

RENEGOTIATION ACT EXTENSION

SEPTEMBER 22, 1976.—Ordered to be printed

Mr. LONG, from the Committee on Finance,
submitted the following

REPORT

[To accompany H.R. 11920]

The Committee on Finance, to which was referred the bill (H.R. 11920) to terminate the use of exchange funds as a means of escaping income taxes on realized capital gains, having considered the same, reports favorably thereon with an amendment and with an amendment to the title and recommends that the bill as amended do pass.

House bill.—H.R. 11920 as it passed the House dealt with the tax treatment of exchange funds. The substance of the bill has been included in H.R. 10612, the Tax Reform Act of 1976.

Committee amendment.—The committee amendment strikes out all after the enacting clause and instead substitutes a provision extending the Renegotiation Act until December 31, 1977. Under present law, the Renegotiation Act is scheduled to expire September 30, 1976.

GENERAL STATEMENT

The renegotiation concept was originated in legislation adopted during World War II, and was reinstated in 1948 on a more limited scale. As a result of the large increase in defense spending caused by the outbreak of the Korean conflict in 1950, Congress established the Renegotiation Board in March 1951. The life of the Renegotiation Board has been extended temporarily, from time to time since that date, and is currently scheduled to expire as of September 30, 1976.

The Renegotiation Act provides that contractors must refund those portions of profits on defense contracts or related subcontracts which are determined to be "excessive." A contractor whose total renegotiable sales in a fiscal year exceed the statutory floor of \$1 million and a broker whose renegotiable sales exceed the statutory floor of \$25,000 must file a return. The return must be filed by the first day of the fifth

month after the close of the filer's fiscal year unless an extension of time has been granted. The Act applies to contracts and related sub-contracts with the Department of Defense, Department of the Navy, The Department of the Air Force, The Maritime Administration, The Federal Maritime Board, The General Services Administration, The Atomic Energy Commission, The National Aeronautics and Space Administration, and the Federal Aviation Agency.

The House of Representatives has passed a bill (H.R. 10680), proposing major modifications in the renegotiation process. In view of the short time remaining in this session of Congress, the committee amendment would extend the Renegotiation Act through December 31, 1977. This will enable the committee to consider the proposed substantive changes in the law next year after holding hearings on the suggested changes.

COST OF BILL AND VOTE OF THE COMMITTEE IN REPORTING OUT THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970 and sections 308 and 403 of the Congressional Budget Act, the following statement is made. The bill involves no revenue cost. Extension of the Renegotiation Act through December 31, 1977, will result in a net recovery to the Federal Treasury of several millions of dollars in excessive profits determinations.

In compliance with section 133 of the Legislative Reorganization Act of 1946, the following statement is made relative to the vote by the committee on the motion to report the bill. The bill was ordered favorably reported by voice vote.

CHANGES IN EXISTING LAW

In the opinion of the committee, it is necessary in order to expedite the business of the Senate, to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill, as reported).

