislation which will, in my opinion, become a landmark in society's struggle to preserve the quality of our surroundings while continuing to enjoy high standards of living.

This legislation is further demonstration of congressional leadership in resolving the basic conflicts of using the environment. It caps a decade of response to public concern which has generated laws for pollution abatement, natural resource management, recreation and natural beauty. The enthusiastic administration of these laws by the executive branch should bring a restoration of environmental quality in the United States of which we may all be proud.

The activities of Government agencies will all be subjected to a thorough review, under the terms of this bill, to judge their impact on the environment and to minimize adverse effects. A great deal of scientific knowledge will be necessary to avoid subjective judgment and to form a basis for enforcement which is incontrovertible. I would call to the attention of the Congress, Mr. Speaker, the important facilities and the trained scientists and engineers now at work in North Carolina on these very problems. The research triangle area of Raleigh, Durham, and Chapel Hill houses three progressive institutions of higher learning. In addition the National Institute of Environmental Health and major laboratories of the National Air Pollution Control Administration are located in the area.

It is clear that these technical organizations will play a major role in implementing the bill we have before us today. The interplay of ideas facilitated by the proximity of many different laboratories and training centers will make North Carolina a focal point for Government and private sector management personnel as they seek the facts to bring their programs into consonance with the new National Environmental Policy Act.

Mr. HARSHA. Mr. Speaker, I am happy to have the assurance of the gentleman from Michigan (Mr. DINGELL) that there is no intent to infringe upon the jurisdiction of any committee in this Congress.

However, I am still concerned about the sweeping effect this legislation could have on the substantive law and the jurisdiction of practically every committee in this Congress.

Functions and responsibilities of the Federal agencies are substantively changed in the House substitute for S. 1075. These changes have a definite bearing on the interpretation of existing laws and administration of programs which are under the jurisdiction of committees other than the originating committee of this legislation in the House. In addition the annual environmental quality report which would include legislative recommendations for realining agency functions and responsibilities conceivably could be referred to that one originating committee and in effect make them an oversight committee for a myriad of programs presently under the jurisdiction of other committees.

I trust this is not the case and that the remarks of the gentleman from Michigan (Mr. DINGELL) will preclude any such action.

While I appreciate the assurances of the gentleman from Michigan I still have deep reservations about this conference report and feel I must warn the Members that they should be on guard against the ramifications of a measure that is so loose and ambiguous as this.

I fear that the purpose of this bill is to cause a change in the organization of the House of Representatives and to reorganize the administrative agencies for the purpose of transferring jurisdiction and powers to certain committees of this body.

Lest this sound too strong an accusation, I would remind this body that the President of the United States was the first to organize a Council of this nature. Under the guise for support of such a concept and with a view toward providing the benefits of a legislative organized body, S. 1075 and its original counterparts were set before the bodies of Congress.

However, if we read this bill and if we look at what it does, we discover it does absolutely nothing to control pollution. The language is vague and strange. The exposition which we may find in the CONGRESSIONAL RECORD of December 20 where the other body acted gives us cause to wonder. For example, I would invite the attention of my colleagues to the RECORD of December 20, 1969, page 40423, at the point where the distinguished junior Senator from Maine addresses himself to the meaning of this legislation. At that point the concern of the Public Works Committee of the other body was expressed because the language is such that it could be read and interpreted to mean that the jurisdiction of that committee in that body over various areas of environmenal concern would be altered. It is my understanding of the RECORD that assurances were given to the Public Works Committee of the Senate by that body that this was not the case. I must admit that I would feel considerably more content about this bill if similar assurances were given in this body.

I would like, if I might, to invite the attention of my colleagues to page 40425 of the RECORD of December 20. In this, the distinguished junior Senator from Maine distinguishes between environmental control agencies and those agencies which have a strong impact upon the environment. In the latter category, he means the Bureau of Public Roads, for example, as well as the Atomic Energy Commission. He further states that the nature and extent of environmental impact with regard to these agencies will be determined by the environment control agencies.

Now this might be a desirable thing; I do not know and I do not say at this time that it is not. I do say, however, that this is a major revision of the administrative functions of the U.S. Government and is indeed far beyond the concept of that which the House in its wisdom thought it was passing when H.R. 12549 was considered by this body.

Obviously there was considerable reservation in the Senator from Maine's mind about this bill or there would have been no need for the colloquy.

In other words, reasonable minds

could come to different conclusions about this legislation because it is so loose and ambiguous.

The impact of S. 1075, if it becomes law, I am convinced would be so wide sweeping as to involve every branch of the Government, every committee of Congress, every agency, and every program of the Nation. This is such an important matter that I am convinced that we here should consider it very, very carefully and make a clear record as to exactly the direction in which we wish the various elements of our Government, to move.

I regret that so important a matter is being handled in so light a manner. I realize the Members desire to adjourn for Christmas and that the hour is late and that we are all tired, but this is no subject to merely brush aside. I had hoped that this matter could be laid over until Congress reconvenes, providing the Congress with ample time to fully understand the complete ramifications of this legislation.

Mr. Speaker, I fear, too, that there may be a measure of politics in the action forced upon us here tonight.

Frequently, it is the practice in the American political arena to use emotionally charged words or phrases as a disguise for actions completely divorced from the true intent of the apparent purpose. I believe we have such a case here.

As we all know, the word "environment" has become emotionally charged. We are given to understand that a major thrust of the President's state of the Union address will concern itself with this subject. We have been told—and the CONGRESSIONAL RECORD supports it—that an effort is being made among the campuses of the country to make "environment" an issue leading to demonstrations of various types. It is my understanding indeed that high-placed Government officials in the legislative branch have extended their support for these demonstrations.

I would take the liberty, Mr. Speaker, of reminding this body that whenever a subject becomes so infused with emotion, the danger arises that it can be used to defeat the very purposes which it purports to support.

I suggest to this body that we have such a case here in S. 1075.

I have devoted much of the time that I have spent serving in this body to the creation, support and passage of pollution control legislation. I believe that I am thoroughly familiar with our problems in water pollution, our problems with the administrative agencies, and our problems in accomplishing the efforts made toward improving the environment. I am woefully aware of the problems that have not yet been solved; and I shall support as I have in the past, any legitimate effort to solve these problems but I cannot stand idly by and watch this most serious problem of our Nation and indeed of all the nations be used as a thin disguise of politically motivated moves.

Mr. Speaker, this matter should be laid over until Congress reconvenes in January so that Members can be adequately apprised of the full import of this measure.

Mr. FARBSTEIN. Mr. Speaker, I fully supported S. 1075 when it came to the floor of the House in October, and I continue to support it today. However, I hope that its passage will not serve as an excuse for substantive legislative action.

The bill establishes a national policy for the environment. Unfortunately, policy standards can easily get lost in the bureaucratic maze.

The bill authorizes studies and research on environmental problems. All too often, research has been used by the Federal Government as an excuse for action. The Federal Government has studied environmental problems to death. We know that our air and waters are polluted. It does us a great deal more good to establish programs to do away with this situation than to study the extent of it from every possible angle.

The bill also establishes a Board of Environmental Quality Advisers. More bureaucracy need not bring more action.

I hope that before this Congress adjourns next year, it can take some of the substantive steps necessary to demonstrate a genuine commitment to do something about the environment.

In the area of auto-caused air pollution, this means ignoring the pressure of the auto-oil complex and passing strict new standards for pollution control, controlling the use of additives in fuels, and making it clear in many other ways as well that the Federal Government is not going to sit idly by and let the automobile suffocate us all.

In the area of water pollution, this means enactment of legislation like the Regional Water Quality Act of 1970, to make the polluter pay for the cost of his pollution. It also means more money for water pollution abatement. I am the House sponsor of that bill.

It means that the Federal Government should be policing its own dispoiling of the environment.

The bill we have before us, S. 1075, is certainly a good bill and deserves enactment, but it must not be used as an excuse for substantive action.

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

REQUEST FOR AUTHORITY FOR SPEAKER TO DECLARE RECESS TODAY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that it may be in order at any time today for the Speaker to declare a recess subject to the call of the Chair.

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

Mr. GROSS. Mr. Speaker, I object.

The SPEAKER. Objection is heard.

PERSONAL EXPLANATION

Mr. STOKES. Mr. Speaker, on Saturday, on rollcall No. 347, on the adoption of the conference report on the Economic Opportunity Act amendments, I was away on business. Had I been present, I would have voted "yea."

Mr. Speaker, today, on rollcall No. 350, the conference report on the appropriation bill for the Departments of Labor and Health, Education, and Welfare, had I been present I would have voted "yea."

REVIEW OF THE FIRST SESSION, 91ST CONGRESS

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

Mr. ADAIR. Mr. Speaker, as the first session of the 91st Congress draws to a close, I think it propitious to review for the citizens of the Fourth Congressional District of Indiana the work of this Congress and my views on some of the important matters that have engaged our attention. In addition, I have included a summary of the legislation which I have introduced.

Although the Nixon administration has made more than 40 major proposals to the Congress, the Democratically controlled Congress has failed to act on many of these programs. There has been a sharp contrast between the vigor of the new administration and the lethargy of the Democratic leadership on Capitol Hill. Perhaps the greatest weakness of this Congress is that it did not manage the appropriations bills competently. The Government entered the new fiscal year last June 30 without a single appropriation being authorized. Consequently, many of the administration proposals on such badly needed programs as crime control, anti-inflation measures, tax reform, education and manpower training, revenue sharing, welfare reform, and electoral reform have been delayed.

There have, however, been occasional breakthroughs and action has at least been initiated on many of the Nixon proposals. Congress has been responding to the Nixon program to curb inflation by reducing Federal spending. The first comprehensive attempt at tax reform in years was undertaken by this session of Congress. Legislative progress was also made on improving the quality of our environment, draft reform, and social security. In addition, the Nixon plan for ending the Vietnam war has been solidly supported by the Congress.

TAXES

The major concern of the House of Representatives this session has been the overhaul of the antiquated tax structure. There are many loopholes in the tax laws which no longer serve the interests of the country, either from a revenue or public policy standpoint and which result in an undue tax burden being placed on the middle income group. Thus, I voted for the tax reform bill which passed the House in August. The $7 billion measure provides a tax cut of at least 5 percent for all taxpayers with incomes under $100,000 annually by 1972, removes 5 million low-income earners from all Federal income tax obligations, permits 10 million taxpayers

to use the simplified form instead of itemizing their deductions and closes major loopholes in the present tax laws. Another tax reform measure that I supported was the Interstate Taxation Act which prohibits taxation of the same income by more than one State and allows a State to levy income taxes only on one domiciled in the State or one earning income within a State.

As in the last Congress, I again voted against the surtax. In my view, judicious budget pruning would eliminate the necessity for this tax. With State and local taxes so high, I just did not feel that continuance of the surtax was justified. Another provision of the surtax extension act that I opposed was the repeal of the 7-percent investment tax credit which I believe should be retained as a stimulant to business expansion.

ECONOMY VOTES

In order to prevent further increases in Federal taxes and to secure a balanced budget so necessary to stop inflation, I made an effort to vote only for programs vital to the country and at a reasonable level of funding. For the most part, however, the authorization and appropriation requests of the Nixon administration have been reasonable and should once again result in a budgetary surplus. The past fiscal year was the first time in 10 years that a national administration closed its fiscal books in black ink instead of red ink.

Two main areas that I felt required reductions in spending were the space program and foreign aid. The annual authorization for NASA this year was $3.9 billion which is less than previous years and represents a recognition that we need to solve many of our problems on earth such as air and water pollution while we carry on our space exploration. Having attended the launch of Apollo 11 and having spoken with the astronauts, I fully realize the importance of the space program, but feel that we must be patient and only allocate what we can afford to the program.

Although the Nixon administration has effected improvements in the foreign aid program, there is still too much evidence of wasted taxpayers' dollars. Thus, I voted against both the foreign aid authorization bill and the foreign aid appropriation bill. I offered amendments both in the Foreign Affairs Committee and on the floor of the House which reduced the requested authorization substantially.

Further attempts to curb expenses included my vote against the addition of another staff member for congressional offices at the taxpayer's expense, opposition to the construction of a new wing to the Capitol Building, and support for the provision in the Agricultural Appropriations Act limiting Federal subsidy payments to farmers to a ceiling of $20,000 per year.

DRAFT REFORM

I strongly favored the draft reform legislation initiated by the Nixon administration as it should cure many of the inequities in the present system. It will minimize the disruption in the individual lives of our young people by reducing the period of prime vulnerability to the draft from up to 7 years to 12 months. Moreover, selection of those classified as "available" on a completely random basis will give all an equal chance.

ELECTORAL REFORM

During the last presidential election it became apparent that a situation was developing whereby the contest could have been thrown into the House of Representatives. Fortunately, this did not happen, but it was evident that reform was in order. While I favored the district plan and introduced a bill proposing such, I voted for the direct election plan on final passage in order that the Nation would not have to face the possibility of another presidential election under the present system. The Senate still has to act on the constitutional amendment and it must be ratified by three-fourths of the States.

CRIME LEGISLATION

As crime continued to rise across America, the democratically controlled Congress continued to delay consideration of anticrime bills, some of which President Nixon asked for as long ago as January 31. The President proposed a wide-ranging attack on criminal activity at all levels, including a stepped-up drive against organized crime, illicit drug traffic, and illegal gambling; legislative changes in witness immunity laws, bail reform laws, and grand jury procedures; and Federal aid to State and local enforcement agencies. The only proposal acted on by the Congress was an amendment to the Bail Bond Act, which I cosponsored, to permit "preventive detention" until a trial is held of defendants likely to commit further crimes. Among the few anticrime bills to come before the House, all of which I supported, were the following: establishment of a Select Committee To Study Crime; the Correctional Rehabilitation Act; and the Drug Abuse Education Act which authorizes educational programs concerning the adverse effects from the use of drugs.

CONSERVATION AND POLLUTION CONTROL

The House was especially active in this area, as we all realize the urgent need to improve the quality of our environment. The House passed the Water Pollution Control Act which amended and strengthened water pollution control legislation and proposed an authorization of $348 million for a 3-year period. Furthermore, the Public Works Appropriations bill called for $600 million for water pollution control grants to the States. This is considerably more than has been appropriated in the past. I also supported the Clean Air Act which authorized funds for research into air pollution problems involving fuels and motor vehicles, the major contributors to air pollution. In addition, legislation was passed to establish a Council on Environmental Quality. Permanent machinery to study and recommend solutions for this pressing problem has long been needed.

EDUCATION

Several constructive developments occurred here. I supported the Republican proposal for a 2-year extension of the Elementary and Secondary Education Act approved by the House instead of a 4-year extension. A shorter authorization is needed as Congress should change the fund distribution formula after the 1970 census results and the program should not be frozen beyond the current 4-year presidential term. This bill also combined four Federal grant programs into a single block grant to the States which is much more efficient and allows better planning by the States and local communities. Since I strongly support vocational education programs as they make productive citizens out of many who would otherwise be on our welfare roles, I voted for an amendment to the HEW appropriations bill which raised the total for HEW programs to $17,500,000 as the increase was primarily in the area of vocational education. The House also passed the student loan emergency bill which increased the Federal subsidy on student loans by 3 percent. This was imperative as college tuition in Indiana went up markedly this year and at the same time interest rates on loans increased. Finally, I favored a House-adopted amendment to a supplemental appropriations bill which denies Federal interest subsidies on college construction loans to colleges which fail to certify that they are complying with a law directing colleges to cut off Federal aid to students or employees convicted of crime of force against the college or who engage in disruptive activities detrimental to the college. I voted for this amendment as I felt the Congress had to do something to assure those students who are in college primarily for an education that they will obtain the education for which they paid.

SOCIAL SECURITY

The Congress passed an immediate across-the-board increase in social security benefits of 15 percent for the 25 million elderly people, disabled people and their dependents, and widows and orphans who now get monthly benefits. Because of the recent inflationary trend, it became obvious to me that there was a pressing and urgent need for an across-the-board increase in the social security payments of people now on the benefit rolls.

DEFENSE SPENDING

Although I feel that some budgetary restraints are needed by the Pentagon in its operation of our Defense Establishment, I voted for the military procurement authorization bill which included funds for the ABM as it is needed to protect U.S. missile bases against a Soviet first strike and would aid rather than harm our nuclear disarmament talks with the Soviet Union. By deciding not to put ABM's around our cities, the President has effectively removed them from the list of high priority targets, but at the same time has made certain that we will have the power to react if an enemy strikes first. This is the best way, I feel, to deter such an attack and save millions of lives if it should ever take place.

COMMITTEE WORK

As the senior Republican member of the Foreign Affairs Committee, I have spent a great portion of this session working on legislation affecting our for-

eign affairs and also consulting regularly with President Nixon and Secretary of State Rogers on Foreign policy matters. The bulk of the committee work concerned foreign aid. As I mentioned previously, I led the successful effort to reduce the amount authorized and encouraged more emphasis on technical aid rather than on grants and loans. A new feature of the Foreign Aid Act is the Overseas Private Investment Corporation which will facilitate private U.S. investment abroad, and, thereby, reduce the need for U.S. tax dollars to be spent on foreign assistance.

Both in the committee and on the floor of the House, I supported the annual authorization bill for the Peace Corps. During the hearings on the bill, we heard a good deal of refreshing commonsense testimony from the new Director, Joe Blatchford. He proposed that we utilize the services of older persons whose families are grown and who have the skills so needed by the developing countries. Moreover, because of Blatchford's reduction of administrative personnel, the Peace Corps was able to reduce its request for funds by $8,700,000.

The Foreign Affairs Committee spent most of its remaining time on the consideration of a resolution which I, along with others, introduced supporting the President's plan for ending the Vietnam war and a resolution which I also cosponsored concerning the humane treatment of American prisoners of war in North Vietnam. Both passed the House by large margins.

I was equally pleased by the work the Veterans' Affairs Committee on which I am now the third ranking Republican. Legislation increasing the monthly education allowances for GI's was reported out and approved by the House. The Senate has passed a similar but not identical bill, and both Houses are now meeting in conference to iron out the differences. Other veterans legislation which was favorably acted on includes the elimination of the requirement for filing an annual income questionnaire, a raise in dependency and indemnity compensation, and liberalization of mailing privileges for servicemen. The committee has also begun action to prevent veterans' pensions from terminating as a result of the recent increase in social security benefits.

LEGISLATION INTRODUCED

Following is a list of some of the bills I have introduced which I feel are vitally important to our country and to the Fourth District:

House Joint Resolution 304, FCC study of violence on TV;

House Joint Resolution 305, constitutional amendment allowing prayer in public schools;

House Joint Resolution 357, constitutional amendment for electoral reform;

H.R. 3045, definition of food supplements for the Federal Food, Drug, and Cosmetic Act;

H.R. 3855, establishment of a Commission To Improve Government Management;

H.R. 4782, exempt ammunition from Federal regulation;

H.R. 4783, limit questions in census taking;

H.R. 4784, increase outside earnings without deductions from social security benefits;

H.R. 5168, preventive detention of criminals;

H.R. 5171 and H.R. 14202, prohibit mailing of obscene material;

H.R. 7427 cost-of-living increases for railroad retirement;

H.R. 7428 cost-of-living increases in social security payments;

H.R. 8769, permit joint operation of newspapers for economy reasons;

House Concurrent Resolution 169, Biafran relief;

H.R. 9156, deduction of increased living expenses from taxes due to the destruction of one's home;

H.R. 9355, Supreme Sacrifice Medal for wives and parents of servicemen killed in Vietnam;

H.R. 11118, liberalize eligibility of blind persons for social security benefits;

H.R. 12744, authorization of Eisenhower silver dollar;

H.R. 12425, addition of kidney disease to Public Health Act;

House Resolution 301, creation of National Gerontology Center to study ways to help the aged;

H.R. 13053, benefits for firemen and policemen killed in line of duty;

H.R. 13374, funding of Federal Water Pollution Control Act;

H.R. 13463, creation of mass transit trust fund;

H.R. 13776, establishment of orderly procedures to consider renewal of broadcast licenses;

H.R. 13875, broaden active duty allowed for GI education benefits;

H.R. 13983, revenue sharing with the States;

H.R. 14130, increase in home loan financing for veterans;

H.R. 14214, railroad passenger service standards;

House Resolution 614, "peace with justice in Vietnam" resolution;

House Concurrent Resolution 441, prisoner of war declaration;

H.R. 14893, giving Secretary of State authority to impose restrictions of travel to countries when such travel undercuts American foreign policy; and

House Resolution 758, establishment of congressional Committee on Improveing the Quality of Our Environment.

CONCERN FOR THE SECURITY OF ISRAEL

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

Mr. PODELL. Mr. Speaker, I am deeply concerned about the security of Israel in the conflict that now rages in the Middle East. The erosion of Israel-American relations threatens that security still further.

Many of the points in the December 9 speech delivered by Secretary of State William P. Rogers contradict some of the earlier administration's declarations concerning Israel. On December 19, I wrote to President Nixon asking him to clarify the U.S. position on this matter.

I think it important that the contents of this letter be repeated.

DECEMBER 19, 1969.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: I have carefully examined Secretary of State William P. Rogers address of December 9, 1969, stating the Administration's policy objectives in the Middle East. Secretary Rogers enunciated a stand that appears to differ in important aspects from your own thinking on the issues of peace and security in that region.

It would appear to me, Mr. President, that the Congress has a right to know whether to regard Secretary Rogers' expressions or your own words as the official guideline to our Middle East policy. You have often stated that it is important for our enemies not to miscalculate on our intentions. A situation now exists, however, that finds Members of our own Congress confused as to whether the Administration is still backing Israel's insistence on a real peace as the essential precondition for any rolling back of Israeli forces from the present firing lines.

I would be appreciative, Mr. President, if you would clarify the actual position of the United States Government on the question of Israeli withdrawal from occupied territory. Secretary Rogers has opened a Pandora's box of confusion by giving the Communist bloc and the Arabs the impression that the United States might press Israel to withdraw in exchange for some flimsy accord that would fall short of an actual peace treaty. The notion is spreading that our government is willing to use its great influence on Israel to accept a withdrawal arrangement similar to the 1957 roll back. You are aware, sir, of how the 1957 withdrawal from the Sinai Peninsula contained international assurances that were so lacking in substance that we are now faced with the present tragedy which is daily taking a toll of Israeli lives.

I am certain you recall your erudite and well-received address of September 8, 1968, before the B'nai B'rith convention in Washington, D.C. You asserted that "it is not realistic to expect Israel to surrender vital bargaining counters in the absence of a genuine peace and effective guarantees." Have you now changed your mind?

You stated in that same speech that "we support Israel because it is threatened by Soviet imperialism". Yet Secretary Rogers failed to remark on that fact in his recent remarks. Nor did he find a single word in his lengthy address to denounce the growing menace of Soviet support of Arab guerrillas and terrorists and the deadly pipeline of Russian munitions supplying the unrelenting Arab war against Israel.

In your own speech, sir, you stated that "we must impress upon the Soviets the full extent of our determination". But Secretary Rogers gives the impression that we might be vulnerable to appeasement at Israel's expense. He said nothing about the vitriolic anti-Israel and anti-Jewish policies of the Soviet Union. Are you still mindful, Mr. President, of this sinister aspect of the Kremlin's policies?

You told the B'nai B'rith that "we can hardly ignore the fact that during the past five years of active Soviet penetration, the United States Government has at times seemed to hide its head in the sands of the Middle East. The (previous) Administration has failed to come to diplomatic grips with the scope and seriousness of the Soviet threat". Sir, is your own Administration similarly failing?

Mr. President, you told the B'nai B'rith in 1968 that "as long as the threat of Arab

attack remains direct and imminent . . . the (power) balance must be tipped in Israel's favor". You pointed out that "if maintaining that margin of superiority should require that the United States should supply Israel with supersonic Phanton F–4 jets, we should supply those jets so that they can maintain that superiority".

Secretary Rogers did not even state that we were still concerned about a balance to deter aggression. Are you still in favor of maintaining an Israeli margin? When may we expect a reply to the promise you made to Israeli Premier Golda Meir when she visited the White House last September? Mrs. Meir got the very definite impression, it would seem, that you were following the Soviet military build-up of the Arabs and were considering authorizing the sale of additional jets, in addition to financial arrangements to enable Israel to cope with the developing military situation. As an original sponsor of the Congressional resolutions favoring the provision of Phantom jets to Israel, I would naturally like to know what is happening involving the supply of such aircraft beyond the number originally sold. I also am extremely eager to know whether we will agree to financial arrangements that would permit Israel to deter the mounting Soviet-backed and Soviet-armed vendetta of the radical Arab states against Israel.

Secretary Rogers has created more questions than he answered. I feel that the crisis in the Middle East requires that we say what we mean—and that we mean what we say. Since I, as a Member of the Congress, do not know what is going on with reference to our Middle East policy, there is a considerable likelihood that the Russians and their Arab friends may grievously miscalculate on American intentions.

I would deeply appreciate a reply that would help clarify the seeming inconsistencies.

With assurances of the highest, personal respect.

BERTRAM L. PODELL,
Member of Congress.

IS DAVID ROCKEFELLER PROMOTING ANTI-ISRAEL POLICIES?

(Mr. KOCH asked and was given permission to address the House for 1 minute, and to devise and extend his remarks and include extraneous material.)

Mr. KOCH. Mr. Speaker, an article which appeared in the New York Times today indicated an apparent anti-Israel position by David Rockefeller, president of the Chase Manhattan Bank and several other oil company executives who are advising the President. The implications of that article distressed me and I am sure other Members of this House.

To ascertain whether the columnist correctly stated Mr. Rockefeller's position, I have written to him today. A copy of my letter follows:

HOUSE OF REPRESENTATIVES,
Washington, D.C., December 22, 1969.

Mr. DAVID ROCKEFELLER,
New York, N.Y.

DEAR MR. ROCKEFELLER: I was very distressed to read this morning in the New York Times an article by Tad Szulc which clearly indicated that you, as president of the Chase Manhattan Bank, John J. McCloy, former president of the Chase Manhattan, and Robert B. Anderson, former Secretary of the Treasury and director of Dresser Industries Company, which has oil interests in Kuwait and Libya—as well as others—met with the President on December 9th and advised him against continuing the present policy of allegedly supporting Israel in its confrontation with the Arab countries. It appears that you basically argued that the oil industry and perhaps the Chase Manhattan Bank are suffering because our policies toward Israel have received an adverse economic and political reaction from the Arab states—and that "the United States must act immediately to improve its relations with oil producing and other Arab states."

In my own judgement, the United States has not sufficiently supported Israel and has failed to provide it with arms and planes necessary to offset the arms and planes furnished by the Soviet Union to the Arab states, and indeed now Secretary Rogers is attempting to impose a settlement in the Middle East which would be adverse to Israel. I, for one, believe it is in our national interest to support the State of Israel as the one democratic government in that area which from its inception has identified with the United States and for which reason it has gained the enmity of the Soviet Union. In addition, and of equal importance, are the moral reasons for supporting the people of Israel in their fight to survive. However, if you are not already convinced of the validity of both or either of these two reasons, this letter will not persuade you and I will not attempt to elaborate on them.

The reason for this letter is to inquire whether the thrust of Mr. Szulc's article was correct. And to do so I would appreciate having the opportunity of meeting with you as soon as possible.

While you and the Chase Manhattan Bank have an absolute right to take any position you deem correct in support of your economic interests and while I have no quarrel with your having financial agreements with any of the Arab states, I want you to know that when you attempt to influence the foreign policy of the United States so as to support your economic interest, you run the risk of having those who disagree with you undertake a campaign designed to render effects which would be economically adverse for the Chase Manhattan Bank. The survival of Israel is an important issue to me and my constituents—Jews and Christians alike. If after our discussion, it is clear that the article fairly sets forth your position, further acts with respect to your bank would be in order. And in that eventuality, your patrons may be heard from.

Sincerely,

EDWARD I. KOCH.

PLAN TO RESTRUCTURE NEW YORK PUBLIC SERVICE COMMISSION

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

Mr. LOWENSTEIN. Mr. Speaker, Monday's papers headlined a story on Governor Rockefeller's plans to restructure the New York Public Service Commission. The commission's predilection for servicing the utilities it is supposed to regulate, rather than protecting the public, has been documented many times.

Many of us in Nassau County are living and working literally on top of explosive evidence of the commission's dereliction of duty. I am referring of course, to the high pressure pipeline installed with the cursory approval of the State Public Service Commission by the Long Island Lighting Co. The route for this pipeline—capable of generating pressure of up to 350 pounds per square inch—runs directly through heavily populated and traveled routes in Rockville Centre, East Rockaway, Long Beach, Island Park, Lynbrook, Hempstead, Malverne, and Oceanside. In many instances the route passes within 50 feet of residences and within 12 feet of a high school. The Public Service Commission took the incredible position that the choice of route for this potentially lethal installation was largely within the discretion of the LILCO and did not really subject it to scrutiny.

In fact, the commission held absolutely no hearings on the entire issue until the construction of the pipeline was virtually completed and $9 million had been spent. After 4 days of so-called hearings in which no cross-examination was permitted, the commission predictably issued a finding that permitted the completion of the pipeline. Subsequent lawsuits by aroused citizens groups and affected villages were unsuccessful largely on technical grounds. However, in these cases one senses an underlying feeling by the court that the existence of the Public Service Commission as a guardian of the public interest, was persuasive in denying these petitions. Residents of the areas through which the pipeline traverses are not so deluded. They are living over a powder keg of incalculable destructive potential. At least once in a week gas leaks and explosions are reported in various parts of the country. Yet, not one of these disasters approaches what could be the magnitude of a similar incident in Nassau. Potential for explosion or leaks is always present and becomes greater as time goes on. The pipeline is constructed a few inches under heavily traveled highways, and is located closer to homes, schools, and other underground utility lines than the distance specified by law. This variance was made possible by further odd behavior on the part of the Public Service Commission—again acting without hearings—without even consulting the people most directly affected.

If this pipeline did not represent such a continuing potential for catastrophe for so many human beings, we could file its existence as a case history of the way in which the Public Service Commission and the utilities it is entrusted with regulating operate in partnership, cynically disregarding the need and rights of the public.

But it does represent such a potential, and residents of the community cannot file as history what remains a clear and present danger. They have sought redress from the commission, from the courts, and from Congress. Their cause is the cause of all Americans whose rights and interests have been subordinated to the financial conveniences of powerful companies and the unrelenting pressure of a technology that may yet destroy its creators. All of us who have been in this fight welcome the new voices that have joined our protest against the failures of the Public Service Commission to fulfill its functions.

We hope they will add their energies as well as their words to the tough battle to bring some regulation to the regulators.

And we hope they will remember that among the continuing victims of the Public Service Commission's past derelictions are the people who must live every day literally on top of the LILCO pipeline. We will not be quiet while this totally inexcusable invitation to disaster perils the health and safety of our community.

COAL MINE SAFETY BILL

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

Mr. MOLLOHAN. Mr. Speaker, it is unfortunate that the administration has taken its present stance as Congress moves to clear its agenda for this session.

The threat of a veto is, of course, a legitimate weapon in the President's political arsenal; but in the past, most administrations have exercised this threat only at times when legislative and executive branches have reached an impasse.

It is unfortunate that an administration should use this most potent of weapons to shape legislation when other means, and more constructive means, have been and are available.

For instance, the administration used the veto threat against the coal mine safety bill last week, because of the expense of the compensation provisions, even though the Secretary of the Interior ignored until last week a request of 6 months ago to comment on those very provisions, and their expense. The conferees had completed their work a full month before the Secretary answered. Thus, the threat to veto the legislation came at a time when neither House was in a position to reopen its consideration of that bill. In this instance, the threat of veto hampered rather than contributed to the legislative process.

Now we are faced with the threat of veto for the supplemental appropriations for Labor and HEW unless the President's civil rights plan, the Philadelphia plan, is left intact. The Comptroller General has flatly stated that the plan is in direct violation of the 1964 civil rights law. In view of the administration's efforts to curb Federal construction and the general decline in the construction industry at this time, implementing the Philadelphia plan would be profoundly divisive at a time when this Nation should seek unity rather than further division.

Capitalizing on the desire of the Congress to adjourn, the administration is using this threat of veto to shape legislation on taxes and appropriations alike. The Senate was bluntly informed during its consideration of both tax reform and the appropriations for the Departments of Labor and Health, Education, and Welfare, that their legislation was unacceptable and would be vetoed. The warning was based upon the cost of the two measures and both were represented to the public as being highly inflationary. The administration declined to note that even with the higher expense of the tax bill and the outlays for Labor and HEW, the budget would not be disturbed because of the nearly $5½ billion cut in the Defense budget.

This use of executive powers is a form of legislative overkill, and it is lamentable that the administration has chosen such a blunt and inflexible approach to shape the Nation's legislation. It is more provocative than productive, and the response of the Hill is more likely to be reactive than reasoned. In the final analysis, this attempt to legislate through veto is likely to be more damaging to the country than helpful.

PRICE OF CHRISTMAS TURKEYS AFFECTED BY ECONOMY

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

Mr. McCARTHY. Mr. Speaker, as Americans shop for their Christmas turkeys the high prices of the festive birds remind them that we are suffering from the worst inflation in 18 years.

Last month the wholesale price of turkeys skyrocketed 6½ percent. And indications are that the average turkey price of 52.2 cents a pound will go even higher in the future.

Since President Nixon took office inflation has pushed prices up 5½ percent—the highest rise since 1951. Another increase this month equal to last month's will make 1969 the most inflationary year since 1947.

In the meantime, the average weekly paychecks of some 45 million U.S. workers have actually dropped. They fell 62 percent last month because of shorter work weeks in the slowing U.S. economy.

When asked about price increases 7 days after taking office, President Nixon answered that the Government would not intervene in price and wage decisions, that the fight against inflation would rest on fiscal and monetary policy and he would not exhort business and labor.

That blew the lid off prices right there.

The President has supported a severe monetary policy. He demanded continuation of the tax surcharge. But unlike President Johnson, he has made no effort to use the moral power of the presidency to persuade business and labor to modify their price of wage demands. The Johnson administration not only used moral suasion but put the pressure on rising prices by sales out of stockpiles and by altering Government buying policies, especially at the Pentagon.

While Members of Congress, including myself, have sought to reduce defense spending, not only to shift priorities but to fight inflation, the President has supported almost all of the new major weapons systems. Clearly, in this vital area, the President has fumbled the economic ball and set off a cycle of runaway inflation. And the effect has been devastating especially on those with fixed incomes, those living on social security and pensions. In the case of working men and women, price increases have far outdistanced gains in wages.

I believe the time is long past due for President Nixon to start using the powers of his office to do something meaningful to halt this cycle of runaway inflation.

NEW APPROACHES TO THE HOUSING CRISIS

The SPEAKER. Under a previous order of the House, the gentleman from Texas (Mr. PATMAN) is recognized for 30 minutes.

Mr. PATMAN. Mr. Speaker, the Secretary of Housing and Urban Development, George Romney, has made clear his conviction that high-interest, tight-money conditions dominating the Nation's economy have produced an explosive situation in terms of the country's housing needs.

He has declared that it is now impossible for half of the Nation's population to afford a new home.

He has stated that the dimensions of the problem now translate into the need to create one new city of 250,000 people every month for the remainder of the century—360 such cities having a total population of 90 million people by the year 2000.

He has said that the recent increase in the annual rate of new housing starts from 1.3 million in August to 1.5 million units in September is a "temporary aberration" and that he expects the level to decline significantly in the months ahead. Other housing experts predict the rate of new housing starts will drop to 1 million or less by the end of this year or early in 1970. This is little more than one-third of the number of units annually required to meet the Nation's housing goal. Furthermore, the great majority of single-family dwellings now being constructed are in the $30,000 bracket and up. In other words, the low- and moderate-income families of the Nation have been priced out of the housing market.

TIGHT MONEY—HIGH INTEREST

Tight-money, high-interest conditions are all but crippling savings and loan associations which account for nearly half of all residential mortgages in the Nation. The flow of funds into these institutions is expected to be reduced by 44 percent during the first 10 months of the year, $2.9 billion so far this year as compared to $5.2 billion during the same period last year.

The situation is almost as severe for mutual savings banks which account for 16 percent of all residential mortgages and rank second as a source of home loans in the Nation. The flow of funds into mutual savings banks is down 37.4 percent and September was one of the lowest inflow months on record for these banks.

The situation with life insurance com-

panies which provide 14 percent of all residential mortgage loans shows a reduction of $1 billion during the first 10 months of the year.

And commercial banks, which also supply 14 percent of all residential mortgages, had a reduction of over 50 percent in large certificates of deposits between December of 1968 and October this year, from $24.4 billion to $11.6 billion.

Tight money-high interest rate conditions have clearly produced an ever worsening drought in the flow of mortgage funds. Assets that ordinarily would be devoted to this field have been diverted to higher yielding, shorter term investments.

IMPENDING DISASTER

Mr. Speaker, this is a thumbnail sketch of impending disaster made ironic by the priority we continue to give other projects. If things continue as they are we will be housing middle income scientists on the moon long before we get around to the decent homes and suitable living environment Congress promised the American people last year. We will be financing luxurious, supersonic air transports for jet setters and corporate executives while the price of housing skyrockets because demand far exceeds the supply. We will continue to tabulate military costs overruns while the rate at which housing falls into the substandard category runs wild.

There is little satisfaction to be gained by stressing our technological superiority to both our allies and enemies when many of these same countries are doing a far better job of meeting the needs of their people. Last year, when housing starts were higher than is presently the case, the United States provided 7.69 units per 1,000 residents, but Sweden produced 13.43 units, Japan built 11.89, the Soviet Union provided 9.80, the Netherlands built 9.63, and France produced 8.23.

The Director of the Standards Policy Office of the Commerce Department, A. Allen Bates, asserts:

> Within a few years—perhaps a decade—it will probably be generally acknowledged internationally that the best housed inhabitants of any large country in the world are those of the USSR. The political impact of this situation will be profound. The United States will suffer devastating comparisons.

Under these circumstances it would be painfully embarrassing to claim that our capitalist, free enterprise system is the basis for the best of all possible worlds.

RELIANCE ON PRIVATE SECTOR

Secretary Romney, who launched a successful revolution in the Nation's massive auto industry by fathering and selling the compact car, and President Nixon who saw the world from the rose-colored halls of Wall Street, have placed their faith in the private sector to achieve a solution in our housing crisis. Secretary Romney is fond of saying that the greatest single market in the future of the Nation's economy is the housing market. His assessment is correct only if the private sector provides the financing for this market and so far it has dismally failed to do so. To this Secretary Romney replies that the private sector cannot be expected to meet necessary investment quotas in housing until a large puncture has been made in our inflationary bubble. So far the only thing that has been deflated is the housing industry, and there is little evidence of change in other segments of the economy despite the hopeful forecasts of the administration's economic wizards.

Among the things which are obviously needed is the channeling of large blocks of funds into housing from sources which until now have remained relatively untapped. Such action should take place immediately and not on some distant, unknown date when the United States has slipped from a sixth-place ranking in housing to 10th or 15th and our housing industry is too weak to climb out of its sick bed.

NEW APPROACHES

One of the largest investment possibilities that can and should be utilized is the assets of private pension funds which total more than $115 billion, providing a completely tax-exempt annual income of nearly $6 billion. The tax advantage given these pension programs now totals more than $3 billion a year.

Another equally important source is in the use of the assets of the Federal Reserve to purchase housing paper.

This bill opens the way to turn both of these possibilities into concrete action.

The growth of private pension fund assets, including those programs administered by insurance companies, has been nothing short of phenomenal. During the 9-year period 1960 to 1968 total assets rose from $52 to $115 billion, more than doubling, and the rate of future growth is expected to be even more spectacular. It is now estimated that by 1981 private pension fund assets will total more than $200 billion and will comprise one of the largest single investment forces in the Nation's economy.

This is especially true for the corporate empires of the Nation. The most outstanding feature of pension fund change during the 9-year period has been their collective gallop into common stock investments. In 1960 private, noninsured pension funds, with total assets of $33.1 billion, had $10.7 billion worth of common stock, a little more than a third of the value of all their assets. Today the value of their common stock investments amounts to more than $40.3 billion, more than half the value of their total assets.

No other aspect of private, noninsured pension fund investments have moved so dramatically. In fact all other types of investments are far below the $40 billion in common stock, the next closest being $26 billion in corporate bonds. Other investments occupy relatively minor positions, among them real estate loans and mortgages which in 1960 totaled $1.3 billion and now total about $3.9 billion.

Another aspect of the striking growth of private pension fund assets is the low rate of return their investments produce. A study of the 100 largest private pension funds, having assets totaling $33.1 billion, shows the rate of return on investments seldom exceeds 5 percent, and a large number of the plans have rates of return which do not exceed 4 percent.

GREAT POTENTIAL

Mr. Speaker, these facts clearly illustrate the potential of private pension plans to pump desperately needed resources into the housing market—primarily into the low and moderate income family housing market where the flow of mortgage funds has virtually evaporated and where the need is greatest. Accordingly, I am introducing a bill which establishes a formula by which private pension plans can be directed to make such investments in return for the tax advantages they now enjoy, amounting to more than half the earned income of these plans. In essence, the bill calls on the Secretary of Housing and Urban Development to determine the investment required to meet the national housing goal of 600,000 low- and moderate-income units a year, assess how much of this investment can be expected to be made from sources which are now supporting this section of the housing market, and determine how much of an investment is required from the private pension plans to fill the gap.

The fact that pension programs now hold mortgages totaling $3.9 billion verifies beyond doubt that program administrators have found such purchases fit requirements for prudent and secure investments. The bill provides that investments ordered by the Secretary of Housing and Urban Development shall be in mortgages which are federally insured or guaranteed, thus removing all question of risk.

It also removes all doubt about providing an adequate return since mortgages insured by the Federal Housing Administration or guaranteed by the Veterans' Administration are now yielding 8 percent, almost twice as much as the rate of return for all but a few pension programs as indicated by the study of the top 100 plans. Moreover, it is fair to assume that although private pension plans have invested in mortgages, an extremely small portion of this investment is in homeownership loans for low- and moderate-income families. By emphasizing the purchase of mortgages in this particular category, pension plans would at once be making a high yield investment and performing an urgently needed social service backed by the full faith and credit of the United States. It may be argued that to divert funds from common stock purchases to mortgages will reduce the rate at which pension plan assets appreciate. To this I say that an absolutely safe mortgage investment paying 8½ to 10 percent interest means that a $20,000 mortgage with a 30-year term will provide interest payments totaling over $32,000 alone, or more than 1½ times the amount of the principal, an arrangement that seems more than adequate in view of the tax-free status of the multimillion-dollar investment portfolios.

For administrative purposes, my bill would authorize the Secretary of Housing and Urban Development to confine his directives concerning investment of assets to those pension plans which have assets valued at $4 million or more. This would take in most retirement programs.

FEDERAL RESERVE PURCHASES

Mr. Speaker, title II of my bill would open a second avenue leading to substantial new investments in housing mortgages. Title II would authorize and direct the Federal Reserve to buy and sell in the open market, or deal directly with the issuing agency, any obligation which is a direct obligation or fully guaranteed as to principal and interest of any agency of the United States. The bill makes it clear that it is the sense of Congress that the legislation shall be used to meet the national housing goals through the purchase and sale of residential mortgage paper by the Federal Reserve.

In 1966 Congress authorized the Federal Reserve to make such purchases but since then that agency has looked on this legislation as being permissive rather than a directive and has never utilized it despite the housing crisis that existed at the time of enactment and the housing crisis that is currently crippling our housing industry. In effect, the Federal Reserve has refused to comply with the will of Congress. It is ridiculous to think that Congress would grant the authority to make housing paper purchases without also assuming that Congress clearly meant that this authority should be exercised in a meaningful way.

In rationalizing its position, the Federal Reserve has insisted that its role is to deal with general monetary policies and that it does not work with specific segments of the economy. The fact of the matter is that the high-interest, tight-money policies of the Federal Reserve strike first, foremost, and almost exclusively at the housing market with the result that a large share of the responsibility for the Nation's massive housing problem rests with that agency.

The Federal Reserve's position has even been contradicted by its own studies. Describing the results of restrictive monetary policy, Federal Reserve Governor Dewey Daane said:

> We find a rise in mortgage rates and a reduction in the availability of market credit to borrowers—and hence . . . a relatively prompt and significant effect on housing starts.

One illustration of this situation came in 1966 when the Federal Reserve's policies took $8 billion worth of credit out of the economy and $7 billion of the total came out of housing alone.

HOUSING PRIORITIES

Mr. Speaker, the Government of this Nation must finally begin to look at housing needs as being on the same level of importance—the same level of necessity—as adequate food, clothing and medical care for the people of this Nation. This bill, applying as it does to the use of private pension fund assets and the assets of the Federal Reserve for the purchase of residential mortgages, especially mortgages for low and moderate income families, constitutes a long step in this direction. The thrust of the measure goes to the point that it is not enough to simply create housing programs which provide fully insured and guaranteed mortgages for purchase by the private sector to meet our housing goals. The bill provides a way to help make these programs fully responsive to the needs of the Nation and the intent of Congress during times of crisis in the housing industry.

Mr. Speaker, I include in the RECORD the text of the Mortgage Investment Act and data disclosing the assets and income of the 100 largest private, noninsured pension plans. Inspection of these figures graphically indicates the potential of these and other pension plan programs to help end our housing crisis.

The material follows:

H.R. 15402

A bill to amend the National Housing Act and the Federal Reserve Act to help meet the national housing goals, including the goals for low- and moderate-income families through the purchase of mortgages with private pension fund and Federal Reserve assets

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 "Mortgage Investment Act".

TITLE I

PENSION FUND MORTGAGE INVESTMENTS

SEC. 101. Title V of the National Housing Act is amended by adding at the end thereof the following new section:

"INVESTMENT IN LOW- AND MODERATE-INCOME HOUSING MORTGAGES BY PRIVATE PENSION FUNDS

"SEC. 524. (a) (1) The Congress finds that housing starts in the United States have dropped to an alarming level due largely to the inflationary, high-interest-tight-money condition of the economy. This shortage of mortgage money on reasonable terms is felt most severely by the Nation's low- and moderate-income families—a group whose housing needs have reached a crisis stage because adequate funds on reasonable terms are not available for mortgage investments of this type. Moreover, it is impossible to realistically hope for fulfillment of the national housing goals of six million new and rehabilitated units in ten years for low- and moderate-income families, as set forth in the Housing Act of 1949 and reaffirmed in the Housing Act of 1968, unless action is taken to supply additional amounts of mortgage funds on reasonable terms for this purpose.

"(2) The Congress finds that the additional resources required to meet the national housing goals for low- and moderate-income families are available in the form of moneys in private pension funds. It further finds that only a small portion of these funds are presently invested in mortgages and that a larger share of these assets can and should be devoted to investments in mortgages to supply decent housing for low- and moderate-income families without risk or the sacrifice of an adequate return.

"(3) It is the purpose of this section and the policy of the Congress to encourage investment of private pension fund assets in federally insured or guaranteed low- and moderate-income mortgages in amounts that will assure meeting the national housing goals as they apply to this segment of the Nation's population."

SEC. 102. As used in this section—

(1) the term "Secretary", unless otherwise specified, means the Secretary of Housing and Urban Development;

(2) the terms "low- and moderate-income housing" and "low- and moderate-income families" shall have the meaning given them by the Secretary and the Secretary of Agriculture in establishing the criteria by which families qualify for occupancy of dwellings supplied under the low- and moderate-income rental and homeownership programs contained in the National Housing Act and title V of the Housing Act of 1949;

(3) the term "federally insured or guaranteed mortgage" means any mortgage, or the securities backed by any mortgage, which is insured or guaranteed under the National Housing Act or title V of the Housing Act of 1949 for low- and moderate-income families; and

(4) the term "private pension fund" means a pension plan to which section 401 (a) of the Internal Revenue Code of 1954 applies; except that it shall also include such additional organizations and entities as the Secretary, after consultation with the Secretary of the Treasury, determines should be subject to this section in order to assure that the purpose of this section will be achieved.

SEC. 103. As soon as possible after the date of the enactment of this section the Secretary, after consulting with the Secretary of Agriculture, shall determine—

(1) the total investment required to meet the national housing goals for low- and moderate-income families in both urban and rural America during the next thirty-six months;

(2) the total amount, projected on the basis of rehabilitated and new housing starts for low- and moderate-income families occurring during the previous twelve months, that can be expected to be invested in low- and moderate-income family housing during the next thirty-six months;

(3) the difference between what can be expected to be invested and what is required to be invested to meet the national housing goals for low- and moderate-income families during the next thirty-six months;

(4) the total combined assets of any or all private pension funds; and

(5) the portion of the combined assets of private pension funds which would be required to be invested in federally insured or guaranteed mortgages on low- and moderate-income housing in both urban and rural areas to assure that the national housing goals for low- and moderate-income families are met during the next thirty-six months.

SEC. 104. (1) The Secretary, after conferring with the Secretary of the Treasury, shall notify the administrators of all private pension funds having assets appropriate for mortgage investment that during a period of time specified by the Secretary they are required to invest in federally insured or guaranteed mortgages on low- and moderate-income housing such amount from their pension fund assets as will be required to assure meeting the national housing goals for low- and moderate-income housing as determined by the Secretary for the thirty-six month period involved under subsection 102(5).

(2) The Secretary, bearing administrative problems in mind, shall determine which private pension funds shall be required to make such investments and the amount of the investment to be required by each.

SEC. 105. Upon fulfilling the obligations specified by subsections 103 and 104 the Secretary shall, after conferring with the Secretary of the Treasury and the Secretary of Agriculture, and using the same methods as those prescribed in such subsections, determine the total investment of private pension fund assets required to assure meeting the national housing goals as they apply to low- and moderate-income housing for each successive twelve-month period and shall notify the administrators of all private pension funds having assets appropriate for mortgage investment of the amount of such assets they are required to invest in federally insured or guaranteed mortgages on such housing during each such twelve-month period as designated by the Secretary.

SEC. 106. (1) If the actual investments in federally insured or guaranteed mortgages on low- and moderate-income housing held by a private pension fund in any taxable year beginning after the date of enactment of this section are less than the amount o

investments in such mortgages required of such fund for such year under section 104 or 105 there is hereby imposed on such fund's failure to make and hold the required investments a tax equal to 100 per centum of the amount by which the actual investments are less than the required investments. Such tax shall be paid by the private pension fund, and shall be assessed and collected, under regulations prescribed by the Secretary of the Treasury or his delegate, in the manner provided in subtitle F of the Internal Revenue Code of 1954 with respect to taxes imposed by subtitle D or such Code.

(2) A private pension fund shall not be subject to the tax imposed by this subsection for any taxable year if the fair market value of its assets at the beginning of such year does not exceed $4,000,000.

TITLE II

FEDERAL RESERVE MORTGAGE PURCHASES

SEC. 201. (a) Paragraph (2) of section 14 (b) of the Federal Reserve Act (12 U.S.C. 355) is amended to read as follows:

"(2) Under the direction and regulations of the Federal Open Market Committee, to buy and sell in the open market, or to deal directly with the issuing agency in the purchase and sale of, any obligation which is a direct obligation of, or fully guaranteed as to principal and interest by, any agency of the United States."

(b) It is the sense of the Congress that the authority conferred by paragraph (2) of section 14(b) of such Act be used to assist the Nation in meeting the housing goals contained in the Housing and Urban Development Act of 1968.

Shell Oil Co., Shell Pipeline Corp., Asiatic Petroleum Corp., Asiatic Petroleum Co. (Tex.), Ltd., New York, N.Y., Dec. 31, 1968

Contributions:	
Employer	$26,105,376
Employee	26,053,699
Investments:	
Common stock	219,937,001
Federal obligations	954,120
Foreign government obligations	27,053,205
Non-Government obligations	376,301,421
Total assets	634,477,084
Receipts from investments:[1]	
Interest	17,235,643
Dividends	6,408,469
Total	23,644,112
Sale of assets:	
Cost	125,167,530
Cash	126,485,068
Net gain	1,317,538
Total income for year	24,961,650
Tax bill that would apply if income was not tax exempt	12,813,475

[1] Rate of Return, 3.6 percent.

Radio Corp. of America, New York, N.Y., Dec. 31, 1968

Contributions:	
Employer	$17,294,183
Employee	12,199,347
Investments:	
Stock:	
Preferred	1,553,591
Common	178,182,260
Non-Government obligations	75,653,559
Real estate loans and mortgages	16,042,397
Unsecured notes	14,118,000
Real estate leasebacks	$14,387,315
Total assets	332,979,124
Receipts from investments:[1]	
Interest	6,104,869
Dividends	5,426,821
Total	11,531,690
Sale of assets	
Cost	140,979,086
Cash	140,350,572
Net loss	628,514
Total income for year	10,903,176
Tax bill that would apply if income was not tax exempt	5,756,876

[1] Rate of return, 3.3 percent.

Employees savings and profit-sharing plan, Sears, Roebuck & Co., Chicago, Ill.

Contributions:	
Employer	$85,251,948
Employee	67,548,247
Investments:	
Bank deposits and savings and loan shares at interest	1,369,877
Stock:	
Preferred	7,362,041
Common	2,357,057,421
Non-Government obligations	4,441,499
Real state loans and mortgages	10,118,979
Secured loans	1,450,000
Unsecured notes	135,893,573
Total assets	2,543,295,196
Receipts from investments:[1]	
Interest	4,822,608
Dividends	49,685,554
Total	54,508,162
Sale of Assets	
Cost	45,192,186
Cash	61,993,422
Net gain	16,801,236
Total income for year	71,309,398
Tax bill that would apply if income was not tax exempt	32,980,618

[1] Rate of return, 2.1 percent.

Savings-stock purchase program for salaried employees in the United States, General Motors Corp., Detroit, Mich., Dec. 31, 1968

Contributions:	
Employer	$46,445,805
Employee	108,232,792
Investments:	
Common stock	578,310,314
Federal obligations	234,413,964
Total assets	822,649,361
Receipts from investments:[1]	
Interest	2,585,025
Dividends	28,578,119
Total receipts from investments	31,163,144
Tax bill that would apply if income was not tax exempt	16,454,140

[1] Rate of return; 3.8 percent.

Supplemental pension plan for employees 30 years or older earning over $15,000, Sears, Roebuck & Co., Chicago, Ill., Dec. 31, 1968

Employer contributions	$11,552,100
Investments:	
Stock:	
Preferred	2,465,616
Common	90,713,943
Federal obligations	1,497,500
Foreign government obligations	5,801,372
Non-Government obligations	35,262,057
Real estate loans and mortgages	1,001,725
Total assets	138,491,551
Receipts from investments:[1]	
Interest	2,310,396
Dividends	2,384,397
Rents	2,975
Total	4,697,768
Sale of assets	
Cost	75,008,700
Cash	77,487,142
Net gain	2,478,442
Total income for year	7,176,210
Tax bill that would apply if income was not tax exempt	3,100,031

[1] Rate of return, 2.9 percent.

Pension plan, Republic Steel Corp., Cleveland, Ohio

Employer contributions	$31,620,700
Investments:	
Stock:	
Preferred	9,553,100
Common	82,685,553
Federal obligations	1,895,575
Foreign government obligations	12,177,975
Non-Government obligations	143,398,719
Secured loans	11,783,042
Total assets	278,233,909
Receipts from investments:[1]	
Interest	7,779,233
Dividends	4,534,919
Total	12,314,152
Sale of Assets	
Cost	72,447,633
Cash	79,995,910
Net gain	7,548,277
Total income for year	19,862,429
Tax bill that would apply if income was not tax exempt	8,388,941

[1] Rate of return, 4.3 percent.

Shell pension plan, all employees, Shell Oil Co., Shell Pipepline Corp., Asiatic Petroleum Corp., Asiatic Petroleum Co. (Texas) Ltd., Dec. 31, 1968

Employer contributions	$21,688,888
Investments:	
Stock:	
Preferred	2,025,421
Common	168,269,818
Federal obligations	9,460,885
Foreign government obligations	21,314,150
Non-Government obligations	264,338,212
Real estate loans and mortgages	5,466,094

Shell pension plan, all employees, Shell Oil Co., Shell Pipeline Corp., Asiatic Petroleum Corp., Asiatic Petroleum Co. (Texas) Ltd., Dec. 31, 1968—Continued

Real estate operations	$5,256,063
Total assets	488,256,539
Receipts from investment: [1]	
Interest	13,395,265
Dividends	5,441,172
Rents	425,062
Total	19,261,499
Sale of assets	
Cost	92,677,783
Cash	89,066,930
Net loss	3,610,853
Total income for year	15,650,646
Tax bill that would apply if income was not tax exempt	8,263,541

[1] Rate of return, 3.9 percent.

The Savings Banks Retirement System, New York, N.Y., Sept. 30, 1968

Contributions:	
Employer	$6,298,355
Employee	319,519
Investments:	
Stock	
Preferred	269,350
Common	10,917,934
Federal obligations	1,362,047
Foreign government obligations	697,343
Non-Government obligations	16,332,464
Real estate loans and mortgages	85,821,626
Other real estate	40,904
Total assets	117,366,411
Receipts from investments: [1]	
Interest	5,385,328
Dividends	257,782
Total	5,692,185
Sale of assets:	
Cost	3,826,131
Cash	3,891,669
Net gain	65,538
Total income for year	5,757,723
Tax bill that would apply if income was not tax exempt	3,021,857

[1] Rate of return, 4.3 percent.

Disability benefits and death benefits, Southern Bell Telephone & Telegraph Co., Atlanta, Ga., Dec. 31, 1968

Employer contributions	$32,955,835
Investments:	
Common stock	78,756,473
Federal obligations	98,972
State and municipal obligations	309,792
Foreign government obligations	75,819
Non-Government obligations	140,941,163
Real estate loans and mortgages	13,298,494
Other real estate	2,009,000
Total assets	239,487,539
Receipts from investments: [1]	
Interest	10,583,905
Dividends	2,359,766

[1] Rate of return, 5.4 percent.

Disability benefits and death benefits, Southern Bell Telephone & Telegraph Co., Atlanta, Ga., Dec. 31, 1968—Continued

Rents	$79,760
Total	13,023,432
Sales of assets:	
Cost	71,124,603
Cash	67,536,779
Net loss	3,587,824
Total income for year	7,435,608
Tax bill that would apply if income was not tax exempt	3,926,001

Stock plan for employees (all employees), Standard Oil Co. of California, San Francisco, Calif., Dec. 31, 1968.

Contributions:	
Employer	$11,681,000
Employee	6,585,000
Investments: Common stock	188,424,000
Total assets	188,424,000
Receipts from investments: [1]	
Dividends	9,838,000
Total receipts from dividends	9,838,000
Tax bill that would apply if income was not tax exempt	5,194,464

[5] Rate of return, 4.8 percent.

Annuity Plan—(All Employees), Standard Oil Co. of California, Dec. 31, 1967

Contributions:	
Employer	$7,700,000
Employees	4,627,000
Investments:	
Bank deposits and savings and loan shares at interest	937,217
Stock:	
Preferred	1,386,423
Common	223,959,663
Federal obligations	70,140
Non-Government obligations	77,655,715
Commingled trusts—GEB trust special purpose funds	50,357,713
Real estate loans and mortgages	15,089,850
Real estate operations	2,793,559
Total assets	374,310,231
Receipts from investments: [1]	
Interest	3,957,669
Dividends	6,755,541
Rents	234,068
GEB special purpose fund	2,665,866
Total	13,613,146
Sale of assets:	
Book value	109,832,325
Cash	122,589,611
Net gain	12,757,286
Total income for year	26,370,432
Tax bill that would apply if income was not tax exempt	10,377,062

[1] Rate of return, 3.5 percent.

Pension, disability benefits, death benefits (all employees), Southwestern Bell Telephone Co., St. Louis, Mo., Dec. 31, 1968

Employers contributions	$36,768,175
Investments:	
Stock:	
Preferred	1,014,650
Common	141,493,083

Pension, disability benefits, death benefits (all employees), Southwestern Bell Telephone Co., St. Louis, Mo., Dec. 31, 1968—Continued

Federal obligations	$2,615,159
Non-Government obligations	295,618,900
Real estate loans and mortgages	18,309,977
Unsecured notes	4,808,074
Other real estate	5,000
Total assets	468,066,926
Receipts from investments: [1]	
Interest	13,708,952
Dividends	4,113,575
Total	17,822,527
Sale of assets:	
Cost	204,887,579
Amount received	206,494,074
Net gain	1,606,495
Total income for year	19,429,022
Tax bill that would apply if income was not tax exempt	9,811,917

[1] Rate of return, 3.6 percent.

Pension, disability and death benefits (all employees), New York Telephone Co., New York, N.Y., Dec. 31, 1968

Employer contributions	$58,722,197
Investments:	
Stock:	
Preferred	6,416,664
Common	183,326,004
Federal obligations	3,012,624
Foreign government obligations	9,375,854
Non-Government obligations	498,092,599
Real estate loans and mortgages	9,730,459
Unsecured notes	16,639,870
Total assets	$733,646,236
Receipts from investments: [1]	
Interest	22,834,497
Dividends	4,545,088
Total	27,379,585
Sale of assets:	
Cost	173,371,899
Amount received	170,496,871
Net loss	2,875,028
Total income for year	24,504,557
Tax bill that would apply if income was not tax exempt	12,938,406

[1] Rate of return, 3.7 percent.

Pension, disability, and death benefits—(all employees), New Jersey Bell Telephone Co., Dec. 31, 1968

Employer contributions	$17,989,969
Investments:	
Stock:	
Preferred	1,554,379
Common	52,925,940
Federal obligations	2,567,428
Non-Government obligations	163,029,780
Real estate loans and mortgages	3,093,323
Unsecured notes	6,000,000
Total assets	231,252,855

Pension, disability, and death benefits—(all employees), New Jersey Bell Telephone Co., Dec. 31, 1968—Continued

Receipts from investments: [1]	
Interest	$7,050,852
Dividends	1,435,289
Total	8,486,141
Sale of assets:	
Cost	68,432,731
Amount received	69,013,248
Net gain	580,517
Total income for year	9,066,658
Tax bill that would apply if income was not tax exempt	4,557,922

[1] Rate of return, 3.5 percent.

Retirement plan for salaried employees, Johns-Manville Corp., New York, N.Y., Dec. 31, 1968

Contributions:	
Employer	$1,141,582
Employee	2,658,321
Investments:	
Stock:	
Preferred	945,016
Common	61,769,718
Foreign government obligations	442,215
Non-Government obligations	22,187,627
Morgan Guaranty commingled funds—stocks and bonds	7,535,411
Real estate loans and mortgages	9,379,465
Morgan Guaranty commingled fund mortgages	10,290,550
Unsecured notes	3,174,000
Real estate operated—leasebacks	6,139,098
Total assets	122,437,657
Receipts from investments: [1]	
Interest	3,063,707
Dividends	2,451,047
Rents	685,896
Total	6,200,650
Sale of assets:	
Cost	58,615,927
Cash	58,557,350
Net loss	58,577
Total income for year	6,142,073
Tax bill that would apply if income was not tax exempt	3,243,014

[1] Rate of return, 4.9 percent.

UMWA welfare and retirement fund (hourly rated employees), United Mine Workers of America, Washington, D.C., June 30, 1968

Employer contributions	$163,089,691
Investments:	
Bank deposits and savings and loan shares at interest	50,000,000
Common stock	44,188,818
State and municipal obligations	15,236,717
Unsecured notes	125,000
Total assets	180,109,406
Receipts from investments: [1]	
Interest	2,466,000
Dividends	2,201,882
Total receipts from investments	4,667,882

[1] Rate of return, 2.9 percent.

UMWA welfare and retirement fund (hourly rated employees), United Mine Workers of America, Washington, D.C., June 30, 1968—Continued

Estimated contribution due but unpaid	$5,681,511
Tax bill that would apply if income was not tax exempt	2,464,641

Central States, southeast and southwest areas pension fund (all employees). Central States Drivers Council (Teamsters), Chicago, Ill., Jan. 31, 1969

Employer contributions	$118,347,395
Investments:	
Bank deposits and savings and loan shares at interest	9,400,000
Stock:	
Preferred	2,526,908
Common	22,069,920
Federal obligations	1,960,292
Non-Government obligations	39,486,450
Real estate loans and mortgages	461,264,348
Secured loans	34,990
Real estate operated	18,503,863
Other real estate	42,855,296
Total assets	628,026,886
Receipts from investments: [1]	
Interest	19,642,411
Dividends	814,505
Rents	700,350
Amortized loans and mortgages	55,124,965
Total	76,282,233
Sale of assets:	
Cost	4,928,148
Cash	5,379,527
Net gain	451,379
Total income for year	76,733,612
Tax bill that would apply if income was not tax exempt	40,389,863

[1] Rate of return, 12.1 percent.

Dun & Bradstreet, Inc., New York, N.Y.

Employer contributions	$2,002,296
Investments:	
Group trust equity and fixed income funds:	
Preferred stock	375,964
Common stock	41,180,104
Foreign government obligations	1,735,252
Non-Government obligations	27,603,502
Common trusts	385,456
Real estate loans and mortgages	1,202,934
Unsecured notes	7,450,000
Total assets	80,574,490
Receipts from investments: [1]	
Earnings distribution by group trust	1,354,137
Capital gains distributed by group trust	4,034,507
Interest	1,366,635
Dividends	1,280,759
Total	8,036,038
Sale of assets:	
Cost	49,197,697
Amount received	55,450,261
Net gain	6,252,564
Total income for year	14,288,602
Tax bill that would apply if income was not tax exempt	4,684,575

[1] Rate of return, 10.0 percent.

The Great Atlantic & Pacific Tea Co., Inc., New York, N.Y.

Employer contributions	$6,310,000
Investments:	
Stock:	
Preferred	918,540
Common	156,372,239
Non-Government obligations	48,424,492
Real estate loans and mortgages	5,464,374
Total assets	212,134,357
Receipts from investments: [1]	
Interest	2,961,289
Dividends	3,490,541
Total	6,451,830
Sale of assets: Gain	3,183,972
Total income for year	9,635,802
Tax bill that would apply if income was not tax exempt	4,202,559

[1] Rate of return, 2.8 percent.

Firestone Tire & Rubber Co., Akron, Ohio, Oct. 31, 1968

Contributions:	
Employer	$1,083,597
Employee	532,428
Investments:	
Stock:	
Preferred	2,108,034
Common	81,577,725
Federal obligations	5,079,826
Foreign government obligations	2,775,610
Non-government obligations	75,540,570
Real estate operations	5,437,881
Total assets	174,760,023
Receipts from investments: [1]	
Interest	4,055,794
Dividends	2,691,244
Rents	436,991
Total	7,184,031
Sale of assets:	
Cost	71,792,955
Cash	73,185,407
Net gain	1,392,451
Total income for year	8,576,482
Tax bill that would apply if income was not tax exempt	4,141,288

[1] Rate of return, 4.0 percent.

Continental Oil Co., Houston, Tex., Dec. 31, 1968

Contributions:	
Employer	$3,563,530
Employee	3,873,203
Investments:	
Preferred stock	74,626,369
Non-Government obligations	33,206,917
Real estate loans and mortgages	38,671,791
Total assets	147,927,179
Receipts from investments: [1]	
Interest	3,254,037
Dividends	2,670,108
Rents	1,099,626
Total	7,023,771
Sale of assets:	
Book value	42,088,156

[1] Rate of return, 4.8%.

Continental Oil Co., Houston, Tex., Dec. 31, 1968—Continued

Sale of assets—Continued	
Amount received	$44,910,235
Net gain	2,822,079
Net gain for year	9,845,850
Tax bill that would apply if income was not tax exempt	3,814,070
Employer contribution	$12,000,000
Investments:	
Stock:	
Preferred	4,811,000
Common	189,735,000
Non-Government obligations	28,503,000
Real estate loans and mortgages	10,223,000
Total assets	261,937,000
Receipts from investment:[1]	
Interest	2,775,000
Dividends	5,077,000
Total	7,852,000
Net gain from sale of assets	36,575,000
Net gain for year	44,427,000
Tax bill that would apply if income was not tax exempt	13,289,606

[1] Rate of return, 2.7%.

Illinois Bell Telephone Co., Chicago, Ill., Dec. 31, 1968

Employer contributions	$31,174,855
Investments:	
Stock:	
Preferred	1,751,181
Common	154,604,012
Foreign government obligations	448,166
Non-government obligations	211,732,193
Real estate loans and mortgages	10,959,503
Unsecured notes	6,839,581
Total assets	389,030,283
Receipts from investment:[1]	
Interest	10,333,359
Dividends	3,396,278
Total	13,730,278
Sale of assets:	
Cost	199,094,282
Cash	194,223,063
Net loss	4,871,219
Total gain for year	8,859,059
Tax bill that would apply if income was not tax exempt	4,677,583

[1] Rate of return, 3.3 percent.

Gulf Oil Corp., Pittsburgh, Pa., Dec. 31, 1968

Contributions:	
Employer	$981,680
Employee	5,099,054
Investments:	
Stock:	
Preferred	1,337,990
Common	78,941,871
Foreign government obligations	575,470
Non-Government obligations	53,911,690
Real estate loans and mortgages	17,521,849
Total assets	$156,699,765

Gulf Oil Corp., Pittsburgh, Pa., Dec. 31, 1968—Continued

Receipts from investments:[1]	
Interest	$3,171,480
Dividends	2,838,729
Rents	370,647
Total	6,380,857
Sale of assets:	
Cost	35,479,010
Cash	39,643,876
Net gain	4,164,865
Total gain for year	10,545,722
Tax bill that would apply if income was not tax exempt	4,410,308

[1] Rate of return, 3.8 percent.

Gulf Oil Co. (annuities and benefits plan), Pittsburgh, Pa., Dec. 31, 1968

Employer contributions	$14,395,551
Investments:	
Stock:	
Preferred	4,549,840
Common	150,757,197
Non-Government obligations	110,868,757
Real estate loans and mortgages	18,571,934
Total assets	314,822,268
Receipts from investments[1]	12,543,926
Sale of assets:	
Cost	90,566,504
Cash	103,929,041
Net gain	13,362,537
Total gain for year	25,906,463
Tax bill that would apply if income was not tax exempt	9,963,826

[1] Rate of return, 3.8 percent.

General Motors Corp. (Savings stock purchase program for salaried employees), Detroit, Mich., Dec. 31, 1968

Contributions:	
Employer	$46,445,805
Employee	108,232,792
Investments:	
Stock: Common, preferred	578,310,314
Federal obligations	234,413,964
Total assets	822,649,361
Receipts from investments:[1]	
Interest	2,585,425
Dividends	28,578,119
Total	31,163,144
Sale of assets:	
Cost	36,054,764
Cash	36,054,764
Net gain	0
Total gain for year	31,163,144
Tax bill that would apply if income was not tax exempt	16,454,140

[1] Rate of return, 3.8 percent.

General Motors Corporation (hourly rate employees pension plan), Detroit, Mich., Dec. 31, 1968

Employer contributions	$174,000,000
Investments:	
Bank deposits and savings and loan shares	985,256

General Motors Corporation (hourly rate employees pension plan), Detroit, Mich., Dec. 31, 1968—Continued

Stock:	
Preferred	$7,735,685
Common	654,259,181
Federal obligations	18,153,745
Foreign government obligations	4,648,057
Non-Government obligations	346,426,511
Commingled Trust, Morgan Guaranty	1,500,962
Bonds	6,060,585
Comingled real property	36,401,544
Real estate loans and mortgages	115,708,531
Unsecured notes	36,751,311
Real estate operations	53,518,906
Gas and oil mineral royalties	11,395,813
Total assets	1,300,333,313
Receipts from investments:[1]	
Interest	25,601,178
Dividends	25,724,959
Rents	4,873,492
Oil and gas mineral royalties	1,798,188
Total	57,997,817
Sale of assets:	
Cost	346,347,710
Cash	385,903,275
Net gain	39,555,565
Total gain for year	97,553,382
Tax bill that would apply if income was not tax exempt	40,511,738

[1] Rate of return, 4.4 percent.

Air Canada (pension trust fund—all employees), Montreal, Canada, Dec. 31, 1968

Contributions:	
Employer	$5,847,277
Employee	6,689,832
Investments:	
Stock—common	31,279,339
Federal obligations	12,232,487
Provincial obligations	25,332,460
Non-Government obligations	9,372,824
Mutual funds	3,343,029
Mortgages	50,605,981
Real estate operations	1,542,550
Short-term loans	11,519,628
Total assets	147,338,151
Receipts from investments:[1]	
Interest	5,884,058
Dividends	896,405
Total	6,780,463
Sale of assets:	
Cost	16,123,529
Cash	19,041,936
Net gain	2,918,407
Total income for year	9,698,870
Tax bill that would apply if income was not tax exempt	4,309,685

[1] Rate of return, 4.1 percent.

Pension, disability, and death benefit plan (all employees), Western Electric Co., Inc., New York, N.Y., December 31, 1968

Employer contributions	$104,234,000
Investments:	
Stock:	
Preferred	10,992,844
Common	473,793,599

Pension, disability, and death benefit plan (all employees), Western Electric Co., Inc., New York, N.Y., December 31, 1968—Con.

Investments—Continued	
Federal obligations	$2,219,610
Non-Government obligations	791,770,107
Real estate loans and mortgages	40,419,748
Unsecured notes	46,018,423
Total assets	1,375,579,009
Receipts from investments: [1]	
Interest	38,232,309
Dividends	10,758,630
Total	48,990,939
Sale of assets:	
Cost	359,649,191
Amount received	353,811,964
Net loss	5,837,227
Total income for year	43,153,712
Tax bill that would apply if income was not tax exempt	22,785,159

[1] Rate of return, 3.5%.

Pension Plan (hourly paid and nonexempt salaried employees eligible to a bargaining unit), the Youngstown Sheet & Tube Co., Youngstown, Ohio, Dec. 31, 1968

Employer contributions	$7,365,688
Investments:	
Stock	
Preferred	3,668,161
Common	79,829,672
Foreign government obligations	1,754,219
Non-Government obligations	22,442,339
GEB trust—Special purpose funds	5,745,196
Real estate loans and mortgages	3,408,199
Real estate operations	1,111,952
Total assets	118,818,923
Receipts from investments:	
Interest	1,755,733
Dividends	1,950,653
Rents	93,319
Other	17,572
Total	3,817,278
Sale of assets:	
Cost	57,119,757
Cash	62,909,821
Net gain	5,790,064
Total income for year	9,607,342
Tax bill that would apply if income was not tax exempt	3,463,038

Employees Savings Plan, Texaco, Inc., New York, N.Y., Dec. 31, 1968

Contributions:	
Employer	$6,785,703
Employee	13,571,406
Investments:	
Common stock	157,676,012
Federal obligations	10,086,187
Total assets	169,868,812
Receipts from investments: [1]	
Interest	178,749
Dividends	8,321,155
Total	8,499,904

[1] Rate of return, 4 percent.

Employee Savings Plan, Texaco, Inc., New York, N.Y., Dec. 31, 1968—Continued

Sale of assets:	
Cost	$6,398,180
Cash	8,175,475
Net gain	1,777,295
Total income for year	10,277,199
Tax bill that would apply if income was not tax exempt	4,932,272

Westinghouse Electric Corp. (pension plan), Pittsburgh, Pa., Dec. 31, 1968

Contributions:	
Employer	$25,119,760
Employee	5,942,664
Investments:	
Beneficial interest in common trust (99.4 percent)	653,659,376
Stock:	
Preferred	1,668,074
Common	369,133,321
Foreign government obligations	4,868,537
Non-Government obligations	145,510,898
Common trust—Continental Illinois National Bank	186,928
Real estate loans and mortgages	69,072,535
Unsecured notes	33,622,000
Real estate operations	27,600,118
Total assets	657,615,073
Receipts from investments: [1]	
Interest	13,808,615
Dividends	11,519,067
Retained Income in Common Trust	3,103
Total	25,330,785
Sale of assets:	
Cost	180,824,919
Amount received	204,864,325
Net gain	24,039,406
Total income for year	49,370,191
Tax bill that would apply if income was not tax exempt	19,384,505

[1] Rate of return, 3.8 percent.

Noncontributory pension plan (all employees), Dec. 31, 1969

Employer contributions	$27,000,000
Investments:	
Stock:	
Preferred	189,703
Common	109,882,177
Federal obligations	2,255,216
Foreign government obligations	2,991,167
Nongovernment obligations	44,570,580
Real estate loans and mortgages	9,589,203
Total assets	170,513,838
Receipts from investments: [1]	
Interest	2,497,139
Dividends	4,054,723
Accrued income (on sale)	5,596
Total	6,557,458
Sale of assets:	
Cost	38,664,115
Cash	47,688,265
Net gain	9,024,150
Total income for year	15,581,608

[1] Rate of return, 3.5 percent.

Noncontributory pension plan (all employees), Dec. 31, 1969—Continued

Tax bill that would apply if income was not tax exempt	$5,718,374

Swift & Co., (pension trust, all employees), Chicago, Ill., Dec. 31, 1968

Employer contributions	$6,272,765
Investment:	
Stock	
Preferred	6,455,139
Common	75,440,506
Federal obligations	4,935,828
Foreign government obligations	2,157,063
Non-Government obligations	127,617,732
Total assets	219,971,693
Receipts from investments: [1]	
Interest	5,993,656
Dividends	5,335,075
Total	11,328,731
Sale of assets:	
Cost	57,425,774
Cash	69,541,023
Net gain	12,115,249
Total income for year	23,443,980
Tax bill that would apply if income was not tax exempt	9,010,381

[1] Rate of return, 5 percent.

Contributory Participants in Retirement Plan, Standard Oil Co., and participating subsidiary companies, Dec. 31, 1968

Contributions:	
Employer	$12,691,244
Employee	21,181,403
Investments:	
Common stock	177,298,565
Federal obligations	13,245,627
Total assets (due withdrawing participants)	191,219,796
Receipts from investments: [1]	
Interest	184,024
Dividends	9,171,184
Total	9,355,208
Sale of assets:	
Cost	9,953,263
Cash	12,262,936
Net gain	2,309,673
Total income for year	11,664,881
Tax bill that would apply if income was not tax exempt	5,516,967

[1] Rate of return, 4.7 percent.

Savings and security program (all employees), General Electric Co., New York, N.Y., Dec. 31, 1967

Contributions:	
Employer	$37,300,011
Employee	81,909,066
Investments:	
Common stock	242,905,358
Federal obligations	141,236,584
Non-Government obligations	2,436,300
Investment Trust: GE, S&S program mutual fund	19,202,611
Total assets	420,900,900

Savings and security program (all employees), General Electric Co., New York, N.Y., Dec. 31, 1967—Continued

Receipts from investments: [1]	
Interest	$127,916
Dividends	5,855,214
Total	5,983,214
Sale of assets:	
Cost	28,059,457
Cash	28,262,902
Net gain	203,445
Total income for year	6,186,575
Tax bill that would apply if income was not tax exempt	3,209,997

[1] Rate of return, 1.2 percent.

Retirement plan, salaried employees, Aluminum Co. of America, Pittsburgh, Pa., Dec. 31, 1968

Employer contributions	$9,800,000
Investments:	
Stock:	
Preferred	6,948,962
Common	86,082,904
Foreign government obligations	523,861
Non-Government obligations	58,472,131
Real estate loans and mortgages	13,876,400
Unsecured notes	1,972,000
Total assets	169,976,090
Receipts from investments: [1]	
Interest	3,687,721
Dividends	3,139,030
Total	6,826,751
Sales of assets:	
Cost	43,467,659
Cash	49,687,827
Net gain	6,220,168
Total income for year	13,046,919
Tax bill that would apply if income was not tax exempt	5,159,566

[1] Rate of return, 3.6 percent.

Employees retirement plans (hourly rate employees, salaried employees), Aluminum Co. of America, Pittsburgh, Pa., Dec. 31, 1968

Investments:	
Stock:	
Preferred	$4,136,326
Common	75,859,723
Foreign government obligations	481,110
Non-Government obligations	49,031,791
Real estate loans and mortgages	12,547,918
Unsecured notes	2,498,000
Total assets	146,482,097
Receipts from investments: [1]	
Interest	3,219,530
Dividends	2,469,519
Total	5,689,049
Sale of assets:	
Cost	41,266,674
Cash	45,741,744
Net gain	4,475,070
Total income for year	10,164,119
Tax bill that would apply if income was not tax exempt	4,122,584

[1] Rate of return, 3.4 percent.

Pension and profit-sharing plan (all employees), Dow Chemical Co., Midland, Mich., Dec. 31, 1968

Employer contribution	$11,828,272
Investment:	
Stock:	
Preferred	948,522
Common	100,857,745
Foreign government obligations	752,677
Non-Government obligations	31,392,390
Commingled trust, Morgan Guaranty bond fund	6,725,532
Mortgages:	
Special situations	3,907,282
Real property	19,430,010
Real estate loans and mortgages	15,825,285
Secured notes	49,456
Unsecured notes	7,402,000
Other real estate	4,854,419
Total assets	272,187,098
Receipts from investments: [1]	
Interest	3,901,240
Dividends	3,874,124
Rents	411,651
Total	8,187,017
Sale of assets:	
Cost	68,767,326
Cash	72,895,114
Net gain	4,127,788
Total income for year	12,314,805
Tax bill that would apply if income was not tax exempt	5,354,691

[1] Rate of return, 2.9 percent.

Standard Oil Co. (Indiana), Chicago, Ill., Dec. 31, 1968

Contributions:	
Employer	$13,104,903
Employee	12,038,882
Investments:	
Stock	
Preferred	2,412,191
Common	387,840,355
Non-Government obligations	16,334,028
Real estate loans and mortgages, including lease backs	7,712,546
Unsecured Notes	54,213,425
Total assets	477,741,907
Receipts from investments:	
Interest	2,980,873
Dividends	12,125,532
Rents	97,355
Oil royalty and oil payment	189,856
Total	15,393,616
Sale of assets:	
Cost	441,689,733
Cash	458,284,712
Net gain	16,594,979
Total income for year	31,988,595
Tax bill that would apply if income was not tax exempt	12,276,573

Crown Zellerbach Corp., San Francisco, Calif.

Contributions:	
Employer	$3,573,328
Employee	1,087,882
Investments:	
Preferred stock	1,077,296
Common stock	68,195,225
Foreign government obligations	2,752,570
Non-government obligations	28,722,593
Commingled Trust, Bankers Trust Co. and GEB trust	5,758,820

Crown Zellerbach Corp., San Francisco, Calif.—Continued

Investments—Continued	
Real estate loans and mortgages	$4,855,810
Total assets	117,881,252
Receipts from investments: [1]	
Dividends	3,779,883
Transfer from Boatmen's National Bank, St. Louis, Mo.	19,812
Total receipts from investments	3,799,695
Sale of assets:	
Book value	40,844,471
Cash	37,042,987
Net loss	3,801,484
Net loss from investments	1,789

[1] Rate of return, 2.6 percent.

Douglas Aircraft Co., Santa Monica, Calif.

Employer contributions	$24,468,875
Investments:	
Stock:	
Preferred	174,820
Common	75,142,485
Federal obligations	30,000
Non-Government obligations	55,757,650
Commingled trust (general employee benefit trust)	4,374,782
Real estate loans and mortgages	4,171,229
Total assets	163,529,356
Receipts from investments: [1]	
Interest	3,039,266
Dividends	1,316,181
Royalty income	14,644
Total receipts from investments	4,370,091
Sale of assets:	
Book value	38,454,127
Cash	36,471,192
Net loss	1,982,935
Net gain for year	2,387,156
Tax bill that would apply if income was not tax exempt	1,260,418

[1] Rate of return, 2.5 percent.

Detroit Edison Co., Detroit, Mich.

Contributions: Employer	$4,954,712
Investments:	
Bank deposits at interest or shares in savings and loans	100,000
Stock:	
Preferred	3,395,940
Common	65,909,931
Foreign government obligations	376,472
Non-Government obligations	48,210,528
Real estate loans and mortgages	8,430,562
Total assets	134,682,618
Receipts from investments: [1]	
Interest	2,209,595
Dividends	2,553,054
Rents	25,425
Total receipts from investments [2]	4,788,075
Tax bill that would apply if income was not tax exempt	2,521,803

[1] Rate of returns, 3.0 percent.
[2] Net gain from sale of assets not available.

Burlington Industries, Inc., Greensboro, N.C.

Employer contributions	$5,771,618
Investments:	
Stock:	
Preferred	829,400
Common	112,517,658
Non-Government obligations	9,026,138
Real estate and mortage loans	249,713
Total assets	130,828,324
Receipts from investments:[1]	
Interest	462,572
Dividends	3,298,354
Total receipts from investments	3,761,025
Sale of assets:	
Book value	8,727,514
Cash	8,886,943
Net gain	159,429
Net gain for year	3,920,454
Tax bill that would apply if income was not tax exempt	2,025,678

[1] Rate of returns, 2.3 percent.

The Boeing Co., Seattle, Wash.

Employer contributions	$43,752,777
Investments:	
Stock:	
Preferred	8,589,697
Common	191,135,059
Federal obligations	693,750
Foreign government obligations	13,196,894
Non-Government obligations	108,023,677
Real estate loans and mortgages	15,112,125
Total assets	338,379,275
Receipts from investments:[1]	
Interest	6,466,794
Dividends	4,037,233
Rents	91,085
Investments	51,492
Total receipts from investments	10,646,604
Sale of assets:	
Cost	85,902,560
Amount received	88,659,296
Net gain	2,756,736
Total gain for year	13,403,340
Tax bill that would apply if income was not tax exempt	6,310,590

[1] Rate of return, 3.0 percent.

Federated Department Stores, Cincinnati, Ohio

Contributions:	
Employer	$7,518,267
Employee	5,144,335
Investments:	
Common stock	104,926,913
Federal obligations	35,548,681
Non-Government obligations	1,175,000
Total assets	150,048,134
Receipts from investments:[1]	
Interest	1,636,959
Dividends	2,640,178
Total	4,277,137

[1] Rate of return, 2.7 percent.

Federated Department Stores, Cincinnati, Ohio—Continued

Sale of assets:	
Cost	$2,688,555
Amount received	2,688,031
Net loss	524
Total gain for year	4,276,613
Tax bill that would apply if income was not tax exempt	2,258,051

Eastman Kodak Co., Rochester, N.Y., Dec. 31, 1966

Contributions:	
Employer	$47,398,793
Employee	6,643,786
Investments:	
Bank deposits and shares in savings and loans	22,000
Stock:	
Preferred	1,146,000
Common	118,738,000
Non-Government obligations	3,650,000
Unsecured notes	4,930,000
Total assets	128,838,000
Receipts from investments:[1]	
Interest	246,000
Dividends	3,276,000
Total receipts from investments	3,522,000
Sale of assets:	
Cost	37,574,000
Amount received	37,731,000
Total gain	157,000
Total gain for year	3,679,000
Tax bill that would apply if income was not tax exempt	1,898,866

[1] Rate of return, 2.3 percent.

Ford Motor Co., Dearborn, Mich., Dec. 31, 1968

Contributions:	
Employer	$51,198,776
Employee	15,914,555
Investments:	
Stock:	
Preferred	5,355,433
Common	374,219,994
Foreign government obligations	5,298,020
Non-government obligations	177,226,270
Common trusts, Morgan Guarantee Trust Co. commingled funds	80,300,990
1st National Bank of Boston Commingled pension	1,749,989
Real estate loans and mortgages	30,000,450
Unsecured notes	12,207,000
Other real estate	32,287,186
Total assets	729,652,111
Receipts from investments:[1]	
Interest	12,094,733
Dividends	12,486,450
Rents	1,616,056
Other	4,748,000
Total receipts from investments	30,945,240
Sale of assets:	
Cost	232,263,100
Amount received	245,293,457
Net gain	13,030,357
Total gain for year	43,975,597
Tax bill that would apply if income was not tax exempt	19,596,675

[1] Rate of return, 4.1 percent.

National Electric Contractors Association, Inc., Washington, D.C., Dec. 31, 1968

Employer contributions	$19,985,169
Investments:	
Bank deposits and shares in savings and loans	20,700,000
Stock: Common	13,921,344
Federal obligations	3,337,650
Non-Government obligations	12,313,000
Real estate loans and mortgages	106,605,729
Secured notes	895,650
Real estate operations	11,862,190
Total assets	173,670,081
Receipts from investments:[1]	
Interest	7,421,046
Dividends	449,042
Rents	456,390
Total receipts from investments	8,326,478
Sale of assets:	
Cost	130,760
Amount received	230,031
Net gain	99,271
Total gain for year	8,425,749
Tax bill that would apply if income was not tax exempt	4,421,197

[1] Rate of return, 4.6 percent.

First National City Bank, New York, N.Y., Dec. 31, 1968

Employer contributions	$12,390,721
Investments:	
Common stock	100,473,516
Federal obligations	4,813,334
Foreign government obligations	1,777,535
Non-Government obligations	29,572,210
Real estate loans and mortgages	7,038,681
Unsecured notes	2,305,000
Other real estate	1,857,659
Total assets	149,196,319
Receipts from investments:[1]	
Interest	5,246,227
Accured interest	708,586
Total	5,954,814
Sale of assets:	
Book value	43,549,273
Cash	40,984,555
Net loss	2,564,718
Net gain for year	3,390,096
Tax bill that would apply if income was not tax exempt	1,789,970

[1] Rate of return, 3.4 percent.

The First National Bank of Chicago, Chicago, Ill., Dec. 31, 1968

Contributions:	
Employer	$1,538,231
Employee	611,415
Investments:	
Stock:	
Preferred	1,864,004
Common	53,213,898
Federal obligations	10,850,864
Non-Government obligations	44,851,550
Real estate and mortgage loans	10,039,456
Other real estate	4,389,880
Total assets	128,690,813

The First National Bank of Chicago, Chicago, Ill., Dec. 31, 1968—Continued

Receipts from investments: [1]	
Interest	$3,447,134
Dividends	3,796,329
Rents	461,082
Commissions, fees, oil & gas income	403,573
Total	8,108,119
Sale of assets:	
Cost	27,059,642
Amount received	33,635,264
Net gain	6,575,622
Total gain for year	14,683,741
Tax bill that would apply if income was not tax exempt	5,924,991

[1] Rate of return, 6.3 percent.

Ford Motor Co. (Salaried Employees)

Contributions:	
Employer	$21,775,600
Employee	53,020,905
Investments:	
Common stock	366,146,253
Federal obligations	9,163,922
Total assets	385,995,077
Receipts from investments: [1]	
Interest	443
Dividends	18,467,423
Total	18,467,866
Tax bill that would apply if income was not tax exempt	9,751,033

[1] Rate of return, 4.7 percent.

General Electric Co., New York, N.Y., Dec. 31, 1967

Contributions:	
Employer	$55,667,488
Employee	14,697,607
Investments:	
Bank deposits and shares in savings and loans	10,000,000
Common stock	604,921,608
Foreign government obligations	7,639,213
Non-government obligations	424,140,812
Real estate loans and mortgages	189,447,318
Real estate operations	223,389,153
Total assets	1,524,125,852
Receipts from investments: [1]	
Interest	27,199,210
Dividends	30,352,122
Rents	13,884,038
Total	71,435,370
Sale of assets:	
Cost	171,797,308
Cash	173,729,417
Net gain	1,932,109
Total gain for year	73,367,479
Tax bill that would apply if income was not tax exempt	38,200,902

[1] Rate of return, 4.7 percent.

General Mills, Inc., Minneapolis, Minn., Oct. 31, 1968

Investments:	
Stock:	
Preferred	$1,745,101
Common	110,582,062
Federal obligations	13,069,432
Foreign government obligations	21,461,648
Total assets	149,545,450
Receipts from investments: [1]	
Interest	858,320
Dividends	2,180,486
Total	3,038,806
Sales of assets:	
Cost	172,200,054
Cash	195,349,048
Net gain	23,148,994
Total gain for year	26,187,800
Tax bill that would apply if income was not tax exempt	7,391,737

[1] Rate of return, 2.0 percent.

Ford Motor Co. (UAW retirement plan), Dearborn, Mich., Dec. 31, 1968

Employer contributions	$90,325,000
Investments:	
Stock	
Preferred	7,697,768
Common	461,441,801
Federal obligations	1,430,654
Non-Government obligations	100,733,060
Commingled trust, Morgan Guaranty	7,947,698
1st National Bank of Boston	1,749,989
Real estate loans and mortgages	86,648,563
Unsecured notes	16,504,997
Other real estate	23,300,815
Total assets	737,250,442
Receipts from investments: [1]	
Interest	12,763,376
Dividends	13,981,271
Rents	1,124,516
Oil royalties and commingled funds	112,914
Total	27,982,078
Sale of assets:	
Cost	353,886,324
Cash	393,105,900
Net gain	39,219,576
Total gain for year	67,201,654
Tax bill that would apply if income was not tax exempt	24,579,431

[1] Rate of return, 3.7 percent.

The Chase Manhattan Bank, New York, N.Y. (thrift incentive plan), Dec. 31, 1968

Contributions:	
Employer	$11,788,089
Employee	3,526,128
Investments:	
Bank deposit and savings and loan shares	266,325
Stock:	
Preferred	411,250
Common	87,902,001
Federal obligations	2,361,260

The Chase Manhattan Bank, New York, N.Y. (thrift incentive plan), Dec. 31, 1968—Con.

Investments—Continued	
Foreign government obligations	333,938
Non-Government obligations	$20,876,390
Unsecured notes	18,255,000
Total assets	134,150,776
Receipts from investments: [1]	
Interest	1,667,293
Dividends	1,764,704
Total	3,431,997
Sales of assets:	
Cost	69,627,402
Cash received	74,813,295
Net gain	5,185,893
Total gain for year	8,617,890
Tax bill that would apply if income was not tax exempt	3,108,567

[1] Rate of return, 2.2 percent.

Chase Manhattan Bank (retirement and family benefit plan), Dec. 31, 1968

Employer contributions	$5,469,815
Investments:	
Bank deposits and savings and loan shares	43,344
Stock:	
Preferred	295
Common	83,577,864
Federal obligations	985,985
Foreign government obligations	5,993,959
Non-Government obligations	22,903,472
Real estate loans and mortgages	16,320,095
Unsecured notes	3,348,400
Other real estate	6,177,832
Total assets	144,055,764
Receipts from investments: [1]	
Interest	2,753,034
Dividends	2,457,001
Other	407,180
Total	5,617,215
Sale of assets:	
Cost	29,195,589
Cash	32,108,448
Net gain	2,912,859
Total gain for year	8,530,074
Tax bill that would apply if income was not tax exempt	3,694,103

[1] Rate of return, 3.5 percent.

Canadian Pacific Railway Co., Montreal, Canada, Dec. 31, 1968

Contributions:	
Employer	$8,224,931
Employee	8,889,739
Investments:	
Stock:	
Preferred	5,738,864
Common	124,576,178
Federal obligations	47,309,760
State and municipal obligations	210,583,525
Non-Government obligations	85,735,751
Total assets	490,309,684

Canadian Pacific Railway Co., Montreal, Canada, Dec. 31, 1968—Continued

Receipts from investments:[1]	
Interest	$19,316,102
Dividends	5,218,287
Total	24,534,389
Net gain on sale of assets	2,603,434
Total gain for year	27,137,823
Net income that would apply if income was not tax exempt	13,605,015

[1] Rate of return, 5 percent.

Chrysler Corp. (UAW pension plan), Dec. 31, 1968

Employer contributions	$76,381,911
Investments:	
Stock:	
Preferred	2,803,178
Common	187,134,631
Federal obligations	5,145,167
Foreign government obligations	4,125,659
Nongovernment obligations	168,714,687
Commingled trusts, Morgan guaranty	2,230,843
Real estate loans and mortgages	10,358,399
Total assets	385,953,014
Receipts from investments: [1]	
Interest	9,001,608
Dividends	5,500,978
Total	14,502,586
Sale of assets:	
Cost	227,668,603
Cash	243,753,728
Net gain	16,085,125
Total gain for year	30,587,711
Tax bill that would apply if income was not tax exempt	11,678,646

[1] Rate of return, 3.6 percent.

Commonwealth Edison Co., Chicago, Ill., Dec. 31, 1968

Employer contribution	$10,242,500
Investments:	
Stock:	
Preferred	2,659,791
Common	80,649,653
Federal obligations	9,413,280
Foreign government obligations	9,894,181
Non-Government obligations	115,489,556
Real estate loans and mortgages	2,119,282
Other real estate	1,559,739
Total assets	228,449,621
Receipts from investments:[1]	
Interest	6,419,740
Dividends	2,287,431
Rents	231,871
Total	8,939,042
Sale of assets:	
Cost	89,013,861
Cash	90,947,818
Net gain	1,933,957
Total gain for year	10,872,999
Tax bill that would apply if income was not tax exempt	5,203,303

[1] Rate of return, 3.5 percent.

National Maritime Union of America, AFL–CIO (NMU Pension Trust, All Employees), Dec. 31, 1968

Employer contributions	$45,039,295
Investments:	
Bank deposits and savings and loan shares at interest	1,983,661
Stock:	
Preferred	2,405,966
Common	72,767,546
Federal obligations	9,396,795
Non-Government obligations	58,452,847
Real estate loans and mortgages	8,954,638
Operated real estate	450,675
Total assets	161,761,105
Receipts from investments:[1]	
Interest	3,993,001
Dividends	1,786,930
Total	5,779,932
Sale of assets:	
Cost	51,386,495
Cash	53,547,256
Net gain	2,160,761
Total income for year	7,940,693
Tax bill that would apply if income was not tax exempt	3,591,994

[1] Rate of return, 3.1 percent.

Eli Lilly & Co. and participating subsidiaries (retirement plan, all employees), Dec. 31, 1968

Contributions:	
Employer	7,183,497
Employee	78,797
Investments:	
Common stock	65,922,904
Foreign government obligations	500,000
Non-Government obligations	30,699,533
Real estate loans and mortgages	9,052,592
Secured notes	1,758,114
Operated real estate	6,593,560
Total assets	117,216,651
Receipts from investments:[1]	
Interest	2,141,524
Dividends	2,129,224
Rents	700,524
Other	16,131
Total	4,987,403
Net gain, sale of assets	3,131,864
Total income for year	8,119,267
Tax bill that would apply if income was not tax exempt	3,416,314

[1] Rate of return, 3.4 percent.

International Business Machines Corp. (Retirement plan, all employees), Dec. 31, 1968

Employer contribution	$60,016,000
Investments:	
Bank deposits and savings and loan shares at interest	1,252
Stock:	
Preferred	2,036,812
Common	260,667,066
Federal obligations	11,581
Non-Government obligations	112,021,107
GEB equity and investment fund, Bankers Trust	46,410,867
Commingled fund (bond, mortgages, equities), Morgan Guaranty	36,294,410
Commingled fund (Equities), First National City	$500,000
E B special situation fund (equities), Bank of America	99,999

International Business Machines Corp. (Retirement plan, all employees), Dec. 31, 1968—Continued

Investments—Continued	
Real estate loans and mortgages	36,149,745
Unsecured notes	17,731,559
Operated real estate	2,711,574
Other real estate	6,669,508
Total assets	556,516,693
Receipts from investments: [1]	
Interest	10,975,372
Dividends	10,098,535
Rents	186,082
Total	21,259,990
Sale of assets:	
Book value	187,530,101
Cash	187,893,832
Net gain	363,731
Total income for year	21,623,721
Tax bill that would apply if income was not tax exempt	11,316,206

[1] Rate of return, 3.8 percent.

Noncontributory retirement plan (all employees except those covered by special union), International Harvester Co., Chicago, Ill., Dec. 31, 1968

Employer contribution	$36,442,717
Investments:	
Stock:	
Preferred	4,035,476
Common	169,734,269
Federal obligations	591,547
Non-Government obligations	72,612,613
Real estate loans and mortgages	3,356,873
Other real estate	7,574,734
Total assets	270,745,803
Receipts from investments: [1]	
Interest	4,198,680
Dividends	4,404,590
Rents	667,777
Retained income received, etc	70,640
Total	9,341,687
Sales of assets:	
Cost	99,829,093
Cash	104,105,426
Net gain	4,276,333
Total income for year	13,618,020
Tax bill that would apply if income was not tax exempt	5,039,318

[1] Rate of return, 3.3 percent.

Pension, disability and death benefits (all employees), Michigan Bell Telephone Co., Dec. 31, 1968

Employer contributions	$17,195,388
Investments:	
Stock:	
Preferred	663,317
Common	62,491,057
Federal obligations	9,916,188
Non-Government obligations	137,711,398
Real estate loans and mortgages	5,175,110
Total assets	217,778,647
Receipts from investments: [1]	
Interest	$6,185,210
Dividends	1,697,377
Total	7,882,587

[1] Rate of return, 3.1 percent.

Pension, disability and death benefits (all employees), Michigan Bell Telephone Co., Dec. 31, 1968—Continued

Sale of assets:	
Cost	55,506,276
Cash	55,776,217
Net gain	269,941
Total income for year	8,152,528
Tax bill that would apply if income was not tax exempt	4,229,490

[1] Rate of return, 3.2 percent.

Employee savings plan (all employees), Mobil Oil Corp., New York, N.Y., Dec. 31, 1967

Contributions:	
Employer	$9,660,067
Employee	11,807,897
Investments:	
Common stock	148,098,015
Federal obligations	30,942,225
Trustees coequity fund	6,681,119
Trustees balance fund	781,712
Total assets	190,717,474
Receipts from investments: [1]	
Dividends	8,908,266
Sale of assets:	
Cost	13,157,002
Cash	15,635,977
Net gain	2,478,975
Total income for year	11,387,241
Tax bill that would apply if income was not tax exempt	5,323,307

[1] Rate of return, 4.2 percent.

Employees savings and profit-sharing plan (all employees with 1 year or more of service), Motorola, Inc., and domestic subsidies, Franklin Park, Ill., Dec. 31, 1968

Contributions:	
Employer	$9,967,171
Employee	5,219,967
Investments:	
Stock:	
Preferred	655,681
Common	59,703,644
Federal obligations	17,336,881
Non-Government obligations	37,152,810
Real estate loans and mortgages	415,000
Secured notes	3,667,666
Total assets	129,859,912
Receipts from investments: [1]	
Interest	2,947,627
Dividends	1,331,226
Rents	28,000
Total	4,305,853
Sale of assets:	
Cost	22,100,614
Cash	22,858,887
Net gain	758,273
Total income for year	5,064,126
Tax bill that would apply if income was not tax exempt	2,463,058

[1] Rate of return, 3.1 percent.

Pension, disability, and death benefits (all employees), Mountain States Telephone & Telegraph Co., Denver, Colo., Dec. 31, 1967

Employer contributions	$14,866,235
Investments:	
Bank deposits and savings and loan shares at interest	242,903

Pension, disability, and death benefits (all employees), Mountain States Telephone & Telegraph Co., Denver, Colo., Dec. 31, 1967—Continued

Investments—Continued	
Common stock	44,203,505
Federal obligations	233,815
Non-Government obligations	108,837,488
Real estate loans and mortgages	8,127,183
Unsecured notes	849,000
Other real estate	360,000
Total assets	164,305,571
Receipts from investments: [1]	
Interest	4,953,662
Dividends	1,034,696
Other	9,257
Total	5,997,615
Sale of assets:	
Cost	26,379,883
Amount received	25,732,559
Net loss	647,324
Total income for year	5,250,291
Tax bill that would apply if income was not tax exempt	3,328,571

[1] Rate of return, 3.0 percent.

Retirement plan (all employees), International Paper Co., New York, N.Y., Dec. 31, 1968

Contributions:	
Employer	$8,554,628
Employee	3,884,532
Investments:	
Stock:	
Preferred	6,452,956
Common	136,005,656
Non-Government obligations	82,967,681
Total assets	229,303,496
Receipts from investments: [1]	
Interest	4,019,787
Dividends	3,948,898
Total	7,968,685
Sale of assets:	
Cost	74,238,390
Cash	80,096,033
Net gain	5,847,643
Total gain for year	13,816,328
Tax bill that would apply if income was not tax exempt	5,668,375

[1] Rate of return, 3.1 percent.

Aluminum Co. of America, Pittsburgh, Pa. (held by Mellon National Bank & Trust Co.)

Investments:	
Securities	$108,508,893
Stocks:	
Preferred	11,085,288
Common	161,942,627
Total	173,027,915
Demand notes	4,470,001
Mortgages	19,543,906
Real estate	6,880,412
Total	30,894,319
Total investments	312,431,127
Total assets in hands of trustees	312,698,656
Total assets	316,458,187

Aluminum Co. of America, Pittsburgh, Pa. (held by Mellon National Bank & Trust Co.)—Continued

Income from investments [1]	12,425,678
Plus sales gain	4,475,152
Total gain for year	16,900,830
Tax bill that would apply if income was not tax exempt	7,679,545

[1] Rate of return, 3.8 percent.

Bethlehem Steel Corp. and Subsidiary companies, Bethlehem, Pa.

Employer contribution	$27,777,576
Investments:	
Stock:	
Preferred	11,000,955
Common	329,556,618
Federal obligations	34,056,382
Non-Government obligations	124,152,108
Total assets	509,536,937
Receipts from investments: [1]	
Interest	7,006,023
Dividends	14,669,943
Total	21,675,966
Sales of assets:	
Cash	221,714,066
Cost	201,953,039
Net gain	19,761,027
Total gain for year	41,436,993
Tax bill that would apply if income was not tax exempt	16,385,166

[1] Rate of return, 4.1 percent.

Entitlement benefit plan for flight engineers, American Airlines, Inc., New York, N.Y.

Investments:	
Deposit administration contract with John Hancock Mutual Life Insurance Co., balance on deposit	$29,096,214
Held by Morgan Guaranty trusts:	
Preferred stock	468,750
Common stock	78,305,312
Non-Government obligations	21,296,552
Morgan Guaranty commingled trusts:	
SSI bonds	4,385,362
Real property	18,091,127
Equities	5,240,939
	27,717,428
Real estate loans and mortgages	9,265,184
Total assets	137,217,906
Receipts from investments: [1]	
Interest	$2,462,200
Dividends	3,157,077
Rents	570,607
Total	6,189,884
Tax bill that would apply if income was not tax exempt	3,268,258

[1] Rate of return, 4.4 percent.

The American electric power system retirement plan, American Electric Power Service Corp., New York, N.Y.

Contributions:	
Employer	$4,217,747
Employee	2,942,871
	6,160,618

The American electric power system retirement plan, American Electric Power Service Corp., New York, N.Y.

Investments:	
Stocks:	
Preferred	$2,468,178
Common	70,493,549
Bonds, debentures:	
Federal	2,319,461
Foreign government obligations	3,775,351
Non-Government obligations	42,353,816
Total	48,448,628
Real estate loans and mortgages	2,869,351
Real estate operated	1,346,889
Total assets	128,741,836
Receipts from investments [1]	5,586,339
Sale of assets:	
Cash	11,814,913
Cost	11,787,004
Net gain	27,909
Total gain for year	5,614,248
Tax bill that would apply if income was not tax exempt	2,956,563

[1] Rate of return, 3.9 percent.

American Airlines, Inc. (flight engineers), New York, N.Y. (held by Republic National Bank)

Investments:	
Stock:	
Preferred	$224,450
Common	14,547,905
Obligations:	
Federal	2,475,545
State and municipal	533,646
Non-Government obligations	7,287,787
Commingled trust, special equity fund	549,988
Total assets	26,882,153
Receipts from investments: [1]	
Interest	260,202
Dividends	238,972
Total	499,174
Sale of assets:	
Book value	20,224,472
Amount received	21,170,270
Net gain	945,798
Total gain for year	1,444,972
Tax bill that woud apply if income was not tax exempt	500,012

[1] Rate of return, 1.9 percent.

Salaried employees pension plan, Armour & Co., Chicago, Ill.

Contributions:	
Employer	$5,500,000
Employee	2,647,445
Investments:	
Stock:	
Preferred	5,190,512
Common	80,458,709
Bonds and debentures:	
Federal	1,069,606
Foreign government	3,162,980

Salaried employees pension plan, Armour & Co., Chicago Ill.—Continued

Investments—Continued	
Non-Government obligations	$56,500,863
Real estate loans and mortgages	843,782
Loans and notes receivable	1,884,112
Real estate operations	3,708,813
Total assets	155,244,224
Receipts from investments: [1]	
Interest	3,165,205
Dividends	2,875,933
Rents	169,845
Total receipts	6,210,983
Tax bill that would apply if income was not tax exempt	3,279,399

[1] Rate of return, 3.9 percent.

Plan for employees' pensions, disability benefits, death benefits, Bell Telephone Co. of Pennsylvania, Philadelphia, Pa.

Employer contributions	$23,510,034
Investments:	
Commingled	90,439,240
Federal obligations	775,221
Non-Government obligations	184,329,106
Real estate loans and mortgages	12,580,626
Total assets	293,420,917
Receipts from investments: [1]	
Interest	8,484,708
Dividends	1,887,716
Rents	68,246
Total receipts from investments	10,440,670
Sale of assets:	
Cost	54,312,762
Cash	51,828,621
Loss from sale of assets	2,484,141
Total gain for year	7,956,529
Tax bill that would apply if income was not tax exempt	4,201,047

[1] Rate of return, 3.4 percent.

Atlantic Richfield Co., Philadelphia, Pa.

Contributions:	
Employer	$6,708,980
Employee	5,210,437
Investments:	
Pacific Mutual Life Insurance Co. Deposit Administration Contract	9,575,416
Equitable Life Insurance Society and U.S. Deposit Administration contract	13,870
Stock:	
Preferred	2,015,904
Common	149,362,000
Government obligations	6,000,723
Foreign government obligations	3,764,644
Non-Government obligations	116,565,806
Total assets	299,217,710
Receipts from investments: [1]	
Interest	7,027,273
Dividends	3,492,596
Total	10,519,869

[1] Rate of return, 3.3 percent.

Atlantic Richfield Co., Philadelphia, Pa.—Continued

Sale of assets:	
Cash	$103,069,554
Cost	98,069,684
Gain	5,199,870
Total gain for year	15,719,739
Tax bill that would apply if income was not tax exempt	6,854,457

American Telephone & Telegraph Co., New York, N.Y.

Contributions: Employer	$28,875,197
Investments:	
Stock:	
Preferred	327,886
Common	128,514,405
Government obligations	1,996,528
Non-Government obligations	174,221,095
Real estate loans and mortgages	10,830,223
Total assets [2]	333,118,837
Receipts from investments: [1]	
Interest	9,204,214
Dividends	2,746,153
Commitment fees	270
Total receipts from investments	11,950,637
Tax bill that would apply if income was not tax exempt	6,309,936

[1] Rate of return, 3.3 percent.
[2] Negligible loss indicated on sales of assets.

Chrysler thrift stock ownership program, Chrysler Corp., Detroit, Mich.

Contributions:	
Employer	$9,143,293
Employee	22,307,516
Investments:	
Common stock	84,583,058
Federal obligations	44,299,145
Total assets	129,468,821
Receipts from investments: [1]	
Interest	16,465
Dividends	4,561,497
Total receipts from investments [2]	4,577,962
Tax bill that would apply if income was not tax exempt	2,417,163

[1] Rate of return, 3.3 percent.
[2] No sales reported.

Consolidated Edison Co. of New York, Inc., New York, N.Y.

Employer contributions	$20,148,786
Investments:	
Stock:	
Preferred	1,879,316
Common	58,172,380
Government obligations	8,550,000
Non-Government obligations	24,165,207
Commingled benefit fund	21,927,784
Real estate loans and mortgages	5,540,213
Total assets	118,061,842
Receipts from investments: [1]	
Interest	2,531,274
Dividends	1,920,906

Consolidated Edison Co. of New York, Inc., New York, N.Y.—Continued

Receipts from investments: [1]—Continued	
Rents	$227,488
Other	61,170
Total receipts from investments [2]	4,740,840
Tax bill that would apply if income was not tax exempt	2,503,163

[1] Rate of return, 3.4 percent.
[2] Net gain from sales not reported.

Pension, disability, death benefits (all employees), Northwestern Bell Telephone Co., Omaha, Nebr., Dec. 31, 1968

Employer contributions	$15,293,280
Investments:	
Stock:	
Preferred	290,905
Common	56,243,460
Nongovernment obligations	112,822,446
Real estate loans and mortgages	8,550,231
Unsecured notes	1,838,000
Other real estate	1,605,958
Total assets	183,091,197
Receipts from investments: [1]	
Interest	5,286,374
Dividends	1,180,205
Rents	42,560
Commitment fee	3,043
Total	6,512,184
Sale of assets:	
Cost	36,240,088
Amount received	34,624,016
Net loss	1,616,072
Total income for year	4,896,112
Tax bill that would apply if income were not tax exempt	2,585,147

[1] Rate of return, 3.3 percent.

Retirement plan for salary and weekly payroll employees, North American Rockwell Corp., El Segundo, Calif., Sept. 30, 1968

Employer contributions	$53,139,076
Investments:	
Stock:	
Preferred	13,267,850
Common	153,938,717
Federal obligations	1,729,993
Non-Government obligations	179,057,348
Morgan Guaranty Commingled Fund special situation bonds	3,884,601
Morgan Guaranty Commingled Fund mortgages-real property	7,459,456
Morgan Guaranty Commingled Fund special situation equities	999,595
Continental Illinois Mortgage Fund	1,964,980
Real estate loans and mortgages	32,275,400
Secured notes	4,601,641
Operated real estate	22,542,404
Total assets	424,614,267
Receipts from investments: [1]	
Interest	12,230,392
Dividends	4,680,871
Rents	1,287,977
Commitment fees	10,820
Total	18,210,061

[1] Rate of return, 4.2 percent.

Retirement plan for salary and weekly payroll employees, North American Rockwell Corp., El Segundo, Calif., Sept. 30, 1968—Con.

Sale of assets:	
Cost	$228,272,593
Cash	229,758,111
Net gain	1,485,518
Total income for year	19,695,579
Tax bill that would apply if income was not tax exempt	9,986,291

Pension, disability, and death benefits (all employees), Pacific Northwest Bell Telephone Co., Dec. 31, 1968

Employer contributions	$11,867,436
Investments:	
Stock:	
Preferred	45,113
Common	43,732,699
Federal obligations	986,297
Foreign government obligations	5,118,612
Non-Government obligations	87,733,338
Real estate loans and mortgages	3,853,830
Unsecured notes	775,000
Operated real estate	1,565,499
Total assets	145,409,734
Receipts from investments: [1]	
Interest	4,415,147
Dividends	903,042
Rents	68,656
Total	5,386,845
Sale of assets:	
Cost	45,416,711
Amount received	45,921,285
Net gain	504,574
Total income for year	5,891,419
Tax bill that would apply if income was not tax exempt	2,970,379

[1] Rate of return, 3.4 percent.

Profit-sharing trust plan for salaried employees, the Procter & Gamble Co., Cincinnati, Ohio, June 30, 1968

Employer contributions	$14,416,024
Investments:	
Common stock	153,826,009
Unsecured notes	644,558
Total assets	172,983,333
Receipts from investments: [1]	
Interest	298,164
Dividends	7,407,926
Total receipts from investments	7,706,090
Tax bill that would apply if income was not tax exempt	4,068,815

[1] Rate of return, 4.1 percent.

Plan for supplemental pensions (all employees), Penn Central Co., Philadelphia, Pa., Dec. 31, 1968

Contributions:	
Employer	$1,156,190
Employee	679,875
Investments:	
Bank deposits and savings and loan shares at interest	1,270,142
Stock:	
Preferred	15,377,541
Common	127,570,307

Plan for supplemental pensions (all employees), Penn Central Co., Philadelphia, Pa., Dec. 31, 1968—Continued

Investments—Continued	
Nongovernment obligations	$70,490,689
Real estate loans and mortgages	11,147,669
Secured notes	23,940,265
Unsecured notes	2,265,079
Total assets	252,619,653
Receipts from investments: [1]	
Interest	5,803,818
Dividends	5,493,392
Total	11,297,211
Sale of assets:	
Cost	50,382,187
Cash	57,765,925
Net gain	7,383,738
Total income for year	18,680,949
Tax bill that would apply if income was not tax exempt	7,810,861

[1] Rate of return, 4.4 percent.

Service annuity plan (all employees), Philadelphia Electric Co., Philadelphia, Pa., Dec. 31, 1968

Employer contributions	$5,840,41
Investments:	
Stock:	
Preferred	6,880,47
Common	52,131,06
Federal obligations	3,838,64
Foreign government obligations	1,904,09
Nongovernment obligations	58,286,25
Total assets	123,891,06
Receipts from investments: [1]	
Interest	2,940,43
Dividends	3,292,30
Total	6,232,73
Received from sale of assets	2,770,90
Tax bill that would apply if income was not tax exempt	3,983,61

[1] Rate of return, 4.9 percent.

Benefit program (all employees), Standard Oil Co. of New Jersey, New York, N. Y., Dec. 31, 1968

Contributions:	
Employer	$47,085,16
Employee	25,324,58
Investments:	
Federal obligations	66,568,00
Non-Government obligations	36,169,00
Secured notes	50,415,00
Stock held for certain participants	338,726,00
Total assets	494,015,00
Receipts from investments: [1] Interest	7,518,00
Tax bill that would apply if income was not tax exempt	3,969,5

[1] Rate of return, 1.4 percent.

Pension benefits (all employees), United States Steel Corp., New York, N.Y., Dec. 31, 1967

Contributions:	
Employer	$47,018,7
Employee	6,140,6

Pension benefits (all employees), United States Steel Corp., New York, N.Y., Dec. 31, 1967—Continued

Investments:	
Stock:	
Preferred	$9,785,235
Common	793,132,885
Federal obligations	107,649,190
Non-Government obligations	690,457,182
Oil, gas, and other payments and royalties	22,575,890
Real estate loans and mortgages	13,636,618
Other real estate	192,840,334
Total assets	1,890,043,804
Receipts from investments: [1]	
Interest	39,363,929
Dividends	41,508,300
Rents	14,850,534
Mortgages, oil, gas and other payments and royalties	7,294,084
Total	103,016,847
Sale of assets:	
Cost	172,245,208
Cash	184,948,270
Net gain	12,703,062
Total income for year	115,719,909
Tax bill that would apply if income was not tax exempt	57,568,660

[1] Rate of return, 5.4 percent.

Employee savings plan, contributory participants in retirement plan, Standard Oil Co. and participating subsidiary companies, Chicago, Ill., Dec. 31, 1968

Contributions:	
Employer	$12,691,247
Employee	21,181,403
Investments:	
Common stock	177,298,565
Federal obligations	12,245,627
Total assets	191,219,796
Receipts from investments: [1]	
Interest	184,024
Dividends	9,171,184
Total	9,355,208
Sale of assets:	
Cost	9,953,263
Cash	12,262,936
Net gain	2,309,673
Total income for year	11,664,881
Tax bill that would apply if income was not tax exempt	5,516,967

[1] Rate of return, 4.7 percent.

Pension, disability, and death benefits (all employees), New England Telephone & Telegraph Co., Boston, Mass., Dec. 31, 1968

Employer contributions	$25,851,809
Investments:	
Bank deposits and savings and loan shares at interest	392,367
Stock:	
Preferred	252,579
Common	82,109,022
Federal obligations	1,287,103
Non-Government obligations	203,517,266
Real estate loans and mortgages	16,369,537
Unsecured notes	4,435,000
Total assets	310,784,610

Pension, disability, and death benefits (all employees), New England Telephone & Telegraph Co., Boston, Mass., Dec. 31, 1968—Continued

Receipts from investments: [1]	
Interest	$9,434,182
Dividends	1,934,403
Total	11,368,403
Sale of assets:	
Cost	52,524,547
Amount received	52,331,222
Net loss	193,325
Total income for year	11,175,260
Tax bill that would apply if income was not tax exempt	5,900,537

[1] Rate of return, 3.5 percent.

Pension, disability, and death benefits (all employees), the Ohio Bell Telephone Co., Cleveland, Ohio, Dec. 31, 1968

Employer contributions	$15,532,979
Investments:	
Stock:	
Preferred	1,016,310
Common	53,889,160
Federal obligations	4,674,285
Non-Government obligations	126,222,517
Total assets	187,655,212
Receipts from investments: [1]	
Interest	5,546,630
Dividends	1,812,304
Total	7,358,934
Sale of assets:	
Cost	24,474,216
Amount received	24,383,124
Net loss	91,092
Total income for year	7,267,842
Tax bill that would apply if income was not tax exempt	3,837,420

[1] Rate of return, 3.7 percent.

Pension, disability, and death benefits, the Pacific Telephone & Telegraph Co., San Francisco, Calif., Dec. 31, 1968

Employer contributions	$53,853,040
Investments:	
Common stock	203,447,304
Non-Government obligations	355,414,021
Real estate loans and mortgages	25,492,719
Unsecured notes	3,514,000
Other real estate	4,020,000
Total assets	596,590,358
Receipts from investments: [1]	
Interest	16,435,415
Dividends	4,007,418
Rents	230,225
Total	20,673,059
Sale of assets:	
Cost	110,702,396
Amount received	106,242,752
Net loss	4,459,644
Total income for year	16,213,415
Tax bill that would apply if income was not tax exempt	8,560,683

[1] Rate of return, 3.4 percent.

Retirement plan (hourly rate employees), *Olin Mathieson Chemical Corp., New York, N.Y., Dec. 31, 1968*

Employer contributions	$6,513,364
Investments:	
Stock	
Preferred	1,659,371
Common	82,105,279
Foreign government obligations	1,200,000
Non-Government obligations	35,338,039
Commingled Trusts:	
Morgan Guaranty-Mortgage	6,600,790
Morgan Guaranty-Bonds	6,600,790
Collect Employee Benefit Fund from St. Louis Union—Fund F	4,166,613
St. Louis Union—Fund G	3,381,656
Real Estate Loans and Mortgages	8,344,352
Unsecured Notes	7,114,419
Other Real Estate	8,817,344
Total assets	160,408,450
Receipts from investments: [1]	
Interest	3,191,734
Dividends	3,145,697
Rents	811,053
Commitment fee	1,487
Total	7,059,972
Sale of assets:	
Cost	75,435,631
Amount received	79,456,896
Net Gain	4,021,265
Total income for year	11,081,237
Tax bill that would apply if income was not tax exempt	4,732,981

[1] Rate of return, 4.4 percent.

Hourly rate employees pension plan, General Motors Corp., Detroit, Mich., Dec. 31, 1968

Employer contributions	$190,000,000
Investments:	
Bank deposits and savings and loan shares at interest	522,496
Stock:	
Preferred	23,406,704
Common	732,272,341
Federal obligations	18,971,395
Foreign government obligations	5,699,057
Non-Governmental obligations	372,558,674
Commingled trust (Morgan Guaranty)	63,442,396
Real estate loans and Mortgages	114,138,654
Unsecured notes	56,596,634
Oil, gas and mineral royalties	10,692,726
Total assets	1,458,222,250
Receipts from investments: [1]	
Interest	30,321,282
Dividends	27,194,939
Rents	5,244,248
Oil, gas, mineral royalties	1,473,785
Total	64,234,254
Sale of assets:	
Cash	480,772,058
Cost	454,026,076
Net gain	26,745,982
Total income for year	90,980,236
Tax bill that would apply if income was not tax exempt	40,602,181

[1] Rate of return, 4.4 percent.

Member pension plan, International Brotherhood of Electrical Workers, Washington, D.C., June 30, 1968

Employee contributions	$34,719,908
Investments:	
Bank deposits and savings and loan shares at interest	19,450,000
Stock:	
Preferred	1,210,316
Common	21,404,926
Federal obligations	1,987,530
Foreign government obligations	3,084,168
Non-Government obligations	16,088,412
Real estate loans and mortgages	73,734,693
Secured loans	2,652,240
Other real estate	9,696,230
Rental equipment	172,254
Total assets	151,440,986
Receipts from investments: [1]	
Interest	5,484,786
Dividends	1,317,099
Rents	743,256
Gain on bonds, prepayment fees, commitment fees	119,876
Total receipts from investments	7,665,021
Tax bill that would apply if income was not tax exempt	4,047,131

[1] Rate of return, 4.6 percent.

Retirement program for salaried employees, General Motors Corp., Detroit, Mich.

Contributions:	
Employer:	
Part I	$47,200,000
Part II	24,577,323
Employees	35,554,226
Investments:	
Bank deposits and savings and loan shares at interest	407,716
Stock:	
Preferred	6,041,408
Common	439,887,472
Federal obligations	9,775,592
Foreign government obligations	9,775,592
Non-Government obligations	230,895,438
fund equities	1,075,898
Morgan Guaranty commingled fund bonds, Morgan Guaranty commingled fund mortgage	3,872,177
Real property	23,515,403
Real estate loans and mortgages	77,984,532
Unsecured notes	18,129,202
Real estate operated	36,282,644
Oil, gas, mineral royalties	9,721,537
Total assets	864,033,760
Receipts from investments: [1]	
Interest	16,819,069
Dividends	18,346,970
Rents	3,407,812
Oil, gas, and mineral royalties	1,470,285
Total	40,044,285
Sale of assets:	
Cost	207,988,254
Cash	237,847,872
Net gain	29,859,618
Total income for year	69,903,903
Tax bill that would apply if income was not tax exempt	28,608,286

[1] Rate of return, 4.6 percent.

Board of Trustees, ILGWU National Retirement Fund, New York, N.Y., Dec. 31, 1968

Employer contributions	$41,874,690
Investments:	
Bank deposits and savings and loan shares at interest	800,000
Federal obligations	58,201,792
State and municipal obligations	2,137,366
Foreign government obligations	974,647
Non-Government obligations	156,353,822
Real estate loans and mortgages	55,260,298
Total assets	277,963,229
Receipts from Investments: [1]	
Interest	12,188,989
Sale of assets:	
Cost	41,900,912
Cash	41,942,130
Net gain	41,318
Total income for year	12,230,307
Tax bill that would apply if income was not tax exempt	6,446,025

[1] Rate of return, 4.3 percent.

Retirement annuity plan (all employees), Mobil Oil Corp., Dec. 31, 1968

Contributions:	
Employer	$7,920,921
Employee	6,484,386
Investments:	
Stock:	
Preferred	113,337
Common	226,629
Federal obligations	3,647,026
Non-Government obligations	12,163,720
Common trusts	1,095,224
Metropolitan GAC	5,489,322
Total assets	250,151,674
Receipts from investments: [1]	
Interest	718,916
Dividends	6,404,748
Total	7,123,664
Sale of assets:	
Cost	177,622,985
Cash	180,629,723
Net gain	3,006,738
Total income for year	10,130,402
Tax bill that would apply if income was not tax exempt	4,412,978

[1] Rate of return, 2.8 percent.

Income plan for certain salaried employees, Lockheed Aircraft Corp., Burbank, Calif., Dec. 24, 1967

Employer contribution	$36,550,479
Investments:	
Stock:	
Preferred	7,352,754
Common	109,593,393
Non-Government obligations	90,511,290
Real estate loans and mortgages	16,840,408
Secured notes	4,998,493
Other real estate	10,994,434
Total assets	241,968,952
Receipts from investments: [1]	
Interest	5,526,986
Dividends	2,822,793
Rents	846,578
Commitment fees	4,000
Total	9,200,358

[1] Rate of return, 3.7 percent.

Income plan for certain salaried employees, Lockheed Aircraft Corp., Burbank, Calif., Dec. 24, 1967—Continued

Sale of assets:	
Cost	$103,430,868
Cash	106,227,483
Net gain	2,796,615
Total income for year	11,996,973
Tax bill that would apply if income was not tax exempt	5,556,942

Salaried employees pension plan, Monsanto Co., St. Louis, Mo., Dec. 31, 1968

Contributions:	
Employer	$17,939,964
Employee	2,481,195
Investments:	
Stock:	
Preferred	4,265,483
Common	104,665,988
Federal obligations	2,307,589
Foreign government obligations	4,835,233
Non-Government obligations	17,185,572
Commingled trusts	14,120,478
Real estate loans and mortgages	2,016,552
Other secured loans and notes	591,916
Unsecured notes	3,158,876
Recognized, unrealized appreciation from variable trusts	8,593,271
Total assets	163,000,027
Receipts from investments: [1]	
Net accrued income, 67–68–103,054	
Interest	2,037,415
Dividends	2,508,338
Rents	19,458
Common trust income distribution	190,814
Total	4,652,975
Sale of assets:	
Cost	88,047,804
Cash	90,010,664
Net gain	1,962,860
Total income for year	6,615,835
Tax bill that would apply if income was not tax exempt	2,947,484

[1] Rate of return, 2.5 percent.

PESTICIDE CONTAMINATION AND POISONING—TIME FOR ACTION

The SPEAKER. Under a previous order of the House, the gentleman from Connecticut (Mr. MONAGAN) is recognized for 30 minutes.

Mr. MONAGAN. Mr. Speaker, the failure of the Department of Agriculture to protect the public from the effects of certain pesticides has resulted in a minimum of 100,000 unnecessary human poisonings in the past 10 years. The Department has failed to enforce provisions of the Federal Insecticide, Fungicide, and Rodenticide Act—FIFRA—intended to protect the public from hazardous pesticide products being marketed in violation of the act. Moreover, unless constructive action is taken by the Department of Agriculture to enforce provisions of FIFRA—much of our food will be illegally adulterated with pesticide residues. At present, millions of pounds of chicken and fish are impounded for this reason and will have to be destroyed. Unless constructive action is taken, much of the

food supply will contain large amounts of cancer-producing pesticide compounds. Unless constructive action is taken to reduce environmental contamination, a very large percentage of the world's remaining animal life faces extinction during the next 20 years and human life may be endangered. Much of this wanton destruction has been attributed to pesticide contamination and misuse.

The President and members of the Cabinet acting as the Environmental Quality Council should not be forced to oversee, review, and order the cancellation in part or whole of every pesticide registration allowed by the Pesticide Regulation Division of the Department of Agriculture that may be a potential or imminent health hazard. If the Department of Agriculture had carried out its Federal Insecticide, Fungicide, and Rodenticide Act responsibilities by following a prudent course in matters concerning hazards to human, other forms of life and our ecology, much of our problems and fears would not exist.

It is chilling to realize that certain food additives and pesticide residues which we ingest may kill, cause cancer, create fetal deformities in animal—mammalian—life and also be hazardous to humans. Pesticide fogs, sprays, and vapors in a constant fallout in concentrations sufficient to kill animal life may fall on man. Certain pesticides stored in containers for home or lawn use and kept within the home are known to cause poisoning and deaths especially among children within the ages of 1 to 5.

Despite the dangers, the Department of Agriculture still freely allows the use of certain pesticides which are responsible for such hazards. The Department still rocks along with a public be damned approach which does not assure the health and safety of the public while further evidence is sought to evaluate the danger.

CANCER-PRODUCING AND FETAL-DEFORMING PESTICIDES

I felt that it would be worthwhile to examine the grounds of some of the 1,600 registration objections made by the Department of Health, Education, and Welfare over a 5-year period from July 1, 1964, through June 30, 1969, which the Pesticides Regulation Division of the Department of Agriculture largely chose to ignore. The findings and further study of the subject continue to appall me.

The Department of Agriculture allows the registration and reregistration of cancer-producing pesticide compounds that HEW objects to on the ground that it does not believe that compounds which are carcinogens in experimental animals should be employed in pesticides. A partial list of objectionable compounds includes such well-known pesticides as dieldrin; toxaphene; DDT; chlordane; amitrole; aramite; triethanolamine salt of Dicamba and related compounds; Carbaryl; Folpet; lindane; simazine; 2-(p-tert - butylphenoxyl)1 - methylethyl, 2 chloroethyl sulfite; o.o.-diethyl-o- (2-isopropyl-6 methyl-4 pyrimidinyl) phosphorothioate and the mercurials.

The Department of Agriculture's answer to questions about approval is that until the Department of HEW can produce evidence that the involved compound produces cancers in human beings from inhalation or skin contact, the Department of Agriculture will continue to register the pesticide.

The Department of Health, Education, and Welfare under the Delaney clause of the food additive amendment to the Food and Drug Act must ban foods containing an additive which causes cancer in mice or rats. An example would be cyclamate. It is obvious that the Department of Agriculture's standard is far less than that required of the Department of HEW by the food statutes.

The Mrak—Secretary of Department of Health, Education, and Welfare's Commission on Pesticides and their Relationship to Environmental Health—Commission recommendation No. 5 stated:

> In recent screening studies in animals employing high dosage levels, several compounds have been judged to be "positive" for tumor induction. In similar screening studies, other pesticides have been judged to be teratogenic. The evidence does not prove that these are injurious to man but indicates: (1) a need to re-examine the registered uses of the materials and other relevant data in order to minimize human exposure to these chemicals; . . . These materials are Aldrin; Amitrol; Aramite; Avadex; Bis (2-chloroethyl) ether; Chlorobenzilate; p!p!-DDT; Dieldrin; Heptachlor (epoxide); Mirex; N-(2-hydroxyethyl)-hydrazine; Strobane; Captan; Carbaryl; mercurials; PCNB; the butyl, isopropyl, and isooctyl esters of 2,4-D and 2, 4, 5-T.

Many of the registered compounds mentioned by the Mrak Commission recommendations were objected to previously by the Department of Health, Education, and Welfare.

The President's Environmental Quality Council endorsed the recommendations of the Mrak Commission. The Council forced the Secretary of Agriculture to act on DDT, and 2,4,5-T. The actions were based on findings that the compounds were harmful in rats and mice. This is the standard used by HEW in its objection to the registration of compounds which are potential cancer producers. The Council—chaired by the President and composed of relevant Cabinet members—does not have a statutory base or authority. The Council and staff only can pressure by invoking the name and signature of the President as the statutory authority still rests entirely with the Secretary of Agriculture.

The 2,4,5,-T and DDT actions were mandated practically on a case by case basis by the Evironmental Quality Council. I appreciate the wisdom of the action taken by the Environmental Quality Council. But should the President and Cabinet members acting as the Environmental Quality Council be forced to oversee and review every pesticide registration allowed by the Pesticide Regulation Division of the Department of Agriculture that may be either a potential or immediate health hazard? Does this mean that the President and Council will have to determine for the Secretary of Agriculture on a case by case basis whether to ban the other hazardous pesticide compounds objected to as potential cancer producers by Department of Health, Education and Welfare, as well as potential cancer producers and/or fetal deformers by the Mrak Commission, or for other good and substantial reasons?

The President and Council act on policy and/or emergency matters. We cannot afford to, and we should not have to, wait until an emergency situation is reached and the President and Council react instead of the Department of Agriculture taking the initiative with due care and consideration, as Congress intended, in the administration of the FIFRA. Emergency banning which restricts the manufacture, sale and use of established market products or the pursuit of agriculture may cause economic and agricultural disruptions which would not occur if proper consideration initially had been given by the agency responsible for the administration of FIFRA.

For many pesticides there may be a great deal to be said against their use—but there also may be a great deal to be said for their use. In determining such use there must be a rational balancing of benefits and risks whereas emergency reaction tends to be overreaction so that much good, justifiable use may also be banned along with the bad.

LINDANE VAPORIZER

Commencing with a Food and Drug Administration study completed in 1953, the Department of Health, Education, and Welfare, concluded that a continuous vaporizer using lindane—a cancer-producing compound—pellets that killed insects by filling the room with the active ingredient, caused food contamination and were dangerous to exposed humans—especially the aged, the sick, and infants. Such devices found extensive usage in bakeries, eating places, hospitals, meat processing plants, and homes. The Department of Agriculture was promptly informed. In accordance with the 1964 Interdepartmental pesticide agreement, the Department of Health, Education, and Welfare, in its review of pesticide registrations from the health safety aspect objected to the registration of lindane pellet vaporizers. A Public Health Service Ad Hoc Advisory Committee reviewed the use of pesticide vaporizing units. The committee expressed unanimous opposition to the use of lindane vaporizers. Its report was transmitted to the Department of Agriculture on September 22, 1966.

The Department of Health, Education, and Welfare, was not alone in its objection to lindane pellet vaporizers. The old Interdepartmental Committee on Pest Control on October 22, 1952, revised its original 1951 statement on lindane vaporizers to state:

> Unless it can be demonstrated that contamination does not occur, the Committee recommends against the use of insecticide vaporizers in rooms or areas where food is served, processed or stored.

Following this, the committee on pesticides of the American Medical Association reported on July 25, 1953, that at least 14 States and 35 municipalities had adopted measures to control the installation, sale, or use of lindane vaporizers and that other States and local units had invoked existing provisions of their food laws and sanitary codes for a similar

purpose. The Consumer and Marketing Service of the Department of Agriculture disapproved the use of continuously operating lindane vaporizers where meat or poultry would be exposed to the vapor.

The Pesticide Regulation Division of the Department of Agriculture chose to ignore these objections. As a result, there were about 100 registrations of lindane pellets, of which about half were for use in continuously operating vaporizers. It is estimated that millions of the vaporizers have been sold and utilized.

A summary article in the July 1967 issue of the AMA's "Archives of Environmental Health" pointed out that since 1954 lindane exposure had been implicated directly or circumstantially in cases of serious bone marrow failure, but that no method had been developed to prove the cause and effect relation.

The General Accounting Office issued a report pointing out the problem of lindane vaporizers on February 20, 1969. When hearings were scheduled by the House Government Operations Committee, the Department of Agriculture after 18 years—more than 15 years of objections—conducted its own tests and after 5 days concluded that the facts and conclusions reached in 1953 by the FDA were correct. As a result, the Department decided to cancel lindane registrations. However, if past performance is any standard, additional enforcement action will be necessary to remove the vaporizers from use and, in the meantime, the hazard to health will continue.

PESTICIDES POISONING

Due to the recommendation of the President's Science Advisory Committee in 1963 that decisions on registration clearly relating to health be reviewed by the Department of Health, Education, and Welfare, the interdepartmental agreement of 1964 was evolved. The Pesticide Regulation Division of the Department of Agriculture believes that it is fully capable of evaluating the public health aspects, that the duplication of review is unnecessary and that the Department of Health, Education, and Welfare is responsible for its delay in reducing the registration backlog. Thus, the emphasis within the Department of Agriculture's operation has been to make a paper record through cutting down on the existing backlog by passing out registrations without adequate assurance of the effect on public health. Rather than resolve HEW's objections in accordance with the interdepartmental agreement, the Department of Agriculture has chosen for the most part to ignore them and applaud the processing of its registrations. The following example I believe points out the issue.

On May 21, 1965, HEW objected to the Department of Agriculture on a re-registration as follows:

> We cannot grant approval to the following Registration No. ——. Results of our investigation show that sixty-five cases of poisoning have been documented with this product during the years 1962 and 1963. Fifty-nine of these poisonings occurred in the 1–5 year age range.

Investigation of this registration number disclosed that the product was registered first in 1948. The active ingredient of the product, lead arsenate, has been the same from the initial registration to the present time. The records of the Division of Poison Control, FDA, Department of Health, Education, and Welfare disclose 53 accidental poisonings caused by this product in 1968. Forty-eight of these poisonings involved children under 5 years of age. Officials of the HEW National Clearinghouse for Poison Control Centers believe that the total number of poisonings occurring each year is about eight to 10 times the number reported to the centers. The centers are a voluntary network usually affiliated with hospitals and reporting data is not their primary purpose. This is understandable. So, including the number of unidentifiable product poisonings reported, an estimated total count of poisonings per year attributable to this product would easily be in excess of 500 with about 500 per year occurring with children under 5 years of age.

If the HEW recommendation had been put into effect when it was rendered, a very large number of young children would not have been poisoned. It is obvious that the number of poisonings attributable to the product alone since 1948 is considerable.

Another example was a registered product containing sodium arsenate as the active ingredient. It was objected to in May 1965 because of the usage pattern, the active compound and the accident reports filed with the Poison Control Center. This product accounted for 85 accidental poisoning reports in 1968 on the records of the Poison Control Division or the equivalent of about 850 total poisonings annually.

Due to the usage pattern, pesticide uses containing arsenicals such as arsenic trioxide, sodium arsenite, lead arsenate, sodium arsenate, et cetera have been questioned in situations which would place them within the home and reach of youngsters. This class of compounds was responsible for over 307 recorded reports in 1968 to the Poison Control Division or the estimated equivalent of about 3,000 total accidental ingestions—poisonings—per year or 30,000 poisonings over a 10-year period.

In 1968, the Poison Control Division had 5,739 pesticide poisoning reports of which 3,965 were children under 5 years old. This is an estimated annual equivalent of about 50,000 to 55,000 pesticide poisonings of which nearly 40,000 are children 4 years or less. The injury control program, National Center for Urban and Industrial Health of HEW in a 1968 statement to the National Commission on Product Safety estimated the number of pesticide poisonings to be 75,000 per year. Therefore, it would not be unreasonable to conclude that in the last 10 years there have been at least a half-million—500,000—pesticide poisonings of which 350,000 were children under 5 years of age.

Study of over 1,600 HEW objections to pesticide registration discloses that a great number are based on their potential for storage or usage pattern within the home, the toxicity of a small amount of the active ingredient and the poisoning pattern of registered products—proposal for reregistration after 5 years. In most instances the objection is against a class of compounds such as the arsenicals.

These types of objections are devised to cut back on the use of products that could lead to the poisoning of children under 5 years of age. Investigation by class of compounds discloses that this approach would blanket at least an estimated 350,000 poisonings within a 10-year period. The reasonableness of some of these objections is evident as some are now being accepted—however tardily—for example, those related to products containing thallium sulfate and certain of the arsenicals. It is estimated that the arsenicals and thallium sulfate, alone, can account for 50,000 to 70,000 poisonings over the period of the past 10 years. It is obvious and reasonable to conclude that substantial and adequate objections existed to the use of pesticide products which resulted in at least 100,000 poisonings over the past 10 years and for which safer substitutes exist. Constructive and prompt administration of the Federal Insecticide, Fungicide, Rodenticide Act could prevent the poisoning of large numbers of our population especially our very young.

CONCLUSION

In the course of the House action on H.R. 1237—which can be found in the CONGRESSIONAL RECORD of May 12, 1947, at page 5054 which became FIFRA, Representative Keefe asked why the Department of Agriculture rather than the Food and Drug Administration was made responsible for the administration of the proposed functions. Representative Flanagan explained that the bill was an amendment of existing legislation and merely extended the previous authorization which placed responsibility in the Department of Agriculture. Representative Andersen, floor manager for the bill, agreed that Government reorganization was necessary, including a consolidation of functions but he hoped "in view of the emergency of the measure" that the question would not be pursued at that moment. It was not.

However adequate the act may have been in 1947, it is obvious it is not now. It is time that greater authorization be given to FDA and that Government reorganization in this area be instituted since it is more necessary at present than it was 22 years ago.

I desire to see this Nation a far better place than it has been. To do so we must prevent unnecessary contamination; protect the public health, the quality of the environment and our food. We must remove hazards that may poison and destroy humans. In many instances our technology has run away—the risks may now exceed the benefits. In the area of pesticide use, the Department of Agriculture has failed in its responsibility to protect the public safety and interest. We cannot expect the President and the Environmental Quality Council to take up every case of pesticide or other contamination that may constitute either a potential or actual peril to health.

To protect the public health, to assure the reliability of our food and to remove hazards to life, I have proposed legislation which will grant to HEW the au-

thority to control the health hazards of pesticides. It will also grant to the Department of the Interior adequate authority to protect our wildlife. Furthermore, it includes an amendment to the meat and poultry inspection acts granting to the Department of Agriculture authority to allow prohibitions against pesticide contamination.

I urge the President to require that the Department of Agriculture carry out its responsibilities under existing law. An exercise of leadership, an expenditure of effort and funds, and especially the use of mature judgment at the present time will do much to make our lives less hazardous and our environment a better place to live in. Deeds not words are needed. It is time for action.

CULVER REPORTS RESULTS OF FIFTH ANNUAL SECOND DISTRICT QUESTIONNAIRE

The SPEAKER. Under a previous order of the House, the gentleman from Iowa (Mr. CULVER) is recognized for 20 minutes.

Mr. CULVER. Mr. Speaker, again this year, I have prepared a questionnaire on the issues before this Congress and the Nation, in order to obtain the opinions of the people of the Second District of Iowa. I am pleased to report that the response to this fifth annual questionnaire has been the largest one we have ever received. More than 18,000 forms have been returned to date, and they are still arriving in the mail.

So that we could report the results of this survey to the House before adjournment, we have tabulated the first 12,672 returns—a sample which, according to authorities, is more than large enough to reflect accurately the total response. I include those tabulations at this point in the RECORD.

1. *The National Budget.* Present inflationary pressures require restraint in federal spending. If you were required to make the choice as to where the budget should be cut, which area would you select?

	Percent
Defense	55.1
International affairs	30.2
Space	47.3
Agriculture	12.2
Natural resources	2.3
Commerce, Transportation	11.3
Community development	11.7
Education and manpower	6.8
Social security	10.4
Health and welfare	13.3
Veterans benefits	6.2
General Government	7.3

2. *Vietnam.* Which one of the following do you consider to be the most preferable course in Vietnam at the present time?

	Percent
Immediate withdrawal of all combat forces, while continuing economic and social assistance and maintaining military advisers	14.1
Continued phased withdrawal of American combat forces as South Vietnamese army assumes more responsibility for conducting the war	57.7
Complete immediate removal of any American presence in Vietnam	13.6
Resumption of full scale attacks on the North with any necessary increase in American men and material	9.8
No response	4.8

3. *Foreign Commitments.* Would you favor a Congressional resolution requiring the President to obtain approval of Congress before United States troops are committed to fight in foreign countries?

	Percent
Yes	73.7
No	15.7
Undecided	6.5
No response	4.0

4. *National Security.* Which one of the following do you feel poses the most immediate and serious threat to the security of the United States?

	Percent
Foreign Communist aggression	17.8
Instability in the developing nations of Asia, Africa, and Latin American	4.9
Radicals in this country	46.0
Unmet domestic human needs which give rise to internal tensions	26.8
No response	4.4

5. *Campus Disorders.* Who do you feel should have the primary responsibility for controlling campus unrest and disciplining students who disrupt the functions of the university?

	Percent
The college or university itself	71.6
Local law enforcement officials	15.5
The Federal Government	9.0
No response	3.9

6. *Social Security.* Do you favor legislation which would provide an automatic cost-of-living increase for social security recipients?

	Percent
Favor	70.5
Oppose	16.6
Undecided	10.2
No response	2.6

7. *Consumers.* Would you favor legislation establishing a separate federal agency, either as a full Cabinet-level department or as a statutory office, to consolidate and direct current consumer programs and serve as a spokesman for consumer interests?

	Percent
Favor	43.2
Oppose	28.1
Undecided	22.3
No response	6.4

8. *Agriculture.* The present farm program will expire in 1970, and various proposals are now under consideration by the Congress. Which one of the following do you feel would best meet the needs of Iowa farmers and a generally stable agricultural economy?

	Percent
Continuation of present programs, based on voluntary annual acreage diversion and price supports for individual commodities, with changes and additions which experience has proven necessary	35.7
Shift from present annual acreage control and direct payments to general long-term land retirement, emphasizing whole farm retirements	10.4
No farm program	19.7
Undecided	26.6
No response	7.6

While a Member of Congress cannot be guided in his judgments solely by opinion polls, I have found our annual questionnaire extremely helpful in my own consideration of issues in the House of Representatives.

The size of this year's response, and the additional correspondence and comments which the questionnaire has stimulated, demonstrates the interest and concern of the people in eastern Iowa, and I am grateful for their help.

This year, we examined the responses in terms of certain demographic criteria, including age, political identification, occupation, and place of residence. We have prepared a chart which analyzes the results in terms of those criteria, and I include it at this point in the RECORD:

Questions	Age				Political identification				Occupation						Place of residence			
	Under 21	21-30	30-65	Over 65	Republican	Democrat	Independent	Other	Farmer	Independent businessman	Professional	Worker	Housewife	Retired	Farm	Town under 2500 population	2500 to 10,000 population	City over 10,000 population
1. National Budget:																		
Defense	50.6	64.6	55.9	43.5	56.8	52.2	61.5	53.4	49.1	62.0	66.9	50.9	53.2	44.7	50.2	48.9	56.1	59.8
International Affairs	17.6	25.9	32.7	28.7	31.7	27.8	32.3	35.6	24.1	34.2	29.4	37.1	28.5	27.9	25.5	30.4	27.6	32.7
Space	43.5	32.8	47.2	65.2	48.7	49.7	39.4	45.2	58.5	42.5	33.4	46.8	49.9	63.6	60.2	47.0	49.1	41.9
Agriculture	7.1	9.3	13.7	11.8	13.6	10.5	15.3	6.8	4.8	16.0	14.5	14.2	10.2	13.7	5.7	8.8	12.9	16.0
Natural Resources	0	1.0	2.1	3.6	2.2	2.4	1.8	1.4	5.0	1.3	1.2	2.0	1.7	4.1	3.7	1.4	1.4	1.9
Commerce, Transportation	15.3	10.4	11.3	12.2	12.0	10.4	12.6	13.7	15.7	9.6	9.8	12.4	10.9	12.6	11.9	13.6	11.8	10.4
Community Development	15.3	12.6	12.8	7.4	12.3	10.1	13.8	17.8	12.7	11.8	12.1	14.3	12.1	7.3	13.4	11.3	10.0	12.3
Education and Manpower	0	4.0	7.5	7.1	6.9	6.5	7.0	9.6	12.4	8.5	5.4	8.1	5.0	8.0	8.8	6.0	5.4	6.6
Social security	15.3	18.0	10.1	3.1	12.3	6.6	14.8	9.6	16.5	16.2	13.7	8.0	9.3	3.4	14.7	8.8	11.0	9.5
Health and welfare	12.9	19.0	14.1	5.1	16.8	8.6	17.3	8.2	15.5	17.5	17.5	13.9	12.0	5.3	14.4	15.4	13.2	13.0
Veterans benefits	4.7	7.1	6.1	5.7	6.5	5.4	7.5	8.2	5.2	7.1	8.8	4.9	5.2	5.3	5.0	4.4	5.0	7.6
General government	9.4	5.6	7.7	7.7	6.8	7.1	7.7	6.8	8.3	6.6	7.4	9.4	6.7	6.6	8.0	5.6	6.6	7.8
Vietnam:																		
Immediate withdrawal of combat forces	23.5	16.5	13.1	14.5	10.9	17.5	14.0	11.0	11.7	11.5	15.8	11.6	15.7	13.5	11.7	15.9	12.6	15.0
Continued phased withdrawal	51.8	59.3	59.4	53.4	67.7	51.1	57.7	43.8	56.6	63.0	61.9	57.6	56.8	53.2	55.8	57.1	61.7	58.5

Questions	Age				Political identification				Occupation						Place of residence			
	Under 21	21-30	30-65	Over 65	Republican	Democrat	Independent	Other	Farmer	Independent businessman	Professional	Worker	Housewife	Retired	Farm	Town under 2500 population	2500 to 10,000 population	City over 10,000 population
2. Vietnam—Continued																		
Complete immediate withdrawal of all U.S. presence	14.1	13.2	13.6	13.9	10.5	14.7	15.0	21.9	14.8	12.4	11.6	13.2	15.5	13.2	16.2	11.7	11.9	14.1
Resumption of full-scale attacks on the North	8.2	8.6	9.8	10.4	6.9	12.2	9.9	12.3	10.7	7.7	8.6	13.9	7.6	12.3	11.1	9.9	9.8	9.0
No response	2.4	2.4	4.1	7.9	4.0	4.6	3.4	11.0	6.2	5.3	2.0	3.7	4.4	7.8	5.2	5.3	4.1	3.5
3. Foreign commitments:																		
Yes	78.8	69.3	73.9	79.8	70.7	76.9	73.8	67.1	76.4	72.4	69.8	73.3	74.3	78.9	75.4	74	72.8	74.2
No	17.6	21.0	16.5	7.5	19.1	12.7	17.8	21.9	13.3	17.7	22.3	17.2	14.1	7.9	12.9	14.3	19	16.6
Undecided	2.4	7.9	6.6	5.5	6.6	6.7	5.5	8.2	7.6	5.8	6.5	7.1	7.4	5.2	7.9	6.8	5.5	6.6
No response	1.2	1.8	3.0	7.3	3.5	3.6	2.8	2.7	2.8	4.1	1.3	2.3	4.2	8	3.7	4.9	2.7	2.7
4. National security:																		
Foreign Communist aggression	9.4	12.6	17.9	23.1	18.3	18.6	13.1	11	20.5	22.2	12	20.7	16.7	22.3	17.9	20.4	18.2	16.1
Instability in developing nations	2.4	7.4	4.7	3.6	5.5	4.6	6.1	2.7	4.1	5.3	6.6	4.9	4.7	3.4	4	3.9	4.3	6.1
Radicals in this country	49.4	39.3	48.4	46.9	50.6	43.1	44.6	58.9	56.8	47	40.5	47.9	45.8	47.3	55.7	46.9	44.3	44.2
Unmet domestic human needs	36.5	38.9	25.1	19.2	21.6	29.5	33.2	27.4	15.5	20.1	38.5	23.8	28.5	19.2	18.4	24.4	29.9	30.1
No response	2.4	1.9	3.8	7.1	4	4.2	3	0	3.1	5.3	2.4	2.6	4.3	7.8	4	4.4	3.3	3.5
5. Campus disorders:																		
College or university	76.5	73.9	73.0	67.7	73.9	69.4	75.5	64.4	70.4	71.6	78.1	68.1	74.2	64.1	69.2	68.9	75.9	73.6
Local law enforcement	11.8	17.7	15.2	13.1	16.0	15.9	13.9	21.9	16.4	15.0	14.8	17.9	14.3	15.8	17.5	15.2	13.0	15.7
Federal Government	9.4	6.8	8.5	12.6	7.4	11.2	7.1	9.6	9.1	8.8	5.2	11.6	8	13.5	8.6	11.1	9.2	8.1
No response	2.4	1.6	3.2	6.7	2.7	3.5	3.5	4.1	4.1	4.7	1.9	2.4	3.5	6.6	4.7	4.8	1.9	2.6
6. Social security:																		
Favor	54.1	63.5	70.2	84.5	65.8	78.4	68.5	67.1	54.6	64.5	68.8	77.9	69.3	86.4	57.9	71.3	71.6	75.3
Oppose	25.9	22.8	17.8	6.0	20.6	11.8	18.8	17.8	30.3	22.4	18.9	12.8	16.6	5.2	27	15.5	16.5	13.9
Undecided	18.8	13	10.5	6.4	11.8	8.6	11.4	12.3	13.1	10.7	11.5	8.8	11.7	5.9	12.5	11.6	10.1	9.6
No response	1.2	.6	1.5	3.1	1.8	1.2	1.3	2.7	2.1	2.4	.9	.6	2.4	2.5	2.5	1.6	1.8	1.2
7. Consumers:																		
Favor	55.3	50.1	41.3	44.0	34.4	51.9	45.2	43.8	28.1	37.2	49.2	48.7	41.8	46.4	29.5	42.1	45.7	48.3
Oppose	22.4	24.9	32.2	20.3	37.7	20.3	29.6	32.9	35.3	39.5	30.9	25.5	27.2	18.2	34.0	29.4	29.2	26.8
Undecided	20.0	23.1	22.0	24.7	22.5	22.4	22.3	16.4	28.4	18.4	17.8	21.7	25.3	25.1	29.0	22.4	20.0	21.3
No response	2.4	1.9	4.5	11.0	5.4	5.4	3.0	6.8	8.3	4.9	2.0	4.1	5.6	10.3	7.6	6.1	5.1	3.7
8. Agriculture:																		
Continuation of present program	44.7	35.8	35.4	38.4	33.9	41.7	29.6	32.9	59.2	34.6	31.1	33.7	34.3	37.0	57.8	37.5	33.0	29.5
Shift to long-term land retirement	7.1	8.4	11.9	9.4	11.7	9.9	11.8	4.1	19.3	10.0	13.4	9.1	7.6	8.1	16.5	10.5	11.3	8.6
No farm program	5.9	13.2	21.8	21.2	24.0	16.3	20.8	15.1	14.5	25.0	19.0	22.4	17.7	22.4	13.7	17.7	22.6	21.5
Undecided	38.8	39.0	24.9	20.1	24.3	26.1	32.0	41.1	5.0	24.8	31.1	28.8	33.3	21.6	8.6	28.6	27.1	33.3
No response	3.5	3.5	6.0	10.9	6.1	6.0	5.8	6.8	2.1	5.6	5.5	6.0	7.1	10.8	3.3	5.8	6.1	7.2

THE STATE OF THE NATION AND THINGS AS VIEWED FROM NORTH POLE R.D. NO. 4

The SPEAKER. Under a previous order of the House, the gentleman from Pennsylvania (Mr. ROONEY) is recognized for 10 minutes.

Mr. ROONEY of Pennsylvania. Mr. Speaker, a few days ago an enterprising newspaper in my congressional district dispatched one of its reporters, Richard Ewald of the Easton, Pa., Express, to a distant snowbound community inhabited by a kindly old gentleman and his wife, several score of tiny elves and a herd of hardy reindeer.

Chief purpose of the reporter's journey was to secure an exclusive interview with this remote settlement's sole woman inhabitant, Mrs. S. Claus, of North Pole R.D. No. 4.

I am pleased to report to my colleagues the journey was a success, the reporter has returned safely and filed his story, and he has reported to me some information which I am certain will be of keen interest to the Members of the 91st Congress as we move toward adjournment.

First, I am assured that despite some serious postal problems in urban centers here in the United States, the U.S. postal service has encountered no difficulties in maintaining regular and reliable postal service to the residence of Mr. and Mrs. S. Claus, although Mrs. Claus indicated she sometimes almost wishes the mailman would get lost.

Further, Mr. Claus' sleigh has been inspected by Ralph Nader and was certified "safe at any altitude." And, in conjunction with the FAA and the CAB, certain precautions have been taken to guard against potential hijackers.

Despite a problem of obesity both of the Clauses have sworn off Ice Pack Cola because it contains cyclamates. As substitutes, Mrs. Claus asked her husband for a rowing machine for Christmas while Mr. Claus is taking inches off his belly with daily jogging around the North Pole.

Of course, the Clauses are very much concerned about the tax reform bill pending in Congress. They expressed concern that their nonprofit foundation might be required to discontinue operations within 40 years.

Both of the Clauses indicated they are pleased with their medicare coverage, although Mr. Claus urged that Congress extend its provisions to include veterinary service for the reindeer, particularly because of the chronic inflammation of Rudolph's nose which requires regular treatment.

The cost of living has had its impact on the remote North Pole settlement. Feeding and clothing the elves has become a serious problem. As a result, the Clauses have raised the fees they charge whenever the reindeer or elves are employed by movie and TV producers.

But for the most part, all is well at the North Pole and the Congress and the Nation can rest assured that Santa will be making his appointed rounds on Christmas Eve.

There is just one more thing Mrs. Claus said during the interview that disturbs me. Understandably, Mr. Speaker, living in such a distant place, the Clauses very seldom receive visitors. In fact, Mrs. Claus told the reporter he was the first visitor she had entertained since June.

And it is that June visitor which causes me some real concern. He was a magazine salesman and he told her she could get five or six magazines free because the publishers were trying to increase circulation in their neighborhood. The only cost, he told her, was 49 cents a week to cover the postage and wrapping.

She was so happy to have a visitor that she signed on the dotted line and now she's paying $5 monthly payments for some magazines she did not want and cannot even use—you know, magazines about gardening, skindiving, and things like that. She is afraid to tell Santa because he still reminds her about the time she bought a freezer from a fast-talking salesman.

Mr. Speaker, we must do something about consumer protection legislation during the second session of the 91st Congress.

CANASTA ANYONE? MRS. SANTA IS AVAILABLE FOR CHRISTMAS EVE

(By Richard Ewald)

NORTH POLE.—"Wanted. Accomplished canasta player. Must be good company. For

work Christmas Eve. Good wages. Refreshments. Apply in person to Mrs. S. Claus, North Pole R.D. 4."

This ad which has appeared in the classified section of newspapers around the globe has raised serious questions about the world's number one Christmas family.

"Oh, that. No, everything is still cool between me and the Mister. I just get a bit lonely come Christmas Eve and I thought I could use a little company this year," Mrs. Claus said today in an exclusive interview with The Express.

The vivacious Mrs. Claus was more than happy to entertain her first guest in six months while her famous husband was cloistered in his shop, working furiously to meet this year's deadline on gifts.

"You know, you're the first visitor I've had since that nice magazine salesman was here in June," Mrs. Claus smiled, offering a cup of cocoa.

Mrs. Claus is the former Jacqueline Frost of Point Barrow, Alaska, sister of Jack Frost, outspoken critic of the summer months.

How long have the Clauses been married? "Oh, I couldn't tell you that," she said, her ruddy cheeks blushing pink.

"Let's just say Mr. Claus gave young Charles Dickens his first quill pen and leave it at that," she said with a wink.

How did they meet?

"It was marvelous. We both liked the same things—seclusion, plenty of snow, canasta, an occasional sleigh ride," she mused. "We had both been overweight since childhood. High school dances were an absolute horror.

"On our first date I told him he had a stomach that shook like a bowl full of jelly. He told me my breath would kill a reindeer. I guess you could say it was love at first slight."

"He had some pretty miserable habits. There's that disgusting thing he does laying a finger aside of his nose and nodding all the time. He cracks his knuckles, too.

"But who could resist those twinkling eyes?"

"I tried to get him to go into the fur business. There's good money there and he could have made a real name for himself.

"But he insisted on this Christmas thing, spending most of the year making toys for kids and all. I guess it's worked out pretty well. I can't complain. Christmas Eve does get a little dull with him gone, though. That's why I took out the ad."

Does Mrs. Claus ever help Santa with the work?

"No, not anymore," she said. "We tried that in the beginning before he hired the elves. But I couldn't help him and take care of the cooking and cleaning too. The house was a wreck.

"Of course, back then, and I won't tell you when, business was terrible and we were living in a horrid little igloo. We were having a hard time making ends meet until Rudolph came along.

"Then there was the trouble with the elves and their union contract. It was during the Depression and we had to bring in strikebreakers to get the toys out.

"Christmas was pretty important then and I imagine it pulled a lot of people through to know we were still on the job.

"Things have changed since then. I've noticed Santa has become a little down-in-the-mouth about people's attitude toward Christmas.

"People keep saying it's the spirit of giving that counts, but they don't practice what they preach. Talk about commercialization! We've had kids send up regular order blanks along with checks for what they want. They don't understand this is a non-profit operation, sort of like that hippie group The Diggers on the West Coast."

Is Santa getting a little old for such dangerous, hard work?

"Oh, I don't know," Mrs. Claus said, "I used to worry a great deal about his climbing down chimneys and all. Central heating has done a lot to simplify the job.

"And we had Ralph Nader check out the sleigh. He said it was safe at any altitude.

"The late hours are tough on him, of course. He usually doesn't get a wink of sleep from the 23rd on. Then he comes home and flops down on the bed and I don't see him until about Jan. 3. It's rough on our social life.

"It's Christmas Eve that gets to me, though. Say, young man, do you play canasta?"

ONE SOLITARY LIFE

(Mr. MIZE asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. MIZE. Mr. Speaker, of all the inspiring messages Mrs. Mize and I have received during this Christmas season, one stands out for the simple statement of facts of what Christmas is all about. I feel it is appropriate to share the message about "One Solitary Life" with my colleagues.

ONE SOLITARY LIFE

He was born in an obscure village, the child of a peasant woman. He grew up in still another village, where he worked in a carpenter shop until he was thirty. Then for three years he was an itinerant preacher. He never wrote a book. He never held an office. He never had a family or owned a house. He didn't go to college. He never visited a big city. He never traveled two hundred miles from the place where he was born. He did none of the things one usually associated with greatness. He had no credentials but himself. He was only thirty-three when the tide of public opinion turned against him. His friends ran away. He was turned over to his enemies and went through the mockery of a trial. He was nailed to a cross between two thieves. While he was dying, his executioners gambled for his clothing, the only property he had on earth. When he was dead, he was laid in a borrowed grave through the pity of a friend. Nineteen centuries have come and gone, and today he is the central figure of the human race and the leader of mankind's progress. All the armies that ever marched, all the navies that ever sailed, all the parliaments that ever sat, all the kings that ever reigned, put together, have not affected the life of a man on this earth as much as that one solitary life.

SOME REFLECTIONS ON THE PROBLEMS OF OUR TIMES—PART VI: CHANGING VALUES

(Mr. BROWN of California asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. BROWN of California. Mr. Speaker, in an earlier statement on the subject of the "campus revolution," I made the point that youthful militancy has its roots in a rejection of much of the current system of social values and in a search for a new system of values. I made no effort to elaborate on this point or to delineate these new values, other than by implication. As I continue to reflect on the entire range of problems our society seeks to solve today, it seems to me that some additional discussion of this topic of changing values is clearly necessary.

I would stress that the process of changing values is not inevitably to be feared, although it is sometime painful. It is unlikely that radical youth, or adults, will suddenly seek to substitute for the conventional and comforting goals and values of the past a system which is completely new, strange, or contradictory of previous values. The process is much more likely to be one whereby changes, large and small, will take place in the relationship and priority of existing values. It will take place at different times and rates among different individuals and groups.

In some cases the changes may be only the stripping away of the facade of belief, comfortably upheld by the empty forms of institutional practice or personal ritual, and exposing the true inner nature of the value to which lip service only has been given. In much of the dialog of youth, reference will be found to this type of change which is referred to as ending the hypocrisy of the adult world. A simple example of this would be the alcohol-imbibing, cigarette-smoking, drug-using parent who is enraged when his son or daughter reveals that he smokes pot. That parent needs to change his values in some important regards.

Efforts to force value changes on an individual will almost invariably result in fear and anxiety and violent retaliatory action against the causes of change. This normal reaction is frequently encouraged and its results amplified by leaders who seek to resist the change in question. Another course, which I hold in more favor, is to encourage all individuals to test their value framework against reality with a sensitive and open spirit. Where the current reality is rife with damaging physical and psychic conflict, a new examination and testing may reveal the need for change. At a minimum, it will help to reinforce the individual's commitment to his course, whether changed or not.

The leader who seeks to inspire hope, rather than stimulate fear, will encourage change toward values which reduce conflict, increase cooperation, and enhance the fulfillment of each individual. It would seem that the conditions of today demand such leadership.

One of the popular pastimes of pollsters and politicians in these days is to prepare lists of the problems facing our society, generally in the order of their presumed importance to the ordinary citizen or voter. These lists will almost always include such items as the Vietnam war, campus unrest, ghetto riots, crime, inflation, high taxes, environmental pollution, poverty, welfare, and urban decay—to list only the usual number of 10 items. That our citizens are profoundly disturbed today, because of these and other problems, is beyond question.

More difficult to understand is the fact that this profound unrest has developed and flourished during a period described by many as one of amazing progress for

this country. We have experienced nearly 10 years of uninterrupted economic prosperity. Our gross national product, in total and per capita, exceeds that of any other nation by larger margins than ever before in history. Our military expenditures, which are presumed to be an index of our security in an unstable world, are at an all-time high. Our farms and factories produce food and hardware in volumes incomprehensible to the ordinary mortal in other parts of the world. Federal expenditures for education, health, and welfare have blossomed enormously. Unemployment has decreased to levels only rarely experienced. Laws to secure racial justice, end poverty, and eradicate crime have been passed in profusion. Our science and technology are the envy of the world. And a massive communication system conveys the message of our good fortune throughout our society and to all parts of the globe.

By all the standards of the conventional wisdom our society should be approaching the status of an earthly paradise. Whence, therefore, springs the discontent which plagues the youth and, increasingly, many of those no longer youthful? Have we been seeking to measure human happiness by the wrong yardsticks? Are the goals which we have, in practice, sought wrong, or have they been perverted from good to evil as we seem to approach them?

I would suggest that at least part of our national discontent is due to the slowness with which we have moved to achieve the goals that we have already set and publicized so widely, and not to any radical change in values. No large part of our society seriously questions the need to eliminate legally sanctioned discrimination toward minority groups, of whatever their nature, but ending such discrimination completely still eludes us. De facto discrimination is somewhat less widely condemned; its eradication, therefore, moves even more slowly. The positive goals of achieving true equality of opportunity in every field, without regard to race, color, creed, sex, or economic status—the subject of many political speeches—is much more elusive. It is far from realized because it begins to require changes in attitudes regarding the organization of economic power, as well as changes in social and political status.

The elimination of substantial unemployment was established as a national goal a generation ago, but for many groups of potential workers full employment is still a dream. And the more recently enunciated goals of ending hunger, ill housing, and poverty are even less of a reality. Modern communications technology not only informs of society's goals, but informs all too well of the failure to achieve them. It, likewise, spreads the word of collective action to overcome that failure.

The discontent of these many who seek merely to collect on the promises already made, to join the mainstream of the conventional society, accounts, as I say, for a part of our problems. These discontented are not revolutionaries. Even though they may frequently react with passion and even violence, they are not now seeking to make fundamental changes in the system—if the system keeps its promises. Possibly the best example of this statement is the conventional and even conservative posture of organized labor today. There was a time when it was feared as a threat to the holders of economic power and, possibly, as even the destroyer of our free enterprise system. It is only when progress toward accepted goals becomes so slow that it would appear that the existing system conspires against it rather than encourages it, that the deprived and discriminated become radicalized.

Much of the domestic furor and strife focused around the war in Vietnam is what I would also describe as conventional, not radical, discontent. Much as I would like to ascribe it to perceptive analysis of fundamental deficiencies in our concept of our role in the world and in our resulting foreign policy, such is not the case. Most of the alienated and impoverished black and brown minorities are not protesting against the Vietnam war except as a peripheral issue—as another inadequate excuse for not spending the money needed here to keep the promises society has made to them.

Many, if not most of the suddenly activist and altruistic middle-class white students who have been so obvious in the Vietnam protest movements, are coincidentally the ones who are most in danger of being called for service in Vietnam, as the war drags on without end. Their perception of the injustice of the war is remarkably sharpened as the end of their own student deferment comes closer. Many of the academics, along with the great bulk of the American people, continue to share the cold war goals of containing communism by military force. Their increasing discontent with the war in Vietnam is not with the goal, or even whether Vietnam comes within the framework of that goal. It is rather with the fact that it is taking too long and costing too much, and their faith in their leaders is impaired.

A reduction in the level of the war to pre-1964 levels would, in all probability, reduce the war-centered public discontent to minimal levels—easily manageable from a political standpoint.

If we were to make the changes tomorrow required to keep our promises for a society in which there is opportunity for all within the economic system, an end to poverty and want, freedom from discrimination, and an end to the war in Vietnam—would we not then achieve the public tranquillity which all politicians esteem so highly? In fact, would we not have arrived at the promised land, heaven on earth, the utopia of our dreams?

At the risk of losing my credibility as a politician, I must say, "No" in the strongest possible way to the above question. Rather than having alleviated the basic discontent of our society, we would merely have cleared the decks for action.

We might at last be ready to examine the question of values and goals which, beneath the surface, constitute the major dynamic force for change in society today.

Today in this country we are the acknowledged leaders of a political, social, and cultural system which is the finest fruit of Western civilization's scientific and technological development. That system has harnessed the power of the human mind to the control of nature and the production and distribution of those material commodities deemed essential to man, the consumer. We have organized human resources and the power relationship in our society around the system of material production and distribution, and we have been fantastically successful. The larger part of our art, science, religion, and philosophy are devoted to improving, justifying, and glorifying the role of man as a producer and consumer of things, and the economic, social, and political system created around that role.

"Freedom" in our language means primarily being able to select and pursue an economic role and to achieve economic power without constraint. "Opportunity" means access to the paths of material affluence. "Education" is valued largely in terms of the increased lifetime earnings or economic power it will produce. Those activities not directly related to increasing the quantity of material goods produced by the society are labeled by many as "nonproductive." Such "nonproductive" activities may include much of Government as well as those aspects of art, science, religion, and philosophy with only a tenuous relationship to the production of material goods.

In the minds of the conventional majority there is a flavor of parasitism about such activities. And, oddly enough, there is much in common in the attitudes of this conventional majority in both the mature capitalist and Communist societies.

This devotion to materialism as a primary value creates two sets of conflicts which constitute the major threats to the continued existence of mankind today. The first and most imminent threat is the conflict between the super powers over how best to organize systems of material production and distribution; that is, capitalism or communism. The second, which may well supersede the first in importance shortly, is the potential conflict between the affluent super powers and the nonaffluent remainder of mankind, which aspires to at least a minimum of material security, if not affluence.

This devotion to a value system in which materialism, in the broadest sense, is primary, rather than a loving concern for human beings, in the broadest sense, is far more at the root of our discontent, young and old alike, than most of us can conceive.

It might appear from these remarks that I am one of those unrealistic dreamers or ascetics who preaches renunciation of the real material world in favor of a purely spiritual life. Such is not the case. I am convinced, however, that we must consciously set a new order of priorities for our most fundamental human activities. Throughout history there have always been those few who devoted their lives to a different set of goals than other human beings. They explored man's role and function, his

relationship to other humans, to the universe and to the unknowable, which some called God. In their exploration, they sought knowledge of the order which pervades the universe. In their search for order they were creative, expressing man's uniqueness, seeking to expand the scope of human consciousness. Long before the current debate on goals and values a great scientist and educator in my own state expressed his view of priorities as follows:

> In the last analysis humanity has but one supreme problem, the problem of kindling the torch of enlightened creative effort, here and there and everywhere, and passing on for the enrichment of the lives of future generations the truth already discovered. (Robert A. Millikan—Science and the New Civilization, 1930).

I am suggesting that we need to establish man and his total creative development as the primary goal of our activity, not man as the producer and consumer of more food, clothing, shelter, and hardware. I am suggesting that the goals of material production and consumption, economic power and political domination be properly subordinated in our scheme of things and that the enhancement of the human mind and spirit, the quest for meaning in existence, the development of the more human qualities of love, humility, and awe, be placed at the forefront of human aspiration. I am asking, in effect, that we set as our primary goal to inspire in all men that sense of seeking after the good which has been throughout history the province of the few who were gifted by providence.

The challenge to create a social, economic and political framework compatible with these goals and values is the most revolutionary force of our times. Today, as a people, we are insecure, neurotic, frightened and confused by the magnitude of our power and affluence, and the failure of that power and affluence to meet our most fundamental needs. We have been told for so long that the measures of personal and national achievement are to be found in our yearly income, our gross national product, and our military destructive capacity that we are at a loss to understand why our massive superiority by all these measurements has failed to bring us happiness or peace of mind.

A society that is in fact dominated by the goal of material acquisition and of maximizing production and consumption, which is obsessed in practice with the idea that this goal is the supreme political value and that our method of achieving it can and should be imposed on other societies by force and destruction, will always be in conflict with itself and the remainder of the world. This will be so regardless of how much it tries to rationalize its course by claiming that it has a different goal which it calls freedom or democracy.

The results of our obsession with the value of technological achievement, material production and power are easily observable throughout our society. Our educational institutions have become factories for turning out the engineers, mathematicians, chemists, physicists and lesser specialists demanded by our system. Educational procedures are modeled to a large extent after the assembly line created by Henry Ford more than a half a century ago. The small subassemblies of knowledge are attached to the student as he moves from class to class and grade to grade. He is inspected periodically and rejected or retrained if he fails to pass the inspection. As EDP has come to the forefront, the student is frequently accompanied by a card which, when interpreted by a machine, indicates the condition of the student for further processing.

The educational factory produces a wide variety of product, from the reject through variously priced models up to the Cadillac, marked by the symbol Ph. D. To a large degree, the educational model produced will determine the niche filled in the bureaucratic power system, which is likewise structured much like the factory assembly line. Small subassemblies of activity, frequently meaningless in themselves, are attached to the human being as he moves through the hierarchy until, if he passes all the inspection and check points, he may end up as the bureaucratic executive, the Cadillac of the bureaucratic system. And the bureaucracy may be corporate, governmental, educational, religious, or what-have you. The differences are increasingly insignificant. The measure of success is always how well he fills his niche, how well he conforms to the demands of the educational or bureaucratic assembly line, not how well he develops as a free man. As our values change so must our institutional bureaucracies and their ways of organizing human efforts.

Most of the liberals among us have lamented the Vietnam war because of the resources and energies it has drained from vital programs required for social progress. They point to the vast unmet needs of our cities—the schools, the hospitals, the homes for the poor, and a myriad other things on our agenda of unfinished business required to achieve the Great Society.

They add up all of the good things that could have been bought with the $100 billion already spent in Vietnam, and they project all manner of wonderful new programs that could be financed with the annual dividend of $25 to $30 billion that should be available when Vietnam is behind us. In their enthusiasm, I am sure that many of them feel that we could be on the verge of the millennium, or, at least, have wiped out all want and deprivation, if we were but to spend those millions of war-released dollars for the proper programs of social welfare over the next few years. Such is the degree to which we have become a product-minded, dollar-measured society.

The fact of the matter is, we are set on a path today in which progress, as we define it, generates fundamental problems faster than the superficial application of dollars by Government can ever hope to solve them, almost regardless of the number of dollars used. It is interesting to compare the social stresses of today with the stresses of 35 years ago when we were as a nation at the bottom of the great depression. I would presume that most observers would say that our problems then were as great or greater than they are today. Yet if discontent with our condition can be measured and compared by its social manifestations, there is little question that today is a time of at least equal discontent.

But if progress is measured by dollars, we should be incomparably happier today than 35 years ago. Then our total gross national product was $55 billion; today it is close to $900 billion—a more than 16-fold increase. Gross national product per capita was then $440; today it is $4,400—a 10-fold increase. Federal budget receipts were $2 billion; today they are close to $200 billion—a 100-fold increase. Federal Government expenditures are today, in fact, almost four times the entire gross national product of that time, and Federal Government expenditures per person are a staggering 27 times what they were then.

By any dollar yardstick, we should be somewhere between 10 and 100 times happier today than 35 years ago, depending upon whether we use our personal share of the gross national product, or the Federal Government's, to measure by. All too obviously these dollar measures fail us today in the task of weighing human happiness. And they will fail us in that fast approaching day, possibly 1990, when we have a gross national product of $2 trillion and a Federal budget of $800 billion, instead of the $200 billion of today.

Perhaps it is not the province of a politician to question the values which in fact govern our collective lives. We relegate these questions to the philosophers or the clergy and caution them not to tamper with the practical world of politics. But here in itself lies one of the great problems of modern culture. Just as our knowledge, science, technology, art and culture have become highly fragmented, so have our social and civic lives, our morality, our power relationships.

Humane and learned men can create hydrogen bombs, CBR warfare agents, military intelligence devices, industrial plants that destroy the environment, consumer goods that shorten or destroy lives, and all manner of similar things with never a twinge of conscience. They do not make the decisions as to how those things will be used. Their hands are clean. The consumer, whether government or private, demands these products. If these humane men do not produce them, some lesser man will.

Today our fragmented, production-consumption-oriented culture sees increasing millions of our citizens crowded into cities where there is no community and no power to create communities. An increasing number of our dollars go toward a futile battle to stem the symptoms of alienation, of rejection of the system which has stripped the individual of his role as a whole human being. In this category are the costs of most crime, riots, welfare, unemployment, mental illness, and a host of other symptoms of failure. These costs show every sign of increasing both absolutely and as a percentage of gross national product as our dollar-measured "progress" continues.

This is true, at least in part because human settlements, as Doxiadis calls them, are no longer "communities" but merely the locale for widely dispersed human activities. A great premium has been placed on mobility and its servant, the automobile. One now sleeps in one locale, works in another, plays in yet another, invests his time and money in another, exercises political power in another. Within limits this can be tolerable, even healthy. Beyond these limits, and we are now well beyond them, we degrade the quality of our society. Our ever-eager industrial system has leaped to help us achieve the mobility we now require, through the unlimited production of mechanical devices, such as automobiles and aircraft. Not only is the process of social disruption hastened by this mobility, but the inevitable, but disregarded, costs of the deleterious side-effects of the mobility are added to our burdens.

We consider the $25 or $30 billion per year we spend on new cars and the $15 or $20 billion on gas, oil, tires, and so forth, as a mark of economic progress. Likewise, the $10 billion or so we spend on highways and parking lots. Similarly the $13 billion paid out by insurance companies on auto accidents. Also the hundreds of millions on smog control devices. Nor do we even subtract from this measure the cost of 50,000 lives lost per year in auto accidents, or the several hundred thousand injured, or the untold numbers sickened by the automobile. Everything adds to the GNP, nothing is subtracted, and we call it all progress.

The fact is that we would save money, lives, and happiness by building communities for people, instead of automobiles. And we would need only half as many automobiles, if that.

The continued concentration of people in urban areas is a fact. These urban areas today are largely unplanned, inefficient in every respect, incapable of control and improvement by their citizens, continually worsening, degrading the lives of increasing numbers. Spending more public dollars to replace old houses with new apartments, or old streets with new freeways, without a framework of ideas as to how a city can be a satisfying and productive place to live will be largely a waste of money. Likewise will the efforts of the affluent to escape the cities' problems by flight to suburban enclaves on the wings of the auto be a waste of their private funds, if they think that they are buying a happier life.

The point that I am trying to make here is that in a fragmented culture, in which we are taught to specialize in every activity of life, with no individual, group or institution responsible for the system as a whole, we may well be creating chaos rather than the good society. The examples of this can be extended indefinitely, The decisions and actions of individuals, voluntary organizations, corporations and many levels of government all make their contribution. All must bear the responsibility for changing the course we are on. The continued growth of GNP or government expenditures, if not serving true human values, will not measure progress but decay. Emphasizing man as primarily a producer and consumer, an economic unit, rather than as a whole man with needs which go far beyond producing and consuming, will ultimately destroy any hope of a contented society.

The one aspect of the American way of life which is most at the root of our current unease of the spirit is this conflict between the values of our production-consumption oriented economic power system and the historic humanistic values inculcated by our religion and philosophy. Mankind has struggled so long to reach this time in which material needs in sufficiency can be provided to an entire people, that we have perhaps forgotten why we struggled. For individuals and for societies, material sufficiency, economic security, enough food, clothing, and shelter were never the ultimate goals. They were the means, the tools, the instruments required so that man could be man and could fulfill his human potential.

Just as man has now for the first time in human history cut the ties that bind him to earth, so he must now cut the ties which have bound him to a life circumscribed and ordered by his material needs. Each man must become free in a sense new to history. Each man must confront the world unafraid to ask the questions that wise men have always asked—who am I? Why am I here? No man will find the answer, but in seeking for them he will be fulfilling his unique destiny as man. Man exists not merely to seek food, clothing and shelter and to procreate himself. Man exists to seek to know the truth—about himself, about society, about the universe, about God. When he forgets this all important fact he finds himself alone and insecure.

I believe that we of the older generation have, during the past 25 years, forced the younger generation into an examination of their world and its values unprecedented in previous generations. I suggest that it is appropriate that we build bridges of understanding to this generation, and techniques of cooperation with them. After all, they will be here when we are gone.

A TRIBUTE TO MARY SWITZER

(Mr. BRADEMAS asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. BRADEMAS. Mr. Speaker, Miss Mary Switzer, a great lady, has announced her retirement after 48 years of Government service in Washington. Few people have contributed so much to enriching the lives of so many as has Mary Switzer, now retiring as head of the Social and Rehabilitation Service of the Department of Health, Education, and Welfare.

Mr. Speaker, under unanimous consent I share with my colleagues the fine tribute paid to her by Mary Wiegers in the December 18, 1969, Washington Post:

MARY SWITZER: WELFARE, WORK AND WISDOM

(By Mary Wiegers)

Since Mary Switzer "came to Washington with the Harding gang," eight Presidents have come and gone.

Through all those administrations, Mary Switzer was making a steady climb from a clerk's post in the U.S. Treasury Department to the job she holds today as head of the U.S. Department of Health, Education and Welfare's Social and Rehabilitation Service.

The SRS is an agency organized in 1967 with Miss Switzer as its first head. It combines welfare and social service programs with a total annual budget exceeding $8 billion, and distributes funds to the needy, disabled, children and the aged. It also makes Miss Switzer the executive with the largest administrative responsibility of any woman in government.

Now at the age of 69, the tough-minded bureaucrat with the Boston accent is retiring. HEW Secretary Robert Finch announced yesterday that he is accepting her resignation "with regret," to be effective in mid-February.

As the announcement was being released the gray-haired, sparkling-eyed Miss Switzer sat at a conference table outside her office and talked about her 48 years of government service.

She reflected on the future of the welfare program, and the landmark decision which merged welfare, rehabilitation and social services and what it could mean.

She recalled highlights from her career, the jobs she didn't get, the ones she did—like becoming the first person to organize a bacteriological and chemical warfare program, and the first to head federal programs for rehabilitation of the disadvantaged.

The beginning, she recalled, was pretty inauspicious. "I came in at the bottom as a junior economist in the division of statistics in the Treasury Department. If there's one thing I have no gift for, it's research." On the day the Graf Zeppelin flew over Washington, she was fired. But the Treasury Department is "paternalistic" and took her back as a mimeograph operator.

That first setback didn't last long. By 1928, Mary Switzer was handling press intelligence for the Secretary of the Treasury. By 1934 she was assistant to the assistant secretary, who supervised the Public Health Service.

In '39, when the Public Health Service was transferred to the Federal Security Agency, forerunner of HEW, Miss Switzer became assistant to the administrator. During the war, she managed the Procurement and Assignment Services for Physicians, Dentists, Sanitary Engineers and Nurses. For her work she received the President's Certificate of Merit, the first of many honors.

She also organized a research program on bacteriological and chemical warfare. "I had to do it because strangely enough in today's light, the Army and Navy wouldn't do it. They thought it was contrary to the Geneva Convention. I've often thought how terrible it was, that I did that though I don't know. I don't see much difference between one weapon and another, though on the scale they're doing it today, it's unnecessary and unreal. Anyway we developed some good medical information valuable to researchers later on, so I suppose some good came out of it."

In 1950, Miss Switzer became head of the federal-state program for the rehabilitation of the disabled. Thirteen years later, she was made commissioner of the vocational rehabilitation administration, when HEW Secretary Anthony Celebrezze thought that rehabilitation ought to be co-equal with welfare. In 1967, Secretary John Gardner sold her on the idea of merging the two areas and she was appointed head.

That merging, she felt, was an important and wise step. What she'd like to see now is a merging of services for the individual on the local level.

"The next five years are years that need the thrust in the field to get much closer interaction of these services in the community." She would like to see the individu

get medical needs, welfare assistance, disability training, and so on, all in the same place, and with all the bureaus working together.

"There has to be a willingness to give up sovereignty on everybody's part to give people what they have to have. There must be decentralization of authority to regions. This big government has to have some glue—has to put things together."

The SRS, she believes, is the part of HEW that is concerned about the individual. "It's like a southern mansion with three pillars. There's health on one side, education on the other and us in the middle.

"Health and education deal mainly with institutions. And sometimes the institutionalized structure stops before they ever see a person. SRS reaches down to the individual.

"One of the most exciting exposures—to involvement—was with the National Welfare Rights Organization people. During the Poor People's march, we met with them or their representatives every day for a month.

"The greatest eye opener of that was the difficulty they had getting something done on the local level."

Miss Switzer lives in Alexandria and has made it a point to take part in community affairs there. "It's essential if you have a job like mine, where you are telling people what to do in the communities. It's one thing to tell people what to do, but to do it yourself is to find out how difficult it really is.

"In the Rehabilitation Administration, I had every letter of complaint followed up immediately. Now I've adopted that program in welfare, but I've found the welfare people are not as responsive. I suppose after years in the field they become kind of tough."

On the welfare program, Mary Switzer is a firm believer that "people shouldn't get something for nothing. I think we made the biggest mistake when we saw the welfare load growing, when we didn't emphasize work."

She added that work must be made dignified and meaningful again, as it's not been "in this age of permissiveness.

"I think that one good part about Mr. Nixon's welfare program is that it doesn't put a premium on breaking up homes." In the past she explained, a man didn't work if, for instance, he had a wife and three children, because he could get more money for his family by deserting them and letting them get welfare.

"I don't see anything else that will change the present psychology of not minding dependency, except to make it more attractive to be employed."

Miss Switzer, herself, is going to continue to be employed after her retirement. On Dec. 2, she was elected vice president of the World Rehabilitation Fund, and when she leaves government service in February, she'll set up an office at 1 Dupont Circle for the fund.

She'll also work with the Association of Schools for Allied Health Professions in Washington.

"But if I want to take a day off, I'll be able to. When I feel like cooking my spiced gooseberry preserves and yellow tomato preserves, I can."

Her HEW office is filled with more than 40 awards she has received, among them the Albert Lasker award and the National Civil Service award. Sixteen colleges have given her honorary degrees. She is the first woman to serve on the board of directors of Georgetown University, and the first woman to be appointed trustee of Assumption College.

Miss Switzer was born in Newton, Mass. Her parents came from Ireland. About the one disappointment in her life was that she didn't become assistant director of the mint, a job she badly wanted at the time. "Nellie Tayloe Ross was director then, and she said no. She didn't want another woman around her. When I think of what a dead end that job would have been . . ." said Miss Switzer, her voice trailing off.

HIS BIG GOAL: A TRAVELER'S UTOPIA

(Mr. KLUCZYNSKI asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. KLUCZYNSKI. Mr. Speaker, I have requested this time for the purpose of inserting in the RECORD an article from the Washington Daily News of Monday, December 22, 1969, with reference to the Department of Transportation and Secretary John A. Volpe.

The article referred to follows:

TRANSPORTATION SECRETARY SEES DREAM MATERIALIZING—HIS BIG GOAL: A TRAVELER'S UTOPIA

(By Dan Thomasson)

(EDITOR'S NOTE.—Since President Nixon took office last January the 12 members of his official family, the Cabinet, have by now had occasion to test their mettle with Congress and in the fires of national debate. This is another in a series of profile-assessments of how each of these men has fared in his job.)

After almost a year in office, Transportation Secretary John A. Volpe believes he has made significant advances toward solving the increasingly complex problem of getting America's booming population from one place to another.

Toward this end Mr. Volpe the fidgety, volatile son of an Italian immigrant, is devoting all the energy that carried him from a hod carrier to the head of a huge Boston construction firm, to three terms as governor of Massachusetts, and finally to President Nixon's Cabinet.

Mr. Volpe's biggest gains may have been within the Department of Transportation (DOT) itself which, until his arrival there, had made no unified attack on the problem it was set up to handle.

The bureaus and agencies within the loosely knit DOT had jealously protected the modes of transportation with which they were concerned and, at times, seemed to be working at cross purposes with one another.

"A year ago everyone was holding out for his own interests around here," Mr. Volpe said. "The highway people were saying they didn't care about railroads and the railroad people weren't concerned with the highway situation."

HAS AGENCIES THINKING

But, Mr. Volpe feels now he has most of the agencies thinking in terms of what he calls "the total transportation system." He visualizes for the future a harmonious interrelationship of highways, skyways and rails to take the American traveler where he wants to go quickly, economically and with as little stress as possible.

To help realize this traveler's utopia, Mr. Volpe has become one of the most traveled members of the Cabinet—zipping between his desk and transportation gatherings thruout the country.

"You have to sell Congress," he said, "and to sell Congress, you have to sell the country. What transportation always has needed is a good public relations man."

His efforts no doubt contributed to the House's overwhelming passage of a $5 billion, 10-year plan to improve the nation's airports. The Senate also is expected to approve it.

The program would authorize the Federal Government to provide $2.5 billion in grants to local airport authorities for the improvement of runways and general facilities and $2.5 billion to help airports purchase and install safety equipment.

"I called the President, who was traveling to Florida on Air Force One (the Presidential plane) and told him the vote on the bill was 337 to 6 in our favor," Mr. Volpe said. "He couldn't believe it."

Mr. Volpe also believes he has an excellent chance of convincing Congress to give him the $10 billion, 12-year program he says is needed to get started on solving the nation's growing urban mass-transportation dilemma.

Mr. Volpe, who grew up in a Boston ghetto, sees no more pressing problem than providing the physical means for the urban poor to reach the opportunities that will help them break out of the ghetto environment.

"This is a social problem as much as anything," he said. "If a poor boy has a chance for a good job, it's no good if its going to take him more than two hours to get to it and two hours to return.

"Nor does it do any good for a poor mother of a sick child to know of a beautiful health center across town, if she can't get there and back with a reasonable amount of time and effort."

The $10 billion for the urban mass-transportation fund, Mr. Volpe believes, will help encourage the construction of new commuter rail and bus systems and eventually grow into an effort the size of the one that has crisscrossed the country with superhighways.

"A lot of people said in 1956 the $27 billion highway program was too much," he noted. "But that has grown into $60 billion and if you do any cutting, the public raises the devil."

WILL PAY OFF

Mr. Volpe also is trying to convince local governments and private industry to step up their own mass-transit program, arguing they will pay off in the long run.

Part of the problem, he concedes, is the reluctance of the railroads to continue first-rate commuter services as a slight profit or a loss. But he feels the railroads can be encouraged to change their position with the infusion of some Federal aid.

He has called for a task-force report on both long- and short-haul rail passenger service which has been declining for the last 10 years. He openly condemns the railroads for their "leave it to the airlines" attitude.

Mr. Volpe opposes direct operating subsidies to the railroads, preferring instead some form of government corporation which would guarantee the lines funds for capital construction and equipment purchase.

Mr. Volpe also cites as a major first-year accomplishment his department's recommendation that rail safety come under Federal regulation.

The recommendation grew from a task-force study ordered after Mr. Volpe noted that rail accidents had doubled over the past few years and the dangers from freight trains carrying volatile chemicals were growing daily.

Altho the Senate Commerce Committee has sidetracked the DOT proposal, a similar recommendation authored by Sen. Vance Hartke, D-Ind., is expected to be adopted soon by the committee.

HAS HILL SUPPORT

Mr. Volpe also has congressional support for his efforts to improve the air traffic controller situation. The House Appropriations Committee even increased considerably Mr. Volpe's request for money to finance new air traffic personnel.

But, Mr. Volpe concedes his toughest fight with Congress is still to come—over whether the Federal Government should continue to finance research and development of a prototype supersonic transport (SST) for overseas flight.

Altho the House has approved the bill authorizing $96 million to continue development of the SST, the Senate has yet to act and Senate opponents are damning it as a "boondoggle."

"This is the next generation to the 747 (jumbo jet) which was the next generation to the 707," Mr. Volpe argues. "Unless we have a new-generation jet, thousands and thousands of airplane workers are going to be out of jobs."

He also contends the United States would lose both the $406 million it already has put into the plane and its reputation as having the greatest air industry in the world.

WON'T RETURN

With this battle still to fight, Mr. Volpe says he has no immediate intention of returning to politics, despite pressures on him to run against Sen. Edward M. Kennedy, D-Mass., in next year's congressional elections.

Most political observers believe Mr. Volpe is the only Republican who would have a chance of dumping Sen. Kennedy.

"The opportunities for service in this area (transportation) are tremendous," he says. "I want to stick with it awhile."

NOTE: Come January, Mr. Volpe will be overseeing DOT from quarters atop a gleaming new building, owned by a fellow Bostonian, David Nassif, and built by the construction firm that bears Mr. Volpe's name but in which he no longer owns an interest.

THE SOUTHERN RAILWAY

(Mr. RIVERS asked and was given permission to extend his remarks at this point in the RECORD and to include an article on the oldest railroad in the United States, the Southern Railroad, which ran from Charleston to Augusta, Ga.)

Mr. RIVERS. Mr. Speaker, I want to bring to the attention of the Members of the House an article recently published about the Southern Railway.

In a legal sense, Southern is celebrating its 75th anniversary, but in actuality it is the oldest railway in the United States, dating from December 25, 1830, when the South Carolina Canal & Railroad Co. of Charleston, S.C., inaugurated the first scheduled train service pulled by a steam locomotive on this continent.

A tremendous amount of credit for the recent success of the Southern Railway, which is outlined in this article, goes to its dynamic president, W. Graham Claytor, Jr.

One of the outstanding administrators in America, Mr. Claytor has brought Southern to a position of No. 7 among the rail-oriented transportation systems in the country. At a time when other major railroads are having problems and other railroads' leaders are picturing their industry as in serious trouble, Claytor has brought Southern through another outstanding year with net income up 17 percent.

Among his many administrative innovations is the fact that it was the first American industry of any type to utilize large-scale data processing computers.

This article is an inspiring American business story that all Members will want to read:

[From the Washington Post, Dec. 21, 1969]

THE SOUTHERN RAILWAY—AFTER 75 YEARS IT IS ONE OF THE WORLD'S MOST EFFICIENT RAIL SYSTEMS, OPTIMISTIC ABOUT THE FUTURE AND SUCCESSFUL WHERE OTHERS FAILED

(By William H. Jones)

Dec. 25, 1830, was both Christmas and an historic day for railroading on the North American continent.

In Charleston, S.C., the South Carolina Canal & Railroad company inaugurated the first scheduled train service pulled by a steam locomotive on the continent. Moreover, the engine, dubbed the Best Friend of Charleston, was the first locomotive built in the United States for regular railroad service.

Recognizing the importance of the event, officials placed a U.S. Army gun on a flat car behind the engine, and the gun was fired in salute "at proper intervals," drowning out the cheers of the passengers.

The regular service started that day was also the beginning of the family tree of what today is regarded by shippers, passengers, competing railroad executives and investors alike as one of the most efficient railroads in the world—the Southern Railway System.

Armed with their proud history and surrounded by paintings of former presidents in the paneled halls and rooms of the railroad's headquarters here in the Southern building, at 15th and K Streets NW—the engineer-designer of the *Best Friend*, Horatio Allen, is the only non-chief executive officer honored with a gilt-framed painting—railroad officials have something of a problem explaining just why Southern this year is celebrating its 75th anniversary.

Legally, they explain, the present corporation dates to an act of the Virginia Assembly in 1894 authorizing purchasers of the Richmond and Danville Railroad to organize a new company, with the goal of consolidating an extensive system of small and longer lines put together in the years following the Civil War.

SUCCESSFUL, OPTIMISTIC

Southern was successful where other companies had failed. In the years since, Southern has never defaulted on a financial obligation, and it has grown to become the nation's seventh largest rail-oriented transportation company. In 1968, Southern had operating revenues of $517.6 million and assets of $1.4 billion.

Moreover, at a time when many captains of the American railroad industry are calling for crying towels—and in some cases practically throwing in the towel—Southern president W. Graham Claytor Jr., is optimistic both about his own system's future and railroads in general.

For the first nine months of this year, Southern net income was up 17 per cent to $33.45 million ($4.59 a share) from $28.6 million ($3.95 a share) in 1968. And, for the second December in a row, Southern declared an extra dividend of 20 cents a share this month, on top of the regular quarterly 70-cent dividend. The 1968 dividend was the first such extra payment since February, 1956. (Southern contrasts sharply with the Penn Central and Northwest Industries, holding company of the Chicago & North Western, both of which omitted dividends for the fourth quarter.)

SOUTHERN DEVELOPMENT

"All major roads in the South are doing well," Claytor noted in an interview here, and he sees nothing but growth in the next decade. A key to this growth is the general economic boom in the Southern states, in turn helped by the generally modern rail transportation network.

Paper manufacturing, textiles, furniture and iron and steel are cited as major growth industries in future years, and new plants are bing developed adjacent to the rail lines of Southern, the Seaboard Coast Line, the Frisco and the Louisville and Nashville railroads.

Claytor insists, however, that future railroad success is not confined to the Southern and its main competitors. A few rail systems with major difficulties—particularly in the Northeast—have convinced many people (Claytor calls them "prophets of gloom") that the industry is in serious trouble. Claytor thinks the railroads' problems have been exaggerated as he made clear in a speech last month:

"In spite of our admitted problems," he told the Richmond Traffic Club, "in spite of strong competition from other modes, and in spite of all the pot shots being taken at us from various governmental and financial quarters, the railroads of this country are on the move, are working together as they never have before, to solve their common problems and not merely complain about them, and that as a result the railroads are going to be a greater not a lesser factor in transportation in the great decade of the 1970's."

Claytor also points out that 9 per cent of the nation's Gross National Product is now represented by the cost of moving freight and says the rail share should increase. Analysts predict that in 1969 the railways held their own at 43 to 44 per cent of the nation's transportation dollar, down from 65 per cent in 1947 but up slightly from the modern-day low of 42.5 per cent in 1967.

At the same time, the railroads are near the bottom of industrial profitability scales. In 1969, experts believe the U.S. rails' rate of return—the ratio of net income to the investments in property used in transportation services—will fall below 2.5 per cent.

A major exception is the Southern, with a rate of return more than twice the national average. In 1968, when the national average was 2.6 per cent, Southern's was 5.6 per cent, and it may be slightly higher this year.

Such figures are not very satisfactory, Claytor noted, when compared to other regulated industries. American Telephone & Telegraph Co., with a virtual monopoly situation in telephone service, was recently permitted by the Federal Communications Commission to exceed the agency's limit of a 7.5 per cent rate of return.

RAILS OVER-REGULATED

"But the railroads are in the sad position of having prices controlled by competitors (trucking, barges) and fixed by regulators," Claytor said. "We are substantially over-regulated," he continued.

The only way to solve the problem, according to the Southern executive, is to change "ridiculous" national policy prohibiting establishment of transportation companies that could offer varied services.

"Largely as the result of historical accident," he said in the Richmond speech, "present law forbids common ownership of railroads and any other mode of transportation. This in turn builds in unnecessary inefficiency and needless costs for all modes. Railroads are performing transportation services today," Claytor said more recently. "People want a service—transportation—and they don't care how you do it."

"It doesn't make economic sense that could more cheaply and efficiently be performed by trucks, and vice versa . . ."

As a first step, he advocates permission for mergers among all surface transportation industries regulated by the Interstate Commerce Commission—trucking, buses, railroads and barge shipping. Later changes could permit entry into air transportation and ocean shipping, he said.

"If a transportation company could sell just that—transportation—and then perform it by whatever mode or combination of modes produced the required service at the cheapest cost, everyone would be ahead," Claytor stated. "Competition would remain, but it would be more effective competition between true transportation companies."

On other subjects in the interview, Claytor had these comments:

Rail passenger service is necessary in high density corridors and must be maintained. Elsewhere, unprofitable trains should either be discontinued or subsidized at a "fair" compensation.

The Southern has made "great strides" in

racial integration, and is engaged in local programs to train hardcore unemployed.

The railroad safety measure passed by the Senate late Friday night is "perfectly terrible," because it doesn't provide uniform national controls but instead permits the states to set stiffer regulation and to enforce the federal standards.

Economic activity should level off for the first half of 1970 but increase in the last six months, with business on the whole "about the same" as 1969, and with the rate of growth in Southern's freight traffic slowed somewhat.

Railroads have to spend enormous amounts of capital, despite record interest rates, "just to stay even, and I don't propose to fall behind."

SOUTHERN A PIONEER

Southern and its predecessors have been pioneers since the early days of American railroading. Among more recent innovations of the 10,400-mile Southern system:

It bought the first road-freight diesel locomotive built in the U.S.

It was the first U.S. line 100 percent dieselized.

It first applied the shuttle-train concept to coal.

It was the first American industry of any type to utilize a large-scale data processing computer. Southern spent $10 million in 1969 on new third generation computers for its Atlanta communications and traffic center.

Southern has invested $156 million, or $1.5 million a week, over the past two years in new equipment, bringing its fleet to nearly 72,000 freight units.

INCO AND AIR POLLUTION CONTROL

(Mr. HECHLER of West Virginia asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. HECHLER of West Virginia. Mr. Speaker, there follows the text of a press statement dated December 12, 1969, which describes the air pollution control measures initiated by Huntington Alloy Products Division, the International Nickel Co., Inc. I wish to thank Mr. Robert Hinerman of Huntington, W. Va., for making this release available to me:

HUNTINGTON, W. VA.—A new 30-ton electric arc furnace, whose modern design permitted the planned addition of efficient pollution control equipment, has been ordered by Huntington Alloy Products Division, The International Nickel Company, Inc., it was announced by J. E. Carter, Executive Vice President.

Fume and dust collecting equipment to be installed with the new furnace represents an expenditure of $865,000 out of the $2.2 million total cost of the project. It consists of high efficiency "baghouse" collectors which were recommended by the West Virginia Air Pollution Control Commission to control this metallic process source.

Scheduled for installation at the Huntington plant during the second half of 1970, the new furnace replaces two older-type, 15-ton furnaces.

"The older furnaces were installed before 1935 and have served us well," Mr. Carter said, "but they are simply not designed to be compatible with the more efficient type of pollution control equipment. The decision to replace them at this time is a response to the recommendations for pollution control issued on March 14 of this year by the Federal Abatement Conference on Interstate Air Pollution. It also reflects the high priority given to environmental control at the Division and throughout the International Nickel Company."

The Federal Abatement Conference on Interstate Air Pollution in the Ironton-Ashland-Huntington area was called by the Secretary of Health, Education, and Welfare. This conference, which was held in Ironton, Ohio for the Ironton-Ashland-Huntington area, was a conference between the States of West Virginia, Ohio, Kentucky, and the Federal Government. It was related to air pollution originating in each of the three states. As a result of the conference, recommendations for pollution control in the area were developed by the involved states and the Federal Government and were issued by the Secretary of Health, Education, and Welfare.

The Huntington Division's new pollution control equipment complements the modern dust collection system included as a part of another electric arc melting facility installed four years ago at the Huntington plant. When the new melting facility is completed, it will mean that all electric arc melting at the Huntington Division will be done in conjunction with modern, efficient fume and dust collection equipment to minimize particulate emission.

THE PROBLEMS OF PESTICIDES

(Mr. MILLER of Ohio asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. MILLER of Ohio. Mr. Speaker, the problems of persistent pesticides contaminating the land and waterways are of deep concern to those of us interested in a wholesome and healthy environment. We are faced with a serious conflict between the benefits to be derived from the continued use of pesticides and the damage done by their residual effects.

This conflict is discussed in a recent article from the October 20, 1969, issue of U.S. News & World Report and the specific problem of DDT is examined in a recent statement by Secretary of Health, Education, and Welfare, Robert H. Finch.

I offer these documents for inclusion in the RECORD at this point:

STATEMENT OF ROBERT H. FINCH

This April I announced the creation of an HEW Commission on Pesticides. Dr. Emil Mrak, former Chancellor of the University of California at Davis and an internationally recognized food scientist, accepted the position of Commission Chairman. He put together a distinguished committee of experts from a wide selection of disciplines and immediately set to work. The Commission had the full support of a backup team of staff experts from HEW agencies, and from the Departments of Agriculture and Interior. You have a list of the Commission members. At this time I wish to express my gratitude for their devotion and dedication.

In the course of their review, they examined scientific reports on over 600 active pesticidal chemicals which are in use in this country and which are formulated in more than 60,000 ways.

Commission members were charged to bring back specific recommendations for action and they did. Several weeks of editing and printing time remain before the full Commission Report can be published.

I have chosen at this time to release the specific recommendations made by the Commission and to discuss the action we are taking and which we propose to take.

The Commission's first recommendation was that a new interagency agreement be written between this department and the departments of Agriculture and Interior to tighten control of registration and develop cooperative approaches to the control of health hazards and environmental pollution. As it now stands the legal authority to register pesticides is vested in the Secretary of Agriculture, but we are working toward a new agreement that would preclude the registration of any pesticide on which either the Secretary of HEW or of the Interior is not fully satisfied. I have discussed this matter with Secretary Hardin and with Secretary Hickel and I feel that a cooperative agreement ensuring full consideration and attention to the health and environmental impact of pesticides will be accomplished without asking for new legislation. As a step in this direction, I will refer the Commission's Report to the Environmental Quality Council. I have had discussions on this with Dr. Lee DuBridge, and he assures me it will be on the agenda at the group's next meeting on November 20.

The Commission members did not hesitate to take a candid look at this department and their second recommendation to us was to strengthen our departmental coordination. The plain fact is that the responsibility for activities relating to the health hazards of pesticides has been widely scattered throughout HEW. Efforts to draw HEW pesticide functions together have been underway, and I have directed Assistant Secretary Roger O. Egeberg to review HEW research and regulatory programs for pesticides to be sure that we have a consolidated and unified effort.

We come now to the specific chemical that stimulated us to call the Commission together initially. The finding of excessive concentrations of DDT in coho salmon caused us to launch this study into the use of pesticides, their effect upon food safety, and the adequacy of our knowledge of their effects upon human health.

While DDT certainly has saved many lives in many countries, nevertheless it is the conclusion of the Commission that the use of DDT and DDD be restricted within 2 years to those uses *essential* to the preservation of human health or welfare and approved unanimously by the Secretaries of HEW, Agriculture, and Interior.

It should be emphasized, nonetheless, that despite the restrictions we will set on its usage, unavoidable residues of DDT will continue to be found in the ecological chain for a period of years. We will have to set up reasonable methods to make use of our food supply without undue hazard to human health, but in full recognition of the DDT it may already contain.

One of the basic research problems that the Commission has brought to our attention is that both industry and public agencies tend to focus research attention on the new and experimental. Industry does this because its efforts must be geared to proving the safety of a pesticide so that it can be placed on the market. Government research tends this way because it must be prepared to exercise judgment as to the safety of the newly offered products.

However, it is a recommendation of the Commission that more research be directed toward gaining a further understanding of the ecological dynamics and public health implications of DDT even though we will be using much less of it. As the persistent pesticide most widely distributed in the environment it is worthy of our continued study.

There are several other pesticides and families of compounds that are persistent and that can cause environmental contamination. The Commission has specifically pointed them out and suggested restricted usage, in the fourth recommendation. Registration of labels and clearances for usage of all of those pesticides, including DDT, are responsibilities of the Secretary of Agriculture. I have discussed the Commission Report with Secretary Hardin and will make every effort to implement these recommendations.

Inherent in all of these decisions is the

extremely difficult problem of measuring hazards to human health. The whole matter of transferring results of animal experiments to prediction of human effects still relies heavily on the intuitive judgment of skilled observers. We do feel that prudent steps must be taken to minimize human exposure to chemicals that demonstrate undesirable responses in the laboratory at any level. There should be continuing review and adjustment of pesticide residue tolerances.

We must protect the health and welfare of the public. That is the basic charge of this Department. But it is not in the best interest of the public to permit unduly precipitate or restrictive action based only on anxiety. The indiscriminate setting of zero tolerances for widely distributed pesticides could have a disastrous effect upon our national supply of essential foods.

This has been stated by the Commission, which further suggests that pesticide tolerances might be measured against graded standards that take into consideration both the need for public health protection and the need for producing an adequate and wholesome food supply. Existing law requires us to take both factors into account in establishing pesticide tolerances.

This recommendation appears to be the most realistic basis for a sound and sensible policy to be followed by this department in meeting its public health responsibilities. We are instructing the affected agencies in HEW to study this recommendation and advise me as to appropriate implementation. We will also announce soon the makeup of a Pesticide Advisory Committee to assist our staff. This group, as was the Commission, will be drawn from professional, industrial and academic specialists in related fields. Judging from the work of the Commission, it should be of great assistance to us in identifying gaps in research that need to be closed, and in evaluating the complex risks and benefits that must be considered in establishing tolerances and standards for pesticide usage.

To enable us to proceed with this policy of reevaluation it is important that we interpret the Delaney Amendment to the Federal Food, Drug, and Cosmetic Act specifically as it was enacted. This amendment requires the removal from interstate commerce of any food additive shown to be capable of inducing cancer when fed to experimental animals. The Delaney Amendment was conceived in high purpose and has served a useful function. The Department's General Counsel has pointed out that the Delaney Amendment does not apply to pesticide chemical residues in raw agricultural commodities or in foods processed from lawful crops. Nor does it apply to the unavoidable environmental contamination of foods.

The unbelievably sophisticated and sensitive measuring devices now in the skilled hands of our laboratory technicians can measure one twentieth part of one unit in a billion. Measurement techniques have improved 1,000 fold since the Delaney Amendment was enacted eleven years ago. If the Delaney Amendment, as it is now written, were to be strictly enforced for pesticide residues it would convert us to a nation of vegetarians. Much of our red meat, many dairy products, some eggs, fowl and fish—all parts of basic food groups deemed necessary to a balanced diet—would be outlawed because of very small pesticide residues from the ecological chain.

The Commission has made a number of somewhat technical recommendations having to do with the pooling of our information, the development of pesticide protection teams and increasing support for research into pesticides and their relationship to human health and the environment. They have drawn attention to vast gaps in our basic knowledge. We must establish priorities for this research and mobilize the scientific talents of the Nation to fill in this needed information.

We especially need support for programs to better evaluate the benefits of specific pesticides and their relation to alternative methods of pest control. We need to develop less hazardous pest control techniques that are highly specific and leave minimum of persistent chemicals in the environment. There is inherent a basic need for an improved understanding of the relationship of man to his environment, and a very real need to improve our techniques for predicting the effects of chemicals on man himself.

We can feed inbred laboratory rats doses of chemical many times the usual human exposure and some of the animals may develop tumors. We cannot translate this information to man with certainty, therefore, we must continue to improve our animal predicting systems, so that they will have more and more relevance to man.

The Commission has suggested that we sharpen our legislative and administrative policies concerning labeling and advertising practices, the granting of experimental labels, and on the very important and to often neglected matter of the safe handling and disposal of pesticides. They also suggest the monitoring and control of effluents from plants manufacturing, formulating or using pesticides. They have specifically suggested that the current Model Pesticides Law that we suggest to states and local communities be expanded to properly cover the disposal of surplus pesticides and used containers. We will be drafting administrative changes and model legislation to conform to these very practical suggestions. This will be done in consultation with the Council of State Governments. And we will make a greater effort to obtain state and local adoption of the model law.

Our responsibility is to the American people, but the problem of environmental pesticide pollution is global. It requires international cooperation to solve problems of these dimensions. Canada, Great Britain, Sweden and many other nations have shown an awareness of the hazards to man's environment and are fellow workers in this field. We have cooperated in the training of technical personnel from other countries, and we must increase our participation in international cooperative efforts to abate contamination.

In this discussion of administrative and legislative proposals we may forget that it is not your government that manufactures and markets pesticides. It is private industry. The chemical firms that manufacture and formulate pesticides carry the burden of proving their safety and efficacy before any such chemical can be marketed. The Commission found in its study that 55% of the funds spent nationally for agricultural research is spent by private industry. It further estimates that there is an investment of around $6 million in research and development before a new pesticide reaches the market.

It is right that we ask industry to provide us with pesticides that are highly specific in their action, targeted to do only one job with a minimum of persistence in the environment and few, if any, side effects on non-target species. But when we do this we are also asking industry to look at a smaller market, and a larger cost.

There is still little doubt that our actions will discourage investments in this field unless we provide some incentives for this very important job. We will be meeting with industry leaders, to consider a wide-range of suggestions. It is important that all of us who are involved, government and industry alike, work together toward solving the essential problems of our environment and we intend to pursue the matter of industry cooperation vigorously.

In conclusion, you may well ask "Where are we now? How much do we know about pesticides? How much do we know about their effect on man and his environment?"

I can tell you that with the report of this Commission we have made a sound beginning. The Commission's study shows that we, as a nation, have a tremendous need for ecological research on a large scale. We have an understanding of the methods of evaluating safety and establishing safety standards from certain types of injuries, but we need to learn more about the basic metabolic processes of the human animal.

We have to know more about the effects of the chemicals we use. We welcome the cooperation of industry in the search for alternatives to some of the pesticides we now employ.

Overall, pesticides have been of great benefit to mankind through controlling diseases and by increasing his food supply. It is essential that their intelligent use not be accompanied by unintentioned hazards to man or to his wholesome environment. Continued research and continued evaluation of man's ecology can provide us the necessary guidance.

[From U.S. News & World Report, Oct. 20, 1969]

PESTICIDES: PRO AND CON

Across America, there is rising concern that man is befouling his environment. Much of this worry centers on widespread use of chemical insecticides—particularly DDT and other "persistent" pesticides.

These chemicals, say critics, have contaminated rivers, lakes and oceans, and they pose a danger to man.

DDT has been banned indefinitely in Michigan. Arizona has barred its use for a year. New York and Minnesota have restricted pesticide use, and other States are considering similar action. The U.S. Department of Agriculture has limited use of DDT and other similar pesticides in some Government spray programs.

Yet, despite these official actions and rising protests, respected scientists are urging continued use of DDT and other pesticides.

Without them, say these scientists, food production and human health would suffer greatly.

From authoritative sources, you get both sides of an important and growing debate.

THE CASE AGAINST CONTINUED USE OF PERSISENT PESTICIDES

Those who would ban the use of DDT and similar pesticides admit that there is as yet no hard evidence that these chemicals, properly used, will cause death or serious injury to humans.

These critics do say, however, that there is enough evidence of death and sickness among lower animals related to widespread use of such pesticides to warrant a complete bar to their use.

DDT and its chemical relatives are nerve poisons. In lethal doses they bring on violent convulsions, followed by death from heart or lung failure.

DDT is a chlorinated hydrocarbon. In this same chemical family are such pesticides as lindane, dieldrin, aldrin, heptachlor and several others widely used. All are persistent chemicals. This means that when sprayed on crops to kill insects, or into swamps to kill mosquitoes, they do not break down readily into less potent forms.

These persistent chemicals have been carried down rivers and streams into the lakes and oceans of the world. DDT, the most widely used pesticide, has been found in the fatty tissues of birds and fish in the Arctic and Antarctic.

The average human being, scientists say, now carries 10 to 20 parts per million of DDT in his body. The chemical is transmitted to babies through mothers' milk. It has been shown to kill fish and birds and to cause cancer in laboratory animals.

Dr. James T. Grace, director of the Roswell Park Memorial Institute in Buffalo, recently told the Environmental Health Subcommittee of the New York State legislature that tests show "clearly" that chlorinated hydrocarbons can cause tumors in mice. Said Dr. Grace: "If we find these chemicals create problems in lower forms, then we must be extremely careful how we gamble on their use in our environment."

At hearings in Wisconsin, Dr. Richard W. Welch, a pharmacologist, reported that laboratory experiments showed that DDT will produce changes in sexual activity of both male and female rats. He suggested that this change "probably does occur in humans."

Dr. Goran Lofroth, a Swedish toxicologist, has warned that breast-fed infants throughout the world are ingesting twice the amount of DDT said by the World Health Organization to be safe.

Another finding, reported by Dr. William B. Deichmann of the University of Miami school of medicine: Persons afflicted with liver cancer, leukemia, high blood pressure and carcinoma had at death two to three times the residues of DDT and related pesticides stored in their body tissues as did persons who died accidental deaths.

Senator Gaylord Nelson (Dem.), of Wisconsin, one of several Congressmen demanding that use of DDT and similar pesticides be barred in the U.S., cited a study by the U.S. Bureau of Sport Fisheries and Wildlife. This research found DDT in 584 of 590 samples of fish taken from 45 U.S. rivers and lakes.

In June, 60 marine scientists formally petitioned California Governor Ronald Reagan to place an absolute ban on DDT in his State. They expressed fear of "wholesale damage to important world fisheries" and "loss of whole categories of animals" important to man. These scientists said:

"DDT is no longer an essential weapon in the battle for human health and food. It is less effective than it once was, for nearly 150 species of insect pests have developed resistance to it, and many other pesticides which are less destructive to man's environment are now available to take its place."

In May of this year, the National Research Council's Committee on Persistent Pesticides reported, after an 18-month study for the U.S. Department of Agriculture: ". . . There is an immediate need for worldwide attention to the problem of build-up of persistent pesticides in the total environment."

To some scientists, the problem is that DDT and other persistent chemicals in the modern environment may combine, with each other and with other factors, to upset human well-being. In this view, the fact that residual amounts of any one chemical are tiny, when measured, does not lessen their potential for harm to humanity over the long range.

THE CASE FOR CONTINUED USE OF PERSISTENT PESTICIDES

Opposing a ban on the use of DDT and similar pesticides are many top scientists in the U.S. and other countries. They say that, on balance, the report of the Committee on Persistent Pesticides supports their position. Cited are such statements as the following from that committee's report:

"Through use of these chemicals, spectacular control of diseases caused by insect-borne pathogens has been achieved, and agricultural productivity has been increased to an unprecedented level. No adequate alternative for the use of pesticides for either of these purposes is expected in the foreseeable future."

In July, Dr. M. G. Candau of Brazil, Director General of the World Health Organization, told the group's assembly in Boston: "The record of the safety of DDT to man has been outstanding during the last 20 years, and its low cost makes it irreplaceable in public health at the present time."

Samuel Rotrosen, president of Montrose Chemical Corporation, the largest U.S. manufacturer of DDT, cites these figures as evidence of the chemical's effectiveness against the malaria-carrying mosquito:

"In India, for example, before DDT there were 100 million cases of malaria, with 750,000 dying each year. Today, there are only 15,000 cases, with 1,500 dying a year."

The World Health Organization, which is a United Nations agency, estimates that DDT saved 5 million lives and prevented 100 million illnesses in the first eight years of its employment.

"I think it is safe," says Dr. Wayland Hayes, former chief toxicologist of the National Communicable Disease Center in Atlanta. "Volunteers were fed doses 200 times what you and I get every day for 12 months, and they showed no ill effects."

A report of the American Chemical Society in September stated that "despite the vast increase in the availability and use of pesticides, the incidence of fatal poisoning in the U.S. has held virtually constant at 1 per 1 million population over a 25-year period."

Workers engaged in manufacture of persistent pesticides, say industry experts, carry many times the normal burden of these chemicals in their body tissues, yet suffer no ill effects.

Scientists who have studied effects of DDT on humans say that once a certain amount of the chemical accumulates in the body, added amounts are thrown off.

The 1966 "Yearbook of Agriculture," published by the U.S. Department of Agriculture, stated:

"Without insecticides, production of livestock would soon drop about 25 percent. Food prices might then go up as much as 50 to 75 percent, and the food still would not be of good quality."

At a recent symposium on the use of pesticides, Dr. Donald G. Crosby, toxicologist at the University of California, said:

"We're not talking about a cockroach in a bedroom. We're talking about insects that devour up to 80,000 tons per day—capable of stripping bare an area of the size of Rhode Island. . . . We should accept the self-interest of our species."

Actually, production of DDT in the U.S. is down by about 20 percent since 1960. The U.S. Department of Agriculture, where officials deem it feasible, is substituting other pesticides in Government spray programs and urging private users to do likewise.

Other means are being sought to control pests—for example, parasites and predators that will kill harmful insects. There is promise, too, in new strains of crops that resist insects and plant diseases.

The big debate over persistent pesticides, in broad terms, comes down to this:

Those who would outlaw these chemicals see their accumulation in the environment as a time bomb that will explode at some future date with disastrous effects to mankind.

Those who urge continued use of the persistent pesticides say that these chemicals have enhanced the world's health and food supply with virtually no evidence of harm to mankind.

TAKE PRIDE IN AMERICA

(Mr. MILLER of Ohio asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. MILLER of Ohio. Mr. Speaker, in 1967, there were 78 million television sets in use in the United States, more than four times the number in any other country.

DEVELOPING SENIOR POWER

(Mr. PEPPER asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PEPPER. Mr. Speaker, I believe our colleagues would be interested in a very informative and eloquent address on "Developing Senior Power" given by my friend, the able James Cuff O'Brien at the National Council on the Aging, Inc., Office of Economic Opportunity's Mid-Atlantic Conference in Pittsburgh, Pa., on November 20, 1969.

Mr. O'Brien has long been identified for his great and good work in behalf of our senior citizens and his dedication to solving the problems of the aging is outstanding and highly commendable.

I was most impressed with Mr. O'Brien's speech and include it in the RECORD immediately following my remarks:

Thank you for the invitation to speak to you here in Pittsburgh. The theme of your conference today is developing senior power. As a stated theme for a conference sponsored by a professional organization in the field of aging, let me say that this conference is long overdue. I guess that it means that we are moving beyond our professional hang-ups on "technique" and "methodology" and "structure" into the ultimate technique of social interaction—power. Ten years ago when professionals in the field of aging met in the first White House Conference on Aging, any of us in attendance might have been looked at as mad, had we used the phrase "Senior Power" . . . as mad and as dangerous as were considered the first users of the phrase "Black Power" or "Brown Power". But now even Presidents can say "Black Power" and I hope the day is coming when millions of older persons *and* Presidents can use the term "Senior Power" in the sense of a fact, not a hope.

Because we really do not have, as yet, an operational reality of "Senior Power" . . . it is still a hope . . . a hope that demands theory and planning and commitment.

And, for the occasion of this meeting, I would like to point out some impediments to the realization of that hope and some thoughts on how we might be able to achieve that hope.

Just to summarize at the start, let me list some of the impediments to the achievement of "Senior Power".

First, the professionals—including community action agency staffs, senior center staffs, welfare personnel;

Secondly, older persons themselves . . . older persons who have long given up the hope of exercising authority and power;

Thirdly, the design of Federal and community programs which tend to exclude the elderly from the exercise of responsibility;

Fourthly—erroneous generalizations about the capacity and power of the elderly to function as a power group in society . . . the folk myth that says that the elderly cannot be or *will not be* human participants in social and political life.

In preparation for this meeting, I had the occasion to read a number of recent papers dealing with current thoughts in the field of aging. These papers included questions of housing, poverty, health, urban stress, the financing of social services for the elderly and the like. One message (or concept, if you will) continually came through . . . "Don't stereotype the aging" . . . etc.

Of course, I agree with this concept. Any specialist is aware of the dangers of generalizations in any field of work or study. But sometimes the fight against shallow typing of old people leads to other generalizations

which are equally dangerous. For example, in an otherwise useful paper prepared for use by cities in the Federal Model Cities Program, Professor James E. Birren of the University of Southern California says the following:

"It is questionable whether the aged either regard themselves as or behave like a minority group. The circumstances of their being poor and their area of residence in the city do not in themselves lead older people to affiliate with others of the same age across ethnic, religious, and occupational groupings. It seems unlikely that any massive program to better the position of the aged in the city would have favorable effects if it were based upon the idea that the aged are or should be a single, self-contained group. The urban environment of the near future should recognize the wide range of individual differences in interests, education, energy level, health, religion, and customs. Rather than a single pattern, the many ethnic backgrounds and needs require a pluralistic approach to the living arrangements of the aged in urban areas."

As I read this, in the context of the dynamics of political and social life in America's communities today, I hear a generalization . . . a gentle and a goodwilled soft-pedaling of the idea that older persons need to, *in fact*, "affiliate . . . across ethnic, religious and occupational grouping" to gain the things that older persons want and need. In short, the social and political role of older persons as an interest and group power is constantly being downgraded by *professionals* in the field on the mistaken notion that a recognition of such a role will lead to a stereotyping and a further segregation of older persons in the community. I think that this is a serious error with serious consequences for the Nation's and this region's older persons.

THE FEDERAL PROGRAMS

As I am sure most of you know, in the last six to eight years there have been a great number of new, federally financed program efforts to deal with the problems of the Nation. We have seen medicare and medicaid quickly develop into major fiscal and social commitments; the economic opportunity act and the model cities program represent major new programs at the community level; the older American act, itself, is attempting a massive reordering of national priorities to benefit the aging; the numerous manpower programs sponsored by the Department of Labor are restructuring vocational education in the market place; Federal aid to higher, middle and lower education is now a major factor in American educational financing.

All of these programs, in one way or another, affect the aging . . . or should affect and benefit the aging. But are they?

Medicare obviously is serving the needs of older persons . . . but is it serving the needs of all older persons? There seems to be some question as to the degree of benefit of medicare to some older persons . . . namely the poor. We are not at all sure that the program is making as significant an impact among the poor user as it clearly is on the middle class and more wealthy older person.

Let's look at OEO. By their own statistics, at least 30 to 35 percent of all the poor can be classified as "older," that is, 55 or older. If we count in the dependents of the older poor, *nearly half of the poverty in the country is directly related to factors of aging.* Dr. Hal Sheppard, in a study conducted for the Senate Sub-Committee on Manpower and Poverty in 1967, showed that since 1960 only two identifiable groups were *growing* in poverty in both absolute and relative terms . . . large families headed by a female and . . . the elderly. Yet, what does OEO allocate to the needs of this large group of the poor? By the most generous estimates of the agency itself, not more than 4% of its budget.

While it is too early to evaluate the impact of the Model Cities program, one thing is clear. HUD does not as yet see the needs of the elderly in the 150 model cities as even meriting one full-time staff person to develop programs and policy. The guidelines and program development material hardly mention the fact of the special needs of the elderly in housing, jobs, health, recreation, transportation, etc. And at the local community level, there is little recognition of these special needs. At the same time, in city after city, in the elections for community boards to guide the model city program, special slates of *youth* representatives are being elected to serve *their* special needs.

In the federal manpower program the same lack of equity is taking place. Even though in some communities the long term unemployment problem is not a younger worker problem but rather the problem of persons above the age of 45, less than 5% of federal manpower dollars serve persons above the age of 45 and infinitesimal amounts for persons above the age of 60. This in the face of that 60% of the long-term unemployed are 45 and over.

In the general area of housing and urban renewal, federal law and regulations now require community boards to help design and plan such housing. None of these laws require special representation of the elderly.

Now, is any of this of any real importance to the elderly? Should they really care about the poverty program with all of its mistakes and inefficiencies? Should they really care, at age 60, about retraining for new employment? Do they want to jockey for community power in the model cities program? Do they really want to wrangle with their fellow citizens over allocations of public housing and urban renewal relocation payment formulas? Should the bulk of the aging, now receiving vastly improved medical services through medicare and medicaid really have to worry about the distribution of such services to all of the aging . . . rich and poor?

To restate the question . . . are not the aging being asked for too much, to have to shoulder these burdens on their own behalf? Should not the Senate Committee on Aging, the Administration on Aging, the Pittsburgh Senior Center Director and Staff, the National Officers of the NCSC and NCOA, the Mayors and the Catholic charities staff and the rest of us "Specialists" really worry about these issues? Is "Senior Power" really relevant?

But can *we?* Where were we when OEO put a third of a billion dollars into Headstart, a fine program to be sure, and less than $10,000,000 into the foster grandparent program? Where were we when the building of 3 miles of interstate highways represents the budget of AOA for a year? What have we done, *effectively*, to reallocate employment services for older workers on a par with teenagers? What can we really do about the direction of the Model Cities Program as it appears to ineluctably drift into a youth serving apparatus?

It is my opinion that we, the professionals, the concerned and the committed cannot really represent the interests of the aging. The degree to which we *pretend* to *solely* represent these interests, we fall into the grievous sin of generalization of dependence and powerlessness of the elderly. We indeed stereotype 10% of the population as a mass of incompetents needing only services and specialists to tend to their needs.

The programs that I have mentioned, OEO, AOA, Model Cities, Manpower, Urban Renewal are indeed important. They represent billions of dollars of national wealth which are flowing into communities and they represent new resources to tax starved cities and states, and resources that are subject to increasing degrees of local control, control down to the level of that bickering OEO community action board, the Model Cities Board, the Urban Renewal Advisory Board, and the like. The allocation of these resources are now subject to the influence and indeed control of residents and the poor. And it seems to me that we can make one kind of generalization that holds true . . . *if the aging are not organized to "affiliate across ethnic, religious and occupational groupings"* in the words of Prof. Birren, *if they are not ready and able to function as an interest and power group at the local level on a par with youth, welfare clients, business, labor, civil rights and black power groups,* they will continue to receive the short end of the stick!

THE CITY AS SOCIAL ORGANIZATION

Something like 70% of the Nation's older population now live within urban areas. It should be kept in mind that cities are primarily social organizations and secondarily physical organizations. It is a setting for living out both individual lives and lives as parts of larger groupings. It is the place where we are challenged to function as human beings and where we are being required to find personal and family and group "salvation" within the pressures of congregate living.

It is in this setting that we are all looking for, in the words again of Prof. Birren, "life space," that part of the community which we occupy physically, socially and psychologically. But as I have indicated, there is a maldistribution of concern and benefits as regards the elderly and that maldistribution is attributable to lack of social and political organization and power of the elderly at the local, state and national levels. The "life space" of the elderly is being squeezed.

INTEREST GROUPS

How and why do people organize themselves? There are certain kinds of preconditions to social or political movement:

1. People must consciously recognize their common dissatisfactions and share them.

2. They must believe in their own ability to reshape the course of their lives . . . to use power.

3. They must live under conditions in which the banding together to cause change in their lives is both possible and plausibly effective . . . in short, hope for success.

4. There must be clear and proximate purposes, and goals, for the actions to be taken.

5. There must be duration to a movement, a projection, in time, of activities and a *commitment* to such duration.

In short, people organize, mobilize for the purpose of fostering perceived common interests, to provide fellowship in common purpose, to preserve or maintain status.

The problem then, it seems to me, is to assist older persons, *your clients,* to see themselves as an interest group, and to act in *self*-interest to meet their needs. *Secondly,* to help define for older persons those issues which are the basis for common action.

I don't think that it would be very useful here to try to prove that older persons in Pittsburgh or Trenton, N.J. constitute an interest group. I believe that that is crystal clear. In terms of the *"real"* interests of society . . . the economy, jobs, schools, family, consumption . . . the elderly are considered marginal to major social and political decisions. They are set aside to consume meagre pensions and social security benefits, to find "living space" where they can. They don't riot, grow beards, smoke pot, burn social security cards, burn down their *own* ghettos and the like. They are not shrill and don't very often picket or protest. They don't play the power game.

And while they remain, or choose to remain, marginal to the social and political life of communities, their status will remain marginal and in terms of social "hardware"—housing, health services, jobs, transportation, community services—they will continue to constitute the hard core of poverty and dehumanized life in the nation.

OLDER PERSONS AND COMMUNITY ORGANIZATION

I realize that it is difficult to organize older persons to act as an interest or power group. They tend to not want to be identified as "old," "aging," "seniors," or, Heaven forbid, "older poor people." A recent work done by Duke University, "Social Aspects of Aging," shows that older persons resist such classifications . . . "Old, not me, I'm only 64, old starts when you are 70" . . . etc.

But when they do perceive their common interests, when the crisis of their own lives is made clear, they can organize, "affiliate with others of same age across ethnic, religious, and occupational groups" to demand change. My own involvement with older persons in the fight for medicare showed me that. The National Council of Senior Citizens is built on that premise.

I can recall a time, not more than 15 years ago, when any number of persons, good persons, felt that black persons were a "dead" people . . . politically and socially. "They" won't organize. "They" are so filled with self-hate and guilt that they won't move on their own behalf, etc. "They" don't think that way now. As a group, with all their diversity and individuality, black people in this country are united, as no other group in society are united, at least to an idea . . . that they are relevant, worthy, valuable, free and have a future. And they intend to no longer allow the wider society to be responsible for their lives. Older persons, perhaps with an entirely different style, may be ready to assume that same direction of self-responsibility, self-determination, and relevance.

It is our job to help in that process. I think that we have to drop our custodial and dependency image of the individual older persons and recognize what Negroes, Mexican farm workers, youth groups, welfare mothers are recognizing . . . all those groups which are going through the process of moving toward political power and community decision making . . . these groups recognize individual dependence but also recognize that group strengths, interdependence, is a social tool. The recognition of needs and dependence is, in itself, a strong motivational factor in organizing.

WHAT CAN YOU DO?

As professionals and activists you have tools to assist the elderly in the goal of organization. You have facts, information. I think that one of your major tasks is to help older persons to see clearly their status in the communities, to see clearly their needs in comparison with their resources.

1. Help make the issues clear. Free transportation on city busses for school children and not for older persons. Is this an issue in Pittsburgh? Cannot the older persons take this on as a political effort, as old people? Of course, and it is your job to help make it clear.

2. Help people set immediate goals. Bus transportation, a new nursing home, a place on the model cities or community action board.

3. Identify the movement as an older persons movement. Don't hide as a "community effort." There is more political weight to an older persons movement than to a fuzzy "community effort." Older persons vote and vote and vote.

4. Identify local, older persons as leadership. Don't think that they need *you* to take leadership. They really don't want that. Step aside—but *support* that leadership.

5. Don't confuse styles. Older people don't sit in, scream, etc. Remember that the typical organizing setting for the Townsend movement was a simple church where some of the most radical social and economic talk of the thirties was interspersed with gentle hymns.

6. At the same time, *dramatize* the *crisis* in housing, health, etc. It works!

7. Seek confrontation . . . albeit quiet confrontation . . . with those agencies and officials who impact the lives of the elderly.

8. Demand proportional representation on community boards and committees which control the allocation of services and benefits.

What I have been suggesting may sound somehow radical. It is not. What I have been outlining is the same process that other groups in the society use, often in more institutional settings (NLRB, City Council, etc.) to get what they want and need. The elderly are now often outside of those structures and must develop new kinds of community structures in which they can press their claims on society.

But more importantly, I am talking about the necessity of recognizing that older persons must again play a role in determining what happens to them in the society. To play such a role is, after all, simply human. To deny such a role is to dehumanize the elderly and to deny them the basic responsibility over their own persons. And what I have been talking about is the *opening up of individual options through group action and group power*. With free bus transportation, a widow can exercise the *option* of visiting old friends and grandchildren instead of staying in a room. With a new, local non-profit nursing home developed out of the group action of older persons, the *option* of remaining in the community instead of being shipped to the faraway and impersonal state facility becomes a real and valuable individual freedom.

And lastly, I am talking about returning to old people that former authority, that status of recognized contribution to society that we might have once had and have clearly lost. The social contract no longer includes that clause that gives special recognition to the elderly. Our economy, our job structure, our educational and cultural system does not allow it. But the degree to which the elderly begin again to play a major role in their communities for purposes of good, they will again merit that recognition of authority.

So, as you discuss Senior Power in your communities, rethink again *your* vision of older people. Stop looking at them as clients, recipients of *your* services and education. See them as colleagues, with a vital role to play in community decision making. Your greatest resource in planning programs is not money . . . and there is not enough of it in medicare, the Economic Opportunity Act, the Model Cities Program . . . your most potent resource is the organized strength and competence of your communities elderly.

And as you plan and work for Senior Power, stop looking at the Seniors as consumers of *your* insufficient services which will continue to force them into the mold of human impotence and dependency . . . that is the most deadly generalization of them all.

Let's try something new . . . Senior Power . . . and be prepared to step aside and watch them do their own thing!

MR. JAMES CUFF O'BRIEN ADDRESSES UNITED STEELWORKERS

(Mr. PEPPER asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PEPPER. Mr. Speaker, it is my privilege to call to the attention of my colleagues the splendid address given by James Cuff O'Brien, the able political action director of the United Steelworkers of America, at the annual conference of district 15 of the United Steelworkers of America at Ligonier, Pa., on November 24, 1969. I believe there are some excellent suggestions in Mr. O'Brien's speech giving a good deal of insight into some of our challenging problems which face us today. Mr. O'Brien has a deep understanding of democratic principle and a very sincere dedication to our Nation's affairs.

I include Mr. O'Brien's address in the RECORD as follows:

After Jack Kennedy's first press conference, a news reporter asked, "Mr. President, why is it that you don't hold the door for Mrs. Kennedy or assist her around rain puddles because many people are concerned about how you plan to change this practice." President Kennedy replied, "Jackie will just have to learn to walk a little fast-A." And, as Director Thornton will tell you, Mr. Abel has asked me often to do just the opposite and to speak a little slower, so I will try.

It is indeed a great pleasure to be with you today. As Political Action Director, I have been traveling around the nation attending state and regional COPE conferences and United Steelworkers meetings. It is always a pleasure to return to a state that gave the Vice President a plurality of 179,386 in carrying the state for the Democratic Party in 1968. And the political professionals in Washington know that it was *this group*—Pennsylvania labor and the United Steelworkers—that did the job.

I would first like to review for you some of the important history of 1968:

In 1968 Mr. Abel was cochairman with Joseph Keenan, I.B.E.W., of the national 1968 Labor Campaign Committee for Hubert Humphrey. Mr. Abel was also commissioned by George Meany to be in charge of political efforts in Pennsylvania and we won Pennsylvania.

Ted White, in *the Making of the President, 1968*, credits labor with being the single most important factor in the Humphrey effort.

On *November 11, 1968*, the *Wall Street Journal* stated: "Labor is alive and well after all and it can motivate its members, gird itself for a campaign, and come close to total victory under almost impossible circumstances."

On November 12, 1968, the following appeared in Business Week: "Labor and only labor came damn near doing it for Hubert."

By November, 1968, labor had done the following:

Registered 4.6 million voters;

National COPE had 55 million pieces of literature passed out and 60 million more pieces passed through local unions;

Established 638 city phone banks with 8,055 phones and 24,611 people manning the phones;

Before election day the labor people canvassing numbered 72,255;

On election day there were 94,457 precinct workers from labors' ranks. These statistics of labor do not include the UAW or the Teamsters Union or a number of other unions.

In 1968, the net loss of liberal candidates amounted to four Senators and two Representatives.

Nixon was the first President since 1848 to go into the White House without control of either House of the Congress.

Let's look at the special election of which we won five out of six:

2nd District of Montana—Was held for six terms by a Republican before the special election.

8th District of Tennessee—Jones beat a Wallace candidate.

7th District of Wisconsin—The seat of Melvin Laird which had not been won by a Democrat in this century.

27th District of California—Democratic candidate received 44% of the vote against young Goldwater as compared to 28% in November '68.

6th District of Massachusetts—Part of this

district had never been represented by a Democrat.

8th District of New Jersey—In a year of a Democratic disaster in the state (we lost the governorship by 400,000 votes) we were able to retain this seat. Bob Roe ran 19,000 votes ahead of the Governor in his Congressional District.

In 1970 we have cause for great concern. There are 25 Democratic Senators running and only 8 Republicans and a loss of 7 Democratic seats would give the Republicans control of the Senate and put a hostile Senate in charge of our destinies.

With such a change in the Congress, the Republicans would be on their way to complete control with the White House, the Courts, and the Legislature. And, we would face total disaster.

The Steelworkers have a great opportunity and grave responsibility. We are the largest union in Montana, Utah, Colorado, Arizona and Wyoming as well as powerful here in the East in states such as Illinois, Indiana, Pennsylvania, and Ohio.

When I said earlier, "the Vice President", I, of course, meant Mr. Humphrey. Spiro Agnew?

He may be the first man to contribute to the abolition of this office. Everyone knows him now. Even my youngest son knows him. On my last trip home—Yes, even labor officials sometimes go home—my youngest son ran up to me and demanded:

"If Mickey Mouse can have a Spiro Agnew watch, why can't I?"

Last week I attended a conference in neighboring Ohio. I had the pleasure of introducing former astronaut John Glenn at a Labor Dinner. Some say he has intentions of becoming Ohio's next Democratic U.S. Senator. There is no doubt that he is personally a very charming man but the thing that startled me was how it reminded me of Hubert Humphrey's great phrase that "If we can spend billions to put a man on the moon we certainly should be able to spend millions to put men on their feet."

Many of you asked me earlier what was new in Washington. I shall tell you what's new. Spiro Agnew's attack on the nation's news media, first television and now the nation's leading newspapers are the first attempts of a calculated campaign to intimidate and muzzle our free press. And you better believe that it is a calculated, planned campaign.

No one realizes this attempt to intimidate is only just picking up momentum. Very few people know that the Director of the overseas-oriented United States Information Agency, Frank Shakespeare, Jr., addressed the Radio and Television News Directors Association on September 26th. Speaking just a little too bluntly, Shakespeare charged that TV commentators leaned to an excessively liberal point of view. While saying it was the responsibility of news directors to assure a better conservative news balance, he assured his audience he was speaking only in a private capacity. Shakespeare then ticked off the following instances of disturbing news coverage:

Broadcasting's treatment of Senator Goldwater at the 1964 Republican Convention in San Francisco;

The observations of TV commentators at the Republican 1968 Convention in Miami Beach;

Critical broadcasts of the conduct of the war and corruption in Vietnam;

And the emphasis laid on the young lieutenant who reported to senior officers that his men would not go into battle;

Coverage of the Chicago Democratic Convention.

If you want to know about this man who heads our crucial Overseas Information Agency, I suggest you read Joe McGinness' *The Selling of the President—1968*. McGinness is a very sharp, young reporter who worked for a Philly newspaper, traveled with the GOP campaign and has written a magnificent book on how they *packaged Richard Nixon*, made his *smile* and *smirk* and sold him to the American public. McGinness devotes a whole chapter to Shakespeare and his right wing views. In fact, McGinness reports that when the Russians marched into Czechoslovakia, Shakespeare rubbed his hands in glee and said, "Oh boy, are we going to pin the soft on Communism label on Hubert now." *This is the man whom Richard Nixon appointed to head the U.S. Information Agency.*

Now we have Agnew picking up and continuing the attack. Agnew states: "The men who select . . . and analyze TV news are philosophically out of step with most of their audience . . . We can deduce that these men read the same newspapers. They draw their political and social views from the same sources. Worse, they talk constantly to one another, thereby providing artificial reinforcements to their shared viewpoints."

Now let me tell you about these simplistic statements of Mr. Agnew's. Let's strip away this self-serving odor of sanctity. It really is only the burning tar of a Baltimore demagogue. Let's talk about the men who make and manage the news. Where are they from.

The man who produces the Walter Cronkite show, Les Midgley, comes from Salt Lake City. The man who is President of ABC news comes from Kansas City, Elmer Lowrer. He describes himself as a boy who never left the middle west. What do they read? The man who produces the Huntley-Brinkley show, William Westfeldt, reads the *Atlanta Journal*, the *Los Angeles Times* and the *New Orleans Times-Picayune*, by the way, he is from New Orleans. Oh, yes—These men talk constantly to one another. Thereby providing artificial reinforcement to their shared viewpoints.

When Ave Westin, the man who produces the ABC Evening News With Howard K. Smith and Frank Reynolds, heard that, he exclaimed:

"I'll be damned if I'll compare notes with anyone. My job is to beat the hell out of the other networks."

For all the vaunted power of television, a Gallup poll after the Democratic Convention showed that 56 percent of Americans approved and only 31 percent disapproved—"of the way the Chicago police dealt with the young people who were registering their protest against the Vietnam war."

Supposedly, the one hurt worse by network coverage of the Chicago Convention saw through Mr. Agnew's ploy last week. Hubert Humphrey blasted Agnew and FCC Chairman Dean Burch for asking the Presidents of the three major networks for transcripts of their networks comments on President Nixon's recent speech on Vietnam—something that is normally done by the lowest clerk at the Federal Communications Commission.

Gentlemen, Spiro Agnew brings no light to the problems of free speech in a Democratic society. He brings the dark light of know-nothingism. The Nixon Administration is happy with Spiro. They boast how people are bombarding the networks and TV stations with telephone calls and mail backing the Vice President's position.

I am worried. I am worried because the great silent majority stands not only for families living in Des Moines, Iowa, or Dallas, Texas, it also is comprised of the American labor movement—our members. It is incumbent on us to educate them to this latest ploy of the Nixon Administration to stifle the forces of liberalism and moderation—our allies—the forces of criticism who are not happy the way our country is moving.

I am also worried because Richard Nixon is starting to build a new political coalition. A coalition which they hope will dominate American politics for decades such as the New Deal made the Democratic Party the nation's dominant party.

And you my friends, and your state, are a key part in a hoped for cynical, cold and one can almost say—heartless—coalition planned by the worst of the Republicans to dominate the American political scene. What are its parts?

It is based upon a grouping which is "unyoung, unpoor, and unblack." It is all spelled out blatantly and with cynical bias in a new book titled *The Emerging Republican Majority* by Kevin P. Phillips. He dedicates the book, and I quote:

"This book is respectfully dedicated to the emerging Republican majority and its two principal architects: President Richard M. Nixon and Attorney General John N. Mitchell."

(Incidentally, our Mr. Phillips is special assistant to Attorney General Mitchell.)

There is no doubt that Mr. Phillips has done his political homework but fitting the political, economic and social facts within a preconceived political framework. You open to the chapter on Pennsylvania. You read of the successive waves of immigration that populated the State in ethnic layers. In the southeast, the English and Welsh, the Germans who established themselves in the rich farming country north and west of Philadelphia, and then the Scotch-Irish came who dominated the Cumberland and other Appalachian valleys. You read about the Democratic Presidential voting patterns in Pike, Columbia, York and Greene Counties, the pro-New Deal movement by the Western Pennsylvania black country, Mr. Phillips is very thorough.

(And you better believe that Mr. Phillips is graphic. He buttresses his projection of an emerging Republican majority with forty-seven maps and 145 charts—some bearing such intriguing titles as "The Yankee Metamorphosis" and "non-historical denominators of the inner south.")

You then turn to the concluding chapters which graphically detail the emerging Republican majority. You see that Pennsylvania is grouped with the so-called non-Yankee northwest (Pennsylvania, New Jersey, Delaware, and Maryland).

To these deep-thinking Republican strategists such as Phillips and Attorney General Mitchell, Pennsylvania is part of their coming Republican majority. You have the dubious honor of being linked with other coming Republican bastions—Texas and outer south (Florida, Virginia, North Carolina, and Tennessee). You do not have even the honor of being what they call a contingent bastion. This is the deep south and Arkansas which will fall to the GOP if Wallace does not ride again.

To Mitchell and his boys, the only future political battlegrounds will be the Pacific States. The upper Mississippi valley with Iowa, Minnesota, and Wisconsin, the Ohio-Mississippi valley with Missouri, Illinois, Indiana, Kentucky, Ohio, and West Virginia. The Republicans graciously concede New York and New England to the Democrats.

Well, I concede nothing to a projected coalition that is morally and spiritually bankrupt, that crassly hopes to play on the emotions and fears of the American people. If anything, the recent elections in New York, Buffalo, Cleveland, Pittsburgh and Atlanta belie the rise of a permanent right-wing trend. Who would ever have expected a liberal Jew to be elected Mayor and a black Vice Mayor in a southern city—even Atlanta. Whoever expected a young liberal pro-labor candidate to secure 60 percent of the vote in Pittsburgh this difficult year.

But even if we discount a right wing trend, our labor movement must realize that the 387,882 Pennsylvanians who voted for Wallace in 1968 were not an isolated phenomenon. They are part of what some call the forgotten Americans.

Who is the forgotten American? He has been described as a white employed male . . . earning between $5,000 and $10,000. He works regularly, steadily, dependably, wearing a blue collar or a white collar. Yet the frontiers of his career expectations have been fixed since he reached the age of thirty-five, when he found that he had too many obligations, too much family, and too few skills to match opportunities with aspirations.

This definition of the forgotten American involves almost 23 million Americans. It encompasses many who voted for George Wallace in 1968. It speaks for many of the 387,882 voters who stood up for Wallace in Pennsylvania in 1968.

It also speaks for the responsibility owed by the national labor movement to educate our member workers about the evils of hate, bigotry and demagogy. You may rest assured that all of you will hear from Director Thornton and I and from our national COPE Director, Al Barkan, in the coming months as we try to devise new and better ways to reach our workers, to alert them to the new George Wallaces and those who wish to make a coalition of the unyoung, unpoor, and unblack.

1970 is so important in Pennsylvania. You can and should elect a Governor. You can elect a U.S. Senator of your choice. You can show the nation that, lead by President Abel, Secretary-Treasurer Burke, and Vice President Moloney, and with the solid commitment to progressive politics you have shown here today that the 1968 victories in Pennsylvania can be repeated.

THE CRUEL THREAT OF VETO

(Mr. HECHLER of West Virginia asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. HECHLER of West Virginia. Mr. Speaker, there is a cruel threat of a Presidental veto of the coal mine health and safety bill in the air. For the long-suffering coal miners of the Nation, such news on the eve of Christmas, when the value of a human life takes on renewed significance, is almost unbelievable. How can anyone blame those who work in this injury-ridden industry, and who suffer from the ravages of pneumoconiosis, for inflation? What kind of a sense of values equates the pittance of compensation which will go to coal miners against the billions spent in other areas, and then charge the coal miners with being the cause of inflation?

There is a very timely editorial in the December 20, 1969, Charleston, W. Va., Gazette which deserves careful thought:

MINE SAFETY BILL STANDS AS MEMORIAL TO LOST 78

It may have taken the lives of 78 West Virginia coal miners in the Farmington disaster to provide the impetus, but the coal mine safety bill sent to the White House by the Senate Thursday night stands out as a memorial that says they did not die in vain.

What this legislation means, providing its provisions are strictly enforced, is that there will be less likelihood of another Farmington in the future, and the nation's 140,000 coal miners will have greater protection for their health and safety.

And for President Nixon to threaten veto of this vitally needed and long overdue legislation is unthinkable, particularly in light of the reasons given.

The administration is disturbed by a provision that would establish a new federal program of payments to miners disabled by lung disease, objecting strongly to the potential cost of these payments and saying the problem should be handled by the states.

The payments would range from $136 a month for a single miner to $272 for one with three dependents—hardly an overabundance for one disabled by breathing coal dust—with the federal government meeting the cost for four years, after which mine operators and the states would be responsible.

And what kind of money is the White House talking about in waving the flag of veto?

By administration estimates the cost could run as high as $385 million a year, although Democrats in Congress insist the maximum would be $60 million.

In either case the cost is peanuts, considering the size of the federal budget and the humanitarian good to which the payments would go.

Even if the cost should go as high as $385 million a year, this amount could be taken out of the Pentagon budget without creating even a shortage in paper clips.

President Nixon, without batting an eye, gives a go-ahead on development of the SST, a highly questionable project costing billions, and he applies all the pressure at his command on a reluctant Senate to force through deployment of the fantastically expensive Safeguard Antiballistic Missile system.

This is a strange sense of values. It is a situation difficult to fathom when the administration shows no qualms about spending billions on weapons of destruction or an oversized airplane that would cut a path of wreckage with its sonic boom, but suddenly becomes economy conscious at the suggestion of providing modest compensation for the victims of an occupational hazard.

As for leaving the problem up to the states, the President well knows that this would not provide a solution. Most states already have demonstrated a reluctance to pay benefits, and it hardly serves the ends of justice to have some disabled miners compensated while others—most likely the great majority—are left to shift for themselves.

President Nixon will be doing an extreme disservice to the men in the coal mining industry—and to the country at large—if he vetoes the mine safety bill on such a flimsy pretext. If he carries out the threat, the 78 miners who died at Farmington—and the thousands who died in the depths of the earth before and since—most certainly will have died in vain.

CHILDHOOD LEAD POISONING

(Mr. RYAN asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. RYAN. Mr. Speaker, the problem of lead poisoning has reached epidemic proportions among the children in our urban centers. The disease is the result of the ingestion of peeling paint and plaster by young children, who usually will eat anything within their reach.

Most children who suffer from this disease go undiagnosed and untreated, and for this reason the illness has become known as the "silent epidemic."

When the disease finally is diagnosed, it is often in its acute stage. The child may die. If he lives, he will suffer permanent brain damage, mental retardation, cerebral palsy, or epilepsy.

Although this disease principally affects children between the ages of 1 and 5 years old who live in the slums, it is also found in rural areas.

In the city of New York, for example, the health department has estimated that between 30,000 and 35,000 children are lead poisoned. Studies done in several cities indicate that from 5 to 10 percent of the youngsters between 1 and 6 years of age living in dilapidated housing suffer from lead poisoning.

Because of my deep concern about this serious health hazard, I have introduced legislation—H.R. 9191, H.R. 9192, and H.R. 11699—to help combat it. These bills have been reintroduced to include 19 of my colleagues as cosponsors.

The legislation would aid identification and treatment of children afflicted, would aid detection of the presence of lead-based paints and require that local governments have an effective program for detecting and eliminating lead-based paint as a prerequisite for receiving federal funds for housing code enforcement or rehabilitation.

To better familiarize others with this problem and the need to eliminate the lead poisoning hazard, I sponsored an informational breakfast on November 12 in the Rayburn Building in Washington. The breakfast was cosponsored by Senator EDWARD KENNEDY and by several of my colleagues in the House.

It was conducted by the New York Scientists' Committee for Public Information, a nonprofit organization which attempts to provide necessary information to citizens so that they may have a better understanding of the scientific aspects of public policy issues.

Senator KENNEDY expressed his concern at the breakfast and announced his intention to introduce similar legislation in the Senate. He has since introduced S. 3216 with 19 cosponsors.

The formal program was a forum of three expert panelists discussing various aspects of the problem. The program was moderated by Glenn Paulson, cochairman of the Scientists' Committee.

Dr. J. Julian Chisolm, associate professor of pediatrics at Johns Hopkins School of Medicine, discussed clinical observations and the consequences of acute lead poisoning in young children.

Dr. Edmund O. Rothschild of the Sloan Kettering Institute discussed the epidemiology of lead poisoning.

And Dr. Joel Buxbaum of the Albert Einstein School of Medicine discussed the environmental aspects of the disease.

I am inserting in the RECORD the text of Dr. Chisolm's remarks at the information breakfast. In his remarks, Dr. Chisolm summed up the causes, effects, and cures of this disease. He said:

An effective medical program for prevention can only be carried out where adequate and accurate laboratory facilities are available; thus a coordinated plan incorporating mass screening of both children and deteriorated housing in high risk areas together with organized treatment centers could do much to reduce the incidence of severe plumbism, even today. The means and the knowledge are at hand. Sound epidemiologic and environmental approaches such as those used for the prevention of measles and polio will suffice. The medical principles are the same. Whereas infectious diseases may be brought under control by immunization of the child, the prevention of lead poisoning requires the "immunization" of the house in which he lives.

I urge all my colleagues to read carefully Dr. Chisolm's remarks and to sup-

port the pending legislation which will help eradicate this horrible and preventable disease.

The material referred to follows:

CHILDHOOD LEAD POISONING: NATURAL COURSE, TREATMENT AND PREVENTION

(Synopsis of Remarks by J. Julian Chisolm, Jr., M.D., associate professor of pediatrics, Johns Hopkins Medical School, associate chief of pediatrics, Baltimore City Hospitals)

Mr. Chairman, Members of the Congress and guests, Childhood lead poisoning is a preventable disease. This morning, I should like to outline for you some aspects of the epidemiology, natural course, symptoms, diagnosis and treatment of this disease and the permanent brain damage which it can cause.

EPIDEMIOLOGY

Childhood lead poisoning occurs almost exclusively in children one to five years of age. Indeed, 80 percent of cases of acute poisoning occur between 1½ and 3 years of age. Almost all of the acute symptomatic cases in young children occur during the summer months. We believe this is in part due to the fact that the absorption of lead from the intestine is greater during the summer months than it is during the winter. The disease is almost entirely limited to children who reside in deteriorated urban housing built and painted prior to 1940, when lead pigment paints were commonly used in housing interiors. Now that many of these houses have fallen into disrepair, the old layers of paint containing lead pigments are flaking and within easy reach of a small child's grasp. Recent surveys in Baltimore, Maryland indicate that 50–70 percent of old houses in selected slum areas still contain dangerous quantities of flaking lead pigment paint. A few small chips of such paint may contain 100 mg or more of lead. The association between childhood lead poisoning and old housing has been well documented. Careful surveys indicate that 10–25 percent of young children who live in such housing show evidence of an increased body lead content and that from 2–5 percent show sufficient evidence of poisoning due to lead to require hospitalization and treatment. This is not surprising when one considers that pica is a common habit in young children. Pica is here defined as the repetitive ingestion of nonfood substances such as clay, plaster, ashes, putty, paint chips, paper, string and so forth. It is estimated that 50 percent of young children may exhibit pica: what they eat depends in part upon what is available.

ABSORPTION OF LEAD

Traces of lead are almost ubiquitous in nature and, indeed, minute amounts are found in a normal varied diet. It is estimated that normal American dietary intake does not exceed 0.5 mg/day. Under these conditions, according to the classic balance studies of Kehoe, absorption does not exceed excretory capacity, so that there is not net retention or excess accumulation of lead in the body. As the amount ingested increases beyond this, absorption exceeds excretory capacity with the result that there begins the net retention and storage of an excess body burden of lead. Since inorganic lead compounds such as those found in old paint are poorly absorbed into the body, repetitive ingestion or inhalation of small amounts is usually far more hazardous than a single massive exposure. Plumbism thus results from the accumulation over a period of weeks, months or years of an excessive body burden of lead. This burden is distributed between bone and soft tissues, with the major portion being stored in bone. Serious toxic effects of lead are exerted in the various soft tissues. So long as excessive ingestion continues, the chronic course of plumbism will be punctuated by acute symptomatic episodes which are usually associated with sharp increases in soft tissue lead content. Whereas the "safe" daily intake of lead is estimated at <.05mg/day, Chisolm and Harrison have reported that young lead-poisoned children may ingest 5 to 100 mg of lead per day as a result of eating lead paints from old housing surfaces. It is worth noting that this amount of lead may be found in a few tiny chips of paint the size of one's fingernail and that this type of exposure exceeds moderately-severe types of industrial exposure. Apparently, at least two to three months of repetitive ingestion of old paint chips are required for a child to accumulate a potentially lethal body burden of lead.

SYMPTOMS OF POISONING

Clinical symptoms in early childhood are subtle, non-specific and insidious in onset. During the first four to six weeks of abnormal ingestion, no symptoms are apparent. Thereafter, over the next four to six weeks, there is the insidious onset of decreased appetite, unwillingness to play, increased irritability, sporadic vomiting and delay in development, especially in the development of speech. None of these things are specific for lead poisoning, so that these early symptoms are easily and frequently confused with other diseases. Indeed, the child may be thought to have a behavior disturbance or some minor intercurrent infectious illness. Associated iron deficiency anemia is virtually always present. If excessive lead ingestion continues, the child's apathy and unwillingness to play progress to intermittent drowsiness and and stupor, and vomiting becomes increasingly frequent, persistent and forceful. Brief self-limited convulsions may also occur. Within a week or less, such a course can culminate abruptly and unpredictably in coma and intractable convulsions. This most severe form of lead poisoning is called acute encephalopathy and results from the toxic effect of lead in the brain. The blood vessels of the brain are damaged, so that there is leakage of fluid with resultant acute swelling of the brain and extensive damage to brain cells. Acute encephalopathy is more common in children 15–30 months of age. As the preschool child grows older, acute toxic episodes tend to be less severe.

Thus the two to five-year old child with unrecognized lead poisoning may present with convulsive disorder, chronic impulsive, aggressive hyper-kinetic behavior disorder or mental retardation. Uncommon syndromes includes progressive loss of mental function, which stimulate degenerative cerebral diseases and peripheral neuropathy. Symptoms tend to wax and wane, but are more frequent during the summer.

DIAGNOSIS

Symptoms are non-specific. A history of pica is usually obtained in only 75–80% of cases. Unfortunately, a history of pica is least likely to be obtained in the most severely affected cases. Physical examination and routine laboratory procedures do not yield information diagnostic of plumbism. Special tests which measure lead in blood and urine must be performed. Thus, diagnosis requires an appreciation of the causative factors and the high index of suspicion on the part of the physician. This brief description of the clinical aspects of plumbism in young children permits two important conclusions:

1. Early diagnosis on clinical grounds alone is exceedingly difficult, if not impossible and
2. By the time the clinical diagnosis is obvious to all, permanent brain damage which cannot be modified by therapy, may already have taken place.

It follows from these conclusions that significant reduction in the risk of permanent brain damage requires identification of the child with increased body lead burden prior to the onset of toxic manifestations.

TREATMENT

Potent drugs known as chelating agents are available, which can remove part but not all of the excess lead in the body. The most serious effect of lead poisoning in young children is acute swelling of the brain which is known as lead encephalopathy. Before any drugs were available, the mortality from lead encephalopathy was 66%. Recent improvements have reduced this mortality to something less than 5%. Unfortunately, however, these improvements have not resulted in any substantial reduction in the incidence of permanent brain damage which lead encephalopathy causes. I am currently following ten survivors of acute lead encephalopathy, five of whom are clearly permanently and severely brain damaged.

PERMANENT BRAIN DAMAGE

Available medical studies indicate that at least 25% of the survivors of lead encephalopathy sustain permanent brain damage as manifested by severe intellectual deficits, life long convulsive disorders and severe aggressive behavior disturbances. The intellectual deficits including short attention span, perseveration and perceptual impairments so impair the child's learning ability that the affected child usually requires special schooling facilities at the very least. In a study of 425 children surviving severe acute lead poisoning, Perlstein and Attala found that 39% had one or more forms of permanent brain damage. I have recently evaluated 38 adolescent boys and girls who had lead encephalopathy in early childhood. Sixteen or 42% of these showed evidence of significant brain damage due to lead. In other studies, it has been found in children who survive one known episode of acute encephalopathy, that the incidence of permanent brain damage is increased to virtually 100% if that child is returned to a deteriorated house with flaking lead paint chips. Whether lead poisoning without encephalopathy causes severe permanent brain damage is not known. It can be said, however, that about 10% of lead-poisoned children with no history of encephalopathy show similar residual brain damage. Because of difficulties in diagnosis, one cannot be certain that such children have not had undetected, mild episodes of encephalopathy.

LONG-TERM TREATMENT

The cornerstone of any treatment program is the axiom that the child must be promptly and permanently removed from the hazardous environmental sources of lead. Exhortations to parents to stop the abnormal ingestion have not been effective in the past. This, in turn, means removal of hazardous old flaking lead paint chips from the child's house before he returns home from the hospital or relocation of the child into modern safe housing. Because of the persistence of the habit of pica until three to five years of age in some children, any child once found to have lead poisoning must have close medical followup until at least five years of age. He must be followed with blood lead determinations. This, in turn, requires the availability of an experienced and accurate laboratory for the determination of lead in blood, urine, and environmental samples.

COST OF TREATMENT

Attached is a table showing estimated total costs of treatment of typical individual cases. These estimates were made in March, 1969. The total cost for a given case varies according to the final outcome in that case. Also included are estimates for the rehabilitation of hazardous housing which is the vital key to sucessful treatment and prevention. If the child has severe encephalopathy and sustains permanent brain damage severe enough to require permanent institutionalization for the remainder of his life, the total estimated cost is in excess of $220,000.

On the other hand, if brain damage is less severe and the patient requires special school-

ing only, the costs will be approximately $17,000. If the diagnosis is made prior to the onset of encephalopathy and if no significant brain damage has yet occurred, the cost is still considerable and at least equivalent to the cost of the removal of flaking lead paint or the replacement of hazardous window and door units. These costs, of course, do not take into account such intangible factors as the loss of a productive life and the grief to the parents of the affected child. They are included here to emphasize the fact that treatment must be provided for the affected child and hence society is already paying these costs. How much more intelligent it would be to spend our effort and substance on the systematic elimination of hazardous environmental lead exposure associated with old housing. This is the key to the problem. Indeed where it is possible to get the flaking paint removed, much time is consumed in the process and this, in turn, results in prolongation of hospitalization of the child in order to assure his return to a safe environment.

PREVENTION

An effective medical program for prevention can only be carried out where adequate and accurate laboratory facilities are available; thus a coordinated plan incorporating mass screening of both children and deteriorated housing in high risk areas together with organized treatment centers could do much to reduce the incidence of severe plumbism, even today. The means and the knowledge are at hand. Sound epidemiologic and environmental approaches such as those used for the prevention of measles and polio will suffice. The medical principles are the same. Whereas infectious diseases may be brought under control by immunization of the child, the prevention of lead poisoning requires the "immunization" of the house in which he lives. A truly preventive approach might be as follows: immediately following the birth of a family residing in a pre-World War II dwelling, the prospective dwelling could be inspected and sampled for lead so that hazardous conditions could be corrected before that infant reaches the age of pica. Pica usually begins at approximately one year of age.

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CHILDHOOD LEAD POISONING—ESTIMATED COST FACTORS, BALTIMORE, 1969

	Unit cost	Treatment (BAL-EDTA and d-penicillamine) acute encephalopathy		Asymptomatic plumbism		Prevention (rehabilitation of dilapidated housing)
		Severe permanent brain damage	Moderate permanent brain damage			
Hospitalization, acute illness	$75 per day	$1,500 (20 days)	$750 (10 days)	$750 (10 days)		Average rowhouse (10 windows, 2 doors, base boards).
Convalescent facility	$27.50 per day	$1,650 (60 days)	$825 (30 days)	$825 (30 days)	$825 (30 days)	
Outpatient followup	$15 per visit	$225 (2 years)	$675 (10 years)	$225 (2 years)	$225 (2 years)	Complete removal of old lead paint from window and door units, baseboards, $250 to $300.
Nursery school	$3 per day		$780 (2 years)	(1)	(1)	
Special schooling excess cost	$1,200 per year		$14,400 (12 years)			
Institutionalization	$3,650 per year	$219,000 (60 years)				Replacement of window and door units, baseboards, $600 to $1,200.
Total, treatment costs		$222,375	$17,430	$1,800	$1,050	

[1] Paid by parents.

BRITISH PARLIAMENT CONSIDERS FULLER DISCLOSURE

(Mr. PRICE of Illinois asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PRICE of Illinois. Mr. Speaker, as chairman of the Committee on Standards of Official Conduct, I found a recent London dispatch to the Washington Post particularly interesting. This article, written by Alfred Friendly and published in the Washington Post of December 20, 1969, reported that the House of Commons is considering adoption of a requirement for disclosure of certain financial interests and emoluments.

I take this opportunity to include the article in the RECORD.

It is interesting to note that a Select Committee of the House of Commons, while recommending mandatory disclosure of some matters, rejected a proposal similar to that which the Congress now applies to its Members, namely, the annual disclosure, for public purposes, of certain holdings and income sources, without exact amounts.

While some revisions in our present requirements in this area may be in order, and are in fact being considered by the committee of which I have the honor to serve as chairman, I should like to remind my colleagues that the House accepted the existing system as a median that would provide our constituents adequate information to make a proper judgment at the polls with respect to possible conflicts of interest.

Alfred Friendly's dispatch from London follows:

BRITISH PARLIAMENT CONSIDERS FULLER DISCLOSURE OF INTERESTS

(By Alfred Friendly)

LONDON.—Britain has long operated on the principle that a legislator cannot—and should—be prevented from having private pecuniary interests and income, but that if they might have a bearing on his parliamentary action they must be disclosed.

A Select Committee of the House of Commons, comprised of members of all three major political parties, this week unanimously called for more complete disclosure—including those latter-day forms of legislators' emoluments, such as foreign junkets and lavish entertainment. The committee also proposed that what has hitherto been only custom, the practice of members making a "declaration of interest," be made a rule.

In making known publicly what personal or professional interests members may be serving whenever they advocate or debate on proposed legislation, the House of Commons is already well in advance of the American Congress. In acknowledging that in today's world there are new forms of influencing a legislator's vote, and that receipt of these new inducements must also be made known, parliament will move even further ahead in the pursuit of probity.

The problem in parliament has rarely been outright bribes. "The offer of money, or other advantage, to a member of Parliament for the promoting of any matter whatsoever depending or to be transacted in parliament is a high crime and misdemeanor," the house ruled as long ago as 1695.

More than a century ago, it forbade any

member to "bring forward, promote or advocate in this house any proceedings or measures . . . in consideration of any pecuniary fee or reward."

Thus, the parliament has almost totally escaped the kind of scandals that have periodically rocked the American Congress: legislators on the take from the Katanga or the Sugar Lobby, outright vote buying, or covert influence by heavy contributions.

But there is no such thing here, as anywhere else, as total divorce from outside interests, and especially in the British Parliament where it is accepted and advocated, as matter of principle, that a member should not live on his legislator's salary. He must have either an independent income or an outside job to supplement his parliamentary pay and expenses of barely more than $8000 per year.

Sooner or later, therefore, almost every member will be found proposing or debating bills in which, as an owner or officer of a business, a trade union agent, a farmer, a lawyer, a physician, a public relations man or a journalist, he has some direct or ancillary financial interest, or stands to gain or lose in some monetary way from what transpires.

Since there is no practical escape from this predicament, the solution has been for the debater or motion-maker to precede his remarks with some such phrase as: "As this house knows, I am a director of the XYZ Chemical Co." or "Among my public relations firm's clients is the National Association of Sheep Growers."

With such a "declaration of interest," his subsequent remarks can be judged, discounted, evaluated.

The code of conduct that the Select Committee proposes would convert the custom to a rule and would require the same declaration to be made also in all transactions or communications with other members even off the floor of Commons, and in any dealing with the government.

Further, it proposes that no member "bring forward by speech or question, or advocate in this house or among fellow members" any bill or other matter for a fee or payment "direct or indirect."

The new wrinkle here is the "indirect" payment. What has aroused the Commons is the recent habit of corporations and countries of buttering up a legislator, with a junket abroad or fancy entertainment. As one member testified to the committee, a foreign trip "is the biggest pourboire" that can be given.

Under the proposed rules, the recipient of such hospitality would be honor bound to disclose that too. In speaking on foreign policy concerning Lower Slobovia, he would have to preface his remarks with: "I have been a recent guest of the government of Lower Slobovia . . ." And what he goes on to say can be judged in the light of that knowledge.

For this recent concern, one suspects, the Arab governments are to be thanked. The oil sheikhs, their eyes on the conflict with Israel, have been rivaling Cooks Tours in promoting visits for well-chosen Members of Parliament—and may just have outsmarted themselves.

Interestingly enough, the Select Committee turned down a proposal of one member that a public register—the emphasis is on "public"—be maintained showing every legislator's holdings and major sources and amounts of income, year by year. It considered, but also rejected, the new American requirement for Senators and Congressmen to file a private list of holdings and income, although without amounts.

The trouble, the committee decided, was that any such register would disclose more than was necessary or proper. "A general register is directed to the contingency that an interest *might* affect a member's action. The house practice is, or should be, aimed at revealing an interest when it *does* affect it."

If the recommendations are accepted by the house, and there is no indication they they will not be, it will have even more right than ever to proclaim itself "the cleanest parliament in the world."

RESCINDING TITLE II OF THE INTERNAL SECURITY ACT

(Mr. YATES asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. YATES. Mr. Speaker, I voted against the Internal Security Act of 1950. Title II of that act permitted the detention, in the event the President should declare an emergency, of anyone who might be considered as engaging or about to engage in espionage or sabotage and subsequently six detention centers were established. Fortunately, they were never used.

The U.S. Supreme Court has declared unconstitutional almost every provision of the original act. One of the few remaining sections is the odious title II concerning which hearings ought to be held as promptly as possible and its provisions rescinded.

Mr. Speaker, I have filed an appropriate bill to rescind title II of the Internal Security Act and I shall press for its repeal.

I attach to my remarks copies of editorials in support of my position:

[From the Chicago Daily News, Dec. 9, 1969]

ERASE DETENTION CAMP LAW

The Justice Department has moved, rather belatedly, to erase from the lawbooks a measure that has created fear and uncertainty among minority groups. This is the Emergency Detention Act of 1950, a section of the Internal Security Law enacted when Congress was haunted by visions of a Communist uprising.

The act authorizes the establishment of detention camps if the President should declare an emergency to exist, as in the case of invasion or insurrection. This act even spells out where such camps should be, and in fact they were at one time held in readiness though never used. They were abandoned long ago, but some months back rumors swept the country that militant blacks were being penned up—or would be—in these "concentration camps."

Rep. Abner Mikva (D-Ill.) moved in with a bill to repeal the enabling law as one of his first acts as a freshman congressman. In the Senate, a similar bill was sponsored by Sen. Daniel K. Inouye (D-Hawaii), who has personal memories of the massive detention and relocation of Americans of Japanese descent at the outbreak of World War II.

The Justice Department's call last week for repeal came only after months of silence during which the concentration camp rumors arose again. Myths die hard in any case, and when the myth is grounded in a law unused but available, it is no wonder it gains currency. As we said here last April, in support of Mikva's bill, "As long as this holdover from the McCarthy era is on the books it remains a source of uneasiness and ready ammunition for hate-mongers."

Congress should erase this law, and do it with enough fanfare to squelch the rumors that contribute to racial division and unrest.

[From the Chicago Sun-Times, Dec. 8, 1969]

DETENTION CAMP LAW OUTRAGEOUS

The Nixon administration has belatedly moved to erase fears that war protesters, rioters or other dissidents could wind up in concentration camps.

Deputy Atty. Gen. Richard G. Kleindienst has asked repeal of the Emeregncy Detention Act of 1950—and with that impetus Congress should move with all deliberate speed to pass repealing legislation.

The act—Title II of the Internal Security Act of 1950—woud permit detention, during an emergency declared by the President, of anyone considered liable to engage in espionage or sabotage. Passage of the act did in fact lead to establishment of six detention centers which were closed down in the late 1950s only because the appropriation for their maintenance ran out.

Against this background of real barbed wire and barracks, it is not surprising that minority groups have expressed fear the act could be stretched to cover any situation the President or his aides deemed uncomfortable. The fear was not stilled when Kleindienst himself was quoted last spring as saying demonstrators who interfered with others "should be rounded up and put in a detention camp." Kleindienst denies saying that, but the damage was done because there was, in fact, a detention camp low on the books.

It is astounding that the administration took so long to seek a repeal of this obnoxious law, but now that it has so moved, there are bills aplenty upon which Congress could act. Legislation in the Senate was introduced last spring. In the House, there are bills cosponsored by more than 100 members. Two bills were submitted by Rep. Abner J. Mikva (D-Ill.), who has lobbied consistently for camp-law repeal.

There is, really, no reason for Congress to delay. The repeal would cost nothing. It would add immeasurably to America's stature to eschew such totalitarian symbols as concentration camps.

[From the Baltimore Sun, Friday, Dec. 5, 1969]

REPEAL IT

Concentration, or "detention," camps is the ugly name of an ugly thing, and Deputy Attorney General Richard G. Kleindienst speaks the plainest truth when he says that continuation of a law authorizing their use is "extremely offensive to many Americans." We think "many" is too weak a word; it would have been better if Mr. Kleindienst had said "most Americans."

But as Stuart S. Smith says in his report in *The Sun*, very few Americans ever knew such a law exists. This provision of a 1950 immigration act has never been used. We are confident that it never will be. The point is that it remains on the books and has given rise to rumors—however wildly unjustified—that it *might* be. There is no reason to permit it to lend fictitious support to such rumors or to breed suspicions lacking any basis except the existence of the law itself.

To deal with the dangers of espionage and sabotage "in times of emergency" there are other fully adequate and effective laws that do not prescribe anything so abhorrent to the American mind as concentration camps. The Department of Justice speaks with special authority in calling for repeal of the 1950 act. The request is very much in order and should be granted promptly.

[From the Washington (D.C.) Post, Dec. 6, 1969]

BACK TO AMERICA

The acknowledgment of error is never easy; and among government officials it is exceedingly uncommon. The Deputy Attorney General has just come about as close to such an acknowledgment as can currently be recollected. Although the error acknowledged was institutional and not personal and although it was inaugurated by an act of Congress and in an earlier administration, the straightforwardness and candor with which

he has proposed a rectification of the government's course deserve the highest commendation.

"The Department of Justice," Deputy Attorney General Richard G. Kleindienst wrote to the chairman of the Senate Judiciary Committee, "recommends repeal of the Emergency Detention Act of 1950." The Emergency Detention Act was the most fascist feature of a uniformly bad law—the McCarran Internal Security Act of 1950—enacted in a period of national hysteria. It fixed procedures for arresting and interning American citizens in a time of national emergency if they were officially suspected of being dangerous to security.

"Unfortunately," Mr. Kleindienst wrote, "the legislation has aroused among many of the citizens of the United States the belief that it may one day be used to accomplish the apprehension and detention of citizens who hold unpopular beliefs and views." He is quite right about that. That uncomfortable belief is grounded in a realistic recognition of precisely what the act was intended to accomplish. He is quite right also in acknowledging that "various groups . . . (including Japanese-Americans and Negroes) look upon the legislation as permitting a reoccurrence of the roundups which resulted in the detention of Americans of Japanese ancestry during World War II." Mr. Kleindienst recalls, to his credit, that he "abhorred" that detention when it occurred. So did this newspaper. It is a blot on the pages of American history.

The country will be at once freer and safer if Congress repeals the Emergency Detention Act. The sooner the better. And if it could throw into the discard along with it the ridiculous antiriot law, the whole country could feel more comfortable—and more like its old familiar self.

[From Chicago Today, Dec. 5, 1969]

TIME TO ERASE A POLICE-STATE LAW

Reversing a previous stand, the justice department has asked Congress to repeal an odious law authorizing the use of detention camps in the United States during internal-security emergencies. That is a welcome change of heart.

The law is part of the McCarran act, passed in 1950 over President Truman's veto. It provides for imprisonment of anyone the attorney general thinks might be likely to commit sabotage or espionage in time of war, invasion or insurrection. The request for its repeal was made in a letter to the Senate judiciary committee's chairman, James O. Eastland [D., Miss.], from Deputy Atty. Gen. Richard D. Kleindienst, who said the law had aroused fears which "outweighed any usefulness it might have in a future domestic crisis."

Laws aren't put on the books for fun. Insurrection can mean any open rebellion against civil authority, and a street riot could be called an insurrection without bending the rules. Its participants could be hauled off to a detention camp in times of urban violence. That's too much power to leave to individuals, even tho its use is unlikely.

Whatever the reasons for the justice department's delay in recognizing this police-state provision for what it is, we're glad Kleindienst now agrees with Sen. Daniel K. Inouye [D., Hawaii] and Rep. Abner Mikva [D., I.], who introduced measures for a repeal last April. We're also glad Kleindienst has repudiated a statement attributed to him that demonstrators "should be rounded up and put in detention camps."

The detention-camp law should be put high on Congress' priorities for oblivion.

[From the Chicago Sun-Times, Dec. 7, 1969]

THE DETENTION-CAMP DECISION

(By Evans-Novak)

WASHINGTON.—The long overdue decision, announced last Wednesday, to repeal the concentration-camp provision in the 1950 Internal Security Act was reached only after quiet pressure from the White House overcame stubborn resistance by Atty. Gen. John N. Mitchell.

The question, which had been simmering inside the administration all year, came to a boil in an extraordinary secret meeting in Mitchell's office Oct. 23. On that day, while Justice Department attorneys were vainly arguing before the Supreme Court for delay in the Mississippi school desegregation cases, Mitchell spent three hours in a confrontation with Negro leaders.

One of the key issues they raised was Title II of the Internal Security Act, which permits the government to establish detention camps for use in internal security emergencies.

Originally passed at the height of the McCarthy-era Communist scare, this provision has never been used and camps originally established to detain suspected subversives have long since been closed. But rumors started sweeping urban ghettos in early 1966 that the Federal Government was planning to use Title II authority to lock up black militants.

One reason the rumors persisted was the refusal by the Justice Department to take a stand on bills introduced in Congress to repeal Title II. Indeed, at one point, the Justice Department—reflecting Mitchell's position—decided tentatively, but not publicly, to oppose repeal on grounds that Title II might be needed in a national emergency.

Thus, the Negroes in Mitchell's office on Oct. 23 were deeply concerned. Among those present were Coretta King (widow of Dr. Martin Luther King Jr.), Dr. Ralph D. Abernathy (Dr. King's successor), Mayor Richard Hatcher of Gary and Rep. John Conyers of Detroit.

Representing the White House was Leonard Garment, President Nixon's top adviser on minority affairs. Garment had been subtly lobbying for repeal of Title II.

After airing grievances against the administration's position to extend the Voting Rights Act beyond the South and deteriorating relations between big-city police departments and black ghettos, Mitchell's visitors pulled no punches in asking repeal of Title II.

With congressional liberals pushing hard for the same thing, Mitchell agreed to consider it—but left the final decision up to Deputy Atty. Gen. Richard Kleindienst, who was not present. Kleindienst read the minutes of the Oct. 23 meeting and—six weeks later—rendered his decision. He announced it last Wednesday in a letter to Sen. James O. Eastland (D-Miss.), chairman of the Senate Judiciary Committee (who favors repeal but in a trade-off to liberals for a new, tough internal security law).

PERSONAL ANNOUNCEMENT

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

Mr. BINGHAM. Mr. Speaker, I was unavoidably absent on Saturday, December 20, when the House agreed to the conference report on S. 3016, to provide for continuation of programs authorized under the Economic Opportunity Act of 1964, and to authorize funding of such programs. Had I been present for the vote on OEO, I would have voted "yea" as I have in the past.

REPORT ON THE 91ST CONGRESS, FIRST SESSION

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

Mr. SMITH of Iowa. Mr. Speaker, at the end of each year I summarize the activities of the Congress for the year, reprint it in the CONGRESSIONAL RECORD at my expense, and mail it to my constitutents in Iowa so that they might be better informed on the status of legislative proposals. Since hundreds of bills passed and about 16,000 were introduced, all cannot be fully described but I am including those which I believe to be of the most interest.

In instances where the bill is referred to as a public law, that means it has passed both Houses of Congress and has been sent to the White House and signed into law.

LAW ENFORCEMENT

Public Law 90– , which makes appropriations for the Justice Department, includes $268 million for the 1968 omnibus anticrime law to aid State and local law enforcement agencies. This is nearly $210 million more than the amount appropriated last year.

In the past 4 years Congress has passed 13 anticrime bills including the Omnibus Crime Control and Safe Streets Act which authorizes Federal aid to help State and local governments recruit and train law enforcement personnel and secure better equipment; the National Crime Information Center so local police officers can secure information within seconds from other parts of the country; the Juvenile Delinquency Prevention and Control Act providing Federal grants to States to assist them in juvenile delinquency programs, a greatly expanded FBI school to handle schooling for 1,000 local police officers per year, the Dangerous Drug Control Act increasing penalties for pushers of drugs, and a law making it a Federal crime for a criminal to move from one State to another to escape arrest for a local crime.

Since the Constitution reserves police powers to the States, there has been difficulty in finding any new Federal laws to help control local crimes. The new administration has been searching for new ideas, but all of their proposals except one have merely been for extension or expansion of previous laws. That one new proposal is for a law permitting judges to jail and keep jailed without bond people they suspect might commit a crime. English common law, developed over the centuries, and our American constitutional law, prohibits jailing anyone without due process of law. This means that a person charged with a crime cannot be imprisoned without trial or unless he fails to post a bond set by the judge to assure that he will be in court for the trial. Therefore, most Members have serious doubts as to the constitutionality of this proposal for "preventive detention." Crime has increased this year faster than ever before and to new heights, but most Members of Congress are reluctantly concluding that additional Federal laws that will help are limited and that every possible support must be given to local governments to do a better job in the area that is reserved to them. That is the substance of the 13 laws passed in the last few years.

AGRICULTURE

The current farm program expires with the 1970 crop year. Hearings have been held in both the House and the

Senate on extending the program and although the administration has suggested some alternate ideas that might be considered they have not yet forwarded any definite recommendations or outlined what must not be in a bill to escape a veto.

CIVIL RIGHTS

A voting rights bill passed the House. A simple extension for 5 years of the present voting rights bill which expires next year was defeated. In the States where voter participation is very low, Federal registrars can proceed to oversee registration to assure that voters are not being restricted from registering on racial grounds. Instead of extending it 5 more years, the House passed a bill sponsored by the administration which requires court action through appeals stages and final judgment on each case of alleged discrimination and would require a new court case when laws are changed. Voting rights advocates said it would create a game of "chasing the legislature" because they said when one act is declared unconstitutional, the legislature in some States would pass another one and another election would have passed before it would be declared unconstitutional. The act has not yet passed the Senate and may be changed there.

EDUCATION

H.R. 514—passed House, pending in Senate—extends the Elementary and Secondary Education Act which provides Federal aid to local school districts.

H.R. 13310—passed House, pending in Senate—would authorize assistance for special educational programs for children with learning disabilities.

H.R. 14252—passed House, pending in Senate—would authorize Federal grants for special educational programs and activities to prevent the abuse of drugs.

Public Law 91–95 increases the allowable interest rate under the guaranteed student loan program. Under the NDEA direct loan program, $190 million was provided to college students last year. The administration recommended cutting this to $155 million but Congress appropriated $222 million.

Public Law 91–86 permits labor management cooperation in setting up educational scholarships and child care centers. It does not involve Federal money.

Public Law 91–97 extends the program for Federal grants to help build education TV and radio facilities and provides continued support for the Educational Broadcasting Corp.

Public Law 91–61 establishes a National Center on Education Media and Materials for the Handicapped to facilitate the use of new technology in educational programs for the handicapped.

H.R. 13111—passed both the House and Senate but not yet signed by the President—includes my amendment which prohibits further 1970 Federal loan or grant funds to students using violence to seize property or disrupt a university or curtail academic freedom. Congress rejected more drastic proposals by others to penalize all students, both innocent and guilty, at universities where officials fail to control violence.

FOREIGN AFFAIRS

Public Law 91–14 extends the authority for U.S. participation in the International Development Association.

Public Law 91– , the Foreign Assistance Act of 1969, provides a 1-year continuation of the foreign aid program but at a level below that requested by the administration.

The Senate ratified the nuclear nonproliferation treaty, negotiated in 1968. The purpose of the treaty is to prevent the spread of nuclear weapons to nations which do not now possess them and is a followup to the 1963 limited nuclear test ban agreement.

Public Law 91–99 provides for a 1-year extension of the Peace Corps.

CONSUMER PROTECTION

Public Law 91–127 includes funds to finance the Wholesome Meat Act, which I sponsored in 1967. This law, aimed at bringing all meat plants in the country up to Federal inspection standards, becomes fully effective on December 15, 1970. The same law also included funds for the Wholesome Poultry Products Act of 1968, which I also sponsored and which is modeled after the meat inspection law.

Public Law 91–113, the Child Protection and Toy Safety Act, provides for the labeling of toys or other articles intended for use by children and which are hazardous due to the presence of electrical, mechanical or thermal hazards.

Since passage of the Federal Meat Inspection Act of 1967, which I sponsored, a number of other bills have been passed to help protect the consuming public. Other bills include the Poultry Inspection Act which I also sponsored; Consumer Credit Protection Act provided disclosure of interest rates and finance charges, an act providing for a study and investigation and cost of automobile insurance; the Natural Gas Pipeline Safety Act; the Interstate Land Sales Disclosure Act; the Flammable Fabrics Act, and an act to amend the Public Health Service Act to provide for protection against radiation emissions from electronic products such as the microwave ovens and color television. Some other bills, including an egg inspection bill, which I am sponsoring, are currently under consideration in this Congress.

Hearings have been held in both the House and Senate on a Utilities Consumer Act and may be reported for passage next year.

VIETNAM

House Resolution 613, which is a resolution only and does not have the force of law, passed the House of Representatives and endorsed a peace with justice in Vietnam.

Although it really said nothing anyone would disagree with, it has been almost universally misinterpreted as either endorsing President Nixon's carrying out of the Clark Clifford plan or as calling for protection of the refugees against a blood bath. The debate, however, illustrated that there was less difference of opinion in the Congress than ordinarily believed on whether we should continue the Clark Clifford plan. The Clark Clifford plan of Vietnamization and announced troop withdrawals to encourage the South Vietnamese Government to take more responsibility was formulated in March of 1968. It was followed by President Johnson and is being followed by President Nixon even to almost the same number of troop withdrawals estimated. While some doves talked about immediate withdrawal in the debate, most of them conditioned that upon protecting the refugees and our soldiers and securing release of our boys who are held prisoners of war. While some hawks talked about "fighting to win," they showed a reluctance to blockade Haiphong Harbor or invade North Vietnam. Actually this much-publicized resolution said very little and mostly just provided a vehicle for discussing the subject matter.

NATIONAL DEFENSE AND VETERANS

Public Law 91–124 amends the Selective Service Act to authorize a random selection system for the draft. This will reduce the period of draft vulnerability for young men from 7 years to 12 months and thus remove most of the uncertainty which has made the law so difficult to administer. This draft reform measure was originally proposed in 1967 and most Members of Congress now feel it should have been adopted then.

Public Law 91–121, the Defense Authorization Act, provides for first steps toward deployment of an ABM system, authority for other defense activities and also contains restrictions relating to chemical agents such as phosgene gas.

Public Law 91–102 makes any war veteran with a permanent total disability from service-connected injuries eligible for outpatient treatment in civilian life.

Public Law 91–96 provides for a more equitable compensation formula and increased payments for most widows of deceased veterans or servicemen whose deaths are service-connected.

H.R. 11959—passed House and Senate, referred to conference committee—provides for increased educational allowances for Vietnam veterans attending college.

HOUSING AND URBAN DEVELOPMENT

Public Law 91– , the Housing and Urban Development Act, continues the urban renewal, model cities, neighborhood development programs, as well as providing new contract authority for homeownership and rental housing assistance.

Des Moines, designated as one of the first 63 cities to participate in the model cities program, received a $2 million Federal grant to implement its model cities plan this year.

HEALTH AND WELFARE

Public Law 91–56 requires that States receiving money under the medicaid program use it for that purpose. Some had merely reduced their contributions for other programs when they received medicaid payments from the Federal Government.

H.R. 11702—passed House and Senate, sent to conference committee—would amend the Public Health Services Act to improve and extend provisions for assistance to medical libraries.

H.R. 13950—passed both Houses and awaiting the President's signature—the Coal Mine Safety Act, strengthens requirements for safety in coal mines

and includes provisions to protect workers against "black lung" disease. This is the most far-reaching mine safety law ever passed.

German measles vaccine was developed by Federal researchers and licensed. Women who have the disease while pregnant bear a much higher incidence of retarded or deformed children. In order to carry out an immunization program, $26 million was appropriated for aid to State and local health departments. Iowa will receive about $400,000, but there is no requirement that the State fully match the funds, and some States are not contributing nearly as much to the program as the Federal Government does. Therefore, some States or counties have a good program and some do not. I helped secure a 60 percent increase in the funds because some States, like Iowa, were not getting the program off the ground. It is apparent that before other vaccines are discovered, we need a program, even if mostly paid for by the Federal Government, which will secure more cooperation from State and local health departments who are depended upon to secure medical personnel.

JOB TRAINING

Public Law 91– continues the antipoverty program for 2 years without any basic changes. By administrative action, the administration closed many Job Corps centers and is using more of the antipoverty funds to contract with private employers to provide additional jobs.

NATURAL RESOURCES

Public Law 91– establishes a top-level Council on Environmental Quality to review national policy on natural resources and environmental control. The Council's first report is to be submitted next July 1.

Public Law 91–137 amends the Clean Air Act to extend research activities to curb air pollution from motor vehicles.

Public Law 91–135, the Endangered Species Preservation Act, prohibits importation of certain skins and protects certain wildlife in danger of becoming extinct in their native habitat.

Public Law 91–144 includes $800 million to provide aid to State and local governments in building sewage treatment facilities. The administration had recommended $214 million for this water pollution control program.

FOOD AND NUTRITION

Public Law 91–116 provides an increase to $610 million in the authorization for the food stamp program. This is almost twice the previous amount.

H.R. 11651—passed House, pending in Senate—would provide authority under the National School Lunch Act for free or reduced-price meals to needy children not now being reached.

H.R. 515—passed House, pending in Senate—includes provisions for improving the National School Lunch Act, including strengthening of the program's nutritional training and educational benefits.

H.R. 5554—passed House, pending in Senate—amends the Child Nutrition Act to encourage consumption of milk in nonprofit nursery schools, child care centers, and elsewhere.

Hearings have been held on a Nutrition Act which I am cosponsoring which puts greater emphasis on the need for balanced and adequate diets for the poor and school children and low-income individuals.

TRANSPORTATION

H.R. 10105—passed House and Senate, referred to conference committee—extends and makes improvements to the 1966 auto safety law.

Both versions of the bill include my amendment providing for a report and recommendations by the Secretary of Transportation on the farm tractor safety problem. At least 2,000 persons are killed each year in tractor accidents—nearly as many as died last year in railroad accidents—and, in terms of fatalities per miles traveled, farm tractors are about one-half as safe as autos. This amendment provides for the first top-level Federal study on tractor safety.

H.R. 11465—passed House, pending in Senate—provides for expansion of the Federal program to aid in construction of airport facilities.

LABOR

Public Law 91–54 provides for health and safety standards for workers at federally financed or federally assisted construction projects.

Public Law 91–53 makes some adjustments in the Federal-State unemployment compensation system.

Public Law 91– makes some revisions in the number of hours railroad employees may work each week.

H.R. 13300—passed House, pending in Senate—provides for continuation of the supplemental annuity program for railroad workers.

GENERAL GOVERNMENT

House Joint Resolution 681—passed House, pending in Senate—would abolish the electoral college and provide for direct popular election of the President. This is one of the most important bills in many years and will become a constitutional amendment if approved by the Senate and ratified by the States.

Public Law 91–5 continues the authority under which the President, subject to approval by Congress, can reorganize Federal agencies.

Public Law 91–93 amends the Civil Service Retirement Act to encourage earlier retirement for some older Federal employees and increases the contributions to pay for the change.

Public Law 91–138 updates the existing law governing contested elections of Members of the House of Representatives. I have proposed, as part of a suggested Congressional Reorganization Act, a more substantial change to require a recount in contested elections.

House Resolution 17 creates a select committee of the House of Representatives to conduct a full and complete investigation into all aspects of crime in the United States.

DISTRICT PROJECTS

Congress appropriated $3.7 million, the full amount requested, to continue work on the Saylorville Dam and Reservoir north of Des Moines. At my request, an unbudgeted $400,000 was also approved to permit purchase of land near the dam site for the Ames Dam and Reservoir and also from those who prefer to sell now.

TAX AND FISCAL POLICIES

The Tax Reform Act—passed both Houses and awaiting the President's signature—removes some loopholes, reduces the scope of some others and removes some incentives to business to expand. It also reduces the rate of taxes, increased the exemptions per dependent and increased social security benefits by 15 percent.

H.R. 7906—passed House, pending in Senate—includes my amendment to prohibit a State income tax from being levied by more than one State on the same income of an individual. Some people are finding themselves liable for income taxes on their entire income in a State other than where they live merely because they took a vacation, make occasional business trips there or drive through the State. Under by bill, taxes are owed to the State where the money is earned and no other State can tax it for income tax purposes.

Public Law 91–128 extends the Interest Equalization Tax Act which contains provisions to keep the balance-of-payments problem under control.

APPROPRIATIONS

The Congress during the past year worked even harder than usual developing appropriations bills. The requests for appropriations submitted to the Congress in early January were formulated by an outgoing administration and President Nixon naturally wanted to submit his own appropriations requests. They were not sent to Congress until April and some were delayed even longer. Congress waited for the new appointees who were put in charge of the departments and agencies and carefully considered their testimony. After cutting some and increasing some other requests, Congress cut a net total of $5.6 billion from the President's requests. Congress always adjusts the priorities in a President's budget to some extent but considerable controversy has now developed with the President saying there should not have been increases for education and health grants even though it was more than offset by reductions in other Federal programs.

The Appropriations Committee, upon which I serve, recommends and the Congress as a whole approves amounts for each department and agency. These amounts are limits on the amount the administration can spend within each department but a President is not required to spend all of it. Congress also limits the amounts that each department or agency can spend for each program that it administers but the administration is not required to spend all of it. For example, the President requested more than Congress appropriated for a supersonic airplane and for foreign aid. He cannot spend more than Congress appropriates for each program. The President requested less than Congress appropriated for vocational training, libraries, and German measles vaccine. The President can spend the

extra money Congress appropriated for these purposes, but there is no way to make him do so and all Presidents have withheld some funds appropriated.

Congress must consider the needs of all the people and settle disagreements over the limits to be placed on each program so that the total cost does not exceed the amount it is decided we can afford or must spend.

Although we have such disagreements every year, it has recently been labeled "adjusting priorities" with each individual wanting the adjustment in a different way. Few want increases in Federal taxes to pay for increases in the programs they like but all of us think more money could be shifted from some other programs to the ones we like best.

I am setting forth last year's appropriations—for fiscal year 1969, which is July 1, 1968, to July 1, 1969—together with President Nixon's requests and the amounts appropriated by Congress prior to adjourning just before Christmas so you can arrive at your own conclusion.

APPROPRIATIONS BILLS PASSED BY 91ST CONGRESS, 1ST SESSION, FOR FISCAL YEAR 1970

Departments or agencies	Amount appropriated last year	President Nixon's request	Amount appropriated	Comparison
Treasury and Post Office	$8,158,477,000	$8,821,727,000	$8,783,245,000	−$38,482,000
Agriculture	5,531,296,650	7,237,562,050	7,488,903,150	+251,341,100
HUD and independent agencies	13,820,395,000	15,337,969,600	15,111,870,500	−226,099,100
Interior	1,284,989,300	1,390,856,500	1,380,375,300	−10,481,200
State, Justice, Commerce, and Judiciary	1,986,721,500	2,475,704,600	2,354,432,700	−121,271,900
Labor-HEW	17,464,789,500	18,608,125,700	19,747,153,200	+1,139,027,500
Legislative	298,151,396	372,152,949	344,326,817	−27,826,132
Space, Atomic Energy, and Public Works	4,608,421,000	4,203,978,000	4,756,007,500	+552,029,500
Military Construction	1,758,376,000	1,917,300,000	1,560,456,000	−356,844,000
Transportation	1,429,266,000	1,840,473,630	1,929,738,630	+89,265,000
District of Columbia	148,755,000	228,842,000	168,510,000	−60,332,000
Defense	72,063,296,500	75,278,200,000	69,640,568,000	−5,637,632,000
Foreign Assistance	1,775,725,000	3,679,564,000	2,558,910,000	−1,120,654,000
Miscellaneous increases requested		314,597,852	278,281,318	−36,316,534
Total	130,328,659,846	135,200,040,881	129,595,765,115	−5,604,275,766

DEVELOPMENT OF LEGISLATION

I think Congress should have more capability in terms of computers and staff so it can originate more of its own legislation, but during most of the past 30 years there has been strong leadership in the White House and Congress has depended upon the adminstration to originate legislation, send up requests for extension or revision of ongoing programs or at least tell us how a law is working and if or how a proposal would need to be modified to avoid a veto. However, this year, a much larger than usual portion of legislation was originated or developed in Congress.

THE FOLLOWING IS A SHORT SUMMARY OF HOUSE ACTION ON SOME BILLS WHICH RECEIVED CONSIDERABLE PUBLIC ATTENTION

Bill	Nixon administration position	Passed House of Representatives
S. 1058, to grant President reorganization powers.	For	334–44 (Democrats 168–40; Republicans 166–4).
H.R. 8508, Increases Maximum Public Debt.	For	313–93 (Democrats 173–52; Republicans 140–41).
H.R. 4148, Water Pollution Control	Partially for	392–1 (Democrats 218–0; Republicans 174–1).
H.R. 514, Extend Elementary and Secondary Education Act.	For 2 years, not 5 years.	400–17 (Democrats 225–9; Republicans 175–8).
H. Res. 17, set up Special Commission to Investigate Crime in the United States.	None	384–2 (Democrats 205–2; Republicans 177–0).
H.R. 5554, Extend Child Nutrition and Milk Act.	None	384–2.
Amendment to H.R. 11582, Limit subsidies to publishers.	None	Failed 100–239 (Democrats 79–112; Republicans 21–127).
H.R. 11102, amend act for aid to construct hospitals.	None	351–0.
H.R. 7906, prohibit double taxation by different States.	None	311–87 (Democrats 156–60; Republicans 155–27).
H.R. 12290, Continue Income Tax Surcharge.	For	210–205 (Democrats 56–179; Republicans 154–26).
H.R. 100, additional funds for Kennedy Center on Arts.	For	210–163 (Democrats 158–54; Republicans 52–109).
H.R. 11702, Extent Library Assistance Act.	None	370–3.
H.R. 11651, Extend and Expand National School Lunch Program.	None	352–5.
H.R. 9825, to amend Civil Service Retirement Act.	None	359–48.
Amendment to H.R. 13111, Joelson amendment to increase education funds.	Against	294–119 (Democrats 195–38; Republicans 99–81).
Amendment to H.R. 13111, prohibit funds to any student who uses violence to close buildings, etc.	For	316–95 (Democrats 155–76; Republicans 161–19).
H.R. 509, extend surtax through Dec. 31, 1969.	For	237–17 (Democrats 85–144; Republicans 152–26).
H.R. 13270, tax reform	Presented alternate, Apr. 21, after this bill almost completed.	394–30 (Democrats 218–20; Republicans 176–10).
H.R. 10105, extend Highway Safety Act.	None	322–0 (Democrats 175–0; Republicans 147–0).
H.R. 7621, extend act to protect against hazardous substances and toys.	None	327–0.
H.R. 12085, extend Clean Air Act	None	332–0.
H.R. 11039, extend Peace Corps Act.	For	282–52 (Democrats 150–32; Republicans 132–20).
H. J. Res. 618, constitutional amendment to elect the President by popular election.	For an alternate plan	338–70 (Democrats 184–44; Republicans 154–26).
H.R. 13300, amend the Railroad Retirement Act.	None	372–17 (Democrats 202–15; Republicans 170–2).
H.R. 13950, Coal Mine Safety Act	For at first, later opposed provision for compensation to disabled.	389–4 (Democrats 217–0; Republicans 172–4).
H. Res. 586, amend draft law	For	383–12 (Democrats 208–11; Republicans 175–1).
H.R. 14252, authorize special educational programs on drugs.	Against	294–0 (Democrats 163–0; Republicans 131–0).
H.R. 14465, expand airport facilities	Endorsed same day as passed.	337–6 (Democrats 192–3; Republicans 145–3).
H.R. 14580, foreign aid funds for planes for Formosa.	For	176–163 (Democrats 107–85; Republicans 69–78).

THE REAL MEANING OF PEACE

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

Mr. HAGAN. Mr. Speaker, as we contemplate this holy time, we must consider the real meaning of peace.

Approaching the 21st century, we have seen many marvels here on earth. Man has mastered the atom, we have put a man on the moon, and through our technical knowledge we are going farther into space and seeing the wonders of God's great universe. Through science man has made progress in the fields of medicine and agriculture. We are seeking a better way of life in every area, yet the world is in turmoil, our people are far from united and in every part of the world there is unrest. Peace is still a longing and a hope.

Despite the efforts of the best minds in this country and other nations of the world, we have yet to devise an everlasting panacea which will abolish for all time man's oldest plague—war.

At this time of joy in the civilized world, we should take time to contemplate a better world for all—a world of peace. We should all take care and ample time to reflect upon and to appreciate the joyous experiences and all the many blessings which we so often take for granted. We should not for a moment forget that we are extremely fortunate among men to live in this land of plenty. We should make it our determined purpose to live in harmonious peace with our neighbor, whatever his religion, color, or nationality.

I pray that this happy season will see all my good friends in the First District, the State of Georgia, and throughout this great Nation enjoying the very best of good health, happiness and prosperity. I pray that the new year will bring added fulfillment of our purpose—the attainment of real peace—increased joy in all of our pursuits, and abundant living for all.

The message of love and hope proclaimed many years ago still stands today—it is there for all mankind. Love one another, love thy neighbor, find inner peace and love yourself so you can spread this message of love. When we have a sincere concern for those around us and a desire to help and serve we cannot hate and attack.

If we work together and pray together in a common spirit, we shall all reap the bounteous rewards of peace and a better world.

Happy holidays and God bless you all.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. CONYERS (at the request of Mr. PEPPER), for today, on account of illness.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. DANIEL of Virginia); to revise and extend their remarks and to include extraneous matter:)

Mr. CULVER, for 20 minutes, today.

Mr. ROONEY of Pennsylvania, for 10 minutes, today.

Mr. GONZALEZ, for 10 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. GROSS.

Mr. MAHON and to include extraneous material on the conference report on the supplemental appropriations, 1970.

Mr. FRIEDEL following the reading of the Journal.

Mr. EDMONDSON in three instances.

Mr. PRICE of Illinois in three instances and to include extraneous matter.

Mr. BOLAND during the consideration of the supplemental appropriation bill for fiscal year 1970 and to include extraneous matter.

Mr. BUSH to follow the remarks of Mr. BYRNES of Wisconsin on the conference report on H.R. 13111.

Mr. WATSON to extend his remarks in the RECORD following those of Mr. BYRNES of Wisconsin.

Mr. BROYHILL of North Carolina.

Mr. SMITH of Iowa in three instances.

Mr. HAGAN in three instances.

Mr. BURLESON of Texas to revise and extend his remarks in colloquy with Mr. VANIK on the tax reform bill.

(The following Members (at the request of Mr. MIZELL), and to include extraneous matter:)

Mr. ZWACH in two instances.

Mr. RIEGLE.

Mr. UTT in three instances.

Mr. WYMAN in two instances.

Mr. MILLER of Ohio in two instances.

Mr. SCOTT in two instances.

Mr. DUNCAN in two instances.

Mr. ASHBROOK in two instances.

Mr. HOSMER in four instances.

Mr. BRAY in five instances.

Mr. BUSH.

Mr. LANDGREBE.

Mr. O'KONSKI in four instances.

Mr. MCKNEALLY.

Mr. KING.

Mr. REID of New York in two instances.

Mr. HOGAN in two instances.

Mr. GUDE in three instances.

Mr. GOODLING in two instances.

Mr. WYLIE.

Mr. KEITH in two instances.

Mr. LANGEN.

Mr. CONTE in three instances.

Mr. MICHEL.

(The following Members (at the request of Mr. DANIEL of Virginia), and to include extraneous matter:)

Mr. MCCORMACK.

Mr. MCCARTHY in 10 instances.

Mr. FRIEDEL in six instances.

Mr. DANIELS of New Jersey in 10 instances.

Mr. MOLLOHAN.

Mr. KARTH in four instances.

Mr. HAGAN in two instances.

Mr. OTTINGER.

Mr. O'HARA.

Mr. RARICK in three instances.

Mr. PICKLE in three instances.

Mr. HELSTOSKI in two instances.

Mr. FULTON of Tennessee in two instances.

Mr. TUNNEY in two instances.

Mr. RYAN in five instances.

Mr. BROOKS in four instances.

Mr. BOGGS.

Mr. MINISH in two instances.

Mr. PODELL.

Mr. GALLAGHER.

Mr. KASTENMEIER in two instances.

Mr. JOHNSON of California.

Mr. FOUNTAIN.

Mr. DORN in two instances.

Mr. GONZALEZ in two instances.

Mr. KEE in two instances.

Mr. PUCINSKI in 10 instances.

Mr. DE LA GARZA in five instances.

ENROLLED BILLS AND A JOINT RESOLUTION SIGNED

Mr. FRIEDEL, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills and a joint resoluton of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 9233. An act to amend title 5, United States Code, to promote the efficient and effective use of the revolving fund of the Civil Service Commission in connection with certain functions of the Commission, and for other purposes;

H.R. 14794. An act making appropriations for the Department of Transportation and related agencies for the fiscal year ending June 30, 1970, and for other purposes; and

H.J. Res. 764. Joint resolution to authorize appropriations for expenses of the President's Council on Youth Opportunity.

SENATE ENROLLED BILLS AND A JOINT RESOLUTION SIGNED

The SPEAKER announced his signature to enrolled bills and a joint resolution of the Senate of the following titles:

S. 65. An act to direct the Secretary of Agriculture to convey sand, gravel, stone, clay, and similar materials in certain lands to Emogene Tilmon of Logan County, Ark.;

S. 80. An act to direct the Secretary of Agriculture to convey sand, gravel, stone, clay, and similar materials in certain lands to Enoch A. Lowder of Logan County, Ark.;

S. 81. An act to direct the Secretary of Agriculture to convey sand, gravel, stone, clay, and similar materials in certain lands to J. B. Smith and Sula E. Smith, of Magazine, Ark.;

S. 82. An act to direct the Secretary of Agriculture to convey sand, gravel, stone, clay, and similar materials in certain lands to Wayne Tilmon and Emogene Tilmon of Logan County, Ark.;

S. 2325. An act to amend title 5, United States Code, to provide for additional positions in grades GS–16, GS–17, and GS–18;

S. 2577. An act to lower interest rates and fight inflation; to help housing, small business, and employment; to increase the availability of mortgage credit; and for other purposes;

S. 3016. An act to provide for the continuation of programs authorized under the Economic Opportunity Act of 1964, and for other purposes; and

S.J. Res. 154. Joint resolution to authorize and request the President to proclaim the month of January 1970 as "National Blood Donor Month."

BILLS PRESENTED TO THE PRESIDENT

Mr. FRIEDEL, from the Committee on House Administration, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H.R. 9233. An act to amend title 5, United States Code, to promote the efficient and effective use of the revolving fund of the Civil Service Commission in connection with certain functions of the commission, and for other purposes;

H.R. 9334. An act to amend title 38, United States Code, to promote the care and treatment of veterans in State veterans' homes;

H.R. 14751. An act making appropriations for military construction for the Department of Defense for the fiscal year ending June 30, 1970, and or other purposes; and

H.R. 14794. An act making appropriations for the Department of Transportation and related agencies for the fiscal year ending June 30, 1970, and for other purposes.

ADJOURNMENT TO 11 O'CLOCK A.M. TUESDAY, DECEMBER 23

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow morning.

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

There was no objection.

ADJOURNMENT

Mr. ALBERT. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 7 o'clock and 15 minutes p.m.), under its previous order, the House adjourned until tomorrow, Tuesday, December 23, 1969, at 11 o'clock a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1433. A letter from the Chief, National Guard Bureau, Department of Defense, transmitting a report of all Army and Air National Guard operations during fiscal year 1969; to the Committee on Armed Services.

1434. A letter from the Chairman, Federal Maritime Commission, transmitting a draft of proposed legislation to amend the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933, to convert criminal penalties to civil penalties in certain instances and for other purposes; to the Committee on Merchant Marine and Fisheries.

1435. A letter from the Acting Secretary of Commerce, transmitting a draft of proposed legislation to amend the Merchant Marine Act, 1936; to the Committee on Merchant Marine and Fisheries.

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. DULSKI: Committee on Post Office and Civil Service. Report on improved manpower management in the Federal Government—examples for the period January through June 1969 (Rept. No. 91–783). Referred to the Committee of the Whole House on the State of the Union.

Mr. FALLON: Committee on Public Works. S. 2910. An act to amend Public Law 89–260 to authorize additional funds for the Library of Congress James Madison Memorial Building; with an amendment (Rept. No. 91–784). Referred to the Committee of the Whole House on the State of the Union.

Mr. TAYLOR: Committee on Interior and Insular Affairs. H.R. 3786. A bill to authorize the appropriation of additional funds necessary for acquisition of land at the Point Reyes National Seashore in California; with an amendment (Rept. No. 91–785). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. CHAPPELL:

H.R. 15396. A bill to amend the Internal Revenue Code of 1954 to increase from $600 to $900 the personal income tax exemptions of a taxpayer (including the exemption for a spouse, the exemptions for a dependent, and the additional exemptions for old age and blindness); to the Committee on Ways and Means.

By Mr. ESCH:

H.R. 15397. A bill to authorize the U.S. Commissioner of Education to establish educational programs to encourage understanding of policies and support of activities designed to enhance environmental quality and maintain ecological balance; to the Committee on Education and Labor.

By Mr. FREY:

H.R. 15398. A bill to establish a Joint Committee on Environmental Quality; to the Committee on Rules.

By Mrs. HANSEN of Washington:

H.R. 15399. A bill to provide for a separate session of Congress each year for the consideration of appropriation bills, to establish the calendar year as the fiscal year of the Government, and for other purposes; to the Committee on Rules.

By Mr. O'HARA:

H.R. 15400. A bill to amend the Fish and Wildlife Act of 1956 to provide a criminal penalty for shooting at certain birds, fish, and other animals from an aircraft; to the Committee on Merchant Marine and Fisheries.

By Mr. O'KONSKI:

H.R. 15401. A bill to amend title II of the Social Security Act to provide a minimum primary benefit of $100 a month (with corresponding increases in the benefits payable to certain uninsured or insufficiently insured individuals), and for other purposes; to the Committee on Ways and Means.

By Mr. PATMAN:

H.R. 15402. A bill to amend the National Housing Act and the Federal Reserve Act to help meet the national housing goals, including the goals for low- and moderate-income families through the purchase of mortgages with private pension fund and Federal Reserve assets; to the Committee on Banking and Currency.

By Mr. SEBELIUS:

H.R. 15403. A bill to amend the Federal Meat Inspection Act to give additional time to small State inspected facilities additional time to comply with new inspection regulations and that State inspected facilities after meeting the inspection requirements shall be eligible for distribution in establishments on the same basis as plans inspected under title I; to the Committee on Agriculture.

By Mr. SHRIVER:

H.R. 15404. A bill to amend the Uniform Time Act of 1966 in order to provide that daylight saving time shall be observed in the United States from the first Sunday following Memorial Day to the first Sunday following Labor Day; to the Committee on Interstate and Foreign Commerce.

By Mr. TUNNEY (for himself, Mr. RHODES, Mr. UDALL, Mr. STEIGER of Arizona, and Mr. LIPSCOMB):

H.R. 15405. A bill to render the assertion of land claims by the United States based upon accretion or avulsion subject to legal and equitable defenses to which private persons asserting such claims would be subject; to the Committee on Interior and Insular Affairs.

By Mr. BRADEMAS:

H.R. 15406. A bill to assist State and local criminal justice systems in the rehabilitation of criminal and youth offenders, and the prevention of juvenile delinquency and criminal recidivism by providing for the development of specialized curriculums, the training of educational personnel, and research and demonstration projects; to the Committee on Education and Labor.

By Mr. GONZALEZ:

H.R. 15407. A bill to amend chapter 89 of title 5, United States Code, relating to enrollment charges for Federal employees' health benefits; to the Committee on Post Office and Civil Service.

By Mr. MAILLIARD:

H.R. 15408. A bill to establish a Joint Committee on Environmental Qaulity; to the Committee on Rules.

By Mr. PELLY:

H.R. 15409. A bill to establish a Joint Committee on Environmental Quality; to the Committee on Rules.

By Mr. TIERNAN:

H.R. 15410. A bill to amend part 1 of the Interstate Commerce Act to require the installation of sanitation devices in railroad cars to prevent the discharge from such cars of sewage; to the Committee on Interstate and Foreign Commerce.

By Mr. UDALL:

H.R. 15411. A bill to establish a Joint Committee on Environmental Quality; to the Committee on Rules.

By Mr. GUDE:

H.R. 15412. A bill to require disclosure of political campaign financing in the District of Columbia; to the Committee on the District of Columbia.

By Mr. MILLER of Ohio:

H. Con. Res. 474. Concurrent resolution expressing the sense of the Congress with respect to public expression of religious faith by American astronauts; to the Committee on the Judiciary

By Mr. FRIEDEL:

H. Res. 764. Resolution authorizing payment of compensation for certain committee employees; to the Committee on House Administration.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. DONOHUE:

H.R. 15413. A bill for the relief of Dimitrios Mitkonis; to the Committee on the Judiciary.

By Mr. DULSKI (by request):

H.R. 15414. A bill for the relief of Dr. Salvador C. Barba; to the Committee on the Judiciary.

By Mr. JOHNSON of California:

H.R. 15415. A bill for the relief of George F. Mills; to the Committee on the Judiciary.

H.R. 15416. A bill for the relief of Jasper Dean Riggins; to the Committee on the Judiciary.

By Mr. McCLURE:

H.R. 15417. A bill for the relief of Paulino O. Tolentino; to the Committee on the Judiciary.

By Mr. ST GERMAIN:

H.R. 15418. A bill for the relief of Stefania Widor; to the Committee on the Judiciary.

By Mr. BYRNE of Pennsylvania:

H. Res. 766. A resolution to refer the bill, H.R. 15352, entitled "For the relief of Leopold Morse Tailoring Co.," to the Chief Commissioner of the U.S. Court of Claims pursuant to sections 1492 and 2509 of title 28, United States Code; to the Committee on the Judiciary.

MEMORIALS

Under clause 4 of rule XXII,

270. The SPEAKER presented a memorial of the Legislature of the State of Wisconsin, relative to flood control and watershed protection on the Pecatonica River in Wisconsin and Illinois, which was referred to the Committee on Public Works.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

362. By the SPEAKER: Petition of Henry Stoner, York, Pa., relative to a map of the United States showing congressional districts; to the Committee on House Administration.

363. Also, petition of Henry Stoner, York, Pa., relative to combining all tax payments annually; to the Committee on Ways and Means.

HOUSE OF REPRESENTATIVES—*Tuesday, December 23, 1969*

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

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

Matthew 2: 2: *We have seen His star in the east and have come to worship Him.*

Eternal God, our Father, send Thou the light of Thy spirit into the darkness of this world and into the turmoil of these times.

Let the star of love shine upon every heart and upon every family that good will may live within us and in every home in our land.

Let the star of hope be seen by the eyes of men and may they continue to look up even in dark days and amid discouraging experiences for Thou art the hope of the world.

Let the star of truth shed its light into the spirits of men, cleansing them and empowering them to walk in Thy way and to live Thy life.

Led by Thy star may we walk the way