

1778-3

FINANCING POLITICAL CAMPAIGNS

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

S. 3496

A BILL TO AUTHORIZE THE APPROPRIATION OF FUNDS FROM THE TREASURY TO HELP DEFRAY THE COSTS OF PRESIDENTIAL CAMPAIGNS

Amendment No. 732

AMENDMENT INTENDED TO BE PROPOSED BY MR. WILLIAMS OF DELAWARE TO H.R. 18103, AN ACT TO AMEND THE INTERNAL REVENUE CODE OF 1954 TO PROVIDE EQUITABLE TAX TREATMENT FOR FOREIGN INVESTMENT IN THE UNITED STATES

S. 2006

A BILL TO AMEND THE INTERNAL REVENUE CODE OF 1954 TO ALLOW A DEDUCTION OR CREDIT AGAINST TAX FOR CONTRIBUTIONS TO NATIONAL AND STATE POLITICAL COMMITTEES

S. 2965

A BILL TO AMEND THE INTERNAL REVENUE CODE OF 1954 TO ALLOW AN INCOME TAX CREDIT OR DEDUCTION FOR CERTAIN POLITICAL CONTRIBUTIONS MADE BY INDIVIDUALS

AND

S. 3014

A BILL TO AMEND THE INTERNAL REVENUE CODE OF 1954 TO ALLOW AN INCOME TAX CREDIT FOR CONTRIBUTIONS MADE BY INDIVIDUALS TO THE NATIONAL AND STATE COMMITTEES OF POLITICAL PARTIES

AUGUST 18 AND 19, 1966

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FINANCING POLITICAL CAMPAIGNS

THURSDAY, AUGUST 18, 1966

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Hartke, Williams, Curtis, and Morton.

The CHAIRMAN. The committee will come to order.

This morning, we will have testimony on the proper methods of financing political campaigns. On two prior occasions, this committee has initiated amendments to the Internal Revenue Code to disallow deductions for certain indirect political contributions. I believe in both cases it was on the motion of the Senator from Delaware, Senator Williams. This has made it continually more difficult for political parties to raise funds that they need to organize and carry out their campaigns.

Several methods of coping with the problems of campaigning have been suggested. Most of these deal with tax incentives or tax credits, or a combination of both. Another approach has been suggested which would permit direct Federal payments to reimburse political parties for their expenses related to electing a President. Today and tomorrow, we will take testimony on all these approaches. Senator Morton will testify for one plan; Senator Clark will testify for another; Senator Cannon for another; and I will testify for a plan that I have introduced myself.

If it would be agreeable to my ranking member, I would like to ask Senator Williams to act as chairman while I testify for my own plan.

Senator WILLIAMS (presiding). Then, I will have the Treasury Department testify for the Johnson-Williams plan.

(S. 3496, Amendment 732 to H.R. 13103, S. 2006, S. 2965, and S. 3014 follow:)

[S. 3496, 89th Cong., 2d sess.]

A BILL To authorize the appropriation of funds from the Treasury to help defray the costs of presidential campaigns

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 "Presidential Campaign Fund Act of 1966".

DEFINITIONS

SEC. 2. When used in this Act—

(a) The term "political party" means any political party which presents a candidate for election as the President of the United States.

(b) The term "presidential campaign" means the political campaign held every fourth year for the election of presidential and vice-presidential electors.

(c) The term "presidential election" means the election of presidential electors.

(d) The term "administrator" means the Comptroller General of the United States.

ADVANCED PAYMENTS FROM UNITED STATES TREASURY

SEC. 3. (a) On September 1, September 15, October 1, and October 15 of the presidential campaign year, the Secretary of the Treasury shall pay into the treasury of any political party which has complied with the provisions of section 5 an amount (subject to the limitation in section 5(b)) equal to 20 percentum of the amount computed under subsection (b).

(b) The amount referred to in subsection (a) for any political party shall be computed as follows:

(1) multiply \$1 times the popular vote cast in the preceding presidential election for the candidate of such party for the Presidency;

(2) multiply \$1 times the popular vote cast in the preceding presidential election for the candidate who received the next to the highest number of votes;

(3) take the figure in paragraph (1) or (2), whichever is the lower, and subtract \$1,500,000. The resulting figure is the amount to which the 20 percentum will be applied for purposes of subsection (a).

POST ELECTION PAYMENT FROM UNITED STATES TREASURY

SEC. 4. On December 1 of the presidential election year, the Secretary of the Treasury shall pay into the treasury of any political party which has complied with the provisions of section 5 an amount (subject to the limitation in section (5)) computed as follows:

(1) multiply \$1 times the popular vote cast for its presidential candidate in the presidential election;

(2) multiply \$1 times one-half if the total popular vote cast for all presidential candidates in the presidential election;

(3) take the figure reached in paragraph (1) or (2), whichever is the lower, and subtract the sum of \$1,500,000 plus amounts previously received as advance payments from the Secretary of the Treasury under section 3.

CERTIFICATIONS BY TREASURER OF POLITICAL PARTY

SEC. 5. (a) No payment shall be made under this Act into the treasury of a political party unless the treasurer of the party has certified the total amount spent or incurred (prior to the date of the certification) in carrying on the presidential campaign, and has furnished such other information as may be requested by the administrator.

(b) No amount shall be paid under section 3 or 4 to the treasury of a political party in an amount which, when added to previous payments made out of the Treasury to such political party, exceed the amount spent or incurred by the party in carrying on the presidential campaign.

(c) The administrator shall certify to the Secretary of the Treasury the amounts payable to any party under sections 3 and 4 of this Act. The administrator's determination as to the popular vote received by any candidate shall be final and not subject to review.

CREATION OF ADVISORY BOARD

SEC. 6. There is hereby created an advisory board to be known as the Presidential Campaign Fund Board to counsel and assist the administrator in the performance of the duties imposed upon him under this Act. The Board shall be composed of two members designated by each political party whose candidate for the presidency received a popular vote of more than ten million at the last presidential election, and three additional members selected by the political party representatives upon the concurrence of the majority thereof. The term of the first members of the Board shall expire on the sixtieth day after the date of the first presidential election following the date of the enactment of this Act and the term of subsequent members of the Board shall begin on the sixty-first day after the date of a presidential election and expire on the sixtieth day following the date of the subsequent presidential election. The Board shall select a Chairman from among its members. Members of the Board, while

attending meetings or conferences of the Board shall be entitled to receive compensation at the rate of \$75 per diem, including travel time, and while away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 73b-2 of title 5 of the United States Code, for persons in the Government service employed intermittently.

APPROPRIATIONS AUTHORIZED

SEC. 7. There are hereby authorized to be appropriated such sums as may be necessary and appropriate for the carrying out of the provisions and purposes of this Act.

AMENDMENT No. 732

[H.R. 13103, 89th Cong., 2d sess.]

AMENDMENT Intended to be proposed by Mr. WILLIAMS of Delaware to H.R. 13103, an Act to amend the Internal Revenue Code of 1954 to provide equitable tax treatment for foreign investment in the United States, viz: At the end of the bill add the following new section:

SEC. 11: DEDUCTION OF POLITICAL CONTRIBUTIONS.

(a) Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to additional itemized deductions for individuals) is amended by redesignating section 218 as 219, and by inserting after section 217 the following new section:

"SEC. 218. POLITICAL CONTRIBUTIONS.

"(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction an amount equal to so much of the political contributions as does not exceed \$100, payment of which is made by the taxpayer within the taxable year, but only if, at the time the deduction is claimed, the committee or individual who received the contribution has complied with all provisions of Federal, State, or local law which require the reporting of the receipt of such contribution. In the case of a joint return of a husband and wife under section 6013 the deductions shall not exceed \$100, and in the case of a separate return by a married individual the deduction shall not exceed \$50.

"(b) VERIFICATION.—The deduction under subsection (a) shall be allowed, with respect to any political contribution, only if such political contribution is verified in such manner as the Secretary or his delegate shall prescribe by regulations.

"(c) DEFINITION OF POLITICAL CONTRIBUTION.—For purposes of this section the term 'political contribution' means a contribution or donation of money to—

"(1) an individual who is a candidate for any Federal, State, or local elective public office in any general, special, or primary election, or in any convention of a political party described in paragraph (2), for use by such individual to further his candidacy; or

"(2) any National, State, or local committee of a political party which had a candidate for the Presidency at the last election of presidential electors, or has a candidate for the Presidency if there is an election of presidential electors during the current taxable year, and such candidate received or receives, as the case may be, more than 10 percent of the popular vote cast in such election, if such committee accepts contributions or makes expenditures for the purpose of influencing or attempting to influence the selection, nomination, or election of any candidate described in paragraph (1).

"(d) CROSS REFERENCE.—"For disallowance of deduction to estates and trusts, see section 642(b)."

(b) The table of sections for such part VII is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 218. Political contributions.

"Sec. 219. Cross references."

(c) Section 62 of such Code (relating to definition of adjusted gross income) is amended by inserting after paragraph (8) the following paragraph:

"(9) POLITICAL CONTRIBUTIONS.—The deduction allowed by section 218."

(d) Section 276(a) of such Code (relating to certain indirect contributions to political parties) is amended by striking out "No deduction otherwise allowable under this chapter" and inserting in lieu thereof "Except as provided in section 218, no deduction otherwise allowable under this chapter."

(e) Section 642 of such Code (relating to special rules for credits and deductions for estates and trusts) is amended by redesignating subsection (i) as (j), and by inserting after subsection (h) the following new subsection:

"(i) **POLITICAL CONTRIBUTIONS.**—An estate or trust shall not be allowed the deduction for political contributions provided by section 218."

(f) The amendments made by this section shall apply to taxable years ending after December 31, 1966, but only with respect to political contributions payment of which is made after such date.

[S. 2006, 89th Cong., 1st sess.]

A BILL To amend the Internal Revenue Code of 1954 to allow a deduction or credit against tax for contributions to National and State political committees

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits against tax) is amended by renumbering section 39 as 40, and by inserting after section 38 the following new section:

"SEC. 39. CONTRIBUTIONS TO NATIONAL AND STATE POLITICAL COMMITTEES.

"(a) **GENERAL RULE.**—In the case of an individual, there shall be allowed, as a credit against the tax imposed by this chapter for the taxable year, an amount equal to one-half of the political contributions (as defined in subsection (c)) payment of which is made by the taxpayer within the taxable year.

"(b) **LIMITATIONS.**—

"(1) **AMOUNT.**—The credit allowed by subsection (a) shall not exceed \$10 for any taxable year, except that in the case of a husband and wife who file a joint return under section 6018 for the taxable year, the credit shall not exceed an aggregate of \$20.

"(2) **APPLICATION WITH OTHER CREDITS.**—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under section 33 (relating to foreign tax credit), section 34 (relating to credit for dividends received by individuals), section 35 (relating to partially tax-exempt interest), section 37 (relating to retirement income), and section 38 (relating to investment in certain depreciable property).

"(3) **VERIFICATION.**—The credit allowed by subsection (a) shall be allowed, with respect to any political contribution, only if such political contribution is verified in such manner as the Secretary or his delegate shall prescribe by regulations.

"(c) **DEFINITIONS.**—For purposes of this section and section 217—

"(1) **POLITICAL CONTRIBUTION.**—The term 'political contribution' means a contribution or gift to—

"(A) the national committee (not to exceed one for each party) of a qualified political party; or

"(B) a State political committee (not to exceed one for each party in each State) designated by such a national committee of a qualified political party.

"(2) **QUALIFIED POLITICAL PARTY.**—The term 'qualified political party' means—

"(A) in the case of contributions made during the taxable year of the taxpayer in which the electors of President and Vice President are chosen, a political party presenting candidates or electors for such offices on the official election ballot of 10 or more States, or

"(B) in the case of contributions made during any other taxable year of the taxpayer, a political party which met the qualifications described in subparagraph (A) of this paragraph in the last preceding election of a President and Vice President.

"(3) STATE.—The term 'State' includes the Commonwealth of Puerto Rico, any territory or possession of the United States, and the District of Columbia.

"(d) ELECTION TO TAKE DEDUCTION IN LIEU OF CREDIT.—This section shall not apply in the case of any taxpayer who, for the taxable year, elects to take the deduction provided by section 217 (relating to deduction for contributions to National and State political committees). Such election shall be made in such manner and at such time as the Secretary or his delegate shall prescribe by regulations.

"(e) CROSS REFERENCE.—

"For disallowance of credit to estates and trusts, see section 642(a)(4)."

(b) The table of sections for such subpart A is amended by striking out "Sec. 39. Overpayments of tax." and inserting in lieu thereof

"Sec. 39. Contributions to National and State political committees.

"Sec. 40. Overpayments of tax."

(c) Section 642(a) of the Internal Revenue Code of 1954 (relating to credits against tax for estates and trusts) is amended by adding at the end thereof the following new paragraph:

"(4) POLITICAL CONTRIBUTIONS.—An estate or trust shall not be allowed the credit against tax for political contributions to National and State political committees provided by section 39."

SEC. 2. (a) Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to additional itemized deductions for individuals) is amended by renumbering section 217 as 218 and by inserting after section 216 the following new section:

"SEC. 217. CONTRIBUTIONS TO NATIONAL AND STATE POLITICAL COMMITTEES.

"(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction any political contribution (as defined in section 39) payment of which is made by the taxpayer within the taxable year.

"(b) LIMITATIONS.—

"(1) AMOUNT.—The deduction under subsection (a) shall not exceed \$500 for any taxable year.

"(2) VERIFICATION.—The deduction under subsection (a) shall be allowed, with respect to any political contribution, only if such political contribution is verified in such manner as the Secretary or his delegate shall prescribe by regulations.

"(c) ELECTION TO TAKE CREDIT IN LIEU OF DEDUCTION.—This section shall not apply in the case of any taxpayer who, for the taxable year, elects to take the credit against tax provided by section 39 (relating to credit against tax for contributions to National and State political committees). Such election shall be made in such manner and at such time as the Secretary or his delegate shall prescribe by regulations.

"(d) CROSS REFERENCE.—

"For disallowance of deduction to estates and trusts, see section 642(i)."

(b) The table of sections to such part VII is amended by striking out

"Sec. 217. Cross references."

and inserting in lieu thereof

"Sec. 217. Contributions to National and State political committees.

"Sec. 218. Cross references."

(c) Section 642 of the Internal Revenue Code of 1954 (relating to special rules for credits and deductions for estates and trusts) is amended by redesignating subsection (i) as subsection (j), and by inserting after subsection (h) the following new subsection:

"(i) POLITICAL CONTRIBUTIONS.—An estate or trust shall not be allowed the deduction for contributions to National and State political committees provided in section 217."

SEC. 3. The amendments made by this Act shall apply only to taxable years beginning after December 31, 1963, and before January 1, 1970, and only with respect to contributions or gifts made on or after the date of the enactment of this Act.

[S. 2965, 89th Cong., 2d sess.]

A BILL To amend the Internal Revenue Code of 1954 to allow an income tax credit or deduction for certain political contributions made by individuals

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits against tax) is amended by renumbering section 40 as 41, and by inserting after section 39 the following new section:

“SEC. 40. POLITICAL CONTRIBUTIONS.

“(a) **GENERAL RULE.**—In the case of an individual, there shall be allowed, as a credit against the tax imposed by this chapter for the taxable year, an amount equal to 70 percent of so much of the political contributions as does not exceed \$25, payment of which is made by the taxpayer within the taxable year.

“(b) **LIMITATIONS.**—

“(1) **APPLICATION WITH OTHER CREDITS.**—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under section 33 (relating to foreign tax credit), section 35 (relating to partially tax-exempt interest), section 37 (relating to retirement income), and section 38 (relating to investment in certain depreciable property).

“(2) **VERIFICATION.**—The credit allowed by subsection (a) shall be allowed, with respect to any political contribution, only if such political contribution is verified in such manner as the Secretary or his delegate shall prescribe by regulations.

“(c) **DEFINITIONS.**—For purposes of this section and section 218—

“(1) **POLITICAL CONTRIBUTION.**—The term ‘political contribution’ means a contribution or gift to—

“(A) the national committee of a qualified political party;

“(B) the State committee of a qualified political party as designated by the national committee of such party;

“(C) a local committee of a qualified political party as designated by the State political committee of such party; or

“(D) an individual who is an candidate for elective public office in any general, special, or primary election in any State, or in any national, State, or local convention of a qualified political party, for use by such individual to further his candidacy for such elective public office.

“(2) **QUALIFIED POLITICAL PARTY.**—The term ‘qualified political party’ means—

“(A) in the case of contributions made during the taxable year of the taxpayer in which the electors of President and Vice President are chosen, a political party presenting candidates or electors for such offices on the official election ballot of 10 or more States, or

“(B) in the case of contributions made during any other taxable year of the taxpayer, a political party which met the qualifications described in subparagraph (A) of this paragraph in the last preceding election of a President and Vice President.

“(3) **STATE.**—The term ‘State’ includes the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States.

“(d) **CROSS REFERENCES.**—

“(1) For allowance of deduction for certain political contributions, see section 218.

“(2) For disallowance of credit to estates and trusts, see section 642(a)(4).”

(b) The table of sections for such subpart A is amended by striking out the last item and inserting in lieu thereof the following:

“Sec. 40. Political contributions.

“Sec. 41. Overpayments of tax.”

(c) Section 642(a) of the Internal Revenue Code of 1954 (relating to credits against tax for estates and trusts) is amended by adding at the end thereof the following new paragraph:

“(4) **POLITICAL CONTRIBUTIONS.**—An estate or trust shall not be allowed the credit against tax for political contributions provided by section 40.”

SEC. 2. (a) Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to additional itemized deductions for individuals) is

amended by renumbering section 218 as 219, and by inserting after section 217 the following new section:

“SEC. 218. POLITICAL CONTRIBUTIONS.

“(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction an amount equal to so much of the political contribution as exceeds \$25 but does not exceed \$100, payment of which is made by the taxpayer within the taxable year.

“(b) VERIFICATION.—The deduction under subsection (a) shall be allowed, with respect to any political contribution, only if such political contribution is verified in such manner as the Secretary or his delegate shall prescribe by regulations.

“(c) POLITICAL CONTRIBUTION DEFINED.—For purposes of this section, the term ‘political contribution’ has the meaning assigned to it by section 40(c).

“(d) CROSS REFERENCES.—

“(1) For allowance of credit against tax for certain political contributions, see section 40.

“(2) For disallowance of deduction to estates and trusts, see section 642(i).”

(b) The table of sections for such part VII is amended by striking out the last item and inserting in lieu thereof the following:

“Sec. 218. Political contributions.

“Sec. 219. Cross references.”

(c) Section 642 of the Internal Revenue Code of 1954 (relating to special rules for credits and deductions for estates and trusts) is amended by redesignating subsection (i) as (j), and by inserting after subsection (h) the following new subsection:

“(1) POLITICAL CONTRIBUTIONS.—An estate or trust shall not be allowed the deduction for political contributions provided by section 218.”

SEC. 3. The amendments made by this Act shall apply to taxable years ending after the date of the enactment of this Act but only with respect to political contributions payment of which is made after such date.

[S. 3014, 89th Cong., 2d sess.]

A BILL To amend the Internal Revenue Code of 1954 to allow an income tax credit for contributions made by individuals to the National and State committees of political parties

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits against tax) is amended by renumbering section 40 as 41, and by inserting after section 39 the following new section:

“SEC. 40. CONTRIBUTIONS TO NATIONAL AND STATE COMMITTEES OF POLITICAL PARTIES.

“(a) GENERAL RULE.—In the case of an individual, there shall be allowed, as a credit against the tax imposed by this chapter for the taxable year, an amount equal to one-half of so much of the political contributions as does not exceed \$200, payment of which is made by the taxpayer within the taxable year.

“(b) LIMITATIONS.—

“(1) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under section 33 (relating to foreign tax credit), section 35 (relating to partially tax-exempt interest), section 37 (relating to retirement income), and section 38 (relating to investment in certain depreciable property).

“(2) VERIFICATION.—The credit allowed by subsection (a) shall be allowed, with respect to any political contribution, only if such political contribution is verified in such manner as the Secretary or his delegate shall prescribe by regulations.

“(c) DEFINITIONS.—For purposes of this section—

“(1) POLITICAL CONTRIBUTION.—The term ‘political contribution’ means a contribution or gift to—

“(A) the National committee of a qualified political party, or

"(B) the State committee of a qualified political party as designated by the National committee of such party.

"(2) QUALIFIED POLITICAL PARTY.—The term 'qualified political party' means—

"(A) in the case of contributions made during the taxable year of the taxpayer in which the electors of President and Vice President are chosen, a political party presenting candidates or electors for such offices on the official election ballot of 10 or more States, or

"(B) in the case of contributions made during any other taxable year of the taxpayer, a political party which met the qualifications described in subparagraph (A) of this paragraph in the last preceding election of a President and Vice President.

"(3) STATE.—The term 'State' includes the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States.

"(d) CROSS REFERENCE.—

"For disallowance of credit to estates and trusts, see section 642(a)(4)."

(b) The table of sections for such subpart A is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 40. Contributions to National and State committees of political parties.
"Sec. 41. Overpayments of tax."

(c) Section 642(a) of the Internal Revenue Code of 1954 (relating to credits against tax for estates and trusts) is amended by adding at the end thereof the following new paragraph:

"(4) POLITICAL CONTRIBUTIONS.—An estate or trust shall not be allowed the credit against tax for political contributions provided by section 40."

SEC. 2. The amendments made by this Act shall apply to taxable years ending after the date of the enactment of this Act but only with respect to political contributions payment of which is made after such date.

STATEMENT OF HON. RUSSELL B. LONG, A U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator LONG. This morning, we come to grips with one of the most fundamental, but often overlooked, issues of the day. "How to pay the price of politics" is an issue which concerns this committee, this Congress, this Government, and every citizen in this land of ours. It is an issue which underlies the very structure of a free and democratic society. The question must be answered satisfactorily, if we are to maintain a healthy democracy.

A number of answers to this question have been suggested. Several of these have been introduced in the form of Senate bills and referred to this committee. Most of these bills suggest the answer is to be found in tax gimmicks which it is hoped will induce many, otherwise reluctant, voters to contribute to the party or candidate of their choice. In other words, it is hoped that by providing either a tax credit or a tax deduction, or a combination of both, enough average persons will make enough small contributions so that the parties and candidates will no longer have to rely so heavily upon the large contributors.

The only bill under consideration today that takes a different approach is S. 3496, which I introduced in the Senate on June 15. It is now cosponsored by Senator Nelson and Senator Douglas. It authorizes direct appropriation of funds from the Treasury to help defray the cost of campaigns.

Because I wanted the Finance Committee to consider an alternative means of financing political campaigns when it took up the tax incentive bills, I asked unanimous consent of the Senate that S. 3496 be referred to the Finance Committee, so it could be considered by the

same committee, and, because I feel so strongly that the Government should help maintain a viable democracy by defraying part of the costs of running for high office, I have temporarily stepped aside from presiding over these hearings in order to testify before the Finance Committee on my proposal, S. 3496, and I have asked Senator Williams to preside.

It has always been my feeling that most of the evils in our free election system of government are there because the elections are not truly "free." Certainly an individual cannot run for office "for free" and make any sort of a showing. It takes money to run for political office, and, as with everything else, it takes money all the time.

This Nation began with only rich men running for political office and though the necessity of being rich to run for office declined for a while, the cycle now seems to be completing itself, for once again it is becoming practicable only for the rich to seek high elective office. To one seeking office, the only alternative to personal wealth is to have others with a great deal of money foot the campaign bills. And that is where again, it is ironic to use the word "free" in connection with our elections. The man who must hustle large sums of money to run for high office once he is elected, is not always "free" to vote his own conscience. He owes certain obligations to those who put up the money. While such an arrangement may be just fine with those who put up the money and who call the tune, it may often result in actions contrary to the interest of the public at large.

To cure this evil, it is necessary that a method of financing presidential campaigns be devised in which everyone in this country, or at least everyone who has taken the trouble to vote, can exercise the same amount of influence. If we really believe that the President should represent all the people and represent them equally, if we truly believe in the concept of "one man, one vote," then we must cast out the present system of financing political campaigns through large contributions from only a relatively few rich people. We must seek a method whereby everyone shares equally in the cost of political campaigns. And that can only be done by means of direct Government financing. To that end, I recommend my bill, S. 3496.

Under my proposal, a person by voting for a candidate for the Presidency of the United States would, in effect, authorize the Secretary of the Treasury to pay an amount, not to exceed \$1, toward the expenses of that candidate's campaign.

My plan would provide for periodic advances of funds over a 2-month period prior to the general election of a President so that the presidential candidates of the major parties would have the necessary funds to bring their campaign messages to the people. These advances would be based on the number of votes cast in the last presidential campaign.

Each payment would be determined thusly: The Comptroller General of the United States would take the second highest vote total received by a presidential candidate in the last presidential election; he would deduct 1,500,000 from it and assign a value of \$1 for each remaining vote. He would then pay 80 percent of this total to each of the parties in four equal installments. This means that in a two-party race, each presidential candidate would have the same amount of advance funds available from the Government. This plan would not encourage splinter parties since a presidential candidate would have

to receive 1,500,000 votes before he would be entitled to any reimbursement for campaign expenses.

On the other hand, if a third party did become necessary and it made sufficient headway so that it was receiving more than 1,500,000 votes, then, of course, my plan would help that party obtain honest financing also.

After the election, a final accounting of the presidential candidates' campaign expenditures would be made. The amount of this post-election payment would be determined by reference to the current election. It would involve a payment to the political party equal to the lesser of:

- (1) \$1 for each vote cast for the party's candidate, or
- (2) \$1 times one-half of the total popular vote cast for all candidates in the presidential election, minus \$1,500,000 and minus the amount already advanced in the preelection period.

Under these rules a new party would be unable to get a preelection advance, but if it made a good showing in the current election it would receive a post-election payment on the same basis as a major party. On the other hand, a party which made a good showing at the prior election but which failed to receive enough votes in the current election to justify its preelection advances would not be required to return the money to the Treasury it had spent on the campaign. This would prevent my plan from penalizing a badly beaten political party.

The proposal would also insure that the campaign expenses would be properly accounted for and certified prior to reimbursement by the Government. The Comptroller General would serve as administrator to insure that payments were limited to actual campaign expenditures certified by the political parties. Further, a board, to be known as the Presidential Campaign Fund Board, composed of members designated by the major parties, would be created to assist and make recommendations regarding the functioning of the program.

I have prepared some charts which indicate the amounts that would have been available if S. 3496 had been the law in the presidential campaigns of 1956, 1960, and 1964. The charts also show how much advance payment could be made in 1968.

(The information referred to follows:)

EXHIBIT I

SCHEDULES REFLECTING AMOUNTS OF FEDERAL FINANCING WHICH WOULD HAVE BEEN AVAILABLE TO MAJOR POLITICAL CANDIDATES DURING THE PRESIDENTIAL CAMPAIGNS OF 1956, 1960, AND 1964, AND WHICH WOULD BE AVAILABLE FOR THE PRESIDENTIAL CAMPAIGN OF 1968 UNDER THE PROVISIONS OF S. 3496

Under the Long plan of vote contribution (S. 3496), pre-election, periodic advances would be provided commencing September 1 in an election year. The total amount of these advances would be limited to 80 percent of the sum resulting from either: (a) \$1 for each vote cast for the party's candidate in the last election, less \$1,500,000; or (b) \$1 for each vote cast for the candidate whose party received the next to the highest number of votes in the last election, less \$1,500,000, whichever of the two sums is smaller.

A post-election payment would also be provided, calculated on the basis of the popular vote cast in the current election and limited to the sum resulting from: (a) \$1 for each vote cast for the party's candidate, less \$1,500,000; or (b) \$1 for one-half of the total votes cast in the election, less \$1,500,000, whichever of the two sums is smaller, minus pre-advanced funds already received.

There follows schedules reflecting the amount of campaign funds for the designated Presidential elections computed on the basis of the foregoing provisions of the Long Plan.

Presidential campaign, 1956

	Stevenson (Democrat)	Eisenhower (Republican)
1. Advance funds:		
(a) Sept. 1.....	\$5,162,998.40	\$5,162,998.40
(b) Sept. 15.....	5,162,998.40	5,162,998.40
(c) Oct. 1.....	5,162,998.40	5,162,998.40
(d) Oct. 15.....	5,162,998.40	5,162,998.40
Total	20,651,993.60	20,651,993.60
2. Postelection payment: Dec. 1.....	3,870,758.40	8,861,450.40
3. Total Federal financing for party candidates.....	24,522,752.00	29,513,444.00
4. Total Federal financing.....	84,038,196.00	

Presidential campaign, 1960

	Kennedy (Democrat)	Nixon (Republican)
1. Advance funds:		
(a) Sept. 1.....	\$4,904,450.40	\$4,904,450.40
(b) Sept. 15.....	4,904,450.40	4,904,450.40
(c) Oct. 1.....	4,904,450.40	4,904,450.40
(d) Oct. 15.....	4,904,450.40	4,904,450.40
Total	19,617,801.60	19,617,801.60
2. Postelection payment: Dec. 1.....	18,168,929.40	12,990,354.40
3. Total Federal financing for party candidates.....	32,726,731.00	\$2,608,158.00
4. Total Federal financing.....	65,834,889.00	

Presidential campaign, 1964

	Johnson (Democrat)	Goldwater (Republican)
1. Advance funds:		
(a) Sept. 1.....	\$6,521,631.40	\$6,521,631.40
(b) Sept. 15.....	6,521,631.40	6,521,631.40
(c) Oct. 1.....	6,521,631.40	6,521,631.40
(d) Oct. 15.....	6,521,631.40	6,521,631.40
Total	26,086,525.60	26,086,525.60
2. Post election payment: Dec. 1.....	7,785,729.40	(¹)
3. Total Federal financing for party candidates.....	33,822,255.00	26,086,525.60
4. Total Federal financing.....	59,908,780.60	

¹ No postelection payment due.

Presidential campaign, 1968

	Democrat	Republican
1. Advance funds:		
(a) Sept. 1.....	\$5,135,637.60	\$5,135,637.60
(b) Sept. 15.....	5,135,637.60	5,135,637.60
(c) Oct. 1.....	5,135,637.60	5,135,637.60
(d) Oct. 15.....	5,135,637.60	5,135,637.60
Total	20,542,550.40	20,542,550.40
2. Postelection payment: Dec. 1.....	(¹)	(¹)
3. Total Federal financing for party candidates.....	(¹)	(¹)
4. Total Federal financing.....	(¹)	(¹)

¹ Dependent upon total popular vote cast in 1968 presidential election.

Senator LONG. For brevity's sake, I will round off the amounts to the nearest million.

In the 1956 presidential campaign, postelection payments to the Democrats would have been \$4 million and to the Republicans, \$9 million. Of course, each party would have had the same amount of advance funds of approximately \$21 million. Therefore, the total reimbursements in the 1956 presidential campaign for the Stevenson-Kefauver Democratic ticket would have been \$25 million and for the Eisenhower-Nixon Republican ticket, \$30 million.

In the 1960 presidential campaign, the Democrats and the Republicans would each have received about \$33 million, in view of the fact that the vote was very close.

In 1964 the payments have been: Democrats, \$34 million; Republicans, \$26 million.

As far as 1968 goes, we can tell how much money would have to be given to the Democrats and Republicans in advance based on the Republican votes in the 1964 election. That advance sum would be approximately \$21 million. Of course, the postelection payment would depend on the number of votes actually cast for the Democratic and Republican candidates in 1968.

In any event, based on prior presidential elections, it would seem that the cost of my vote contribution plan in 1968 would be between \$50 and \$75 million. Before the cry of fiscal irresponsibility is made, let me hasten to say that it is estimated that the \$100 tax deduction proposal would cost \$50 million in revenue in a presidential year and \$100 million over a 4-year period. It would be anywhere from \$25 to \$50 million more expensive than the Long plan. Furthermore, such a plan would not remove the kind of undesirable influence that creeps into government as a result of campaign contributions. The plan which I am advocating at least would remove it from the executive branch. Besides this difference in cost, there are other advantages to the vote contribution proposal of S. 3496.

It would be possible for a third party to emerge and to obtain assistance without becoming the financial captive of any group, once it has attracted sufficient support to be regarded as a serious factor in American political life.

Although there is no attempt in this bill to prevent outside assistance or other financial support to a candidate, no presidential candidate of any major party, once nominated, would find himself in the position of having to accept aid from any vested interest or any association of economic interests which forced him, as a candidate, to make commitments which did not entirely measure up to his own deep convictions.

A candidate would be in a position, if he desired, to decline any and all financial contributions. He would still have adequate financing available with which to present his case to the American people.

The plan I propose would also tend to solve the equal time problem that has confronted television stations when they sought to offer candidates an equal opportunity to be heard, only to find themselves confronted with the necessity of bringing a roomful of eccentrics into a studio to share the camera equally with the two or three major candidates who had a real chance of being elected. Under my plan the candidates of both major parties would be well able to pay for their

television time, and they could join in debates with whomsoever they wished, in whatever fashion they could agree upon.

Let's examine some of the criticisms that have been made of my proposal. It is said that my proposal does not do anything about financing the campaigns of anyone other than the President. Yet, if this proposal would preclude the necessity of contributing to presidential campaigns, a substantial amount of money would be released which could be devoted to congressional campaigns.

The Long plan would not finance candidates in State or local elections nor is there any reason that the Federal Government should. If a State cares to pattern the financing of its Governor's race after the proposal I have made, it may certainly do so, but this should be a decision resting with the State government and freely made without pressure or coercion from Washington. Obviously, my plan could not eliminate all improper influence on the Federal Government but it will achieve a lot more along this line than any other proposal that I have heard. For example, for a bill to become law, it has to be signed by the President. For most major legislation to be passed, it must be in general accord with the policies of the President and the Bureau of the Budget.

I do not want to say that a proposal along the lines I am detailing here today should not eventually be extended to cover other political contests. What I am saying, is that we should try it first in the race which affects all of the people in this country and, if it works, as I am sure it will, we can then think about extending it to other Federal elective offices and, perhaps, recommending it for the consideration of State and local governments.

Perhaps, the loudest attack which will be mounted against my proposal will be that Federal funds mean Federal control. This is a red herring because the only control the Government will exercise is to see that the expenses being reimbursed were actually incurred. And, this is far more desirable than seeing the presidential purse strings controlled by certain special interests, who are responsive only to their own selfish ends and who care not a whit about the public.

As for the Long plan helping the incumbent party to stay in office, it is just not so. The advance payments to the incumbent's party would be based on the number of votes cast for the second highest candidate, the losing candidate in the preceding presidential election. The party in power would likewise have no control on the postelection payment, for that would be calculated on the number of votes actually cast in that election. The postelection payment is determined not by the party in power, but by the voters in that election.

Finally, this plan may be criticized as being unproven. It is true that such a plan has never been enacted at the Federal level, but such plans have long been proposed and when tried have worked quite successfully. As long ago as 1907 President Theodore Roosevelt proposed a Government subsidy somewhat along this line.

In 1937, a Senate committee published a report suggesting that private contributions to political campaigns be prohibited entirely and that instead all election expenses should be defrayed from public funds.

Puerto Rico has had Government financing of political parties since 1957. It is reported that the Election Fund Act has been administered

fairly and efficiently by that Commonwealth and has strengthened the democratic process. And President Kennedy in 1961 said he would support strongly any move by Congress to have the National Government sustain the major burdens of presidential campaigns.

Only under such a proposal as I suggest does each voter, regardless of his economic or social situation, have an equal voice in providing the financial backing for the presidential candidate of his choice.

Now let me show some of the defects of tax gimmicks to stimulate campaign contributions.

The President of the United States has proposed that annual campaign contributions up to \$100 be deductible for income tax purposes. It is my judgment that this measure would fail to achieve its objective of reducing undue influence and eliminating corruption in the Government.

The tax-deductible proposal tends to favor well-to-do citizens over their fellow Americans. For example, a man with an income of \$30,000 or more is likely to find it in his financial interest to contribute substantially to candidates whose voting records and whose campaign statements favor his interests over those of other Americans.

A person with income of \$5,000 or less could not afford to make a substantial contribution, even if he were interested. Furthermore, the deduction would be worth so little to the low-income person that it hardly would be an incentive at all. Just how much incentive is there to the workingman who pays tax at the first-bracket rate of 14 percent? For him, a dollar of political contribution would save only 14 cents in tax, compared to a 70-cent saving for a wealthy individual at the top tax bracket. How much stimulation would be found in a 14-cent deduction, against income sorely needed for personal and family expenses?

And then there are the people who pay no Federal income tax at all and thus would have no opportunity to take a deduction or a credit for contributions to political candidates or parties. I understand about one-third of those persons age 18 and over are not required to pay tax. There are many reasons for this, one of which is that this group includes many older citizens who are nontaxable either because they have tax-free income from such sources as social security, or because they qualify for the retirement income tax credit. Numerous among this group are those citizens who comprise the poverty-stricken class and who would not receive any benefit from a tax deduction or a tax credit for political contributions simply because they do not pay any income tax.

In addition, the problem of persuading low- and middle-income taxpayers that they should contribute to a political campaign requires a great deal of effort to overcome their inertia. This is not the case with regard to high-income taxpayers, who even now find it to their advantage to contribute to one political party or another. The Secretary of the Treasury has already conceded that most of the political money would still come from large contributors and from wealthy people.

Good government would suggest that campaigns should be financed with the least possible commitment to any vested interest or to any particular segment of the American economy. It would be best that one elected to represent the public should feel no greater obligation to

a professional man than to a blue-collar worker, and that his obligation toward a person retired on a social security pension should be equal to that of a millionaire.

If the \$100 tax deduction proposal should become law, it could become customary for associations to pass the hat among their members for \$100 each—doctors could be asked to contribute \$100 each year to support persons who share their views on medicare or H.R. 10—for example, Senator Anderson, I suppose if that scheme were to become law, it would become a standard practice for the medical association to pass the hat and every doctor would be asked, particularly if it is tax deductible, "Drop a dollar in there to help beat people who voted for the medicare bill."

Senator ANDERSON. They do that now.

Senator LONG. I guess that is correct.

Labor leaders could be asked to contribute \$100 every year to oppose those who voted in favor of 14(b) and to support those who voted to repeal it—and bankers, as well as officers and directors of banks, could be asked to contribute \$100 each year to help those who favor the Federal Reserve Board and high interest rates.

The \$100 tax deduction is attractive to those who have a strong pocketbook interest in the outcome of an election. It has no appeal to the relatively disinterested voter who feels little involvement one way or the other.

To make a lawyer's comparison, if a jury were to be chosen, the people who would put up the \$100 in a campaign would be disqualified as jurists because of their own personal prejudice and involvement—yet those who would not put up the \$100 would be fair-minded, impartial jurors who were willing to hear the facts and come forth with an honest, objective verdict. To which group should a campaign financing program be directed?

Proposals to allow a deduction for political contributions usually have one thing in common. They allow the deduction for political contributions in addition to the standard deduction. Without such a feature, it is argued, the deduction would be of little benefit to the millions of taxpayers who elect to take the standard deduction in lieu of itemizing their deductions. Unless they can get a tax benefit for their contributions, the argument continues, they will not be encouraged to take part in financing political activities. But, if they get the political contribution deduction in addition to the standard deduction, we will be treating political activities more generously than we treat charitable activities. We would be putting politicians in a more favorable category than the Almighty. Isn't it wrong to give politicians a tax preference above charities and churches? A tax credit suffers from the same defect.

Another difficulty with a tax-oriented program is that no review by congressional authority would be available to determine how it was working without a request for the millions of tax returns filed by voter-taxpayers. But, knowledge of a person's political contributions under a tax-oriented system would be available to the tax collector. This knowledge could do a great deal of damage and impair the taxpayer's confidence in the impartiality of the Revenue Service in its collection of taxes, particularly if his return is being questioned and he is a substantial contributor to the party out of power. The tax

deduction bills call for a disclosure many taxpayers may not wish to make, the disclosure of whom the taxpayers voted for in an election. This demand could very well undermine the orderly collection of revenue.

I assume the Treasury Department will support the President's tax incentive proposal. It is strange because in almost every previous instance Treasury has opposed indirect tax incentives for programs and activities no matter how worthy they may have been.

For example, there has been the problem of how best to provide assistance to higher education. Many proposals have been put forward to allow a tax deduction or credit for educational expenses or an extra personal exemption deduction for children going to school. Treasury Department has argued strongly that tax benefits were not the proper way to aid education—and I helped them to defeat it on that basis. Treasury has felt such indirect aid would benefit most those who needed stimulation the least—that is, those who are already financially able to send their children to college and who do so. Treasury has said Federal aid to education should be direct aid—aid right from the Treasury. When Congress was put to the test, it agreed with the Treasury Department. It passed the Higher Education Act, the college construction measures and student loan bills to make Federal money directly available where it was most needed. At about the same time, we rejected, both in the Finance Committee and again on the Senate floor, a strongly supported proposal which would have provided a sliding-scale tax credit for higher education expenses.

I find a close analogy between education and politics. After all, politics is essentially the process of educating people in good government. I fear a tax benefit for political contributions would aid those most who need aid the least.

The Treasury Department should be consistent. If they are opposed to indirect subsidy in one instance, they should be opposed to it in other instances, such as with regard to financing political campaigns.

Moreover, a tax incentive for political contributions adds another device to the Internal Revenue Code for narrowing the taxable base, something that tax purists usually oppose vigorously. It also complicates the income tax form and the process of determining one's taxes. This is an area where we should be seeking simplicity, not complexity. If a tax benefit is adopted now, the Treasury would no doubt urge me to include it among the "tax gimmicks" and personal deductions that one would have to forego in order to qualify for the reduced rates under the simplified tax method which I have supported in S. 2780.

I do not suggest that my particular plan is the complete answer to all the problems posed in the election of a President. However, the President is acclaimed the "people's choice" and a candidate for the Presidency should be allowed to work out his campaign financing in such a way that, when elected, he could bear that acclamation without reservation.

A major candidate for that Office should not have to trudge, hat in hand, from one powerful private corporation or individual to another, seeking the necessary funds to carry on his campaign. If these sources wish to contribute to his campaign—all well and good—but the presidential candidate should be successfully insulated so that

he may make his commitments to the people on his party's platform free from pressure by the powerful private interests who today can, and do, threaten withdrawal of their financial support unless pre-election commitments are made.

It is a frequent statement in a capitalistic society that people usually get what they pay for. While this is not always the case in public affairs, those who contribute large amounts of money and those who accept such contributions are not ignorant of this fundamental aspect of American capitalism. For the relatively small cost involved in my plan, the potential savings by reducing undue influence in government and the improvement in government services to the average citizen, should be enormous by comparison to a tax gimmick to stimulate campaign financing.

What better method is available to encourage the voting citizens of the United States to participate in a general election? We are constantly presented with editorials, articles, and speeches raising the problem that the American citizen is apathetic—that he is not interested in selecting the man to fill the most important position in the U.S. Government as their President. My plan would certainly act as an inducement to the voter since his vote would not only select his candidate but would help his candidate to pay for the expense of running for office. A low-income voter would contribute to a presidential campaign without having to take one single penny out of his pocket.

The general revenue financing would also provide a great incentive to the political parties themselves. It would insure additional funds to the parties without the addition of new contributors. On the other hand, the tax credit or deduction would require constant solicitation of new contributors which might have adverse results. With a monetary return guaranteed for each new vote, political parties would be motivated to get out the voters.

It is my sincere belief that S. 3496, if enacted, will assure that our Government can truly be a government of, by, and for the people of the United States—responsive to all their needs and interests.

Senator WILLIAMS. Do you have any questions?

Senator MORTON. I have none.

Senator ANDERSON. You would finance the campaign entirely with Government funds?

Senator LONG. Yes, sir, that is what I suggest, that we would have it so that every man who voted for you for President would have authorized the Treasury to pay you the amount of \$1 for carrying on your campaign.

Senator ANDERSON. You favor that over the tax deduction?

Senator LONG. Yes, sir, it would work the same as if you had a \$1 tax credit for every citizen who voted for the candidate you wanted in the presidential campaign. That would not do much for Congress, but my thought is where you get so much improper influence is by the fantastic expense of these presidential campaigns. It is difficult to raise the money for a congressional campaign, but Congressmen do it and Senators do it.

As a matter of fact, you have helped finance Democratic Senators running for office. I think you have felt the same thing I have. If the President was not so busy paying off that national campaign deficit, we could find some funds for the congressional campaign.

Senator ANDERSON. The benefit of a tax deduction is less for the man of modest means than it is for the well to do?

Senator LONG. Yes.

Senator WILLIAMS. Your proposal, as I understand it, is limited entirely to the financing of presidential elections only. What would prevent the campaign committee from using some of it for defraying the cost of the off-year elections? Would they be precluded from using it for off-year elections?

Senator LONG. They could not do it with this money, because what they would have to do here is bring in a receipt, "Here is our bill for television and we want you to reimburse us for this." In some instances, it might be a bill that had not been paid at all. The Treasury would say, "Here is the money for it; you go and pay that television bill."

"And here is our expense for advertising in the newspapers, here is our expense for travel." The party brings in its receipts and is reimbursed by the Treasury.

Here is how it would have been in 1956. On September 1, both parties would have available to them \$4,162,000. That would be based on the amount of votes the second candidate received in the previous election. Here's why I picked out the second candidate. We would proceed on the assumption that either party would receive as many votes as a losing candidate received in the prior election. On that basis, we would advance this amount of money, \$5 million for these parties on September 1. On September 15, another \$5 million would be available, on October 1, another \$5 million.

Senator WILLIAMS. What I was trying to get is that this would have to be based on expenditures after the convention had nominated its choice and between then and the general elections, is that correct?

Senator LONG. That is right. If you are a candidate of a party, which received more than 1,500,000 votes in the previous election, then you are eligible to receive advance funding based on the amount of votes that your party or the No. 2 party received in the previous election.

Senator WILLIAMS. What I was trying to understand is, assuming that this were in effect today, during the next presidential campaign, if someone wished to challenge the President for the nomination, he would be on his own until after he had been nominated at the convention?

Senator LONG. Yes, that is right.

Senator WILLIAMS. Would it not boil down to the fact that only a rich man or a man sure of the nomination could afford to challenge?

Senator LONG. Well, this does not attempt to solve the problem, Senator Williams, of a man achieving the nomination of his party. He is on his own until he is nominated. When he becomes the Republican nominee, he is in a position to know he is going to have \$20 million available to finance that campaign.

Senator WILLIAMS. I understand that, but none of the proceeds could be used to defray the costs he had incurred in seeking the nomination?

Senator LONG. That is correct. It would not solve that.

Now, it is worth pointing this out. At least in every second election, you are going to have one of these candidates who does not have to

worry about the cost of achieving that nomination, because an incumbent President is assured the nomination of his party if he wants to run for reelection. That is how it has worked out. So at least one of the two candidates is not going to have to worry about the cost of achieving the nomination, although the other, of course, is going to have that problem.

Senator ANDERSON. Virginia had a primary election very recently. I saw some figures indicating about a quarter of a million dollars for candidates for the Senate. How would you touch that problem? Are you going to bother with that at all?

Senator LONG. I would not touch it at all. We could help it indirectly to this extent, that instead of having this President's Club meet about twice a year and call upon every friend that we call a Democrat to put up about \$1,000 apiece, we could leave those fellows alone and those people could go and contribute to a senatorial or congressional candidate, rather than having to pay off the President's deficit.

Senator WILLIAMS. You are not suggesting that we start a Congress Club in lieu of this President's Club?

Senator ANDERSON. I agree to that. The party at Houston got \$34,000 out of New Mexico, which is quite a ways away, and I could have used that.

Senator LONG. I must say, Senator Anderson, I went down to the President's club meeting in Houston, Tex., and it was a very fine thing. I saw a lot of people I knew. It was not just for Texas. That was for Texas, for Louisiana, Arkansas—

Senator ANDERSON. New Mexico.

Senator LONG. I believe New Mexico was in on it and Oklahoma. I looked at the Louisiana contingent and said, "There go a lot of good prospects." After they get up \$1,000 for this meeting, it is going to be hard raising money for the next congressional election.

Senator ANDERSON. That is exactly what went through my mind in Houston. I saw those 34 lambs going to the slaughter and wondered why they were not put in the right pen.

Senator LONG. I doubt seriously that the House of Representatives is interested in a bill to help finance their campaigns. I do not know how the Senate feels about financing campaigns. I think most Senators would agree that it costs more to finance a senatorial campaign, usually, than it does to finance a campaign for Congress.

You served both ways, did you not, Senator Anderson? You experienced the problem on both ends?

Senator ANDERSON. Yes.

Senator LONG. But my question is that the cost of financing a campaign for Congress, while it is substantial, is not too difficult for a Member of the House of Representatives. Usually, if he is a very good Congressman, if he shakes hands and pads around often enough in the off year, sees enough people, he gets by the opposition. Sometimes he does not.

Senator WILLIAMS. There are no more questions, Senator.

The CHAIRMAN (now presiding). Thank you very much, Senator Williams.

Now, to testify for the Williams-Johnson plan, I am going to call Senator Thruston Morton.

**STATEMENT OF HON. THRUSTON B. MORTON, A U.S. SENATOR FROM
THE STATE OF KENTUCKY**

Senator MORTON. Mr. Chairman, members of the committee, first let me apologize for not having a prepared statement. My remarks will be brief and I will answer such questions as I can.

I am testifying merely because I have had a somewhat unique background in this field, having engaged in extracurricular activities, such as being chairman of my party during a rather close election and have served for the past 4 years as chairman of the senatorial campaign committee. In 1952, I managed the campaign of our colleague, the Senator from Kentucky, Senator Cooper.

I took over the chairmanship of our party at the time when my party controlled the White House, when General Eisenhower was President. We had, however, just suffered a sharp defeat in the 1958 elections. So even though we had the White House, the party, to all intents and purposes, was broke. We were not in debt, but I had to sweat out every pay day and every rent day. I spent a lot of my time in trying to raise enough funds to keep the shop in business, even though we controlled the White House, and every realist knows that such control is an asset in the raising of political funds.

I dare say that my good friend, the senior Senator from Washington, Senator Magnuson, who is my opposite number as chairman of the Democratic Senatorial Campaign Committee, will agree with me that the job is about 90 percent raising money and about 10 percent trying to suggest to somebody how to get elected. Candidates do not pay too much attention to the committee. But they all want money. I will have at least six candidates come to me between now and 1 o'clock on the Senate floor, asking for money.

I think we all agree that in representative government we must have an informed and an intelligent electorate if our Government is to survive. We must be able to communicate. We who are candidates must communicate our ideas, our stand on issues, give the public a chance to size us up, the cut of our jib, and so forth. Now, this is becoming increasingly difficult. It is no secret to any of you that there has been great escalation in the costs of these campaigns. I was looking over the budget of our congressional candidate in the city of Louisville. When I came to Congress 20 years ago, I represented the city of Louisville, but I also had the rest of Jefferson County. He only has the city now. His budget, which is moderate and justified, is just about three times what mine was 20 years ago, and mine was adequate. My friends thought it was tremendous at the time.

One of the reasons has been that all costs have gone up. But another is that a new medium has come along which is effective politically, which we all like to use, which is a way of communicating with people that we did not have 20 years ago, and that is television. It is an important one. You are not up making a speech in the July sun before a couple of hundred people or a couple of thousand people. You are getting into his living room, talking directly to families in literally millions of homes. It used to be in the old days, when I went around the State with my grandfather, that what you needed to get elected to office was a big cigar, shadbelly vest, and a constitution that permitted you to stand out in the hot July sun and talk for two hours and

a half or three hours, maybe. Well, that day is gone. So, these costs are colossal.

The population increase in itself—if costs had stayed the same and there had been no television, campaigns would have doubled in cost, because you spend so much a voter, really, to get your message across. So, even with constant costs and without television, we would have seen in the last generation a doubling of campaign expenditures in this country.

Now, we also know that for various reasons money is harder to get. Political contributions are harder to come by. For instance, the Internal Revenue Service, and properly in my opinion, tightened up a few years ago on the question of expense accounts. It was no secret that a fellow could buy a \$50 ticket to one of these parties around here for some Senator, or even a \$500 ticket to a dinner for some presidential candidate. Over the course of time, he was able to expense this item. You cannot do that now. The IRS has properly tightened down on this. It has become a great deal more difficult.

We used to have, until very recently, the opportunity to sell advertising. The Williams amendment has sort of put a crimp in that. And I supported the amendment. I remember in 1960, when we had the question of the program for the convention, and the ruling of the IRS was that you had to prove that this was a legitimate advertising expenditure. You could probably justify \$1,500 as the back page of the program, because it was a souvenir program, worth the cost for a certain brand of cigarettes or a certain automobile or a certain soft drink. But when costs jumped up to 10 times that much, as indeed it did in 1964 in Atlantic City, it could not be justified. This led to the correction of what I thought was an abuse. But this does make it that much harder to raise funds.

Our tax structure is a lot different than it was 40 years ago. The rates are a lot higher. We have seen, for example, in city after city in this country, what has happened to your Community Chest or United Fund drive. When I first got out of college and started working on this problem in my city, most of the contributions came from individuals. Today, in every city, a great majority of it comes from the corporations. Because of the inheritance tax structure and the income tax structure, you just do not have those individuals today. When somebody has been giving \$5,000 a year to their community fund, and that person dies, rarely do the heirs pick up that part of the tab. And, of course, in political contributions there is no place, and properly so, for the corporation to make a direct tax-deductible political contribution.

So I think whatever we do here, and I am not wedded to any particular plan—I have an open mind on this—but I think whatever we do, it should be our purpose to encourage participation, and that means small gifts. There is a sustaining plan which Bill Miller started when he was chairman of the Republican Party, which Ray Bliss has continued. It has been highly successful, \$10 gifts. It is raising in the neighborhood this year of \$1 million. I see Chairman Bailey has started it in some States on a test basis. I think it is a good program. But it is difficult to raise money this way. I would dare say it costs \$400,000 to raise a million dollars, because you only get a certain percentage of returns. In a direct-mail campaign, if you get only 20 per-

cent, you spend a lot of postage on those 80 percent you never hear from.

What we ought to do is find some way of encouraging small contributions. There should be a certain amount of pain in political giving, just as there is with contributions to the church, Red Cross, the Boy Scouts, et cetera.

Senator Magnuson and I sponsored a proposal which passed the Senate either 2 or 3 years ago as an amendment to a tax bill but it did not survive the conference. In this amendment we treated up to \$100 per year as a tax deduction, a gift to a political party, just as one considers it to a charitable institution. Well, this was wrong for the reasons that the chairman has pointed out in his testimony, because in the case of the man who uses the standard deduction, it is no good to him at all. The man that is in the 70-percent bracket contributes \$100 at a cost to him of only \$30.

Various proposals have now been made to try to find some balance through direct credit for a part of the gift. I think some equitable way can be worked out so that it is just as attractive to the lower income segment of our society to contribute and support a political campaign as it is to those who are more fortunate in being in the higher income level.

I recognize that any of these plans have terrific administrative problems. For that reason I have some sympathy for the plan which the chairman has outlined, because I think it reduces the administrative problem to a minimum. But I still feel that it should be our purpose to encourage not only participation in day-to-day political activity, but to encourage modest donations so that neither party is dependent on these large donations from very wealthy people who, in many cases, do have a particular axe to grind or a particular self-interest.

I do not think that many persons receive donations in their campaigns that cause them to believe that so and so has bought his vote. I think the reason that someone contributes to my campaign or to Senator Anderson's, Senator Williams', or Senator Long's, is because basically we have established a position; they know our philosophy, they basically agree with our philosophy. It does not mean that they are going to come up here and say you have to vote for this amendment or that amendment. But they would not support us unless they basically believed in our philosophy, or support our opponent because they basically believe in what he stands for.

So, as I say, the plan which Senator Magnuson and I sponsored failed because it does favor those who are in the higher income levels as opposed to others.

Now, this problem goes far beyond just campaign contributions. But this committee is only dealing with that aspect. I note that Senator Cannon, who has a bill out of his subcommittee in Rules and Senator Clark are listed to testify. They have been dealing in the Rules Committee with the question of disclosure and many other questions that are involved. I am sympathetic to this problem, too. But this morning, because this is the Finance Committee, I am attempting to deal only with the aspects concerned with the actual raising of funds.

In questioning the chairman, the point was brought up about these primaries, and they are expensive. But I agree with him that the approach that we must make here must be confined to general elections.

The tax credit approach, if that is pursued, could, indeed, apply to primaries as well as general elections.

The question of what happens in an off year under the proposal of the chairman is interesting, of course. If you spend \$40 million, let us say, in a presidential campaign, you may end up a couple of million dollars in debt. Then you get this postelection rebate under the Long proposal and that takes care of your debt and may put you in a position where the moneys that you raise in the next 2 years could be channeled into senatorial and congressional campaigns. This is obvious.

I do not think the chairman's plan precludes active solicitation and donation by people and I am sure that will continue. But it does, it strikes me, have that meritorious point.

When I took over the chairmanship of my party, and it was obvious that they had gotten pretty well to the bottom of the barrel when they picked me out to do that, we were in a tough way financially. We had the 1960 presidential election coming up, which turned out to be the most costly up to that time. I assume that, if these costs continue to rise, every presidential election is going to be the most costly one. When I left the committee in 1961, it was in debt, not in the sense that we had any bank loans, but it was about \$1,200,000 in debt. What we did was just ride our creditors. I would use United's credit card until they started squealing, then we would go over and use an American credit card. Then we would pay the telephone company a little something and that month we would not pay Western Union, so we juggled it around that way. You could say we were not in debt, but the fact is that our liabilities exceeded our assets by about \$1,200,000.

Bill Miller came in and he was able to get the party solvent again. Ray Bliss has kept it that way; but it is a job. And if representative government is going to fulfill its place and if we are going to have an intelligent, informed electorate, we are just going to have to come up with something in this area. I do not know what it is; I do not know what the answer is.

I at first was not very much impressed with the chairman's proposal, but, after studying it and after hearing his statement this morning, I think it certainly deserves the study of this committee, as well as these others.

The CHAIRMAN. Thank you very much, Senator Morton.

Senator Anderson has had a parallel experience to yours. He was chairman of the Democratic Senatorial Campaign Committee. I worked on that committee from time to time and it is a very interesting experience.

Senator MORTON. I am glad I am ineligible after November of this year.

The CHAIRMAN. About 90 percent of the job is to find some campaign money to help finance those running for office. That is about 90 percent of it; a little fatherly advice, but mostly trying to raise money to finance the campaigns.

The thought occurred to me that it really should not be too much concern of the Congress to try and finance State and local elections. My thought would be to let them worry about how to handle their part of it. If we can make the Federal Government run right, I think we could be doing well.

Senator Anderson?

Senator ANDERSON. Do you not think, Senator, the question is not whether we will some day finance these, but how.

Senator MORTON. Absolutely. I think we are going to have to. We have to work out a better way.

Now, we complain, of course, about the length of our Presidential campaigns and we point to the British and is it not wonderful the way they do it in 30 days or 4 weeks. Of course, we have that in our control now, if we want to do anything about it. If the chairmen of the two major political parties would just sit down and agree, that we are going to have our conventions later, that shortens the campaign. But this question of cost, and nobody knows what the cost is, we just know that it is enormous and still going up. I see estimates that \$80 million is spent by each party. If you take what is spent in every State as well as by national committees and groups this figure may even be low.

I picked up the New York Times the other day and saw where it is estimated that \$250,000 to \$300,000 was spent in a Republican primary in one congressional district for the privilege of running against the incumbent Democrat. This is just getting astronomical.

The CHAIRMAN. In Louisiana, I have noticed that the cost of the Governor's campaigns is much more expensive than the cost of the congressional campaigns. Someone estimated in the last Governor's election that each of the three leading candidates, had expended about \$5 for each vote that he had received.

Now, I was supporting one of those candidates and that was a pretty good guess. Four dollars might have been a little better, but I would say that was a pretty good guess.

Senator MORTON. That is a little heavier than it is down home.

The CHAIRMAN. But there is a great deal of money that comes in and goes out in ways that you just never quite see.

One fellow, for example, had a lot of signboards around the State that were got up a little late. I remember there was one particular concern that had leased all those signboards before the political signs went up. So one particular enterprise had to quit advertising for months so all these outdoor campaign signs could go up. Of course, a month later, they came down.

A friend of mine volunteered a signboard for my campaign. The board was a little too big for the paper I had. He had a signboard that said "Three locations to serve you." Everyone around town was commenting on the fact that Long has three locations to serve you, because I could not quite cover his board with my paper. I figured I would just put my paper on top of Joe's board there and as soon as the election was over with, it would come down.

Another fellow had a big sign saying "Baton Rouge's Finest." I thought that was just great, and my paper covered up to that. Nobody knows just how much that indirect aid does amount to.

But the expense of the Government's campaign is tremendous and it seems to me the expense of the Presidential campaign is beyond the hope of anybody unless he is an enormously wealthy person, able to finance himself. He has to call for help to finance it.

Senator ANDERSON. Is it your experience that one of the main reasons that costs have jumped so high is television?

Senator MORTON. No, that is an example of a new medium, a new element in the picture that just was not there 20 years ago. No, all costs have gone up. This transportation that the chairman has referred to is colossal. When you have to charter these big jets, it is terribly expensive.

You may recall that Mr. Nixon made the statement that he was going to visit every State in his 1960 campaign. Then he had that accident to his knee and he was late getting started. But he had gotten around to every State except Alaska. So he said he was going to carry out his promise, and went to Alaska just 2 or 3 days before the election. I called him up wherever he was and begged him not to go. I said I had to raise the money to get him to Alaska. This was an expensive undertaking. But he insisted on it and I was wrong, he was right. He carried Alaska. It was a photo finish but he won. He probably would not have carried it had he not made the trip.

Everything connected with the campaign has gone up. Postage has gone from 3 to 5 cents first class. But television is a big cost, especially for Senatorial candidates in those States where you have what we call a peripheral situation.

Let's take New Jersey, one of the most populous States in the Nation, without a television station in it. There you have to buy Philadelphia, you have to buy New York. Think of how much you are losing. Take my own State. To get into northern Kentucky, I have to buy Cincinnati. I am getting 15 cents or 18 cents out of the dollar. Except for the big States, where television is in the center of the State, you are not getting your whole nickel's worth.

Senator ANDERSON. I had a thought that these new costs made it impossible for the ordinary man to be nominated. Shapp of Philadelphia spent \$1 million of his own money. He is doing a beautiful job. I have seen some of the advertising. It is very finely done. But who would have thought that a candidate for office would have spent \$1 million of his own money in a race for a gubernatorial nomination which may not succeed?

And secondly, I have seen a story about a man in connection with Xerox deciding to get into the race in New York State. If he does, he has to operate on about the same amount of money to get started up there.

I can recall in 1928 when I was chairman in my State, we brought in an outside speaker, a Congressman from Texas named Tom Connally. When he got there, he was trying to hold down expenses. Now a man thinks it is a disgrace if he does not have at least one airplane out of every two. But that is going to be the pattern of the elections from here on out and if it is going to be, there certainly should be some sort of a basis on which men can contribute without having to pass the hat every day when they get into it. That is why I am interested in these plans. I am not hostile to the \$100 deductible. I am certainly more favorable to the plan the chairman has introduced, because I do think you have to have a general contribution to all the people.

I am glad you have said what you have this morning, because it is sound experience. I recall in the Truman campaign in 1948, they ran out of money. He was a hopeless candidate, anyhow, 20 to 1 against him. They had to lock some people in a room in New York and hold

them there to raise enough money to run his train out again. Today you hire a fleet of airplanes and its costs as much as the whole campaign. Today I think transportation and television are the two main costs and I do not think you are going to cut them down for a few years.

A man called me from my State, wanting to run for Congress and asked what it would take. I said a minimum of \$150,000. He said, how will my friends get that back?

The CHAIRMAN. There is one way you can do it, Clint. My Uncle Earl used to say if you won the election, you could have a deficit dinner to pay off the deficit, but if you do not win, you do not have the dinner, you have the deficit and you keep it until the next time you run.

Senator WILLIAMS. I would like to join the others in congratulating the Senator from Kentucky on his remarks. I think as we approach this problem, I think we are all in agreement that the present arrangement for financing campaigns is wrong, it is unsound, and that the costs are becoming astronomical and we have to find a solution. I think in approaching this, and I say this as one who sponsored one proposal, we should not be wedded to any proposal, but examine all of them with an open mind, because somewhere down the line, maybe we can find a better plan than that which is operating now.

I was interested in the Senator's comments on the fact that he and Senator Magnuson a few years ago sponsored a plan for a \$100 deduction. I supported that at the time although it did have its defects in that there was no extra allowance, just a straight deduction, and a man filing the standard form would not get any credit at all. So you eliminated that group completely from your solicitation.

The present plan which is before us here, one of them, as recommended by the President, which I reintroduced, would allow this deduction for \$100 over and above the standard deduction. I think that is an improvement on the proposal.

There is another proposal which I suggested. I do not think the administration liked it too much—they thought it was too complicated. Under it, you could allow a tax credit for, we will say, 60 or 70 percent of the contributions up to \$25 and a deduction up to \$100. Perhaps that should be studied, too.

I do think that what we are all seeking is to devise a plan here whereby we can finance these campaigns with contributions from the masses of the voters and not depend upon large contributions. I am sure we are in agreement on that.

Senator MORTON. Yes.

Senator WILLIAMS. The chairman of the committee has outlined a plan here which does deserve the study of the committee, I agree, but he has placed an estimate on this \$100 deduction proposal of \$100 million in 4 years. That is on the basis, the Treasury has estimated, that the average rate of deduction would be around 30 percent. That is on the basis that over these 4 years, you would raise \$300 million.

Well, I do not visualize any such results from this. But assuming that you could raise \$300 million from these \$100 contributions, that would be a wonderful thing if you could get that many people contributing \$100 or less, would it not?

Senator MORTON. Yes; it would.

Senator WILLIAMS. Because it would mean you would have millions of people all over America financially taking part in their Government, which is the objective we need.

Senator MORTON. Yes; I quite agree. I do not know that I follow the figures exactly, because assuming that it would be a 50-percent bracket, where you attract most of your \$100 gifts, it might not be quite the ratio you have suggested, but still it would stimulate a lot of funds.

But we all know this, that we all like a lot of small contributions, because you do not have to haul that person to the polls on election day. You get a man who has invested \$5 or \$10 in a campaign, you can be sure he is going to get to the polls. I do not have to send a jeep or a mule up or down the hollow for him. In my State, getting people to the polls can be a costly problem, because we have rugged terrain in eastern Kentucky, and we are still having to use mules in some precincts to bring them in.

Senator WILLIAMS. That is the point I make. I think the importance of attracting small contributions is far in excess of the money that you receive. It is the fact that you would be encouraging these millions of people to take a financial interest in the kind of government that they are going to have at the national or State level. That is the reason that I favor very much any type of a form, whether it be a tax credit form or a deduction form, to attract these \$10 and \$25 contributors. I think that if you could get millions of those, it would be a great contribution far in excess of the amount of money that is received by the two political parties.

Senator ANDERSON. When you use these mules, why do you not use elephants?

Senator MORTON. Well, we have mules up there, but we have no elephants. But they vote the elephant.

The CHAIRMAN. One suggestion. My Uncle Earl always told me that if you are going to spend money to haul the votes to polls, spend it in the precinct that you know you are going to carry; otherwise you might haul more votes against you.

Senator MORTON. That is exactly what we do in eastern Kentucky.

Senator CURTIS. Mr. Chairman, I am very much in accord with what has been proposed here. I am sorry I was unable to be here for the chairman's testimony and the beginning of Mr. Morton's testimony. I think it is most important that we do something and that we do something at this time.

Mr. Morton, I understood you to say it is not only a problem of new media that has to be used, but every cost has gone up. Isn't that correct?

Senator MORTON. Oh, yes; there is no question about that.

Senator CURTIS. Yes. It was not very long ago that you could take a \$1 bill and get 100 postal cards and, by doing the mimeographing yourself, you could get up a local meeting. Now it would cost five times that. That is just one illustration.

Mr. Chairman, what I would like to ask to be done, I would like to ask the Chair to direct the staff to supply for the record a list of activities or organizations a contribution to which is a tax deduction. I do not mean to list all of them in the United States, but a list that would show the type of activities that the Government supports by allowing a deduction to those activities for tax purposes.

I think we will be surprised at the great number of organizations to which a contribution would mean a tax break under present law. And

I think that the average citizen—I am not being critical of him—will be of the opinion that a contribution toward the job of self-government should rank near the top from the standpoint of being meritorious.

I shall not take any further time, but I believe such a compilation will help us very materially if the Chair would so direct.

The CHAIRMAN. I will see that they get it for you.

(The information referred to follows:)

EXAMPLES OF ORGANIZATIONS CONTRIBUTIONS TO WHICH ARE DEDUCTIBLE FOR FEDERAL INCOME TAX PURPOSES

Prepared by the Staff of the Joint Committee on Internal Revenue Taxation at the request of Senator Curtis for inclusion in the record of the hearings before the Committee on Finance, relating to the deduction of political contributions.

The Internal Revenue Code of 1954 allows a deduction for contributions to the following organizations:

- (1) States, territories or possessions of the United States, or their political subdivisions, the United States or the District of Columbia,
- (2) Religious, charitable, scientific, literary, or educational organizations, or organizations for the prevention of cruelty to children or animals,
- (3) War veterans organizations,
- (4) Fraternal societies or orders, or associations, operating under the lodge system, but only if the contribution is to be used exclusively for religious, charitable, scientific, etc., purposes, and
- (5) Certain cemetery companies.

In addition to churches, colleges, and hospitals, the following are examples picked at random of organizations, contributions to which have been held to be deductible:

- Anti-vivisection societies
- Birth control leagues
- Veterans organizations
- Foundations for disabled veterans and veterans' orphans
- Library associations
- School citizenship leagues
- Committees to award an annual literary prize
- State controlled bird sanctuaries
- Boys' clubs
- Citizens committees on prevention and punishment of crime
- Child care committees or centers
- Christmas poor funds
- Citizens Committee for Reorganization of the Executive Branch of the Government
- Civil defense committees
- Community chests
- Crippled children's organizations
- Diplomatic affairs organizations
- State bar association foundations
- Good government leagues
- Indian welfare associations
- Unemployment relief organizations
- Infant welfare associations
- Insulin funds for hospitals for diabetes care
- League for Industrial Democracy
- Educational and charitable trusts
- Mining and Mechanical Institute of the Anthracite Coal Region
- National Rifle Association of America
- Daughters of the American Revolution
- National Tax Association
- Navy Relief Society
- New England Grouse Society
- State educational TV authorities
- Old people's homes
- Parent teachers associations
- Red Cross
- Salvation Army

School for printers' apprentices
 Tuberculosis associations
 United Nations relief and rehabilitation centers
 U.S. Army company funds
 U.S. Coast Guard Auxiliary
 U.S. Olympic Association
 Women's Council of National Events
 Women's Exchange for Handiwork
 World League Against Alcoholism
 Y.M.C.A.
 Y.W.C.A.

There are, of course, many other types of organizations (such as labor unions, business leagues, college fraternities, etc.) which are themselves exempt from tax, contributions to which, however, are not deductible.

Senator WILLIAMS. Do you care to comment on the suggestion that it may take a combination of a deduction and a Federal contribution to really solve this problem? I wonder if we are, and I said that at the time that I cosponsored the deduction, that it may not be the answer in itself. I am wondering if we are not really going to have to come up with a combination proposal.

Senator MORRIS. We well may have to. There is a suggestion which is not included in this agenda set out in the chairman's press release of August 9 announcing this hearing, which is intriguing—I do not know how practical it might be—that the Government match up to, say a \$5 contribution. This is a difficult administrative problem, but I think this was put forward by the commission set up by the late President Kennedy. This is another area which we might consider.

Senator WILLIAMS. I think the important point is that we are approaching this problem with the general agreement that this present situation needs correcting.

With that thought, it would seem to me that a group of reasonable men could get together and arrive at a constructive proposal, a combination of plans, or maybe an entirely new plan, one that has not been mentioned here. But somewhere down the line, I think we agree that we have to find a solution to this problem.

Senator MORRIS. Mr. Chairman, may I ask that Senator Scott from Pennsylvania, who also at one time served as chairman of the Republican Party, have the privilege of filing a statement for the record which you will have in a day or two?

The CHAIRMAN. We shall be glad to.
 (The statement referred to follows:)

STATEMENT BY HUGH SCOTT ON CAMPAIGN FINANCING BEFORE THE SENATE
 FINANCE COMMITTEE

Mr. Chairman, I appreciate this opportunity to testify in support of my bill, S. 3014, to amend the Internal Revenue Code of 1954 to allow an income tax credit for political contributions. My bill would permit one-half of the total contribution as a credit, up to a maximum credit of \$100 per year. Contributions could be made to the National Committee or State Committee (as designated by the National Committee) of a political party whose candidates for President and Vice President appear on the ballot in at least 10 States.

The costs of political campaigns are high today because the media for mass political communication are expensive. Political parties must have ready access to all legitimate sources of funds to enable them effectively to carry their message and expose their candidates to the electorate. Unfortunately, our outmoded election and campaign finance statutes occasionally force political parties to become excessively dependent upon those individuals and organizations who can easily afford to contribute large sums of money.

Those who contribute to political campaigns are to be encouraged as proper citizenship in action, but it is not a healthy situation for the contributions to be coming only from the wealthy. Accordingly, we must broaden the base of sources of campaign finance. The tax incentive, such as that proposed in my bill, is a step toward this objective. The people must be persuaded that contributing to a political organization can be just as civic-minded and respectable as contributing to a religious or charitable enterprise. This job of persuasion can only be done by party workers themselves, but enactment of a tax incentive would give them an effective talking point in their solicitations.

Broadening the base of sources of campaign finance is desirable, not only as a means of raising more money to finance campaigns, but also a means of enlisting greater and more widespread citizen interest in our political processes. As I have declared previously, widespread citizen participation is the keystone of the effective functioning of our democratic political system, and is, indeed, vital to the future health of that system.

A tax incentive for campaign contributions, whatever form it takes, is not in itself enough to revitalize our election system. Other measures are necessary to cope with the growing financial burden which political organizations are required to carry in our modern, high-speed election campaigns. In this connection, I want to take this opportunity to urge enactment of legislation designed to reduce the costs of campaign over radio and television. Last year I introduced a bill, S. 1287, pending in the Commerce Committee, which would encourage broadcasters to grant more free time to candidates, or, alternatively, require that the fees for political broadcasts not exceed two-thirds of normal commercial rates.

Finally, our corrupt practices statutes must be revised to require full disclosure of the sources of campaign funds, removal of the unrealistically low ceilings on aggregate political expenditures, and stricter limits on the amount of money wealthy individuals can contribute to political parties and candidates. This would be accomplished by enacting a measure along the lines of the Election Reform Act, S. 8435, pending in the Rules Committee, and which I am cosponsor. The most vital ingredient to the successful functioning of our political system is public confidence. This can be earned only if all loopholes in our election statutes are closed to assure that no corruption can occur.

The CHAIRMAN. Thank you very much, Senator Morton.

Senator Howard Cannon has worked in this whole area as a member of the Rules Committee, and we would like to ask Senator Cannon to take the chair as our next witness.

STATEMENT OF HON. HOWARD W. CANNON, A U.S. SENATOR FROM THE STATE OF NEVADA

Senator CANNON. Thank you very much, Mr. Chairman and members of the committee, for allowing me to appear before you this morning.

Mr. Chairman, members of the committee, I appreciate the opportunity to appear before you today to present my views on the subject of tax incentives for political contributions.

Political fundraising is a challenge to our entire election system, which each year is becoming more complicated, costly, and sophisticated. Indeed, in some elections it becomes the tail that wags the dog. Candidates and political organizations solicit by mail, door to door, personal contact, and by the fullest use of all communication media to reach the greatest number of citizens, asking for financial assistance. Whether this multifaceted appeal actually broadens the financial base of a candidate's campaign is open to question.

Basically, I suspect that the majority of campaigns must be paid for by economic interests whose financial capabilities would permit the underwriting of a significant portion of a given political contest. This practice certainly goes on, although it is seldom admitted.

What are the alternatives before the candidate?

He can make his appeal as broad as possible. In most cases I have observed or studied, this is automatically a part of a candidate's plan. He also has the alternative of going into sizable debt if he does not have a limitless personal fortune to spend on his own campaign, as in the example Senator Anderson gave.

I believe the answer is apparent, and the bills which are before this committee today for study and comment are ample recognition that campaigns cost far more money than is readily available. For we are all interested in minimizing the dependency of any candidate on narrow economic interests and we wish to broaden as much as possible the base of that economic support among the people whose participation is essential to a healthy political system. It is of vital importance, therefore, that means be devised to give to candidates and committees freedom from pressures or influence, and that the financial strength of a candidate be determined by the participation of the greatest number.

This is not a new subject for the Congress, which for many years has considered various proposals to alleviate fiscal problems inherent in political campaigns. Since 1955, measures have been advanced to grant contributors a tax credit or deduction in order to encourage more Americans to aid the party and candidate of their choice.

To recognize this problem in a tangible way is no more than a proper extension of present policy, which permits deductions for charitable contributions. Our tax laws long have been written so as to accommodate the need to raise millions of dollars each year for the benefit of the sick and needy. Most Americans recognize this duty to support the welfare of those less fortunate. I believe the duty to financially support his political party and its candidates would be most encouraged by extending a tax incentive to the voter.

I hold the belief that the American public, fully informed of a right to claim a tax benefit for a political contribution, would respond enthusiastically and in sufficient numbers to relieve political parties and candidates not only of a substantial portion of their financial worries and burdens, but also of the potential threat to their political independence occasioned by the acceptance of larger contributions from a small number of donors.

I also hold the belief that any tax incentive should be reasonably modest so that all of the burden would not be shifted from parties and candidates to the Federal Government through the loss of tax revenues.

Relatively little is known about the potential loss to the Government in tax revenues should a credit or deduction be allowed for political contributions. However, advocates of a tax benefit consider its effects in increased citizen participation and in a broader financial base for parties and candidates so socially desirable that the cost to the government would be overshadowed by the resulting moral good and the stimulating effect upon our political system.

I would like to make my position clear with respect to my preference for a tax credit over a tax deduction.

A tax deduction is an allowance granted from gross income before actual computation of tax liability. In effect, it operates on a sliding scale according to the taxpayer's net income bracket. As the income bracket rises, less of the contribution is actually made by the taxpayer, and more of it is borne by the Government. Thus, the higher a con-

tributor's income, the more a given deduction will save him in taxes. The effects of the proposals for allowing deductions for political contributions of up to \$100, let's say, both as to cost to the contributor and revenue loss to the Government, would be determined by the tax brackets of those who take the deduction.

A tax credit, on the other hand, is an allowance taken from the final tax liability itself. It operates in such fashion that every taxpayer, large or small, would derive the same benefit for the same amount of contribution. The revenue loss to the Government is a function of the number of contributions made and credits sought on tax returns, not of income levels or tax brackets. If a \$10 tax credit were allowed for example, every contributor, regardless of income, would be entitled to subtract up to the credited amount from his total tax bill.

A tax credit, in my judgment, is more equitable and would be more appealing to the average citizen.

You have before the committee several bills proposing tax credits, tax deductions, or both. As Senator Williams pointed out and Senator Morton stated, it may be necessary to form a combination of these things to arrive at the best solution.

In addition, there is S. 3496, which would authorize the direct appropriation of funds from the Treasury to help defray the costs of presidential campaigns.

I am a little fearful about this provision, because I think it is more than just a problem of the cost of presidential campaigns; even though Senator Long did point out that if the presidential campaigns were adequately financed, then other efforts could go toward the raising of funds for congressional campaigns.

I am not here today to criticize any of the specific measures pending before the committee and readily admit that the subject of tax incentives for campaign contributions is so broad and complex that I and all Members of the Congress must remain flexible in our judgments so as to achieve the most effective and responsible legislation.

I am delighted that this long-needed reform, which would deal with the political realities of the second half of the 20th century, appears to have gained great momentum during the current session of this Congress. Certainly the subject of campaign contributions is one which has needed overhauling for a generation, and it is my hope that the fresh concern which has been expressed this year will result in the adoption of a specific plan of action. I am certain the committee will want to explore every possible opportunity to achieve the desired results. The committee may wish to revise or combine the several proposals now before it.

It may be that an alternative formula allowing either a tax credit of not to exceed \$10 or a tax deduction of not to exceed \$100 would better serve the interests of both our citizens and our Government.

However, at this time I believe that a tax credit is the better choice and would commend to the members of this committee title IV of S. 2541, a bill which I introduced last year and which recently was reported from the Committee on Rules and Administration. That bill is essentially an election reform measure, but title IV provides for a tax credit of one-half of the amount of a political contribution, but not to exceed \$10 for any taxable year.

The tax credit provision in my bill would permit the tax credit to be applied to any contribution made to:

- (1) An individual whose name is presented for election as President of the United States, Vice President of the United States, an elector for President or Vice President of the United States, a Member of the Senate, or a Member of the House of Representatives (including a delegate to the House of Representatives) in a general or special election, in a primary election, or in a convention of a political party, for use by such individual to further his candidacy for any such office; or
- (2) to a committee acting in behalf of an individual or individuals described in paragraph (1), for use by such committee to further the candidacy of such individual or individuals.

Any political contribution would be allowed as a tax credit only if verified in such manner as the Secretary of the Treasury or his delegate should prescribe by regulations.

Now, I heard an objection made earlier that this might result in undue influence if an individual had to disclose on the form what particular candidate or what political party he was contributing to. I think the Treasury Department could certainly work out some method of reporting or claiming a credit without running the risk of disclosing to computers what political leanings the particular individual has.

The Subcommittee on Privileges and Elections—

The CHAIRMAN. Might I say, Senator Cannon, on that point, there are some States that have laws that require you to file a copy of your Federal income tax along with your State income tax so they can cross-check you. In a State of this sort, if a Governor wanted to, he could just go over there and make that tax collector pull that tax form and find out how you voted.

Senator WILLIAMS. Or he could save himself a lot of trouble and go over to the election board and make them tell him how everybody is registered. So I think that argument would not stand.

Many people make contributions on both sides of the fence anyway.

Senator CANNON. I was going to say, you know of the study that was made a few years ago by the Subcommittee on Privileges and Elections. I do not believe the report has ever been officially adopted by the Senate, it was obvious that a number of big contributors were giving to both political parties. In other words, they were helping on both sides of the fence.

Senator WILLIAMS. I have always felt that in many of the States' registration, it should not be required for a man to state how he intends to vote in a general election or cast a vote. But nevertheless that is the law in most States, and in our State.

The CHAIRMAN. Let me tell you what I have in mind. I am not talking about a theory, I am talking about a fact. I am not saying the law couldn't be amended to correct that. You might find a way to get around this.

The State law requires you to file this Federal income tax, a copy of it, along with your State income tax, so they can see if you are telling the Federal Government the same thing you are telling them. All that Governor has to do if he wants to find out how you voted, who you contributed to, is go over and—

Senator WILLIAMS. He still does not know how you voted. He only knows how you contributed. He can find out today how you are registered.

The CHAIRMAN. I agree, but Senator Morton just got through saying that a man who contributes money to you is going to vote for you. If he feels that way, he is going—

Senator CANNON. Some of these people are going to have a difficult time, because they have contributed to both sides.

Senator CURTIS. Is not the thing that we want to encourage for people to make a contribution in support of the governmental principles in which they believe? And I think that it would be just odd to say that you can have a tax benefit for having contributed to your church or to a hospital, but you do not have to disclose what it was. I do not think that this secrecy is necessary at all. I believe what we want to encourage is that people with convictions and principles and a desire to participate in governmental affairs get a tax credit and not necessarily are we concerned about the individual who is contributing for the purpose of currying favor on one or two individuals.

Senator WILLIAMS. If his contribution is made to a candidate and he is ashamed of having made that contribution, he is better to have kept it in the first place.

Now, I gather that the Senator is endorsing, more or less, the idea that a tax incentive at least be coupled with it. A proposal along that line was introduced by me in February under S. 2965. It suggested that 70 percent of the first \$25 be a tax credit and the other \$75 be a deduction, with no particular provision, as you stated, being wedded to the figures; it is more or less the principle.

I, too, was inclined to think that if you could have a flat tax credit on the first \$10 or something, it may be a greater incentive. But regardless of that, I do think we have a problem here. One thing that intrigues me and interests me very much on the contribution side of it, or the tax incentive either, putting that on the tax return, we would have eliminated automatically 90 percent of the problem we now have on actual and factual reporting by the various committees that have been created at State, National and local levels for raising campaign funds for individuals. Because if you once adopt this tax credit system or a deduction system, either, where John Doe is putting on his tax return that he made a contribution to Mr. X as a candidate, Mr. X has automatically to file an accurate return of all of his contributions, because he knows John Doe is going to claim that particular contribution on his tax return. The Treasury Department, in relating your contribution to my campaign, would examine my reports as filed on my campaign expenditures. And if I had not included your contribution, I would be in income tax trouble automatically.

So I think that the reporting requirement as provided for in the bill before the Rules Committee that was considered and recommended by the President and which applies to all of the committees, regardless of whether they are constituted at the local or State level, is very important. I support it wholeheartedly. Nevertheless, once we adopt as a part of our revenue laws an allowance for contributions to political parties or to candidates or to political committees of our choice, that party and that committee must, in self-protection, make an accurate reporting of all of their income and expenditures in order to protect themselves against the charge of tax fraud.

Would that not automatically follow, to a large extent?

Senator CANNON. Yes, it would be very true, the statement the Senator has made. Of course, accordingly, it would require a modification of our present election laws. They are completely unrealistic. The limits on amounts that can be spent by the national committees, the limits on amounts that can be spent by Senators, candidates for the Senate and candidates for the House of Representatives—these result in the devious methods of creating multiple committees and operations of this nature so that the candidate himself is not technically in violation of the law. It is one part of a very broad reform of the election laws along with this particular action on tax incentives.

Senator WILLIAMS. There is no question about that, and I think that should be done. But the point I am making is that this would force us in that direction, because all of this multitude of committees, in self-preservation, would have to file an accurate return because they would know the contributors were going to claim it as a tax credit and they would have to be sure that all of that money which was claimed on somebody's tax return throughout the country would be reflected in their reporting.

So I think this would force us over into complete, detailed, accurate reporting on the part of all committees, whether it be at the National or State level. I think that was one of the suggestions embodied in the contributions.

The tax incentive would force us into that position where we would have to have public disclosures of all contributions and expenditures.

Senator CANNON. As I said, I am not wedded to this proposal. The Subcommittee on Privileges and Elections has given much attention to this and other subjects which are part of the overall problem. Basically, I think there is more agreement than disagreement on our twofold objectives, which are, first, to attain the broadest possible voter participation in campaign financing, and, second, to diminish the financial obligations or indebtedness to which many candidates may be vulnerable under our present system which, in the context of our changing society, favors the large contributor.

It has already been pointed out the way the campaign costs have increased. I heard Senator Morton answer to Senator Anderson in response to a question as to whether or not it was because of the high cost of television. He seemed to lay the blame on many other things. And while it is in part based on many things, I think the high cost of television is the one factor most directly responsible for the rising cost, the tremendous rise in costs at the present time.

Senator ANDERSON. Senator Cannon, you and I may have different viewpoints than Senator Morton, because in our States, they are sparsely populated and you can get them around a television set very quickly, whereas in Kentucky, you can pick out pockets and be in front of people in a short time. I remember a representative of one of the New England States said he was never more than 30 minutes away from his farthest voter. At that time, it took us 2½ days to get across the State by train.

Senator WILLIAMS. There may be a need for additional legislation in addition to any of the measures proposed here to really correct this problem. The question may be asked, why do not some of the proposals that the chairman of the committee or some that I have

introduced embrace public disclosure? What comes under the jurisdiction of other committees. That is the reason this has to be done separately, yet they should be considered as a package, because all of them together are tied together and it is essential if we are going to make one step, we take all of the steps to clear up this particular problem.

Senator CANNON. The Senator is certainly correct. I am sure that this committee will give careful study to all the proposals pending before it directly toward accomplishing the most good for our citizens and our Government in recommending legislation. While S. 2541 is not officially before your committee, I certainly hope that you will give title IV of that bill the benefit of your consideration during the course of your inquiries and deliberations.

As I said before, I am not inflexibly wedded to that. Senator Williams' proposal was somewhat similar. I proposed a 50 percent tax credit. I think yours was 70 percent.

Senator WILLIAMS. But I would not care whether it is 50 or 70 percent.

Senator CANNON. Maybe a part tax credit and part deduction. But I think the main point is that we are pretty well in agreement that something has to be done.

As Senator Williams has well pointed out, if we act in this area, then we are concurrently going to have to take action to modify the other provisions of the election law, and many of those measures have been submitted. I have stated, and Senator Curtis is well aware of it as a member of the Rules Committee, that we intend to hold further hearings on the proposals that are before us going into some of the particular provisions that my bill, S. 2541, does not cover. That bill is identical to one that was introduced a number of years ago. We had long hearings and finally came out with a bill that we thought we could get passed. We got it past the Senate, but in the process had to drop the tax provision, because it was subject to a point of order by the Finance Committee. We were hopeful then that the House committee would act on it and I urged the members of the Administration Committee over there to put the tax credit back in and thought they were going to do it, but they never did take any action at all. So we had our hands tied over a period of time.

Senator WILLIAMS. Recognizing that responsibility is the reason that tax credit or tax deduction, whichever we decide on, is before the committee and the plan is to see that it is offered as an amendment to a bill which will be reported by this committee, which is the only manner in which the Senate can proceed on that particular point.

The CHAIRMAN. Senator Cannon, I want to bring up a practical thought here and throw it out for your reaction. The thought occurred to me that if we passed one of these plans to make it easier to finance senatorial and congressional campaigns, it is not going to be too popular in the other body. The reason I think that is we have a lot of outstanding people in the House who have to run every 2 years and who frequently have no opposition. One reason they do not is because it costs their opponent money to run against them. If they make it very easy to raise this money by enacting a tax stimulant it just might be that they will be guaranteed a first-class hustling opponent every time they run for office every 2 years.

Senator WILLIAMS. Which would be good in many instances.

The CHAIRMAN: Yes, but I am not sure it would be popular over there. The House made us back down on a deduction we passed in 1964.

Now, I notice that a man went all over the State planning a campaign against my senior colleague. After he made the rounds, and talked to all the politicians, he issued a statement saying he had decided not to run because he could not raise the money to make the campaign.

A Congressman from Texas recently sent out a solicitation to see how much money he could raise. He went on television saying, if you want me to run, send the money in, but I have to have at least a quarter of a million dollars to get going. He could only raise about \$50,000, so he decided he would not make the race. I think you are probably familiar with that.

As a practical proposition, I do not know whether our friends over on the House side want us to pass a tax stimulant to help them finance their campaigns because it also helps their opposition to finance.

Senator WILLIAMS. There are a lot of people who would not want to pass a bill that would automatically require public disclosure of all the receipts and expenditures. But nevertheless, the time is long overdue for us to approach it. I do not think that in solving this problem or trying to reach a solution to this problem, we should try to adopt a plan which will perpetuate the incumbents in office and prevent anyone from trying to replace some of us. We are not indispensable, any of us. I think this democratic system of government has as much duty to give the opposition an equal opportunity to express his philosophy of government as to why some of us as incumbents should be replaced, as we do to pass a bill which will help perpetuate ourselves in power. Otherwise, I think we defeat the whole purpose for which we are here.

The CHAIRMAN. All I am saying is that is just one of the practical problems. I just threw it out there because I thought you might want to give us your reaction to it.

Senator CANNON. Of course, you have indicated that that may be a problem in the other body. I would not undertake to attempt to speak for them. But I would say along the lines of Senator Williams' statement, I think the point we are trying to get at here is that the high cost of campaigns should not necessarily give somebody a vested interest or a vested right to stay in office, let us say, simply because nobody else can raise that amount of money to run against him, because then we get back to the old philosophy that only the very wealthy can ever be in office in this country, can afford to be in office. I do not think that is the basic principle upon which our political system is founded, and I think you have to devise some method so that anyone who disagrees can have that right or the opportunity, at least, not to be precluded from making an attempt simply because the costs are high and they have no way of raising those funds.

The CHAIRMAN. One thing we have not discussed at all, Senator Cannon, is the possibility of giving a man a deduction or a tax credit with regard to money he spends making his own campaign. It always seemed to me that that is the most sincere money that goes into a man's campaign, what he puts up out of his own pocket to pay his campaign expenses.

Senator WILLIAMS. Again if you adopt that proposal, a man who has a hundred million dollars can very easily put a million dollars in his campaign to elect himself as a Senator or Governor if he can

get that as a tax credit. You will end up with a situation where you will have nothing but multimillionaires able to run a campaign. That again is exactly what we are trying to get away from. We do not want a situation where a man has to be able to put up a million dollars for the governorship or the senatorial nomination from one of our large States, or in any State.

I think that whatever solution we write out here, we have to get some solution where a man can attract the imagination of the people so that they are willing to put up their \$5 and help finance his campaign. We need some method where that man can move out of the unknown and sell his philosophy of government and the people can get behind him if they want to, put up their money and elect that man and get the same credit as if they are trying to perpetuate the incumbent.

I personally would not support any of these proposals if it does not extend to our opposition the same benefits and opportunities to replace us that we have to continue ourselves in power.

The CHAIRMAN. Might I say with regard to the suggestions I made about allowing a person a credit or a deduction against his own income taxes for expenses he spent in seeking public office, if you did it just with regard to Federal officials—Congress, Senators—and you limited that, let's say, to \$3,000, \$5,000, you would not have the same problem you are talking about in connection with the millionaire.

Incidentally, Senator Cannon, I think you do tend to agree with the idea that it would be best that in the financing of a campaign, a man elected should be equally indebted to all the electorate rather than have a special obligation to an economic segment of the country?

Senator CANNON. Absolutely, I agree with that.

Although I pointed out that Senator Morton made a very good statement on that, that people generally, when groups or people support you, they do not support you for what they think you are going to do for them or what they are going to get out of you; they do it because they agree with the type of philosophy that you represent or they disagree with that which your opponent represents, and not on that narrow self-interest base that some people have indicated.

The CHAIRMAN. Here is one thing that does concern me about these tax credit and tax deduction proposals. Applied to the professional group like the doctors who have been making a tremendous effort against the medicare proposal, for example, it would work very well for them because they could take this deduction and it would be worth, perhaps, anywhere from 50 to 70 cents on the dollar as a deduction, or more as a tax credit. But on the other hand, you do have old people, perhaps 19 million, who pay little or no income tax. For those people, a tax credit or even a tax deduction is rather meaningless as an incentive because they really do not pay Federal income tax. The suggestion I make does get those people, on a vote-for-vote basis, the same power or same influence, at least for one election, that everybody else has. It does tend to reach those people you could not reach with a tax credit.

Senator WILLIAMS. Of course, one solution would be to stop the propaganda of private interests and at the same time, stop the Federal Government from using the taxpayers' money to propagandize their side of an issue and instead to vote for a proposal on its merits, rather than on the basis of who could put out the most propaganda.

Senator CANNON. I think if it got to the issue of which side put out the most propaganda, we are well aware of what happened there. I think that issue that Senator Anderson handled so well was passed on its merits.

But Senator Long makes a good point on the point that there are a lot of people who are not required to pay any Federal income tax. Of course, they might still be willing to enter into these campaigns and support someone they believed in. His proposition in that respect would give perhaps a broader coverage or a broader opportunity for coverage, even though they are not paying for part of it, than some of the others, although that particular proposal I do not favor, because I think it only gets to a part of the problem, as I say. You can talk about the presidential elections. This is only a part of it. I think you have to consider all of the Federal elections that are involved.

The CHAIRMAN. Let me just ask one more question with regard to the tax credit and the deduction. How do you propose to be sure that the person actually made the contribution?

Senator CANNON. This is a matter for the Internal Revenue Service, or Treasury, to devise a reporting form or receipt form. They have methods of checking now on deductions that are claimed and in some cases require people to verify them. I am sure they could work up a satisfactory system that would eliminate any broad abuses of it.

Senator ANDERSON. All they have to do is follow the present rules and systems of it, when you file the income tax, how much did you give to the church, how much to this. You have a record of every one of them, if you are going to be careful at all of your funds. This would be the same way, you would keep track of it. You have no trouble keeping track of donations, because the State requires the same form, almost, as does the Federal Government. It could be made that easy.

Senator CURTIS. Mr. Chairman, I would commend the distinguished Senator from Nevada for the work he has done toward improving our election laws. Many proposals have been made. I think all of them have a great amount of merit. The Senator from Nevada has advanced a bill that is possible to administer. It would make very definite improvements in our election laws.

Is it not true, Mr. Cannon, that one of the objectives that your proposal would be to make it possible to carry on a campaign without resorting to devious methods or a multiplicity of committees in order to be able to handle enough money to carry on an honest or a thorough campaign?

Senator CANNON. That is very correct. I want to thank the Senator for his kind remarks. Senator Curtis served on the Privileges and Elections Subcommittee with me for a number of years and was of great assistance in trying to correct some of these abuses that now exist. This is a step along the way. It may not be the ultimate, but certainly, we are trying to proceed and we have a difficult time making any progress at all. But you have to take these steps. You have to learn to crawl before you can learn to walk.

Senator CURTIS. Is this not true, that while there are contributions and expenditures that very justly should be criticized, on the other hand, there are millions of people who make a political contribution at the present time who do so motivated solely because they want to support the political principles and the governmental principles in which they believe?

Senator CANNON. The Senator is absolutely correct.

Senator CURTIS. And isn't it also true that many thousands of individuals serve as solicitors of political funds and as treasurers of committees who do so without any ulterior motive?

Senator CANNON. Absolutely. These people have no interest other than a like for a candidate or a party and a willingness to involve themselves and participate in the election process.

Senator CURTIS. Yes. And while we must devise means to eliminate practices that smack of corruption or something that is not in the public interest, it is also important that we not weight down the giver or the individual who solicits the funds or the local treasurer that handles them, with such redtape that it becomes harassment; is that not true?

Senator CANNON. That is absolutely correct. You are going to hear more on that from one of your witnesses here. I read Mr. Barr's statement earlier today and I was rather amused by the point that he is going to tell you—that when he served as treasurer of a political committee, he was mighty glad when the statute of limitations had run, because there are a lot of inherent difficulties in the system now—and as Senator Curtis pointed out, we do not want to discourage people from participating in this type of activity, because it is good for the country, good for the political system; and it is good for the people who are engaged in running for public office.

Senator CURTIS. What we seek is not only fair tax consideration to encourage a broad participation but that the other requirements, with reference to reporting and so on, should have as their objective the encouraging of broad participation in political activities; is that not true?

Senator CANNON. I think that is one of the key objectives, as I indicated, to get as broad a participation in political activities as we can. If you get a person interested even to the extent of making a \$10 contribution, you know that he is going to be very interested in the election and in the outcome of it. You are not going to have to worry, as was indicated earlier, about getting such contributors to the polls. You know that they are directly involved in the election, and they are interested in the Government and its programs.

Senator CURTIS. Do you believe that someone who can well afford to make a large contribution and who does so without any ulterior motives at all should ever have to take a chance on being subject to public ridicule in the press or otherwise for having supported the principles in which he believes?

Senator CANNON. No. I absolutely agree that a person should not be.

Senator CURTIS. I think that is true. I think that while we may gain a considerable number of contributors by these methods, and I am all for that and support it; at the same time, some of these national campaigns are like building a church or a library or a hospital. They require a lot of small donors, but they also require some medium-sized donors, and they also require some people to give a little more, because they should give more. Many of the large donors—not all of them—will give without any ulterior motives or without any expectation of making demands upon Government or upon officeholders.

Senator CANNON. I certainly agree with you, Senator, on that statement.

The CHAIRMAN. Thank you very much, Senator Cannon. Let me, as a member of this body, thank you for the fine service you are performing on the Rules Committee. Sometimes I feel those of us in this body have been very unfair in putting such heavy burdens on the Rules Committee. I think we have given you as many difficult tasks and thankless chores as it would be fair to impose on anyone. You and your members on that committee have done a magnificent job, and we are very proud of the wonderful job you have done for the Senate in trying to improve our election laws and also to improve our procedure here.

Senator CANNON. Thank you very much. I appreciate it.

The CHAIRMAN. Senator Clark is testifying elsewhere.

Senator Smathers has a statement here. I would like to ask that Mr. Vail read this statement, starting at the second paragraph. Senator Smathers has introduced a bill and has given quite a bit of thought to it.

**STATEMENT OF HON. GEORGE A. SMATHERS, A U.S. SENATOR FROM
THE STATE OF FLORIDA, AS READ BY TOM VAIL, CHIEF COUNSEL,
SENATE COMMITTEE ON FINANCE**

Mr. VAIL (reading). Mr. Chairman, S. 2006 which I introduced on May 21 and which is in line with the recommendations of the President's Bipartisan Commission on Campaign Costs would be an important step in enlarging the role of the average voter in the selection of public officials.

Federal law has yet to provide the means for widening the base of financial support for political campaigns. We have heard over the years many sound arguments for widespread financial support, but thus far there have been no legislative enactments to further this cause.

Legislation providing a tax incentive to small contributors is necessary to meet the costs of modern political campaigns without "inviting the undue influence of large contributors," as the President put it in his message of May 26, 1966. It is equally necessary if we are to reach the goal of encouraging our citizens to more actively participate in the political process.

In my opinion, Mr. Chairman, wider public participation in campaign financing is as important to the American political process as efforts to increase registration and to get out the vote.

We have, for too long, heard the oratory about broadening political financing and, for too long, we have effectively tuned out the message.

Each year it becomes more apparent that expanded sources of financing campaigns are necessary because the costs soar ever higher. Yet we have done nothing to enlarge the role of the average voter in selecting public officials; we have done nothing to assure men of modest means that they can seek public office without relying on the largess of a few wealthy contributors.

These issues go to the very heart of a free society. We dare not delay any longer.

As Prof. Alexander Heard, dean of the University of North Carolina Graduate School and former Chairman of the President's Commission on Campaign Costs, wrote in a definitive book on the subject:

* * * campaign expenditures must be recognized as vital to the American way of choosing public officials. The expenditures are inherently neither good or bad, neither high nor low. They are simply necessary. And in the United States they can easily be met.

They can most easily and fairly be met, I submit, through tax incentives such as are embodied in S. 2006. This bill would do two things:

One. Allow a maximum tax credit of \$10 per taxable years per individual or \$20 in the case of a husband and wife filing a joint return.

Two. Allow, in the alternative, a maximum tax deduction of \$500 for any taxable year.

The taxpayer would be able to elect whether he would take a tax deduction or a tax credit. In this way, the proposed bill would provide equitable treatment to all our citizens, irrespective of their tax bracket.

This is positive legislation—not prohibitive. And while I am aware that there are several alternative approaches to the manner in which legislation should be enacted to stimulate widespread contributions, it is my belief that S. 2006 provides greater equity by offering the choice of a tax credit not to exceed \$20 per couple or a deduction not to exceed \$500.

To those who would be reluctant to adopt this new approach to an old problem, let me say that encouraging donations to support political campaigns through the tax law is not altogether unknown. Several States have had laws for some years permitting deductions from personal income taxes for political donations. Minnesota adopted such a law in 1955 and California so acted in 1957. I would remind the distinguished committee that the late President Kennedy, in an April 30, 1963, letter to the President of the Senate, urged Congress to give prompt and favorable consideration to a proposal like the one which I have introduced.

I now make a similar urging to the committee to act favorably upon a measure such as S. 2006. I am confident that contributions by the public to persons seeking political office will be greater and the American political climate will be made healthier by the passage of this bill.

The CHAIRMAN. Thank you very much.

Mr. Joe Barr, Under Secretary of the Treasury, is here to explain the Treasury position on this bill.

I notice you are accompanied by Mr. Surrey, Mr. Barr. I am happy to see you brought the first team up here.

STATEMENT OF HON. JOSEPH W. BARR, UNDER SECRETARY OF THE TREASURY; ACCOMPANIED BY STANLEY S. SURREY, ASSISTANT SECRETARY OF THE TREASURY FOR TAX POLICY

Mr. BARR. Before I begin my testimony, Mr. Chairman, I want to assure the committee that I do not want to shatter the feeling of harmony that has been displayed by the committee members this morning. I know I speak for the President when I say that his desire to do

something in this area is equal to yours. The plan he has proposed is a tax incentive plan. As Senator Williams pointed out, it might take a combination of this plan with other plans to accomplish the desired objective. The only thing I want to recommend to you is that you continue this study you have started and, in doing so, I hope that you give serious consideration to the plan the President put forward in his message to the Congress on this subject.

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you to present the views of the Treasury Department on the problem of Federal support for political campaign financing. An appropriate solution to this problem is vital to the integrity of political fundraising and to more meaningful participation by the electorate in the political process.

I am not without some personal experience in this whole subject. I served as the treasurer of the Marion County, Ind., Democratic Central Committee from 1952 to 1956. I served as the treasurer of the Welch for Governor Committee in 1956. I, of course, was subject to the current laws governing political contributions while I served as a Member of the 86th Congress.

It is my personal opinion, and not necessarily the view of the Treasury or of the administration, that the most dangerous thing an American citizen can do in public life is to act as a treasurer for a political party. One may have the best intentions of the world, but the unreality of present law and the contradictions that it contains literally constitute a beartrap for the most honest of citizens. I will confess that never was I so relieved when the statute of limitations ran on my tenure as treasurer of a political party, in spite of the fact that I felt at the time that I was performing a service that was necessary to the proper functioning of the election processes of this country.

I have learned that one can be defeated as a Congressman without destroying his reputation or his credit worthiness. A reasonable amount of prudence should keep one from the perils of impeachment while serving as Under Secretary of the Treasury. The occasional disagreements and attacks which are the natural results of public service can be borne. However, the hazards to which an honest and conscientious man exposes himself when he acts as the treasurer of a political party are in my opinion almost unsupportable. Therefore, I speak not only for the administration but with a great degree of personal prejudice in the hope that something can be done in this extremely important, but extremely difficult area.

For many years it has been recognized that existing Federal laws pertaining to restrictions on, and the disclosure of, political campaign finances have been ineffective. At the same time the soaring costs of campaigns for elective public office have contributed to the circumvention of present limitations. Because substantial campaign expenditures, in this age of mass communications media, are necessary to insure the existence of an informed electorate, it is important that a coordinated solution to both problems be found.

Recognizing the importance of these matters to the basic fabric of a free society, President Johnson, in his state of the Union message, stated:

As the process of election becomes more complex and costly, we must make it possible for those without personal wealth to enter public life without being obligated to a few large contributors.

Therefore I will submit legislation to revise the present unrealistic restrictions on contributions—to prohibit the endless proliferation of committees, bringing local and state committees under the act—to attach strong teeth and severe penalties to the requirement of full disclosure of contributions—and to broaden the participation of the people, through added tax incentives, to stimulate small contributions to the party and to the candidate of their choice.

Pursuant to this pledge, the President submitted to the Congress a proposed Election Reform Act of 1966. This proposed act would invigorate the laws concerned with the disclosure of political contributions and expenditures as well as the limitations on political contributions. The proposals are designed to obviate the possibility that small groups of affluent men can, by their wealth, achieve undue political influence.

An affirmative approach is also necessary to insure that political parties and candidates will have adequate financial resources derived from large segments of the population. Accordingly, to complement the other proposals contained in the election reform legislation, the President has recommended a tax deduction for political contributions.

This tax incentive serves the primary purpose of encouraging greater public participation in the political process and thereby reducing the dependence of elected public officials on wealthy contributors.

A deduction from gross income, not in excess of \$100 per year, would be allowed to individuals for qualified political contributions. This maximum would be \$50 in the case of a married individual filing a separate return.

Since the deduction would be available even to those taxpayers who claim the standard deduction, the incentive has a potential effect on all taxpayers, and not only to the 50 percent of taxpayers who itemize their tax deductions. This is consistent with the need to stimulate broad public participation in the political process.

The proposal would apply to contributions made to any organization organized and operated exclusively for the purpose of influencing the election of one or more individuals to any public office, and to any candidate for any elective public office, whether at the Federal, State, or local level. Qualified recipients of deductible political contributions would, therefore, cover the spectrum of political office. This approach should foster the full and free discussion of governmental affairs which is basic to a democratic system.

It is estimated that the revenue loss which would result from enactment of this proposal would be approximately \$50 million in a presidential election year, and would average \$25 million over a 4-year cycle, from one presidential year to another.

The extent to which this proposal will increase campaign funds cannot be accurately estimated. We believe, however, that the favorable attitude of the Government toward political contributions manifested by this proposal will encourage small contributions. It should also encourage political organizations to devote greater efforts on small contribution fundraising.

We recognize that other possible solutions to this problem have been suggested. The distinguished chairman of this committee has introduced a bill which would provide funds to political parties for presidential campaign purposes by direct grants computed on the basis of popular vote. Others have suggested a matching incentive plan under which the Government would pay directly to political parties or

candidates amounts equivalent to small contributions they receive. These hearings provide an opportunity for public discussion and evaluation of all reasonable proposals. Our goal is a common one—to provide the best methods possible to achieve the desired results.

I want to make clear that the problem of incentives for political contributions is directly tied to the needed reforms in our obsolete laws dealing with the disclosure of, and the restrictions on, campaign finances. Increased levels of political contributions and greater participation in political affairs, absent necessary safeguards in the public interest, would only intensify the existing problems.

Therefore, we urge the Congress to enact the balanced program set forth in President Johnson's proposed Election Reform Act of 1966.

The CHAIRMAN. One or two thoughts occurred to me about this proposal, Mr. BARR. I wonder why we want to provide a Federal deduction to stimulate the financing of local and State elections? Why not just let the State worry about that? It would seem to me that the cost of running a race for county commissioner or mayor of a small city would more appropriately be a matter of State concern, not national concern.

Mr. BARR. Mr. Chairman, I agree that this is a debatable issue. However, it was our conclusion that this whole area of public morality and the influence of contributors on political candidates was of such overriding importance that we were willing not merely to confine ourselves to the Federal level but to extend this benefit to the whole spectrum of political activity.

Senator CURTIS. Mr. Chairman, would you yield to me right there?

The CHAIRMAN. Yes.

Senator CURTIS. Is it not also a matter of practicality in claiming the deduction and handling it? I am referring to the case of a local committee which raises funds and they support the county candidates, the State and the national candidates. It would be most confusing for a taxpayer to have to allocate a \$10 contribution to find out what portion of it went to Federal candidates. Is that not true?

Mr. BARR. That is a practical difficulty, Senator.

Senator CURTIS. I think it has to go to all of them.

The CHAIRMAN. Well, suppose a fellow running for mayor in a primary campaign just raised a world of money over and beyond what his actual expenses were, sticks about half of it in his pocket and keeps it. Then that puts you in the business in the Treasury of tracking that fellow down, getting an accounting from him, putting him in jail for a primary—

Senator WILLIAMS. You are already in that business, are you not?

Mr. BARR. Yes, sir; technically. Senator Long is referring to primaries. Actually, Senator Williams, it is extremely difficult for the Internal Revenue Service to audit all the primary candidates in this country. I cannot claim a performance of 100 percent.

The chairman has pointed out something that has intrigued me for many years. I think the best way to make money out of politics is to be in active contention for elective office and not get elected but save the money you do not spend.

The CHAIRMAN. I know a politician running for office right now in my State. How much does he owe you? About a quarter of a million dollars, something like that or is that a secret?

Mr. BARR. I think I prefer not to comment on it here, Senator.

The CHAIRMAN. He owes you a great deal of money, does he not?

Mr. BARR. I am not aware of this person you are talking about.

Senator WILLIAMS. Whether he is a candidate or whether he is not, he owes the money and your job is to collect it and you will be collecting it.

Mr. BARR. That is right.

Senator WILLIAMS. At least you should be collecting it.

The CHAIRMAN. Let's talk frankly about what I have in mind. I would say the politician is about as honest as the average businessman, not a lot better, not a lot worse. We have some bad apples in our business, so does the business area, so do labor people, so does everybody else.

But there are people raising money for campaigns who when the campaign is over with, hope to have some of it left to put in their pocket. If it is not deductible for the fellow contributing it, they do not report that, they do not report how they spent that or how much they have left over.

It does occur to me that if we do this, this is going to put the Federal Government into investigating practically every election that takes place and insisting upon an accounting and running that money down and finding who put it up and how was it spent and what was left over.

Mr. BARR. You do point out a difficult point, Mr. Chairman. In this bill we have coupled disclosure in the Federal elections with this tax incentive. We do not have the power, of course, to govern the disclosure rules of the States and local candidates. That is a difficulty that you have pointed out. We are aware of it. It was still our balanced opinion that the overriding importance of supporting the whole spectrum of political activities overrode the valid point that you are making.

The CHAIRMAN. If I might just address myself to this, the point I am getting at here is when you seek to allow this deduction in purely local elections, in State and city and county elections, then you cannot administer it properly unless you put a disclosure provision with it. So then when you get your disclosure provision in there, that then puts you to doing something that I doubt you have the constitutional right to do, and that is to require disclosure and regulation of a purely local election. You would be using a Federal tax gimmick to do something which is really not within the proper cognizance of the Federal Government.

Mr. BARR. I would agree, Mr. Chairman, that in my opinion we do not have the constitutional right to require disclosure in State and local elections. Consequently, I think our case for extending this tax benefit to the State and local elections is weaker than the case for Federal elections. However, we think it still should be made.

Senator WILLIAMS. As you allow this deduction for a local candidate, while it may be true that you are not under the law requiring public disclosure, that would be up to the State, nevertheless, that local politician, in self-protection, would have to keep an accurate list of all the contributions he had received. Otherwise, the John Does who made those contributions, and claimed it on their tax returns, would in effect be reporting that man to the Treasury Department. And by

checking against his tax returns, you could pick up this Louisiana fellow you mentioned.

The CHAIRMAN. You will never get him in jail.

Senator WILLIAMS. But you can get him in jail if you enforce the laws, because if a man is a quarter of a million dollars short in his tax returns, we have tax laws to take care of those people. These corrupt John Does who are trying to stick this money in their pocket now would be opening themselves up and be under greater jeopardy with this bill than without it. That is one of the attractive provisions of my bill, because it would get them.

Mr. BARR. That is true. You are well aware of the difficulties of administering the tax laws in the United States. The only thing I would hope, and I would like the record to show at this print, is that we would not like to get the Internal Revenue Service into the business of policing political activity in this country. We would not want to use the Internal Revenue system as a substitute for proper disclosure laws.

Senator WILLIAMS. I am not suggesting that. But I am suggesting that in self-protection, you and I as John Does would have to keep such a record to protect ourselves against the possible charge of the Treasury Department that we had pocketed this.

Further, if this candidate is a candidate for national office, Congressional, Vice President or Presidential office, the Corrupt Practices Act already requires that he file a list of his contributors over here in our case with the Secretary of the Senate, a disclosure of the expenses and the money that has been collected and received. If I file a false report under this, after this is going, I would not know how many of the contributors would report my name as recipient of their contribution. It would be very easy for the Treasury Department to look at the disclosure list filed with the Secretary of the Senate and also check the reported claimed deductions of the various people, a few of them, on a spot check basis and they could very easily pick up the culprit that is evading it.

Mr. BARR. That is true, sir. It always used to puzzle me as a treasurer of a political party—I had had no political experience before taking that job. Some treasurers would come in with large bundles of cash. I would say, where did you get all this cash, and they would start listing lots of people down the line. I did my own spot checking on this and they seemed to have good stories because they checked out. But I often wondered if all the cash was coming from the places indicated.

The CHAIRMAN. If I might just ask another question about this, you would recognize that these 19 million old people—may not pay any Federal income tax—although they might pay a cigarette tax or a whiskey tax or a tax on beer or a tax on gasoline, indirectly, they might be paying some taxes. Now, the proposal that you have, sir, is of no interest to them. How do you justify giving a 70-percent advantage to a wealthy person and no advantage to a poor one?

Mr. BARR. Senator, as you point out, the proposal that we advanced this morning would apply to roughly half the people over 18 years of age in the United States—roughly 50 million out of the 100 million over 18. These 50 million people pay income taxes. Although 65 million people file tax returns, 15 million of them owe no taxes. You

are correct that this approach does not give any benefit at all to those not paying income tax. Despite this, however, it would affect 50 million people and is a way to get at 50 million people who are interested in the election process.

In answer to your question about the 70 percent factor, we have attempted to eliminate that by providing that a maximum deduction of \$100 is all anybody would get.

The CHAIRMAN. Every year?

Mr. BARR. Every year.

The CHAIRMAN. Do you think if your proposal becomes law, there are going to be many people making less than \$10,000 a year who will contribute to these campaigns?

Mr. BARR. Certainly the incentive for those making less than \$10,000 will not be as great as those in the higher brackets.

The CHAIRMAN. Frankly, I have done a lot of campaign fundraising, both for myself and for others, Presidents, mayors, just about anybody who had some interest in it, and sometimes I did not want to do it, but you just had to. A fellow helps you when you run for office; you just about have to return the favor. Generally speaking, I can hardly recall any campaign contribution I raised out of somebody who was making less than \$10,000 a year. I just wondered if that has been your reaction, trying to finance campaigns.

Mr. BARR. That is very true. As Senator Williams has pointed out, this proposal gets to about 50 million people. Your proposal, Mr. Chairman, gets to anyone who votes in a presidential election. Perhaps this is what you are going to end up with in this committee. I don't know. I would say, however, that we are asking you to carefully consider this extremely difficult problem. It might take a combination of both approaches, yours and ours, to meet the problem.

The CHAIRMAN. Thank you very much, Mr. Barr.

Mr. Williams?

Senator WILLIAMS. I understand that you are endorsing the proposal that was introduced as an amendment on August 8 to H.R. 13103, the so-called Williams-Johnson proposal?

Mr. BARR. In essence, but I should point out there is a slight difference. I think in your proposal, you provide that candidates must comply with all State and local laws. I find it difficult to debate that point. I would think that could be accepted.

The second difference is that under the administration proposal the contribution may go to any group that is organized exclusively to influence or attempt to influence an election. Under your proposal, the contribution must go, in effect, to recognized political parties already in existence.

Senator WILLIAMS. A slight modification on that point was made. It was called to my attention that under the administration proposal, an objective neither of us would endorse may be achieved. For example, the Communist Party could start a political action committee and become a tax-exempt organization, under the law proposal made by the administration. I do not think that was intended by either and I discussed it with some. This modification we put in redefining the parties confines it to bona fide political parties which can show they polled 10 percent of the national vote. That has the effect, without mentioning it, of eliminating a political action committee that may be

started, say, by the Communist Party or by any other so-called fringe group. I think we would be in agreement on that objective with that modification.

Mr. BARR. No, sir. Again, this is subject to debate, but the administration proposal covers contributions to a party such as the Liberal Party in New York which such contributions would be excluded from the provision of your amendment. You are correct that there is a possible objection to the fact that the Nazi Party, the John Birch Society and the Communist Party could possibly organize committees designed exclusively to influence or attempt to influence an election, back candidates, and still be qualified for the deduction under the administrative proposal.

Senator WILLIAMS. Do you endorse that?

Mr. BARR. I endorse the administration proposal, sir. I say this particular provision is open to debate.

Senator WILLIAMS. You endorse a tax deduction to the political action committees of the Communist Party?

Mr. BARR. We know no other way to get around this, Senator, without denying people the right to organize on a—

Senator WILLIAMS. Well, as one who upholds the banner of the President when he is right, I must say when he moves over in that direction, I am going to let him go alone.

Mr. BARR. The administration is not filled with as many people who have run for elective office as you have here in the Congress and this is a subject for debate. You have distinguished representatives from all spectra of political life on this committee, for example, the ex-chairman of a national committee and Senator Anderson, who was a political county chairman, I think in 1922. While this is the administration proposal, and it is the best we can do, we will be content to let you gentlemen debate this proposal.

Senator WILLIAMS. In other words, you would not be disappointed if we correct that defect?

Mr. BARR. I would be disappointed—but I would not be dismayed.

Senator CURTIS. May I ask a question?

Do I understand that under the administration proposal, the political action committee of a labor union could collect funds and disburse them to influence elections and there would be a deduction, even though it did not go through a political party or a candidate?

Mr. BARR. Senator Curtis, I would doubt that COPE, as it is organized now would qualify—I am just giving you an opinion without legal advice. I would think that they would have to form an auxiliary organization designed exclusively to influence an election, or several elections, before it would qualify.

Senator WILLIAMS. Which it would be easy to do by any organization, labor unions, Communist Party, John Birch Society, Nazi Party?

Mr. BARR. Yes.

Senator WILLIAMS. You could even have a committee for the assassination of a President, almost.

Senator CURTIS. But you would, I think, open up an opportunity for any economic segment of the country, whether it be labor unions, dentists, architects, or anyone else, to set up a political committee coming within the confines of your definition, spend all of their money to help elect or defeat candidates, and they would not be under the

jurisdiction of any political party, nor would any candidate have any control over them.

Mr. BARR. That is true. The proposal that we have put forward, Senator, applies to an organization designed to influence an election. They must support a candidate. You are quite correct, that they would not necessarily come under the influence or the discipline of a political party. As I say, this is the proposal that we have come forward with in an attempt to include all spectra of political thought, including those who do not want to operate within a political party.

However, I will state again that I agree that the degree of political expertise is sufficiently high in the U.S. Senate that you can work your will on this provision.

Senator WILLIAMS. Let me say the suggestion was made about a combination tax incentive. I have a proposal which would allow a tax credit for 70 percent of the first \$25. I would not care if it were \$10. Would you care to comment for the record while you are here, in connection with such a tax incentive plan and the problems you may experience in administering it? I am speaking of a direct tax credit under a bill introduced about a year ago. I proposed we allow 70 percent of the first \$25 as a tax credit and the next \$75 would be a straight deduction.

Mr. BARR. Yes, sir.

Senator WILLIAMS. Senator Cannon, I think, proposed a 50-percent tax credit for the first \$10. But that principle in general, would you comment on?

Mr. BARR. Senator Williams, as you are aware, the Treasury takes a rather dim view of tax credits. We have consistently opposed the proliferation of tax credits for several reasons—not the least of which is the question of priority as to which tax credit comes first.

Senator Curtis, I noticed, in the debate on the floor in June, raised this point, the question of tax credit.

Our position is clear. If a tax incentive is to be used in this area, Senator Williams, we prefer a deduction, but to make the deduction apply to at least 50 million people, it must be gross income. It cannot apply to the 25 million who do not itemize their returns.

Senator WILLIAMS. I am inclined to agree with you. After I had introduced this tax credit bill, you talked with me and explained your problems. That is the reason I subsequently introduced the proposal limited to a tax deduction. But I thought for the record, we should get that opinion in here.

Mr. BARR. Thank you.

The CHAIRMAN. I just want to say this, I hear a lot of criticism of the Federal Government, and I would like to say for the record that I have served in State government and also in Federal Government. In my judgment, with all the fault you can find with the Federal Government, my impression is it is still a lot more honest than State government, and that we do tend to get a higher quality of man. I think one reason is that some of the men we are getting, especially in Congress and even on your end, have been some of our best men in State government before they came to the Federal end. In many instances, it is a promotion.

For example, we have a lot of men who have been senators and representatives and generally speaking, those are some of the very

best. My impression is that the Senators and Representatives who served in the State legislatures and came here were the cream of the crop in the State legislature. So I think that while we can criticize the Federal Government, the States have an even greater problem than the Federal Government in trying to maintain a completely scrupulous administration. I am inclined to think we ought to let them work it out for themselves on their end and we work ours out.

There is one point. You fellows in the Treasury made a tremendous fight against Abraham Ribicoff's idea to aid education by tax credit. You said that was an inefficient way to do it, to go the tax credit route; let's do it directly. You can put the help where it is needed more and do a much more efficient job of it if you use direct Federal aid.

Then somebody, I believe Senator Ribicoff again, came up with this idea of going the tax route to clean up stream pollution. Again you said that is not the way to do it. Then this problem about air pollution. You took the same approach there. And most recently you said direct Federal assistance is preferable to the use of tax credits for providing training programs for employees.

What is your explanation as to why you would favor going the tax route on political financing rather than to go the direct appropriation route to pay the campaign expenses you think should be paid for?

Mr. BARR. The question is a good one and the recital of the record is accurate. We have opposed those other programs. The explanation here is that the other areas were narrow areas—at least they did not apply to all the people. This area applies to all the people in the United States, whether you have a child or do not have a child, whether you live near the water or in a desert, and so forth.

Secondly, it was the opinion of the administration that the importance of this question was so overriding that we were willing to make an exception in this one particular area.

The CHAIRMAN. Thank you very much.

Senator WILLIAMS. Mr. Barr, I understand that the administration would welcome an opportunity to have this proposal enacted at this session of the Congress?

Mr. BARR. That is correct, sir—this proposal or a combination proposal. This is not the law of the Medes and Persians.

Senator WILLIAMS. I understand that the administration has recommended a combination proposal including public disclosures and so forth?

Mr. BARR. Yes, sir.

Senator WILLIAMS. I agree that this particular tax proposal does not solve all the problem. However, the jurisdiction of our committee is limited to the tax proposal. Very properly, when the administration's recommendation was first introduced in the Senate and referred to the Rules Committee, I think I am correct in stating that it eliminated that portion of the President's proposal which dealt with the tax problem, because it would not come under the jurisdiction of the Rules Committee but would come under our committee.

Senator CLARK. If I could interrupt, Senator, I am a member of the Rules Committee and that is not correct. The entire bill went to the Rules Committee.

Senator WILLIAMS. Was it reported?

Senator CLARK. By a vote of 5 to 4, it was decided not to even hold hearings on it.

Senator WILLIAMS. Then I stand corrected on that point. It was the administration bill introduced in the House—H.R. 15317—which omitted the tax incentive. Our only opportunity here is to offer it as an amendment to a previously passed House bill, as you understand. I would prefer very much if we could get a chance to act on it, in a bill that was passed by the House after the House considers it first. In any event, I think we may have an opportunity here in this committee to consider it as an amendment to another bill the administration wants.

Mr. BARR. Senator Willams, as I have stated, we would like to see this legislation enacted during this session of Congress. But we would also like to see the other provisions of the package enacted, too. Senator Gore made a point in the debate in June that this, standing alone, could perhaps make the situation worse rather than improve it. We think the package would improve the whole area, this whole area that is so difficult. But standing alone, it could be difficult. So we are urging the enactment, Senator Williams, in this session of the whole package if possible.

Senator WILLIAMS. I am in complete agreement on the package, and in addition to that, the proposal that would take care of the solicitation of civil service employees, which would come under the jurisdiction of another committee. Perhaps we could get around this by offering all of these proposals as an amendment to the same House-passed bill, because in the Senate, we have no rule of germaneness, and perhaps on all of these proposals, we could have a general, open session and clear up all of these problems, or many of them, not only the ones that come under the jurisdiction of this committee. But when it gets to the floor of the Senate, it may be well to include all of them.

Would you recommend such a procedure in the Senate?

Mr. BARR. Not being a member of this body and very conscious of the constitutional division of powers, I will stand on my statement. We would like to see this package enacted. The tactics I will leave in the hands of you people.

Senator WILLIAMS. We will try to live up to that and give you the package down at the White House.

The CHAIRMAN. Thank you very much, Mr. Barr.

Senator Clark, we are happy to have you here. We know you are a very busy man. I hope you managed to get a quorum and enact the bill you are seeking to get for us.

STATEMENT OF HON. JOSEPH S. CLARK, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator CLARK. Thank you very much.

We did make some progress on the poverty program. I regret very much that as chairman of that subcommittee, I could not get down here to testify when I was scheduled to.

May I say I have been told that a consent agreement has been entered to vote on the McGovern amendment before 1 o'clock, so I would like to have permission of the committee to have my written testimony printed in full in the record, because I may not be able to get through it all before we have to go to vote.

The CHAIRMAN. Yes.

Senator CLARK. Could I say for the benefit of Senator Williams that the parliamentary situation with respect to election reform is fairly complex. Back in 1961 hearings were held in the Rules Committee on a bill sponsored by Senator Cannon. A couple of weeks ago, without further hearings and without any consideration of the administration bill, or indeed, of my bill, that Cannon bill was reported to the floor and is now on the calendar. Although the Rules Committee has no jurisdiction over the matter, it does contain a tax clause.

Senator WILLIAMS. The point that I was making, though, is that strictly speaking, not even the Senate Finance Committee can vote a Senate bill out and have the Senate consider it embracing a change in the Revenue Code. We can only change it by amending a House bill.

Senator CLARK. The Senator, of course, is correct.

Senator WILLIAMS. The point I was making is even if the Rules Committee were unanimous on the point, they could not, under our constitutional arrangement, report a bill embracing a change in the tax law and send it over to the House and have it considered as a Senate bill. You have to take a House bill.

Senator CLARK. The Senator is correct.

Senator WILLIAMS. That is the reason I was saying you will have to approach this as an amendment and not as a direct bill.

Senator CLARK. I think there will have to be a lot of thought given to the parliamentary tactics and also to the jurisdiction of the three committees. As I say in my statement, one area we certainly ought to consider very carefully is television and radio time and how you are going to handle that aspect of it. That, of course, would go to the Commerce Committee. So you would have the Rules Committee with partial jurisdiction, the Finance Committee with partial jurisdiction, even more limited, because it has to come out of the Ways and Means Committee in the House first, and the Commerce Committee in the other area. Perhaps this is something we ought to get that wizard, Senator Monroney, to work on. But as just a suggestion, maybe what we ought to do is take the totally inadequate Cannon bill which is now on the calendar, tie it up with some bill that comes over from the House and then amend it, so as to put into the bill when it is ready to be passed whatever suggestions you gentlemen come out with and what we can persuade the Commerce Committee to give some consideration to.

Senator WILLIAMS. I think you are right, and I was not discussing these points just to raise the jurisdictional question. I think the importance of this problem goes far beyond the question of whether it comes under the jurisdiction of the Finance Committee, the Rules Committee, or the Commerce Committee. This is a problem for all of us. I was only speaking from the standpoint that while we can solve in the Senate the jurisdictional problem between the Rules Committee and the Commerce Committee, we do have to recognize that the Constitution gives the House original jurisdiction on a tax problem, and we have to amend something that comes from the House before we can act at all.

Senator CLARK. The Senator is correct, but I would suggest that all of us who are interested in election reform should be alert to find some vehicle we could tack all these measures onto and thus comply with the rules.

Senator WILLIAMS. Either that or we can get a recommendation for the leadership that one bill follow the other so the Senate could get a vote on all of these measures. I think such a vote should be taken at this session of the Congress.

Senator CLARK. I think that is true, too, but may I say, sir, I feel pretty strongly that no bill should be brought to the floor of the Senate until some committee or some combination of committees has had adequate hearings on all of the areas. Therefore, I would urge this committee, even though it does not have jurisdiction to deal with anything except the tax provisions, to have a comprehensive hearing on all aspects of election reform so that when we come to the floor there will be printed hearings which will be available to the Members so that we will have an informed Senate to deal with.

Senator WILLIAMS. That is the reason we are here this morning, because it was generally recognized that even the chairman's bill did not strictly come under the jurisdiction of this committee. By unanimous consent of the Senate, we were given jurisdiction so we could hold hearings on all the proposals together.

Senator CLARK. In that connection, I would like to submit to this committee, if it has not already been done, S. 3435, which was introduced by myself at the request of the administration, and cosponsored by a good many other Senators, including a number of Republicans, so that this can be a part of your record and before you for such consideration as you may give it. It is now festering in the Rules Committee, which has refused to hold hearings on it.

I would also like to call the attention of the committee to my own bill, S. 1913, introduced on May 17, 1965, which is also festering in the Rules Committee. It is an amendment to the Federal Corrupt Practices Act and deals with some matters which are also dealt with in the administration bill. If the Chair would be willing, I would like to have both of those pieces of legislation printed as part of your record.

The CHAIRMAN. That will be done.
(The documents referred to follow:)

[S. 3435, 89th Cong., 2d sess.]

A BILL To revise the Federal election laws, and for other purposes

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 "Election Reform Act of 1966."

TITLE I

AMENDMENTS TO CRIMINAL CODE

SEC. 101. Section 591 of title 18 of the United States Code is amended to read as follows:

"§ 591. Definitions

"When used in sections 597, 599, 602, 608 and 610 of this title—

"(a) The term 'election' includes a general, special or primary election;

"(b) The term 'candidate' means an individual who seeks nomination or election as President or Vice President of the United States, Senator or Representative in, or Resident Commissioner to, the Congress of the United States, whether or not such individual is elected;

"(c) The term 'political committee' includes any candidate, committee, association, or organization which accepts contributions or makes expenditures for the purpose of influencing or attempting to influence the election of a candidate, or presidential and vice presidential electors;

"(d) The term 'contribution' includes a gift, donation, payment or loan of money, or any thing of value, made for the purpose of influencing or attempting to influence the election of a candidate, or presidential and vice-presidential electors, and includes a transfer of funds between political committees ;

"(e) The term 'expenditure' includes a purchase, payment or loan of money, or any thing of value, made for the purpose of influencing or attempting to influence the election of a candidate, or presidential and vice-presidential electors, and includes a transfer of funds between political committees."

SEC. 102. Section 608 of title 18 of the United States Code is amended to read as follows :

"§ 608. Limitations on political contributions and purchases

"(a) Whoever, other than a political committee, directly or indirectly, makes contributions in an aggregate amount in excess of \$5,000 during any calendar year, or in connection with any campaign for nomination or election to any candidate or to any political committee supporting such candidate, or presidential and vice-presidential electors, or to any national political committees, shall be fined not more than \$5,000 or imprisoned not more than five years, or both ;

"(b) Whoever, being a candidate political committee or national political committee sells to anyone other than a candidate, political committee or national political committee, any goods, commodities, advertising or articles of any kind or any services, shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

"(c) Whoever, other than a candidate, political committee or national political committee buys from a candidate, political committee or national political committee any goods, commodities, advertising or articles of any kind or any services, shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

"(d) Subsections (b) and (c) shall not apply to the sale or purchase of political campaign pins, buttons, badges, flags, emblems, hats, banners, and similar campaign souvenirs for prices not exceeding \$5 each. Such purchases shall be deemed contributions under subsection (a). Subsections (b) and (c) shall not interfere with the usual and known business, trade or profession of any candidate.

"(e) In all cases of violations of this section by a partnership, committee, association, corporation, or other organization or group of persons, the officers, directors, or managing heads thereof who knowingly and willfully participate in such violation shall be punished as herein provided."

SEC. 103. Section 609 of title 18 of the United States Code is repealed.

SEC. 104. Section 611 of title 18 of the United States Code is amended to read as follows :

"§ 611. Contributions by corporations, firms, or individuals contracting with the United States

"Whoever, including a corporation, enters into any contract with the United States or any department or agency thereof, either for the rendition of personal services or furnishing any material, supplies, or equipment to the United States or any department or agency thereof, or selling any land or building to the United States or any department or agency thereof, if payment for the performance of such contract or payment for such material, supplies, equipment, land, or building is to be made in whole or in part from funds appropriated by the Congress, during the period of negotiation for, or performance under such contract or furnishing of material, supplies, equipment, land, or buildings, directly or indirectly makes any contribution of money or any other thing of value, or promises expressly or impliedly to make any such contribution, to any political party, committee, or candidate for public office or to any person for any political purpose or use ; or

"Whoever knowingly solicits any such contribution from any such person, for any such purpose during any such period—

"Shall be fined not more than \$5,000 or imprisoned not more than five years, or both."

SEC. 105. So much of the sectional analysis at the beginning of chapter 29 of title 18 of the United States Code as relates to sections 609 and 611 is amended to read :

"809. Repealed.

"611. Contributions by corporations, firms, or individuals contracting with the United States."

TITLE II—DISCLOSURE OF FEDERAL CAMPAIGN FUNDS

DEFINITIONS

SEC. 201. When used in this title—

- (a) The term "election" includes a general, special or primary election;
- (b) The term "candidate" means an individual who seeks nomination or election as President or Vice President of the United States, Senator or Representative in, or Resident Commissioner to, the Congress of the United States, whether or not such individual is elected;
- (c) The term "political committee" includes any candidate, committee, association, or organization which accepts contributions or makes expenditures for the purpose of influencing or attempting to influence the election of a candidate, or presidential and vice presidential electors;
- (d) The term "contribution" includes a gift, donation, payment, or loan of money, or any thing of value, made for the purpose of influencing or attempting to influence the election of a candidate, or presidential and vice-presidential electors, and includes a transfer of funds between political committees;
- (e) The term "expenditure" includes a purchase, payment, or loan of money, or any thing of value, made for the purpose of influencing or attempting to influence the election of a candidate, or presidential and vice-presidential electors, and includes a transfer of funds between political committees.
- (f) The term "Clerk" means the Clerk of the House of Representatives of the United States.
- (g) The term "Secretary" means the Secretary of the Senate of the United States.

TREASURER OF POLITICAL COMMITTEE; DUTIES OF TREASURER

SEC. 202. (a) Every political committee shall have a treasurer. No contribution shall be accepted, and no expenditure made, by or on behalf of a political committee for the purpose of influencing an election until such treasurer has been chosen. It shall be the duty of the treasurer to keep the contributions received by or for a committee in a special account separate from any personal or other funds.

(b) It shall be the duty of the treasurer of a political committee to keep a detailed and exact account of—

(1) all contributions made to or for such committee;

(2) the name and address of every person making any such contribution, and the date thereof;

(3) all expenditures made by or on behalf of such committee, including the name and address of every person to whom any such expenditure is made, and the date thereof.

(c) It shall be the duty of the treasurer to obtain and keep a receipted bill, stating the particulars, for every expenditure by or on behalf of a political committee exceeding \$100 in amount. The treasurer shall preserve all receipted bills and accounts required to be kept by this section for a period of at least two years from the date of the filing of the statement containing such items.

ACCOUNTS OF CONTRIBUTIONS RECEIVED

SEC. 203. Every person who receives a contribution for a political committee shall, on demand of the treasurer, and in any event within five days after the receipt of such contribution, render to the treasurer a detailed account thereof, including the name and address of the person making such contribution, and the date on which received.

STATEMENTS FILED WITH THE CLERK AND THE SECRETARY

SEC. 204. (a) The treasurer of a political committee supporting a candidate or candidates for nomination or election as President or Vice President of the United States or Senator shall file with the Secretary, and the treasurer of a political committee supporting a candidate or candidates for nomination or election as Representative in, or Resident Commissioner to, the Congress of the United States shall file with the Clerk between the 1st and 10th days of March, June, and September, in each year, and also between the 10th and 15th days, and on the 5th day, next preceding the date on which an election is to be held, and also by the 31st day of January, a statement, upon forms prescribed by the Clerk

and the Secretary, containing, complete as of the day next preceding the date of filing—

(1) The name and address of each person who has made a contribution to or for such committee in one or more items of the aggregate amount or value, within the calendar year, or \$100 or more, together with the amount and date of such contribution;

(2) The total sum of the contributions made to or for such committee during the calendar year and not stated under paragraph (1);

(3) The total sum of any contributions made to or for such committee during the calendar year;

(4) The name and address of each person to whom an expenditure in one or more items of the aggregate amount or value, within the calendar year, of \$100 or more has been made by or on behalf of such committee, and the amount, date, and purpose of such expenditure;

(5) The total sum of all expenditures made by or on behalf of such committee during the calendar year and not stated under paragraph (4);

(6) The total sum of all expenditures made by or on behalf of such committee during the calendar year.

(b) The treasurer of a political committee which supports a candidate for President or Vice President of the United States or the Senate and a candidate for the House of Representatives shall file a statement, as required by subsection (a) of this section, with both the Clerk and the Secretary.

(c) The statements required to be filed by subsections (a) and (b) of this section shall be cumulative during the calendar year to which they relate; but where there has been no change in an item reported in a previous statement, only the amount need be carried forward.

STATEMENTS BY OTHERS THAN POLITICAL COMMITTEE FILED WITH THE CLERK OR THE SECRETARY

SEC. 205. Every person (other than a political committee) who makes an expenditure in one or more items, other than by contribution to a political committee, aggregating \$100 or more within a calendar year for the purpose of influencing the election of a candidate, shall file with the Clerk or the Secretary, as the case may be, an itemized detailed statement of such expenditure in the same manner as required of the treasurer of a political committee by section 204 of this title.

DUTIES OF THE CLERK AND THE SECRETARY

SEC. 206. The Clerk and the Secretary shall—

(a) Prescribe standard forms for all statements required to be filed by this title;

(b) Receive all such statements;

(c) Maintain all such statements in such manner that they shall be available for public inspection and copying during regular business hours;

(d) Make copies of all such statements available on request at the cost of reproduction;

(e) Review all such statements at the time they are filed to determine whether they are timely filed and appear to be complete and consistent with prior statements filed with him by the same committees or other persons pursuant to this title;

(f) Compile and maintain a list of all statements or parts of statements pertaining to each candidate;

(g) Preserve for public inspection the statements required to be filed by sections 204 and 205 of this title for a period of two years from the actual date of filing, except that all statements pertaining to a candidate who has been elected shall be preserved during such candidate's continuance in the office to which he has been elected and for two years thereafter.

STATEMENTS; VERIFICATION; FILING

SEC. 207. Statements required to be filed with the Clerk or the Secretary.

(a) Shall be verified by the oath or affirmation of the person filing such statement, taken before any officer authorized to administer oaths;

(b) Shall be deemed properly filed when deposited in an established post office within the prescribed time, duly stamped, registered, and directed to the Clerk or Secretary, as the case may be, at Washington, District of Columbia; but in the event it is not received, a duplicate of such statement shall be promptly filed.

PENALTY FOR VIOLATIONS

SEC. 208. Any person who violates any of the provisions of this title shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

STATE LAWS NOT AFFECTED

SEC. 209. This title shall not be construed to annul the laws of any State relating to the nomination or election of candidates, unless directly inconsistent with the provisions of this title, or to exempt any candidate from complying with such State laws.

PARTIAL INVALIDITY

SEC. 210. If any provision of this title, or the application thereof, to any person or circumstance is held invalid, the validity of the remainder of said title and the application of such provision to other persons and circumstances shall not be affected thereby.

REPEALING CLAUSE

SEC. 211. The Federal Corrupt Practices Act, 1925, and all other Acts or parts of Acts inconsistent herewith are repealed.

CITATION

SEC. 212. This title may be cited as the "Campaign Funds Disclosure Act".

TITLE III—DISCLOSURE OF GIFTS AND CERTAIN COMPENSATION

DEFINITIONS

SEC. 301. When used in this title—

(a) The term "income" shall mean all compensation for personal services, including (but not limited to) salary, bonuses, fees, commissions, honorariums and expenses paid or reimbursed, whether in the form of money or any thing of value, from any source other than the Government of the United States.

(b) The term "Representative" shall mean each Representative in, or Resident Commissioner to, the Congress of the United States.

(c) The term "Clerk" shall mean the Clerk of the House of Representatives of the United States.

(d) The term "Secretary" shall mean the Secretary of the Senate of the United States.

STATEMENT OF GIFTS TO BE FILED BY SENATORS AND REPRESENTATIVES

SEC. 302. Each United States Senator shall file with the Secretary and each Representative shall file with the Clerk by the 31st day of January a statement disclosing gifts of money or things of value, except contributions as defined in section 201(d) of title II of this Act, received by him, his wife or minor children, or on his or their behalf during the preceding calendar year or portion thereof during which he held office, containing—

(a) The name and address of each donor from whom he, his wife or minor children received, or from whom there was received on his or their behalf, one or more gifts of money of an aggregate amount of \$100 within the calendar year, together with the amount and date of such gifts;

(b) The name and address of each donor from whom he, his wife or minor children received, or from whom there was received on his or their behalf, one or more gifts other than money of an aggregate value estimated by the donee of \$100 or more within the calendar year, together with the date and identity of such gifts;

(c) The total sum of gifts of money received by him, his wife or minor children, or on his or their behalf, during the calendar year and not stated under paragraph (a).

Gifts from a spouse, child, parent, grandparent, brother or sister need not be disclosed under this section.

STATEMENT OF COMPENSATION TO BE FILED BY SENATORS AND REPRESENTATIVES

SEC. 303. Each United States Senator shall file with the Secretary and each Representative shall file with the Clerk by the 31st day of January a statement

disclosing income received by him or on his behalf during the preceding calendar year or portion thereof during which he held office, containing—

(a) The name and address of each person from whom he or anyone on his behalf received any such income; the amount or, if not money, the identity and value thereof; and the name and address of each person for whom such service was performed;

(b) A description of the service performed.

DUTIES OF THE CLERK AND THE SECRETARY

SEC. 304. The Clerk and the Secretary shall—

(a) Prescribe standard forms which must be used for the statements required to be filed by this title;

(b) Receive all such statements;

(c) Maintain all such statements in such manner that they shall be available for public inspection and copying during regular business hours;

(d) Make copies of all such statements available on request at the cost of reproduction;

(e) Preserve for public inspection the statements required to be filed by sections 302 and 303 of this title during the term or terms of office of the Senator or Representative filing the same and for two years thereafter.

STATEMENTS ; VERIFICATION ; FILING

SEC. 305. Statements required to be filed with the Clerk and the Secretary—

(a) Shall be verified by the oath or affirmation of the person filing such statement, taken before any officer authorized to administer oaths;

(b) Shall be deemed properly filed when deposited in an established post office within the prescribed time, duly stamped, registered, and directed to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, at Washington, District of Columbia; but in the event it is not received, a duplicate of such statement shall be promptly filed.

PENALTY FOR VIOLATION

SEC. 306. Whoever, being a United States Senator or Representative to the Congress of the United States, violates any of the provisions of this title shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

CITATION

SEC. 307. This title may be cited as the "Disclosure of Gifts and Certain Compensation Act".

TITLE IV—AMENDMENT TO INTERNAL REVENUE CODE OF 1954

INCOME TAX DEDUCTION

SEC. 401. (a) Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to additional itemized deductions for individuals) is amended by renumbering section 218 as 219, and by inserting after section 217 the following new section:

"POLITICAL CONTRIBUTIONS

"SEC. 218. (a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction an amount equal to so much of the political contributions as does not exceed \$100, payment of which is made by the taxpayer within the taxable year, except that in the case of a joint return of a husband and wife under section 6013 the deductions shall not exceed \$100, and in the case of a separate return by a married individual the deduction shall not exceed \$50.

"(b) VERIFICATION.—The deduction under subsection (a) shall be allowed, with respect to any political contribution, only if such political contribution is verified in such manner as the Secretary or his delegate shall prescribe by regulations.

"(c) DEFINITION OF POLITICAL CONTRIBUTION.—For purposes of this section the term 'political contribution' means a gift or donation to—

"(1) any committee, association, or organization (whether incorporated or not) organized and operated exclusively for the purpose of influencing or attempting to influence the election of one or more individuals to any public office; or

"(2) an individual who is a candidate for any Federal, State, or local elective public office in any general, special, or primary election, or in any convention of an organization described in subparagraph (1), for use by such individual to further his candidacy.

"(d) CROSS REFERENCE.—For disallowance of deduction to estates and trusts, see section 642(1)."

(b) The table of sections for such part VII is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 218. Political contributions.

"Sec. 219. Cross references."

(c) Section 62 of the Internal Revenue Code of 1954 (relating to definition of adjusted gross income) is amended by inserting after paragraph (8) the following paragraph:

"(9) POLITICAL CONTRIBUTIONS.—The deduction allowed by section 218."

(d) Section 276(a) of the Internal Revenue Code of 1954 (relating to certain indirect contributions to political parties) is amended by striking out "No deduction otherwise allowable under this chapter" and inserting in lieu thereof "Except as provided in section 218, no deduction otherwise allowable under this chapter."

(e) Section 642 of the Internal Revenue Code of 1954 (relating to special rules for credits and deductions for estates and trusts) is amended by redesignating subsection (i) as (j), and by inserting after subsection (h) the following new subsection:

"(i) POLITICAL CONTRIBUTIONS.—An estate or trust shall not be allowed the deduction for political contributions provided by section 218."

TITLE V

EFFECTIVE DATE

SEC. 501. This Act shall take effect January 2, 1967, except that the amendments made by title IV shall apply to taxable years ending after December 31, 1966, but only with respect to political contributions payment of which is made after December 31, 1966.

[S. 1913, 89th Cong., 1st sess.]

A BILL To amend the Federal Corrupt Practices Act, and for other purposes

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 "Federal Corrupt Practices Amendments of 1965".

DEFINITIONS

SEC. 2. (a) Section 302(a) of the Federal Corrupt Practices Act (2 U.S.C. 241 (a)) is amended by striking out the words "primary election or".

(b) Subsections (c) and (d) of section 302 of that Act (2 U.S.C. 241 (c) and (d)) are amended to read as follows:

"(c) The term 'political committee' includes—

"(1) any political party, committee, association, organization, group of individuals, or other entity, or any branch or subdivision thereof, which accepts contributions, or makes expenditures, in an aggregate amount of \$50 or more in any calendar year for the purpose of influencing or attempting to influence the election of any candidate or presidential or vice-presidential elector, without regard to whether such entity or subdivision (A) is of a temporary or permanent character, or (B) has been organized or exists primarily for purposes other than the acceptance of such contributions or the making of such expenditure; and

"(2) any organization, association, group of individuals, or other entity organized for or engaged in the preparation or distribution of any campaign book or other publication containing or intended to contain advertising matter which has been or may be prepared chiefly for the purpose of in-

fluencing or attempting to influence the election of any candidate or the election of one or more presidential or vice-presidential electors.

"(d) The term 'contribution' includes—

"(1) a gift, subscription, loan, advance, or deposit of money or anything of value;

"(2) a contract, promise, or agreement, whether or not legally enforceable, to make a contribution; and

"(3) a payment made to or on behalf of any entity of a kind described in paragraph (2) of subsection (c) for or on account of any advertisement contained in or solicited for any publication of a kind described in that paragraph."

(c) The second paragraph of section 591, title 18, United States Code, is amended by striking out the words "primary election or".

(d) The fourth and fifth paragraphs of section 591, title 18, United States Code (defining the terms "political committee" and "contribution"), are amended to read as follows:

"The term 'political committee' includes—

"(1) any political party, committee, association, organization, group of individuals, or other entity, or any branch or subdivision thereof, which accepts contributions, or makes expenditures, in an aggregate amount of \$250 or more in any calendar year for the purpose of influencing or attempting to influence the election of any candidate or presidential or vice-presidential elector, without regard to whether such entity or subdivision (A) is of a temporary or permanent character, or (B) has been organized or exists primarily for purposes other than the acceptance of such contributions or the making of such expenditures; and

"(2) any organization, association, group of individuals, or other entity organized for or engaged in the preparation or distribution of any campaign book or other publication containing or intended to contain advertising matter which has been or may be prepared chiefly for the purpose of influencing or attempting to influence the election of any candidate or the election of one or more presidential or vice-presidential electors.

"The term 'contribution' includes—

"(1) a gift, subscription, loan, advance, or deposit of money or anything of value;

"(2) a contract, promise, or agreement, whether or not legally enforceable, to make a contribution; and

"(3) a payment made to or on behalf of any entity of a kind prescribed in subparagraph (2) of the preceding paragraph for or on account of any advertisement contained in or solicited for any publication of a kind described in that subparagraph."

FILING OF STATEMENTS

SEC. 3. (a) Subsection (g) of section 302 of the Federal Corrupt Practices Act (2 U.S.C. 241(g)) is amended to read as follows:

"(g) The term 'Comptroller General' means the Comptroller General of the United States;".

(b) Subsection (h) of that section is repealed.

(c) Sections 303, 305, 306, 307, and 308 of that Act (2 U.S.C. 242, 244, 245, 246, and 247) are amended by striking out the words "Clerk", "Clerk of House of Representatives", "Secretary", "Secretary of Senate", "Secretary of Senate and Clerk of House of Representatives", "Clerk or Secretary", and "Clerk or Secretary, as the case may be", wherever they appear therein, and inserting in lieu thereof in each such instance the words "Comptroller General".

PRESERVATION, INSPECTION, AND VERIFICATION OF STATEMENTS

SEC. 4. (a) Subparagraph (c) of section 308 of the Federal Corrupt Practices Act (2 U.S.C. 247) is amended to read as follows:

"(c) Shall be preserved as a permanent part of the public records of his office, shall be available for inspection by any Member of the Congress at any time, and shall be open to public inspection at any time within a period of eight years after the filing thereof."

(b) Section 308 of that Act (2 U.S.C. 247) is amended by adding at the end thereof the following new paragraphs:

"The Comptroller General shall establish within the General Accounting Office an automatic information retrieval system through the use of automatic data:

processing equipment to provide permanently for prompt access to all information contained in all statements filed under this title or information of any kind contained in any or all of such statements.

"The Comptroller General is authorized and directed upon receipt of a complaint alleging a violation of this Act, or in the absence of such a complaint, upon his own initiative, to conduct such investigations as he shall deem necessary to ascertain (1) whether statements filed under this title are complete and correct, and (2) whether all statements required under this title to be filed in fact have been filed. Whenever the report of any such investigation discloses information which in the opinion of the Comptroller General may evidence any violation of any provision of this title for which any criminal penalty is prescribed, he shall promptly transmit such report to the Attorney General, who shall institute such criminal action as he may determine to be warranted."

PURCHASE OF ADVERTISING IN CAMPAIGN PUBLICATIONS BY CERTAIN ORGANIZATIONS

SEC. 5. Section 610 of title 18, United States Code (relating to election contributions or expenditures by national banks, corporations, and labor organizations), is amended by adding at the end thereof the following new paragraph:

"For the purposes of this section, the term 'expenditure' includes any payment made for the purchase of advertising or advertising space in any campaign book or other publication prepared or to be prepared for use chiefly in connection with (1) the election of any person to political office, or (2) a primary election or political caucus held to select candidates for political office."

Senator CLARK. Shall I proceed?

The CHAIRMAN. I have read your statement while you were talking about the technicalities and it is a very fine statement.

Senator CLARK. I wonder if it would not be better just to subject myself to your questioning, rather than read it.

The CHAIRMAN. Perhaps it would.

(Senator Clark's prepared statement follows:)

STATEMENT OF SENATOR JOSEPH S. CLARK (D. PA.) BEFORE THE SENATE FINANCE COMMITTEE ON CAMPAIGN FINANCING AND ELECTION REFORM

Mr. Chairman, as you yourself have said, "One of the most difficult problems facing our democracy, as well as other democratic countries of the world, is finding ways to make the democratic system work without permitting undue influence on the part of the few which results in favoritism and corruption at the expense of the many."

No problem has become more troublesome than that of providing adequate financial support for campaigns. That finding was made by President Kennedy's Commission on Campaign Costs, commonly known as the Heard Commission. In its April 1962 report the Commission went on to say that "The rocketing costs of Presidential campaigns, and the recurring difficulties parties encounter in meeting these costs, require us to seek new methods and incentives for financing our political parties."

Mr. Chairman, you and the members of your committee are to be commended for your efforts to seek out these new methods and incentives through this set of hearings on the problem of financing political campaigns.

DIRECT FEDERAL PAYMENT—CRITIQUE OF THE LONG PLAN

In my comments on campaign financing techniques, I should like to deal first with the extremely imaginative and ingenious proposal advanced by the chairman of the Finance Committee, Senator Long. As I understand it, S. 3496, Senator Long's bill, provides for a system under which payments are to be made directly from the Federal Treasury into the treasury of a political party which runs a candidate for President, provided that the party complies with specified requirements and its candidate gets more than 1.5 million votes.

The bill sets forth formulas for computing how much a party is to be paid as an advance on expenses, and how much the party is to be paid after the election. The advance payment is computed as follows: multiply one dollar times the population vote cast for that party's candidate in the last Presidential election; multiply one dollar times the popular vote of the candidate who got the

second highest popular vote in the last Presidential election; take the lower of the two figures, and subtract \$1.5 million.

The post-election payment is computed as follows: multiply one dollar times the popular vote received by your candidate in the election just concluded; multiply one dollar times one-half the total vote cast for all Presidential candidates in the election just concluded; your subsidy amounts to the lower of the two, minus \$1.5 million and advances, which, I gather, do not in any case have to be refunded.

ADVANTAGES OF THE LONG PLAN

Let me begin this critique by setting forth what I believe to be the advantages of the Long plan.

1. Because it relies on a direct Federal payment device, the Long plan has the distinct advantage of not cluttering up the Federal tax laws. As one who shares with a number of the members of this committee the desire to see a far-reaching simplification and reform of the tax code, I readily concede that this feature of the proposal has substantial appeal.

2. Another aspect of Senator Long's bill which I believe highly desirable is the role which it gives to the Comptroller General in the administration of the program. I strongly advocate giving the Comptroller General a major role in both the administration and enforcement of whatever financing program is adopted.

3. A third advantage of the direct payment scheme, when contrasted with various tax incentive schemes, is that it makes unnecessary the expense of a solicitation effort. That advantage would apply, however, only to parties whose candidates had already achieved enough popularity to earn 1.5 million votes.

COUNTERVAILING CONSIDERATIONS

1. It is true that the Long plan does not clutter up the tax laws, but at what cost? In order to compute the subsidy, it is necessary to resort to an arbitrary formula. And any formula—no matter how simple or complex—is bound to be rigid in application. It may artificially pump money into an old, dying party to keep it alive. It may prevent a young, new party from taking its place in the sun.

Compare the advantages of a tax incentive scheme—particularly a tax credit scheme such as that recommended by the Heard Commission, providing to each individual a credit of one-half of total contributions each year up to \$10. It is simple. It is flexible. It is fair. What you get depends on your ability to generate the kind of enthusiasm in the ordinary citizen which will impel him to dig down into his pocket and make a contribution shared 50-50 between him and the government. What the candidate gets is a matching grant, to which the individual contributor holds the key.

2. A second aspect of the Long plan about which I have some reservations is the fact that it deals only with the Presidential election. It is true that the Presidential election is by far the most costly. But because the President has such a broad constituency, he is far less vulnerable to the rich vested interests who attempt to buy influence through large campaign contributions. Traditionally it has been the legislative branch, and not the executive branch, in which the interests and the lobbies have run rampant. There they have been able to work their will, removed from the glare of publicity, manipulating archaic procedures to defeat the public interest for their own enrichment.

The trouble with any plan which subsidizes Presidential but not Congressional elections is that it has the effect of turning the fat cats loose to prey on the Congress. Instead of less influence-seeking in the halls of Congress, it would tend to produce more.

Although the Heard Commission report likewise suffered from this defect by concentrating on Presidential elections, President Johnson's bill, which I introduced earlier this year, does not. It provides tax incentives for contributions to candidates "for any Federal, State, or local elective public office." This makes very good sense to me. Not only does it place the Congress on the same plane as the President so far as the subsidy is concerned; it also permits the subsidy to go to candidates seeking State or local office. I see no reason why Federal tax benefits should not be used for this purpose. They are used to subsidize the sale of municipal bonds. Moreover, from the standpoint of the man on the street, who is elected sheriff may mean a lot more even than who is elected President. I strongly believe that all elective public offices are entitled to an equal benefit.

3. A third problem raised by Senator Long's proposal has to do with the role of the political independent. Under the Long bill, payments are made into a party treasury. Indeed, it is hard to see how a direct payment plan could work otherwise. It would become extremely difficult to administer such a plan if others are made eligible for benefits.

This problem is completely bypassed in President Johnson's bill. Because it operates on a tax incentive basis, the administrative problem of making public payments to a given person or committee never comes up. The only question raised is what contributions shall be entitled to the tax benefit.

The Administration bill answers that question in the broadest possible terms. Any candidate for any elective public office in any election—whether general, special or primary—is covered. So is any committee for any such candidate. In other words, the organization does not hold the purse strings. An independent who is challenging the organization is on the same footing as the man slated by the machine.

A MODIFIED ADMINISTRATION PROPOSAL

The Administration bill which I introduced earlier this year would provide a tax deduction in an amount up to \$100 for political contributions. However, this deduction would be allowed in addition to the standard deduction, and hence would be available to taxpayers who do not itemize their deductions.

At the time I introduced the Administration bill I expressed certain reservations about this proposal, and urged a careful re-examination of the proposals made by the Heard Commission. The "hybrid deduction" proposed by the Administration, while not so bad as the straight deduction technique, still seems to me not entirely satisfactory. The trouble with the straight deduction is that by and large the only people who can afford to take it are the relatively well-to-do. Less affluent taxpayers do not generally itemize their deductions. Hence the adoption of a straight political contribution deduction, standing alone, would slant the whole political process in favor of the wealthy and against the poor.

The "hybrid deduction" is not quite so bad. It would be available to even the poorest taxpayer. However, since the value of a deduction depends on the taxpayer's tax bracket, its effect would be to provide a higher subsidy to taxpayers in higher brackets, and a lower subsidy to taxpayers in lower brackets.

For example, if a taxpayer in a 50% bracket makes a \$100 contribution, the government is really paying half, since he is deducting from income taxable at a 50% rate. By contrast, a taxpayer in a 25% bracket would only get \$25 back from the government on his \$100 contribution.

For this reason I favor the tax credit device recommended by the Heard Commission: one-half of all contributions up to a total of \$10 a year. The credit device treats every taxpayer as an equal, no matter what his bracket. And by holding the credit at one-half the amount contributed, it puts the contributor on a matching basis of one-for-one with the government.

I am aware that the Heard Commission also recommended the creation of a tax deduction for political contributions up to a total of \$1,000 per year. Personally I do not favor this approach, even when it is coupled with a tax credit. However I realize that compromises are sometimes necessary to get needed reforms enacted, and I would not want to close the door on this approach as a possible avenue for compromise.

Since I have already discussed the scope and operation of the tax incentive provisions in the Administration bill, I shall not do so here again. They have my strong endorsement with the modification just noted—namely, dropping the "hybrid deduction" and substituting a tax credit.

BROADER ASPECTS OF CAMPAIGN FINANCE

As a member of the Committee on Rules and Administration, I am keenly aware that this committee's jurisdiction over the subject of election finance is neither limitless nor wholly exclusive. The problems involved do not fit neatly within any single committee's jurisdiction. Yet all these disparate aspects must be considered if action is to be taken on an informed and reasoned basis.

Consequently, even though this committee may technically have only "a piece of the action, I think it must nevertheless concern itself with the whole action. With that preface, I should like to turn to some other aspects of campaign finance and election reform generally.

ENFORCEMENT

Last year I introduced a bill, S. 1913, amending the Corrupt Practices Act to require that campaign statements be filed not with the Clerk of the House and the Secretary of the Senate, but with the Comptroller General of the United States. In addition, it would authorize the Comptroller General to establish within the General Accounting Office an automatic information retrieval system utilizing modern automatic data processing techniques to make possible the ready availability of all filed information on an indefinite basis.

This reform would put our modern technology to work in an area which has traditionally been dominated by the spirit of the past. It would remove an onerous custodial burden from officers of the House and Senate, and place it within the responsibility of an organization far better equipped to handle the task—the GAO.

Far more important, however, is another provision in S. 1913 which would place the Comptroller General under a duty to report to the Department of Justice the failure to file of any persons or organizations under a duty to file, or the filing of misstatements. In order to perform this duty, he would have the power to investigate, either on complaint or on his own initiative, alleged violations of the act.

The enforcement provisions of the Corrupt Practices Act are so weak as to be a joke. To my knowledge, since its enactment in 1925, there has not been a single prosecution brought under that law. Looking at the scheme of the act, it is not hard to see why this should be so. There is nothing in the present law which requires the custodians of the reports to investigate alleged violations, and to recommend prosecution where the facts warrant it.

These duties would be specifically assigned to the GAO under S. 1913. Every Member of Congress is aware of the splendid work that GAO's investigators have done in a variety of fields—ranging from searching out corruption in the Foreign Aid program to assisting a Senate committee in an investigation of the conduct of a Senate employee. In my judgment we need a tough cop on this beat, and the Comptroller General is the man for the job.

EXTENDING REPORTING REQUIREMENTS

The two most obvious and troubling loopholes in existing election statutes are the exemption from reporting for state political committees, and the exclusion of the primary election process from the reporting scheme. Both of these loopholes would be closed by President Johnson's bill. Both of them must be closed if the reporting requirements are not to be a mere mockery.

FINANCIAL DISCLOSURE BY MEMBERS OF CONGRESS

The Administration bill would require Senators and Representatives to make an annual public disclosure of gifts in excess of \$100 received by themselves, their wives and children, and all income from personal services.

This proposal constitutes a significant "first." So far as I know, it makes President Johnson the first Chief Executive to join in urging the adoption of effective safeguards against conflict of interest problems in the Congress through the technique of public disclosure.

The President's proposal is, however, far less comprehensive than one which I introduced two years ago as a part of an overall revision of the Senate Rules. Although no disclosure provision can be absolutely airtight, I suspect that the one I recommended is as cheat-proof as any. It would require every Senator and every Senate officer or employee compensated at a gross rate in excess of \$10,000 per annum, to file a financial report each year. The report would contain the following kinds of information:

a. Assets: The identity and fair market value of any asset having a fair market value of \$5,000 or more.

b. Liabilities: The amount of each liability in excess of \$5,000, and the name and address of the creditor.

c. Capital gains: Source and amount of all capital gains realized in the preceding calendar year in excess of \$5,000.

d. Income: Source and amount of every item of income for the calendar year in excess of \$100, including gifts other than gifts from a relative.

e. Assets belong to a trust; assets, liabilities, capital gains, and income of a spouse; and capital gains earned through a strawman are all covered. Family homes and tax-exempt charitable entities are exempted.

f. Association with a professional firm which practices before Federal Government agencies.

g. Service as director, officer, or manager in a business enterprise.

I am not so naive as to hope that the Congress is ready to adopt any disclosure rule this all-encompassing. However every loophole left open is a standing invitation to public doubt, suspicion and mistrust.

FREE TELEVISION TIME

Total network and station charges for political broadcasting at all levels in the general election period in 1964 were \$24.6 million, an increase of 73% over the figure for 1960. Unless firm action is taken, it is obvious that the cost of communicating with the electorate through television will continue to soar.

A solution can and must be found to halt and reverse the upward trend. Given the will to do so, I am confident that the Congress could fashion a formula for the apportionment of free TV time for political purposes which would take into account the fact that this country has a predominantly two-party system, without doing violence to the right of those outside the two-party system to get their views before the public.

For example, television stations might be required to provide equal amounts of time of comparable value to any candidate whose party polled more than 10% of all votes cast in the preceding general election. A candidate of a minor party not eligible for free time under this standard could have all or part of his television expenses reimbursed if he gets 10% of the total vote in the subsequent election.

There is no reason why the television industry should not be made to bear a part of the cost of political broadcasting. The airwaves, after all, belong to the people; there is no such thing as a vested right to a television broadcasting license.

I appreciate that the Commerce Committee has jurisdiction over matters relating generally to radio and television broadcasting. Nevertheless I believe that it is perfectly in order for this committee in developing a comprehensive approach to the overall problem of campaign finance, to give consideration to the matter of free television time for political purposes, and to take action.

A MANDATE FOR ACTION

Our form of democratic government is only as good as the electoral process on which it rests. Yet for years we have remained smugly content with an antiquated and inefficient system of campaign finance which invites distortion of the popular will by making political candidates dependent on the generosity of wealthy special interest groups and individuals. This system was bad enough before the advent of television, when campaigning was still relatively inexpensive; today it is intolerable. We in the Congress have a clear mandate from the President and from the people to press to enactment the necessary reforms. That mandate has now passed to this committee. I urge the committee to accept it, to construe it broadly, and to move ahead to do the job that must be done.

The CHAIRMAN. First, as a matter of procedure, let me say that my feeling about the matter is when we seek in our committee to do something over which we do not have jurisdiction and we wind up going to conference with a House committee which does not have jurisdiction in the same matter, which would be the House Ways and Means Committee, then any Member on some other committee is in a position to object that his committee has jurisdiction and they should not go to conference with us at all and it gets involved in all sorts of complications. Therefore, my thought would be that on this committee, we might do best just to devote ourselves entirely to the financing of campaigns and let the committee that has jurisdiction, the Rules Committee or the Commerce Committee, handle the free television time that you speak of, and let them do their part of it—

Senator CLARK. The trouble is they will not.

The CHAIRMAN. May I say, Senator, you have worked hard in this field, but I cannot take responsibility for whether the other committee does their job. I am willing to share the responsibility for what this committee does. We get our bills out pretty efficiently. As a matter of fact, after this bill, I think we are caught up for the year.

Senator CLARK. What would you think of a device, which has been used not very often in the past, of asking for joint hearings?

Senator WILLIAMS. I would make the suggestion of a very simple solution, as I mentioned before. If we do get the agreement of the leadership and let these bills be brought up in the Senate in sequence as they have been considered in sequence by their respective committee. We could have the Finance Committee report out that point on which they have jurisdiction, the Rules Committee has a bill on the calendar. If the Commerce Committee wishes to exercise their jurisdiction, they can report theirs.

We have the leadership right here with us now. Perhaps we can persuade him to cooperate with us.

The CHAIRMAN. This Senator is no longer the acting leader; Senator Mansfield returned this morning.

Senator CLARK. I am sure anybody with the persuasive genius of the Senator from Louisiana would be able to persuade Senator Mansfield that that is the way to handle it.

The CHAIRMAN. Thank you for this very thoughtful statement. I do not know whether our committee can do anything about this free television time, but I do think it is a very fine idea.

Senator CLARK. Thank you.

The CHAIRMAN. We will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:55 p.m., the hearing recessed to reconvene Friday, August 19, 1966, at 10 a.m.)

FINANCING POLITICAL CAMPAIGNS

FRIDAY, AUGUST 19, 1966

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Williams, and Morton.

The CHAIRMAN. This morning, we will conclude hearings on a number of bills concerning the financing of political campaigns. Mr. C. Langhorne Washburn, finance director of the Republican National Committee, was scheduled to be our first witness, but he was called out of town and is therefore unable to appear. He has submitted a statement presented to the House Administration Committee, Subcommittee on Elections, on August 17, by Fred G. Scribner, Jr., general counsel of the Republican National Committee. Without objection, we will put that statement in the record.

(The statement referred to follows:)

STATEMENT OF FRED G. SCRIBNER, JR., GENERAL COUNSEL, REPUBLICAN NATIONAL COMMITTEE TO THE HOUSE ADMINISTRATION COMMITTEE'S SUBCOMMITTEE ON ELECTIONS REGARDING H.R. 15317, ELECTION REFORM BILL OF 1966 (AUGUST 17, 1966)

As General Counsel for the Republican National Committee I welcome this opportunity to present to this Committee a brief statement concerning the need for a revision of existing Federal legislation regulating expenditures for campaign purposes and requiring the filing of certain information concerning such expenditures.

There is little need to add to the effective comments and statements which have already been presented to your Committee by Republican Members of Congress: these emphasize and underline the importance of revising and reforming the existing Federal Election laws.

Reform has long been necessary. It is certainly overdue.

In June of 1961, Senator Thruston B. Morton, who served as Chairman of the Republican National Committee during the 1960 Presidential Campaign, stated that in his opinion the Federal Corrupt Practices Act should be substantially revised to meet the problems of modern political campaign techniques. The same viewpoint was expressed by his successor, Representative William E. Miller.

This continues to be the position of the Republican National Committee.

We believe that existing Federal legislation is archaic; that it needs to be modernized and made realistic. We also believe that the major weapon in preventing improper and excessive use of money in campaigns is early and detailed full public disclosure.

Statement of amounts spent, the sources of funds, and of the items and the purposes for which expenditures have been made, and full public disclosure thereof, will be far more effective than strict limitations on contributions and expenditures. These have resulted in the proliferation of multiple committees or the creation of new campaign techniques designed to meet statutory require-

ments while at the same time allowing candidates and committees to spend the amounts which they desire for the purposes they select.

The present Corrupt Practices Act contains strict limitations on contributions and expenditures, but these statutory provisions have been of little or no effect. We doubt the effectiveness of mere revisions in the present law.

Ceilings on expenditures should be removed. Control should be made effective through the required publication of frequent and detailed reports of funds raised and amounts spent.

The Republican Party recognizes that the American people do object to unlimited expenditures for campaign purposes. If such expenditures are not required to be reported or if the reports can be delayed until after Election Day, then the restraining influence ceases to have any restraining effect on campaign expenditures.

Therefore, we favor the removal of limitations on amounts which may be expended, but we would require frequent and cumulative reports prior to Election Day on expenditures made. Legislation should insure that the voters would have available to them on Election Day full information as to the amounts spent by candidates and political committees for election purposes.

The Republican Coordinating Committee in discussing this matter in a report which it issued in December 1965, said:

"We also recommended that the wholly unrealistic limitation of \$3 million on the annual amount political committees can raise and spend be removed from Federal statutes. In practice, this provision has not limited the amount of money spent in Presidential elections, but has spawned the creation by both major parties of hosts of satellite committees, each legally able to collect and spend \$3 million. Equally unrealistic ceilings which apply to Senatorial and Congressional campaigns should be raised to meaningful levels."

I also adopt for presentation to this committee as the position of the Republican National Committee on points now under consideration by this committee the following statement prepared and issued by the Republican Coordinating Committee:

"The costs of financing campaigns for elected officials are enormous. Total campaign expenditures in 1964 at local, State and National levels amounted to at least \$200 million, a \$25 million increase from 1960. Total costs in 1964 for television and radio alone amounted to \$35 million, according to the Federal Communications Commission. The costs of reaching the voters through political broadcasts do not begin to exhaust the types of expense involved.

"Only within recent years has a large proportion of national party funds come from small and moderate-sized contributions. The Republican Party is proud of the fact that 72% of individual contributions in 1964 to the National Republican committees were in amounts of less than \$500 compared to only 31% of Democratic contributions. But the parties are still heavily dependent on large contributors. We strongly endorse the principle that the larger the number of individual contributors the more healthy are the parties and the political system. We are opposed to any scheme which would provide direct financing for our political parties out of the Federal treasury, but we believe the encouragement and stimulation of political contributions is desirable.

"Specifically, we propose that a reasonable deduction from the Federal income tax be permitted for contributions to parties or their nominees. By making political contributions up to a modest ceiling tax deductible, persons of moderate income will have greater incentive than they now do to contribute to political parties or their nominees."

* * * * *

"These recommendations have dealt with Federal law governing the finances of campaigns for Federal office. But the States have an active role in this field, not only with regard to elections for Federal offices but for State and local offices as well. We commend such laws as Florida's 'who-gave-it, who-got-it' statute to the States as models of State laws requiring pre-election reports which state clearly the sources and the ways in which all campaign funds were spent."

The CHAIRMAN. Our first witness will then be Mr. Thomas Harris, legal counsel of the AFL-CIO.

Mr. Harris, will you take a seat here and proceed with your statement, please?

STATEMENT OF THOMAS E. HARRIS, ASSOCIATE GENERAL COUNSEL, AMERICAN FEDERATION OF LABOR & CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. HARRIS. My name is Thomas E. Harris. I am associate general counsel of the AFL-CIO and appear here on its behalf. We appreciate this opportunity to state our views on the important issues before the committee.

The CHAIRMAN. May I say, Mr. Harris, I think it is desirable that there should be a witness here for the AFL-CIO, because in my estimation, this subject is very important to your organization.

Mr. HARRIS. It is a subject about which we feel concern and about which we have always taken a certain interest.

As to the financing of political campaigns, different and not always compatible objectives must be taken into account.

It is essential, we think, to the proper working of a democratic political system that campaigns be adequately financed. Voters need to be made familiar with candidates and issues, despite competing distractions. We in the AFL-CIO are always primarily concerned to insure that the candidates and policies we support are fully presented to the electorate, and we have no objection at all to equal exposure for the other side. We want well-publicized campaigns, with lots of public attention focused on them. As we see it, that is the way democracy works best.

The question, then, is where the money is going to come from; for certainly no one wants to see the day when only very wealthy men, who can finance their own campaigns, can run for office.

We think that the broader the financial support for political activity, the better. The more people who contribute small amounts, the less candidates and parties need be beholden to a few large contributors. And while many large contributors undoubtedly simply support those candidates with whose views they agree, and with no anticipation of reciprocal favors, that is not always the case. Moreover, the making of political contributions by large numbers of people is one way of building up their interest and getting them actively to participate in politics. We in the AFL-CIO would like to get each member of our unions to contribute a dollar a year for politics. A few people give more, and we don't turn it down, but the larger the number of contributors the happier we are about it.

One proposal before the committee (S. 3496) is for the Federal Government to make substantial payments to the political parties to help them meet the costs of presidential campaigns. We are in favor of this proposal. Indeed our president, George Meany, endorsed the idea 10 years ago. This does not mean that the Federal Government would take over the whole burden of financing even presidential campaigns, nor would it dispense with the need and desirability of soliciting mass financial support for political activities, but it would substantially aid the national committees in their almost impossible job of financing presidential campaigns.

The committee also has before it several proposals to allow tax credits or tax deductions for political contributions. We favor a tax credit of \$10 or less for each contributor, but we are wholly opposed to any tax deduction. Moreover, we urge that any credit or deduc-

tion which is allowed should embrace contributions to independent political committees, such as the AFL-CIO Committee on Political Education.

Let us consider, first, the question of deductions. One proposal (S. 2006) would allow an individual taxpayer to take deductions of up to \$500 a year for political contributions. Under this proposal a taxpayer who earns from \$44,000 to \$50,000 a year, and so is in the 60-percent bracket, could make a \$500 contribution at a cost of \$200 to himself and \$300 to the Federal Treasury. On the other hand, if a taxpayer earning from \$6,000 to \$8,000, who is in the 25-percent tax bracket, wished to make a \$500 contribution, three-fourths of it would come out of his own pocket.

We see no reason why political contributions should be made cheaper for the wealthy.

While the President proposed a deduction limited to \$100, the principle is the same, and our objection is the same. We agree with the President that any deduction allowed should be in addition to the standard deduction, and should not be limited to those who itemize deductions; but we are opposed to any deduction whatever.

In his state of the Union message of January 12, 1966, President Johnson stated that he would submit legislation "to broaden the participation of the people, through added tax incentives, to stimulate small contributions to the party, and to the candidate of their choice." However, his proposal for a tax deduction does not meet his prescription. Under a graduated income tax any tax deduction is weighted in favor, not of "the people" or of "small contributions" but of taxpayers in the higher tax brackets. There is nothing fair or equitable about that, nor would it have any tendency to broaden the base of political contributions. Quite the contrary.

Of course, I do not mean that the very wealthy would be much affected by these tax deduction proposals. People who have been giving \$10,000 or \$20,000 in political contributions are not going to be concerned about a \$300 or \$400 deduction. But certainly taxpayers in the \$30,000 to \$60,000 brackets, the junior executives, will be newly motivated to contribute up to whatever limit is set—that is, at whatever limit is set for the tax deduction.

As respects the proposals for a limited tax credit, they do not discriminate so sharply in favor of the well-to-do, though they do somewhat favor the family which makes a \$20 contribution over the family which contributes \$10, since the former would receive a larger tax credit. However, the disparity is in proportion to the size of the contribution and not of the tax bracket, and so is much more acceptable, particularly if the credit is limited to, say, \$20 a family.

Of course, if a tax credit of 100 percent were allowed, there would be no favoring of the larger contributors. Presumably everyone who could be brought to understand the scheme would contribute the maximum, since the total contribution would come out of the Treasury. We would therefore prefer such an arrangement to a partial tax credit, but would suggest that it be limited to a maximum of, say, \$5 a year, to avoid inordinate tax loss.

Moreover, as stated earlier, we strongly urge that any credit or deduction which is granted should embrace independent political committees, such as AFL-CIO COPE. We believe that independent

political groups have made major contributions to the political life of this Nation, and that they have supplied energy and ideas sometimes lacking in the regular parties.

The President, in his letter of May 26, spoke of "contributions to any candidate or to any organizations supporting a candidate, in any election campaign or primary, Federal, State, or local." Some sort of verification of contributions would no doubt be necessary, but we are strongly opposed to any move to channel all political contributions through the regular parties or regular political organizations.

We thank the committee for this opportunity to appear.

The CHAIRMAN. Thanks so much for coming here. I had been somewhat hopeful that we might be favored by the presence of your president, Mr. George Meany. I think he is a great man.

Mr. HARRIS. Thank you.

The CHAIRMAN. He is a wonderful, warmhearted person to every laboring man and I think most of the business people of America admire him tremendously.

Mr. HARRIS. I am sure Mr. Meany would appreciate your kind comments.

The CHAIRMAN. I did discuss this with Mr. Meany some time ago and tried to explain it to him, and he said, well, I have always said, Senator, that the only plan I am really in favor of is one man, one vote. Let everybody be treated the same. I am happy to see that your organization thinks the plan I have suggested—and Senator Nelson of Wisconsin and Senator Douglas of Illinois have joined as cosponsors now—would be the best way to go about doing it.

This matter of improper influence plagues all of government—this government and every other government. The people who have money have a lot of influence. But the point Senator Nelson has made to me so many times, and he was Governor of his State before he came here, is that while it is true that a person could accept other contributions and spend other money, the financing of the presidential campaign as I have advocated, would not require any man running for office to make any commitment that he did not want to make.

In other words, if somebody came to him and said, "We could put up a half million dollars, but we would like to be sure you are going to do a certain thing," if he did not want to do it, he could say, "Thanks just the same, but I will handle it myself," because he would have a means of financing his campaign. He would not have to do it that way.

I am happy to see that your organization has given me the courtesy of studying the measure that I recommended.

I take it you also favor tax credit?

Mr. HARRIS. Yes, we would favor the tax credit if there were some low top limit on it, such as, say \$10 to an individual or \$20 on a joint return. We would think that would be the maximum on a tax credit, but subject to that limitation, we would favor it.

The CHAIRMAN. In a Governor's race, for example, you would prefer to see it financed, say, by 10,000 people putting up \$10 than by 1,000 people putting up \$100?

Mr. HARRIS. Yes; we think it is a much healthier situation, and not only diminishes the chance of undue influence, but enlarges the group of people who take an active interest in politics.

As respects your and Senator Nelson's proposal, we do think that the cost of the presidential campaign or some reasonable portion of it is a legitimate cost to be charged against the Government, an essential part of the election costs, and it would be quite proper for the Federal Government to meet it.

The CHAIRMAN. Senator Morton?

Senator MORTON. I am sorry I did not get here for the beginning of your statement, but I have read it with interest. I agree with you, as I pointed out yesterday, that the proposal that Senator Magnuson and I made a few years ago, which was just a \$100 credit, was unfair for the reasons that you have pointed out.

I also agree with you fully that whatever we do should be designed to encourage people to take an interest in elections and to vote. I think you will agree with me that an informed electorate, an intelligent electorate, is necessary for the preservation of representative government.

I am also glad to have your comments on the proposal of our chairman. I admit candidly that when I first read the news account of his amendment, it seemed to me that it was the same old philosophy—let Uncle Sam do it. The more I studied it, however, the more favorably I am impressed with it. For, indeed, I think the cost to the Government under the Long proposal is not going to be any greater than the cost to the Government under these various tax proposals. And certainly the administrative costs are far less.

Thank you very much.

Mr. HARRIS. Thank you, sir.

The CHAIRMAN. Thank you so much, Mr. Harris. We appreciate your being here today.

Mr. Martin Lobel, of Lobel & Lobel, Boston, Mass.

STATEMENT OF MARTIN LOBEL, LOBEL & LOBEL, BOSTON, MASS.

Mr. LOBEL. I am Martin Lobel, a practicing attorney in Boston, and I will be assistant professor of law at the University of Oklahoma this coming year.

Sitting here today I am somewhat in awe of the majesty of the Senate and the political knowledge embodied in its Members. But I am also somewhat skeptical of the passage of a bill reforming campaign financing. In the past, the Members of Congress found it impossible to escape from the maelstrom of immediate problems to cope with the not so immediate but just as serious problem of reforming our election laws. Unfortunately, the demands on a Senator's time just to cope with problems of the moment leave little time to consider other, less pressing, problems. Now, however, you have a chance to act.

You have already heard from some of the most eminent students and practitioners of pragmatic politics so, rather than waste the committee's time covering the same material, I would like to attempt to place these bills into the framework of a functional democratic theory, so that we can approach campaign financing unencumbered by the campaign financing theories usually encountered.

Your function when you go out to campaign is to inform and educate the people so that they can make a rational choice between those issues which are in controversy. You present yourself, your policies

and your method of approach before the voters every 6 years. You hope, if they understand your policies, they will vote for you. You believe your policies are the best for this Nation and your constituents, but it costs money, time and effort to communicate this to the voters who are invariably quite well insulated from the harsh realities you must face day in and day out. Only during election campaigns do you really have a chance to catch the attention of the voters and to interest them in issues and, yes, in you. Nor, should the voters be faulted too harshly for this outlook. It costs them time and energy to acquire this information and it often seems more profitable to them to expend their limited amount of time and energy on other, seemingly more important demands.

Election campaigns are the keystones of our democracy. Democracy presupposes that the voters can act rationally, but, without sufficient information, no one can make a rational choice. While it is relatively less expensive to inform the electorate of the issues during an election campaign because the campaign tends to focus the electorate's attention on the issues and the candidates, it still costs a lot of money. This is a fact of life which no amount of legislation is going to change. No candidate, no matter how altruistic, is likely to observe the artificial limits imposed by the present statutes on the amount of money he can spend to inform the public about his program, his qualifications and his accomplishments. Nor should he be required to do so. After all, no matter how good a candidate's programs are, they cannot be effectuated unless he is elected. And, as a matter of policy, it seems clear that too much information is to be vastly preferred to too little information.

The real problem thus becomes apparent. It is not to limit the amount of spending, but, rather to encourage competent citizens of average means to run for office and to make sure that sufficient funds are available to all qualified candidates so that the candidates are not forced to accept unwanted obligations merely to raise necessary funds. While I realize it is very difficult to draw the point on the continuum dividing desirable from undesirable contributions, the fact remains that for most candidates the most lucrative sources of contributions are too close to the dividing line. You, sitting here, are not really touched by this problem now and this is part of the reason why the election laws have not been reformed. However, it was not so long ago when you began your political careers that you were faced with the dilemma of whether to take a contribution from an unwanted source or refuse it and do without some aspect of your campaign which might win you the election.

There are two basic approaches to alleviating the financial plight of the parties and candidates embodied in the bills before this committee: either a tax incentive to encourage small contributions or a direct Government subsidy. The choice will depend upon the following: how will the plan affect our political system? Will the plan provide sufficient funds? To all those who need them? And, finally, how well can the transfer of funds be controlled?

A tax incentive, if all the technical problems could be eliminated, offers the most attractive theoretical solution. It would encourage people to participate actively in the political processes and would make

the parties more responsive to that vast amorphous group we call the electorate, rather than to special groups within the electorate. A further benefit is that the money is allocated in direct proportion to the parties' efforts and popularity.

However, at present, technical problems severely limit and, perhaps, eliminate tax incentives as a feasible solution. The national parties are not now capable of taking advantage of such a plan and I have some doubts whether the parties could develop the requisite grassroots organizations in time to make effective use of this method. While such a strengthening of party structure is much to be desired, by the time the parties could restructure themselves, the plan would most likely be in disrepute.

A more serious barrier to the success of such a plan, however, is the problem of control. Any system effectively controlling the transfer of funds would eliminate the advantages of mass solicitation. This difficulty I believe has been recognized by the sponsors of the tax incentive bills, because they shift the responsibility of developing controls onto the Internal Revenue Service. Shifting off decisionmaking to an administrative agency in order to pass a bill is often advisable, but I don't believe this is the case here where so much rests upon this decision. For example, under S. 2006, a recipient of a \$200 contribution could use the available credits to buy nine votes by handing out evidence of a \$20 contribution to nine people who could then claim a \$10 credit against their taxes. In effect, these receipts would be as good as cash, but cost the distributor of them nothing. Yet, effective controls, such as a tax stamp plan, would eliminate the greatest advantage of tax incentive plans: the possibility of mass door-to-door solicitations. There is an additional problem which is also common to the tax deduction and tax credit plans. Most people, myself included, would prefer that the Internal Revenue Service not know to which party or candidate I contributed. Although I am not suggesting that this would consciously influence an agent's decision, the fact remains that we all fall victim to unconscious biases and I, for one, would rather not take the chances of rousing one in an agent investigating my tax return. Preserving the privacy of the contribution thus adds another complicating factor. Finally, there is the problem of controlling the eligible beneficiaries. The one who is most in need of money and is thus in the greatest danger of "being bought" is the candidate for nomination. But who is to determine who is a legitimate candidate? Probably, the only solution to this problem is to limit the eligibility, in the beginning at least, to those candidates for Federal and, perhaps, statewide offices who have qualified to be placed on the ballot. I realize this eliminates many candidates who sorely need money but we must see how well the plan will work when the candidates are fairly visible and, if the plan works well, then it can be extended further.

The alternative method of providing the necessary funds is by direct Government subsidy. Although I must admit my first reaction was one of dislike, I believe, upon reflection, that Senator Long's plan is the most feasible method of alleviating the politicians' financial needs while promoting a more viable democracy. This proposal would greatly improve campaign planning because a candidate would

know he could count on at least ~~a~~ amount of money and thus would not have to continually change his plans as the flow of funds varied. Controlling the transfer of funds will also be much easier under this plan than under the tax incentive plans since, after the party certifies the bill, the Comptroller will pay the treasury of the party directly. Nor does this plan fall astray of the pitfalls faced by prior plans for direct subsidies. It does not attempt too much and because the amount of money granted to the parties varies with the popular vote the problem of the first amendment is avoided as is the likelihood that a direct subsidy will vitiate a vigorous party system. However, I should like to make two suggestions. It would probably be better to allow the parties to decide how the money is to be used rather than limit its use solely for presidential campaign expenditures. Thus, for example, the parties would be able to use the money for office expenses or to aid senatorial candidates who were in need of financial assistance.

Secondly, since the direct subsidy will not help candidates for nomination, perhaps the plan could be combined with one allowing a candidate for nomination or election to deduct, up to statutory limits, any unreimbursed expenditures incurred in running for office. Of all the professions, only politicians are exceptions to the general rule that only net income is taxed. Almost every other person can deduct the cost of earning a living but because of a misguided judicial decision candidates are denied this right. This should be remedied.

Before I conclude may I make one specific comment on Senator Williams' amendment? The idea of testing the deductibility of a contribution upon the beneficiary's observance of the law is ingenious but should be put off until the obvious absurdities in the election law are removed. Until such time, it seems too heavy a burden on the contributor to make the deductibility of his contribution rest on events outside his control.

May I thank you for this opportunity to testify.

The CHAIRMAN. Thank you so much for your statement here, Mr. Lobel. You have studied this matter in considerable depth, I can see, based on some of the observations that you make here. What is your background in this matter that causes you to come before us?

Mr. LOBEL. Well, primarily, I am interested in reforming our election laws. I received my master of laws at Harvard this past year and my master's thesis was on Federal control of campaign financing. As a result of this, I have written an article to be published in the October issue of the University of Minnesota Law Review.

The CHAIRMAN. We have some people on this committee who really understand something about this campaign financing problem. Senator Albert Gore, one of our astute members, conducted an investigation in considerable depth in the financing of presidential campaigns some years ago and published a report on his efforts. I have been trying to get a copy of it for some time, but it is out of print. He undertook to find out who put up all this money that was not reported. He came up with an educated guess that in the election that he investigated—that was the Eisenhower-Stevenson campaign—the Democrats raised about \$12.5 million and the Republicans raised about \$40 million. But he is frank to say that it is just a guess. He just ran out of time, calling people and asking them how much they put up. There is no law

violation involved, but he was just asking about what they put up that they were not required to answer.

Did you read the report?

Mr. LOBEL. Yes, sir; I did.

The CHAIRMAN. It is out of print. It ought to be reprinted as a best seller, for anybody who wanted to get a list of prospects.

I am frank to tell you that I sometimes gain the impression that when you are talking in terms of large campaign contributions—I do not mean the \$100 type, I mean the big ones, \$5,000 and above—the distinction between a campaign contribution and a bribe is almost a hair's line difference. You can hardly tell one from the other.

For example, I recall an election in my State where one man put up almost a quarter of a million dollars. He was a very fine, high type man and we passed a big tax that cost him a fortune. But we did not do that without first talking to him and saying, we think this is necessary, we hope you will pardon us for doing it. Frankly, if he had said, no, no, it just cannot be done, I do not know whether we would have done that or not.

The other side, of course, had some very fine people who put up large amounts of money in their campaign, and if I do say it, some of the people who put up the largest amounts are some of the finest people I know. One sweet woman was on the opposite side and thought they were going to lose and came charging in there with a couple of hundred thousand dollars to pump up their side. While it is true she did not expect to control the State in the event that the candidate she was supporting won, anybody who would suggest that she had no more influence than any other sweet old lady in a calico dress just does not know anything about politics.

That is the type of thing I thought we ought to try to eliminate. My thought is that as much as you can criticize the Congress for undue influence, it take two to tango. Now, if a Senator or a Congressman has a bad bill or something that should not be done and he wants to do something that is not in the public interest, he cannot put it through unless the President signs it. If the President vetoes the bill, he cannot override that veto, not if the President sends down a strong veto message. I do not know of any time the President has been overridden unless the Congress thought very strongly he was indisputably wrong.

Can you tell me how many times in the last 20 years, for example, Presidential vetoes have been overridden. Not many, have they?

Mr. LOBEL. Not many.

The CHAIRMAN. I think we overrode Eisenhower about one time. We did not override Kennedy once, and we have not overridden Lyndon Johnson one time. Harry Truman would slap a veto on a bill, and have himself overridden a few times. But generally speaking, where we did override him, every Congressman and every Senator explained in great detail to his constituents why he overrode the veto of the President.

Mr. LOBEL. I think many people make the mistake of saying that large contributions are per se bad. I think this is incorrect. I think it is a balance you have to draw between how large a contribution is and the office being contested. For example, \$10,000 is much more important to a Congressman than to a Senator or President. Yet those who are able to contribute \$10,000, or \$1,000 more commonly

should have some means of access to the Congress, to the President or what have you, so they can bring whatever ideas they have to the Congress or President.

The CHAIRMAN. I have seen it both ways. I have seen people put up more than \$100,000, some of the finest, highest motivated people in the world. On the other hand, I have seen some other fellows come in looking for a highway contract, let's say, and state, "I am willing to put up \$25,000, but I want to name the highway commissioner of this next administration, and if I cannot name him, I want to have veto power over who it will be. Here is the \$25,000 and no reporting, no anything. Let's just understand each other. If we can do business, I will put this money up."

I have seen it work both ways. I am sure that the people on the other side have experienced the same problem.

Mr. LOBEL. I think the greatest benefit of your plan, Senator, is that it will enable a presidential candidate to refuse a contribution because he will not be absolutely required to take it, for example, just to maintain a 5-minute TV spot to reach the people. There is a new book coming out shortly that will indicate the weakness of our present laws regulating campaign financing and will show further that no matter how altruistic a candidate is, he has to accept these contributions merely to present a minimal campaign to the people.

The CHAIRMAN. My suggestion is a simple way to meet one problem—the biggest one. If you can solve the big problem, you can solve the small problems later on. My thought on the subject is that you can move step by step. If my suggestion applied to the next presidential campaign, it would mean that the Republican Party and the Democratic Party, with their two nominees, would both have available to them \$26 million, which would be on the theory of one man, one vote. They could take a look at how they are running and take a chance on spending more than that, and chances are both of them would. If they got more votes, all right, they should be allowed a larger amount of money.

Mr. LOBEL. I think that is correct, but I would like to point out that one thing, that if the party can contribute money to candidates for the Congress or the Senate, I would much prefer the party do it, than some contributor whose money had been refused by a presidential candidate because the latter already was assured of funds under your proposal.

The CHAIRMAN. In States like Louisiana, a big Southern State, we tend to think of it on a different basis, because usually, the big race is the Democratic primary and you get all shades of the rainbow in those candidates. Some people who run are very fine men. You get some people who are so liberal that they are out of bounds on the left and some so conservative that they are out of bounds on the right, and you get some people who are just completely screwballs, but they all put their names out there. It does cause me to wonder whether we have any business trying to finance some of these people who have no business running to begin with. That is why I do not try to answer that. And I am not sure that you would want to answer it. Would you?

Mr. LOBEL. No, I would say we are financing the party rather than the candidates. All too often, the presidential candidate has borne

no relation to the feelings of members of his party in the House or in the Senate. I think this is unfortunate.

The CHAIRMAN. If you do not want to name the book you mentioned earlier, I would appreciate it if you would bring it to my attention.

Mr. LOBEL. You will see it in newspaper headlines, I am quite sure. It concerns campaigning in Massachusetts.

The CHAIRMAN. If you know as much about politics as some of us do, you will find there is not much difference between Massachusetts and the rest of the States. There might be some people who claim to be a little different, but in the last analysis, it is a matter of degree.

Mr. LOBEL. We just wash our linen publicly.

The CHAIRMAN. Senator Morton?

Senator MORTON. This book that you referred to, the committee report, was, in fact—the Gore committee—I think 1957 or 1958, following the second Eisenhower-Stevenson race. That is a somewhat outdated source, because it was published nearly 10 years ago and certain people are deceased and there have been changes in circumstances of others. There have been changes in address. If the chairman wants a good source book today, I have an up-to-date list of the members of the President's Club I would be glad to make available to him. I researched that with the Clerk of the House and it took days, but I have it right up to the last month.

The CHAIRMAN. I would be happy to have it.

Senator MORTON. Do you want just the Louisiana names, or would you like all of them? I have them broken down by States and dates.

The CHAIRMAN. I would enjoy having it. I might run across a name I did not know about. But I was at that meeting over there in Houston, Tex.—went early and stayed late. I think I know all the Louisiana prospects. That just happens to be part of the business, Senator, as you so well know.

Senator MORTON. I just wanted to offer to be helpful in anyway I could.

I have enjoyed your testimony.

The CHAIRMAN. I must say, Senator Morton, it was rather amazing to me to find on the front page in the Washington Post that somebody thought it was news that George Brown contributed to Lyndon Johnson's campaign. I thought everybody knew that George Brown had been a friend of Lyndon Johnson's, been that way ever since he started in politics. But every now and then you find some uninformed people you have to educate on that subject.

Senator MORTON. I agree with you on that. I saw nothing, frankly, to connect the Mohole project, which was the center of this, with Mr. Brown's known and long time support of the Democratic Party. It was not any news to me.

The CHAIRMAN. I knew that George Brown was a friend of Lyndon Johnson's the first time I met him and have known that ever since that time. My feeling is that George Brown would have been supporting Lyndon Johnson, doing what he could to support his friend, Mohole or no Mohole.

Well, thank you, Mr. Lobel.

Mr. Mike Callas, president, Callas Contractors, Inc. He will be accompanied by Mr. John Lloyd of the Cumberland Valley Chapter of the Associated Builders & Contractors.

STATEMENT OF MIKE CALLAS, PRESIDENT, CALLAS CONTRACTORS, INC., HAGERSTOWN, MD.; ACCOMPANIED BY JOHN LLOYD, CUMBERLAND VALLEY CHAPTER OF THE ASSOCIATED BUILDERS & CONTRACTORS

Mr. CALLAS. Mr. Chairman, my name is Michael Callas. I am the president of Callas Contractors, Inc., a construction firm located in Hagerstown, Md. I am also the president of the Cumberland Valley Chapter of the Associated Builders & Contractors of Maryland.

Today I am accompanied by Mr. John Lloyd, our executive secretary of the Cumberland Valley Chapter.

We appreciate this opportunity to present our views on the important issues before the committee this morning.

I am going to speak on the basis of my own experience as an American citizen and as the company president of a small business firm and as the head of an industry association on the subject of deduction of political contributions.

I must admit that I have only recently been stimulated into the fields of political activity. Legislation which affects me personally, which effects the operation of my small business, and which the 110 member firms of our construction association look to me to have favorably reported, enacted, or defeated, has literally gotten me off the sidelines and into the game. So in the past few years, I have made repeated visits, written many letters, telegrams, made phone calls to our elected legislators, from the local level to the national level.

Four years ago, I served as treasurer of my brother's campaign for a local office in Hagerstown. Since then, the itemized statements of the candidates campaign expenses have had a little more realistic meaning to me. I have seen the tremendous costs of even a very, very small venture into the large political field. It is with this firsthand knowledge of campaign costs and personal observations, the need for legislators who will express and vote for the issues vital to me, that makes me believe that every American citizen needs, requires, is entitled to some form of tax relief in order that he may contribute to the campaign funds of the political candidates of his choice.

My very vivid recent experience with two pieces of legislation which vitally affected our construction industry might serve as an example of what I mean. Many of the legislators with whom I discussed what I believed to be very adverse legislation for our construction industry voted for the passage of these two bills, even though, by their own admission, their mail, their phone calls, poll results, et cetera, were overwhelmingly in favor of the defeat of this legislation. These men indicated to me that they were only their campaign commitments. Morally, I have no objection to this method of voting. I, too, believe in feeding the hand which feeds you.

Incidentally, numbered among the very heavy contributors to these gentlemen's campaigns were organizations who not only are minority groups who are not held accountable financially, but who also enjoy a tax-exempt status for the so-called political education needs and requirements. All I ask is that the rest of us rank-and-filers be allowed to enjoy a similar tax relief in order that we might all exercise this opportunity of political contributions for the candidates of our choice.

The American taxpayer is allowed so-called tax-free credit for his contributions to the operation of his local, State, and Federal government. His contributions for the operations of his church are a deductible expense. His contributions to promote better education, medical facilities, social activities, are considered vitally necessary and are also in many cases nontaxable. Therefore, I feel this right to help elect a man of his choice should also be tax free to the individual.

I thank the committee for this opportunity to appear this morning.

The CHAIRMAN. Thank you very much, Mr. Callas. You are the concluding witness of this hearing. I have noticed one thing about all the witnesses. We had a spokesman for the President, to support the President's recommendation. We had three U.S. Senators testify. We had representatives from labor and management. And while they differ on what the answer should be, they all agreed on one thing, that there should be some way to provide for the legitimate, honest, unprejudiced financing of these big political campaigns—that good government requires it. I am happy to see you, speaking for 110 contractors, say the same thing, that something ought to be done here. I hope we can find the right answer, because I think just in the interest of good government, people should be in a position, when they are elected to office, to do what they think is right without any heavy commitment one way or the other to favor one particular group over another.

Thank you very much for your statement here.

Senator Morton?

Senator MORTON. I have no questions.

The CHAIRMAN. Thank you very much, gentlemen.

That concludes this hearing. We may discuss it further, but for the time being, that concludes the list of the witnesses we have been scheduled to hear.

We have a statement we will print in the record, from Mr. Craig Truax, chairman of the Republican State Committee of Harrisburg, Pa.

(The statement referred to follows:)

STATEMENT OF CRAIG TRUAX, REPUBLICAN STATE CHAIRMAN OF PENNSYLVANIA

This statement is based upon 10 years of work within the Republican State Committee of Pennsylvania. My observations and experiences, as they concern the financial problems of political committees are similar to those of participants in other states in both political parties.

Both the Republican and Democratic Parties are today in serious financial trouble. Not only are the majority of such committees unable to properly fulfill responsibilities to the electorate, their weakened condition makes them vulnerable to takeover by individuals and groups who have access to financial power.

For years, citizens groups, political leaders, Presidents, Commissions and officeholders have pleaded with the Congress of the United States to allow this Nation to have a healthier and more self-reliant two Party system by granting Parties the right to receive tax-deductible contributions.

The inaction of the Congress has denied us this sensible course of action; thus leaving the Nation's domestic political affairs open for domination by forces which never get voted upon in the secrecy of the polling place.

At work in every Capitol City in the Nation are organizations representing the political and economic interests of the professions, unions and businesses. These organizations, properly involved in their government, are in most cases handsomely headquartered, well-staffed by career personnel, and heavily financed by membership contributions which are tax deductible! We approve of, and we salute these organizations.

However, we believe that the legally constituted system of political parties deserves the same privilege—and our feeling is supported overwhelmingly by the American people according to public opinion polls.

Easily recognizable is the massive money problem of meeting the soaring costs of modern-day campaigns. Unfortunately, the availability of large amounts of money is today too much a factor in determining the outcome of campaign.

But, the Parties do more than just "run candidates". We are the custodians of the electoral process. *We are the maintenance crew which keeps alive the concept—that citizens should develop and maintain a voluntary decision-making political system free of government domination or interference.*

On this last point, I close my plea.

The financial problems of political committees are such that they cannot, and will not be ignored any longer. The question is: *Will Parties be put on a direct Governmental subsidy plan, or will they be given the right to receive tax-deductible contributions to the degree that the public feels they merit voluntary financial aid?*

I heartily recommend the latter course, and adamantly oppose the former.

I recommend that this session of Congress act immediately to make a political contribution of \$100.00 or less deductible from personal income.

With this right, the political committee at the County, State and National level would be able to raise adequate money on an annual basis from large numbers of citizens. The public would be better served under such circumstances by more competent party organizations with the financial security to act fully as instruments of the general public.

(Whereupon, at 10:55 a.m., the hearing adjourned, subject to the call of the Chair.)

