

EXECUTIVE SESSION

- - -
MONDAY, MARCH 21, 1977
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United States Senate,
Committee on Finance,
Washington, D.C.

The Committee met, pursuant to recess, at 10:15 a.m.
in room 2221, Dirksen Senate Office Building, Honorable
Russell T. Long (Chairman of the Committee) presiding.

Present: Senators Long, Ribicoff, Bentsen, Hathaway,
Haskell, Matsunaga, Moynihan, Curtis, Hansen, Dole, Packwood,
Roth, Laxalt and Danforth.

The Chairman. Let me just inquire of the Committee
what the Committee's thoughts are? There are some other
matters that we could get into that will prolong the
consideration of this bill.

For example, Senator Cranston had some amendments to
provide a special tax advantage for veterans and disabled
people to give them more advantage of the employment tax
credit than they would receive otherwise. There will be a
lot of sympathy for that.

A suggestion has been made, in order to assure that
it would reach the President's desk, that the counter-cyclical
Revenue Sharing bill ought to be added on to this bill. I am

1 sure that there are other suggestions that can be made.

2 We could get involved in all of that, and can vote on
3 all of that, or else we can report the bill the way it stands
4 and recognize that there will be other amendments that we
5 will have to contend with on the Floor where each Senator
6 will more or less decide for himself how he wants to vote
7 with regard to those particular amendments.

8 If we do get involved in further perfecting amendments
9 and something as significant as the counter-cyclical thing,
10 we could very well spend all day today and two or three
11 more days working on this bill.

12 I suspect that regardless of how we meet these problems,
13 we will probably be confronted by some of these same issues
14 on the Floor anyway. What is the judgment of the Committee?
15 Do you want to report the bill?

16 Senator Curtis. Mr. Chairman, I would like to state
17 the position which I believe, in general, is the position of
18 the Minority. There may be some more amendments offered
19 this morning by individual members of the Minority. There
20 are several items that I will call to your attention.

21 I do not propose to take the time of the Committee to have
22 them vote on it because I think that we have had several
23 votes that has indicated the trend in which the Committee
24 wants to go.

25 The matter arose about stimulating our economy. The

1 Minority, representing by majority vote of the Republican
2 Conference, caused to be introduced several bills carrying
3 out our alternatives. They are S. 730 to S. 737, inclusive.

4 We have already discussed and had a vote on the individual
5 tax reduction across the board in lieu of the rebate. We
6 have had a vote on energy.

7 I will enumerate what some of these others are. As I
8 say, we may not take the time to have all of them voted on
9 here. I want the record to show that this is our position and
10 I reserve the right to offer them on the Floor, all of them,
11 or such ones as we choose.

12 One of these bills had to do with the employment of
13 the hard-core. It called for a credit. We think that this
14 is much more valid than the rebate.

15 Another bill provided for rate reduction for the smaller
16 corporations.

17 Then, we had a few bills dealing with capital formation.
18 It takes a great deal of money to create a job. We think
19 by raising the dividend exclusion that we can make a contribu-
20 tion there.

21 We think it is a matter of equity as well as a stimulus
22 to certain activities that there should be an interest
23 exclusion.

24 Last year, we had BESOP, the stock ownership, which was
25 an attempt to get people of low income to become owners in

1 America and get a tax break. That is a part of the
2 package.

3 Also we had in our package a matter which was under
4 discussion as we broke up last Friday -- increased depreciation
5 for high unemployment areas.

6 We may or may not offer all of these here, because we
7 are interested in the principles involved and in the bills.
8 We are not interested in taking more time, since we have
9 seen the course the Committee is taking. I merely enumerated
10 these bills so that you will know that we have them here
11 before the Committee and the Committee either rejected them
12 or did not take them up, and that we may offer them on the
13 Floor and also some of the Minority members may wish to
14 raise individual items on this list this morning.

15 The Chairman. I have a statement from Senator Talmadge.
16 He said he is presiding over the Agriculture Committee and
17 he says, "please ask Bill Galvin to explain my WIN Amendment.
18 This is authorized to provide additional funds. It will
19 provide more employment assistance than anything that has
20 been proposed to date.

21 "You have my proxy on all of the matters that may come
22 up."

23 If we are going to consider further amendments, we
24 ought to consider this one. We could consider it on the
25 Floor, too.

1 Senator Curtis. Did we finish the matter that was
2 under discussion about increased depreciation?

3 Mr. Shapiro. The agreement, as I understand it, on
4 Friday that the staffs would work with both proposals,
5 Senator Moynihan's proposal, and Senator Danforth's proposal,
6 to try to get some common ground, and that would be offered
7 on the Senate Floor.

8 The Chairman. What is the cost of that WIN amendment
9 that Senator Talmadge is interested in?

10 Mr. Galvin. This is \$435 million for fiscal year '78 and
11 fiscal year '79. It is the mere authorization to appropriate.
12 It still has to come before the Appropriations Committee
13 and actually be appropriated.

14 The Chairman. How would that be handled? Tell us a
15 little about the amendment?

16 Mr. Galvin. The Finance Committee had approved an
17 additional \$400 million as an expenditure and appropriation
18 in the WIN program in its consideration of the fiscal year
19 1978 budget. Under the Congressional Budget Act, an
20 authorization must be reported by the Committee to both
21 the Senate and the House of representatives on or before
22 May 15th.

23 Since the WIN program involves two programs on the
24 House-side, we cleared that with the Education and Labor
25 Committee and they said that they support the amendment, based

1 on the assumption that the additional funds will be used
2 for training, supportive services, and on-the-job programs.

3 What this would do, ever since the Talmadge amendment
4 went into effect June 30, 1972, the WIN program has had
5 limited funding. They expect to be able to double the amount
6 of existing employment of WIN registrants to 500,000. The
7 present level is 200,000.

8 It would assume that all of the employables registered
9 would be involved in the program for a minimum program each
10 year. At the present time, it is impossible to serve over
11 500,000 registrants. The additional funding would serve
12 over a million registrants.

13 The Chairman. Let me ask you, does this broaden the
14 program, or just authorize that you provide more money for
15 it?

16 Mr. Galvin. It does not change the legislation whatsoever
17 except it is a no-matching requirement. It is the only
18 thing that changes. It does not broaden it; it provides
19 more money.

20 The Chairman. It leaves out the matching require-
21 ment?

22 Mr. Galvin. For these two years, for the additional
23 money. This additional money is over and above what has
24 been recommended in the budget.

25 The Chairman. In view of the fact that we have already

1 recommended to the Budget Committee that this money be
2 provided, I wonder if we could agree to add this authoriza-
3 tion to the bill? Is there any objection?

4 Without objection, then, the amendment will be agreed
5 to.

6 As I say, I am ready to vote on the bill if the other
7 Senators are.

8 Senator Curtis. I did get a call from a member of
9 the state legislature in reference to where their residence
10 is, according to present rules, thus their ability to
11 deduct certain away-from-home expenditures.

12 As it now stands without action, I would like to ask
13 the staff, are they faced with a different ruling than they
14 had had in the years past?

15 Mr. Shapiro. Senator, this matter concerns the 1975
16 Tax Reduction Act. There are two problems. One is a retro-
17 active problem; one is a prospective problem.

18 The legislative problem in respect to the retroactive
19 problem was taken care of in the Tax Reform Act back in 1971
20 where certain rules alleviate the tax burden. The Congress
21 decided in the Tax Reform Act not to go prospectively at
22 that time, because both the House and the Ways and Means
23 Committee and Senate Finance Committee and many of the
24 members wanted to provide a common rule with respect to
25 state legislators and Congressmen and Senators with respect to

1 their away-from home allowances. It was agreed at that
2 time that it was not appropriate to deal with it at that
3 particular time in the Tax Reform Act. Their problem was
4 taken care of for 1975 and back.

5 With respect to last year, 1976, the issue was still
6 open. There are bills currently being considered in the
7 House. The Ways and Means Committee has a markup session
8 next week which, in effect, provides for state legislatures
9 for 1976 and the future. At the same time, some of the bills
10 that are being considered deal with Congressmen and Senators.
11 Some of those bills go after the next election. It will not
12 make any adjustment until after the next election. It may
13 be that you would like to put off any consideration on this
14 bill. The problem is actively under consideration in the
15 House at this point.

16 Senator Curtis. Would they face an increased tax burden
17 in '76, but they will not have in '75, if we do nothing?

18 Mr. Shapiro. If we do nothing, that may be the case.
19 What was expected and understood in the Tax Reform Act
20 conference when this decision was made, that that problem would
21 be dealt with at an early stage in 1977 to take care of
22 the problem for last year.

23 In response to that, the Ways and Means Committee is
24 currently holding hearings, beginning next Monday, on that
25 particular issue. It is much broader than just the state

1 legislators. It deals with the away-from-home allowances
2 for legislators and Congressmen and Senators.

3 Senator Curtis. I mean the change.

4 Mr. Shapiro. The change would take in account last
5 year. They will not be out for one year.

6 Senator Curtis. What groups are faced with an increased
7 tax burden in 1976 over 1975?

8 Mr. Shapiro. State legislators.

9 When I say faced with an increased burden, what I really
10 mean is that the problem is unclear, because some definitive
11 rules were provided in the Tax Reform Act that dealt with
12 the years prior to 1976, '75 and earlier years. That left a
13 gap in the year 1976, which is the one you are raising. It
14 has been left open. That was done intentionally in the '76
15 Act so that Congress could address it at an early stage.

16 As I understand it, the bills are being considered by
17 the Ways and Means Committee to cover that issue. That would
18 cover last year.

19 As of right now, they do have a problem. I would expect
20 that the Ways and Means Committee and the House would act
21 quickly and send the bill to the Finance Committee and the
22 Senate for consideration, which would include consideration
23 of the entire problem. It would take care of that problem
24 for last year.

25 Senator Curtis. Would there be anything wrong with taking

1 care of '76 and still leaving the permanent solution to be
2 devised by the Ways and Means Committee? Could we not insert
3 language here that would put '76 in the same category as '75?

4 Mr. Shapiro. You could.

5 Mr. Woodworth. I am not sure that you would want this
6 same treatment they had retroactively. The proposal last time
7 this was up for consideration would have provided a different
8 kind of rule for the prospective period than for the past.

9 In other words, if you take it up, there is a different
10 solution which is available for the future. You might want
11 to, even if you had it for just one year, you might want to
12 provide that rule rather than the prior rule.

13 Senator Curtis. What is that rule?

14 Mr. Shapiro. The provision provided in the Tax Reform
15 Act talks about years beginning before 1976. The tax home
16 of the state legislator is his place of residence within the
17 legislative district which he represents for that period. He
18 can elect to be treated as having expended his living expen-
19 ses at an amount equal to the per diem allowed by the U.S.
20 government, the Executive Branch, multiplied by the number of
21 days that the state legislature was actually in session.

22 Then there were special rules as to how that was actually
23 to be applied. That was a special rule applied to the retro-
24 active period, because you did not have other information.

25 Senator Curtis. I understand.

1 Mr. Woodworth. I am trying to recall it. I thought --
2 I cannot be sure, without checking, but I thought that there
3 was to be a per diem established by the BLS, I believe,
4 Bureau of Labor Statistics or the IRS, one or the other.
5 I think it differed according to the House and Senate version,
6 to work out a per diem based upon the cost of living in the
7 different state capitals.

8 That was to be the rule, which at least was almost
9 adopted tentatively for the future.

10 I thought that the rule for the past related to how
11 much the allowance was that was actually paid by the state.
12 In other words, when you are dealing with only the past
13 period, they could not very well come up with any rule other
14 than just what it was that the allowance which was already
15 established in the state.

16 Senator Curtis. I thought we allowed the Federal rate.

17 Mr. Shapiro. That was the past, because you did not have
18 the cost-of-living allowance. This was more or less a
19 ceiling.

20 The reason for this was that they did not have all of
21 these records for the past, so you used this as a means to
22 determine what the living expenses would be for the past.
23 There was a different rule for the future, and also they
24 did not have to substantiate these amounts for the past.

25 Senator Curtis. Chances are that what we are working

1 on now will become law before the final filing date for
2 1976?

3 Mr. Shapiro. Yes.

4 Senator Curtis. Mr. Chairman, I would like to move
5 that we extend this 1975 rule for state legislators to
6 1976.

7 The Chairman. All in favor say aye.

8 (A chorus of ayes.)

9 The Chairman. Opposed, no?

10 (No response)

11 The Chairman. The ayes have it.

12 Senator Haskell. Mr. Chairman, I wonder, since I have
13 to chair at another committee, if I could make a short state-
14 ment about this bill?

15 I intend, Mr. Chairman, to vote to report this bill to
16 the Floor because I think that the Administration deserves the
17 bill to be considered by the full Senate. I have extremely
18 serious reservations on the efficacy and the wisdom of this
19 particular piece of legislation.

20 I think that the problem in the nation today is unemploy-
21 ment rather than general lethargy of business activities and
22 I think that the bill perhaps does not go to the real problem
23 in the nation.

24 The \$50 refundable, it seems to me, runs the danger of
25 inflationary impact and further deficits without actually

1 addressing the problem of the in excess of over 7.5 million
2 people unemployed.

3 The business stimulus, even with my friend from Texas'
4 amendment, seems to me to seek to stimulate a sector of the
5 economy, if you judge by the reported earnings reports, which
6 is doing very well and does not address, again, unemployment
7 and that segment of the business community which is the
8 smaller enterprise, which is not doing so well.

9 The third portion of the bill dealing with the standard
10 deduction, I think, is highly meritorious in that it
11 reduces taxes upon the middle income groups, but I think
12 that it might better have waited until we hear from the
13 Administration on their tax reform proposal.

14 For those reasons, Mr. Chairman, I just wanted you and
15 the other members of the Committee to know that, although I
16 voted for this bill to get it out of Committee, I reserve
17 my rights to vote against it on the Floor.

18 The Chairman. Senator Danforth?

19 Senator Danforth. Mr. Chairman, I have an amendment
20 which I have in writing. I have several copies, but I
21 just changed it in longhand.

22 The effect of this amendment is to instruct the Treasury
23 and the CBO to make forecasts by quarters of the effect that
24 the rebate will have on GNP, on the rate of unemployment,
25 and on the rate of inflation over the next two years, and

1 to require that Treasury and the CBO to then analyze on a
2 quarterly basis and to formally report its findings on the
3 efficacy of the rebate and its effect of unemployment GNP
4 and the rate of inflation for each quarter over the next
5 two years.

6 I think that there has been obviously considerable
7 debate on the effect of the rebate, and on this Committee
8 several of the Senators who voted in favor of the rebate
9 as opposed to permanent tax cut stated after the vote was
10 taken their reservations about it.

11 This is the second time in the last two or three years
12 we have gone around the Horn on the rebate question. It
13 seems to me if we are going to do it again this year, before
14 we get into the same box in future years, we should try to
15 establish some formal and specific method of determining
16 what effect rebates have on the economy and therefore I
17 offer this amendment, which I have here in written form.

18 The Chairman. Let me ask you, are we not supposed to
19 have the capability on the Joint Committee on Internal
20 Revenue and Taxation to do the same thing?

21 Mr. Shapiro. It is very difficult, Senator, to know
22 exactly how these differ. We can work with other groups
23 to get some evaluation of how this spending would affect
24 it.

25 What has happened in the past, as soon as the rebates are

1 paid they go into savings, are put into the banks in checking
2 accounts or savings accounts and then drawn out. Somebody
3 gets a check and they deposit that check.

4 We can evaluate it the best we can, but based on the
5 evaluations we have seen for 1975, there are none that really
6 give you good, sound information as to exactly how those
7 monies are spent. We can provide some information.

8 Senator Danforth's amendment, directed the CBO and if
9 the Chairman would like the Joint Committee staff to make
10 our own evaluation, we could work with other groups and do
11 the best we can based on the information available.

12 The Chairman. What concerns me a little bit about
13 this, more and more the Budget Committees tend to hold
14 hearings in advance and go into great deal and tell us
15 precisely how the bill should be written which I did not think
16 was to be the purpose of the Budget Committees, and it will
17 lead to more and more debate on the Floor than we otherwise
18 would have.

19 We already have the Joint Committee on the Economic
20 Report with a different set of members, although there are
21 one or two from our group on there seeking to hold their
22 hearings on tax legislation and tell us what their recommenda-
23 tions are.

24 They could come and tell us what the bill ought to be.
25 If we do not write it the way they want it written, take us

1 on on the Floor anyway. That is a part of the facts of
2 life, just the way it is. It was not supposed to be that
3 way, but that is the way it is.

4 The Congressional Budget Office is an adjunct of those
5 budget committees, part of the same organization. If you
6 want to ask the Congressional Budget Office to advise you
7 about the tax bill, what you are doing, in due course, is
8 giving them further invitation to write these bills for
9 you.

10 Mr. Shapiro. Let me point out that in our pamphlet
11 number two which we have submitted to you, there is a staff
12 analysis, to the extent possible, of the effect of consumer
13 spending in respect to the 1975 rebate. We talked about
14 the effect of consumer spending, monetary effects of the
15 refund, employment effects and economic considerations.

16 This is page 5 of the pamphlet number two where the
17 Joint Committee staff has made an attempt to evaluate the
18 effect of the 1975 rebate. We can make this evaluation
19 with respect to the 1977 rebate.

20 Senator Danforth. That can be fine to me. It does not
21 make that much difference to me as to how does it. If the
22 staff of the Joint Committee can do it, that would be fine.

23 It seems to me that what is important to do is to have
24 some measuring stick by which we can measure, over a period
25 of two years, what the effect of a rebate is, and then

1 proceed on a quarterly basis to make those measurements.

2 Can you provide both of those functions?

3 Mr. Shapiro. We will do the best we can.

4 Senator Ribicoff. I hope Senator Danforth does not
5 withdraw his amendment. You ought to press it. I think it
6 is a good amendment.

7 The time has come to keep these economic forecasters
8 honest. My feeling is that most of them do not know what
9 they are doing. You are in a dismal science, the so-called
10 economic forecasters. We are asked to act constantly on
11 figures where there is great uncertainty and a lot of mumbo-
12 jumbo.

13 It is time we found out in this country whether these
14 forecasters know what they are talking about or not. I think
15 you have made a great contribution; I hope you will press
16 it. I will vote with you.

17 The Chairman. I do not object to the premise --

18 Senator Bentsen. Is he going to amend his amendment so
19 we do not go to the Budget Committee to get this job done?

20 Senator Danforth. I would just like advice from people who
21 have been here a little longer than the two and a half
22 months I have been here about who is best equipped to do
23 this.

24 The Chairman. If you want that done, the Joint
25 Committee works for the Finance Committee and it works for

1 the Ways and Means Committee, and when you have a group that
2 has some potential to do it, working for your own Committee,
3 I think you would be better off to use them rather than
4 ask the Budget Office to do it for you, simply because one
5 group is accountable to this Committee, and another group
6 is not.

7 So I would suggest, Senator, that you modify your
8 amendment to ask that the Joint Committee staff do it, that
9 the staff of the Joint Committee should give you that infor-
10 mation.

11 Senator Curtis. To leave the Treasury in is very
12 important.

13 The Chairman. That is right. I am not arguing about
14 the Treasury; it is fine with me for the Treasury to be in
15 the act. I think the people who do it ought to be the people
16 who are working for your Committee, just because they are
17 more directly accountable to you.

18 Senator Hansen. I think there is another facet of
19 this which we might be inclined to overlook.

20 The Budget Committee it seems to me to have ascribed
21 to itself a considerable amount of prescience. I do not
22 think they are all that knowledgeable.

23 But their reputations on the line as this
24 amendment calls for. When they have to make these predic-
25 tions ahead of time, they have been saying to all of us, I

1 have not bought their philosophy. I know other members of
2 this Committee have not.

3 There seems to be generally assumed around here that
4 the Budget Committee is endowed with some special knowledge
5 and I think it would be fine to have them put their reputa-
6 tion on the line here and see how accurately they can foretell
7 t hese economic effects.

8 It occurs to me that they ought to stay right in there.

9 Senator Ribicoff. If I may add further, Mr. Chairman,
10 it is all right to put the Joint Committee -- it is quite
11 a burden to put on their shoulders. I would add the
12 Counsel of Economic Advisors and the Federal Reserve Board.

13 We are being asked constantly, this Committee and
14 Congress, the American people, the whole future of our
15 nation and the world on economic forecast.

16 As I said the other day, I have never known, in the
17 years I have served here, any set of forecasts that have
18 been accurate and correct. The time has come to find out
19 what the facts are, or are there not any facts, or is it
20 all guesswork.

21 There are groups in this government that seek to speak
22 for the economic future of our nation, and we are constantly
23 being asked to act accordingly, legislatively, and the
24 groups are the Treasury, the Congressional Budget Office,
25 the Counsel of Economic Advisors, the Federal Reserve Board.

1 Their thinking is different. The only way we are
2 going to be able to make this determination as intelligent
3 legislators is having these facts before us. Generally the
4 predictions are made, we take action and then we forget them
5 for the next two years or so.

6 I think that what you have done is really a substantive
7 service to the people of this country and the Congress, and
8 if the Chairman would like the Joint Committee to be in on
9 this act, that is fine. If you want it, I think you are
10 going to be sorry that you have got it, but if you want it,
11 fine.

12 But the Treasury, the Counsel of Economic Advisors, the
13 Federal Reserve Board, the Congressional Budget Office and
14 the Joint Committee, if the Chairman would like,

15 The Chairman. I suggest that the Joint Committee should
16 be and since you put everybody else in the act, I suggest we
17 take the Joint Committee staff out of it. Why do you not
18 put Brookings in there too?

19 Senator Moynihan. Mr. Chairman, I would like to
20 associate myself with Senator Danforth. I raised this very
21 question, I believe, with Senator Woodworth last week about
22 the reservations with which this Committee was acting and
23 whether or not we could get an assessment from you.

24 I would like to make a suggestion about the role of
25 the Joint Committee. The Committee originates in the

1 Employment Act of 1946. It has a special mandate with
2 respect to employment, effects of economic policy. We
3 have a lot of economic policy coming from a lot of different
4 sources.

5 That is not a bad idea, that you should have competitive
6 sources. I wonder if we could not ask the Joint Committee
7 to take on a special role of telling us the various evalua-
8 tions that this program, that they get them four or five
9 places, the Counsel of Economic Advisors, the Treasury and
10 so forth, which is the best job.

11 Why does not the Committee evaluate the evaluators?

12 Mr. Shapiro. We could do that for you. Let me state
13 for the record, the Joint Committee staff will be responsive
14 for whatever the Committee wants us to do. I am not
15 volunteering that we want or do not want something. Whatever
16 the Committee wants us to do, we would be happy to do.

17 Your point may be the appropriate course of action that
18 you have the various groups that prepare the analysis, the
19 Joint Committee, and put those together and have an evalua-
20 tion of these and a comparison so we can have one document
21 for you and the evaluation of all the various outlooks
22 that are being made. We can furnish those to the Committee.

23 The Chairman. What would your preference be? Would
24 you rather be in it or out of it, Mr. Shapiro?

25 Mr. Shapiro. I think it may be more appropriate if we

1 did an evaluation of all the various other analysis being
2 made. We could pull those together and maybe have some
3 comments with respect to that. Instead of doing an independent
4 one and competing with some of the others, we can evaluate
5 the others and put them in one document for you.

6 Senator Ribicoff. Mr. Chairman, may I add that I do
7 not think you will have to put that in the legislation.
8 I think that is done at the request of the Chairman of
9 the Committee. I think that would be a sounder position
10 because our Joint Committee staff does not set itself up
11 to tell us what to do. They are advisors here. But you do
12 have a group who is always telling the American public and
13 Congress what to do. Let them deliver after the fact, not
14 before the fact, then I think our Joint Committee staff
15 can analyze what has been done in relation to their forecast
16 as it is coming out which can be done at the request of the
17 chairman without putting it in the legislation.

18 Senator Hathaway. If we are going to have the study,
19 we ought to add onto it the effect of the investment tax
20 credit and the employee tax credit. When I asked the
21 question earlier, how do we know money is not going to go
22 to people who are going to do it anyway, nobody could answer
23 the question. We do not know if it is going to be that much
24 of a stimulus.

25 I agree with Senator Danforth's amendment. I think we

1 should add those two points also for further study.

2 Senator Danforth. That would be fine for me. Should
3 we add the Federal Reserve Board and the Counsel of Economic
4 Advisors?

5 Senator Ribicoff. That would be my amendment to your
6 amendment.

7 Senator Danforth. I accept your amendment and I accept
8 Senator Hathaway's amendment.

9 The Chairman. Leave the Joint Committee staff out of
10 it. I hope we will all evaluate independently so we can
11 see what each one of them thought rather than one forcing his
12 judgment on the other.

13 That being the case, maybe we can take a look at it
14 from the Joint Committee's viewpoint and see what we think
15 after we have had a chance to hear from all the others.

16 All in favor of the amendment, say aye?

17 (A chorus of ayes.)

18 The Chairman. Opposed, no?

19 (No response)

20 The Chairman. The ayes have it.

21 Senator Packwood. Mr. Chairman, I have a question. I
22 mentioned this the other day. I have been contacted by the
23 Oregon Savings and Loan industry and they wondered why they
24 are still prohibited to one-half of the investment tax
25 credit. I could not answer the question; I do not know why.

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1 Is there any merit as to why Savings and Loans only,
2 get one-half of the investment tax credit that commercial
3 banks do?

4 Mr. Shapiro. In the past, the reason this was done,
5 in 1962 when the investment tax credit was enacted, the
6 Savings and Loans and Mutual Thrift Associations had at they
7 large bad debt reserve. They had more favorable treatment
8 and were paying very low tax.

9 In 1962, Congress decided to only give them a one-half
10 investment credit because they had a preferential bad debt
11 treatment. In '69, that was phased out.

12 The Congress revised the tax treatment of the bad debt
13 reserves for Savings and Loans and Banks over a ten year
14 period. The bad debt reserve was brought down to a more
15 appropriate level that Congress thought was necessary. As
16 a result of that, the Savings and Loan institutions have
17 brought to the attention of various members their investment
18 tax credit should go up since their favorable bad debt
19 treatment has gone down.

20 We have looked into it. I have not studied it as much
21 as I probably should have. The argument is possibly valid
22 now with respect to the changes in their bad debt reserve
23 treatment.

24 It is up to the Committee as to whether or not this
25 is appropriate for the bill to deal with that. I would expect

1 in the tax reform bill with such changes that the Administration
2 may be submitting to Congress, it may be appropriate in that
3 context when the bad debt reserve is really not at that final
4 level yet, still being phased down. There may be a
5 re-examination then.

6 Senator Packwood. I wonder if I might do this. It
7 will be a week and a half to two weeks before we are on
8 the Floor. At least with respect to this 2 percent
9 addition we are giving, if the facts you find between now
10 and then would justify the phasing out of this difference,
11 at least this 2 percent that would be additional now, and we
12 will argue about the other on the tax reform bill.

13 Mr. Shapiro. We will look into this and bring that
14 matter to you for your full consideration.

15 The Chairman. You are not offering it at this point?

16 Senator Packwood. It seems to me their argument is
17 meritorious. We can give them the 3 percent now and have
18 the full facts when we get ready to consider the full tax
19 reform act.

20 The Chairman. Are you ready to vote on the bill?

21 Mr. Shapiro. Senator, I have one small point that the
22 Committee should consider with respect to the extension of
23 the tax cuts. From 1977 to '78, the House extended these
24 three tax cuts. One is the general tax credit, the \$35
25 per dependent or 2 percent of \$9,000. The second was the

1 earned income credit. The third is the business tax
2 reductions, the corporate surtax rate.

3 The House extended those three with one modification
4 and that is in the earned income credit. A question has
5 arisen with respect to the Administration of that particular
6 provision in that the welfare payment, AFDC, has been treated
7 as support with respect to dependents. As you recall, only
8 those taxpayers that maintain a household with dependent
9 children are eligible.

10 One of the reasons for the income credit was to encourage
11 people to go to work. If ~~is~~ the House's position that if
12 you treat the AFDC payments as support, what in fact that
13 would do, is make some of those in the home not dependents
14 and not eligible for the earned income credit.

15 The House Ways and Means Committee did not think it was
16 appropriate and put a disregard that AFDC payments would
17 be disregarded for purposes of support, so those individuals
18 that are receiving welfare payments could still be eligible
19 for the earned income with respect to their earned income.

20 That is a strong position of the House, that in the
21 past that is the opposite of the position that the Finance
22 Committee has taken. Therefore, I think that you might
23 want to focus on that particular issue now.

24 The Chairman. Let me see if I understand this. It
25 was our position that the earned income credit was to try

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1 to make work more attractive than welfare. How does this
2 work out with what they are doing over there? I am not
3 sure I understand.

4 Mr. Stern. The position you took, that a person has
5 to actually provide at least half of the support of his
6 children in order to be eligible for the earned income credit,
7 since people on welfare typically receive Aid to Families
8 for Dependent Children, with welfare they do not get the
9 credit.

10 The House amendment would say, unlike everybody else,
11 AFDC recipients do not have to provide half of the support
12 of their children in order to receive the earned income
13 credit.

14 The Chairman. In other words, they would be permitted
15 to have the earned income credit and still get the welfare
16 payment?

17 Mr. Stern. That is right.

18 Mr. Shapiro. What the House believes in this respect
19 was that if you do not do this, the Ways and Means Committee
20 believed it was a disincentive for them to go out and work.
21 If they worked, they were not eligible for the earned
22 income credit because the welfare payments would not be
23 counted as support.

24 They feel very strongly about this. This is inconsistent
25 with the position that the Finance Committee has taken with

1 respect to this.

2 The Chairman. Maybe you could put it on the Board for
3 me. I do not really understand what the House is doing.

4 Senator Ribicoff. It was the Chairman's idea to do
5 everything you can to encourage people on welfare to go out
6 and work, is that right?

7 Mr. Shapiro. That is correct.

8 Senator Ribicoff. Do I understand that if you follow
9 the House's position you go contrary to the philosophy of
10 the Chairman?

11 Mr. Shapiro. The House feels that this provides a
12 work incentive. If you treat the welfare payments as not
13 being support, it would encourage these people to go out
14 and work because they would be eligible for the earned
15 income credit.

16 Senator Ribicoff. Suppose there are six children in
17 the family and they get \$5,000 to \$6,000 a year?

18 The Chairman. Would you show us how it would work,
19 Mike? Put it on the board for us.

20 Mr. Stern. Suppose a family were to get AFDC payments
21 of perhaps \$2400. If the head of the family earns \$1,000,
22 the children receive more than half of their support from
23 the AFDC payment, therefore the child is not considered a
24 dependent for purposes of the earned income credit. The
25 child is not receiving half of the support from the parent.

1 When you designed the earned income credit, you designed
2 it as a credit for parents who are supporting their children,
3 and that is the reason.

4 Senator Curtis. Was it not discussed here that this
5 earned income credit was not in addition to welfare, but to
6 go to people who were not on welfare, who were working?

7 Mr. Stern. That is right. The mechanism by which you
8 achieved that, since the parent in this case was not in
9 fact providing half of the support for the child, the
10 government was, therefore they were not eligible for the
11 earned income credit.

12 Senator Ribicoff. Are you not discouraging that mother
13 from earning that \$1,000? I got the impression that what
14 the Chairman was trying to do was get the people on welfare
15 to earn as much as they can. I do not want to put words
16 in Senator Long's mouth, but I thought that was what his
17 objective was.

18 Mr. Stern. There are incentives in the AFDC system
19 itself, a disregard of work expenses \$30 a month, plus a
20 third above that, but basically you would be giving the
21 credit to a number of people who are not providing the
22 support for their children.

23 Senator Hathaway. How much of a credit would they
24 get?

25 Mr. Stern. In this case, \$100.

1 Senator Curtis. This is so related to the whole question
2 of welfare reform, even though it is tax, that I do not think
3 we should try to solve it in this bill.

4 The Chairman. Part of my thought about this type of
5 thing would be if you can get somebody who is on welfare
6 to go to work, pay them the whole \$2400 to increase their
7 earnings so the work would be more attractive than welfare.

8 If we are going to let this earned income credit be
9 used as an add-on to the welfare program, so a person stays
10 in the welfare program, I do not know how you are going to
11 get the people to get into full-time work.

12 Basically the earned income credit proposal was an
13 idea to try to make work more attractive than welfare.
14 Congressman Corman in one of the conferences wanted to get it
15 agreed to that people could stay on welfare and still get the
16 earned income credit, and so we have had sort of a
17 compromise. I believe we said we would not let you use it
18 to get on welfare, but if you are already on welfare, we
19 will let you have the benefit of the earned income credit,
20 even though you are on there.

21 Mr. Shapiro. That is correct.

22 The Chairman. I think you make a better approach by
23 trying to make work more attractive than welfare to take
24 the view that you do not get both of them. Otherwise, when
25 you get the people on welfare and you start to phase out, you

1 will find that you will have to get them to \$10,000 of
2 income before you ever move them off the rolls. It seems
3 to me that you would do better with regard to a substitute
4 program.

5 What they are seeking to do here, I feel is going to
6 be a case of keeping more people on welfare when you would
7 hope they would move off of it. That is what bothers me
8 about it.

9 Mr. Shapiro. That does have an effect. They are
10 taking it one step further, saying if you give them the
11 earned income credit that more of them would go out to work
12 and increase their income so they would be taken off the
13 welfare rolls. In this view, this only applies to the
14 earned income credit, but it would have the effect of taking
15 them off welfare.

16 The incentive of getting welfare and small amounts of
17 income could give them an income tax credit, and being out
18 in the work force, they would do more and more work and
19 eventually would be off welfare.

20 Your concern, as I see it, is if they get welfare
21 and small amounts of earned income they get both, and it is
22 a disincentive to do more work.

23 You both have different objectives, to try to get to
24 the same thing.

25 Senator Ribicoff. Is the staff's opinion -- as you look

1 at all these various combinations, which method would
2 cause more people to want to work? By giving them a higher
3 unearned credit, or not?

4 Mr. Shapiro. That is a difficult evaluation. Let me
5 give two reasons. Mike may have some others; he is more
6 familiar with the AFDC program.

7 If you were to assume that you gave someone an incentive
8 to go out to work and if they go out and work and get enough
9 income, they would get off the welfare rolls completely,
10 you have accomplished the objective, that is Congressman
11 Corman's objective. One of the concerns that the Finance
12 Committee has had, if you get welfare and unearned income
13 credit, there is an incentive to work a little bit and
14 stay on welfare, work enough to get a little income and
15 then you get the earned income credit on top of not paying
16 taxes and that these people would not work any more than
17 that.

18 It is truly a disincentive to work any more, because
19 they want to stay on welfare.

20 Both Congressman Corman and the Ways and Means Committee
21 and the Finance Committee want the same objective, that is,
22 get the people on earnings and off welfare. Which is the
23 best way to do it? It depends on individuals. It is very
24 difficult.

25 Mr. Woodworth. If I could point something out here, as

1 a practical consideration, that is the Internal Revenue
2 Service, in determining whether you are eligible for the
3 earned income credit does not have the information at that
4 time as to whether you are on welfare or not.

5 If somebody ~~for this~~ ^{in the case} that now
6 is up on the board, the Internal Revenue Service only knows
7 about the \$1,000 and not about the \$2,400 and has to make
8 the evaluation on that basis.

9 Except to the extent that the individuals involved use
10 their own discretion in not applying for the credit, the
11 Internal Revenue Service would allow it in that case. The
12 Service does not have the information about the \$2400 in
13 that case.

14 Mr. Stern. That would suggest that the Service is not
15 asking for enough information.

16 Mr. Woodworth. That may be. In practice, they do not
17 have that information.

18 The Chairman. They could ask for it, could they not?

19 Mr. Woodworth. They could add that to the form. It is
20 a fairly sizable form right now.

21 Senator Ribicoff. How many people on welfare getting
22 \$2400 a year would know anything about the earned income
23 credit? I am just wondering, Mr. Chairman, if the staff
24 could get some information to supply you before the bill
25 comes on the Floor as to which is going to achieve your

1 objective. I do not know. I would be for whatever would
2 achieve the objective.

3 Mr. Stern. The theory before -- if you get to the point
4 of working full-time so you are off of welfare, you get
5 an extra 10 percent bonus, so to speak, on top of the fact
6 that you are now on wages. If you also give that 10 percent
7 to people while they are on welfare as well, you just
8 decrease the incentive, the relative difference.

9 The Chairman. Here is the point. We started out with
10 an earned income credit as a device to make work more
11 attractive than welfare. If you are ever going to reduce
12 these welfare rolls, you are going to have to pursue that
13 concept, that you are going to be better off because you
14 work than you are because you are on welfare.

15 You can use tax credits as one thing to make the work
16 effort more attractive than the welfare effort. That is what
17 this was. We were talking about a tax credit against an
18 income tax that had not been paid. We are looking at the
19 Social Security taxes and others to justify a tax credit
20 for a working person against an income tax that has not
21 been paid.

22 We look at the fact that they absorb taxes as consumers
23 in paying Social Security taxes and others. This is why this
24 is a refundable tax credit.

25 The idea is to make the person who goes out and works for

1 a living, put him in a better position than one who is
2 living off the welfare rolls, and at some point, a person
3 should make their mind up, do you want to work for a living
4 or do you find it more desirable to draw welfare income.

5 It seems to me, that being the case, it ought to be
6 an either/or. I think we made a mistake when we agreed to
7 let them have any of this earned income credit and still
8 remain on the welfare rolls. That was supposed to be an
9 incentive for the working poor who were actually working to
10 get off the welfare rolls.

11 In my judgment, the way to approach the problem is to
12 make it so attractive that the people would prefer to do that
13 rather than be on the rolls. I think at some point they
14 have to make a choice, which one do you want? I do not think
15 we should pursue this approach. I think we should leave it
16 out.

17 That is in the House bill?

18 Mr. Shapiro. Yes, Senator, so you would have to delete
19 that provision.

20 The Chairman. I propose we eliminate it.

21 Senator Moynihan. Mr. Chairman, may I suggest that
22 the Administration has presently promised to send us a
23 welfare reform measure that would be comprehensive, universal,
24 quasi-permanent. Would not that be the appropriate setting?

25 The Chairman. That would be an ideal time to look at it,

1 at that point. I would hope that we would have laid before
2 us, not just a minor change in the situation, but a major
3 imaginative approach to saying here are your choices. You
4 can either draw this welfare money on the one hand, or you can
5 take these jobs or take these advantages that we provide on
6 the other, and you can go whichever way is most to your
7 advantage.

8 Until that time, I think this just confuses the issue to
9 make this earned income credit into a welfare benefit. It
10 was intended to be entirely -- what we called a work bonus
11 in the beginning, if you recall, Senator Curtis. A work
12 bonus, a bonus for working, rather than an add-on to welfare
13 benefits.

14 I think we would do better to keep it that way.

15 Senator Curtis. I support the Chairman. I do not think
16 it should be in this bill.

17 The Chairman. Those in favor of eliminating it say
18 aye?

19 (A chorus of ayes.)

20 The Chairman. Opposed, no?

21 (No response)

22 The Chairman. The ayes have it.

23 Let us go to the next thing. Do you have any amendments?

24 Senator Danforth. Mr. Chairman, there are two items
25 that I think can be explained in one minute. One is to

1 increase the dividend exclusion from \$100 to \$600 and the
2 other is to provide an exclusion for interest received of
3 \$100, up to \$100.

4 The theory behind these two proposals is identical,
5 namely that the present tax laws are written in a way that
6 encourages immediate consumption and borrowing and discourages
7 savings and investment. If you increase the exclusion for
8 dividends received and provide an exclusion for interest
9 payments received, you would provide incentives to the small
10 investor to invest in equities and put money in Savings
11 and Loans and interest accounts.

12 It has to do with capital formation, it has to do with
13 capital formation that comes from sources other than pension
14 funds and insurance companies. I do not think it requires
15 any more explanation or much discussion, but I would appreci-
16 ate a vote on these two items.

17 Senator Hathaway. What is the revenue loss?

18 Senator Danforth. It would begin in January, '78.

19 The revenue losses for dividend, dividend exclusion increases
20 would be in '78, \$200 million; in '79, \$1.2 billion; and
21 in '80, \$1.3 billion; '81, \$1.5 billion.

22 For the interest exclusion in 1978 it would be \$200
23 million in '78; \$1.3 billion in '79; \$1.4 billion in '80;
24 and \$1.6 billion in '81.

25 Senator Bentsen. Mr. Chairman, there is no question that

1 this helps in the creation of capital and they are interesting
2 proposals. I do not think this is the type of thing we
3 should be resolving without hearing from the Administration,
4 having an opportunity to come to us this fall, having been
5 given the time to come to us with some constructive proposals
6 along these lines, and all-inclusive proposals.

7 If we pass this type of thing now, we certainly are
8 narrowing the options in whatever may be brought in, reform
9 legislation this fall.

10 The Chairman. What is your reaction to that?

11 Mr. Woodworth. I certainly agree with what Senator
12 Bentsen has said. This would make it difficult to move in
13 the direction of anything but double taxation of dividends
14 which in effect, go down one route, and that direction or
15 route, by the way, does not treat taxpayers in different
16 tax brackets the same.

17 It is expensive, in terms of the two proposals together.
18 The figures just given indicate it is a little over \$2.5
19 billion in '78, I think that is, and we would strongly
20 oppose this amendment because it does seriously undermine
21 our opportunity to come up with a broad-gauged reform program
22 in connection with capital formation.

23 Senator Danforth. One factual correction. It would
24 be a total of \$.4 billion in '78.

25 Mr. Woodworth. That is fiscal '78. If you are looking

1 Mr. Stern. Mr. Curtis?

2 Senator Curtis. Aye.

3 Mr. Stern. Mr. Hansen?

4 Senator Hansen. Aye.

5 Mr. Stern. Mr. Dole.

6 Senator Dole. No.

7 Mr. Stern. Mr. Packwood?

8 Senator Packwood. Aye.

9 Mr. Stern. Mr. Roth?

10 Senator Roth. No.

11 Mr. Stern. Mr. Laxalt?

12 Senator Laxalt. Aye.

13 Mr. Stern. Mr. Danforth?

14 Senator Danforth. Aye.

15 Mr. Stern. Mr. Chairman?

16 The Chairman. No.

17 Five yeas, eleven nays.

18 The next one occurs on the interest.

19 Mr. Stern. Mr. Palmadge?

20 The Chairman. No.

21 Mr. Stern. Mr. Ribicoff?

22 Senator Ribicoff. No.

23 Mr. Stern. Mrs. Byrd?

24 (No response)

25 Mr. Stern. Mr. Nelson?

1 at calendar '78 it is, I believe, more than that.

2 The Chairman. Let us call the roll.

3 Senator Danforth. Are we going to have two votes,
4 one on dividends and one on interest?

5 The Chairman. The first one will be on dividends.

6 Mr. Stern. Mr. Talmadge?

7 The Chairman. No.

8 Mr. Stern. Mr. Ribicoff?

9 Senator Ribicoff. No.

10 Mr. Stern. Mr. Byrd?

11 (No response)

12 Mr. Stern. Mr. Nelson?

13 The Chairman. No.

14 Mr. Stern. Mr. Gravel?

15 (No response)

16 Mr. Stern. Mr. Bentsen?

17 Senator Bentsen. No.

18 Mr. Stern. Senator Hathaway?

19 Senator Hathaway. No.

20 Mr. Stern. Mr. Haskell?

21 Senator Hathaway. No.

22 Mr. Stern. Mr. Matsunaga?

23 Senator Matsunaga. No.

24 Mr. Stern. Mr. Moynihan?

25 Senator Moynihan. No.

1 The Chairman. No.

2 Mr. Stern. Mr. Gravel?

3 (No response)

4 Mr. Stern. Mr. Bentsen?

5 Senator Bentsen. No.

6 Mr. Stern. Mr. Hathaway?

7 Senator Hathaway. No.

8 Mr. Stern. Mr. Haskell?

9 Senator Hathaway. No.

10 Mr. Stern. Mr. Matsunaga?

11 Senator Matsunaga. No.

12 Mr. Stern. Mr. Moynihan?

13 Senator Moynihan. No.

14 Mr. Stern. Mr. Curtis?

15 Senator Curtis. Aye.

16 Mr. Stern. Mr. Hansen?

17 Senator Hansen. Aye.

18 Mr. Stern. Mr. Dole?

19 Senator Dole. Aye.

20 Mr. Stern. Mr. Packwood?

21 Senator Packwood. Aye.

22 Mr. Stern. Mr. Roth?

23 Senator Roth. Aye.

24 Mr. Stern. Mr. Laxalt?

25 Senator Laxalt. Aye.

Mr. Stern. Mr. Danforth?

Senator Danforth. Aye.

1 Mr. Stern. Mr. Chairman?

2 The Chairman. No.

3 Six yeas, ten nays.

4 Shall we vote on the bill, gentlemen? Let us vote on
5 the bill.

6 Senator Roth. Let me make one comment, Mr. Chairman.

7 I intend to vote against our putting it out. Again, I
8 would just like to reiterate. I think there is a consensus
9 in the country that this rebate is not the right answer to
10 moving the economy forward. We are proposing an expenditure
11 of \$9 or \$10 billion that we are going to have to pay for,
12 either by borrowing or inflation.

13 It is a temporary gimmick, in all candor. It is not
14 the right answer to the problem.

15 I still wish the Administration would go back to the
16 drawing boards and consider some kind of permanent tax cut,
17 the one I proposed or some other proposal they want to come
18 up with, that would do something longrange to get the
19 economy moving.

20 I would just like to make one other comment, because it
21 bothers me very much. We hear time and again here that we
22 should wait.

23 Number one, I do not think this is the time we should
24 wait, for example, in the case of creating jobs a tax cut
25 now of 10 percent would create, by the end of next year, over

1 900,000 jobs. I do not think we should wait three or four
2 months to create that kind of situation. The time for action
3 is now.

4 Secondly, I have spent the last six or seven years
5 here where I have heard about Congress taking some initiative.
6 All I hear now is that we should wait, we should wait until
7 the Administration acts. I thought what we were trying to
8 prove today was that the Congress was capable of some
9 initiatives on its own. I think this is a very serious
10 backwards step when we find Congress abdicated the leader-
11 ship, which is the role it is supposed to play, a role many
12 people has espoused in the last few years.

13 I would hope they would reassess it in the future.

14 I intend to vote no.

15 The Chairman. Call the roll.

16 Senator Matsunaga. I do not think we should let this
17 go unchallenged.

18 The Chairman. If it is all the same to you, let us
19 vote.

20 Mr. Stern. Mr. Talmadge?

21 The Chairman. Aye.

22 Mr. Stern. Mr. Ribicoff?

23 Senator Ribicoff. Aye.

24 Mr. Stern. Mr. Byrd?

25 (No response)

1 Mr. Stern. Mr. Nelson?
2 The Chairman. Aye.
3 Mr. Stern. Mr. Gravel?
4 (No response)
5 Mr. Stern. Mr. Bentsen?
6 Senator Bentsen. Aye.
7 Mr. Stern. Mr. Hathaway?
8 Senator Hathaway. Aye.
9 Mr. Stern. Mr. Haskell?
10 Senator Hathaway. Aye.
11 Mr. Stern. Mr. Matsunaga?
12 Senator Matsunaga. Aye.
13 Mr. Stern. Mrs. Moynihan?
14 Senator Moynihan. Aye.
15 Mr. Stern. Mr. Curtis?
16 Senator Curtis. No.
17 Mr. Stern. Mr. Hansen?
18 Senator Hansen. No.
19 Mr. Stern. Mr. Dole?
20 Senator Dole. No.
21 Mr. Stern. Mr. Packwood?
22 Senator Packwood. No.
23 Mr. Stern. Mr. Roth?
24 Senator Roth. No.
25 Mr. Stern. Mr. Laxalt?

1 Senator Laxalt. No.

2 Mr. Stern. Mr. Danforth?

3 Senator Danforth. No.

4 Mr. Stern. Mr. Chairman?

5 The Chairman. Aye.

6 Senator Gravel told me that he would vote to report
7 the bill. I would like you to check with him and see about
8 that. I think he should be voted to report it.

9 I also think Senator Byrd should be recorded as against
10 reporting the bill. I believe he is opposed to it.

11 Well, not counting Senator Gravel, not counting Senator
12 Byrd, it is nine yeas and seven nays.

13 I would suggest that you check with those two Senators
14 and record them for the record. I believe when you have
15 them recorded the vote will then be ten to eight.

16 Senator Curtis. Mr. Chairman, the Minority would
17 like --

18 The Chairman. The point I am making, it would not
19 change the vote.

20 Yes, Senator Curtis?

21 Senator Curtis. The Minority would like to have reason-
22 able time to prepare a Minority Report, after we have had
23 a chance to look at the Majority Report.

24 The Chairman. How much time do you want?

25 Mr. Shapiro. We could have this for you by Thursday.

1 Senator Curtis. We could have ours ready by the end
2 of the week.

3 The Chairman. Let us plan then.

4 Why do you not, Mr. Shapiro, make available what you
5 have? I do not think that it needs to be in final form,
6 just what you are going to send over to the Senators, make
7 that available to us.

8 Mr. Shapiro. Well, we will make that available tomorrow
9 morning, the first draft.

10 The Chairman. Let us plan to report the bill on
11 Monday morning.

12 Senator Roth. May I ask a question?

13 The Joint Revenue Committee, what progress has it been
14 making on its study of the simplification in the basic tax?
15 Do we have a report on that?

16 Mr. Shapiro. The Joint Committee staff has been directed
17 by the Congress to have its report on simplification June
18 30th. We have been doing some work. Of course, we have
19 been pretty much occupied by the tax reduction bill. We
20 have been devoting some attention to it.

21 As of now, we are directed to -- the Administration is
22 supposed to come out by October 1; unless we are directed
23 do otherwise, we will have a report out by June 30th.

24 Senator Roth. I would like to stress that I think
25 that study is extraordinarily important to give us some time

1 to consider a Congressional approach in preparation for
2 whatever the Administration recommends.

3 I want to say, number one, that I think we have an
4 excellent staff. I recognize the problems timewise that
5 you people have. I think you have no job more important than
6 to come up with recommendations in this area. I would
7 urge that we have that on June 30th.

8 Mr. Stern. Mr. Chairman, I would like to recommend that
9 the Committee report out a resolution seeking a waiver of
10 two points in the Budget Act that would otherwise subject this
11 bill to a point of order.

12 One is that you cannot take up a revenue bill affecting
13 a fiscal year until after May 15th of the calendar year.

14 The other point is that you have an outlay provision,
15 an entitlement outlay provision that takes effect before
16 October 1st, namely your \$50 payment.

17 The resolution is a rather simple one, simply a waiver
18 of two points.

19 Senator Hansen. I move it.

20 The Chairman. All in favor say aye.

21 (A chorus of ayes.)

22 The Chairman. Opposed, no?

23 (No response)

24 The Chairman. The ayes have it.

25 Thank you very much, gentlemen. I would suggest that

