

---

---

## TAX REDUCTION AND SIMPLIFICATION ACT OF 1977

---

MAY 6, 1977.—Ordered to be printed

---

Mr. ULLMAN, from the committee of conference, submitted the following

### CONFERENCE REPORT

[To accompany H.R. 3477]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 3477) to provide for a refund of 1976 individual income taxes and other payments, to reduce individual and business income taxes, and to provide tax simplification and reform, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 13, 14, 15, 17, 33, 35, 44, 45, 46, 47, 48, 51, 69, 70, 75, 77, 79, and 83.

That the House recede from its disagreement to the amendments of the Senate numbered 1A, 2, 3, 6, 7, 8, 9, 10, 11, 12, 16, 18, 19, 21, 22, 24, 25, 26, 27, 28, 29, 30, 31, 32, 34, 36, 37, 39, 40, 41, 42, 43, 49, 50, 52, 53, 54, 55, 56, 57, 59, 60, 61, 62, 63, 64, and 66; and agree to the same.

Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

## **TITLE I—REDUCTION AND SIMPLIFICATION OF INDIVIDUAL INCOME TAXES**

- Sec. 101. Change in tax rates and tax tables to reflect permanent increase in standard deduction.*
- Sec. 102. Change in definition of taxable income to reflect change in tax rates and tables.*
- Sec. 103. Extension of individual income tax reductions.*
- Sec. 104. Change in filing requirements.*
- Sec. 105. Withholding tax.*
- Sec. 106. Effective dates.*

## **TITLE II—REDUCTION IN BUSINESS TAXES**

- Sec. 201. Extension of certain corporate income tax reductions.*
- Sec. 202. New jobs credit.*

## **TITLE III—PROVISIONS RELATING TO EFFECTIVE DATES AND OTHER PROVISIONS OF THE TAX REFORM ACT OF 1976**

- Sec. 301. Effective date of changes in the exclusion for sick pay.*
- Sec. 302. Changes in treatment of income earned abroad by United States citizens living or residing abroad.*
- Sec. 303. Underpayments of estimated tax.*
- Sec. 304. Underwithholding.*
- Sec. 305. Interest on underpayments of tax.*
- Sec. 306. Use of residence as day care facility.*
- Sec. 307. State legislators' travel expenses away from home.*
- Sec. 308. Treatment of intangible drilling costs for purposes of the minimum tax.*
- Sec. 309. Transfers of partial interests in property for conservation purposes.*

## **TITLE IV—MISCELLANEOUS PROVISIONS**

- Sec. 401. Authorization of additional appropriations for the work incentive program.*
- Sec. 402. Rapid amortization of child care facilities.*
- Sec. 403. Election of former retirement income credit provisions for 1976.*
- Sec. 404. Postponement of effective date of changes made by the Tax Reform Act of 1976 in the method of accounting for certain corporations engaged in farming.*
- Sec. 405. Withholding tax on certain gambling winnings.*
- Sec. 406. Termination of 1975 special payments to certain individuals.*
- Sec. 407. Payments to the governments of American Samoa, Guam, and the Virgin Islands.*
- Sec. 408. Withholding of county income tax on Federal employees.*

## **TITLE V—CERTAIN SOCIAL SECURITY ACT AMENDMENTS**

- Sec. 501. Clarification of garnishment provisions.*
- Sec. 502. Bonding of certain State or local employees; handling of cash receipts.*
- Sec. 503. Incentive payments to States and localities.*
- Sec. 504. Annual report of the Secretary.*
- Sec. 505. Certain AFDC payments.*

And the Senate agree to the same.

Amendment numbered 4:

That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

**SECTION 1. TAX IMPOSED.**

"(a) **MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.**—There is hereby imposed on the taxable income of—

"(1) every married individual (as defined in section 143) who makes a single return jointly with his spouse under section 6013, and

"(2) every surviving spouse (as defined in section 2(a)), a tax determined in accordance with the following table:

<b>If the taxable income is:</b>	<b>The tax is:</b>
Not over \$3,200.....	No tax.
Over \$3,200 but not over \$4,200.....	14% of the excess over \$3,200.
Over \$4,200 but not over \$5,200.....	\$140, plus 16% of excess over \$4,200.
Over \$5,200 but not over \$6,200.....	\$290, plus 16% of excess over \$5,200.
Over \$6,200 but not over \$7,200.....	\$450, plus 17% of excess over \$6,200.
Over \$7,200 but not over \$11,200.....	\$620, plus 19% of excess over \$7,200.
Over \$11,200 but not over \$15,200.....	\$1,380, plus 22% of excess over \$11,200.
Over \$15,200 but not over \$19,200.....	\$2,260, plus 25% of excess over \$15,200.
Over \$19,200 but not over \$23,200.....	\$3,260, plus 28% of excess over \$19,200.
Over \$23,200 but not over \$27,200.....	\$4,380, plus 32% of excess over \$23,200.
Over \$27,200 but not over \$31,200.....	\$5,660, plus 36% of excess over \$27,200.
Over \$31,200 but not over \$35,200.....	\$7,100, plus 39% of excess over \$31,200.
Over \$35,200 but not over \$39,200.....	\$8,660, plus 42% of excess over \$35,200.
Over \$39,200 but not over \$43,200.....	\$10,340, plus 45% of excess over \$39,200.
Over \$43,200 but not over \$47,200.....	\$12,140, plus 48% of excess over \$43,200.
Over \$47,200 but not over \$55,200.....	\$14,060, plus 50% of excess over \$47,200.
Over \$55,200 but not over \$67,200.....	\$18,060, plus 53% of excess over \$55,200.
Over \$67,200 but not over \$79,200.....	\$24,420, plus 55% of excess over \$67,200.
Over \$79,200 but not over \$91,200.....	\$31,020, plus 58% of excess over \$79,200.
Over \$91,200 but not over \$103,200.....	\$37,980, plus 60% of excess over \$91,200.
Over \$103,200 but not over \$123,200.....	\$45,180, plus 62% of excess over \$103,200.
Over \$123,200 but not over \$143,200.....	\$57,580, plus 64% of excess over \$123,200.
Over \$143,200 but not over \$163,200.....	\$70,380, plus 66% of excess over \$143,200.
Over \$163,200 but not over \$183,200.....	\$83,580, plus 68% of excess over \$163,200.
Over \$183,200 but not over \$203,200.....	\$97,180, plus 69% of excess over \$183,200.
Over \$203,200.....	\$110,980, plus 70% of excess over \$203,200.

"(b) **HEADS OF HOUSEHOLDS.**—There is hereby imposed on the taxable income of every individual who is the head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

<b>If the taxable income is:</b>	<b>The tax is:</b>
Not over \$2,000.....	No tax.
Over \$2,000 but not over \$3,000.....	14% of the excess over \$2,000.
Over \$3,000 but not over \$4,000.....	\$140, plus 16% of excess over \$3,000.
Over \$4,000 but not over \$6,000.....	\$300, plus 18% of excess over \$4,000.
Over \$6,000 but not over \$8,000.....	\$660, plus 19% of excess over \$6,000.
Over \$8,000 but not over \$10,000.....	\$1,040, plus 22% of excess over \$8,000.
Over \$10,000 but not over \$12,000.....	\$1,480, plus 23% of excess over \$10,000.
Over \$12,000 but not over \$14,000.....	\$1,940, plus 25% of excess over \$12,000.
Over \$14,000 but not over \$16,000.....	\$2,440, plus 27% of excess over \$14,000.
Over \$16,000 but not over \$18,000.....	\$2,980, plus 28% of excess over \$16,000.
Over \$18,000 but not over \$20,000.....	\$3,540, plus 31% of excess over \$18,000.
Over \$20,000 but not over \$22,000.....	\$4,160, plus 32% of excess over \$20,000.
Over \$22,000 but not over \$24,000.....	\$4,800, plus 35% of excess over \$22,000.
Over \$24,000 but not over \$26,000.....	\$5,500, plus 36% of excess over \$24,000.
Over \$26,000 but not over \$28,000.....	\$6,220, plus 38% of excess over \$26,000.
Over \$28,000 but not over \$30,000.....	\$6,980, plus 41% of excess over \$28,000.
Over \$30,000 but not over \$34,000.....	\$7,800, plus 42% of excess over \$30,000.
Over \$34,000 but not over \$38,000.....	\$9,480, plus 45% of excess over \$34,000.
Over \$38,000 but not over \$40,000.....	\$11,220, plus 48% of excess over \$38,000.
Over \$40,000 but not over \$42,000.....	\$12,240, plus 51% of excess over \$40,000.
Over \$42,000 but not over \$46,000.....	\$13,260, plus 52% of excess over \$42,000.
Over \$46,000 but not over \$52,000.....	\$15,340, plus 55% of excess over \$46,000.
Over \$52,000 but not over \$54,000.....	\$18,640, plus 56% of excess over \$52,000.
Over \$54,000 but not over \$66,000.....	\$19,760, plus 58% of excess over \$54,000.
Over \$66,000 but not over \$72,000.....	\$26,720, plus 59% of excess over \$66,000.
Over \$72,000 but not over \$78,000.....	\$30,260, plus 61% of excess over \$72,000.
Over \$78,000 but not over \$82,000.....	\$33,920, plus 62% of excess over \$78,000.
Over \$82,000 but not over \$90,000.....	\$36,400, plus 63% of excess over \$82,000.
Over \$90,000 but not over \$102,000.....	\$41,440, plus 64% of excess over \$90,000.
Over \$102,000 but not over \$122,000.....	\$49,120, plus 66% of excess over \$102,000.
Over \$122,000 but not over \$142,000.....	\$62,320, plus 67% of excess over \$122,000.
Over \$142,000 but not over \$162,000.....	\$75,720, plus 68% of excess over \$142,000.

"(b) **HEADS OF HOUSEHOLDS.**—There is hereby imposed on the taxable income of every individual who is the head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

If the taxable income is:	The tax is:
Over \$162,200 but not over \$182,200.....	\$82,220, plus 69% of excess over \$162,200.
Over \$182,200.....	\$103,120, plus 70% of excess over \$182,200.

"(c) **UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS).**—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 143) a tax determined in accordance with the following table:

If the taxable income is:	The tax is:
Not over \$2,200.....	No tax.
Over \$2,200 but not over \$2,700.....	14% of the excess over \$2,200.
Over \$2,700 but not over \$3,200.....	\$70, plus 15% of excess over \$2,700.
Over \$3,200 but not over \$3,700.....	\$145, plus 16% of excess over \$3,200.
Over \$3,700 but not over \$4,200.....	\$225, plus 17% of excess over \$3,700.
Over \$4,200 but not over \$6,200.....	\$310, plus 18% of excess over \$4,200.
Over \$6,200 but not over \$8,200.....	\$690, plus 21% of excess over \$6,200.
Over \$8,200 but not over \$10,200.....	\$1,110, plus 24% of excess over \$8,200.
Over \$10,200 but not over \$12,200.....	\$1,520, plus 26% of excess over \$10,200.
Over \$12,200 but not over \$14,200.....	\$2,020, plus 27% of excess over \$12,200.
Over \$14,200 but not over \$16,200.....	\$2,650, plus 29% of excess over \$14,200.
Over \$16,200 but not over \$18,200.....	\$3,210, plus 31% of excess over \$16,200.
Over \$18,200 but not over \$20,200.....	\$3,820, plus 34% of excess over \$18,200.
Over \$20,200 but not over \$22,200.....	\$4,510, plus 36% of excess over \$20,200.
Over \$22,200 but not over \$24,200.....	\$5,250, plus 38% of excess over \$22,200.
Over \$24,200 but not over \$26,200.....	\$6,020, plus 40% of excess over \$24,200.
Over \$26,200 but not over \$28,200.....	\$7,520, plus 45% of excess over \$26,200.
Over \$28,200 but not over \$30,200.....	\$10,220, plus 50% of excess over \$28,200.
Over \$30,200 but not over \$32,200.....	\$13,220, plus 55% of excess over \$30,200.
Over \$32,200 but not over \$34,200.....	\$16,520, plus 60% of excess over \$32,200.
Over \$34,200 but not over \$36,200.....	\$20,120, plus 62% of excess over \$34,200.
Over \$36,200 but not over \$38,200.....	\$24,320, plus 64% of excess over \$36,200.
Over \$38,200 but not over \$40,200.....	\$28,720, plus 66% of excess over \$38,200.
Over \$40,200 but not over \$42,200.....	\$33,520, plus 68% of excess over \$40,200.
Over \$42,200 but not over \$44,200.....	\$38,120, plus 69% of excess over \$42,200.
Over \$44,200.....	\$53,020, plus 70% of excess over \$44,200.

"(d) **MARRIED INDIVIDUALS FILING SEPARATE RETURNS.**—There is hereby imposed on the taxable income of every married individual (as defined in section 143) who does not make a single return jointly with his spouse under section 6013 a tax determined in accordance with the following table:

<i>"If the taxable income is:</i>	<i>The tax is:</i>
Not over \$1,600.....	No tax.
Over \$1,600 but not over \$2,100.....	14% of the excess over \$1,600.
Over \$2,100 but not over \$2,600.....	\$70, plus 16% of excess over \$2,100.
Over \$2,600 but not over \$3,100.....	\$145, plus 16% of excess over \$2,600.
Over \$3,100 but not over \$3,600.....	\$225, plus 17% of excess over \$3,100.
Over \$3,600 but not over \$5,600.....	\$310, plus 19% of excess over \$3,600.
Over \$5,600 but not over \$7,600.....	\$690, plus 22% of excess over \$5,600.
Over \$7,600 but not over \$9,600.....	\$1,150, plus 25% of excess over \$7,600.
Over \$9,600 but not over \$11,600.....	\$1,650, plus 28% of excess over \$9,600.
Over \$11,600 but not over \$13,600.....	\$2,190, plus 32% of excess over \$11,600.
Over \$13,600 but not over \$15,600.....	\$2,850, plus 36% of excess over \$13,600.
Over \$15,600 but not over \$17,600.....	\$3,550, plus 39% of excess over \$15,600.
Over \$17,600 but not over \$19,600.....	\$4,350, plus 42% of excess over \$17,600.
Over \$19,600 but not over \$21,600.....	\$5,170, plus 45% of excess over \$19,600.
Over \$21,600 but not over \$23,600.....	\$6,070, plus 48% of excess over \$21,600.
Over \$23,600 but not over \$27,600.....	\$7,050, plus 50% of excess over \$23,600.
Over \$27,600 but not over \$33,600.....	\$9,090, plus 53% of excess over \$27,600.
Over \$33,600 but not over \$39,600.....	\$12,210, plus 55% of excess over \$33,600.
Over \$39,600 but not over \$45,600.....	\$16,510, plus 58% of excess over \$39,600.
Over \$45,600 but not over \$51,600.....	\$21,990, plus 60% of excess over \$45,600.
Over \$51,600 but not over \$61,600.....	\$28,590, plus 62% of excess over \$51,600.
Over \$61,600 but not over \$71,600.....	\$38,790, plus 64% of excess over \$61,600.
Over \$71,600 but not over \$81,600.....	\$51,190, plus 66% of excess over \$71,600.
Over \$81,600 but not over \$91,600.....	\$64,790, plus 68% of excess over \$81,600.
Over \$91,600 but not over \$101,600.....	\$85,590, plus 69% of excess over \$91,600.
Over \$101,600.....	\$115,490, plus 70% of excess over \$101,600.

And the Senate agree to the same.

Amendment numbered 5:

That the House recede from its disagreement to the amendment of the Senate numbered 5, and agree to the same with the following amendments:

Strike out the matter proposed to be stricken by the Senate amendment; insert the matter proposed to be inserted by the Senate amend-

ment; and on page 29, after line 17, of the House engrossed bill, insert the following:

*(4) The first sentence of subsection (b) of section 48 is amended by striking out "by this chapter" and inserting in lieu thereof the following: "by section 1, or the amount of the tax imposed in lieu of the tax imposed by section 1,"*

And the Senate agree to the same.

Amendment numbered 20:

That the House recede from its disagreement to the amendment of the Senate numbered 20, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

*"(3) CERTAIN INDIVIDUALS TREATED AS ELECTING TO ITEMIZE.—An individual who has an unused zero bracket amount (as determined under subsection (e)(2)) shall be treated as having made an election under this subsection for the taxable year.*

And the Senate agree to the same.

Amendment numbered 23:

That the House recede from its disagreement to the amendment of the Senate numbered 23, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following: *For purposes of subsection (c)—*

*"(A) the deduction provided by the preceding sentence shall be in lieu of any itemized deductions of the taxpayer, and*

*"(B) such sentence shall not apply to an individual who elects to itemize deductions."*

And the Senate agree to the same.

Amendment numbered 38:

That the House recede from its disagreement to the amendment of the Senate numbered 38, and agree to the same with an amendment as follows:

In lieu of inserting the matter proposed to be inserted by the Senate amendment, on page 47 of the House engrossed bill strike out lines 12 and 13 and insert:

*"(iv) an individual who has income (other than earned income) of \$760 or more and who is described in section 63(e)(1)(D); or*

And the Senate agree to the same.

Amendment numbered 58.

That the House recede from its disagreement to the amendment of the Senate numbered 58, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

**SEC. 202. NEW JOBS CREDIT.**

*(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowable) is amended by inserting after section 44A the following new section:*

**"SEC. 44B. CREDIT FOR EMPLOYMENT OF CERTAIN NEW EMPLOYEES.**

**"(a) GENERAL RULE.**—There shall be allowed as a credit against the tax imposed by this chapter the amount determined under subpart D of this part.

**"(b) REGULATIONS.**—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section and subpart D."

**(b) RULES FOR COMPUTING CREDIT.**—Part IV of subchapter A of chapter 1 (relating to credits against tax) is amended by adding at the end thereof the following new subpart:

**"Subpart D—Rules for Computing Credit for Employment of Certain New Employees**

**"Sec. 51. Amount of credit.**

**"Sec. 52. Special rules.**

**"Sec. 53. Limitation based on amount of tax.**

**"SEC. 51. AMOUNT OF CREDIT.**

**"(a) DETERMINATION OF AMOUNT.**—The amount of the credit allowable by section 44B shall be—

**"(1)** for a taxable year beginning in 1977, an amount equal to 50 percent of the excess of the aggregate unemployment insurance wages paid during 1977 over 102 percent of the aggregate unemployment insurance wages paid during 1976, and

**"(2)** for a taxable year beginning in 1978, an amount equal to 50 percent of the excess of the aggregate unemployment insurance wages paid during 1978 over 102 percent of the aggregate unemployment insurance wages paid during 1977.

**"(b) MINIMUM PRECEDING YEAR WAGES.**—For purposes of determining the amount of the credit under subsection (a) with respect to 1977 or 1978, 102 percent of the amount of the aggregate unemployment insurance wages paid during the preceding calendar year shall be deemed to be not less than 50 percent of the amount of such wages paid during 1977 or 1978, as the case may be.

**"(c) TOTAL WAGES MUST INCREASE.**—The amount of the credit allowable by section 44B for any taxable year shall not exceed the amount which would be determined for such year under subsection (a) (without regard to subsection (b)) if—

**"(1)** the aggregate amounts taken into account as unemployment insurance wages were determined without any dollar limitation, and

**"(2)** '105 percent' were substituted for '102 percent' in the appropriate paragraph of subsection (a).

**"(d) \$100,000 PER YEAR LIMITATION ON CREDIT.**—Except as provided in subsection (e), the amount of the credit determined under this subpart for any employer (and the amount of the credit allowable by section 44B to any taxpayer) with respect to any calendar year shall not exceed \$100,000.

**"(e) ADDITIONAL 10 PERCENT CREDIT FOR VOCATIONAL REHABILITATION REFERRALS.**—

**"(1) IN GENERAL.**—The amount of the credit allowable by section 44B for any taxable year beginning in 1977 or 1978 (determined without regard to this subsection) shall be increased by an amount equal to 10 percent of the unemployment insurance wages paid by the employer to vocational rehabilitation referrals during the calendar year in which such taxable year begins.

"(2) ONLY FIRST YEAR TAKEN INTO ACCOUNT.—For purposes of this subsection, unemployment insurance wages may be taken into account with respect to any individual—

"(A) only to the extent attributable to services rendered during the 1-year period beginning with his first payment of wages by the employer after the beginning of such individual's rehabilitation plan, and

"(B) only if such first payment occurs after December 31, 1976.

"(3) ONLY FIRST \$4,200 OF WAGES TAKEN INTO ACCOUNT FOR ANY INDIVIDUAL.—For purposes of this subsection, the unemployment insurance wages paid during 1978 which are taken into account with respect to any individual shall not exceed \$4,200 reduced by the amount of unemployment insurance wages paid by the employer to such individual during 1977.

"(4) 20-PERCENT LIMITATION.—The amount of the credit allowable by reason of this subsection for any taxable year shall not exceed one-fifth of the credit determined for such year under this section without regard to this subsection and subsection (d).

"(f) DEFINITIONS.—For purposes of this subpart—

"(1) UNEMPLOYMENT INSURANCE WAGES.—Except as otherwise provided in this subpart, the term 'unemployment insurance wages' has the meaning given to the term 'wages' by section 3306(b), except that, in the case of amounts paid during 1978, '\$4,200' shall be substituted for '\$6,000' each place it appears in section 3306(b).

"(2) AGRICULTURAL LABOR.—If the services performed by any employee for an employer during more than one-half of any pay period (within the meaning of section 3306(d)) taken into account with respect to any calendar year constitute agricultural labor (within the meaning of section 3306(k)), the term 'unemployment insurance wages' means, with respect to the remuneration paid by the employer to such employee for such year, an amount equal to so much of such remuneration as constitutes 'wages' within the meaning of section 3121(a), except that the contribution and benefit base for each calendar year shall be deemed to be \$4,200.

"(3) RAILWAY LABOR.—If more than one-half of the remuneration paid by an employer to an employee during the calendar year is remuneration for service described in section 3306(c)(9), the term 'unemployment insurance wages' means, with respect to such employee for such year, an amount equal to  $\frac{1}{2}$  of so much of the remuneration paid to such employee during such year as is subject to contributions under section 8(a) of the Railroad Unemployment Insurance Act (45 U.S.C. 358(a)).

"(4) VOCATIONAL REHABILITATION REFERRAL.—The term 'vocational rehabilitation referral' means any individual who—

"(A) has a physical or mental disability which, for such individual, constitutes or results in a substantial handicap to employment, and

"(B) has been referred to the employer upon completion of (or while receiving) rehabilitative services pursuant to—

"(i) an individualized written rehabilitation plan under a State plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973, or

"(ii) a program of vocational rehabilitation carried out under chapter 31 of title 38, United States Code.

**"(g) RULES FOR APPLICATION OF SECTION.**—For purposes of this subpart—

**"(1) REMUNERATION MUST BE FOR TRADE OR BUSINESS EMPLOYMENT WITHIN UNITED STATES.**—Remuneration paid by an employer to an employee during any calendar year shall be taken into account only if more than one-half of the remuneration so paid is for services performed in the United States in a trade or business of the employer.

**"(2) SPECIAL RULE FOR CERTAIN DETERMINATIONS.**—Any determination as to whether paragraph (1) of this subsection, or paragraph (2) or (3) of subsection (f), applies with respect to any employee for any calendar year shall be made without regard to subsections (a) and (b) of section 52.

**"SEC. 52. SPECIAL RULES.**

**"(a) CONTROLLED GROUP OF CORPORATIONS.**—For purposes of this subpart, all employees of all corporations which are members of the same controlled group of corporations shall be treated as employed by a single employer. In any such case, the credit (if any) allowable by section 44B to each such member shall be its proportionate contribution to the increase in unemployment insurance wages giving rise to such credit. For purposes of this subsection, the term 'controlled group of corporations' has the meaning given to such term by section 1563(a), except that—

**"(1)** 'more than 50 percent' shall be substituted for 'at least 80 percent' each place it appears in section 1563(a)(1), and

**"(2)** the determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of section 1563.

**"(b) EMPLOYEES OF PARTNERSHIPS, PROPRIETORSHIPS, ETC., WHICH ARE UNDER COMMON CONTROL.**—For purposes of this subpart, under regulations prescribed by the Secretary—

**"(1)** all employees of trades or business (whether or not incorporated) which are under common control shall be treated as employed by a single employer, and

**"(2)** the credit (if any) allowable by section 44B with respect to each trade or business shall be its proportionate contribution to the increase in unemployment insurance wages giving rise to such credit.

The regulations prescribed under this subsection shall be based on principles similar to the principles which apply in the case of subsection (a).

**"(c) ADJUSTMENTS FOR CERTAIN ACQUISITIONS, ETC.**—Under regulations prescribed by the Secretary—

**"(1) ACQUISITIONS.**—If, after December 31, 1975, an employer acquires the major portion of a trade or business of another person (hereinafter in this paragraph referred to as the 'predecessor') or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this subpart for any calendar year ending after such acquisition, the amount of unemployment insurance wages deemed paid by the employer during periods before such acquisition shall be increased by so much of such wages paid by the predecessor with respect to the acquired trade or business as is attributable to the portion of such trade or business acquired by the employer.

**"(2) DISPOSITIONS.**—If, after December 31, 1975—

**"(A)** an employer disposes of the major portion of any trade or business of the employer or the major portion of a separate unit of a trade or business of the employer in a transaction to which paragraph (1) applies, and

“(B) the employer furnishes the acquiring person such information as is necessary for the application of paragraph (1), then, for purposes of applying this subpart for any calendar year ending after such disposition, the amount of unemployment insurance wages deemed paid by the employer during periods before such disposition shall be decreased by so much of such wages as is attributable to such trade or business or separate unit.

“(d) **TAX-EXEMPT ORGANIZATIONS.**—No credit shall be allowed under section 44B to any organization (other than a cooperative described in section 521) which is exempt from income tax under this chapter.

“(e) **CHANGE IN STATUS FROM SELF-EMPLOYED TO EMPLOYEE.**—If—

“(1) during 1976 or 1977 an individual has net earnings from self-employment (as defined in section 1402(a)) which are attributable to a trade or business, and

“(2) for any portion of the succeeding calendar year such individual is an employee of such trade or business, then, for purposes of determining the credit allowable for a taxable year beginning in such succeeding calendar year, the employer's aggregate unemployment insurance wages for 1976 or 1977, as the case may be, shall be increased by an amount equal to so much of the net earnings referred to in paragraph (1) as does not exceed \$4,200.

“(f) **SUBCHAPTER S CORPORATIONS.**—In the case of an electing small business corporation (as defined in section 1371)—

“(1) the amount of the credit determined under this subpart for any taxable year shall be apportioned pro rata among the persons who are shareholders of such corporation on the last day of such taxable year, and

“(2) any person to whom an amount is apportioned under paragraph (1) shall be allowed, subject to section 53, a credit under section 44B for such amount.

“(g) **ESTATES AND TRUSTS.**—In the case of an estate or trust—

“(1) the amount of the credit determined under this subpart for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each,

“(2) any beneficiary to whom any amount has been apportioned under paragraph (1) shall be allowed, subject to section 53, a credit under section 44B for such amount, and

“(3) the \$100,000 amount specified in section 51(d) applicable to such estate or trust shall be reduced to an amount which bears the same ratio to \$100,000 as the portion of the credit allocable to the estate or trust under paragraph (1) bears to the entire amount of such credit.

“(h) **LIMITATIONS WITH RESPECT TO CERTAIN PERSONS.**—Under regulations prescribed by the Secretary, in the case of—

“(1) an organization to which section 593 (relating to reserves for losses on loans) applies,

“(2) a regulated investment company or a real estate investment trust subject to taxation under subchapter M (section 851 and following), and

“(3) a cooperative organization described in section 1381(a), rules similar to the rules provided in section 46(e) shall apply in determining the amount of the credit under this subpart.

"(i) **\$50,000 LIMITATION IN THE CASE OF MARRIED INDIVIDUALS FILING SEPARATE RETURNS.**—In the case of a husband or wife who files a separate return, the limitation under section 51(d) shall be \$50,000 in lieu of \$100,000. This subsection shall not apply if the spouse of the taxpayer has no interest in a trade or business for the taxable year of such spouse which ends within or with the taxpayer's taxable year.

"(j) **CERTAIN SHORT TAXABLE YEARS.**—If the employer has more than one taxable year beginning in 1977 or 1978, the credit under this subpart shall be determined for the employer's last taxable year beginning in 1977 or 1978, as the case may be.

**"SEC. 53. LIMITATION BASED ON AMOUNT OF TAX.**

"(a) **GENERAL RULE.**—Notwithstanding section 51, the amount of the credit allowed by section 44B for the taxable year shall not exceed the amount of the tax imposed by this chapter for the taxable year, reduced by the sum of the credits allowable under—

"(1) section 33 (relating to foreign tax credit),

"(2) section 37 (relating to credit for the elderly),

"(3) section 38 (relating to investment in certain depreciable property),

"(4) section 40 (relating to expenses of work incentive programs),

"(5) section 41 (relating to contributions to candidates for public office),

"(6) section 42 (relating to general tax credit), and

"(7) section 44A (relating to expenses for household and dependent care services necessary for gainful employment).

For purposes of this subsection, any tax imposed for the taxable year by section 56 (relating to minimum tax for tax preferences), section 72(m)(5)(B) (relating to 10 percent tax on premature distributions to owner-employees), section 408(f) (relating to additional tax on income from certain retirement accounts), section 402(e) (relating to tax on lump-sum distributions), section 531 (relating to accumulated earnings tax), section 541 (relating to personal holding company tax), or section 1378 (relating to tax on certain capital gains of subchapter S corporations), and any additional tax imposed for the taxable year by section 1351(d)(1) (relating to recoveries of foreign expropriation losses), shall not be considered tax imposed by this chapter for such year.

"(b) **SPECIAL RULE FOR PASS-THRU OF CREDIT.**—In the case of a partner in a partnership, a beneficiary of an estate or trust, and a shareholder in a subchapter S corporation, the limitation provided by subsection (a) for the taxable year shall not exceed a limitation separately computed with respect to such person's interest in such entity by taking an amount which bears the same relationship to such limitation as—

"(1) that portion of the person's taxable income which is allocable or apportionable to the person's interest in such entity, bears to

"(2) the person's taxable income for such year reduced by his zero bracket amount (determined under section 63(d)), if any.

"(c) **CARRYBACK AND CARRYOVER OF UNUSED CREDIT.**—

"(1) **ALLOWANCE OF CREDIT.**—If the amount of the credit determined under section 51 for any taxable year exceeds the limitation provided by subsection (a) for such taxable year (hereinafter in this subsection referred to as the 'unused credit year'), such excess shall be—

"(A) a new employee credit carryback to each of the 3 taxable years preceding the unused credit year, and

“(B) a new employee credit carryover to each of the 7 taxable years following the unused credit year, and shall be added to the amount allowable as a credit by section 44B for such years. If any portion of such excess is a carryback to a taxable year beginning before January 1, 1977, section 44B shall be deemed to have been in effect for such taxable year for purposes of allowing such carryback as a credit under such section. The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the 10 taxable years to which (by reason of subparagraphs (A) and (B)) such credit may be carried, and then to each of the other 9 taxable years to the extent that, because of the limitation contained in paragraph (2), such unused credit may not be added for a prior taxable year to which such unused credit may be carried.

“(2) *LIMITATION*.—The amount of the unused credit which may be added under paragraph (1) for any preceding or succeeding taxable year shall not exceed the amount by which the limitation provided by subsection (a) for such taxable year exceeds the sum of—

“(A) the credit allowable under section 44B for such taxable year, and

“(B) the amounts which, by reason of this subsection, are added to the amount allowable for such taxable year and which are attributable to taxable years preceding the unused credit year.”

(c) *DEDUCTION FOR WAGES PAID REDUCED BY AMOUNT OF CREDIT*.—

(1) *IN GENERAL*.—Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding at the end thereof the following new section:

**“SEC. 280C. PORTION OF WAGES FOR WHICH CREDIT IS CLAIMED UNDER SECTION 44B.**

“No deduction shall be allowed for that portion of the wages or salaries paid or incurred for the taxable year which is equal to the amount of the credit allowable for the taxable year under section 44B (relating to credit for employment of certain new employees) determined without regard to the provisions of section 58 (relating to limitation based on amount of tax). In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 52(a)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 52(b)), this section shall be applied under rules prescribed by the Secretary similar to the rules applicable under subsections (a) and (b) of section 52.”

(2) *CLERICAL AMENDMENT*.—The table of sections for such part is amended by adding at the end thereof the following new item.

“Sec. 280C. Portion of wages for which credit is claimed under section 44B.”

(d) *TECHNICAL AND CONFORMING AMENDMENTS*.—

(1) *CLERICAL AMENDMENTS*.—

(A) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 44A the following new item:

“Sec. 44B. Credit for employment of certain new employees.”

(B) The table of subparts for part IV of subchapter A of chapter 1 is amended by adding at the end thereof the following new item:

*"Subpart D. Rules for computing credit for employment of certain new employees."*

**(2) MINIMUM TAX.—**

(A) Section 56(c) (defining regular tax deduction) is amended by striking out "and" at the end of paragraph (7), by striking out the period at the end of paragraph (8) and inserting in lieu thereof ", and", and by adding at the end thereof the following new paragraph:

"(9) section 44B (relating to credit for employment of certain new employees)."

(B) Subparagraph (A) of section 56(c)(1) (relating to tax carryover for timber) is amended—

(i) by striking out "and" at the end of clause (ii),

(ii) by striking out "exceed" at the end of clause (iii) and inserting in lieu thereof "and", and

(iii) by inserting after clause (iii) the following new clause:

"(iv) section 44B (relating to credit for employment of certain new employees), exceed".

**(3) CORPORATE REORGANIZATIONS.—**

(A) Subsection (c) of section 381 (relating to items of the distributor or transferor corporation) is amended by adding at the end thereof the following new paragraph:

"(26) CREDIT UNDER SECTION 44B FOR EMPLOYMENT OF CERTAIN NEW EMPLOYEES.—The acquiring corporation shall take into account (to the extent proper to carry out the purposes of this section and section 44B, and under such regulations as may be prescribed by the Secretary) the items required to be taken into account for purposes of section 44B in respect of the distributor or transferor corporation."

(B) Section 383 (relating to special limitations on unused investment credits, work incentive program credits, foreign taxes, and capital losses), as in effect for taxable years beginning after June 30, 1978, is amended—

(i) by inserting "to any unused new employee credit of the corporation under section 53(c)," after "section 50A(b),"; and

(ii) by striking out "WORK INCENTIVE PROGRAM CREDITS," in the section heading and inserting in lieu thereof "WORK INCENTIVE PROGRAM CREDITS, NEW EMPLOYEE CREDITS,".

(C) Section 383 (as in effect on the day before the date of the enactment of the Tax Reform Act of 1976) is amended—

(i) by inserting "to any unused new employee credit of the corporation which could otherwise be carried forward under section 53(c)," after "section 50A(b),"; and

(ii) by striking out "WORK INCENTIVE PROGRAM CREDITS," in the section heading and inserting in lieu thereof "WORK INCENTIVE PROGRAM CREDITS, NEW EMPLOYEE CREDITS,".

(D) The table of sections for part V of subchapter C of chapter 1 is amended by striking out "work incentive program

credits," in the item relating to section 383 and inserting in lieu thereof "work incentive program credits, new employee credits,".

**(4) STATUTES OF LIMITATION AND INTEREST RELATING TO NEW EMPLOYEE CREDIT CARRYBACK.—**

**(A) ASSESSMENT AND COLLECTION.—**Section 6501 (relating to limitations on assessment and collection) is amended by adding at the end thereof the following new subsection:

**"(p) NEW EMPLOYEE CREDIT CARRYBACKS.—**In the case of a deficiency attributable to the application to the taxpayer of a new employee credit carryback (including deficiencies which may be assessed pursuant to the provisions of section 6213(b)(3)), such deficiency may be assessed at any time before the expiration of the period within which a deficiency for the taxable year of the unused new employee credit which results in such carryback may be assessed, or, with respect to any portion of a new employee credit carryback from a taxable year attributable to a net operating loss carryback, an investment credit carryback, a work incentive program credit carryback, or a capital loss carryback from a subsequent taxable year, at any time before the expiration of the period within which a deficiency for such subsequent taxable year may be assessed."

**(B) CREDIT OR REFUND.—**Section 6511(d) (relating to limitations on credit or refund) is amended by adding at the end thereof the following new paragraph:

**"(9) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO NEW EMPLOYEE CREDIT CARRYBACKS.—**

**"(A) PERIOD OF LIMITATIONS.—**If the claim for credit or refund relates to an overpayment attributable to a new employee credit carryback, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be that period which ends with the expiration of the 15th day of the 40th month (or 39th month, in the case of a corporation) following the end of the taxable year of the unused new employee credit which results in such carryback (or, with respect to any portion of a new employee credit carryback from a taxable year attributable to a net operating loss carryback, an investment credit carryback, a work incentive program credit carryback, or a capital loss carryback from a subsequent taxable year, the period shall be that period which ends with the expiration of the 15th day of the 40th month, or 39th month, in the case of a corporation, following the end of such taxable year) or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later. In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b)(2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to such carryback.

**"(B) APPLICABLE RULES.—**If the allowance of a credit or refund of an overpayment of tax attributable to a new employee credit carryback is otherwise prevented by the operation of any law or rule of law other than section 7122, relating to compromises, such credit or refund may be allowed or made, if claim therefor is filed within the period provided in subpara-

graph (A) of this paragraph. In the case of any such claim for credit or refund, the determination by any court, including the Tax Court, in any proceeding in which the decision of the court has become final shall not be conclusive with respect to the new employee credit, and the effect of such credit, to the extent that such credit is affected by a carryback which was not in issue in such proceeding."

(C) **INTEREST ON UNDERPAYMENTS.**—Section 6601(d) (relating to income tax reduced by carryback or adjustment for certain unused deductions) is amended by adding at the end thereof the following new paragraph:

"(5) **NEW EMPLOYEE CREDIT CARRYBACK.**—If the credit allowed by section 44B for any taxable year is increased by reason of a new employee credit carryback, such increase shall not affect the computation of interest under this section for the period ending with the last day of the taxable year in which the new employee credit carryback arises, or, with respect to any portion of a new employee credit carryback from a taxable year attributable to a net operating loss carryback, an investment credit carryback, a work incentive program credit carryback, or a capital loss carryback from a subsequent taxable year, such increase shall not affect the computation of interest under this section for the period ending with the last day of such subsequent taxable year."

(D) **INTEREST ON OVERPAYMENTS.**—Section 6611(f) (relating to refund of income tax caused by carryback or adjustment for certain unused deductions) is amended by adding at the end thereof the following new paragraph:

"(5) **NEW EMPLOYEE CREDIT CARRYBACK.**—For purposes of subsection (a), if any overpayment of tax imposed by subtitle A results from a new employee credit carryback, such overpayment shall be deemed not to have been made before the close of the taxable year in which such new employee credit carryback arises, or, with respect to any portion of a new employee credit carryback from a taxable year attributable to a net operating loss carryback, an investment credit carryback, a work incentive program credit carryback, or a capital loss carryback from a subsequent taxable year, such overpayment shall be deemed not to have been made before the close of such subsequent taxable year."

(5) **TENTATIVE CARRYBACK ADJUSTMENTS.**—

(A) **APPLICATION FOR ADJUSTMENT.**—Section 6411 (relating to quick refunds in respect of tentative carryback adjustments) is amended—

(i) by striking out "or unused work incentive program credit" each place it appears in such section and inserting in lieu thereof "unused work incentive program credit, or unused new employee credit";

(ii) by inserting after "section 50A(b)," in the first sentence of subsection (a) "by a new employee credit carryback provided in section 53(c),"

(iii) by striking out "or a work incentive program carryback from" in the second sentence of subsection (a) and

inserting in lieu thereof “, a work incentive program carryback, or a new employee credit carryback from”, and  
 (w) by striking out “investment credit carryback)” in the second sentence of subsection (a) and inserting in lieu thereof “investment credit carryback, or, in the case of a new employee credit carryback, to an investment credit carryback or a work incentive program carryback)”.

(B) **TENTATIVE CARRYBACK ADJUSTMENT ASSESSMENT PERIOD.**—Section 6501(m) (relating to tentative carryback adjustment assessment period) is amended—

(i) by striking out “or a work incentive program carryback” and inserting in lieu thereof “a work incentive program carryback, or a new employee credit carryback”, and

(ii) by striking out “(j), or (o)” each place it appears and inserting in lieu thereof “(j), (o), or (p)”.

(6) **DESIGNATION OF INCOME TAX PAYMENT.**—Section 6096(b) (relating to designation of income tax payments to Presidential Election Campaign Fund) is amended by striking out “and 44A” and inserting in lieu thereof “44A, and 44B”.

(e) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1976, and to credit carrybacks from such years.

And the Senate agree to the same.

Amendment numbered 65:

That the House recede from its disagreement to the amendment of the Senate numbered 65, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

**SEC. 306. USE OF RESIDENCE AS DAY CARE FACILITY.**

(a) **IN GENERAL.**—Subsection (c) of section 280A (relating to exceptions for certain business or rental use; limitation on deductions for such use) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

“(4) **USE IN PROVIDING DAY CARE SERVICES.**—

“(A) **IN GENERAL.**—Subsection (a) shall not apply to any item to the extent that such item is allocable to the use of any portion of the dwelling unit on a regular basis in the taxpayer’s trade or business of providing day care for children, for individuals who have attained age 65, or for individuals who are physically or mentally incapable of caring for themselves.

“(B) **LICENSING, ETC., REQUIREMENT.**—Subparagraph (A) shall apply to items accruing for a period only if the owner or operator of the trade or business referred to in subparagraph (A)—

“(i) has applied for (and such application has not been rejected),

“(ii) has been granted (and such granting has not been revoked), or

“(iii) is exempt from having, a license, certification, registration, or approval as a day care center or as a family or group day care home under the provisions of any applicable State law. This subparagraph shall apply only to items accruing in periods beginning on or after the first day of the first month which begins more than 90 days after the date of the enactment of the Tax Reduction and Simplification Act of 1977.

“(C) ALLOCATION FORMULA.—If a portion of the taxpayer's dwelling unit used for the purposes described in subparagraph (A) is not used exclusively for those purposes, the amount of the expenses attributable to that portion shall not exceed an amount which bears the same ratio to the total amount of the items allocable to such portion as the number of hours the portion is used for such purposes bears to the number of hours the portion is available for use.”

(b) CONFORMING AMENDMENT.—Paragraph (5) of section 280A(c) of such Code (as redesignated by subsection (a)) is amended by striking out “paragraph (1) or (2)” and inserting in lieu thereof “paragraph (1), (2), or (4)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1975.

And the Senate agree to the same.

Amendment numbered 67:

That the House recede from its disagreement to the amendment of the Senate numbered 67, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

**SEC. 308. TREATMENT OF INTANGIBLE DRILLING COSTS FOR PURPOSES OF THE MINIMUM TAX.**

(a) IN GENERAL.—Paragraph (11) of section 57(a) (relating to minimum tax) is amended to read as follows:

“(11) INTANGIBLE DRILLING COSTS.—

“(A) IN GENERAL.—With respect to all oil and gas properties of the taxpayer, the amount (if any) by which the amount of the excess intangible drilling costs arising in the taxable year is greater than the amount of the net income of the taxpayer from oil and gas properties for the taxable year.

“(B) EXCESS INTANGIBLE DRILLING COSTS.—For purposes of subparagraph (A), the amount of the excess intangible drilling costs arising in the taxable year is the excess of—

“(i) the intangible drilling and development costs described in section 263(c) paid or incurred in connection with oil and gas wells (other than costs incurred in drilling a nonproductive well) allowable under this chapter for the taxable year, over

“(ii) the amount which would have been allowable for the taxable year if such costs had been capitalized and straight line recovery of intangibles (as defined in subsection (d)) had been used with respect to such costs.

“(C) **NET INCOME FROM OIL AND GAS PROPERTIES.**—For purposes of subparagraph (A), the amount of the net income of the taxpayer from oil and gas properties for the taxable year is the excess of—

“(i) the aggregate amount of gross income (within the meaning of section 613(a)) from all oil and gas properties of the taxpayer received or accrued by the taxpayer during the taxable year, over

“(ii) the amount of any deductions allocable to such properties reduced by the excess described in subparagraph (B) for such taxable year.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1976, and before January 1, 1978.

And the Senate agree to the same.

Amendment numbered 68:

That the House recede from its disagreement to the amendment of the Senate numbered 68, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

**SEC. 309. TRANSFERS OF PARTIAL INTERESTS IN PROPERTY FOR CONSERVATION PURPOSES.**

(a) **IN GENERAL.**—Clause (iii) of section 170(f)(3)(B) (relating to exceptions from denial of deduction in case of certain contributions of partial interests in property) is amended to read as follows:

“(iii) a lease on, option to purchase, or easement with respect to real property granted in perpetuity to an organization described in subsection (b)(1)(A) exclusively for conservation purposes, or”.

(b) **EFFECTIVE DATES.**—

(1) The amendment made by subsection (a) shall apply with respect to contributions or transfers made after June 13, 1977, and before June 14, 1981.

(2) Paragraph (4) of section 2124(e) of the Tax Reform Act of 1976 is amended by striking out “June 14, 1977” and inserting in lieu thereof “June 14, 1981”.

And the Senate agree to the same.

Amendment numbered 71:

That the House recede from its disagreement to the amendment of the Senate numbered 71, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

## **TITLE IV—MISCELLANEOUS PROVISIONS**

And the Senate agree to the same.

Amendment numbered 72:

That the House recede from its disagreement to the amendment of the Senate numbered 72, and agree to the same with an amendment as follows:

On page 53, line 7, of the Senate engrossed amendments, strike out "SEC. 501" and insert the following: **SEC. 401**

And the Senate agree to the same.

Amendment numbered 73:

That the House recede from its disagreement to the amendment of the Senate numbered 73, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

### **SEC. 402. RAPID AMORTIZATION OF CHILD CARE FACILITIES.**

(a) **RAPID AMORTIZATION OF CHILD CARE FACILITIES.**—

(1) Subsection (c) of section 188 (relating to application of section 188) is amended by striking out "January 1, 1977" and inserting in lieu thereof "January 1, 1982".

(2) Subsection (b) of section 188 (relating to definition of section 188 property) is amended by striking out "as a facility for on-the-job training of employees (or prospective employees) of the taxpayer, or".

(3) The caption of section 188 is amended by striking out "ON-THE-JOB TRAINING AND".

(4) The table of sections for part VI of subchapter B of chapter 1 is amended by striking out the item relating to section 188 and inserting in lieu thereof the following new item:

"Sec. 188. Amortization of certain expenditures for child care facilities."

(5) The caption of paragraph (10) of section 57(a) (relating to items of tax preference) is amended by striking out "ON-THE-JOB TRAINING AND".

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply with respect to expenditures made after December 31, 1976.

And the Senate agree to the same.

Amendment numbered 74:

That the House recede from its disagreement to the amendment of the Senate numbered 74, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

### **SEC. 403. ELECTION OF FORMER RETIREMENT INCOME CREDIT PROVISIONS FOR 1976.**

A taxpayer may elect (at such time and in such manner as the Secretary of the Treasury or his delegate shall prescribe) to determine the amount of his credit under section 37 of the Internal Revenue Code of 1954 for his first taxable year beginning in 1976 under the provisions of such section as they existed before the amendment made by section 503 of the Tax Reform Act of 1976.

And the Senate agree to the same.

Amendment numbered 76:

That the House recede from its disagreement to the amendment of the Senate numbered 76, and agree to the same with an amendment as follows:

On page 57, line 16, of the Senate engrossed amendments, strike out "SEC. 505" and insert the following: *SEC. 404*

And the Senate agree to the same.

Amendment numbered 78:

That the House recede from its disagreement to the amendment of the Senate numbered 78, and agree to the same with an amendment as follows:

On page 62, line 22, of the Senate engrossed amendments, strike out "SEC. 507" and insert the following: *SEC. 405*

And the Senate agree to the same.

Amendment numbered 80:

That the House recede from its disagreement to the amendment of the Senate numbered 80, and agree to the same with an amendment as follows:

On page 64, line 18, of the Senate engrossed amendments, strike out "SEC. 509" and insert the following: *SEC. 406*

And the Senate agree to the same.

Amendment numbered 81:

That the House recede from its disagreement to the amendment of the Senate numbered 81, and agree to the same with an amendment as follows:

On page 65, line 2, of the Senate engrossed amendments, strike out "SEC. 510" and insert the following: *SEC. 407*

And the Senate agree to the same.

Amendment numbered 82:

That the House recede from its disagreement to the amendment of the Senate numbered 82, and agree to the same with an amendment as follows:

On page 65, line 21, of the Senate engrossed amendments, strike out "SEC. 511" and insert the following: *SEC. 408*

And the Senate agree to the same.

Amendment numbered 84:

That the House recede from its disagreement to the amendment of the Senate numbered 84, and agree to the same with amendments as follows:

On page 67, line 14, of the Senate engrossed amendments, strike out "TITLE VI" and insert the following: *TITLE V*

On page 67, line 16 of the Senate engrossed amendments, strike out "SEC. 601" and insert the following: *SEC. 501*

On page 71, line 24, of the Senate engrossed amendments, insert after "brought," the following: *and*

On page 72, line 3, of the Senate engrossed amendments, strike out "that".

On page 72, line 10, of the Senate engrossed amendments, strike out "Government, or" and insert the following: *Government,*

On page 75 of the Senate engrossed amendments, beginning in line 3, strike out “, when used in the context of section 459,”.

On page 76, line 5, of the Senate engrossed amendments, strike out “benefits (as defined” and insert the following: *benefits (including a periodic benefit as defined*

On page 77 of the Senate engrossed amendments, strike out the period at the end of line 23 and insert a comma.

On page 78, line 3, of the Senate engrossed amendments, strike out “and” and insert the following: *or*

On page 79, line 1, of the Senate engrossed amendments, strike out “disposal” and insert the following: *disposable*

On page 79, line 23, of the Senate engrossed amendments, insert after “and” the following: *which*

On page 80, line 9, of the Senate engrossed amendments, strike out “SEC. 602” and insert the following: *SEC. 502*

On page 81, line 11, of the Senate engrossed amendments, strike out “SEC. 603” and insert the following: *SEC. 503*

On page 82, line 1, of the Senate engrossed amendments, strike out “SEC. 604” and insert the following: *SEC. 504*

On page 82 of the Senate engrossed amendments, strike out lines 19 through 22 and insert the following:

*“(C) the number of child support cases in each State during each quarter of the fiscal year last ending before the report is submitted and during each quarter of the preceding fiscal year (including the transitional period beginning July 1, 1976, and ending September 30, 1976, in the case of the first report to which this subparagraph applies), and the disposition of such cases;*

On page 83, line 15, of the Senate engrossed amendments, strike out “(26)(B)(ii); and” and insert the following: *(26)(B)(ii);*

On page 84, line 22, of the Senate engrossed amendments, strike out “SEC. 605” and insert the following: *SEC. 505*

On page 85, line 12, of the Senate engrossed amendments, before the period insert the following: *of such Act*

And the Senate agree to the same.

Amendment numbered 85:

That the amendment of the Senate numbered 85 is reported in disagreement.

That the House recede from its disagreement to the amendment of the Senate to the title, and agree to the same.

AL ULLMAN,  
JAMES A. BURKE,  
DAN ROSTENKOWSKI,  
CHARLES VANIK,  
OMAR BURLESON,  
BARBER B. CONABLE, Jr.,  
JOHN J. DUNCAN,  
*Managers on the Part of the House.*

RUSSELL LONG,  
HERMAN TALMADGE,  
ABRAHAM RIBICOFF,  
HARRY F. BYRD, Jr.,  
LLOYD BENTSEN,  
FLOYD K. HASKELL,  
*Managers on the Part of the Senate.*

## JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two houses on the amendments of the Senate to the bill (H.R. 3477) to amend the Internal Revenue Code of 1954 to provide for a refund of 1976 individual income taxes and other payments, to reduce individual and business income taxes, to provide tax simplification and reform, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action (other than action of a merely technical, clerical, or conforming nature) agreed upon by the managers and recommended in the accompanying conference report:

### REFUND OF 1976 INDIVIDUAL INCOME TAXES

(Senate amendment numbered 1A)

*House bill.*—The House bill provides a refund of 1976 individual income taxes equal to \$50 for each taxpayer and dependent, phased out between income levels of \$25,000 and \$30,000. The refund is limited to tax liability, except in the case of recipients of the earned income credit and certain others who would be eligible for that credit but for the income phaseout of that credit.

*Senate amendment.*—The Senate amendment deletes the House provision.

*Conference agreement.*—The conference agreement omits this provision of the House bill.

### SPECIAL PAYMENTS

(Senate amendment numbered 1A)

*House bill.*—The House bill provides \$50 payments to recipients of benefits under social security, supplemental security income (SSI), railroad retirement, black lung programs, State-supplemented SSI, aid to families with dependent children (AFDC), and Veterans' Administration pensions and compensation. It prohibits double payments to beneficiaries of more than one of these programs and payments to beneficiaries of the programs other than AFDC who also receive a tax refund.

*Senate amendment.*—The Senate amendment deletes the House provision.

*Conference agreement.*—The conference agreement omits this provision of the House bill.

## STANDARD DEDUCTION AND CHANGES IN TAX RATES, TAX TABLES AND TAXABLE INCOME

(Senate amendments numbered 4, 5, 12, 15, 16, 17, 18, and 24)

*House bill.*—Under present law, the standard deduction is 16 per cent of adjusted gross income with a minimum of \$1,700 for single returns and \$2,100 for joint returns, and a maximum of \$2,400 for single returns and \$2,800 for joint returns. The House bill increases the present standard deduction to a flat amount of \$2,400 for single persons and \$3,000 for joint returns and simplifies the tax return forms. It adopts a tax table based on tax table income and the number of exemptions and builds the general tax credit, the standard deduction and the personal exemption into the table. For people who do not itemize their deductions, "tax table" income equals adjusted gross income, as currently defined. Itemizers must subtract itemized deductions in excess of the new standard deduction to obtain "tax table" income. Conforming changes are made to the Code references to taxable income. The bill also changes the tax rates to apply above a "zero bracket amount" equal to the new standard deduction amount. The \$35 per capita tax credit is made available for the extra age and blindness exemptions, and married individuals filing separately are limited to the \$35 per capita credit. These changes apply to taxable years beginning after December 31, 1976.

*Senate amendment.*—Senate amendments numbered 12, 16, 18, and 24 set the standard deduction at \$2,200 for single persons and \$3,200 for joint returns (\$1,600 for married individuals filing separate returns). Senate amendments numbered 15 and 17 extend the \$3,200 standard deduction for joint returns to heads of households. (Under present law, heads of households have the same standard deduction as single taxpayers.) Senate amendment numbered 5 changes the general tax credit to apply only against the section 1 tax (and other taxes in lieu of section 1 taxes), rather than against all the taxes imposed by Chapter 1 of the Internal Revenue Code. Senate amendment numbered 4 substitutes tax rate tables to reflect the Senate amendments.<sup>1</sup> The effective date is the same as the House bill.

*Conference agreement.*—The conference agreement is the same as the Senate amendment except that the joint return standard deduction is not extended to heads of households and conforming changes are made. The effective date is the same as in the House bill and the Senate amendment.

## EXTENSION OF INDIVIDUAL TAX REDUCTIONS

(Senate amendments numbered 30 and 31)

*House bill.*—The House bill extends the general tax credit and the earned income credit through 1978. Under present law, the general tax credit equals the greater of \$35 per taxpayer and dependent or 2

<sup>1</sup> Technical Amendment numbered 20, relating to changes in the new tax tables, treats dependents with an unused zero bracket amount equal to their earned income (among others) as having elected to itemize deductions. In cases where these individuals have earned income in excess of their itemized deductions, it is intended that the amount of the excess earned income be treated as if it were an itemized deduction.

percent of the first \$9,000 of taxable income. The earned income credit equals 10 percent of the first \$4,000 of earned income and is phased out as income rises from \$4,000 to \$8,000. It is available only to people who maintain a household for a child who is either under 19, a student or an adult disabled dependent. The earned income credit (but not the general tax credit) may exceed tax liability. In addition to extending the general tax credit and the earned income credit through 1978, the House bill authorizes an appropriation for refunds of the earned income credit in excess of tax liability. It also modifies the definition of "maintaining a household" so that AFDC payments would be disregarded in determining whether a person provides enough support for the household to qualify for the earned income credit.

*Senate amendment.*—The Senate amendments retain the basic extension of the tax cuts. Senate amendment numbered 30 deletes the authorization for refunds of the earned income credit in excess of tax liability because the refunds now do not require such authorization. Senate amendment numbered 31 deletes the provision in the House bill modifying the definition of "maintaining a household" for purposes of determining eligibility for the earned income credit.

*Conference agreement.*—The conference agreement follows the Senate amendments.

## FILING REQUIREMENTS

(Senate amendments numbered 34, 35, 36, 37 and 38)

*House bill.*—The House bill increases the income level for filing tax returns to \$3,150 for a single person and a head of household and to \$4,500 for a joint return. The changes apply to taxable years beginning after December 31, 1976.

*Senate amendment.*—Senate amendment numbered 34 changes the filing requirement to \$2,950 for a single person. Amendments 35 and 36 make the requirement \$3,950 for a head of household. Amendment 37 makes the requirement \$4,700 for a joint return. Senate amendment numbered 38 establishes that individuals with unearned income who are claimed as dependents on other individuals' tax returns (and who thus have an unused zero bracket amount) are subject to the special, stricter filing requirements only if their unearned income exceeds \$750, because only in that case can they possibly have any tax liability at income levels below the normal filing requirements. The effective date is the same as the House bill.

*Conference agreement.*—The conference agreement sets the filing requirement at \$2,950 for single persons and heads of households and \$4,700 for joint returns. These increased levels in the filing requirements conform to the increases in the standard deduction. The effective date is the same as the House bill and the Senate amendment.

## WITHHOLDING CHANGES

(Senate amendments numbered 41, 42, 43, and 44)

*House bill.*—The House bill requires the Secretary of the Treasury to modify the withholding rates after April 30, 1977, to reflect the

changes in the "standard deduction" and to modify them further after December 31, 1978, to reflect the expiration of the general tax credit.

*Senate amendment.*—The Senate amendment is the same as the House bill except that amendment numbered 44 permits heads of households to claim an additional exemption to reflect most of the higher "standard deduction" and amendment numbered 41 makes the first withholding changes apply after May 31, 1977.

*Conference agreement.*—The conference agreement is the same as the Senate amendment except that the additional exemption for heads of households is not provided.

## EXTENSION OF CORPORATE TAX REDUCTIONS

(Senate amendments numbered 56 and 57)

*House bill.*—The House bill extends through 1978 the tax reductions for small business enacted in 1975 and subsequently extended through 1977. These tax cuts reduce the tax rate on the initial \$25,000 of corporate taxable income from 22 percent to 20 percent and reduce the rate on the next \$25,000 of corporate taxable income from 48 percent to 22 percent.

*Senate amendment.*—Senate amendments numbered 56 and 57 are clerical amendments to the House provision.

*Conference agreement.*—The conference agreement follows the House bill as modified by the clerical Senate amendments.

## NEW JOBS TAX CREDIT

(Senate amendment numbered 58)

*House bill.*—The House bill provides a new jobs tax credit. The maximum credit for each net new employee hired by an employer in 1977 or 1978 is \$1,680 (40 percent of the first \$4,200 of wages paid to net new employees).

The credit generally is based on FUTA (Federal Unemployment Tax Act) wages (the first \$4,200 of an employee's wages) paid by an employer during the year in excess of 103 percent of FUTA wages paid during the preceding year. Wages on which the credit is based are limited to total wages paid during the year in excess of 103 percent of total wages paid during the previous year.

The bill provides that any employer dismissing an employee in order to secure the credit loses an amount of credit equal to twice the amount that otherwise would have been gained by the dismissal.

For any year, the credit for a taxpayer or employer is limited to \$40,000.

The bill allows an additional 10-percent credit for increased employment of handicapped workers who receive vocational rehabilitation training over the number employed in the previous year. The \$40,000 limit does not apply to the additional credit for the handicapped.

*Senate amendment.*—The Senate amendment increases the investment credit by 2 percent (to 12 percent plus the extra 1½ percent ESOP credit) through 1980. For 1977 and 1978, the additional credit is allowed only if the new jobs tax credit is not elected.

The Senate amendment provides a jobs credit which is the same as the House bill, except that the maximum credit for each net new employee is \$2,100 (50 percent of the first \$4,200 of wages paid to net

new employees). In addition, the deduction for wages must be reduced by the amount of the credit claimed.

Further, the total wage limitation requires an increase over 105 percent of total wages paid during the previous year. The dismissal provision in the House bill is deleted. The 103-percent FUTA wage limitation and the 105-percent total wage limitation are each reduced to 101 percent for a year for States with unemployment rates of 7½ percent or more for the previous year.

The amendment raises the \$40,000 limitation on the amount of the credit that any employer or taxpayer may receive under the House bill to \$100,000.

An additional 10-percent nonincremental credit is provided for all new employees hired (without regard to the number employed in the previous year) in the following categories: (1) handicapped individuals (including handicapped veterans) who have received vocational rehabilitation, (2) Vietnam-era veterans under age 27 and certain disabled veterans, and (3) low-income persons who are unemployed 15 or more weeks or who are AFDC recipients. The special 10-percent credit is limited to one-fifth of the 50-percent credit which would have been allowed before applying the \$100,000 limitation.

To limit the credit available to a new or rapidly expanding business, the Senate amendment provides that wages on which the credit is based are limited to 50 percent of FUTA wages for the year. The Senate amendment does not provide a penalty for dismissing employees.

*Conference agreement.*—The conference agreement omits the elective 2-percent increase in the investment credit and adopts the new jobs tax credit contained in the Senate amendment with the following changes: (1) the 103-percent FUTA limitation is reduced to 102 percent, (2) the special FUTA and total wage 101-percent limitations for high unemployment States are eliminated, and (3) the additional 10-percent credit is limited to handicapped individuals (including handicapped veterans) who have received vocational rehabilitation.

Under the conference agreement, the 105-percent total wage limitation is applied independently of the rule for new and rapidly expanding businesses. For example, even though the new business rule limits the amount taken into account as an increase in FUTA wages for the year, the new business rule would not limit the amount taken into account as an increase in total wages paid during the year. Also, under the conference agreement, for 1978 the credit for a handicapped individual (including a handicapped veteran) is computed, subject to the one-fifth limitation, on the basis of the FUTA wages paid during 1978, reduced by FUTA wages paid to that individual during 1977.

## SICK PAY

(Senate amendment numbered 60)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment generally postpones for one year the effective date of the revisions in the tax treatment of sick pay made by the Tax Reform Act of 1976. The amendment makes the changes applicable to taxable years beginning after December 31, 1976. However, taxpayers preferring the revisions made by the Tax

Reform Act of 1976, may elect to file their 1976 returns under the new law.

*Conference agreement.*—The conference agreement follows the Senate amendment.

## EXCLUSION OF INCOME EARNED ABROAD

(Senate amendment numbered 61)

*House bill.*—No provision.

*Senate amendment.*—Senate amendment numbered 61 postpones until taxable years beginning after December 31, 1976, the effective date for the changes made by the Tax Reform Act of 1976 (sec. 1011) with respect to the section 911 earned income exclusion and with respect to the foreign tax credit for taxpayers electing the standard deduction. For taxable years beginning after December 31, 1975, the 1976 Act modified the section 911 earned income exclusion by (1) reducing the limit to \$15,000 (\$20,000 for charitable employees) from \$20,000 (\$25,000 if resident overseas for more than 3 years), (2) taking the excluded income from the lowest rate brackets (additional income is taxed at the rates which would apply if the excluded income were also taxed), (3) disallowing the foreign tax credit for taxes attributable to the excluded amount, and (4) denying the exclusion for income received outside the country in which earned in order to avoid tax in that country. The 1976 Act also repealed, effective for taxable years beginning after 1975, the provision in prior law which prohibited taxpayers electing the standard deduction from also claiming the foreign tax credit.

*Conference agreement.*—The conference agreement is the same as the Senate amendment.

## RELIEF FROM INTEREST, ADDITIONS TO TAX, AND PENALTIES FOR UNDERWITHHOLDING OR UNDERPAYMENT ATTRIBUTABLE TO APPLICATION TO 1976 OF PROVISIONS OF THE TAX REFORM ACT OF 1976

(Senate amendments numbered 62, 63 and 64)

*House bill.*—No provision.

*Senate amendment.*—Senate amendment numbered 62 relieves individual taxpayers for periods prior to April 16, 1977, and corporations for periods prior to March 16, 1977, from additions to tax for underpayments of estimated tax attributable to changes in the law made applicable to 1976 by the Tax Reform Act of 1976. For the same periods, Senate amendment numbered 64 relieves individuals and corporations from interest charged against underpayments after the last date for filing returns and paying tax if the interest is attributable to the 1976 Act changes. Senate amendment numbered 63 relieves employers of liability for failures to withhold on income paid before January 1, 1977, which was made taxable by the 1976 Act.

*Conference agreement.*—The conference agreement follows the Senate amendments.

## BUSINESS USE OF RESIDENCE FOR DAY CARE SERVICES

(Senate amendment numbered 65)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment provides that for taxable years beginning after December 31, 1975, the exclusive use requirement for deducting business expenses attributable to the business use of a personal residence is not to apply in the case of a residence used to provide day care services to children, handicapped individuals, and the elderly. The deductible business expenses are to be limited to the excess of the gross income from providing day care services over the allocable portion of property taxes, mortgage interest, etc., which are deductible in any event. The expenses allocable to the business activity are to be determined on the basis of the space used to furnish the day care services and on the basis of the time that space is used to provide the services as compared to the total time that space is available for all uses.

*Conference agreement.*—The conference agreement is in substance the same as the Senate amendment except that, after the first day of the first month beginning more than 90 days after enactment, the exception to the exclusive use test will apply only if the day care services comply with any applicable State licensing, certification, or approval requirement. (The licensing requirement is identical to the requirement provided under H.R. 3340, which was passed by the House on April 18, 1977.)

## STATE LEGISLATORS' TRAVEL EXPENSES

(Senate amendment numbered 66)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment extends to 1976 the election to treat a State legislator's place of residence within the legislative district he represents as his tax home. If an election is made, the legislator is treated as having expended for living expenses an amount equal to the daily per diem allowed U.S. Government employees multiplied by the number of days the State legislature was in session or the legislator was formally recorded at a committee meeting when the legislature was not in session.

*Conference agreement.*—The conference agreement is the same as the Senate amendment.

## MINIMUM TAX ON INTANGIBLE DRILLING COSTS

(Senate amendment numbered 67)

*House bill.*—No provision.

*Senate amendment.*—Senate amendment numbered 67 reduces an individual's minimum tax preference for intangible drilling costs provided under the Tax Reform Act of 1976 by the amount of his net income from oil and gas properties. This amendment is effective for taxable years beginning after December 31, 1976.

*Conference agreement.*—The conference agreement follows the Senate amendment, effective, however, only for taxable years which begin in 1977.

The conference agreement restates the Senate amendment to clarify and simplify the computation of the preference. Under the conference agreement, the preference is to be computed by reducing the amount of intangible drilling costs paid or incurred during the taxable year, first, by the amount of those costs (i.e., the costs paid or incurred in that taxable year) which could have been deducted in that year had those costs been capitalized and amortized and, second, by the taxpayer's net income from all oil and gas properties. Income from oil and gas properties is to be determined in accordance with the rules for determining gross income from oil and gas properties for purposes of percentage depletion (sec. 613(a) of the Code, without regard to the limitations under sec. 613A). Net income is gross income from oil and gas properties reduced by the amount of deductions properly allocable thereto (including percentage depletion).<sup>3</sup>

## CHARITABLE CONTRIBUTIONS OF CONSERVATION EASEMENTS

(Senate amendment numbered 68)

*House bill.*—No provision.

*Senate amendment.*—Senate amendment numbered 68 extends through June 13, 1981, the period during which deductions are allowable for charitable contributions of remainder interests in real property and perpetual or permanent leases on, options to purchase, or easements with respect to real property. Under provisions added by the Tax Reform Act of 1976, deductions are allowable for contributions to public charities and governmental units exclusively for conservation purposes of leases on, options to purchase, or easements of with respect to real property of at least 30 years' duration, and remainder interests in real property, only if contributed before June 14, 1977.

*Conference agreement.*—The conference agreement generally follows the Senate amendment. It extends through June 13, 1981, the period during which deductions are allowable for charitable contributions of remainder interests in real property. It also extends through June 13, 1981, the period during which deductions are allowable for charitable contributions exclusively for conservation purposes of leases on, options to purchase, and easements with respect to real property, but only if the lease, option, or easement is perpetual. However, the conference agreement does not allow a deduction for contributions for conservation purposes after June 13, 1977, of leases, options, and easements which are not perpetual.

While it is intended that the term "conservation purposes" be liberally construed with regard to the types of property with respect to which deductible conservation easements or remainder interests may be granted, it is also intended that contributions of perpetual easements and remainder interests qualify for the deduction only in situations where the conservation purposes of protecting or preserving the property will in practice be carried out. Thus, it is intended that a

<sup>3</sup> The provision in the Senate amendment requiring that net income be reduced by the amount of taxes allocable to that income is omitted because, except in an extremely unusual case, no chapter one tax is allocable to income from oil and gas properties for individuals whose intangible deductions exceed net income before tax.

contribution of a conservation easement or remainder interest qualify for a deduction only if the holding of the easement (or, in the case of a remainder interest, the property) is related to the purpose or function constituting the donee's purpose for exemption (organizations such as nature conservancies, environmental, and historic trusts, State and local governments, etc.) and the donee is able to enforce its rights as holder of the easement or remainder interest and protect the conservation purposes which the contribution is intended to advance. The requirement that the contribution be exclusively for conservation purposes is also intended to limit deductible contributions to those transfers which require that the donee hold the easement (or, in the case of a remainder interest, the property) exclusively for conservation purposes (i.e., that they not be transferable by the donee in exchange for money, other property, or services).

### **STUDIES OF IMPACT OF BILL BY GOVERNMENT AGENCIES**

**(Senate amendments numbered 69 and 70)**

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment directs four government agencies—the Treasury Department, the Council of Economic Advisers, the Federal Reserve Board and the Congressional Budget Office—to study the economic effects of the principal tax changes in the bill and submit periodic reports to Congress.

*Conference agreement.*—The conference agreement omits the Senate amendment.

### **INCREASED AUTHORIZATION FOR WORK INCENTIVE (WIN) PROGRAM**

**(Senate amendment numbered 72)**

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment authorizes an appropriation of an additional \$435 million in each of fiscal years 1978 and 1979 for employment and supportive services for welfare recipients, with no requirement for State matching funds.

*Conference agreement.*—The conference agreement is the same as the Senate amendment.

### **FIVE-YEAR AMORTIZATION FOR CHILD CARE FACILITIES**

**(Senate amendment numbered 73)**

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment extends for 5 years, from January 1, 1977, through December 31, 1981, the provisions of section 188 which allow an employer to elect to amortize capital expenditures for child care facilities over a five-year period instead of using other depreciation methods. This provision expired at the end of 1976.

*Conference agreement.*—The conference agreement is the same as the Senate amendment.

## RETIREMENT INCOME CREDIT ELECTION

(Senate amendment numbered 74)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment allows taxpayers to file amended returns in order to elect to claim the retirement income credit for their first taxable year beginning in 1976 either under the revised provision enacted in the Tax Reform Act of 1976 or under prior law. If a married couple files a joint return, both spouses must make the same election under this provision. The Tax Reform Act of 1976 generally increased and simplified the 15-percent retirement income credit for taxable years beginning after December 31, 1975, for taxpayers age 65 and over. The maximum amount of the credit base was increased from \$1,524 to \$2,500 for single persons and from \$2,286 to \$3,750 for married persons. These maximums are reduced by certain exempt income. The credit is phased out by \$1 for every \$2 of adjusted gross income in excess of \$7,500 for a single person and \$10,000 for a joint return. (The AGI phaseout does not apply to public retirees under age 65.)

*Conference agreement.*—The conference agreement follows the Senate amendment.

## TAX CREDIT FOR PROVIDING HOME FOR AGED DEPENDENTS

(Senate amendment numbered 75)

*House bill.*—No provision.

*Senate amendment.*—Senate amendment numbered 75 provides a nonrefundable \$250 income tax credit each year for individual taxpayers who maintain a household which includes one or more dependents 65 years of age or older. This amendment is effective for taxable years beginning after December 31, 1976.

*Conference agreement.*—The conference agreement deletes the Senate amendment.

## ACCRUAL ACCOUNTING FOR FARM CORPORATIONS

(Senate amendment numbered 76)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment postpones until taxable years beginning after December 31, 1977, the effective date for requiring accrual accounting by any farm corporation if either (a) two families own at least 65 percent of the stock, or (b) three families own at least 50 percent of the stock and substantially all (for example, 90 percent) of the remaining stock is owned by employees, their families, or exempt retirement trusts established for the benefit of the employees. The Tax Reform Act of 1976 had required certain corporations engaged in farming to use the accrual method of accounting and to capitalize preproductive period expenses for taxable years beginning after December 31, 1976.

*Conference agreement.*—The conference agreement follows the Senate amendment.

## TAX LIENS ON RESIDENCES

(Senate amendment numbered 77)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment repeals the requirement added under the Tax Reform Act of 1976 that a notice of a tax lien is not treated as filed unless the filing is recorded in a public index at the appropriate district office of the Internal Revenue Service. However, a filed Federal tax lien on a residence (containing not more than 4 dwelling units) would be discharged against an individual purchaser if the lien was not properly recorded at the appropriate office where the notice of lien is filed when the individual purchased the property. Administrative and judicial remedies would be provided to obtain a discharge of an unrecorded tax lien against a purchased residence. A suit would have to be started within 6 years after the notice of lien is filed.

The provision would apply generally to any lien imposed under the 1954 Code. The 6-year statute of limitations on discharge suits would not apply to suits started before December 31, 1977.

*Conference agreement.*—The conference agreement omits the Senate amendment.

## WITHHOLDING ON CERTAIN GAMBLING WINNINGS

(Senate amendment numbered 78)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment modifies the requirement for withholding on gambling winnings to provide that withholding is required on proceeds of more than \$1,000 from wagers placed in parimutuel pools involving horses, dogs or jai alai, but only if the amount of the proceeds is at least 300 times as large as the amount wagered. The provision applies to payments made after April 30, 1977.

*Conference agreement.*—The conference agreement is the same as the Senate amendment.

In addition, the conferees understand that there has been some question as to the interpretation of section 3402(q)(3)(B), which requires withholding on proceeds of more than \$5,000 from wagers placed in State-conducted lotteries. The conferees intend that this provision be interpreted to include State-conducted lotteries in which the amount of the proceeds is determined by a parimutuel system. The conferees understand that the Treasury Department and the Internal Revenue Service agree with this interpretation.

## CANADIAN TAX IMPACT ON UNITED STATES BROADCASTERS

(Senate amendment numbered 79)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment expresses the sense of the Senate that in view of the special relationship between the United States and Canada, the President should discuss with the Canadian Government the impact of recent Canadian Tax Code

provisions on the United States broadcasting industry in order to adjust differences.

*Conference agreement.*—The conference agreement omits the Senate amendment.

## TERMINATION OF 1975 PAYMENTS TO SOCIAL SECURITY RECIPIENTS

(Senate amendment numbered 80)

*House bill.*—No provision.

*Senate amendment.*—The Tax Reduction Act of 1975 included a \$50 payment to social security, SSI and railroad retirement recipients. In certain cases, these payments are still being made. The Senate amendment terminates the 1975 payments, effective on the date of enactment.

*Conference agreement.*—The conference agreement follows the Senate amendment.

## PAYMENTS TO GOVERNMENTS OF VIRGIN ISLANDS, AMERICAN SAMOA AND GUAM

(Senate amendment numbered 81)

*House bill.*—The House bill authorizes an appropriation for a payment to the governments of the Virgin Islands, Guam and American Samoa to compensate them for the reduction in their tax receipts for 1976 and 1977 resulting from the refund of 1976 taxes, the increase in the standard deduction and the modifications of the general tax credit in the House bill. (These possessions experience an automatic tax reduction whenever the United States enacts a tax cut.)

*Senate amendment.*—Senate amendment numbered 1A deletes the payment in the House bill, but Senate amendment numbered 81 authorizes a similar payment to these governments for 1977 which applies only to the reduction in tax receipts for 1977 because of the changes in the standard deduction and the modification of the general tax credit.

*Conference agreement.*—The conference agreement follows the Senate amendments.

## WITHHOLDING OF COUNTY INCOME OR EMPLOYMENT TAXES FROM FEDERAL EMPLOYEES

(Senate amendment numbered 82)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment requires that the Federal Government withhold county income or employment taxes from Federal employees if (1) the compensation is earned in the county, (2) the Federal employees regularly work in the county and live in the State, (3) 500 or more Federal employees are regularly employed in the county, and (4) the county requests such withholding.

The Secretary of the Treasury must enter a withholding agreement within 120 days of the request by a county.

*Conference agreement.*—The conference agreement is the same as the Senate amendment.

## INVESTMENT ANNUITIES

(Senate amendment numbered 83)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment postpones the effective date of Internal Revenue Service Revenue Ruling 77-85 (relating to investment annuity contracts) from March 9, 1977, to March 9, 1978.

*Conference agreement.*—The conference agreement omits the Senate amendment.

## CERTAIN SOCIAL SECURITY ACT AMENDMENTS

(Senate amendment numbered 84)

*House bill.*—No provision.

*Senate amendment.*—The first section of the amendment clarifies the law which provides for the garnishment of Federal payment for purposes of child support and alimony. This section: (1) specifically authorizes the issuance of regulations by the three branches of Government charged with administering the garnishment law; (2) specifically includes the District of Columbia under the garnishment provisions; (3) provides specific conditions and procedures to be followed under the garnishment provisions relating to service of legal processes; (4) defines the terms used in the garnishment provisions; and (5) sets a limit of 50 percent on the amount of wages subject to garnishment for child support and alimony for a person supporting a second family and 60 percent for a person who is not (plus an additional 5 percent in each situation if there are outstanding arrearages under 12 weeks old).

The second section of the amendment: (1) requires bonding of all State and local employees, or employees of contractors used by agencies, who handle the collection of child support payments, and (2) provides that persons handling cash be separate from those in the accounting function.

The third section of the amendment sets at 15 percent the proportion of child support payments retained by the State in which the recipient family lives which will be paid as an incentive to the political subdivision within the State, or to another State, which makes the collections.

The fourth section of the amendment relates to the annual report on the child support program which must be submitted to the Congress by the Secretary of Health, Education and Welfare. The section: (1) lists the specific kinds of information to be included in the annual report; (2) requires that an annual report be submitted to the Congress within 3 months of the end of each fiscal year; and (3) requires a special supplemental report on fiscal year 1976 and the transitional quarter by June 30, 1977.

The fifth section: validates a letter of exception by the Department of Health, Education, and Welfare to Georgia dated January 22, 1976, permitting that State until the end of calendar year 1976 to work out a problem of interpretation concerning the treatment of child support collections for purposes of reimbursement.

*Conference agreement.*—The conference agreement follows the Senate amendment.

## EXTENSION OF COUNTERCYCLICAL REVENUE SHARING

(Senate amendment numbered 85)

*House bill.*—No provision.

*Senate amendment.*—The Senate amendment extends and makes some minor technical revisions in the current countercyclical revenue sharing legislation which expires September 30, 1977. The ceiling on the aggregate authorization under current law occurred in April 1977 with a distribution of \$60 million to eligible State and local governments. Accordingly, no more payments can be made under current law. Under the Senate amendment, up to \$1 billion in additional funding is authorized for fiscal year 1977, and up to \$2.25 billion is authorized for fiscal year 1978. The aggregate amount to be provided is amended to depend on tenths of unemployment percentages rather than half percentage points. Currently, each half percentage point by which the national unemployment rate exceeds 6 percent, generates \$62.5 million.

The amendment provides that each tenth of a percentage point generate \$30 million for allocation in addition to the basic \$125 million. The amendment further provides that payments be made to Puerto Rico and the Virgin Islands on a formula basis. The amount to be distributed equals 1 percent of the national aggregate amount and is in addition to the national amount. Allocation between Puerto Rico and the Virgin Islands is based on their relative population size, as determined by the Bureau of the Census.

The Senate amendment updates the data to be used in the formula. Currently, the formula uses the unemployment rate in excess of 5.4 percent and the fiscal year 1976 revenue sharing entitlement payments. The amendment provides that more up to date entitlement payment data be utilized.

*Conference agreement.*—This amendment was reported in technical disagreement.

AL ULLMAN,  
JAMES A. BURKE,  
DAN ROSTENKOWSKI,  
CHARLES VANIK,  
OMAR BURLESON,  
BARBER B. CONABLE, Jr.,  
JOHN J. DUNCAN,

*Managers on the Part of the House.*

RUSSELL LONG,  
HERMAN TALMADGE,  
ABRAHAM RIBICOFF,  
HARRY F. BYRD, Jr.,  
LLOYD BENTSEN,  
FLOYD K. HASKELL,

*Managers on the Part of the Senate.*