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HEARINGS

Before the

COMMITTEE ON FINANCE

UNITED STATES SENATE

EXECUTIVE SESSION

Washington, D.C.

Wednesday, March 2, 1983



(202) 628-9300
440 FIRST STREET, N.W.
WASHINGTON, D.C. 20001

EXECUTIVE SESSION

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WEDNESDAY, MARCH 2, 1983

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United States Senate
Committee on Finance
Washington, D. C.

8 The committee met, pursuant to notice, at 9:34 a.m, in
9 room SD-215, Dirksen Senate Office Building, Honorable Robert
10 Dole (chairman of the committee) presiding.

11 Present: Senators Dole (presiding), Packwood, Roth,
12 Danforth, Chafee, Wallop, Durenberger, Symms, Grassley, Long,
13 Pryor, Matsunaga, Moynihan, Paucus, Boren, Bradley, and
14 Mitchell.

15 Also present: Robert E. Lighthizer, Chief Counsel,
16 Michael Stern, Minority Staff Director, Mr. Stern, and Mr.
17 DeArment.

18 The Chairman: We can't vote on the nominations until we
19 have other members here.

20 Are there any objections that staff is aware of on either
21 side to the nomination of Margaret M. Heckler or John A.
22 Svahn?

23 Mr. Lighthizer: I believe that there is no objection to
24 taking it up when you have a quorum, Mr. Chairman. But there
25 will be at least one vote against one of the nominations.

1 The Chairman: Senator Danforth is here. Why don't we
2 discuss the Reciprocal Trade and Investment Act.

3 Is that all right with you, Jack?

4 Senator Danforth: Sure.

5 Mr. Claude: Mr. Chairman, S. 144 is virtually the same
6 bill as S. 2094 that was approved last Congress by the
7 Committee.

8 The Chairman: It sort of summarized the principle
9 provisions.

10 Mr. Claude: Yes, sir. The Bill would provide specific
11 negotiating mandates to the President in the area of trade
12 and services, foreign direct investment and high technology
13 products by U.S. citizens.

14 It would set up a procedure for inter-governmental
15 exchange of information in the trade area under Section 135
16 of the Trade Act. It would add a section to the Trade Act of
17 1974 which would require the U.S. trade representative in
18 coordination with other government agencies to study barriers
19 to U.S. export opportunities and report to the Committees on
20 Finance and Ways and Means with respect to those barriers.

21 It would make certain technical corrections and
22 clarifications in Section 301 of the Trade Act of 1974, which
23 is the President's general authority to retaliate against
24 foreign unfair trade practices.

25 Most important of those clarifications are statutory

1 definitions of the terms unjustifiable, unreasonable and
2 discriminatory.

3 It would also add to that section the ability for the
4 President to retaliate against discrimination against foreign
5 direct investment by U.S. citizens abroad. That retaliatory
6 authority would be limited to the President proposing
7 legislation with respect to such discrimination.

8 It would provide for self-initiation of 301 cases by the
9 United States Trade Representative. Now even a private
10 person can petition for an investigation under 301 and the
11 President himself can take action, but USTR lacks the ability
12 to institute a case himself.

13 It would also make other technical corrections in the Act
14 to permit the better preparation of Section 301 cases,
15 generally directed to enhance the President's ability to
16 create market opportunities abroad for U.S. products and to
17 respond to unfair actions abroad which inhibit the export of
18 U.S. products.

19 And, finally, it would make a technical correction in the
20 Freedom of Information Act that would permit the USTR to keep
21 business confidential information supplied to him in the
22 course of a 301 investigation from being publicly disseminated.

23 The Chairman: Senator Danforth, do you have anything to
24 add to that?

25 Senator Danforth: Mr. Chairman, I really don't. We've

1 already been through this in the Finance Committee last
2 year. And we did report out the bill by, I think, a vote of
3 18 to 2 or 17 to 2.

4 It's been reintroduced. I think there were something
5 like 38 co-sponsors. It's also been introduced in a somewhat
6 different form in the House.

7 My hope is that if we can proceed on this with reasonable
8 speed we can get the bill passed sometime early this year.

9 Mr. Claude: Mr. Chairman, the only thing I would add to
10 my remarks is the Administration does support this bill.

11 The Chairman: Are there Members of this Committee
12 co-sponsoring the legislation?

13 Mr. Claude: Yes, sir; there are a number of Members.

14 The Chairman: Who are they?

15 Mr. Claude: Senator Bentsen, Senator Boren, Senator
16 Bradley, Senator Chafee, yourself, Mr. Chairman; Senator
17 Grassley and Senator Heinz, and Senators Roth and Moynihan.

18 The Chairman: What do we need to report this out, Bob,
19 seven?

20 Mr. Lighthizer: You need eleven to report out a bill,
21 Mr. Chairman. Seven is a quorum for purposes of marking up
22 legislation.

23 The Chairman: Are there any other questions on this from
24 the Members present?

25 As I understand there are no amendments pending.

1 Mr. Claude: I believe that is correct. Although I think
2 there may be a request by Senator Long for a minor
3 clarification or amendment.

4 The Chairman: Let's set this aside temporarily.
5 Senator Grassley, do you want to discuss PIK?

6 Senator Grassley: Yes.

7 The Chairman: I understand that Senator Grassley has put
8 together a consensus approach for the Committee's
9 consideration. We might at least discuss that now. Senator
10 Baucus may have questions. We can cover this side at least.
11 And Senator Pryor may have questions.

12 Senator Grassley: Mr. Chairman, may I have the floor?

13 The Chairman: Yes.

14 Senator Grassley: Mr. Chairman, I think basically what
15 you said is very correct. I've had an opportunity to discuss
16 this issue and worked very closely with Senator Wallop.
17 We've also discussed it with Senator Baucus, and they've all
18 showed leadership and interest in this area.

19 And, of course, Mr. Chairman, you played a very important
20 leadership role in the effort because you introduced the
21 first bill and moved out very closely on that along with
22 Senator Jepsen.

23 And, of course, since the various PIK bills were
24 introduced, a number of developments have occurred that I
25 think impact upon the legislation we vote out of this

1 Committee. To some extent as much as we originally thought
2 was necessary is not as necessary now.

3 First of all, the IRS has responded to the ruling request
4 sent to them by our Chairman and by Senators Wallop, Jepsen,
5 Kassebaum and myself.

6 They have clarified that under current law there is no
7 estate tax problems for farmers participating in PIK or any
8 similar Agricultural Department land diversion program.

9 And, thus, although there is no need to legislate in this
10 area, our consensus package will incorporate the IRS ruling
11 which is announced today.

12 And, secondly, Mr. Chairman, the House Ways and Means
13 Committee has taken action on PIK legislation. And, so, now
14 today we have a better notion of their views on this issue.

15 I have looked at their approach and I think the other
16 Senators involved have, and we've arrived at a somewhat
17 different approach that we believe is more comprehensive,
18 simpler and fairer to the farmers.

19 And, so, Mr. Chairman, I would like to offer this
20 consensus PIK bill. And I would ask at this point if it's
21 all right, Mr. Chairman, if the staff could explain its
22 provisions.

23 The Chairman: Yes, go ahead.

24 Mr. Brockway: The consensus package would provide, as
25 all the bills have, that the income from PIK would not be

1 taxed when the tax bearer has the right to receive the PIK
2 commodities, but would be taxed when the sell the commodities
3 received under PIK.

4 In addition, it would follow the rule that where there is
5 crop storage payments on a farmer on reserve, that that would
6 not be taxed at the time, the taxpayer has a right to those
7 payments, but only when they actually receive the payments.

8 Also participation in the PIK program would be treated as
9 farming for all income tax purposes. There is quite a number
10 of different provisions, technical in nature, and this will
11 be treated as farming.

12 And, in particular for the coop rules that marketing of
13 commodities received under the PIK program would be treated
14 as marketing of the commodities grown by the patrons
15 themselves so that there would be no coop problems.

16 As Senator Grassley pointed out, that this proposal
17 merely would pick up, and the same rules contained in the
18 Treasury Q's and A's on the state tax purposes are
19 participation in the PIK program, and also other Agricultural
20 Department set aside programs would constitute material
21 participation in qualified use for the state tax provisions.

22 For self-employment tax purposes, that PIK participation
23 would constitute income for self-employment purposes, but
24 only if the taxpayer material participates in the farming of
25 the property.

1 And, finally, there would be no sunset on the provision,
2 but for state tax purposes it would be retroactive back to
3 the adoption of the special use provisions in the 1976 act
4 just to clarify and make sure that taxpayers are protected
5 for that purpose.

6 The Chairman: Has Treasury had a chance to review this
7 legislation?

8 Mr. McKee: Yes, we support it

9 The Chairman: Are you satisfied that it covers all of
10 the possible contingencies out there?

11 Mr. McKee: Yes, Mr. Chairman.

12 The Chairman: And does it differ in many respects on the
13 House passed version?

14 Mr. Claude: It generally is the same, Mr. Chairman, on
15 all the income tax items. The cash storage payment there is
16 one. The big difference is that there is a one year sunset
17 in the House bill and this has no sunset on the bill.

18 Also, there is an anti-abuse provision, anti-speculation
19 provision; the House bill says that state tax rules only
20 apply to farm land currently owned by a farmer, so that
21 someone who acquired the property after February 24th would
22 not qualify into the House bill. This would protect even
23 subsequent owners of farm land.

24 The Chairman: Plus I think they add one non-related
25 provision in there.

1 Mr. Claude: That is correct. They had a provision that
2 did not relate to the PIK program, but it related to an
3 organization that wished to receive tax exemption for
4 marketing farm products. But that was not related to the PIK
5 program and would not be included in this package.

6 The Chairman: I understand the reason is we were trying
7 to limit it to related items.

8 What's the revenue loss on that provision, if any?

9 Mr. Claude: On that unrelated item it would be
10 negligible revenue lost. That entity, in fact, doesn't
11 generate any taxable income right now. And, so, making it
12 non-taxable wouldn't really have any significant effect.

13 The Chairman: But when Treasury appeared they sent Mr.
14 Chaptan to raise some objection this would favor one group
15 over another group.

16 Is that correct?

17 Mr. McKee: That is correct. The original draft of the
18 bill on the House side was much broader than the final
19 agreement. The broader version had a significant revenue
20 cost and we had very serious problems with it.

21 As it finally emerged, it is simply a special interest
22 piece of legislation that would provide tax exemption for one
23 particular group.

24 Mr. Brockway says not for income tax purposes, but we
25 understand primarily for access to lower postal rates.

1 The Chairman: Does that give one grup an advantage over
2 others?

3 Mr. McKee: Certainly. That would give a group that the
4 internal revenue service ruled in 1975 was not tax exempt,
5 would provide them with special tax exempt status, and
6 therefore give them special privileges.

7 The Chairman: What would be the cost if you extended it
8 to other like groups?

9 Mr. McKee: If those rules were extended to other like
10 groups, the initial revenue cost we estimated was around \$2
11 million. But we thought that the ripple effect in terms of
12 groups attempting to restructure their affairs, would have a
13 significantly higher revenue cost in out years.

14 I emaphasize that that is the original version of the
15 bill, which as you suggest, if this one particular group
16 received special treatment one could expect pressure for a
17 much broader bill to come forward that would include
18 similarly situated taxpayers, which would then cover
19 organizations which do pay taxes and would have a significant
20 revenue cost.

21 We estimated that in the out years it could reach as much
22 as \$100 million.

23 The Chairman: I understand the concern of the particular
24 group, plus other groups who would like to use this as
25 vehicle. But I'm fearful if we start adding unrelated items,

1 I can think of several who would like to join up. This is a
2 very important piece of legislation.

3 Unless there is some objection I would move that we
4 report out the consensus package, giving the staff technical
5 drafting authority to draft the bill, and also approve an
6 identical Committee amendment with authorization for the
7 Chairman to offer such a Committee amendment to an
8 appropriate vehicle on the Senate floor at the appropriate
9 time.

10 That doesn't mean that we can't explore that one thing
11 that is still hanging, but I think we shouldn't do it here.

12 Is there any objection to that, Senator?

13 Senator Wallop: I would second that. May I just say as
14 Chairman of the subcommittee that I very much appreciate your
15 work and particularly Senator Grassley's, and the cooperation
16 of Senator Baucus, Senator Jepsen and everybody else.

17 I would really hope that given the importance of this
18 thing that the Chairman's advice would be heeded when we go
19 to conference, and keep this bill related to the subject
20 which is at hand. That's where the emergency lies.

21 The Chairman: Senator Pryor, do you have anything?

22 Senator Pryor: I have no comments, Mr. Chairman.

23 Mr. Lighthizer: Mr. Chairman, when we finally report
24 this bill we will also report out a waiver of the Budget Act,
25 because technically this affects the 1984 budget, but it's

1 before the first budget resolution. So you need a time
2 waiver which you will have to report out at the same time.

3 The Chairman: Is that difficult?

4 Mr. Lighthizer: No, no. It's just a question of having
5 the Committee decide to do it.

6 Senator Grassley: I would move that we amend the motion
7 to include that.

8 The Chairman: We have enough here to do the marking up.
9 We just don't have enough here to report the bill. So we'll
10 set this aside temporarily. There may be other questions.
11 Until it is disposed of it is still open for amendment. I
12 think Senator Long is on his way on Reciprocity.

13 Senator Specter asked me yesterday if we could bring up
14 the matter that was heard, I think, before Senator Packwood's
15 subcommittee. I asked Senator Long on the Senate floor if he
16 had any objection to that. I guess it violates the
17 forty-eight provision in the rules; is that correct, we
18 didn't give notice?

19 Mr. Lighthizer: That is correct, Mr. Chairman.

20 The Chairman: Maybe Senator Packwood would explain it.
21 I didn't attend that hearing.

22 Senator Packwood: This was Senator Specter's bill with
23 Senator Long as a co-sponsor on legislative expenses. We've
24 been through this battle year in and year out. At the moment
25 we have a \$3 thousand living expense deduction we can take as

1 a matter of course whether or not proven.

2 Senator Specter and Senator Long's bill eliminated and
3 treat Members of Congress exactly as any other taxpayer is
4 treated.

5 If you have more than one place of residence, you
6 determine what your principle place of residence is, and the
7 other you take as your not principle place of residence.

8 I think I can assure everyone that indeed because we
9 questioned Treasury and everyone else it will treat Members
10 of Congress exactly like all other taxpayers are treated. No
11 better, no worse, no different.

12 Senator Specter is quite anxious that we consider this,
13 and Senator Long is in agreement with it.

14 Senator Danforth: Mr. Chairman, if I could ask a
15 question.

16 I haven't looked at this but it seems to me that Members
17 of the Congress are not exactly like any other citizen.
18 Where is our principle place of residence? Let me just give
19 you an example.

20 Let's suppose that a Senator has a home in Newburg,
21 Missouri and he spends maybe ten days a year there, and the
22 rest of the time in his home state traveling around the
23 state, staying at a variety of communities. And that
24 Congress is in session a total of, say, nine months out of
25 the year during which time the Senator is here with his

1 family.

2 Which is the principle place of residence in that
3 circumstance, is it within the home state, or is it in
4 Washington?

5 Senator Packwood: In the fact situation that you give it
6 would probably be Washington, because you are here a majority
7 of the year and this is where you live.

8 There might be some Members of Congress -- Bob or
9 somebody correct me if I misstate the facts on this -- it by
10 and large depends upon where you live a majority of the
11 time. There could be some Members of Congress that might
12 live literally in their home district more than half the
13 time, but they would have to be pretty close around here.

14 Senator Wallop: Would you yield on that, Senator?

15 Senator Packwood: Yes.

16 Senator Wallop: I thought it was my understanding of the
17 memos that came by on this that we were talking about making
18 it possible for a Member to elect. I would just have to say
19 that I'm vehemently opposed to anything that would make me
20 declare Washington, D.C. my home.

21 Senator Packwood: You don't have to declare anything.

22 Senator Wallop: It would be declared my home whether I
23 did it or not.

24 Senator Packwood: It would be declared your tax home for
25 purposes of business expenses. The law is very clear that

1 you are a legal resident for purposes of representation and
2 for income taxes of the state that you represent. This has
3 to do with living expenses only.

4 Senator Danforth: In your case, if the residence for
5 this purpose would be in Washington, and say you were back in
6 your home state ninety days of the year, then you would
7 deduct your food and your board and your expenses that you
8 personally incurred while in your home state.

9 Senator Packwood: Let me say that this is Senator
10 Specter and Senator Long's bill, but that is roughly
11 accurate. I don't want to issue a carte blanche.

12 Senator Danforth: If it were ordinary and necessary you
13 could deduct maybe \$50 thousand, \$70 thousand, just write
14 your own deduction. This is a write your own deduction
15 program.

16 Senator Packwood: Again I'll ask either Bob or the joint
17 Committee to correct me. There is a limit beyond which you
18 cannot write your own deduction whether your home happens to
19 be Newburg, Missouri and your trying to write them here or
20 vice versa.

21 Isn't that correct?

22 Mr. Hardee: Senator Danforth, it's still subject to
23 being ordinary and necessary expenses. If they are lavish
24 then that would be disallowed.

25 Senator Danforth: But ordinary and necessary is really

1 not a dollar amount. I mean what could you run up for a
2 meal, for example.

3 Mr. Hardee: You would be subject to the same tests as
4 businessman is in St. Louis.

5 Senator Danforth: Would that be fifty dollars a meal?

6 Mr. Hardee: You'd have to look at all the circumstances
7 like any businessman would do if he's traveling out of town
8 on business purposes.

9 Senator Danforth: Suppose that you had a home in
10 Missouri, you spent ten days a year in it, but it was your
11 home, and it costs you \$10 thousand, \$15 thousand to just
12 keep the home up.

13 Would that be deductible?

14 Mr. Hardee: If you were using the home as a base on
15 which to meet with constituents, then you would be entitled
16 to deduct ten 365th's of the home expense.

17 Senator Danforth: And in addition to the ten 365th's you
18 would be able to deduct your meals and you would be able to
19 deduct your -- say if you had a car there or your fuel or
20 whatever.

21 Mr. Hardee: If the reason that you were there were to
22 carry out your senatorial duties, not going there on
23 vacation. If you were meeting with constituents or doing
24 senate related work.

25 Senator Danforth: But isn't that usually a mixed bag

1 when you're out in your home state. Say you're out there and
2 you have dinner with your brother, and then you go from there
3 to make a speech to some constituents.

4 It's a little bit hard, isn't it, to keep those records.
5 You'd have to keep elaborate records of everything that you
6 were doing in your home state.

7 Mr. Hardee: You would have to keep records not only of
8 personal time, but also political time, separating personal,
9 political and legislative.

10 Senator Danforth: So you would have to have a computer.
11 You would have to determine what is personal, what is
12 political, what is senatorial, if there is a distinction.
13 And then for that segment of it that is senatorial you would
14 have to determine what is an ordinary and necessary expense.

15 Mr. Hardee: It's the same burden that would be on
16 regular taxpayers though. If you have a taxpayer that is
17 coming to Washington on business and he brings his family, he
18 has the same proration problems.

19 Senator Danforth: But it is not the same. I beg to
20 differ with you. This notion that a Member of the Congress
21 is like anybody else is a factual error. There is absolutely
22 no similarity between a businessman who travels, say, from
23 here to Atlanta, Georgia, and goes there on a business trip
24 and stays in hotel, from a Member of the Congress who has
25 always considered his home state to be his home state, his

1 home base where he actually resides, where his roots are,
2 where he intends to return.

3 Who has a number of different connections with that home
4 state. One is to touch his political bases, one is to do
5 constituent work, make speeches to organizations. One is to
6 frankly visit with friends and family and to maintain his
7 contacts.

8 It is an entirely different situation. Different not
9 only in quantity of time spent, but also different in the
10 quality of the time spent and the general relationship that
11 the individual has with his home state.

12 My view, Mr. Chairman, is that -- I don't know if this is
13 the time to get to the merits. If you want to know if there
14 is unanimous consent to take it out of order, the answer to
15 that is no.

16 But my view is that if we are going to have any kind of a
17 deduction, I don't care if we have any deduction at all, but
18 if we're going to have any deduction at all it has to be a
19 fixed amount. Somebody has to say here is a dollar amount
20 that we have decided, Congress has decided that you can
21 deduct.

22 But this notion of write your own deduction, the sky is
23 the limit, take your own deduction, I think is just
24 absolutely ridiculous.

25 The Chairman: I'm just making an inquiry; is there a

1 forty-eight hour rule?

2 Mr. Lighthizer: Yes, there is a forty-eight hour rule.

3 The Chairman: Thank goodness for that. We'll have to
4 put it on the agenda in an appropriate way. I wouldn't touch
5 it with a ten foot pole. I tried this one time, I've learned
6 the hard way that there isn't any way.

7 But Senator Specter did ask that we raise it and we have.

8 Senator Wallop: It's called raising a specter.

9 [Laughter]

10 The Chairman: Not bad for ten o'clock.

11 We'll notify Senator Specter that there is some
12 controversy over this. Maybe we can put it on the agenda
13 next week.

14 Senator Chafee: Mr. Chairman, I wouldn't want you to
15 think this controversy is shallow. You only got to the first
16 man in the list here.

17 The Chairman: I promised to bring it up. I kept my
18 pledge. And Senator Long, if he would like to raise it
19 again, we'd probably have to do it next week.

20 Senator Chafee: Make sure he has plenty of time the day
21 he wants to raise it.

22 The Chairman: I get the message. We'll put it on
23 with-holding.

24 [Laughter]

25 That will kill repeal of that, I think.

1 I would just indicate to Members because I know there is
2 a little interest in the withholding repeal effort. We met
3 with Don Regan this morning at 7:30; Senator Baker, myself,
4 Chairman Rostenkowski, Barbara Konible, a representative from
5 the Speaker's office, and Bob Michel.

6 And they've issued this report which will be released
7 about 10:00 this morning. They've made a number of changes
8 that I think address some of the real concerns the banks have
9 indicated they have. And we would hope this might ease that
10 discussion. I'll put a copy in the Congressional Record.

11 What can we do now that we're waiting for --

12 Mr. Lighthizer: Mr. Chairman, we can go through the --
13 to the extent that you want to -- the charts in the Budget
14 Book, so that when we have eleven we can agree to the Budget
15 Letter in the normal form.

16 The Chairman: Is there a budget letter drafted?

17 Mr. Lighthizer: What we would propose is to use the same
18 form as was agreed to last year. Which is in the back of the
19 blue book. It starts on page 97. What it does is it just
20 says that the Committee will agree to the same deficit
21 reduction numbers as the President has in his budget, but it
22 may do it more on revenue, more on spending, more through
23 some different combination, and doesn't necessarily agree
24 with any of the programmatic changes recommended by the
25 Administration.

1 This is the way we've done it since I've been here, and
2 Mike tells me really since 1975, since the first one. This
3 paragraph on 97, which is the last full paragraph was added
4 last year to the letter. Which makes it even clearer that
5 we're not making any specific program recommendations.

6 The Chairman: I understand the letter just to comply
7 with the Budget Act provisions; is that correct?

8 Mr. Lighthizer: That's correct, Mr. Chairman. The
9 Budget Act requires us to do it.

10 The Chairman: Does it have any real meaning?

11 Mr. Lighthizer: That's really a question for the Budget
12 Committee. It doesn't have any binding effect on us. The
13 effect it has is a question for the Budget Committee to
14 decide.

15 The Chairman: Is that right, Mike, as far as being in
16 accord with previous policy?

17 Mr. Stern: I wouldn't want to downplay the importance of
18 the process.

19 The Chairman: I mean as far as it's consistent with the
20 same letter we used to submit.

21 Mr. Stern: Yes, sir.

22 The Chairman: We could probably go through that if that
23 is necessary.

24 Mr. Lighthizer: The material is available.

25 Senator Pryor: Mr. Chairman, may I ask a question at

1 this point? At some point in the proceeding I will have an
2 amendment relative to what Bob may be discussing there.

3 I just wanted to make certain that I understand what we
4 are doing at this point. We're not about to vote or anything
5 momentarily on this; we're just going to go through it; is
6 that correct?,

7 The Chairman: Right.

8 Senator Pryor: I would like to reserve the right to
9 offer an amendment at the appropriate time.

10 The Chairman: Why don't you quickly go through whatever
11 you have in front of you right there.

12 What is that?

13 Mr. Lighthizer: These are the charts that are in the
14 blue book. The blue book has these charts. We put them on
15 individual letter-size pages, so it's a little easier for the
16 Members to look at. The charts really summarize what this
17 budget letter does.

18 The Chairman: I see.

19 Mr. Lighthizer: The first chart says what we're supposed
20 to send to the Budget Committee. And that is, our views and
21 estimates on expenditures, revenues, taxes, benefits and the
22 public debt.

23 The second chart lists economic assumptions that
24 obviously dictate the spending and tax levels. They are
25 right out of the President's budget. We put in the letter

1 that we don't necessarily endorse these economic assumptions,
2 but we have to have some economic assumptions, so we use the
3 ones that the President has in his budget.

4 Chart number three is really a table of contents for all
5 the other charts. What it does is list the major programs
6 within our jurisdiction.

7 Chart number four is the cash benefit social security
8 trust fund current law status.

9 Chart number five lists the effects on the cash benefit
10 programs of proposed legislation in the President's budget.
11 The principle item here, of course, are the compromise in the
12 national commission.

13 Chart number six lists unemployment compensation. And it
14 gives both present law and the proposed extension of federal
15 supplemental compensation, the \$1.9 billion.

16 Charter number seven provides the same information for
17 the welfare programs for families which are within our
18 jurisdiction. It gives both present law numbers for 1983 and
19 1984, and the effect of proposed legislation.

20 Chart number eight is the same thing for Social
21 Services. And there is no change in Social Services.

22 Chart number nine is the same thing, present law
23 expenditures and proposed changes in supplemental security
24 income.

25 Chart number ten provides the present law costs under

1 these economic assumption of the medicare trust fund.

2 Chart number eleven is that information for all the
3 health programs.

4 And in chart number twelve we have the cost effects of
5 proposed legislative changes that is in the Administration's
6 budget.

7 Chart number thirteen is revenue sharing and interest in
8 the public debt.

9 Chart number fourteen is present law revenue estimates
10 using the economic assumptions in the budget.

11 The next chart that we have is not in the blue book. And
12 the next chart that you have in that packet in front of you
13 sums up what we are requested to do on the spending side by
14 way of savings for each of the next three years in the
15 President's budget by categories; social security, medicare,
16 medicade, AFDC and child support, supplemental security
17 income and unemployment compensation. So it just sort of
18 sums up the spending side.

19 Chart number fifteen is the changes in the revenue side
20 of the ledger. On chart number fifteen there is a change in
21 the social security line where the numbers are somewhat
22 higher than the numbers that are on chart fifteen. They are
23 just differcent estimates. The program hasn't changed. They
24 are the same as what we have in the national commission
25 report.

1 The new numbers are \$8.2 billion in 1984; \$5.6 billion in
2 1985; and \$8.9 billion in 1986.

3 There is no change in the program that is described.
4 It's just different economic assumptions.

5 Chart number sixteen provides present law levels of tax
6 expenditures. The Budget Act requires us to provide this
7 information in our March 15th letter.

8 Senator Chafee: Could you go back one minute, Bob.
9 Chart fifteen is the taking into account what the President's
10 proposals are.

11 Is that right?

12 Mr. Lighthizer: Yes, sir.

13 Senator Chafee: The costing of those?

14 Mr. Lighthizer: Yes, sir.

15 Senator Chafee: Now what you're saying is that these are
16 going to be incorporated in the letter that we're sending.

17 Mr. Lighthizer: What we will say, Senator, is that we
18 hope to be able to get a revenue number, a bottom line
19 revenue change from current law number, the same as the
20 President has in his budget. Although we do have a paragraph
21 in the letter which says we may not do it on the revenue side.

22 Senator Chafee: That's the same letter we wrote last
23 year.

24 Mr. Lighthizer: Yes, sir, that's correct.

25 Senator Chafee: Why are we reviewing these charts now.

1 I just noticed that you got your tuition tax credit there on
2 chart fifteen. This is costing out of the President's
3 proposals.

4 Mr. Lighthizer: That is correct, Senator.

5 To the extent that the Committee is making any
6 commitment, it is just a commitment that we'll reduce the
7 deficit when you consider revenues and spending by as much as
8 the President.

9 But we're not necessarily endorsing any of these
10 programs. And, indeed, the letter is quite specific that
11 we're not endorsing any of them.

12 Senator Chafee: Thank you.

13 Mr. Lighthizer: Number sixteen is tax expenditures which
14 we're required to give.

15 Chart number seventeen, the final chart, is just the
16 effect on the debt limit. Which is just a calculation based
17 on the economic assumptions.

18 That, Mr. Chairman, is the summary of the blue book and
19 of the charts for the March 15th letter to the Budget
20 Committee.

21 And, as I said, on page 97 is a copy of last year's,
22 which I would ask the Committee to focus on the last full
23 paragraph on page 97, which sums up the extent to which the
24 Committee is committing itself in this letter.

25 This was a paragraph which was added by Senator Dole and

1 Senator Long in the Committee last year. It just makes it
2 clear that we're not committing to anything specific with
3 respect to programatic changes in this letter.

4 Senator Durenberger: Mr. Chairman.

5 The Chairman: Senator Durenberger.

6 Senator Durenberger: I don't know if I'm interrupting
7 anything, but I wanted to alert you and my colleagues to the
8 fact that I will be making a proposal, I think, first before
9 the appropriate subcommittee and then to all of you as we
10 wrestle with the budget for some changes in the revenue
11 sharing program.

12 It would also involve a change in the deductability for
13 state and local taxes, which we discussed last summer. It
14 turns out to be an effective wash one way or another at \$6
15 billion in effect going to a state government as a
16 reinstitution of state revenue sharing.

17 It's fixed as a percentage of the federal income tax at
18 two percent. And it's funded by a limitation on the
19 deductability of all state and local taxes at one percent of
20 adjusted gross income.

21 In other words, they get a deduction like in the medical
22 deduction for everything over one percent of their combined
23 state and local taxes.

24 I raise it now not to debate the issue, because it may be
25 perceived as relatively complicated, but only because there

1 is a lot of merit both to us and to state and local
2 government financing to take a look at that additional way of
3 providing revenue sharing.

4 The Chairman: It wouldn't change our letter in anyway;
5 would it?

6 Mr. Lighthizer: No, Mr. Chairman. It need not change
7 the letter. It would be reflected, presumedly, in the same
8 totals.

9 The Chairman: Senator Long.

10 Senator Long: I for one at some point want to suggest
11 that during this session while it is needed, that we increase
12 revenue sharing by about fifty percent.

13 If you want to provide some jobs, simply putting some
14 money with all these county officials and mayors, to send a
15 commission of counsels around the United States, that you'd
16 get a better run for your money with that and without
17 creating a new bureaucracy than you would by doing some of
18 the things that are in that House passed bill.

19 I would hope that at some point that we would be able to
20 pursue that. I don't want to be foreclosed from that. For
21 those who are so disposed I would hope that we would at least
22 leave that option open one way or the other. Now how we're
23 going to do it, I don't know. I'm willing to be flexible
24 about it.

25 I'd like to ask the Chairman; do you foresee that we can

1 somehow accommodate that within the recommendations we'll
2 have?

3 The Chairman: We've discussed some about it, if we can't
4 increase the funding we could accelerate it, put more money
5 into the 1983 portion.

6 Would that accommodate Senator Long's request?

7 Mr. Lighthizer: If it effects fiscal year 1983 I don't
8 think that would be effected by this. Your recommendations
9 only effect fiscal year 1984.

10 Senator Durenberger: It isn't really anything that we
11 have to legislate. The President has authority now to make
12 those payments at anytime in the quarter.

13 Since it started the payments have always come at the end
14 of the quarter rather than at some other people. So, in
15 effect, the President himself could just sign an order
16 sending them another billion dollars. And we wouldn't be
17 violating current law.

18 Senator Long: You mean the 1983 money.

19 Senator Durenberger: With the 1983 money.

20 Senator Long: Of course we would have to put in some
21 more money, but that would be part of the 1983 budget.

22 Mr. Stern: That's right. Whether you do it through
23 acceleration or in additional authorization, if you're
24 talking about fiscal year 1983, it wouldn't effect this
25 particular letter that you're sending to the Budget Committee

1 now which is in fiscal year 1984.

2 Senator Long: I guess some of that would probably be
3 needed in 1984; wouldn't it?

4 Mr. Stern: It depends on when you have in mind getting
5 the money out. If you wanted to get the money out before
6 October 1st, then it could be done entirely in fiscal year
7 1983.

8 Senator Long: Just in the event that it might be
9 necessary in 1984, I just want to alert the Committee that I
10 might want to be offering an amendment or supporting an
11 amendment along that line.

12 I think we may have to do something. At least it might
13 be to our advantage to do something like that, especially
14 when we consider the alternatives. I just think that that
15 program which came out of this Committee is one of the most
16 efficient ways you can go with dealing with your objectives.
17 You've got a formula which is fair, and I think it makes
18 better sense than the formula from the House.

19 I'm not sure how they arrived at theirs. I've read some
20 of the accounts about how it was done. It looks like
21 something that was pretty arbitrary.

22 The Chairman: Everybody got a piece.

23 Senator Long: Well, everybody who got in on the deal got
24 a piece, let's put it that way.

25 The Chairman: I agree with Senator Long, we already have

1 the structure in place, too. We're not creating another
2 bureaucracy; we're just providing additional funds. And
3 that's an area that we have an interest in.

4 Senator Long: I want to raise one other point if I
5 might, Mr. Chairman, and Members.

6 First I want to apologize that I was late here. The
7 Governor of Louisiana, a good man, Republican by the way,
8 wanted us to meet with him, the Louisiana delegation, to talk
9 about matters of special concern to Louisiana. Since I was
10 hosting it I couldn't get here in time for the beginning of
11 this meeting.

12 On this welfare area we had agreed, I believe it was last
13 year, to an amendment that we made into law, and it states
14 that the states would have more flexibility than otherwise
15 would be the case with regard to the work effort.

16 The idea being that they could pay people to work rather
17 than just giving them a grant and requiring them to do work
18 after the fact.

19 My thought is that it makes a lot better since when
20 someone comes in to simply give them a check for one time,
21 just a one time check, to say that this will hold you for the
22 first month until you can earn your first paycheck. And so
23 we'll give you a check, a one time grant, just one payment,
24 and after that you'll earn your money.

25 You'll work a certain number of hours and you'll be paid

1 for the work that you do. That way it in effect makes it a
2 legitimate proper job to pay them for a certain number of
3 hours of work rather than to simply require that they work it
4 off.

5 Now that provision also said that they could have two
6 levels. That they could have one level of payment that
7 people would get if they chose not to be involved in a work
8 effort at all. Another level of benefit they would get if
9 they did.

10 And while the states have not availed themselves of it, I
11 think one of the big reasons is that they've been led to
12 believe that they'll be sued by the National Welfare Rights
13 people and all that. It seems to me that that's additional
14 flexibility that ought to be available to the states when we
15 mandate these work requirements.

16 In other words, prior to this time the required had been
17 voluntary. If you're going to mandate it, I think we ought
18 to continue the flexibility that's in the law, which this
19 Committee voted.

20 We support the continued flexibility that the law now
21 provides on most of this Committee.

22 The Chairman: That again would not affect our --

23 Mr. Lighthizer: Mr. Chairman, that would be accommodated.

24 The Chairman: I want to recognize Senator Pryor in just
25 a minute.

1 We have a quorum now, if we might report the nominations
2 of Margaret Heckler to be a Secretary of H.H.S, and John
3 Svahn to be Undersecretary.

4 I assume we should have a roll call vote on each of
5 those, starting with Ms. Heckler.

6 Senator Pryor: Mr. Chairman, on the nomination of Mr.
7 Svahn, I have a very short statement as to why I will not
8 support his nomination.

9 Should I do that now?

10 The Chairman: Fine.

11 Senator Pryor: Or would you prefer me to insert it?

12 The Chairman: No, I think it probably be good reading,
13 but I mean I would like to hear it.

14 Senator Pryor: I will just summarize it, if I might.

15 Mr. Chairman, we did have a hearing on Mr. Svahn, as you
16 know, on Friday. And it's my opinion after the hearing, a
17 perception that I had at least, I cannot speak for any of my
18 colleagues, nor am I encouraging any of my colleagues to vote
19 against Mr. Svahn.

20 But it was my perception after the hearing that, one,
21 Mrs. Heckler, is a very very fine person, a former colleague
22 of many hours in the House, that she will actually head the
23 Department of H.H.S..

24 But the man that is going to run the department is John
25 Svahn, Mr. Svahn. I feel that in Friday's hearings basically

1 we really produced a number of very evasive answers from Mr.
2 Svahn to some very specific questions about his
3 administrative qualifications as the Social Security
4 Administration head.

5 For example, he testified he did not know of certain
6 memos as to the policy of Social Security Disability Review
7 issues written by his own people.

8 My point is this, if he did not know of these memos, I
9 think it demonstrates his own negligence or his own lack of
10 administrative ability, and if he did know of those policies
11 and confirmed those policies, I think there was certainly a
12 manifestation by these memos that he demonstrates, or his
13 people at least demonstrate in my opinion a callous disregard
14 to the human misery suffered by thousands of people cut off
15 from disability and stripped of human dignity who simply
16 cannot find a job today in today's economy.

17 I do not feel that Mr. Svahn actually demonstrated, I
18 think, the sensitivity to the human elements involved not
19 only in the disability review process, and I also feel that
20 in his denials of those and targets of numbers of individuals
21 who should be cut off from the disability rolls, I think he
22 indicated there that he was basically a man lacking in
23 knowledge of the whole process in a process that effected the
24 lives of literally thousands and thousands of Americans who
25 should not have been taken from the disability roll.

1 I want to state, Mr. Chairman, once again without
2 reservation, I do not support the idea of one person drawing
3 disability if he does not deserve it.

4 On the other hand, I believe, Mr. Chairman, and my
5 colleagues, that if Mr. Svahn wanted to be the administrator
6 of the General Services Administration buying desks and file
7 cabinets and refrigerators and typewriters, I think that
8 would be fine.

9 As far as running the Department of Human Services, I
10 just see a lack of human compassion that must be, I think,
11 defined with being a qualified administrator.

12 For this reason I will not support his nomination.

13 The Chairman: I appreciate that. I've asked Mr. Svahn
14 to visit with you personally.

15 Senator Pryor: We visited this morning by phone. I also
16 told him I was sorry to had to ask those embarrassing
17 questions in front of his beautiful family, but he brought
18 them here and I had no choice.

19 I also told him that I was going to send their beautiful
20 young children a dart board with my picture on it and maybe
21 they could relieve their frustration by throwing darts at
22 it. And I would understand that because my children, I know,
23 growing up having a father in the public life, they'd like to
24 have some dart boards, I would imagine.

25 That's part of it. And I did apologize to him for that.

1 I think he's a good man, but I just think he -- I really
2 think he either lacks the administrative ability or the human
3 compassion to run Human Services in America. And I think
4 that's what we're getting into with his nomination. That's
5 why I oppose it, Mr. Chairman.

6 Senator Packwood: Mr. Chairman.

7 The Chairman: Senator Packwood.

8 Senator Packwood: The staff was very good in getting me
9 the transcript of the hearings last week. And I must confess
10 I have not finished reading them.

11 I was a bit alarmed about Peggy Heckler's statements
12 about overturning the Supreme Court by legislative fiat. And
13 as I have not yet finished reading that transcript, I'm going
14 to pass this morning on that nomination.

15 The Chairman: Will the Clerk call the roll first on the
16 Heckler nomination.

17 Mr. Lighthizer: Mr. Packwood.

18 Senator Packwood: Pass.

19 Mr. Lighthizer: Mr. Roth.

20 Senator Roth: Aye.

21 Mr. Lighthizer: Mr. Danforth.

22 Senator Danforth: Aye.

23 Mr. Lighthizer: Mr. Chafee.

24 Senator Chafee: Aye.

25 Mr. Lighthizer: Mr. Heinz.

1 The Chairman: Aye.
2 Mr. Lighthizer: Mr. Wallop.
3 Senator Wallop: Aye.
4 Mr. Lighthizer: Mr. Durenberger.
5 Senator Durenberger: Aye.
6 Mr. Lighthizer: Mr. Armstrong.
7 [No response]
8 Mr. Lighthizer: Mr. Symms.
9 Senator Symms: Aye.
10 Mr. Lighthizer: Mr. Grassley.
11 Senator Grassley: Aye.
12 Mr. Lighthizer: Mr. Long.
13 Senator Long: Aye.
14 Mr. Lighthizer: Mr. Bentsen.
15 [No response]
16 Mr. Lighthizer: Mr. Matsunaga.
17 [No response]
18 Mr. Lighthizer: Mr. Moynihan.
19 [No response]
20 Mr. Lighthizer: Mr. Baucus.
21 Senator Baucus: Aye.
22 Mr. Lighthizer: Mr. Boren.
23 Senator Boren: Aye.
24 Mr. Lighthizer: Mr. Bradley.
25 Senator Bradley: Aye.

1 Mr. Lighthizer: Mr. Mitchell.
2 Senator Mitchell: Aye.
3 Mr. Lighthizer: Mr. Pryor.
4 Senator Pryor: Aye.
5 Mr. Lighthizer: Mr. Chairman.
6 The Chairman: Aye.
7 And the absentees can be recorded.
8 Mr. Lighthizer: Fifteen to zero, Mr. Chairman.
9 The Chairman: The ayes with fifteen.
10 Mr. Lighthizer: There is one pass.
11 The Chairman: One pass. And the others can be recorded.
12 Now Mr. Svahn.
13 Mr. Lighthizer: Mr. Packwood.
14 Senator Packwood: Aye.
15 Mr. Lighthizer: Mr. Roth.
16 Senator Roth: Aye.
17 Mr. Lighthizer: Mr. Danforth.
18 Senator Danforth: Aye.
19 Mr. Lighthizer: Mr. Chafee.
20 Senator Chafee: Aye.
21 Mr. Lighthizer: Mr. Heinz.
22 The Chairman: Heinz, aye.
23 Mr. Lighthizer: Mr. Wallop.
24 Senator Wallop: Aye.
25 Mr. Lighthizer: Mr. Durenberger.

1 Senator Durenberger: Aye.
2 Mr. Lighthizer: Mr. Armstrong.
3 [No response]
4 Mr. Lighthizer: Mr. Symms.
5 Senator Symms: Aye.
6 Mr. Lighthizer: Mr. Grassley.
7 Senator Grassley: Aye.
8 Mr. Lighthizer: Mr. Long.
9 Senator Long: Aye.
10 Mr. Lighthizer: Mr. Bentsen.
11 [No response]
12 Mr. Lighthizer: Mr. Matsunaga.
13 [No response]
14 Mr. Lighthizer: Mr. Moynihan.
15 [No response]
16 Mr. Lighthizer: Mr. Baucus.
17 Senator Baucus: No.
18 Mr. Lighthizer: Mr. Boren.
19 Senator Boren: No.
20 Mr. Lighthizer: Mr. Bradley.
21 Senator Bradley: Aye.
22 Mr. Lighthizer: Mr. Mitchell.
23 Mr. Mitchell: No.
24 Mr. Lighthizer: Mr. Pryor.
25 Senator Pryor: No.

1 Mr. Lighthizer: Mr. Chairman.

2 The Chairman: Aye.

3 Mr. Lighthizer: Thirteen to four, Mr. Chairman.

4 The Chairman: Those nominations will be reported.

5 Senator Long: Senator Bentsen should be recorded for
6 Mrs. Heckler as well.

7 The Chairman: If we could go ahead with the Reciprocal
8 Trade and Investment Act.

9 Would you like to move that be reported?

10 Senator Danforth: Yes, I would --

11 Senator Long: Let me just make it clear that I just
12 object to the use of the term reciprocal on this measure
13 because I think that we need that reciprocity but this
14 doesn't achieve it.

15 But the Committee reported forward in this fashion and if
16 the Senator wants to insist on reporting it you can just vote
17 me down on that aspect of it.

18 Senator Danforth: Do you have an alternative name?

19 Senator Long: It would be easy enough to find one.
20 There is no problem there.

21 Senator Danforth: Pardon.

22 Senator Long: It would be easy enough to find the words
23 to do it.

24 The Chairman: Do you have a suggestion?

25 Mr. Lang: Last year, Senator, at your request and

1 Senator Danforth's, the staff did draft up an amendment
2 dealing with the title and changed the title, I believe, to
3 be the Trade and Investment Act of 1982.

4 That amendment was never offered and was never considered
5 in Committee, but it was drafted as a possibility.

6 Senator Long: If we did that we would need to remove the
7 word reciprocity where it appears in the text. You've got a
8 whole lot of other words that I don't object to.

9 But I just object to using reciprocity here. I just
10 don't regard this as being reciprocity. I think that the
11 Senator started out for reciprocity, but by the time the
12 Administration got through with it there was very little
13 reciprocity left. That's why I think that it shouldn't be
14 here. But if you're willing to do that then it's alright
15 with me to report the bill and I'd vote for it.

16 Senator Danforth: You mean just by dropping the one word
17 from the title?

18 Mr. Lang: I think Senator Long was saying also that the
19 word would be dropped the other places it appears in the text.

20 Senator Danforth: It is my understanding it does not.

21 Mr. Lang: It does appear at several points in the bill
22 as a reference to the title of the bill itself. There is a
23 title section in the bill, and there is a section at the end
24 of the bill where it appears.

25 In addition, Senator Long, last year you also had us

1 draft a provision that would have removed the phrase
2 "substantially equivalent competitive opportunity" from the
3 list of purposes of the bill. Because that was a formulation
4 that had been associated with the concept of reciprocity.

5 And since you felt that the title of the bill should be
6 changed because the bill didn't contain the concept of
7 reciprocity, you felt the concept ought not as well to be in
8 the purpose of the bill since it wasn't carried -- in your
9 view was not carried out in the body of the bill.

10 Senator Long: I understand that. But if you just drop
11 the reciprocity.

12 Senator Danforth: As I understand it you can change the
13 title of the bill without -- I mean what the bill does or
14 doesn't do is a matter of discussion or disagreement. But as
15 far as the title of the bill is concerned you can change the
16 word in the title of the bill without any substantive effect
17 whatever.

18 Mr. Lang: The substantive legal impact would not be
19 changed of whatever the bill says. Whatever the body of the
20 bill says would not be changed by what the title of the bill
21 says.

22 Senator Danforth: Mr. Chairman, of course I like my own
23 name better than the changed name, but I suppose if Ann
24 Gorsch can change her name so can I.

25 [Laughter]

1 That would be acceptable to me.

2 The Chairman: Any objection to reporting the bill?

3 [No response]

4 Without objection the bill will be reported with that
5 change.

6 Mr. Hardee: Mr. Chairman, there are one or two very
7 minor technical corrections, like dropping the date 1982 from
8 the bill in various places that we need to make, if we could.

9 The Chairman: Is there any objection to giving the staff
10 authority to make those technical changes before reporting
11 the bill?

12 Mr. Lang: Mr. Chairman, just to be clear. The amendment
13 that's just been agreed to would just change the title of the
14 bill, not the purposes.

15 The Chairman: Right.

16 Is that your understanding?

17 Senator Danforth: Just drop the word.

18 The Chairman: And if there are other areas we ought to
19 work out, maybe we can work it out between now and the time
20 the bill is brought up. At least that takes it out of the
21 title.

22 Mr. Lang: Very well.

23 The Chairman: The consensus PIK bill, I think, has been
24 explained and Senator Grassley explained it and Senator
25 Baucus says he has no objection.

1 Senator Grassley moves to report that bill. Senator
2 Wallop seconds that motion.

3 Is there objection to doing that?

4 [No response]

5 Again, if there are any technical changes that need to be
6 made we'll approve it.

7 Mr. Lighthizer: Mr. Chairman, as I understand it, the
8 Committee has agreed to report on an original bill, the
9 substance of which Senator Grassley described, and a
10 resolution to the Budget Committee for the budget.

11 The Chairman: That's correct.

12 And that leaves us with the Senate Finance Committee
13 March 15 letter to the Senate Budget Committee.

14 Senator Grassley: Before we vote on this letter, I want
15 to make a comment.

16 The Chairman: Yes.

17 Senator Grassley: Can I do that now?

18 The Chairman: Sure. Wait a minute.

19 We've taken care of the PIK tax bill and the Reciprocity
20 Bill.

21 Senator Boren: That's has the state tax provision in
22 that also; doesn't it?

23 Senator Grassley: Yes, I clarified it today. The
24 Department of Treasury has put out a memorandum that will
25 otherwise correct the situation. And, so, our legislation

1 encompasses the concept of the language so that they will be
2 parallel. It merely restates the law.

3 Senator Boren: Right.

4 The Chairman: And we did raise for Senator Specter his
5 proposal. But there was considerable debate and we decided
6 to delay that for another date.

7 That brings us back to the final item of business. That
8 would be the letter. I think that both Senator Grassley and
9 Senator Pryor want to be heard on that.

10 Senator Pryor had asked for recognition eariler.

11 Senator Pryor: Mr. Chairman, I have a motion as it
12 relates to some of the figures in the projections, the
13 assumptions of revenue.

14 If I might state the motion. I offer this motion on
15 behalf of Senator Boren of Oklahoma and myself.

16 The motion is, I move that the revenue estimate be
17 revised to eliminate any increase in receipts based upon the
18 ten percent interest withholding provisions adopted last year.

19 Mr. Chairman, basically this motion, I think, represents
20 reality. And I think the reality of our situation with
21 regard to the ten percent withholding issue is that I
22 sincerely feel in spite of your gallant effort, Mr. Chairman,
23 and others, I sincerely feel that we're going to be faced
24 with a repeal of this matter.

25 There are 309 House sponsors today of repeal legislation

1 of one form or another in the House. There is now a
2 discharge petition being circulated in the House of
3 Representatives.

4 In the Senate almost one half of the Members of our body
5 are in the position right now, or on legislation of --

6 Senator Long: It is now one-half, Senator.

7 Senator Boren: It's 51.

8 Mr. Pryor: The last count I had was 48.

9 Senator Long: I believe the last count would show that
10 between the two combined bills, if you just take some
11 Senators on one bill but not on the other one, but if you
12 take all of those who have sponsored one bill or the other,
13 it's a majority of the Senate now.

14 Senator Boren: That is correct. Senator Kasten and I
15 had a meeting yesterday. And between our bills we now have
16 51 co-sponsors.

17 Senator Pryor: I'm very proud that you have brought me
18 up to date on those figures. I think once again those
19 figures indicates, Mr. Chairman, that the real world of
20 reality is that we're facing repeal fo the ten percent
21 withholding.

22 I would jsut like not to engage in any sort of budgeting
23 by mirrors, or whatever, and just accept the facts of life
24 that these dollars are not going to be here.

25 To begin with, I don't know quite how these figures were

1 arrived at; I won't argue that. Nor am I prepared to discuss
2 the merits or demerits of the ten percent issue.

3 But I do offer that motion, Mr. Chairman.

4 Senator Danforth: Mr. Chairman, can I inquire; how much
5 money was that?

6 Senator Pryor: \$800 million estimate of the remainder of
7 1983. That's because it would trigger in July 1st and go
8 until October. If you want to go to 1984 it would be an
9 estimate of \$5.8 billion. In 1985, \$4 billion; 1986, \$4.6
10 billion; 1987, \$5.6 billion.

11 Senator Danforth: What would this be, an amendment to
12 the letter that you're offering?

13 Senator Pryor: It would be an amendment, Senator
14 Danforth, to the ultimate figures as the estimated revenue.

15 Senator Danforth: That that revenue loss, if this repeal
16 were accomplished, would not be made up by some other revenue
17 increase.

18 Senator Pryor: Not pursuant to my motion, Senator
19 Danforth. That is correct.

20 Senator Danforth: It would just add increase in the
21 deficit.

22 Senator Pryor: It would be taking estimates, especially
23 estimates in the out years, estimates that \$5.8 billion in
24 1984 would not be coming into the Treasury.

25 Now if you want to call that adding on to the deficit, I

1 don't necessarily call it that. I think what we've got to do
2 is face reality and stop basically trying to anticipate this
3 money. Because it's my opinion that this money is not going
4 to be here, and we might as well face that fact of life at
5 this point.

6 Senator Danforth: I just wanted to know if we should
7 build into the letter somehow to make that up. I mean that
8 would be just great if we can sit around and say, well, let's
9 reduce tax revenues by this amount or that amount without
10 either offsetting increase in revenue or increase in
11 expenditures.

12 Senator Pryor: A personal position I have, Senator
13 Danforth -- I'm not offering this as a motion -- but should
14 we defer the third year of the tax cut, it would -- just the
15 remainder of this year it would be \$7.5 billion new revenue --

16 The Chairman: If you defer the tax cut you satisfy the
17 bankers; is that what you're --

18 Senator Danforth: Pardon.

19 Senator Pryor: The third year of the tax cut --

20 The Chairman: Let me address this. I don't think it has
21 any impact but this must be the first opening in the game on
22 withholding. I don't think withholding is going to be
23 repealed.

24 And I think you're going to find a number of banks who
25 are changing their position based on their work with

1 Treasury. There is a release which I've tried to make
2 available to everybody today indicating seven changes that
3 Treasury has agreed to, Administrative change, that will
4 satisfy the real concerns of the banks.

5 Now you can't justify other concerns that this mail
6 campaign and things of that kind, but I'm not willing to
7 start changing the revenue figures unless you want to recoup
8 that with a minimum tax on banks, or some other tax on banks,
9 to replace that amount.

10 We could probably in a day or two come back with a
11 substitute if you want to -- we just won't agree to any
12 letter today -- we'll meet again later this week.

13 It seems to me that if we're going to start playing the
14 amendment game in a letter going to the Budget Committee,
15 I've got several amendments that I could offer that would
16 change revenue figures. I hope the motion will not be
17 offered, but if it is then we'll have to figure out a counter
18 offer of some kind in the next day or so.

19 Senator Grassley: Mr. Chairman.

20 The Chairman: Senator Grassley.

21 Senator Grassley: I'd like to ask the Senator from
22 Arkansas, you know on the one hand it might be alright to
23 argue whether or not we ought to have withholding. And maybe
24 that could be a responsible argument.

25 But incumbent in your position would be what I would

1 consider an irresponsible position. And that is that in this
2 revenue that you're estimating, we're going after the fifteen
3 percent of the interest income that has never been reported
4 for taxation, either because people are dishonest or they
5 just forget it.

6 You know, on the one hand you can talk about, well we
7 shouldn't have the windfall, which we wouldn't have if we
8 didn't have withholding.

9 But it doesn't sound to me like we can sit here and vote
10 on something, nor do I expect a responsible person like you
11 would propose that we not do something to enforce existing
12 laws to get at the fifteen percent that people don't pay
13 taxes on.

14 Because remember, don't look at this interest withholding
15 in isolation. Because it was only part of a bill that went
16 after fifteen percent of the interest income that isn't
17 taxed; eleven percent of the dividend income; eighty-five
18 percent of the tip income; forty-four percent of the capital
19 gains income; a vast array of corporate instruments that we
20 know that aren't taxed that this bill goes after that income
21 tax due.

22 And, so, we've got to go after that fifteen percent
23 income. And your motion wouldn't provide for that.

24 Senator Pryor: Senator Grassley, my motion accepts a
25 fact of life. And I think that that's what we have to do in

1 the budgetary process, to accept the realistic facts of life
2 that we're about to see repeal of the ten percent withholding.

3 And, secondly, that we talk about financial institutions,
4 and the Chairman talks about banks, working out something to
5 satisfy the banks.

6 I don't look at this as a bank issue. The banks can
7 absorb whatever new costs are going to be involved here. But
8 I think this is a matter between the saver and the IRS. I
9 think that is where it should rest.

10 I think that my motion is a responsible motion because it
11 does not play tricks with the budget. It accepts what is not
12 going to be there if we estimate that these dollars are going
13 to be there, especially in the out years.

14 I think it is a responsible amendment.

15 Senator Grassley: Even though I've had lots of letters
16 just like everybody else has had on not having withholding,
17 you know, I've never had anybody say to me we shouldn't
18 collect taxes due. Particularly upon people who have
19 interest income as opposed to people who work for a living.

20 The honest men and women who are working pay ninety-nine
21 percent of their tax due. You know, you're talking about
22 maybe we could do away with the third year of the tax cut.
23 That's raising the tax on those working men and women that
24 are paying that ninety-nine percent, that are honest
25 taxpayers.

1 So what are we going to do about the fifteen percent who
2 aren't honest as a result of that. We've got a
3 responsibility to go after that.

4 Senator Long: Mr. Chairman.

5 The Chairman: Senator Long.

6 Senator Long: I believe that we ought to make it clear
7 that -- you're going to vote on this matter. And until such
8 time as the Senate votes on it you're going to have to keep
9 on voting on it.

10 I don't care how many substitutes you want to offer for
11 it, how much delay, or how much you want to do all these
12 parliamentary things that can be done, especially if the
13 presiding officer wants it that way.

14 I don't care how much of that you do. You're not going
15 to escape the issue. The fact is if that this measure passes
16 Senate by an agreement of the majority on the Committee that
17 they were going to do this thing, when it came time to do it
18 they had defections right then and there and it didn't even
19 carry in the Committee Room.

20 But then, of course, the chairman was able to persuade
21 his people to get back aboard, pick up a couple of votes on
22 our side of the aisle, and then they would take it to the
23 floor, and then on the floor we had a vote on it. It carried
24 by one vote.

25 Now take a look and see how the absentees would have

1 voted. They would not have voted for it, so it would not
2 have carried at all. It didn't even have the majority of
3 votes in the Senate to recommend it if everybody had been
4 present.

5 Now look at the House. They wouldn't have voted that
6 thing. Only the closed rule in the House carried it through
7 it. And right now you've got three hundred House Members
8 over there who want to repeal it.

9 Now you can say, well, the Secretary is going to change
10 the regulations and all that. You're not going to escape
11 this issue. And you're not up against a bunch of dummies.
12 Those bankers are sophisticated people; they are smart. Just
13 like some people here are very smart.

14 So this is not something that you're going to escape.
15 You might as well vote on it. Come up with all the
16 substitutes you want to; tax the banks, do all these
17 different things. You're not going the issue.

18 By the time you get through with all of this there are
19 people among the 51 sponsors on the other side who are going
20 to find a way to bring that matter to a vote in the Senate.

21 You have the potential in this Committee to deny somebody
22 a vote but you don't have that potential out there on that
23 House floor, not when you've got the burden of trying to pass
24 legislation.

25 The Chairman: We just passed out the PIK bill. If the

1 bankers want to kill the PIK bill they can put it on that.
2 We're going to bring it up.

3 Senator Long: They can find a better bill than that.

4 Senator Packwood: Mr. Chairman, we're not voting on any
5 specifics today, are we? John Chafee asked about tuition tax
6 credits. I don't think we're going to put a cap on health
7 insurance premiums. I hope not. But I'm not prepared to
8 raise that here today, nor do we need to raise it today; do
9 we?

10 The Chairman: Well, we don't need to.

11 Senator Packwood: All we're saying in our letter is
12 we're going to come up with the same totals the President
13 has. All we're doing today is saying we're going to come up
14 with a total.

15 And if we're going to start today voting on health
16 insurance caps and tuition tax credits and withholding -- my
17 hunch is that everybody has got something in here.

18 Senator Wallop: What you're saying, Bob, is exactly the
19 truth. The effect of Senator Pryor's amendment is in fact to
20 increase the deficit.

21 Now it may be that you relate it to the repeal of
22 withholding and you say that's reality. If that's reality --
23 and it may be -- but the other side of that reality is that
24 either this Congress does something about its rhetorical
25 thunderbolts which it casts toward the President and out to

1 home consumption and everything, and says I cannot understand
2 how we could even contemplate a budget deficit this size,
3 maybe, just maybe once, this Congress just might be brave
4 enough to put a vote where its retorical thunderbolts are. I
5 don't think that it is. What the effect of your amendment
6 is, however you would like to state it, is not just a repeal
7 of withholding, but is a repeal of the revenue figure which
8 is there.

9 I believe that we are going to have to come back and come
10 to grips with that or we'll go home holding our tail between
11 our legs where it ought to be if we do this kind of thing.

12 Senator Boren: Mr. Chairman, I have joined with Senator
13 Pryor in offering this motion. I don't often disagree with
14 the Chairman or my good friend from Wyoming.

15 But I think this is an opportunity for us to have an
16 expression on this issue. I think the issue is being
17 wrongfully drawn in this Committee.

18 It's not a matter of the banks as far as I'm concerned.
19 I am not strongly favoring repeal of this provision which I
20 voted against all the way down the line because of the banks.

21 Two weeks ago I had a whole series of meetings with
22 people in my state. And I assure you if there were any
23 bankers in the room I didn't talk to any of them.

24 But I did talk to literally hundreds and thousands of
25 people who are not dishonest, I would say to the Senator from

1 Iowa, they are not dishonest, they have been paying every
2 penny of tax due on savings accounts. And I think it is
3 wrong to characterize every saver in this country as a
4 dishonest person.

5 Senator Wallop: The banks are dishonest.

6 Senator Boren: Pardon.

7 Senator Wallop: The banks are dishonest. They have lied
8 to those people as to what the effect of this is.

9 Senator Boren: The effect of this is for the government
10 of the United States to have the use of the savers money.
11 It's no better a principle now than it was when the previous
12 Administration ran this up the flagpole. And so many of us
13 took opposition to it then. It's using the money. And
14 that's where the revenue is going to come from.

15 On savings accounts they already turn in the forms. If
16 the IRS would match up the forms they could collect
17 ninety-seven or ninety-eight percent of the money. And I
18 don't care if it's a one page form or anything else.

19 It is wrong for us, after passing a budget which I
20 supported -- and the President said, the President said we
21 want to encourage saving and capital formation in this
22 country.

23 This is completely contrary to this principle. I don't
24 think we ought to raise a dime of revenue from a policy like
25 this. It's wrong, it's always been wrong, it's not a matter

1 of burden on the banks.

2 If we want to tax the banks that ought to be a separate
3 issue. It shouldn't be a blackmail issue to blackmail the
4 banks so that we will try to do something to the savers.

5 It's like shooting at one target and hitting another. If
6 the banks aren't paying their fair share of the taxes why
7 should the saver. Why should the senior citizen that puts
8 his money in the bank account. If you're mad at the banks go
9 after the bankers. But let's don't go after the individual
10 depositor that we say we're encouraging saving in this
11 country.

12 It is a wrong principle. And the truth of the matter is,
13 most of the money is recouped by use of the government using
14 the savers money instead of the saver himself.

15 The Chairman: I don't how long we want to debate this
16 issue. I'm certain we're going to face it on the Senate
17 floor.

18 If we're going to try to mend every revenue figure, then
19 I want to study this phamphlet a little more carefully. I
20 think there are probably thirty or forty areas that I don't
21 agree with. So if we are going to start that game in this
22 Committee, then I think we all ought to be able to play it.

23 Senator Chafee, do you have something?

24 Senator Chafee: Mr. Chairman, it seems to me we're off
25 on the wrong track here. This letter is solely -- anybody

1 whose read it, and we did it last year -- solely says we are
2 going to meet the President's revenue figures. We're going
3 to raise "X" amount of dollars. And it's very carefully
4 caveated in which it says it may be different, we may do what
5 you suggest, we may not do it. We may cut expenditures; we
6 may increase revenues. It gives us every kind of alternative
7 approach. But it says when all is said and done the net is
8 going to be what you have, Mr. President.

9 So it has nothing to do with withholding. As Senator
10 Packwood mentioned, there is a host of issues in here that
11 individually we disagree with. But what we're saying is that
12 when we finish out of this Committee we're going to come up
13 with that net figure.

14 So I don't think this is the time to get into withholding
15 at all on the subject.

16 Mr. Chairman, there is one other thing that I would like
17 to do. Senator Mitchell and I asked Secretary Regan when he
18 was here to give us information about the tax compliance on
19 savings bank interests, or interests from banks; savings
20 banks and commercial banks. That is depository accounts.

21 And we never got that information. That will come up if
22 and when we get into this issue. But if anybody is here from
23 Treasury, Mr. Chairman, I would urge that they get us back
24 that information because it is significant.

25 Senator Mitchell: Would the Senator yield on that.

1 Senator Chafee: Sure.

2 Senator Mitchell: I just wanted to make clear that I
3 believe that it was our intention to get compliance data on
4 all forms of interest and dividend income so that we could
5 make a rational determination.

6 Senator Chafee: That's right. Broken out instead of the
7 general figure that eighty-five percent is compliance, but it
8 may be ninety-seven percent is compliance on savings bank or
9 depository accounts, and it's way lower in some other
10 accounts.

11 Senator Mitchell: I honestly believe, Mr. Chairman, that
12 that would be very helpful to all sides of this. And my
13 office has called the Treasury Department several times since
14 the date of that hearing. And we're just keep being put off.

15 I have a feeling, Mr. Chairman, that if you ask for it it
16 might get up here a little bit faster.

17 The Chairman: I have asked. In fact, I think the next
18 day after you made that request I wanted to make certain that
19 they understood the request. I'll make another inquiry.

20 Senator Chafee: If they don't have such information, if
21 they would let us know. But at least let us know one way or
22 the other.

23 Mr. Lighthizer: Mr. Chairman, we understand from
24 Treasury that we're supposed to have that information this
25 week.

1 Senator Baucus: Mr. Chairman, Senator Packwood, Senator
2 Chafee and yourself indicate that all we're sending is this
3 letter and we reserve to ourselves and to the Committee the
4 right to change the amounts and work within those totals.

5 The fact of the matter is this letter is accompanied by
6 some other documents. Those other documents read, for
7 example, on page 2 of this letter that there will be certain
8 savings, health, new legislation, and also savings in income
9 security and education, for example.

10 So we are sending a very strong signal to the Budget
11 Committee that we agree with these, say, medicare cuts, which
12 I personally don't agree with, and I don't think the
13 Committee is going to agree with.

14 You yourself, Mr. Chairman, said that if we looked at the
15 items in here you might have some disagreement with some of
16 the provisions in here.

17 I frankly think that if we're going to be responsible
18 that we send a more accurate signal to the Budget Committee
19 as to what this Committee is or is not going to do. Because
20 as it is right now the paragraph in that letter says we
21 reserve the right to change revenues and so forth.

22 We're also sending a basis message that we are going to
23 agree with all the Administration's medicare cuts and so
24 forth. And I don't think that we agree with all of that. At
25 least I certainly don't.

1 We have not discussed that here. We have not debated it
2 here. So why should we send those signals up there.

3 The same goes for the withholding provision. Essentially
4 we're saying that we agree with that when we have not debated
5 that, had a vote on that either.

6 Senator Wallop: What I was trying to say to my friend
7 from Arkansas was just that. That there is no commitment to
8 anything in here by the sending of this letter.

9 Senator Baucus: If that's the case we should not send
10 page 2, table 1, which indicates a savings in health. We
11 should not send that.

12 Mr. Lighthizer: Mr. Chairman, we're required by the
13 Budget Act to give some kind of a functional breakdown. We
14 went through this debate last year, Senator. The Budget Act
15 quite clearly says that we have to give some kind of a
16 functional breakdown.

17 So rather than get into the debate on specific issues,
18 what the Committee has elected to is to just say for
19 functional purposes use the President's budget, but we're not
20 committing to do anything other than have the same ultimate
21 bottom line.

22 Senator Baucus: If I understand you, some Committees
23 don't do that. I've never seen a Committee Chairman hauled
24 off and locked up in jail for failure to do this.

25 Senator Wallop: Max, if you'll recall last year, the

1 budget letter that we sent included the alternative minimum
2 tax, which we didn't pass. The Committee knew it was
3 probably not going to pass.

4 Senator Baucus: I understand your argument, and it's a
5 very good point. But the Budget Committee staff and members
6 of the Committee, they are going to take the President's
7 budget we are submitting as an indication -- what their
8 instructions will be as to where we should cut.

9 We haven't addressed those issues. Why therefore should
10 we force ourselves into this box. I know they are not
11 binding; they are not constraining. But why are we going to
12 lead ourselves down that path.

13 The Chairman: I agree with you on some of those cuts
14 that they propose, that they probably aren't going to make
15 them. But we're required to send some functional breakdown.

16 In this letter we're merely stating that we hope to
17 report legislation that reduces the deficit by at least as
18 much as we hope as the President's budget.

19 And then we say that we're sending the recommendation to
20 the President concerning budget authority and outlays under
21 Committee jurisdiction. I don't think we bind anybody. I
22 think we're complying with the Act.

23 That's why I hope we don't have to get into an argument
24 on everything that may come before the Committee, whether
25 it's present law or whether it's pending suggestions or

1 recommendations of the President.

2 If we're going to operate that way with the prior
3 amendment then we ought to go back maybe and --

4 Senator Pryor: Mr. Chairman, I may have a suggestion on
5 easing our plight. I didn't know I was going to set off such
6 a firestorm here this morning with my simple little amendment.

7 What we might do is just assume for all practical
8 purposes the same number of figures of income, \$800 million,
9 1983, \$5. something; \$8 billion for 1984. Just assume that
10 income but just assume that it will not come from the ten
11 percent withholding.

12 Assume that the IRS will collect that money in the way
13 that they should collect it from the savers. And that there
14 will be compliance enforced by IRS.

15 So we wouldn't have any deficit problems, Senator
16 Grassley and Senator Wallop. It is just that we would not
17 assume that it came from the ten percent withholding.

18 The Chairman: I don't think that that would be
19 satisfactory.

20 Senator Grassley: The point of the matter is you're
21 sending a signal with your motion and setting a pattern. We
22 ought to be discussing this in an environment in which we can
23 take care of the changes in the law that are necessary to get
24 in that fifteen percent of income that is not reported for
25 taxation.

1 The Chairman: Why not just put out a press release, Dave.

2 Senator Pryor: No, I don't care about any notoriety. I
3 don't want to generate anymore mail, I'll be honest. I can't
4 answer the mail that I have now.

5 Senator Symms: Mr. Chairman, I would just like to make a
6 comment about Senator Pryor's amendment. I do think with
7 respect to the purpose of your amendment, I've been trying to
8 get this President to go on national television and say that
9 we made a mistake when we passed this thing. You know, we
10 are working for the people out there and they don't want this
11 withholding and we ought to get rid of it.

12 As far as I'm concerned I don't think we ought to have
13 COLAs when we have this kind of a financial situation in the
14 United States. But I'm not going to offer an amendment here
15 this morning.

16 I mean I guess I could offer an amendment to cut spending
17 equal with your amendment and then the deficit would be the
18 same. I just think it's the wrong place to do this.

19 And if we ever get a chance I'd hope that the
20 Administration would work this thing out and come to
21 agreement with Senator Dole and others who have worked very
22 hard to give them what they wanted originally to work their
23 way back out of the problem is what I would like to see. But
24 we can't start on this fight this morning.

25 Isn't it correct that the same issue would be here.

1 Couldn't any Member of this Committee just offer one of these
2 to cut out a few billion dollars on, say, next year's COLA
3 that is predicted in this budget and say we are not going to
4 have one or something.

5 I just don't think we can debate all this stuff this
6 morning. You know, I'm not opposed to getting rid of
7 withholding because I think we made a mistake when we put it
8 into the law in the first place. But I'm certainly not in
9 favor of voting for this amendment this morning, but that
10 doesn't change my position.

11 The Chairman: Senator Moynihan.

12 Senator Moynihan: I guess I'm going to ask about trade
13 adjustment assistance, which I know is of concern to a lot of
14 people here. The law expires September 30 and the
15 Administration proposes we are spending a very small and very
16 much reduced amount, \$54 million this year, and they are
17 supposed to spend none in 1984.

18 That's an item that concerns a lot of us here. We
19 originally established the legislation and to what degree are
20 we -- can I just ask -- a respectable trade adjustment
21 assistance act program is a very costly one.

22 Are we precluding any trade adjustment assistance
23 measures by the letter you are proposing to send?

24 The Chairman: No.

25 Senator Moynihan: The volumes are not such that you feel

1 we are not precluding that?

2 The Chairman: As I understand, we are not precluding
3 anything, even an amendment when we get into a legislative
4 area to repeal withholding in the Committee. I hope we don't
5 have to start locking in everything before we even send the
6 letter to the Budget Committee.

7 Senator Long: It seems to me that the Senator from
8 Arkansas has a point. If this Committee does nothing, if we
9 do nothing about this matter, and the Budget Committee does
10 nothing about this matter, just goes on assuming that things
11 are going to remain the same, then when he or others proceed
12 to offer an amendment to the revenue bill -- and I assume
13 that if this Committee doesn't want to report him then he'll
14 have to offer it on the floor.

15 But assuming that he offers it on the floor, he'll then
16 be confronted with an objection that this violates the Budget
17 Resolution. Therefore he would have little choice to protect
18 himself against that but to offer an amendment on the Budget
19 Resolution.

20 Now an amendment would not be necessary if we advised the
21 Budget Committee what we know right now. That's 51 senators
22 sponsoring a measure to repeal that matter. And that's a
23 significant item in how they have been estimating their
24 figure.

25 So to come up with the correct figure, I would think that

1 they had better assume that there may just be 51 senators who
2 want to vote for the same thing that they are sponsoring
3 right now.

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1 The vote would occur on its merits, and it wouldn't occur
2 on what might be regarded as a subterfuge, some objection to
3 the budget resolution and all that, and it just seems to me
4 you are going to have to face the issue, and I think if --
5 Did the Senator want to have a vote on this? Did he offer
6 it on the idea that --

7 Senator Pryor: I would like a vote, Senator Long.

8 Senator Long: He would like to have a vote on his
9 motion. We have traditionally, for many years, taken the
10 view that if a fellow wants to vote on something, we will
11 give him a vote on it, let him have a vote. We have left it
12 up to the discretion of the Chairman as to which motion we
13 would vote on in preference to which, but we have usually had
14 an understanding in this Committee if a fellow wants to have
15 a vote on something, let him have a vote on it. If he has
16 the majority, fine, he wins. If he does not have the
17 majority, fine, he loses, and that is it.

18 Senator Symms: Would the Senator yield on that point?

19 Senator Long: I do not know why this should be any
20 different.

21 Senator Symms: Will the Senator yield on that point?

22 Senator Long: Yes, sir.

23 Senator Symms: The point is, what I understand is,
24 Treasury is now trying to work something out, and there is
25 something taking place in the process right now to work out

1 some kind of solution on this and come to an agreement. Now,
2 if it is in order, if we are going to have to have a vote on
3 whether or not we withhold savings, as far as the Senator is
4 concerned, let us put an amendment out that we cut that much
5 spending out from our side of the revenue, and make it even
6 then. Let us not be talking about raising more taxes.

7 If you will vote to cut some spending, I will vote to cut
8 out the withholding, but I do not think we ought to be coming
9 in here and saying that we are going to just tamper with this
10 budget. Nobody knows that that budget figure is going to be
11 accurate anyway. They are all just estimating a bunch of
12 numbers of how it is going to turn out, and we do not know
13 how fast the economy is going to recover. If the economy
14 starts to recover real fast, all these numbers on revenue
15 will all change, and they will change favorably towards the
16 revenue side of our budget.

17 It is very hard to predict exactly what all this is going
18 to be, so it just seems to me like if the issue comes up, and
19 if there are 51 Senators who vote to repeal it, do it on the
20 issue, and at the same time why do we not vote to say that we
21 will take -- How many billion dollars are we talking about
22 here?

23 Senator Pryor: We are talking about \$800 million.

24 Senator Long: Senator, under the rules of the Senate,
25 and I do not think this Committee's rules should be any

1 different, you have got a right, even if you did have
2 something tied up with your alternative, you have still got a
3 right to insist on a division just so you can vote on it.
4 You cannot compel people. At least you cannot deny people
5 the right to vote on Proposition A on the condition that they
6 have got to vote for Proposition B as a condition of voting
7 for Proposition A. You cannot do that under the Senate
8 rules. There is no reason that we ought to do it on the
9 Committee. If a person wants to vote on a particular issue,
10 he ought to have the privilege to vote that way.

11 I am familiar with this thing. I have presented it on
12 occasion, voting for the benefits and against the tax. I am
13 familiar with that. And I have tried to work it so on the
14 Social Security bill, or something of that sort, that when it
15 comes to final passage, if you voted against the tax, you
16 have still going to vote to build the tax in there if you
17 want to vote for it.

18 The Senate is going to have the opportunity to vote on
19 the issue on its merits, quite apart from whether you want to
20 tax the banks or tax somebody or withhold or repeal the third
21 year, goodness knows what. The Senate is going to have its
22 privilege of voting on that particular issue on its merits,
23 and I do not see why, you know, this Committee shouldn't be
24 privileged to vote the same way. You can vote it down, if
25 you want to, or vote it up, but the Senator, as a member of

1 the Committee, should advise the Committee one way or the
2 other, because it is just going to come down to that. I do
3 not think we ought to decide whether you want to weigh the
4 budget process or whether the budget resolution ought to be
5 decided on its merits.

6 Senator Boren: Will the Senator yield?

7 Senator Long: Yes.

8 Senator Boren: Yesterday, there was a meeting held of a
9 number of the Senators who were working on this, and at which
10 time we did hit the 51 cosponsors, and at that time a
11 decision was made that we will continue this effort even past
12 July the 1st, if necessary, that we will eventually get a
13 vote on this issue, and I would, as the Senator said, with
14 over 51 cosponsors, and I think there will be closer to 60 in
15 the near future, there is every anticipation that people
16 would do what they said they were going to do, and therefore
17 I think we would not want to prevent ourselves from having an
18 up and down vote on the merits of this question by facing
19 some budgetary restriction, having taken a contrary action in
20 the Committee.

21 So, I think he is right that we should have an
22 opportunity one way or another to express ourselves in this
23 Committee that we do not want to assume that withholding will
24 be adopted. If there is some other way we can have an
25

1 opportunity to do that, well, then, I think we should explore
2 that, but I think we should have some opportunity one way or
3 another to let it be known that this Committee does not want
4 to take action that would foreclose the opportunity to repeal
5 withholding on the floor of the Senate if it is not done in
6 this Committee itself.

7 The Chairman: Could I just say, to maybe get this issue
8 -- I do not want to deny anybody a vote, but if we are going
9 to start setting precedent, I want to make certain everybody
10 understands what the precedent is, because things can change
11 around here, and we will start voting on every little item in
12 this book, if we want to. We might as well vote on all of
13 them. Why not make this the Budget Committee, and we can
14 vote on every item?

15 But there was announced today, and I think it is rather
16 significant, if anybody is interested in trying to collect
17 taxes that are due. I am not going to give up on trying to
18 collect taxes that are due. Now, if you want to avoid --
19 help the people who do not want to pay their taxes, that is
20 up to you, Senator Pryor, but I am going to insist that we
21 try to get people to pay their taxes, so that the honest
22 people do not have to pay more taxes.

23 In this change made this morning, announced by the
24 Treasury Secretary, we have taken care of the primary
25 concerns that most of the bankers have talked about. The

1 original issue discount has been a big, big thorn in the
2 sides of the bankers. That has been taken care of, and that
3 gets into Treasury bills and other discount instruments. We
4 have a provision now for undue hardship. If somebody cannot
5 comply with the law, they are going to get an extension of
6 time.

7 We now have year-end withholding, so the argument Senator
8 Boren makes is no longer valid. You can have year-end
9 withholding. You do not lose anything. And I must say that
10 having spoken to a number of the bankers in New York
11 yesterday, I do not find resistance to withholding. They are
12 more concerned about IMF and a lot of other things that are
13 floating around the Senate.

14 We also have three other changes that I think will remove
15 much of the objection. I do not quarrel with people who
16 oppose it, but I am not ready to concede it is going to be
17 repealed. It may be repealed. It is going to take a while.
18 And I think there will be a lot of red faces among bankers
19 when they find out how painless this is going to be.

20 But if we are going to repeal withholding on interest and
21 dividends, why not repeal it on the wage-earner, the working
22 people out there? They could take that money and make
23 interest on it, just do it once a year. Why not let them
24 have the interest, the people out there working every day
25 with their hands? And, you know, if we want to go back and

1 start repealing withholding, maybe we ought to repeal
2 withholding on wages and salaries, and maybe there ought to
3 be a lot of other things we should address.

4 Senator Symms: Yes, let's do it.

5 [General laughter.]

6 The Chairman: That may be the opportunity you are going
7 to have. I mean, I do not see why we ought to discriminate
8 against working people in favor of the big bankers of this
9 country, but if someone wants to do that, that is up to
10 them.

11 Senator Boren: There are some working people who have
12 savings accounts, and they are not big bankers.

13 The Chairman: Well, but the savings account, once they
14 understand the propaganda has not been accurate, that we are
15 looting their savings accounts, that we are picking the
16 pockets of the taxpayers -- These are some of the ads that
17 are appearing sponsored by banks in this country, and they
18 know they are not leveling with the depositor.

19 They are putting their explanation of the W-6 form in
20 very small print, so older people cannot read it. They are
21 making it almost impossible to understand what withholding
22 is. And they have got a lot of money. They've got millions
23 of dollars, and they have been very successful, and they can
24 generate a lot of mail, and we are going to have the best
25 mailing list in America. I am going to sell that to a lot of

1 Democratic candidates for President.

2 [General laughter.]

3 The Chairman: I have a mailing list that would fill this
4 room, and if you want to see me afterwards, I can tell you
5 how to get a copy of it.

6 Senator Pryor: Mr. Chairman?

7 The Chairman: Yes.

8 Senator Pryor: Let me, if I could, just close for my
9 amendment. Then I would like for the yeas and nays to take
10 place.

11 Mr. Chairman, I think basically it is irresponsible for
12 us to send to the Budget Committee or to the Senate a piece
13 of legislation assuming that we are going to collect \$800
14 million in 1983 and \$5.8 billion next year based upon a law
15 and a part of our statute that is not going to be existent,
16 and that is the simple reason for my amendment, and I ask for
17 the yeas and nays on the amendment.

18 The Chairman: All right, we will vote. The Clerk will
19 call the roll.

20 Mr. Lighthizer: Mr. Chairman, just so I understand the
21 amendment, this would reduce the revenue for fiscal year 1984
22 only, not fiscal year 1983, since this is not a fiscal year
23 1983 letter. Just fiscal year 1984. It will reduce it by
24 \$5.8 billion, and it would increase the debt for 1984 by \$5.8
25 billion, and increase interest on the debt by whatever the

1 calculated amount should be?

2 The Chairman: This is to increase the deficit, increase
3 the interest the taxpayers pay.

4 Senator Pryor: Increase the deficit. That is only
5 assuming that IRS does not collect those valid taxes that are
6 owed to it by the savers who have deposits in those
7 institutions.

8 Senator Symms: Well, Mr. Chairman, before we have this
9 vote, I would just like to offer an amendment to Mr. Pryor's
10 amendment, that we change the net expenditures by the exact
11 amount of his amendment.

12 The Chairman: Well, I would want to specify where those
13 are coming from. I would not want to leave it -- I would
14 want to be as specific as he is.

15 Senator Symms: Well, take it out of the COLA's.
16 Whatever they come out. And just reduce it by enough of a
17 percentage to be --

18 Senator Long: Now, let us just understand. You can vote
19 on 100 amendments if you want to, but when you get through, I
20 am going to ask for a separation. I am going to ask for a
21 division, that we have a chance to vote on this particular
22 item.

23 The Chairman: Let us vote on this item, and then we will
24 all vote on anything else we want to vote on. Adjournment.

25

1 We are voting on the amendment to raise the deficit --
2 how many billion dollars?

3 Mr. Lighthizer: It is to reduce the revenue number by
4 \$5.8 billion in fiscal 1984, increase the debt by \$5.8
5 billion, and increase interest on the debt. In response to --

6 The Chairman: To raise the national debt and --

7 Senator Pryor: I take exception to the explanation, but
8 I still want to vote on the --

9 The Chairman: Well, that is a fact.

10 Mr. Lighthizer: The only point I was making, Senator,
11 was that if the money is going to be collected anyway, then
12 you would not be reducing the revenue number. So you have to
13 assume that you are not going to get it in order to --

14 The Chairman: All right. The vote.

15 The Clerk: Mr. Packwood?

16 Senator Packwood: No.

17 The Clerk: Mr. Roth.

18 Senator Roth: No.

19 The Clerk: Mr. Danforth.

20 Senator Danforth: No.

21 The Clerk: Mr. Chafee.

22 Senator Chafee: No.

23 The Clerk: Mr. Heinz.

24 The Chairman: No.

25 The Clerk: Mr. Wallop.

1 Senator Wallop: No.
2 The Clerk: Mr. Durenberger.
3 The Chairman: No.
4 The Clerk: Mr. Armstrong.
5 [No response.]
6 The Clerk: Mr. Symms.
7 [No response.]
8 The Clerk: Mr. Grassley.
9 [No response.]
10 The Clerk: Mr. Long.
11 Senator Long: Aye.
12 The Clerk: Mr. Bentsen.
13 Senator Long: Aye.
14 The Clerk: Mr. Matsunaga.
15 Senator Matsunaga: Aye.
16 The Clerk: Mr. Moynihan.
17 [No response.]
18 The Clerk: Mr. Baucus.
19 Senator Baucus: Aye.
20 The Clerk: Mr. Boren.
21 Senator Boren: Aye.
22 The Clerk: Mr. Bradley.
23 [No response.]
24 The Clerk: Mr. Mitchell.
25 Senator Mitchell: Aye.

1 The Clerk: Mr. Pryor.

2 Senator Pryor: Aye.

3 The Clerk: Mr. Chairman.

4 The Chairman: No.

5 Senator Symms: How does it come out? Do you need my
6 vote?

7 Do you need my vote? How am I recorded?

8 The Clerk: You are not recorded.

9 Senator Symms: What is the total right now?

10 The Chairman: Nays are eight. Grassley is no. The nays
11 are nine. The yeas are seven. The motion is not agreed to.

12 Senator Pryor: Thank you, Mr. Chairman.

13 Senator Matsunaga: May I be recorded as having voted aye
14 for both the nominations?

15 The Chairman: Yes. Anyone else who was not recorded on
16 the nominations?

17 [No response.]

18 The Chairman: Now, are there any other separate votes
19 demanded? Senator Baucus?

20 Senator Baucus: Mr. Chairman, we just had a sort of a
21 test vote, at least a vote of our expression on withholding.
22 There is another item which I mentioned earlier in this
23 letter --

24 Senator Chafee: Mr. Chairman, I am not prepared to say
25 that is a test vote on withholding. That was a vote on going
into specifics in this issue. I am not saying that votes for
--

1 that when I vote for this, that I am voting for tuition tax
2 credits, for example. It is the approach that we are
3 breaking -- the prior vote was to break this down into
4 individual elements, which I am opposed to, and so I do not
5 take your characterization as an accurate one.

6 Senator Baucus: Whatever the characterization, I think
7 the fact of the matter is that this letter does contain
8 words, it contains figures. Therefore, it is some express in
9 the English language as to what this Committee recommends or
10 does not recommend to the Budget Committee, and part of that
11 letter includes numbers, words here with respect to
12 withholding.

13 There is another matter, though, Mr. Chairman, which I
14 think is very important to not only this Committee, but to
15 many Americans, particularly senior citizens, and that is the
16 proposed Medicare tax. The Administration recommends further
17 savings in Medicare, and three-quarters of those savings are
18 on the backs of beneficiaries.

19 Senior citizens already this year, assuming the National
20 Commission's Social Security recommendations go into effect,
21 will find their benefits cut to the tune of about \$5
22 billion. The Administration's recommendations go through
23 another \$1.3 billion, another \$1.4 billion cuts on the backs
24 of senior citizens.

25 There is some talk about using this to help balance the

1 budget, that is, reduce senior citizens' benefits. So it is
2 my suggestion that we change the letter to the Budget
3 Committee by \$1.3 billion, which is the amount of proposed
4 Medicare cuts, beneficiary cuts. Not physicians' cuts, but
5 beneficiary cuts. That we change that amount, because I do
6 not think that we want to reform Medicare on the backs of
7 beneficiaries.

8 We all know the trouble that Medicare faces down the
9 road, 1986, 1987. We know that the proposed deficit for
10 Medicare in 1993 is going to be about \$200 some billion. We
11 know for 1995 it is going to be about \$400 some billion. At
12 least those are CBO's estimates.

13 I frankly do not think we should go down the road of
14 reforming Medicare by starting to cut benefits. Frankly, I
15 think we should tell the Budget Committee we are not going to
16 reform Medicare by cutting benefits certainly to this
17 degree. Rather, we begin some kind of a National Commission
18 approach, so we find a more balanced, evenhanded solution to
19 the Medicare problems, but we do not today start to reform
20 Medicare, to solve the problems of Medicare, by cutting
21 beneficiary payments.

22 That is what the Administration proposes to do.
23 Three-quarters of all the Medicare savings are on the backs
24 of beneficiaries. I do not think we want to do that.

25 So I therefore move that we change the amount in the

1 letter \$1.3 billion.

2 The Chairman: Could I respond before that motion is
3 made? And again, I do not want to shut anybody off, but --
4 and the Administration did make a recommendation just, what,
5 two days ago, I guess, on Medicare, in addition to the
6 prospective payment, which I understand is not so strongly
7 opposed.

8 But last year, we were able to work out our differences
9 on Medicare, I think, on a fairly broad basis, and I would
10 hope again, rather than try to dig into every item, that we
11 would have enough confidence in what the Committee might do.
12 I mean, I may have the same concern you have, but that does
13 not mean we cannot look at Medicare. I mean, it seems to me
14 there is a program that is in the budget this year for \$57
15 billion, and we were told ten years ago if we did not watch
16 it it would cost \$8.8 billion by 1990, and now the 1990
17 projections are over \$100 billion.

18 I just cannot believe that we just have to say, well, we
19 cannot reduce Medicare or cannot make any savings on the
20 beneficiary side. And I feel, I hope, as strongly as the
21 Senator from Montana.

22 Senator Symms: Well, Mr. Chairman, I would like to
23 comment on that, too. And I had hoped the Senator would not
24 press that amendment.

25 In the first place, the same people who receive Medicare

1 benefits are Social Security recipients, and in the last two
2 years, the only group of people in our society that I know of
3 that have gotten a 20-percent increase in their actual checks
4 that they get are Social Security recipients. I do not have
5 people -- the people that work are renegotiating contracts to
6 get lower wages if they have a job. I mean, all across our
7 society people are working for less, and it is just -- I do
8 not think that the case can really be made, when you think
9 about Social Security recipients getting a 20-percent
10 increase in their benefits in a two-year period. It has far
11 outpaced the rest of our society. And it is not an
12 inequitable situation that has taken place with respect to
13 the senior citizen community.

14 Something has to be done about it, or we will be spending
15 25 percent of our gross national product on health care. And
16 I think that at least some kind of a start -- we can surely
17 work something out, as the Chairman is talking about.

18 Senator Baucus: Well, I understand, if the Senator will
19 yield on that point, the point the Chairman made, that last
20 year there were proposed cuts in Medicare, and we were able
21 to work out some modification and some change through TEFRA
22 and hospital cost savings through Section 223.

23 The trouble is, we cut about as much out of the hospitals
24 as we could last year with TEFRA. We do not have that
25 maneuvering room any more. At least we do not have near the

1 maneuvering room. I understand the Chairman's argument that,
2 yes, last year we had the same kinds of levels of numbers to
3 present to the Budget Committee, but the trouble is, last
4 year we were able to force some savings and encourage some
5 savings under 223 with the hospitals, but I do not think we
6 have that option any more this year.

7 So, we are more constrained by the document that we send
8 to the Budget Committee.

9 Second, the Administration's proposal for changing Part A
10 full payments as moving more to a catastrophic program has
11 very, very drastic effects on senior citizens. For example,
12 one-half of 1 percent of those who receive Medicare benefits
13 under the Administration's catastrophic program would receive
14 additional payments. Only one-half of 1 percent. The
15 remaining 99 and one-half percent of hospitalized
16 beneficiaries would pay \$2.2 billion more.

17 So, that proposal, that Administration proposal passed as
18 a catastrophic plan, only helps one-half of 1 percent of
19 Medicare beneficiaries.

20 Senator Symms: Well, the thing of it is, they are going
21 to get -- in exchange they are going to get -- the big fear
22 of catastrophic illness will be removed from them. It is
23 true that they may have to pay more -- share in the cost of
24 more minor type illnesses, but I cannot see any other way we
25 are going to get out of this without ending up having it be
\$150

1 billion in another ten years, and there has to be some kind
2 of a restraint on it, and there are some benefits to the
3 senior citizens. They are not going to be threatened by
4 losing the farm over some kind of a terminal or long
5 illness.

6 Senator Baucus: All I am saying is, I do not think we
7 want to send a signal to the Budget Committee that the
8 solution to Medicare is 75 percent on the backs of the
9 beneficiaries. That is all I am saying. And that is what we
10 are doing if we adopt this document.

11 Senator Symms: Well, who do you want to put it on?

12 Senator Baucus: I want to find the same way that the
13 Social Security Commission did, some more evenhanded, more
14 fair approach --

15 Senator Symms: Like raise taxes.

16 Senator Baucus: -- to allocate the loss more fairly than
17 to say that three-quarters of the loss has to go on the backs
18 of the beneficiaries.

19 The Chairman: We will vote on it if you think it is
20 important, but I am pledged to the Senator from Montana that
21 we are going to try to -- we may not be able to agree on
22 everything, but this is an area that everybody is concerned
23 about. We are concerned about saving the system. We are
24 told we are going to be broke in 1986 in Medicare. And we
25 can keep saying we are not going to cut this, or cut that, or

1 restrain the growth. Is that an accurate statement, Sheila?

2 Ms. Burke: Yes, sir.

3 The Chairman: So we have to do something between now and
4 1986. Prospective payment will not help us that much, will
5 it?

6 Ms. Burke: No, Senator, it is not estimated that it will
7 save the fund. It will delay it perhaps for a year, but 1986
8 is --

9 The Chairman: And we did, you know -- it has gone
10 unnoticed, but in the tax reform bill last year, we took a
11 big chunk out of Medicare, \$13.2 billion over a three-year
12 period, but 83 percent of that came from providers, hospitals
13 and physicians, 17 percent from beneficiaries, as I recall.
14 That may not be correct.

15 Ms. Burke: That is approximately right, Senator.

16 The Chairman: So I would hope -- I am willing to vote.
17 I have lots of proxies. But I would not that to reflect that
18 we do not -- we want to do everything the Administration does
19 by voting down the amendment.

20 Senator Baucus: Well, I would like a vote.

21 The Chairman: Okay.

22 The Clerk: Mr. Packwood.

23 The Chairman: No.

24 The Clerk: Mr. Roth.

25 [No response.]

1 The Clerk: Mr. Danforth.
2 The Chairman: No.
3 The Clerk: Mr. Chafee.
4 Senator Chafee: No.
5 The Clerk: Mr. Heinz.
6 The Chairman: No.
7 The Clerk: Mr. Wallop.
8 Senator Wallop: No.
9 The Clerk: Mr. Durenberger.
10 The Chairman: No.
11 The Clerk: Mr. Armstrong.
12 [No response.]
13 The Clerk: Mr. Symms.
14 Senator Symms: No.
15 The Clerk: Mr. Grassley.
16 [No response.]
17 The Clerk: Mr. Long.
18 Senator Long: Pass.
19 The Clerk: Mr. Bentsen.
20 [No response.]
21 The Clerk: Mr. Matsunaga.
22 [No response.]
23 The Clerk: Mr. Moynihan.
24 [No response.]
25 The Clerk: Mr. Baucus.

1 Senator Baucus: Aye.

2 The Clerk: Mr. Boren.

3 [No response.]

4 The Clerk: Mr. Bradley.

5 Senator Bradley: Aye.

6 The Clerk: Mr. Mitchell.

7 Senator Mitchell: Aye.

8 The Clerk: Mr. Pryor.

9 Senator Pryor: Aye.

10 The Clerk: Mr. Chairman.

11 The Chairman: No.

12 The Clerk: Four yeas and eight nays, one pass.

13 The Chairman: Are there any other specific -- Senator
14 Bradley?

15 Senator Bradley: Mr. Chairman, I --

16 The Chairman: Grassley wants to be reported no.

17 Senator Bradley: Mr. Chairman, I would like to get back
18 to -- I think that it is fairly important, particularly as
19 you have more and more companies in a recession and greater
20 imports, and we have just passed out the reciprocity bill,
21 that we have to look at the human element of this process of
22 international competitiveness, and that is trade adjustment
23 assistance. Not only will the program expire. And I can
24 understand the Administration's desire to write a new program
25 that is less a subsidy and more retraining, but this is our

1 only bite at the apple here. And I think we ought to at
2 least leave room in the budget for a new trade adjustment
3 assistance program.

4 The President has talked in his recent speeches about new
5 technology and about international competitiveness, being
6 against protectionism, and I applaud him for that, but I
7 think that if you do not deal with the human element of this,
8 it is going to really polarize, and it is going to result in
9 a kind of unproductive dispute.

10 So, I would hope that we could put some moneys in this
11 letter for trade adjustment assistance, and I would suggest
12 \$1 billion.

13 The Chairman: As I understand, in response to Senator
14 Moynihan's inquiry, and this is another area that I have an
15 interest in, trade adjustment assistance -- I do not know
16 about the \$1 billion, whether I have that much interest, but
17 we are not foreclosed from doing something in trade
18 adjustment assistance, are we?

19 Mr. Lighthizer: That is correct, Mr. Chairman. Under
20 this letter, you are taking no position on the subject.

21 Senator Bradley: But we are saying that there is a
22 revenue limit and a spending limit, and if we have already
23 allocated how we are going to spend and where we are going to
24 cut, that puts a real restriction on our ability to get a
25 trade adjustment assistance package.

1 If we do, we will have to cut other areas or raise other
2 taxes.

3 The Chairman: But the only thing I wonder about, if we
4 could agree on it, we have had some expression this morning
5 from Senator Long and myself and others on revenue sharing.
6 We may want to fatten that up a little bit. But we did not
7 think it was necessary to change the letter to accommodate
8 whatever need might arise, part of it because it would be in
9 this fiscal year.

10 But as long as we are not foreclosing any action on trade
11 adjustment assistance, then I am not certain what we gain by
12 adding -- Rod, do you have a comment on that?

13 Mr. DeArment : The budget provides \$240 million for
14 money for dislocated worker assistance. That is the
15 Administration proposal. And presumably that money, if you
16 do not choose to do it under the Job Training Act, could be
17 used for trade adjustment assistance. They are in the same
18 sort of functional total, so that it really would not matter
19 in terms of the budget process whether you did the job
20 training or trade adjustment assistance.

21 Senator Bradley: Well, I understand that that was -- But
22 is this program not to expire in September?

23 Mr. Hardee: The trade adjustment assistance program will
24 expire by operation of law in September of 1983. There is a
25 little bit of money to be spent on the worker part of the

1 program, but that is just for workers who were certified in
2 fiscal year 1983, and their actual period of benefits does
3 not end until some time in fiscal year 1984.

4 Rod is right that the Administration proposes to spend
5 approximately \$240 million on training, but that is a
6 training program not specifically targeted at trade impacted
7 workers. It is at various classes of workers who are
8 considered special, American Indians, migrant workers, a
9 whole list.

10 Senator Bradley: So that this is not essentially the
11 unemployed steel worker or auto worker.

12 Mr. Hardee: Well, it could include that person,
13 depending on how the Administration framed the program, but
14 we do not know that yet.

15 The Chairman: I have an interest, and others have, in
16 trying to figure out something on health care coverage for
17 unemployed workers. That is going to cost some money. But I
18 do not know whether -- I think that can be worked out within
19 the --

20 Mr. Hardee: Another important point that was brought up,
21 Senator Bradley, is that that is not Finance Committee money,
22 the \$240 million. It is Labor Committee money.

23 Senator Bradley: Yes.

24 Mr. Hardee: Whereas trade adjustment assistance has
25 always been referred to the Finance Committee.

1 Senator Bradley: Yes. Well, I would like to move that
2 we do put in some amount for trade adjustment assistance
3 above the \$240 million. I mean, I will scale back from \$1
4 billion, but I think that I would like to have the Committee
5 go on record either for or against trade adjustment
6 assistance. And I would suggest that we put back in, say,
7 \$500 million instead of a billion.

8 The Chairman: I think I've got a problem now, without a
9 quorum. I do not know how these members feel on that issue.
10 Is there something that we can put in the letter, without
11 putting any figures in the letter, that would indicate
12 Committee interest in trade adjustment assistance?

13 Mr. Lighthizer: Mr. Chairman, you could put a sentence
14 in the letter which says that the Committee has a strong
15 interest in trade adjustment assistance, but that whatever
16 spending is incorporated into law through that program will
17 be offset in some way by some other changes or on the revenue
18 side or on the spending side, or a combination.

19 Senator Bradley: Yes. Well, you know, that really is
20 not what I would like. I would like the Committee to
21 affirmatively say, and this is our one crack at what we want
22 our budget to be in this year, to say to the Budget Committee
23 that we want trade adjustment assistance of at least \$500
24 million. I mean, you say there are not enough people here to
25 vote? We are not going to send this to the Budget Committee

1 today?

2 The Chairman: I understand on the letter itself we are
3 not bound by the -- maybe we need a quorum. Do we need a
4 quorum to sign a letter?

5 Mr. Lighthizer: Only the Chairman signs the letter, so
6 as a practical matter, the rule on reporting -- and we do not
7 report anything out. The rule on having a majority to report
8 something out does not really apply. For purposes of
9 executive session, you only need seven members.

10 Senator Bradley: Okay.

11 The Chairman: Again, you know, I have proxies. I do not
12 want to send a signal that we are not interested in trade
13 adjustment assistance that would lose this thing to the
14 Medicare proposal. Can we defer that, Senator Bradley?

15 Senator Bradley: Well, Mr. Chairman, I would like to get
16 a vote on it. Can we poll the members? If you do not have
17 the proxies -- The vote stays open, I understand, the rest of
18 the day.

19 The Chairman: We could do it that way. We can go ahead,
20 and I guess those who are here can be recorded, and I know a
21 couple of proxies, but I would have to check with the
22 others. It would not be fair to you for me to vote eight
23 proxies when I am not certain how five of them feel on it.

24 Senator Bradley: Well, by the end of the day, you would
25 have the result, would you not?

1 The Chairman: Right. Hopefully by 1:00 o'clock.

2 Senator Bradley: Okay.

3 Mr. Lighthizer: Mr. Chairman, just so we understand,

4 this would increase by \$500 million the amount of money in

5 the trade adjustment assistance function, and increase the

6 debt number correspondingly?

7 Senator Bradley: That is right. That is right.

8 The Clerk: Mr. Packwood.

9 The Chairman: Aye.

10 The Clerk: Mr. Roth.

11 [No response.]

12 The Clerk: Mr. Danforth.

13 [No response.]

14 The Clerk: Mr. Chafee.

15 Senator Chafee: I am not sure what we are voting on. We

16 are voting to increase the deficit by \$500 million?

17 Mr. Lighthizer: It was slightly more than that, because

18 you will have to increase interest, too, but it is

19 essentially \$500 million in fiscal year 1984, and to put that

20 money into the trade adjustment assistance function.

21 Senator Chafee: Well, I am voting no. I am for trade

22 adjustment. We will work it out some other way.

23 The Clerk: Mr. Heinz.

24 [No response.]

25 The Clerk: Mr. Wallop.

1 The Chairman: No.

2 The Clerk: Mr. Durenberger.

3 [No response.]

4 The Clerk: Mr. Armstrong.

5 [No response.]

6 The Clerk: Mr. Symms.

7 Senator Symms: No.

8 The Clerk: Mr. Grassley.

9 [No response.]

10 The Clerk: Mr. Long.

11 The Chairman: For Mr. Grassley, no, and Mr. Durenberger,
12 no.

13 The Clerk: I am sorry. Durenberger?

14 The Chairman: Grassley and Durenberger.

15 The Clerk: Mr. Long.

16 Senator Long: Aye.

17 The Clerk: Mr. Bensten.

18 [No response.]

19 The Clerk: Mr. Matsunaga.

20 [No response.]

21 The Clerk: Mr. Moynihan.

22 [No response.]

23 The Clerk: Mr. Baucus.

24 Senator Baucus: Aye.

25 The Clerk: Mr. Boren.

1 Senator Boren: No.

2 The Clerk: Mr. Bradley.

3 Senator Bradley: Aye.

4 The Clerk: Mr. Mitchell.

5 [No response.]

6 The Clerk: Mr. Pryor.

7 [No response.]

8 The Clerk: Mr. Chairman.

9 The Chairman: No.

10 Senator Long: While it is being tabulated, I just want
11 to make this statement about this matter. While this item is
12 not as significant in Louisiana as it is in certain other
13 states, it seems to me that implicit in passing that big
14 trade bill some years ago was that we were going to make a
15 very substantial amount of money available in these areas
16 where people are suffering from these imports, or in the area
17 of trade assistance.

18 I honestly do not feel that the executive branch has
19 followed through on that. Now, I can understand this, that a
20 promise made by -- or a commitment made in the Carter
21 Administration does not necessarily bind the Reagan
22 Administration. A new President comes in, and he says, well,
23 that was somebody else's commitment. I did not promise
24 that. But it seems to me as though there was a commitment of
25

1 the Congress as well as the executive in that that this
2 program, which was going to cost them jobs, was going to be
3 accompanied by a very effective trade adjustment program, and
4 frankly, I just do not think we have lived up to it. It was
5 a good faith commitment that I think we ought to keep.

6 The Chairman: Well, the vote on that is eight nays and
7 three yeas, and again, the absentees can be recorded, but I
8 want to assure Senator Bradley that the vote does not
9 indicate that we have no sympathy for your effort. But I
10 would hope we would just sort of keep the letter as we have
11 had it in past years, sort of open-ended.

12 If there are no other specific requests, is there any
13 objection to the Chairman sending that letter to the Budget
14 Committee?

15 Mr. Lighthizer: Mr. Chairman, I understand that there
16 are some members who want to have an opportunity to add some
17 additional views, as we did last year, and perhaps we could
18 set a time of 5:00 o'clock tomorrow to get the views in,
19 because the letter was technically due yesterday.

20 The Chairman: Do we have any further meetings this week?

21 Mr. Lighthizer: No, Mr. Chairman.

22 The Chairman: I might say tomorrow morning at 8:00
23 o'clock we have a breakfast meeting with a group called the
24 Urban Land Institute, and if any of you can come by, it is
25 just a group of business people who have some matters before

1 this Committee from time to time.

2 Then, I guess next Tuesday we start the markup on Social
3 Security?

4 Mr. Lighthizer: I think it is going to be Wednesday, Mr.
5 Chairman. Senator Long is out of town on Tuesday. There are
6 two meetings this week, but they are not executive sessions.
7 You have a hearing tomorrow on unemployment compensation, and
8 then one on Friday on the New Federalism. There are no more
9 executive sessions.

10 Senator Bradley: And there will be no Committee meeting
11 on Monday. Is that correct?

12 The Chairman: No Committee meeting Monday?

13 Mr. Lighthizer: No. That is correct.

14 Senator Bradley: And the vote stays open the rest of
15 today. Okay.

16 The Chairman: Anything else?

17 Senator Symms: Well, Mr. Chairman, did we vote out S.
18 144 earlier, before I got here, in the PIC program?

19 The Chairman: Yes.

20 Senator Symms: I just ask unanimous consent that I have
21 a statement that I would like to enter into the record prior
22 to the vote on the PIC program and one prior to the vote on
23 the S. 144, the Reciprocal Trade and Investment Act. The
24 statement is in support of both measures.

25 The Chairman: The Committee is adjourned.

1 [Whereupon, at 11:40 p.m, the Committee was adjourned, to
2 reconvene at the call of the Chair.]
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COMMITTEE ON FINANCE

WEDNESDAY, MARCH 2, 1983 - EXECUTIVE SESSION

ROOM SD-215

10:00 a.m.

A G E N D A

1. Nominations of Margaret M. Heckler and John A. Svahn to be Secretary and Undersecretary, respectively, of the Department of Health and Human Services (Attachment)
2. Finance Committee March 15 letter to the Senate Budget Committee (Attachment)
3. Tax issues raised by the Payment-In-Kind (PIK) program (Attachment)
4. S. 144, The Reciprocal Trade and Investment Act (Attachment)

MARGARET M. HECKLER

SECRETARY-DESIGNATE OF HEALTH AND HUMAN SERVICES

Margaret M. Heckler was nominated as Secretary of Health and Human Services by President Reagan on January 12, 1983.

Mrs. Heckler had served in the U.S. House of Representatives for 16 years after being elected in 1966, and represented Massachusetts 10th District through eight terms. She was the senior ranking woman in Congress.

In the Congress, Mrs. Heckler served on the Joint Economic Committee, and the Committees of Science and Technology, Veterans' Affairs, and the Select Committee on Aging. She held key positions on various subcommittees as Vice-Chair of Agriculture and Trade, ranking Republican on Education, Training and Employment, and second ranking GOP member on Hospitals and Health Care. On these Committees, Mrs. Heckler was heavily involved in legislation on health care, child care, nutrition, and geriatrics. She authored Title III of Public Law 96-330, Geriatrics, Research and Health Care, which established geriatric centers within the Veterans Administration. As a member of the Banking Committee she authored the Equal Credit Opportunity Act which assured women equal access to credit. In 1976, as one of 11 women in Congress, she was the co-founder of the Congressional Caucus for Women's Issues which she co-chaired through 1982.

Mrs. Heckler began her political career as the first woman elected to the Commonwealth of Massachusetts' Governor's Council on which she served for two terms before her election to Congress.

The Secretary-Designate was born Margaret Mary O'Shaughnessy in Flushing, New York. She attended Albertus Magnus College where she received her Bachelor of Arts in 1953. She was selected as U.S. Student Representative to the University of Leiden, Holland. She attended Boston College Law School, was an editor of the Law Review there, and was the only woman in the graduating class of 1956.

Following college, Mrs. Heckler practiced as a trial attorney. She is a member of Bar Associations of many states, and has been admitted to practice before the U.S. Supreme Court.

The Secretary-Designate has been married for 30 years to John M. Heckler and they have three children: Belinda, Alison and John.

Among Mrs. Heckler's honorary degrees are those from: Northeastern University, Stonehill College, Emmanuel College, Regis College, St. Bonaventure University, Boston College, Wheaton College, and Assumption College.



JOHN A. SVAHN

**Commissioner of Social Security
U.S. Department of Health and Human Services**

John A. (Jack) Svahn was sworn in as the ninth commissioner of Social Security June 29, 1981. He was nominated by President Reagan March 3, 1981, and confirmed by the Senate May 4, 1981.

As commissioner, he is chief administrator of the nation's Social Security, Disability Insurance, Supplemental Security Income and Aid to Families with Dependent Children programs which provide income support to more than 51 million people.

Before taking over the mammoth Social Security Administration, Svahn was a private consultant specializing in public policy management problems. From 1976 to 1979 he was manager of government services for Deloitte Haskins & Sells, serving as a specialist in health, welfare and social services programs.

Svahn was born in New London, Conn., May 13, 1943. He received his B.A. degree in political science from the University of Washington in 1966.

In 1965-1968 he served in the U.S. Air Force.

Beginning in 1968 Svahn held positions with the state of California and the federal government. In California, he served as chief deputy director and then as director of social welfare. During the Ronald Reagan administration in California, he was a principal architect of the state's welfare reform program.

During 1973-1974, Svahn was acting commissioner of the Community Services Administration. He also was commissioner of the Assistance Payments Administration in 1973-1975. Svahn served concurrently in 1975-1976 as administrator of the Social and Rehabilitation Service and as director of the U.S. Office of Child Support Enforcement. While heading the Social and Rehabilitation Service, Svahn was credited with developing and implementing the Title XX social services program and the Child Support Enforcement program.

Svahn is married, has two children and lives in Severna Park, Md.

June 29, 1981

Joint Committee on Taxation
February 28, 1983
JCX-6-83

LEGISLATIVE ISSUES IN PROPOSALS AFFECTING THE TAX TREATMENT
OF REAL PROPERTY WITHDRAWN FROM PRODUCTION AND COMMODITIES
RECEIVED WITH RESPECT THERETO UNDER THE PAYMENT-IN-KIND
PROGRAM

A. Tax Treatment of Farmers Generally

Under present law, farmers do not recognize income on the crops produced by them until those crops are sold. Additionally, whether income is from the active conduct of farming or is passive source income is important in determining its treatment under a series of provisions of the Internal Revenue Code. Finally, real property used in the active conduct of farming is eligible for a special estate tax valuation election and estate tax attributable to interests in active farming operations can be paid in installments.

Under present law, the fair market value of PIK commodities will be income to the farmer when the right to receive such commodities arises under the PIK program. It is unclear whether such income would constitute income from the active conduct of farming since farm real property is withdrawn from production and no commodities are actually produced under the program. If the PIK commodities are not treated for tax purposes substantially as if they had been produced on the real property withdrawn from production, the tax effect of their receipt may differ substantially from that normally accorded crops actually produced. Likewise, the farm real property withdrawn from production may not qualify for the special estate tax provisions that are available only for property actively used in the business of farming.

B. Income Tax Issues Arising Under the PIK Program

1. Timing of Income

S. 446, S. 495, and S. 527 would defer recognition of income from commodities received under the PIK program until the commodities are sold. S. 495 would provide the deferral on an elective basis. S. 527 would also defer recognition of income from certain storage payments to persons with commodities stored on the farm under the Farmer-Owned Reserve Program until the actual receipt of the storage payments.

The Ways and Means Select Revenue Measures Subcommittee bill (the "subcommittee bill") is generally the same as S. 446, S. 495, and S. 527 except the subcommittee bill does not provide an election (as S. 495 does) and does not address the issue of storage payments (as S. 527 does).

2. Other Income and Employment Tax Provisions

S. 446 and S. 495 do not address these provisions.

S. 527 would treat income from commodities received under the PIK program as income derived from the active conduct of farming for all purposes of the Internal Revenue Code and the Social Security Act. The bill would treat cooperatives marketing PIK commodities as if they were marketing the product of their patrons.

The subcommittee bill is generally the same as S. 527 except income from PIK commodities would be taxable as self-employment income under the SECA tax and would be treated as earned income under the Social Security Act only with respect to persons who materially participate in the conservation use to which PIK property is devoted.

B. Estate Tax Treatment of Farm Real Property Under the PIK Program

1. Current Use Valuation

S. 446, S. 495, and S. 527, and the subcommittee bill would treat real property withdrawn from production under the PIK program as used in a qualified use. S. 495 would also treat real property withdrawn from production under any other Federal farmland removal program as used in a qualified use.

S. 527 would treat participation in the PIK program as material participation, another requirement of the current use valuation provision. S. 495 would provide that withdrawal of real property from production under the PIK program would not be construed to prevent satisfaction of the provision's material participation requirements. S. 446 does not address this issue. The subcommittee bill would provide that the provision's material participation requirements are satisfied by material participation in the conservation use to which PIK property is devoted.

2. Installment Payment of Estate Tax

S. 527 and the subcommittee bill would treat real property removed from production under the PIK program as used in an active farming business for purposes of the installment payment provision. S. 446 and S. 495 do not address this issue.

C. Anti-speculation Rule

S. 446 and S. 495 do not include any anti-speculation rule.

S. 527 would limit the special estate tax rules under the current use valuation provision to a maximum of three years of PIK participation.

The subcommittee bill generally would limit the special tax treatment to interests in PIK real property owned by the taxpayer on February 23, 1983, or to interests acquired after that date by reason of death or gift from the person owning the interests on February 23, 1983, or acquired in any transfer to a family member of that person.

D. Treasury Department Study

S. 446, S. 495, and S. 527 contain no study requirement.

The subcommittee bill requires the Treasury Department (in consultation with the Agriculture Department) to submit further information to the Congress on the effects of the PIK program on income of farm owners and the tax effect of the provisions in the bill.

E. Effective Dates

S. 446 and S. 495 do not include any termination date for their special tax provisions.

S. 527 terminates its special tax provisions with respect to commodities received after April 1, 1986 (i.e., provides benefits for a three year period).

The subcommittee bill applies to PIK commodities received, and real property withdrawn from production, with respect to all crops that would normally be planted before December 31, 1983.

F. Provision Not Directly Related to the PIK Program

S. 446, S. 495, and S. 527 do not include this provision.

The subcommittee bill would exempt from tax the National Farmers Organization as long as it is operated primarily as a collective bargaining agent for its members and does not perform substantial processing services.

ROBERT J. DOLE, KANS., CHAIRMAN

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United States Senate

COMMITTEE ON FINANCE
 WASHINGTON, D.C. 20510

ROBERT E. LIGHTNIZER, CHIEF COUNSEL
 MICHAEL STERN, MINORITY STAFF DIRECTOR

February 28, 1983

TO: COMMITTEE ON FINANCE MEMBERS

FROM: COMMITTEE ON FINANCE TRADE STAFF

SUBJECT: MARCH 2, 1983 MARKUP ON S. 144,
 THE RECIPROCAL TRADE AND INVESTMENT ACT

On March 2, 1983, the Committee on Finance will markup S. 144, the Reciprocal Trade and Investment Act. A summary and section-by-section analysis of S. 144 are set forth below. A chart describing the differences between current law and the proposals in S. 144 is also attached.

SUMMARY

S. 144 would make the following changes to the Trade Act of 1974:

- (1) A new section 104A would be added providing specific negotiating objectives with respect to trade in services, high technology products, and restrictions on foreign direct investment. The USTR is to develop and coordinate U.S. policy on trade in services and the Department of Commerce is to establish a service industry development program. In addition, the President would be given a 5-year authority to negotiate tariff reductions on certain high technology products;
- (2) Section 135, which sets up a procedure through which trade negotiating advice is received from the private sector, would be amended to authorize the establishment of intergovernmental advisory committees;
- (3) A new section 181 would be added requiring annual national trade estimates on significant barriers to the exportation of U.S. goods and services and restrictions on U.S. foreign direct investment and consultations with the Finance and Ways and Means Committees on trade policy priorities to enhance market opportunities;
- (4) Section 301 would be amended to authorize the President to retaliate against any goods or sector, whether or not involved in the act retaliated against and the President would specifically

be authorized to retaliate against a good or service notwithstanding the authority of regulatory agencies to deal with the same matters;

(5) Section 301 would be amended to authorize the President to retaliate against restrictions on foreign direct investment by U.S. persons with implications for trade in goods and services, or to otherwise carry out the objectives of 301, by proposing "fast track" legislation under the authority of sections 102 and 151 of the Trade Act of 1974;

(6) Section 301 would be amended by statutorily defining the terms "unreasonable", "unjustifiable" and "discriminatory" which currently exist in section 301 but are not defined;

(7) Section 302 would be amended to provide for the self-initiation of section 301 investigations by USTR;

(8) Section 303, which currently provides that international consultations must be initiated on the same date as an investigation is instituted under section 301 would be amended to provide for a delay of up to 90 days before the initiation of consultations for the purpose of verifying or improving the petition; and

(9) Section 305 would be amended to provide for a specific exemption from the Freedom of Information Act for information received during an investigation under section 301 and restrictions on the use of such information.

SECTION-BY-SECTION ANALYSIS

Section 1 of the bill sets forth the short title, "the Reciprocal Trade and Investment Act".

Section 2 sets forth the statement of purposes of the bill. These purposes include the fostering of U.S. economic growth and employment by expanding competitive U.S. exports through the achievement of commercial opportunities in foreign markets substantially equivalent to those accorded by the United States; improving the ability of the President to identify and analyze barriers to U.S. trade and investment; encouraging the expansion of international trade in services through the negotiation of international agreements; and enhancing the free flow of foreign direct investment through the negotiation of bilateral and multilateral agreements.

Section 3 requires annual national trade estimates, reports to Congress on action taken (including but not limited to any action under section 301) on matters identified in the national trade

estimates and administrative provisions related to these estimates. Under subsection (a) the USTR, through the interagency Trade Policy Committee, would be required to identify the acts, policies, and practices which constitute significant barriers to or distortions of U.S. exports of goods (including agricultural commodities) or services, and U.S. foreign direct investment. In addition to foreign barriers, these could include U.S. export disincentives.

The bill specifies that the USTR shall identify and analyze acts, policies, and practices which restrict or distort foreign direct investment by U.S. persons especially if such investment has implications for trade in goods or services.

The bill also requires the USTR to make an estimate of the trade distorting impact of any act, policy, or practice identified. In making the national trade estimates the USTR is directed to take into account a number of specified factors including the relative impact of the barriers, the availability of relevant information, and the extent to which the barriers are subject to international agreements as well as advice received under the advisory committee process.

Subsection (b) requires the USTR to submit the analysis and estimate within 1 year of the date of enactment of the bill and annually thereafter to the Committees on Ways and Means and Finance. These reports are to include information on any action being taken with respect to the actions which have been identified and analyzed including but not limited to actions under section 301 or international negotiations or consultations. This subsection also requires the USTR to keep the Ways and Means and Finance Committees currently informed on trade policy priorities for the purpose of expanding market opportunities.

In carrying out the requirements of this section, the head of each Department or agency of the executive branch of the Government is authorized and directed to furnish to the USTR, or to the appropriate agency upon request such data, reports, and information as necessary for the USTR to carry out his functions under this section.

Section 4 of the bill makes a number of amendments to Title III of the Trade Act of 1974. Section 301(a) currently provides that action under this section may be taken on a nondiscriminatory basis or solely against the products or services of the foreign country or instrumentality involved. The bill would amend current law to provide that the President may exercise his authority with respect to any goods or sector, on a nondiscriminatory basis or solely against the foreign country or instrumentality involved and without regard to whether or not such goods or sector were involved in the act, policy, or practice identified.

Section 301(b) currently authorizes the President to retaliate by (1) modifying trade agreement concessions and by (2) imposing duties or other import restrictions on the products of or fees or restrictions on the services of a foreign country. The bill would make the conforming change of the word "goods" for the word "products" and would insert the phrase "notwithstanding any other provision of law" before the word "impose". This amendment is intended to clarify the President's existing authority to impose restrictions notwithstanding the authority of an independent agency.

The bill would also amend section 301(b) by adding a new subsection (3) authorizing the President to propose "fast track" legislation under the procedures of sections 102 and 151 of the Trade Act of 1974 to carry out the objectives of section 301 where additional retaliatory authority may be necessary. The bill would also amend the definition of the term U.S. "commerce" to include foreign direct investment by United States persons with implications for trade in goods or services. This would permit the President to propose "fast track" legislation providing for retaliation against, or designed to encourage the elimination of, restrictions on U.S. foreign direct investment. The choice of whether or not to utilize the "fast track" would be solely within the President's discretion. Under the bill all the requirements for "fast track" legislation set forth in sections 102 and 151 would be applicable, including 90 days consultation with the cognizant committees prior to submitting such legislation.

Section 301(d) currently contains a definition of the term "commerce". As set forth above, the bill would amend subsection (d) by amending the term "commerce" to include foreign direct investment by United States persons with implications for trade in goods, and services and would also include in that subsection definitions of the terms "unreasonable", "unjustifiable", and "discriminatory", which currently exist in section 301 but are not statutorily defined. The term "unreasonable" is defined as any act, policy, or practice which, while not necessarily in violation of or inconsistent with the international legal rights of the United States, is otherwise deemed to be unfair and inequitable. The term includes, but is not limited to, a denial of fair and equitable market opportunities, opportunities for the establishment of an enterprise, or provision of adequate protection of industrial property rights. The phrase "fair and equitable" is not defined, since it remains within the President's discretion to determine when circumstances exist which require action under this provision.

The term "unjustifiable" is defined as any act, policy or practice which is in violation of or inconsistent with the international legal rights of the United States, including but not limited to a denial of national or most-favored-nation treatment, the right of establishment or a denial of protection

of industrial property rights. The definition continues to address actions by a foreign government which are inconsistent with U.S. international legal rights.

The term "discriminatory" is defined as including where appropriate any act, policy, or practice which denies national or most-favored-nation treatment to U.S. goods, services, or investment. The phrase "where appropriate" has been included in the definition only to take into account those situations in which a denial of national or most-favored-nation treatment, for example in the case of a GATT-compatible customs union, is not an appropriate basis for action.

The bill amends section 302 of the Trade Act by authorizing the USTR to initiate investigations under section 301. Under current law the President is authorized to take action either as a result of petition-initiated investigation or on his own motion but the USTR is not authorized to initiate investigations on the basis of which advice could be provided to the President. While providing authority for the USTR to initiate investigations, the bill provides that a decision to do so could only be taken after consultation with the appropriate committees established under section 135. Under the bill if the USTR determines to initiate this determination is to be published in the Federal Register and treated as if an affirmative determination on a petition had been made on the same date.

The bill would amend section 302 to require that a summary of the petition on the basis of which an investigation is instituted, rather than the petition itself, be published in the Federal Register. Copies of the documents would be provided at cost.

Section 303 of the Trade Act currently provides that on the date an affirmative determination is made to institute an investigation under section 301 the USTR must request consultations with the foreign country concerned regarding the issues raised in the petition. The bill would amend section 303 to provide USTR with the authority to delay for up to 90 days any request for consultations for the purpose of verifying or improving the petition to insure an adequate basis for consultation. The bill would also require the USTR to publish notice of the delay in the Federal Register and report to the Congress on the reasons for such delay in the report currently required under section 306.

The bill would also amend section 305 by adding a new subsection with respect to treatment of the confidential business information. The bill provides a specific exception from the Freedom of Information Act for business confidential information requested and received by the USTR in aid of any investigation under Chapter 1 of Title III of the Trade Act and provides that such information shall not be made available if submitted under

the circumstances set forth therein. The bill provides the USTR with authority to prescribe regulations concerning provision of nonconfidential summaries of such information in order to give USTR the necessary flexibility in dealing with foreign countries or instrumentalities which provide such information but cannot be compelled to provide summaries. The bill also authorizes the USTR to use the information or make it available to an employee of the Federal Government for use in a section 301 investigation but requires that it be made available to any other person only in a form in which it cannot be associated with the source of the information.

Section 5 of the bill would amend chapter 1 of title I of the Trade Act by adding a new section 104A providing specific negotiating objectives with respect to international trade in services and investment and high technology products. Under the provisions of the bill principal U.S. negotiating objectives with respect to trade in services would be the reduction or elimination of barriers to or distortions of international trade in services and the development of internationally agreed rules, including dispute settlement procedures, to reduce or eliminate such barriers. The terms "services" and "services associated with international trade" have not been defined.

Similarly the bill sets forth as negotiating objectives with respect to foreign direct investment the reduction or elimination of artificial or trade distorting barriers and the development of rules, including dispute settlement procedures, to insure the free flow of foreign direct investment and the reduction or elimination of the trade distortive effects of certain investment related measures.

The bill also provides that principal U.S. negotiating objectives with respect to high technology products shall be to obtain and preserve the maximum openness of trade and investment in high technology products and related services; to obtain the elimination or reduction of or compensation for the significantly distorting effects of foreign government actions which affect trade in high technology products identified in the studies which would be required under section 181; to obtain commitments that the official policy of foreign governments or instrumentalities will not discourage government or private procurement of foreign high technology products; to obtain the reduction or elimination of all tariffs and barriers on U.S. exports of high technology products particularly key commodity products (used to identify standardized products sold in substantial quantities throughout the world such as the 64,000 random access memory electronic silicon chip); to obtain commitments to foster national treatment; to obtain commitments to foster pursuit of joint scientific cooperation; to insure that access to the results of cooperative efforts should not be impaired; and to provide minimum safeguards for the acquisition and enforcement of

S. 144 RECIPROCAL TRADE AND INVESTMENT ACT

Section 1. Title of the bill

Section 2. Statement of Purposes

Section 3. Analysis of Foreign Trade Barriers

S. 144

Current Law

No similar provision

Would amend the Trade Act of 1974 by adding a new section 181 which:

- (a) Requires the USTR, after taking into account certain factors to identify and analyze acts, policies, or practices which constitute significant barriers to, or distortions of U.S. exports of goods or services and foreign direct investment and to make an estimate of the trade distorting impact on U.S. commerce.
- (b) Requires that within one year the USTR shall submit such analysis to the Committee on Finance and Ways and Means, to include information with respect to any action taken to eliminate the act, policy, or practice identified and to consult with the two committees on trade policy priorities.
- (c) Requires other agencies to furnish USTR with the information necessary to carry out his functions.

Section 4. Amendments to Title III of the Trade Act
of 1974

S. 144

Current Law

Section 301

(a) Provides that if the President determines that action is appropriate

(1) to respond to any act, policy, or practice of a foreign country that is inconsistent with the provisions of a trade agreement or is unjustifiable, unreasonable, or discriminatory and burdens or restricts U.S. commerce, the President shall take all action within his power to eliminate the act, policy or practice. Such action may be taken on a nondiscriminatory basis or solely against the products or services of the foreign country involved

(b) Provides that, in addition to taking the action described in subsection (a), the President may

(1) suspend or withdraw trade agreement concessions, or

(2) impose duties or other restrictions on products and fees or restrictions the services of the foreign country involved

(c) Provides
(1) That the President may take on action under this section on his own motion

(2) That the President must determine what action, if any, to take within 21 days after receiving a recommendation from USSTR.

(d) Defines the word commerce to include, but not be limited to services associated with international trade, whether or not such services are related to specific products.

(a) Clarifies the President's existing authority to take action without regard to whether the goods or sector retaliated against were involved in the offending act.

Changes the word "product" in current law to "goods" to clarify that the broadest possible scope of articles are subject to retaliation.

Changes of the word "service" in current law to "sector" to authorize the President to take action with respect to services offered by foreign countries or nationals in the U.S. as well as with respect to foreign direct investment in the U.S.

(b)

(1) Inserts the phrase "notwithstanding any other provision of law" before the word "impose" to clarify the President's authority to impose restrictions notwithstanding the authority of an independent agency over the same subject matter.

(2) Makes the conforming change of the word "products" to goods".

(3) Authorizes the President to propose fast-track legislation to carry out the objectives of subsection (a). Since the President is not authorized to impose restrictions on foreign investment in the U.S., this authority to propose fast-track legislation is the only new authority proposed with respect to foreign investment in the U.S..

(c) No change

(d)

(1) Adds to the definition of U.S. commerce foreign direct investment by U.S. persons with implications for trade in goods or services.

(2) Statutorily defines the terms unreasonable, unjustifiable, and discriminatory.

Section 5 - Negotiating Objectives with Respect To
Trade in Services, Foreign Direct Investment, and
High Technology Industries

Current Law

Section 104 currently contains a number of negotiating objectives.

S. 144

Would amend section 104 by adding a new section 104A which would provide:

In addition to the negotiating objectives set forth in section 102 of the Trade Act of 1974, sets forth negotiating objectives with respect to trade in services, foreign direct investment, and high technology products.

Section 6 - Provisions Relating to International Trade in Services

No Similar Provision.

Requires the USTR, through the interagency trade organization, to develop and coordinate U.S. policies on trade in services and the Secretary of Commerce to establish a services industries development program. Authorizes the President to establish non-Federal Government trade advisory committees and consult with states on trade in services matters.

Section 7 - Negotiating Authority with Respect to Foreign
Direct Investment

Section 102(g)(2) defines the term "international trade" to include trade in both goods and services.

Amends section 102(g)(2) to include within the definition of international trade foreign direct investment by U.S. persons, especially if such investment has implication for trade in good and services.

Section 8 - Negotiation of Agreements Concerning
High Technology Industries

No Similar Provision.

(a) Authorizes the President to enter into agreements as necessary or appropriate to carry out the negotiating objectives of proposed section 104A.

(b) Authorizes the President for a 5 year period to modify existing duties on high technology products within six specified TSUS item numbers.

Current Law

Section 302

(a) Permits any interested person to file a petition with the USTR requesting the President to take action under section 301 and requires the USTR to determine whether to initiate an investigation within 45 days.

(b) If USTR determines not to initiate the petitioner must be informed as to the reasons, if the investigation is initiated, the petition must be published and a hearing held within 30 days.

Section 303

Requires the USTR to seek consultation with the appropriate foreign country on the same day as the decision is made to initiate.

Section 304

(a) Requires the USTR to make recommendations to the President within specified time periods based on the investigation and consideration.

(b) Requires the USTR to provide a hearing if requested and to seek advice from private sector advisory representatives.

Section 305

Requires the USTR to make certain information on foreign trade practices available upon request and to request information which is not available from foreign governments.

(a) In addition to current law permits the USTR to self-initiate an investigation under section 301 after consultation with advisory committees.

Permits the USTR to delay making the request for consultations for up to 90 days for the purpose of verifying or improving the petition to ensure an adequate basis for consultation.

(a) No change.

(b) Amends section 304 to include public sector advisory representative among the group from whom advice must be sought.

In addition to current law, would prohibit the public dissemination of business confidential information requested and received by the USTR in aid of any 301 investigation. Would permit the USTR to make such information available to employees of the Federal Government or in a form that could not be associated with the person providing the information.

Mr. Chairman, I am pleased that the Committee is again acting on the Reciprocal Trade and Investment Act, legislation of which I am a co-sponsor and which I co-sponsored in the last Congress.

In my opinion, the Reciprocal Trade and Investment Act will play a major role in advancing our nation's interest in the liberalization of international trade and investment practices. The legislation seeks to build on the rule of law in international commerce, rather than collapse world growth through a series of self-defeating, beggar-thy-neighbor actions.

The major features of S. 144 are: (1) a mandate for new negotiating objectives aimed at extending international rules to trade in services and high technology products, and to the treatment of international investment; (2) a required report by the U.S. Trade Representative on significant barriers to U.S. trade and investment; (3) a clarification of the President's authority to take remedial action against unfair foreign trade practices, and of the statutory basis for such actions; (4) provision of new Presidential authority to propose "fast track" legislation to carry out the remedies he proposes; and (5) improvement of private sector access to remedy through USTR self-initiation of (section 301) investigations into unfair foreign trading practices.

The provisions of S. 144 cannot restore world growth, nor ease the pains of economic change. Nor can they right the wrongs of international trade practices. However, S. 144 takes a positive step in setting the right direction for U.S. trade laws

and policy -- to pursue negotiations to extend international rules to inadequately covered areas; and enforce U.S. laws in defense of "fair and equitable" market access for U.S. business, consistent with our international rights and obligations.

This bill is a timely response to the disturbing growth of restrictive market access abroad. It focuses our efforts to improve U.S. market access by relying on aggressive negotiating, effective enforcement of U.S. laws in defense of our rights and economic policies that support fierce competition by U.S. business for world markets.

JOHN HEINZ
PENNSYLVANIA

United States Senate

WASHINGTON, D.C. 20510

March 4, 1983

The Honorable Robert Dole, Chairman
Senate Finance Committee
U.S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am submitting the following statement to be made a part of the record of the Senate Finance Committee meeting held on March 2, 1983. As you know, I submitted my proxy to vote in favor of the Finance Committee's letter of recommendations to the Budget Committee on those aspects of the Federal budget for fiscal year 1984 that fall within the Committee's jurisdiction. However, because I do not want my vote to be construed as supporting either the administration's proposals on the revenue or spending side of budget, I want the following statement inserted in the record of the meeting:

"WHILE I VOTED TO SUPPORT THE FINANCE COMMITTEE'S LETTER OF RECOMMENDATIONS TO THE BUDGET COMMITTEE ON THE PROPOSED BUDGET FOR FISCAL YEAR 1984; MY SUPPORT IN NO WAY IMPLIES THAT I SUPPORT ANY OF THE ADMINISTRATION'S REVENUE OR SPENDING CUT PROPOSALS FOR FISCAL YEAR 1984. I DON'T BELIEVE THE MEANS-TESTED PROGRAMS CAN WITHSTAND FURTHER CUTS, AND I DON'T BELIEVE WE CAN MEET THE ADMINISTRATION'S TARGETS FOR SAVINGS IN MEDICARE WITHOUT BENEFIT CUTS THAT WOULD SERIOUSLY REDUCE ACCESS TO CARE FOR THE LOW TO MODERATE INCOME ELDERLY."

Thank you for your assistance in this matter.

Sincerely,


JOHN HEINZ
Chairman

JH/nkt

ERRATA SHEET

FISCAL YEAR 1984 FINANCE COMMITTEE REPORT UNDER THE CONGRESSIONAL BUDGET ACT

- Page 14 The 1985 figure for "Percent change in CPI" should be "4.6".
- Page 20 First table:
In "Calendar year 1985" the third figure down should be "-5".
In "Calendar year 1987" the second figure down should be "-15",
and the third figure down should be "-17".
- Page 21 In the table, the first fiscal year 1984 figure under "Disability insurance" should be "18.4".
- Page 22 In the table, the very last figure in "Calendar year 1985" should be "-5". The very last figure for "Calendar year 1987" should be "-17".
- Pages 26 and 27 Insert corrected chart attached.
- Page 29 First paragraph, last line, change the figure to "\$78.7".
Second paragraph, fifth line, the first figure should be changed to "\$467 million". Second paragraph, second line from the bottom, change the figure to "\$6.7 billion".
- Page 30 Insert corrected page attached.
- Page 35 Transpose the second paragraph from the bottom and the heading preceding it so as to be the last item on page 36. Immediately following, add this sentence "Additional increases in trust fund income would result from interest on the non-Commission recommendations (\$27 million in fiscal year 1984, and \$246 million in fiscal year 1985)."
- Page 45 Insert corrected page attached.
- Page 84 Change the fifth figure down in the 1985 column to "3-0.5".
- Page 86 Add the following sentence after the third full paragraph:
"A description of the self-employment tax changes can be found on page 34, item 11."
- Page 88 The first paragraph should have been stricken.

Chart 5.—SOCIAL SECURITY CASH BENEFIT PROGRAMS (OASDI) SUMMARY OF PROPOSED LEGISLATION

[In billion of dollars]

	Fiscal year—					
	1983	1984	1985	1986	1987	1988
National Commission Proposals: ¹						
Budget effect:						
Receipts.....		+8.2	+5.5	+8.4	+9.8	+21.1
Outlays.....	-2.1	-4.0	-4.4	-4.7	-5.1	-5.4
Trust fund effect:						
Income.....	+20.5	+9.9	+15.0	+15.7	+19.4	+34.8
Outgo.....	-2.1	-4.1	-4.5	-4.7	-5.2	-5.5
Other budget proposals:						
Budget effect:						
Receipts.....		+0.5	+0.9	+1.3	+1.7	+2.3
Outlays.....		-0.1	-0.1	-0.1	-0.1	-0.1
Trust fund effect:						
Income.....		+0.5	+1.2	+1.7	+2.4	+3.0
Outgo.....		-0.1	-0.1	-0.1	-0.1	-0.1
Total budget effect:						
Receipts.....		+8.7	+6.4	+9.7	+11.5	+23.5
Outlays.....	-2.1	-4.1	-4.5	-4.8	-5.2	-5.5
Total trust fund effect:						
Income.....	+20.5	+10.4	+16.2	+17.4	+21.8	+37.8
Outgo.....	-2.1	-4.1	-4.6	-4.8	-5.2	-5.5

¹ The recommendation to increase the SSI income disregard is described and accounted for in the SSI section of this print.
Source: Office of Management and Budget, Office of the Assistant Secretary for Management and Budget/HHS.

**SOCIAL SECURITY CASH BENEFIT PROGRAMS (OASDI)—UNIFIED BUDGET IMPACT OF
PROPOSED LEGISLATION: NATIONAL COMMISSION PROPOSALS ¹**

[In billions of dollars]

	Fiscal year—					
	1983	1984	1985	1986	1987	1988
Proposals affecting income:						
FICA tax acceleration		5.5	-1.9			9.4
SECA tax increase		0.6	1.7	1.5	1.6	2.1
Cover all non-profit employees		0.9	1.5	1.7	2.1	2.5
Prohibit termination of coverage		0.1	0.3	0.4	0.7	0.9
Taxation of benefits		1.1	4.0	4.7	5.5	6.4
Total unified budget income		8.2	5.5	8.4	9.8	21.1
Proposals affecting outlays:						
COLA delay	-2.1	-4.2	-4.6	-4.9	-5.4	-5.7
Equity provisions		0.2	0.2	0.3	0.3	0.3
Total unified budget outlays	-2.1	-4.0	-4.4	-4.7	-5.1	-5.4
Reduction in unified budget deficit	2.1	12.2	9.9	13.1	14.9	26.5

¹ Does not include National Commission proposal to increase SSI income disregard. Also, does not include additional income due to proposal to tax employee health benefits.

Note: Totals may not add due to rounding.

Source: Office of Management and Budget and Office of the Assistant Secretary for Management and Budget/HHS.

**SOCIAL SECURITY CASH BENEFIT PROGRAMS (OASDI)—TRUST FUND IMPACT OF
PROPOSED LEGISLATION: NATIONAL COMMISSION PROPOSALS**

[In billions of dollars]

	Fiscal Year—					
	1983	1984	1985	1986	1987	1988
Proposals affecting OASDI income:						
FICA tax acceleration		6.4	2.4			10.8
SECA tax increase		1.0	3.0	3.0	3.2	3.6
Cover new Federal employees		0.1	0.6	1.2	1.7	2.4
Cover all non-profit employees		0.9	1.4	1.6	1.9	2.3
Prohibit termination of coverage		0.1	0.2	0.4	0.5	0.8
Taxation of benefits		1.1	4.0	4.7	5.5	6.4

Chart 7

Welfare Programs for Families

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The program of Aid to Families with Dependent Children (AFDC) provides Federal matching for State programs of cash assistance to needy families with children in which at least one parent is deceased, disabled, or absent from the home. States, at their option, may also provide benefits for families in which dependency arises from the parent's unemployment. Twenty-one States plus Guam and the District of Columbia have elected to provide benefits to families with unemployed parents. The amount of Federal matching for AFDC benefits varies from State to State under formulas providing higher percentages in States with lower per capita incomes. The national average contribution by the Federal Government is 54 percent. States establish their own income eligibility and benefit levels.

Under present law, the average number of families and recipients receiving monthly payments as estimated by the Administration to be:

[In millions of dollars]

	Fiscal year—		
	1982	1983	1984
Families.....	3.6	3.8	3.8
Individuals.....	10.4	11.0	10.9

Administration estimates for Federal program costs are as follows:

[In millions of dollars]

	Fiscal year—		
	1982	1983	1984
AFDC benefits.....	6,575	6,781	6,768
Emergency assistance.....	51	51	53
Other assistance payments.....	15	15	16
State and local administration and training.....	863	884	943
Federal administration and related costs.....	27	41	36
Subtotal, current law.....	7,531	7,772	7,816
Proposed legislation.....			-666
Total, outlays.....	7,531	7,772	7,150

Chart 15.—REVENUES: PROPOSED LEGISLATION¹

[In billions of dollars]

	1983	1984	1985	1986
Tuition tax credit.....		-0.2	-0.5	-0.8
Enterprise zone tax incentives.....		-0.1	-0.4	-0.8
Taxation of health insurance premiums.....		2.3	4.4	6.0
Jobs tax credit.....	—*	-0.2	-0.2	-0.1
Social security changes ²		6.1	5.0	1.5
Higher education tax incentives.....		—*	-0.1	-0.2
Subtotal.....	—*	7.9	2.7	5.6
Contingency tax plan.....				46.0
Total.....	—*	7.9	2.7	51.6

*\$50 million or less.

¹ These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects are taken into account for forecasting incomes, however, and in this way affect the receipts estimates by major source and in total.

² These revenue estimates are net increases or decreases in budget receipts that will result from the Administration's proposed tax changes in the social security program. These estimates have been supplied by the Department of the Treasury.

³ The Administration assumes that many of the employee tax credits caused by Old Age and Survivors and Disability Insurance rate increases in fiscal year 1984 will not affect budget receipts until fiscal year 1985.