

MINE

STENOGRAPHIC MINUTES
UNREVISED AND UNEDITED
NOT FOR QUOTATION OR
DUPLICATION

**HEARINGS
Before The**

COMMITTEE ON FINANCE

UNITED STATES SENATE

H.R. 6056, TECHNICAL CORRECTIONS ACT OF 1982
AND S. 2942, RELATING TO SOCIAL SECURITY DISABILITY PAYMENTS

FRIDAY, SEPTEMBER 24, 1982

Court Reporting Services, Inc.

201 North Fairfax Street, #21
Alexandria, Virginia, 22314

MARKUP SESSION

H.R. 6056, TECHNICAL CORRECTIONS ACT OF 1982; AND S. 2942,
RELATING TO SOCIAL SECURITY DISABILITY PAYMENTS

- - -

FRIDAY, SEPTEMBER 24, 1982

- - -

U.S. Senate

Committee on Finance

Washington, D.C.

The committee met, pursuant to notice, at 10:35 a.m.,
in room 2221, Dirksen Senate Office Building, Hon. Robert J.
Dole [chairman of the committee] presiding.

Present: Senators Dole, Packwood, Durenberger, and
Grassley.

Staff present: Rod DeArment, Committee on Finance;
John Chapoton, Treasury Department; Dave Brockway, Joint Tax
Committee; and Mark Conaghy, Joint Tax Committee.

The Chairman. There will be other members coming,
and I understand there may be an objection to our sitting
past 11 o'clock.

What I would like to do -- and I am not certain
how much we can do unless we have more members here -- we
would like to determine at this time if our Technical
Corrections Act of 1982 -- I had asked at the last session
that members, majority and minority staff of the Finance

1 Committee, Joint Committee staff, and Treasury take a look
2 at the amendments that had been proposed by members of the
3 committee and other members, to determine if in fact they
4 were technical in nature and could be appropriately added
5 to the Technical Corrections Act. Maybe we could review those.

6 Mr. Conaghy. I think, Mr. Chairman, there were at
7 least two or three amendments that the staffs would all
8 think were technical. One deals with unemployment; one
9 deals with the problem with respect to MIA's -- those who
10 were missing in action -- and another one which may be
11 technical deals with the problem on the definition of a
12 "taxpayer" with TVA. Then there might be one other one on
13 real estate investment trusts. So I think there could be
14 four that certainly the staffs would think are technical.
15 We could go over them, if you wish.

16 The Chairman. I know many Senators are doing
17 other things this morning, but I hope they have their staffs
18 present, so that everybody understands, if we are going to
19 pass the Technical Corrections Act, we have to keep the
20 amendments technical.

21 I know a number of Senators have amendments that
22 are of some substance that they would like to add to that
23 bill, but perhaps we can find another vehicle or defer
24 offering those amendments until we have an opportunity to
25 meet after the election or next year.

1 I think we may as well, just for the record,
2 briefly explain each of the amendments.

3 Mr. DeArment. The first one deals with an amendment
4 to the Federal Supplemental Unemployment Compensation Program
5 that we put in the Tax Equity and Fiscal Responsibility Act.
6 When it was drafted, the decision was made, dealing with
7 interstate claims, that the State which had the smaller amount
8 of weeks would be the one that would control interstate claims.
9 That was the assumption made in drafting, but there was no
10 cross reference or reference made to that in the actual draft,
11 and so the Labor Department, in attempting to administer this,
12 has requested we add a section that clarifies that, so they
13 will be able to administer it in accordance with the
14 Supplemental Compensation Program. We have language to
15 accomplish that.

16 The Chairman. That change has been requested by
17 the Administration?

18 Mr. DeArment. It has been requested by the Department
19 of Labor, and we have reviewed it with the minority staff,
20 and they agreed with it, and we actually talked with the
21 House, and they seem to --

22 The Chairman. So there is no objection at the
23 staff level.

24 Mr. DeArment. And the Labor Department has
25 requested it, so they support it.

1 Mr. Chapoton. Mr. Chairman, there is one I want
2 to mention which is not technical in relating to these bills
3 but a matter of significant concern to the Internal Revenue
4 Service. It involves the treatment of families and spouses
5 of servicemen missing in action.

6 There are several benefits in the tax law for the
7 survivors of servicemen who are missing in action, and there
8 are relatively few people in that status still, as I understand
9 it, but those benefits expired in 1978, and there have been
10 proposals for extending those benefits through 1982.

11 We have supported the extension of those benefits,
12 and we think it urgent that the Congress act on them.
13 Otherwise, the Internal Revenue Service has no choice but to
14 treat those benefits as having been lost in 1978 -- excuse me,
15 in 1979, the first year after 1978.

16 The statute of limitations would expire on some
17 returns filed in 1979 beginning next year. We have a set of
18 proposals which would basically extend all of the benefits
19 that are now given through 1978 -- extend them through 1982
20 for the families of those people.

21 The Chairman. As you indicated, that is not
22 technical in nature, but I think it is something that must
23 be addressed. I cannot believe that anyone would have any
24 opposition to that.

25 Mr. Chapoton. No, there has been no opposition

1 expressed from any quarter.

2 The Chairman. Are there two additional amendments?

3 Mr. Conaghy. There is one dealing with a problem
4 that has been raised by the TVA.

5 Mr. Brockway. Mr. Chairman, there is one issue
6 on the energy tax credit that was raised by TVA, where the
7 energy tax credits were due to expire in 1982. The Windfall
8 Profits Tax extended them to 1990, where there are certain
9 long-term contracts. In order to qualify for that, you had
10 to make certain engineering studies in place. It required
11 that the taxpayer himself do the engineering study, the way
12 the language was drafted.

13 There is a case where someone else had done the
14 studies; they were already made by the date. This just makes
15 it clear that it is not necessary that the taxpayer himself
16 do the engineering studies, as long as they were done by the
17 required date.

18 Mr. Chapoton. That is acceptable.

19 The Chairman. That is another one that has been
20 approved across the board.

21 Mr. Brockway. That one is being handled in the
22 regulations on that, so I do not believe there is a need to
23 put it in the bill. That is the way the law will be
24 interpreted; this is just clarifying.

25 The Chairman. So we could take care of that with

1 just a brief statement, if necessary.

2 Mr. Chapoton. Just a statement in the report, if
3 that is deemed necessary; yes, sir.

4 The Chairman. And I think there is one on real
5 estate investment trusts that could be technical in nature.

6 Mr. Brockway. That is correct. This is the issue
7 that was raised in the previous mark-up by Senator Bentsen
8 dealing with real estate investment trusts that dispose of
9 appreciated property -- how you compute their earnings and
10 profits.

11 This provides that, for purposes of their dividends
12 paid deductions, the gain on the sale of the real estate will
13 be taken into account, so they can pay out sufficient
14 dividends. This solves the technical glitch in the statute.

15 The Chairman. So those are the four. Then there
16 were about how many others that were deemed not technical in
17 nature?

18 Mr. Conaghy. There were I think 15 or 18 other
19 ones, Mr. Chairman, that did not fall in the group as being
20 technical amendments.

21 The Chairman. Are there any other amendments that
22 the staff is aware of which should be added to the Technical
23 Corrections Act?

24 Mr. Brockway. Mr. Chairman, there is one provision
25 in the House bill dealing with deposit of withheld taxes that

1 has already been resolved in the regulations, and it should
2 be deleted from the bill because it is not necessary.

3 The Chairman. All right. Without objection -- we
4 do not have enough members to do business here.

5 Senator Packwood. Mr. Chairman, may I ask a
6 question?

7 The Chairman. Certainly.

8 Senator Packwood. This is not on the agenda, but
9 I wonder when we might consider the Utilities Bill we held
10 hearings on yesterday morning and which I desperately would
11 like to get out.

12 The Chairman. I am certain. We hope to consider
13 all the bills that the House has sent to us. That has passed
14 on the House side.

15 Senator Packwood. It is the same bill that passed
16 here also last Congress.

17 The Chairman. I have had two members indicate
18 their objection to marking that bill up.

19 Senator Packwood. I realize there are objections,
20 but I would hope you would have a meeting. Despite their
21 objections, I am going to ask for a vote and try to get it
22 out of committee.

23 The Chairman. Surely.

24 I am going to try to get the consent to meet later
25 on today, so we can take final action on the Technical

1 Corrections Act.

2 As I understand, there has been an objection to
3 our meeting because of an objection to the Social Security
4 disability payment consideration of that proposal. There
5 are a number of Senators interested in that.

6 I would still like to act on Subchapter S, if we
7 cannot do it today, hopefully on Monday, because we are down
8 to the last. I guess it is fairly clear now that we will
9 recess next Friday, and the one area that is holding up
10 Subchapter S is the so-called passive income.

11 I would hope that those who may not agree with all
12 of the work that has been done on Subchapter S could let us
13 reserve judgment on that until sometime later and go ahead
14 and pass this simplification measure.

15 It seems to me that in one of our discussions we
16 had one other question with reference to Subchapter S.

17 Mr. Conaghy. There was, Mr. Chairman, the issue
18 that related to whether or not there could be some
19 consideration in certain cases where the passive income
20 limitation was violated for the year 1981, and I think we
21 would be glad to come back with a recommendation that would
22 specifically look at that problem.

23 The Chairman. One whether or not it would be
24 effective in 1982?

25 Mr. Conaghy. Yes.

1 The Chairman. That question has been raised, and
2 if we can resolve the other issue, maybe we can take care of
3 that request.

4 It is obvious we are not going to have a quorum.
5 We have a roll call in progress. If I can determine, maybe
6 on the Senate Floor, whether we can obtain a quorum in the
7 early afternoon, perhaps we can come back.

8 Does anybody else want to raise any questions
9 about any amendments?

10 Senator Durenberger? I have to inform you, Mr.
11 Chairman, that while we have been passing what is being
12 characterized as tax bills for the rich in the last couple
13 of years, I have the richest family in America running against
14 me for this seat on this committee, so I have planned to
15 absent myself from the Senate at about 12:30 until the latter
16 part of the day on Monday.

17 As you know, I have several technical corrections
18 that cost less than at least one of the technical corrections
19 I noticed on the list, and I would hope that somewhere
20 between the staff and Treasury some consideration might be
21 given to those in my absence. If you do take action, I will
22 not be able to propose those amendments, and I would be
23 anxious to get some disposition of that while I am still here.

24 The Chairman. I think we may be in the process
25 of taking care of your life problem in 4717. Does that

1 address your question?

2 Senator Durenberger. That is part of it. The
3 other is the modified tool situation on obsolete inventory,
4 which is a particularly pressing problem currently for
5 farm implement businesses.

6 A third that has been in my attention for six
7 months -- I just had not thought to raise it, because I
8 thought the IRS was going to solve the problem -- is the
9 concern over the definition of the tax treatment of
10 difficulty of care payments that I addressed to Mr.
11 Chapoton yesterday. If there were any way to clarify that
12 one --

13 Mr. Chapoton. Senator Durenberger, we have
14 contacted the Internal Revenue Service, but we just do not
15 have information on that yet. We expect to hear from them
16 shortly -- today certainly.

17 The Chairman. I do think that if we cannot
18 accommodate some of the nearly technical amendments on the
19 Technical Corrections Act, we hope to have an opportunity at
20 least on a couple of bills we think the House may want us to
21 move on. We did not want to load anything up, but if they
22 are, in effect, 50 percent technical, we might be able to
23 look at them.

24 We will stand in recess, and I can advise members
25 of the staff probably in the next hour whether we are going

1 to be able to meet this afternoon.

2 I wonder if we might be able to poll the members
3 of the committee on those four technical amendments that we
4 have discussed this morning to see if there is any objection.
5 We are without a quorum obviously, but I do not know of any
6 objection to any of those.

7 What about the Crystal Refinery?

8 Mr. Conaghy. Yes, that was accepted yesterday,
9 Mr. Chairman. There was a question about the revenue
10 estimate.

11 The Chairman. You are discussing that with
12 Senator Long?

13 Mr. Conaghy. Yes, sir.

14 The Chairman. Fine. The committee will stand in
15 recess, subject to the call of the Chair.

16 [Whereupon, at 10:55 a.m., the hearing was
17 recessed, subject to the call of the Chair.]

18

19

20

21

22

23

24

25

