HON. EDWARD J. DERWINSKI
OF ILLINOIS
IN THE HOUSE OF REPRESENTATIVES
Thursday, January 18, 1979

Mr. DERWINSKI. Mr. Speaker, our former distinguished colleague, Roman Pucinski, is now serving as an alderman of the Chicago City Council, where he is chairman of the council's committee on State and Federal relations. While serving in the House, Roman was a tremendously effective legislator, and now is exhibiting his great leadership qualities in the city council.

Alderman Pucinski authored an article which appeared in the December 14, 1978, Chicago Tribune, dealing with the problems caused by domestic terrorism in Africa. If the President had Roman rather than Andy Young as director of African policy, the situation on that continent might be quite different. I wish to insert this article for the Members' special attention:

[From the Chicago Tribune, Dec. 14, 1978]

U.S.-ISRAEL-EGYPT "AXIS" CAN KEEP AFRICA FROM RED RULE

(By Roman Pucinski)

A new Jerusalem-Cairo-Washington axis will emerge when the peace treaty between Israel and Egypt finally is signed. It can re-shuffle the world's balance of power and stop Russia's expansion into Africa and the Middle East.

With American prodding, there is no serious doubt that the treaty will be signed. For it is a product of the civil rights movement. By going to Israel, I may help in the reduction of discrimination.

Smith said he is heading to EEOC full of great expectations. "I am going there at a time when minority ownership in communications is at its height. But I wouldn't bet the FCC but for civil rights legislation. I am a product of the civil rights movement. By going to the FCC I may help in the reduction of discrimination."

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Nevertheless, Smith's optimism is tempered by realism. EEOC's past record is one of limited success. Smith believes that EEOC's acquisition of new responsibilities would impact greatly on the Commission's resources. "We are caught between existing priorities and future ones," he said. "In the end the priorities will depend on budget and pressures from the public and Congress."

Mr. Speaker, I have an obligation to the people of Illinois. I am going to the FCC. But for civil rights legislation, I am a product of the civil rights movement. By going to the FCC I may help in the reduction of discrimination."

U.S.-ISRAEL-EGYPT "AXIS" CAN KEEP AFRICA FROM RED RULE

The legislative clerk read the following letter:

U.S. SENATE
PRESIDENT PRO TEMPORE

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable DENNIS DECONCINI, a Senator from the State of Arizona, to perform the duties of the Chair.

WARREN G. MAGNUSON.
President pro tempore.

Mr. DECONCINI thereupon assumed the chair as Acting President pro tempore.

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will now stand in recess until 12 o'clock noon, Tuesday, January 23, 1979.


Thereupon, at 11:01 a.m., the Senate recessed until Tuesday, January 23, 1979, at 12 o'clock meridian.
THE OTHER SIDE OF THE VALLEY
HON. ROBERT J. LAGOMARSINO
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Thursday, January 18, 1979
Mr. LAGOMARSINO. Mr. Speaker, I would like to call to the attention of my colleagues, the following article on the economy by George P. Shultz, which appeared in the fall/winter edition of the Stanford magazine.

(By George P. Shultz)

In the United States today we are experiencing an inflationary boom. This boom contains the dynamics that will almost surely take us into a valley—an economic slowdown the severity of which will be significantly affected by events now unfolding. The valley ahead is already in the cards. Given our situation, the only interesting question is what will it be like on the other side? What kind of atmosphere, what kind of economic climate, will we inherit? This is the question on which I will comment. In answering this question, I believe, affect the depth and width of the valley itself. Accordingly, I will explain briefly how I feel we will be entering this valley and what I think we can expect on the other side.

Recently someone asked me, having heard me say almost the same thing that I thought inflation was very much on the rise and that double-digit inflation was a distinct possibility, whether or not I still had the same forecast. I had to reply that today significantly higher inflation is no longer a forecast but an event. It is with us. We have a roaring inflation on our hands, and there is no end to it in sight. So far this year, inflation has been running over 9 percent, and it seems very clear that inflation in 1979 is going to continue to be considerably higher than the 6 to 6.5 percent range experienced in 1976-77.

Why has this come to pass? Our current situation has emerged as the result of a long list of conditions that have promoted inflation. I don't mean to imply that the government as a matter of policy intended to promote inflation. I am pointing out as a government policymaker and tried to think of all the things you could do that would promote inflation. It is with us. We have a roaring inflation on our hands, and there is no end to it in sight.

First, we have a continuing, rapid growth in the money supply. It is interesting that the Federal Reserve has been criticized for not providing a loose enough monetary policy, yet the levels of monetary growth that we have experienced over the past two years are comparable to, even greater than, the levels that helped give us double-digit inflation in 1973 and 1974. We have been repeating the same pattern. For being such a tightwad with the money supply, Arthur Burns was dropped as Federal Reserve chairman, and when William Miller, his successor, came thundering in, calling inflation to the administration's attention, he too was criticized. But, as the administration's man, he seems to have had a considerable impact on the administration. Nevertheless, since Miler took over, the money supply has continued to grow at a rapid rate exceeding 9 percent.

We also have experienced continuing deficits in our federal budget even as we have moved to higher and higher levels of activity in the economy. Personally, I believe that the economy is operating at a high level now and that the inflation higher—capacity utilization is above 85 percent. Yet the deficit for the fiscal year that began October 1 is estimated to be almost $40 billion. In fact, I believe that strong economic performance have usually led the Federal Reserve to finance them by increasing the money supply, thereby fueling inflation.

In the last year or so, mounting federal deficits have been counterbalanced somewhat by the large surpluses, totaling about $30 billion, that states and municipalities as a group have accumulated. These nonfederal surpluses are, however, being wiped out quickly because, among other things, taxpayers are getting fed up with the idea that the government is using their money to pile up these huge sums, and they are calling for tax cuts before state and local government spending rises to use the revenues available.

In addition to the inflationary effects of rapid growth in the money supply and continuing deficits at high employment levels, we also see in this country an increasing number of government actions that raise costs and prices, such as:

- Increases in the Social Security tax. (Social Security taxes for maximum rate payers will rise 31 percent in January 1979.)
- Increases in the minimum wage of 25 percent (from $1.60 to $2.00 per hour) to take effect in January 1979 (15 percent increase a year earlier). Such increases not only hit hard at lower-wage industries, but also push up wage rates throughout the entire wage structure and raise welfare costs as the unskilled and less-trained workers cannot not qualify for jobs at the higher minimums.
- Increases in the support prices of some farm products.
- Import restrictions on a wide variety of consumer and producer products.

Regardless of whether you are for or against any particular one of these measures, you must agree that they tend to raise costs and prices.

We also have a gusher of government regulatory activity that carries enormous costs—costs borne by the American economy, by the American taxpayer, by the American consumer. The Chase Manhattan Bank Economics Group has estimated that in 1977 it costs us $163 billion to admin-
strate their regulations. What the chairman of the Federal Reserve, Mr. Volcker, has asserted, which for point of comparison is more than we spend on national defense that year. That $163 billion huge sum, but, in my view, it is only part of the cost. Added to that, the uncertainties imposed by regulatory activities cause significant increases in the costs of goods and hold back vital new investment.

The imposition of new regulations and the unpredictability of their administration have laid on top of any proposed capital expenditure a new element of political risk— a wild card. Today you cannot proceed with the normal investment process—making an economic calculation of rates of return and risks—and assume some constancy in the regulatory rules of the game. Instead, you must begin by considering an investment in a politically unstable developing country where you must ask, “Will the plant in essence be expropriated? Will the rules of operation be changed in some substantial way once our funds are committed?” In truth, the net effect of some of our regulatory activity is expropriation of property. How would you feel if you were the owner of the embattled Seabrook Nuclear Power Plant, which has become such a symbol of controversy? You have about a billion dollars invested, and through a peculiar interplay of regulatory indifference, interverence, and oversight, you have seen your returns reduced, so far anyway, virtually been expropriated. The construction permit has been granted and suspended three times in the past two years. Such delays, to date, have resulted in a three-year slippage in schedules. The cost of federal regulatory activity, already enormous in terms of costs that can be calculated, is even larger when the uncalculable costs of uncertainty and delay are factored in.

Next on my list is the deteriorating rate of growth in productivity. In the past two years, output per man hour increased only about 3 percent per year, and productivity over the first three quarters of 1978 increased even more slowly. When balanced against rising rates of pay, which have not even kept pace with inflation in the past year, slow growth in productivity means substantial increases in labor costs. Over the past two years, unit labor costs have increased 16 percent. Sooner or later these increases will be passed over to the consumer in the form of higher prices. Although there are many causes of this deteriorating growth, I think we should focus on the rate regulations on the formation and use of capital is clearly an important one.

We have a gusher of high and rising interest rates. It is no mystery why the dollar has been declining over the past year. While other countries have not been given a break on their interest rate, the United States has been hit with a double whammy. First, the size of the interest rate premium paid on inflation, the United States has seemed to lose its gird. The money markets, which, are relevant to the economy, have risen 20 percent and have marked the dollar down accordingly. If we are to reverse that verdict, we have to ensure that we are serious about inflation, that we are taking—and, more important, are willing to sustain—real measures to deal with inflation's fundamental causes.

For all the foregoing reasons, we find ourselves with a roaring inflation on our hands. Yet, at the same time, our economy is experiencing strong real growth. About four million new jobs were generated in the U.S. economy in the first half of 1978, and employment, in the first half of 1978. That is unprecedented. No other country in the world can match that record. In terms of the results that it produces, it is very significant that if you relate the number employed to the total working-age population, the 1978 unemployment rate was at an all-time high—59 percent. At the peak of the 1973-74 boom, employment had reached 57 percent. In a statistic like this, a 2 percent increase in such a short period of time represents a terrific movement, and I think it suggests how strong our labor market is.

Under these circumstances, the government is being forced to tackle inflation. The first step is for the rhetoric of the government to change, and it has changed. The real questions—What are you doing? Are you doing enough? Are you doing the right thing?—are being asked. And the reality of inflation fighting is now beginning to emerge. That is, basically and unavoidable, exercising discipline on the budget and on the rate of monetary growth, particularly the latter. The President's successful veto of the public works bill is a further sign that the 94th Congress is an encouraging sign that determined discipline on spending may become in the long run a matter of the domain. He says it will, and let us hope he means it.

There is also available to the administration a true “free lunch”: deregulation where
That is the profile ahead as I see it—a profile of serious inflation, politically unpopular at home and devastating in its consequences for the dollar in world markets. We are in a situation where we are likely to come to grips with the problem by reining in the money supply and budget, and producing a slowdown. This momentum will exist, even after a valley, and at some point we will emerge from it. As I have said, the interest of the government administration will be like a horse on the other side? That is what I would like to turn to now. I see a number of very significant questions in that place.

First of all, we believe, with a massive reassessment on the part of the public the body politic be done. We face a new government (as compared with industry, the market, the private sector) to solve the economic, technical and political problems that we face. We have passed through a period of several decades during which people felt that, if we had a problem of real significance, the thing to do was to bring in the government—that somehow, with enough government attention and enough money, the problem could be solved. But today the mood is different. People are questioning the ability of government to do all the things it has been asked to do. The inflation expression that private methods are better than public methods; it is largely the result of the public's experience with the government's things—observations of fraud and incompetence, particularly when the government is trying to do something, trying to make something happen.

California's Proposition 13 seems to be very high on every orb's list to prove any point that one might want to make. But, I do think Proposition 13—and, more importantly, the policy that this action has been locked up nationwide—has come to symbolize people's frustration and their ideas about what's wrong. I should tell you a little story. I was the spectre in Sacramento where for a while it seemed that every day another billion dollar base was being discovered in the state treasury—and that was after the state government had assured us all that if taxes were cut by Proposition 13, they would be totally of money. A year ago.

The energy debacle that we have observed over the past five or six years and the inability and incapacity and the systematic process started by Professor Kahn. (Ironically, the President has appointed Kahn to head the administration's latest new energy policy.) The success of airlines deregulation is making people see the importance of dealing with inflation. Even when unemployment rates were considerably higher than they are today, it was impressive to see in the opinion polls that people rated inflation as a more serious problem than unemployment. That represents a major shift in attitudes. Even sophisticated concepts like "indexing" the tax system—pegging income tax rates to inflation so that inflation does not automatically result in increased income tax liabilities—has been making more public. This increasing unpopularity of inflation may give politicians greater stamina in following policies favorable to more stable prices.

The experience of other countries has given us evidence that inflation is not an international disease. Even among tightly inflation countries, like the United States, the Federal Reserve, and the European Community, rates of inflation vary tremendously (in 1977 the highest rate, in Italy, was four percent investment tax credit permanent. But its proposals have not improved the situation either. Congress balked at enacting his program because of his proposals were bad ones. The "natural gas compromise" is graded even by its defenders as "no better than C-". We don't even have a respectable energy policy on the table. Virtually everyone agrees that we have a mess. Well, whose mess is it?

There is also a growing public concern about government regulations. It does seem to me that there is some confusion of public belief that regulations can do the job is about to crest, if it hasn't created already. Many businesses, government agencies, and universities—are trying to estimate how much these regulations are costing. (The Business Roundtable is conducting a major inquiry into these costs; governments making their own estimates of the costs.) They are paying more attention to these costs. The assumption was that they were negligible and that there were always more gains than costs. We are going to have the same time that people are thinking about how much these regulations must be costing, they are also asking, "What are we getting out of this—are we really getting the benefits?" This is not an expression of some formal cost-benefit analysis; people are simply reflecting instinctively, "This must be costing so much at this time, and this time, and they receive wages, they are not getting the benefits.

Look at the airline industry. For over a decade it has been debated whether or not airlines should be deregulated. The airlines opposed deregulation and the regulators opposed deregulation. Both groups feared that if you deregulated the airlines the markets will not be able to set prices. Well, the airlines will be ruined. Well, the President appointed an economist from Cornell University to head the Civil Aeronautics Board and, instead of just joining in the endless debate, he proceeded to do something. The administration had passed a bill and Congress was debating it, but in the meanwhile Kahn simply went ahead. He told the Secretary, in this case, that there is a way, and the Department of Transportation has to set up. And it was a number of very significant questions in that place.

The administration is finding itself facing a number of very important areas. A shift in attitudes is also developing to wary of the energy policy. We all want cleaner air, cleaner water, and other elements of a better environment, but all expenditures for energy policy have been at a standstill. And government agencies, and universities—are conducting a major inquiry into these costs; governments making their own estimates of the costs.) They are paying more attention to these costs. The assumption was that they were negligible and that there were always more gains than costs. People were thinking about how much these regulations must be costing, they are also asking, "What are we getting out of this—are we really getting the benefits?" This is not an expression of some formal cost-benefit analysis; people are simply reflecting instinctively, "This must be costing so much at this time, and this time, and they receive wages, they are not getting the benefits.

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January 19, 1979
EXTENSIONS OF REMARKS

January 19, 1979

CXXIV—42—Part 1

has, too. So, why hasn’t the United States? As a matter of observation, we have dealt with it successfully before and, as we have seen, and with successfully now in other countries. Classical economic measures—exercising fiscal and monetary restraint—have been used, and they have worked.

For a long while in economics we were pressing the supply and demand side of the supply-and-demand equation—with the managing of overall demand and with devising policies that would pump up the supply. Increasing attention to, the supply and demand equation with the greater efficiency. The efficiency issue is tremendously important in the energy area. Despite all the existing problems and even though we have suppressed prices we can see that the market has taken a grip on the situation to encourage greater efficiency in energy use. Consumption of energy relative to GNP is down. In the United States from 1973 to 1977, real GNP rose about 8 percent while energy consumption generally rose about 1.5 percent. For decades prior to that time, there was a one-to-one ratio (1 percent increase in energy consumption for every 1 percent increase in the GNP). The breaking of this pattern is, I believe, a clear response to the much higher prices for energy.

Today we see a lot of activity in the area of conservation and development in the United States, and we could see still more activity if prices were deregulated. There are more drilling rigs as work in the United States today than in over 20 years. In the International area we see some softness in the price of crude oil as oil from the North Slope, from the North Sea, and from Mexico has come on stream and conservation in response to the high price.

THE TOBACCO SMOKESCREEN

HON. ROBERT F. DRinan
OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Thursday, January 18, 1979

Mr. DRINAN. Mr. Speaker, last week Secretary Califano and Surgeon General Richmond released the most comprehensive study ever prepared about the health effects of cigarette smoking. That report is a devastating document which should shatter once and for all the myths propagated by the tobacco industry. It clearly states the case for corrective congressional action.

I first introduced legislation to protect the rights of nonsmokers in November 1975 and I introduced several additional bills to limit the health hazards of cigarette smoking during the 96th Congress. Despite my efforts, and those of dozens of my colleagues, Congress has yet to even hold hearings on legislation that would further protect the American public from the hazards of tobacco smoke.

Last Monday, I reintroduced legislation which would protect the rights of nonsmokers, establish a health protection tax on cigarettes, strengthen the tobacco warning label, and grant the Food and Drug Administration authority to regulate the cigarette. There is no question that congressional action to protect the American people from the dangers of smoking is long overdue. I intend to regularly bring this proposal before House colleagues and all my colleagues, and to actively solicit your support for my legislative initiatives. In the meantime, I commend the following editorial from the January 12, 1979 issue of the Christian Science Monitor. It is an excellent refutation of the misleading propaganda distributed by the tobacco industry.

THE TOBACCO SMOKESCREEN

The US tobacco industry only casts more doubts on its credibility by the type of shoddy public relations it employed this week to try to undermine a new federal study on the health hazards of cigarette smoking. So anxious were the tobacco spokesmen to soften the impact of the serious warning from the Surgeon General that they held a press conference to attack the study. They appeared to ignore the news that smoking-related illnesses cost Americans $5 billion a year.

Today the immediate future of the tobacco industry is already a hollow ring when the industry tried to get the jump by staging its own publicity stunt and media event. Such obvious evidence of placing the industry's self-interest over the public interest cannot help but make one wonder about the seriousness of the industry's much ballyhooed interest in developing "safe" cigarettes.

As a matter of fact, the new federal study goes considerably beyond the Surgeon General's initial findings of 15 years ago on the health hazards of smoking. It declares flatly that its medical research indicates smoking is a direct cause of numerous diseases and that women who smoke may be harming their unborn children as well as themselves. The study states that four of every one hundred of the women who smoke has dropped from 53 to 38 percent since 1964, the percentage of women smoking rises at an alarming rate.

It is surprising that, despite such medical warnings, so many Americans continue to smoke. They clearly have become the victims of a mesmeric habit, abetted by slick promotion, which American society ought to resist as an insidious national problem.

The sad fact is that much of the $500 million the tobacco industry spent last year to advertise smoking as "glamorous and satisfying" was aimed at young people and teenagers in particular. HEW Secretary Califano says 75 percent of the adults who smoke acquire the habit before the age of 21. More than 100,000 children aged 13 and younger are regular cigarette smokers.

We have deplored many times the federal government's failure to go forward to tobacco, reflected in the HEW campaign to reduce smoking while the Agriculture Department spends more than $5 million annually on price supports and other tobacco subsidies and the Food for Peace program regularly sends tobacco to needy countries. For better would it be for the government and the industry to put the millions they spend in promotion to a joint effort to develop alternative crops for tobacco farmers that would benefit, rather than harm, the public.
EXTENSIONS OF REMARKS

Cardiographics.
Chiropractor.
Chiropractic.
Christian Science practitioner, authorized.
Convenience home (for medical treatment only).
Crutches.
Dental services (e.g., cleaning, X-ray, filling teeth).
Dentures.
Dermatologist.
Eyeglasses.
Food or beverages specially prescribed by a physician (for treatment of illness, and in addition to, not as substitute for, regular diet; physician’s statement needed).
Gynecologist.
Hearing aids and batteries.
Home health services.
Hospital expenses.
Inulin treatment.
Invalid chair.
Lab fees.
Lipreading lessons (designed to overcome a handicap).
Neurologist.
Nursing services (for medical care, including nurse’s board paid by you).
Occupational therapist.
Opthalmologist.
Optician.
Optometrist.
Oral surgery.
Osteopath, licensed.
Pediatrician.
Physical examinations.
Physical therapist.
Physician.
Podiatrist.
Psychiatrist.
Psychologist.
Psychoanalyst.
Psychotherapy.
Radium therapy.
Sarcoliac belt (prescribed by a doctor).
Seeing-eye dog and maintenance.
Speech therapist.
Splints.
Supplementary medical insurance (Part B) under Medicare.
Surgeon.
Telephone/teletype special communications equipment for the deaf.
Transportation expenses for medical purposes (7½ cents per mile plus parking and tolls or actual fares for taxi, buses, etc.).
Vaccines.
Vitamins prescribed by a doctor (but not taken as a food supplement or to preserve general health).
Wheelchairs.
Whirlpool baths for medical purposes.
X-rays.
Expenses may be deducted only in the year you paid them. If you charge medical expenses on your bank credit card, the expenses are deducted in the year the charge is made regardless of when the bank is repaid.
Taxes
Real estate.
State and local gasoline.
General sales.
State and local income.
Personal property.
If sales tax tables are used in arriving at your deduction, ordinarily you may add to the amount shown in the tax tables the sales tax paid on the purchase of the following items: automobiles, trucks, motorcycles, airplanes, boats, mobile homes, and materials used to build a new home when you are your own contractor.
When using the sales tax tables, add to your adjusted gross income any non-taxable income (e.g., military pay, pension or annuity benefits, veterans’ compensation, etc.) or the portion of your long-term capital gains, dividends, or refund of the amount of your casualty loss deduction is generally the lesser of (1) the decrease in fair market value of the property as a result of the casualty loss, and (2) the fair market value of the property held at the time of the loss, and (3) the amount of the insurance and other compensation received (if any) to replace the property. In the case of property held for personal use, the $100 limitation.
Report your casualty or theft loss on Schedule A. If the item was involved in a single casualty or theft, or if you had more than one casualty or theft during the year, you may use Form 4684 for computing your personal casualty loss.

TIPS ON HOW TO AVOID OVERPAYMENT OF INCOME TAX BY OLDER AMERICANS

HON. CLAUDE PEPPER
OF FLORIDA
IN THE HOUSE OF REPRESENTATIVES

Thursday, January 18, 1979

Mr. PEPPER. Mr. Speaker, in my position as chairman of the Select Committee on Aging, I am cognizant of the economic problems that older Americans are frequently faced with due to limited, often fixed, incomes. When one considers the vast number of older Americans who are overpaying their income taxes, because of a failure to take advantage of legal tax reduction mechanisms, one feels compelled to act to minimize this problem.

Several important tax relief measures became law in late 1978. It is impossible, however, for individuals of any age to take advantage of these provisions and obtain tax relief, unless they are aware of the changes. Without this knowledge, older Americans would be losing much needed additional income.

The Senate Select Committee on Aging has revised its annual checklist of itemized deductions. This summary can be of great value to the elderly, and also younger taxpayers, in completing their 1978 Federal income tax forms. I commend the Senate committee for its efforts and submit its summary here for the benefit of all who may read it:

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PAYMENT OF INCOME TAXES

(A Revised Checklist of Itemized Deductions for Use in Taxable Year 1978)

CHECKLIST OF ITEMIZED DEDUCTIONS FOR SCHEDULE A (FORM 1040)

Medical and dental expenses

Medical and dental expenses (unreimbursed by insurance or otherwise) are deductible to the extent that they exceed 3% of your adjusted gross income (line 31, Form 1040).

Insurance premiums

One-half of medical, hospital or health insurance premiums (subject to 3% limitation) are deductible (up to $150) without regard to the 3% limitation for other medical expenses. The remainder of these premiums may be deducted, but is subject to the 3% rule.

Drugs and medicines

Included in medical expenses (subject to 3% rule) but only to extent exceeding 3% of adjusted gross income (line 31, Form 1040).

Other medical expenses

Other allowable medical and dental expenses (subject to 3% limitation):

- Abdominal supports (prescribed by a doctor).
- Acupuncture services.
- Ambulance hire.
- Anesthetist.
- Arch supports (prescribed by a doctor).
- Artificial limbs and teeth.
- Back supports (prescribed by a doctor).
- Braces.

Capital expenditures for medical purposes (e.g., elevator for persons with a heart ailment)—deductible to the extent that the cost of the capital expenditure exceeds the increase in value to your home because of the capital expenditure. You should have an independent appraisal made to reflect clearly the increase in value.

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January 19, 1979

In general, contributions may be deducted up to 60% of your adjusted gross income (line 31, Form 1040). However, contributions to certain private nonprofit foundations, veterans organizations, or fraternal societies are limited to 20% of adjusted gross income.

Cash contributions to qualified organizations for (1) religious, charitable, scientific, literary or educational purposes, (2) prevention of cruelty to children or animals, or (3) Federal, State or local governments (tuition for children attending parochial schools is not deductible).

Fair market value of property (e.g., clothing, books, equipment, furniture) for charitable purposes. (For gifts of appreciated property, special rules apply. Contact local IRS office.)

Travel expenses (actual or 7½ cents per mile plus parking and tolls) for charitable purposes (may not deduct insurance or depreciation in either case).

Cost and upkeep of uniforms used in charitable activities (e.g., scoutmaster).

Purchase of goods or tickets from charitable organizations (reduction of $40 over the fair market value of the goods or services).

Out-of-pocket expenses (e.g., postage, stationery, phone calls) while rendering services for charitable organizations.

Care of unrelated student in your home under a written agreement with a qualifying organization (deduction is limited to $50 per month).

Interest

Home mortgage.

Auto loan.

Installment purchases (television, washer, dryer, etc.).

Bank credit card—can deduct the finance charge as interest if no part is for service charges, loan fees, credit investigation fees, or similar charges.

Other credit cards—you may deduct as interest the finance charges added to your monthly statement, expressed as an annual percentage rate, that are based on the unpaid monthly balance.

Points—deductible as interest by buyer where financing agreement provides that they are to be paid for use of lender’s money and (2) if the cost of the points is an established business practice in your area. Not deductible if points represent charges for service rendered for the personal benefit of the lender (e.g., VA loan points are service charges and are not deductible as interest). Not deductible if paid by seller (are treated as selling expenses and represent a reduction of amount realized).

Penalty for prepayment of a mortgage—deductible as interest.

Revolving charge accounts—may deduct the separately stated “finance charge” expressed as an annual percentage rate.

Casualty or theft losses

Casualty (e.g., tornado, flood, storm, fire, or auto accident provided not caused by willful or malicious negligence) or theft losses—no deduction.

In either case, the amount of your casualty loss deduction is generally the lesser of (1) the decrease in fair market value of the property as a result of the casualty loss, and (2) the fair market value of the property held at the time of the loss, and (3) the amount of the insurance and other compensation received (if any) to replace the property. This amount must be further reduced by any insurance or other recovery (if you were the case of property held for personal use, by the $100 limitation. Report your casualty or theft loss on Schedule A. If the item was involved in a single casualty or theft, or if you had more than one casualty or theft during the year, you may use Form 4684 for computing your personal casualty loss.

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EXTENSIONS OF REMARKS

Additiona1 Exemption for Age.—Besides the regular $750 exemption, you are allowed an additional exemption of $750 if you are age 65 or older and met the requirements of the taxable year. If both a husband and wife are 65 or older on the last day of the taxable year, each is entitled to an additional exemption of $750 because of age. You are considered 65 on the day before your 65th birthday. Thus, if your 65th birthday is on January 1, 1979, you will be entitled to both additional $750 exemptions because of age for your 1978 Federal income tax return.

"Zero Bracket Amount."—The "zero bracket amount" is a flat amount that depends on your filing status. It is not a separate deduction. The equivalent amount is built into the tax tables and tax rate schedules. Since this amount is built into the tax tables and tax rate schedules, you will need to make an adjustment if you itemize deductions. However, itemizers will not experience any change in their tax liability and the tax computation will be simplified for many itemizers.

Tax Tables.—Tax tables have been developed to make it easier for you to find your tax if your income is under certain levels. Even if you itemize deductions, you may be able to use the tables to find your tax more easily. In addition, you do not have to deduct $750 for each exemption or figure your general tax credit from separate amounts; the equivalent amount is built into the tax tables for you.

Multiple Support Agreements.—In general, a person may be claimed as a dependent of another taxpayer, provided five tests are met: (1) Support, (2) gross income, (3) number of household or relationship, (4) citizenship, and (5) separate return. But in some cases, two or more individuals provide support for a child, and one has more support than the other. However, it still may be possible for one of the individuals to be entitled to a $750 dependency deduction if the following requirements are met for multiple support:

1. Two or more persons—any one of whom could claim the person as a dependent if it were not for the support test—together contribute more than half of the dependent's support.

2. Any one of those who individually contribute more than 10% of the mutual dependent's support, but only one of them, may claim the dependency.

3. Each of the others must file a written statement that he will not claim the dependency deduction for that year. The statement must include the federal income tax return of the person who claims the dependency deduction. Form 2120 (Multiple Support Declaration) may be used for this purpose.

Sale of Personal Residence.—You may exclude from your gross income some or all of your gain from the sale of your principal residence, if you meet certain age, ownership, and occupancy requirements at the time of the sale. You need not meet all of the requirements, and the amount of gain that may be excluded, differs depending on whether you sold your home before July 27, 1979, or on or after that date. The exclusion is elective, and you may elect to exclude gain only once for sales before July 27, 1979, and only once for sales on or after that date.

If you sold your home before July 27, 1979, and you were age 65 or older before the date of sale, you are allowed to exclude $100,000 of gain on the sale if you owned and occupied the residence for 3 of the 5 years ending on the date of sale (or 8 of 10 years if you were 72 or older). If you sold your home after July 27, 1979, and were age 65 or older before the date of sale, you are allowed to exclude $50,000 of gain on the sale if you owned and occupied the residence for 2 of the 5 years ending on the date of sale (or 7 of 10 years if you were 72 or older). If you sold your home after July 27, 1979, and were age 65 or older on the last day of the taxable year, your gain is not taxable to the extent that you were age 65 when you sold the home or if you were 72 or older and met the requirements for the 8 year period ending on the taxable year.

Credit for the Elderly.—You may be able to claim this credit and reduce taxes by as much as $300 (if married filing jointly). If you are:

1. Age 65 or older, or
2. Under age 65 and retired under a public retirement system.

For more information, see instructions for Schedules D, E, and RP.

Credit for Child and Dependent Care Expenses. Certain payments made for child and dependent care may be claimed as a credit against tax.

If you maintained a household that included a child under age 15 or a dependent or spouse incapable of self-care, you may be able to claim a 20% credit for employment taxes. If your exemptions, itemized deductions, and other tax credits exceed your income tax liability, the excess will be refunded.
A maximum credit for renewable energy source property is $2,200. Equipment used in the production or distribution of heat or electricity from solar, geothermal, or wind energy sources for residential heating, cooling, or other purposes may qualify for this credit. Energy credits may be claimed by completing Form 5695 and attaching it to your Form 1040. Credit for expenditures made after April 19, 1977, and before January 1, 1979, must be claimed on your 1978 tax return. Do not file an amended 1977 return to claim a credit for expenditure in 1977. Examples of items which do not qualify for energy credit are the following: carpeting, drapes, wood paneling, exterior siding, heat pump, wood or peat fueled residential equipment, fluorescent replacement lighting systems, hydrogen fueled residential equipment, equipment using wind energy for transportation, expenditures for a swimming pool used as an energy storage medium, and greenhouses.

For further information, consult the instructions for Form 5695 and IRS Publication 903. Energy Credits for Individuals.

**HOUSE OF REPRESENTATIVES—Monday, January 22, 1979**

The House met at 12 o'clock noon. Chaplain James David Ford, B.D., offered the following prayer:

Almighty God, we give You thanks for the blessings of days past, with their measure of success and failure. Yet, always, O Lord, we look ahead to new opportunities and new beginnings. Grant to this assembly, and to all Your people, strength of character and integrity of purpose; make us all sensitive to those who suffer, who are in peril or need, who feel forgotten and alone, and give us the spirit of grace and compassion as we face the cares of each new day. This we pray. Amen.

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof. Pursuant to clause 1, rule I, the Journal stands approved.

**MESSAGE FROM THE PRESIDENT**

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

**MESSAGE FROM THE SENATE**

A message from the Senate, by Mr. Sparrow, one of its clerks, announced that the Senate had passed a joint resolution of the following title, in which the concurrence of the Senate is requested:


The message also announced that the Senate had passed resolutions of the following titles:

S. Res. 16
Resolved, That the Senate has heard with profound sorrow the announcement of the death of the Honorable Leo J. Ryan, late a Representative from the State of California.

S. Res. 17
Resolved, That the Senate hereby announces its concurrence of the House of Representatives and transmit an enrolled copy thereof to the family of the deceased.

The Speaker, House of Representatives,


Hon. Thomas P. O'Neill, Jr., Speaker, House of Representatives.

Dear Mr. Speaker: Pursuant to the permission granted on January 18, 1979, the Clerk has received this date the following messages from the Secretary of the Senate:

That the Senate passed without amendment H.J. Res. 1, to extend the time for filing the Economic Report;

That the Senate passed without amendment H. Con. Res. 1, providing for a joint session of Congress to receive a message from the President on the state of the Union.

With kind regards, I am,

Sincerely,

EDMUND L. HENSHAW, JR., Clerk, House of Representatives.

**ANNOUNCEMENT BY THE SPEAKER**

The SPEAKER. The Chair desires to announce that pursuant to the authority granted on Thursday, January 18, 1979, the Speaker did on that day sign the following enrolled bill:

H.J. Res. 1. Joint resolution to extend the time for filing the economic report.

**COMMUNICATION FROM THE CLERK OF THE HOUSE**

The SPEAKER laid before the House the following communication from the Clerk of the House of Representatives:


Hon. Thomas P. O'Neill, Jr., Speaker, House of Representatives, Washington, D.C.

Dear Mr. Speaker: I have the honor to transmit herewith a sealed envelope from the White House, received in the Clerk's Office at 2:42 p.m. on Friday, January 19, 1979, and said to contain a message from the President wherein he transmits his report on the White House Conference on Balanced National Growth and Economic Development.

With kind regards, I am,

Sincerely,

EDMUND L. HENSHAW, JR., Clerk, House of Representatives.

**COMMUNICATION TO THE WHITE HOUSE CONFERENCE ON BALANCED NATIONAL GROWTH AND ECONOMIC DEVELOPMENT—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. Doc. 96-37)**

The SPEAKER laid before the House the following message from the President of the United States: which was read and, together with the accompanying papers, referred to the Committee on Public Works and Transportation and ordered to be printed.

To the Congress of the United States:

In fulfillment of a requirement of P.L. 94-487, October 12, 1978, I am transmitting my report on the White House Conference on Balanced National Growth and Economic Development. For many weeks preceding the final Conference, there were State and regional Conferences organized like town meetings, giving citizens and elected officials an opportunity to exchange views on the critical issues of growth and development. Held in Washington on January 29 through February 2, 1978, the Conference was attended by more than 700 individuals from all parts of the country. One of the most important outcomes of the Conference was the general agreement among the delegates that no massive new Federal spending programs were needed. Instead, they called for more effective government, more balanced decisions, and a real partnership among levels of government and the private sector in meeting persistent social and economic problems. This theme has been an invaluable guide in helping shape the growth and development policies of my Administration.

We are indebted to those who participated in the Conference. It could have been so controversial or so sterile that no useful purpose was served. Instead, it provided many constructive insights to help shape future growth and development policy in this country.

JIMMY CARTER.


☐ This symbol represents the time of day during the House Proceedings, e.g. 1407 is 2:07 p.m.

• This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.