The original documents are located in Box 25, folder "Taxes (3)" of the Loen and Leppert Files at the Gerald R. Ford Presidential Library.

[March 1975?]

COMPARISON OF PLANS

Ullman Plan	President's Plan	Present Law
(1) Rebate on 1974 tax liabilities of approximately 10%. Cap of $300. Reaches cap at approximately $20,000 income and will phase out rebate between $20,000 and $30,000 by cutting the percent number to 3%. Paid in one lump sum in May. Estimated cost - $7+ B	(1) Rebate on 1974 tax liabilities of 12%. Cap of $1,000. Paid in two distributions - May and September. Provides some rebate to all taxpayers peaking at approximately $40,000 income bracket. Estimated cost - $12.2 B	(1) No provision.
(2) (a) Increase the low income allowance to $1,900 for single tax payers and to $2,500 for married. (b) Increase the percentage standard deduction from 15% to 16% with a maximum allowable deduction of $2,500 for a single taypayer and $3000 for married. Estimated cost - $5+ B	(2) Increase the low income allowance to $2,000 for single taxpayers and to $2,600 for married. Estimated cost - $5 B	(2) (a) Low income allowance is $1,300 for single and married taxpayers. (b) The percentage standard deduction is 15% with a ceiling of $2,000.
(3) Provide a 5% credit on earned income (wages and salaries) with a credit ceiling of $200. Provide for a $4,000 to $8,000 adjusted gross income phaseout of the credit. Estimated cost - $3+ B	(3) Provide an $80 cash payment for nontaxpayers. Estimated cost - $2 B [These two are similar in nature.]	(3) No provision.
(4) Increase investment tax credit for all business to 10%. Increase limitation for utilities to 100% for two years and phase back to 50% at 10% per year over a five year period. Limitation for all other business remains at 50%. Estimated cost - $3.2 B	(4) Increase investment tax credit for all business to 12%. Increase limitation on utilities to 75% and phase back to 50% over a five year period. Limitation on all other business remains at 50%. Estimated cost - $4 B	(4) (a) 4% credit for utilities (b) 7% credit for all other business. (c) Limitation of 50% for all business.
(5) Increase the surtax exemption level for corporate forms of business from $25,000 to $35,000. Estimated cost - $600 M	(5) Reduce corporate tax rate from 48% to 42%. Estimated cost - $6 B [Ullman proposal apparently, however, does not preclude rate cut at time of energy package.]	(5) Tax rate of 22% on first $25,000 of taxable income and surtax of 26% on all above or marginal rate of 48%.

(6) Utility reinvestment feature whereby there would be no tax paid on utility dividends if recipient reinvested in special issue equity shares of the utility within a limited period of time. Estimated cost - $200 - $300 M	(6) Similar to October 1974 proposal with respect to preferred stock dividend.	(6) No provision.

TOTAL ESTIMATED RELIEF - $19.4 B   INDIVIDUALS - $15.3 B   BUSINESS - $4.1 B

NOTES:

1. Ullman would make items 2 through 6 temporary for 1975 until and unless revenue from energy package is available -- then they become permanent.

2. The Gibbons, Karth, Corman proposal is very similar except the rebate on 1974 taxes would have a higher percentage -- over 12 -- with a cap of $300 (thus rebate primarily to low income taxpayers) and possibly repeal of the percentage depletion allowance on oil.

3. Apparently the second energy relief package of a permanent nature may include tax reductions for both individuals and business.

THE WHITE HOUSE

WASHINGTON

March 4, 1975

MEMORANDUM FOR: JOHN O. MARSH
MAX L. FRIEDERSDORF

THRU: VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Tax Reduction Act of 1975

This $21.3 B bill passed the House last week and is now in the Senate Finance Committee. I think it is clear that a few more billion dollars will be added in the Senate. Dr. Larry Woodworth (Chief of Staff, Joint Tax Committee) advised me that he is trying to move those added dollars in the direction the President is seeking, i.e. providing rebates for more mid-income individuals who generally itemize in preparing their tax returns. This was basically the approach of the Conable substitute that was defeated in the House last week by a vote of 251 to 160. It appears that we can expect a Senate tax bill costing about $25 B.

cc: J. Cannon
P. O'Neill
C. Leppert

Date: MAR 14 1975

MEMORANDUM FOR: SECRETARY SIMON

From: Frederic W. Hickman FWH
Assistant Secretary for Tax Policy

Subject: Finance Committee Bill

The Senate Finance Committee ordered reported a bill providing total tax cuts of $29.2 billion, an increase of $9.3 billion over the $19.9 billion of tax cuts in the House bill. The tax reductions would be mainly directed toward individuals, with $21.2 billion for individuals and $8 billion for businesses. Moreover, $850 million of the business tax reductions would be passed on to employees through stock ownership plans and should really be counted as tax cuts for individuals.

The Finance Committee bill contains the same rebate provision as the House bill, providing $8.1 billion in rebates. Of the total $29.2 billion in tax reductions, almost $16 billion are structural changes of a permanent or semi-permanent nature that would be very hard to reverse.

The Finance Committee bill does not contain any provision on depletion, but the final vote was quite close. It was left open whether the Committee would meet next Monday to agree on Committee floor amendments. The bill could go to the floor by midweek. It is uncertain what will happen on depletion, and that will affect timing. Undoubtedly, there will be floor amendments, but the bill may go to conference by the end of the week.

The main Finance Committee changes are summarized below. The revenue costs of specific items are set out in the attached table.

Changes affecting individual taxpayers were:

-- elimination of House standard deduction changes and substitution of optional $200 tax credit in lieu of

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec.
Surname	DSCollinson					
Initials / Date	FC / 3/14/75	/	/	/	/	/

Form OS-3129
Department of Treasury

$750 personal exemption. This concentrates benefits on taxpayers in the 27 percent and lower marginal tax brackets and provides greater benefits for large families than small, as compared to the House bill.

-- reduction of tax rates in the first four brackets (up to $4,000 of taxable income) by 1 percent. This provides a tax cut of $40 for all taxpayers with $4,000 or more of taxable income.

-- revision of House earned income credit (tax credit of 5 percent of first $4,000 of earned income, phased out between $4,000 and $6,000 of adjusted gross income) to provide maximum $400 tax credit equal to 10 percent of first $4,000 of earned income, phased out between $4,000 and $8,000 of expanded adjusted gross income (including welfare payments). Only households with dependent children would be eligible.

-- provision of 5 percent tax credit for purchases of new and used houses (or mobile homes) during the period March 13, 1975, through December 31, 1975, with a maximum credit of $2,000.

-- provision of three-year carryback of capital losses. This will be modeled after a provision approved by Ways and Means last year, which applied only if capital losses exceeded $30,000 for the taxable year.

Generally the economic stimulus effected by these provisions would be accomplished through the withholding tax system, that is, through reduced withholding taxes. However, the withholding tables could not be adjusted to reflect the new capital loss carryback provision (costing $100 million). And the stimulus of the housing credit would not be effected through the withholding system but through the direct impact on purchases of housing.

Changes affecting business taxpayers were:

-- permanent increase in the investment credit from 7 percent to 10 percent, plus a temporary increase to 12 percent through 1976. The $100 million limitation on the maximum investment credit, which affected only AT&T, was eliminated. To be eligible for the temporary increase, a corporate taxpayer would have to agree to contribute its stock worth one-half of the increase (i.e., 1 percent) to an Employee Stock Ownership Plan (ESOP). The limitation on the amount of used property that can qualify for the credit, raised by the House bill from $50,000 to $75,000, was entirely eliminated.

-- liberalization of the business net operating loss carryover provisions to permit carryback of losses for eight years, thus permitting an immediate cash refund. This provision would be retroactive to losses occurring in 1970 and thereafter and would give Pan American $40 million, Chrysler $150 million, and Lockheed $65 million (all estimates). To be eligible, a corporation would have to agree to contribute its stock worth one-half of the benefits to an ESOP, except that half of that (i.e., 12-1/2 percent of the benefits) could be put in a Supplemental Unemployment Benefits Plan.

-- reduction of the tax rate on the first $50,000 of corporate earnings from 22 percent to 18 percent. For all corporations having taxable income of $50,000 or more, the tax reduction would be $2,000. The House bill had increased from $25,000 to $50,000 the amount to which the lower rate applies. Unlike the House provision, the Senate bill provides some relief for firms with taxable income of $25,000 or less, but both bills tend to cause the wealthy owners of small corporations to retain earnings in the corporation (rather than paying out earnings as salaries) in order to benefit from the lower corporate rate.

-- repeal of the excise tax on trucks, buses and truck parts.

Other minor business tax changes were an increase of the accumulated earnings tax credit from $100,000 to $150,000 and a liberalization of eligibility requirements for the little used work incentive (WIN) program tax credit of 20 percent of the first twelve months' wages for certain employees hired off the rolls of the chronically unemployed.

Attachment

SUMMARY OF REVENUE EFFECTS

Individuals

	House	Finance Comm.	Net Change
Rebate	8.1	8.1	--
Standard deduction	5.1	--	+1.0
$200 optional credit	--	6.1	
Reduce lower bracket rates	--	2.0	+2.0
Earned income credit	3.0	1.7	-1.3
5% housing credit	--	3.2	+3.2
3-year capital loss	--	0.1	+0.1
subtotal	16.2	21.2	+5.0

Business

	House	Finance Comm.	Net Change
Investment credit	2.5	4.3	+1.8
Corp. surtax exemption	1.2	1.2	--
Net operating loss	--	1.0	+1.0
4% reduction, first $50,000 of income	--	0.7	+0.7
Used machinery investment credit	--	0.1	+0.1
Trucks & parts excises	--	0.7	+0.7
Accumulated earnings credit	--	*	*
WIN credit	--	*	*
subtotal	3.7	8.0	+4.3
Total	19.9	29.2	+9.3

*Less than $50 million

March 25, 1975

The Administration opposes repeal of the truck and related excise taxes at this time for the following reasons:

1. Transportation Policy Impact

As indicated in the recent report of the U. S. Railway Association, one of the major problems confronting the rail freight industry is the view that rail-competitive heavy trucks do not pay their "fair share" of the costs of the Federal highway program, thus receiving a governmental subsidy. By benefitting the heavy trailer-trucks, this proposed action only exacerbates this problem and works against the development of a balanced, equitable Federal transportation policy/program. (See attachment)

2. Limits Future Options re Highway Program

Both the Administration and the Congress are committed ~~to this Congress~~ to making fundamental decisions on the future direction of the Federal highway program, including the Highway Trust Fund. This step prematurely limits the policy options available for consideration in this important issue.

3. Impact on Highway Structure

With Congressional concern over the impact of heavy trucks on the Nation's highway infrastructure, and the refocusing of the Federal program on necessary rehabilitation and reconstruction of the highway system, it is inconsistent to remove taxes on the trucks which impose significant wear and tear on the roads.

4. Revenue Loss to Trust Fund

With the release of $2 billion in additional FY 75 highway funds and the possibility of Congressional action to release additional funds for immediate obligation, action now to remove considerable cash income flowing into the Trust Fund needed to pay off these additional contractual obligations seems inadvisable.

Washington Post, Feb 27

Imbalance in Public Support Cited in Railway Failures

By William H. Jones
Washington Post Staff Writer

The Northeast railroad crisis goes back at least to 1930, the first year in which more freight was hauled on trucks than on trains.

Motor transportation, aided by modern technology and marketing, has been chipping away at rail business ever since, profiting also from government spending on highways.

After World War II, the trend toward motor transportation of small shipments and sophisticated equipment over short distances became rapid.

At about the same time, Americans switched en masse to automobiles for intercity travel. That, coupled with new competition from airlines, pushed rail passenger routes to a gradual death.

It soon became apparent that even freight operations in the densely populated Middle Atlantic and Northeast region were in jeopardy.

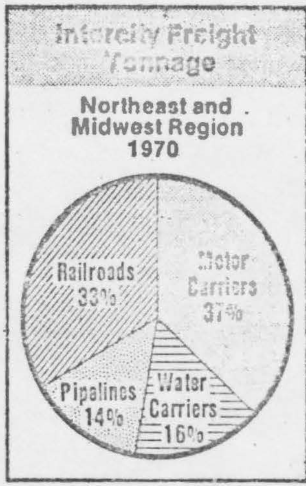
After the final bankruptcy of the New York, New Haven & Hartford Railroad, mergers were championed as the best way to preserve rail service. In 1968, the Pennsylvania and New York Central were consolidated into the nation's biggest transportation company. But two years later it was bankrupt.

The U.S. Railway Association said yesterday there is "no single cause and

underlying factor is a "significant difference in the degree of public support enjoyed by the various transportation systems."

The association said massive public outlays have favored autos, trucks, barges and airlines by providing ground facilities and rights-of-way. It said only a portion of this money is recovered in user fees.

Through 1973, according to research studies for the association, federal, state and local government spending for non-rail transportation has totaled



Loss of business to trucks indicates the railroads'

Key issue

Let's not make it worse by raising truck taxes now

more than $450 billion—most of it since 1920 and most not covered by user charges.

For highways and motor transportation alone, the association said, government outlays exceeded $20 billion annually in the early 1970s. While fuel taxes and other fees paid much of the highway development and maintenance costs, the association said, "Many experts believe that the large rail-competitive trucks have not paid their share relative to the benefits they receive."

The government's 19th Century land grants to railroads pale by contrast, the association said.

The report cited these other developments as leading to the current situation:

- An inability of railroads to adjust to changing economic developments—such as moving plants South for cheaper labor—because rail facilities were fixed in place. Also, the report said, the Interstate Commerce Commission "restrained" flexibility in setting rates, in merging, and in abandoning absolete properties and branch lines.
- A "preoccupation" by some rail managements with operating problems while they neglected marketing. In addition, management and labor did not agree on plans to increase productivity.
- A lack of money to improve facilities, resulting in a rundown and de-

Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

CONFERENCE ACTIONS - 3/26/75

Conference was completed at approximately 3:00 p.m. The following agreements were reached:

(1) Foreign source income - agreed to compromise on deferral of foreign source income affecting "tax haven" countries (Treasury indorses). Revenue gain - $225 M.

Agreed to compromise tax credit provision relating to oil income. (Treasury indorses). Revenue gain - $300 M.

(2) Percentage depletion of oil and gas - agreed to compromise with following elements:

(a) 2000 bbl. exemption phased down by 200 bbls. per day each year to a 1000 bbl. permanent exemption:

1975 - 2000
1976 - 1800
1977 - 1600
1978 - 1400
1979 - 1200
1980 - 1000

(b) Percentage holds at 22% to 1980 then phases down over 4 years to 15%:

1981 - 20%
1982 - 18%
1983 - 16%
1984 - 15%

(c) The 50% limitation on amount of depletion that can be taken against taxable income is increased to 65%.

(d) Secondary and tertiary wells keep the 22% depletion until 1984. After 1984 the percentage drops to 15%.

Revenue gain - $1.7B.

(3) Housing tax credit - adopted modified Senate provision. Credit of 5% of purchase price to maximum of $2000 for <u>new houses in being</u> as of 3/25/74. Price must be certified by builder/seller as the lowest price offered. False certification subjects seller to money damages and criminal penalties. Revenue loss - $.6B.

(4) Social Security payment - adopted modified Senate provision cutting payment from $100 to $50. Revenue loss - $1.7B.

(5) Individual tax cuts - adopted compromise:

(a) Minimum standard deduction increased from $1300 to $1600 for single taxpayers and from $1300 to $1900 for joint return taxpayers.

(b) Increased the percentage standard deduction from 15% to 16% and the maximum allowed for singles from $2000 to $25000 and for joint returns from $2000 to $3000.

(c) Provided for a tax credit of $30 per person (dependents). Revenue Loss - $7.8B.

TOTAL REVENUE LOSS - $22,8B

[ca. 3/25/75]

TAX REDUCTION BILL - H.R. 2166

The following is a summary of action taken by the House and Senate conferees by the 6:30p.m. adjournment on Tuesday, March 25. Conferees will meet again Wednesday at 9:00 a.m.

Generally, agreement was reached on the less controversial items while compromises have not yet been worked out on the additonal reductions for individuals (increase in standard deduction, $200 optional credit in lieu of personal exemption and rate reduction for low income taxpayers), new house purchase credit, $100 payment to certain program beneficiaries, taxation of foreign source income and percentage depletion of oil and gas.

Agreement reached on:

(1) Rebate on 1974 taxes - accepted House version. 10% of tax liability up to maximum of $200, minimum of $100. $200 maximum phased down as AGI rises from $20,000 to $30,000. Revenue loss - $8.1B.

(2) Earned income credit - accepted Senate version. Refundable credit of 10% of earned income up to $400. $400 phased out as income rises from $4,000 to $8,000. Available only to families with dependent children. Better known as the "work bonus". Revenue loss - $1.5B.

(3) Child care deduction - present law allowed an itemized deduction of up to $4,800 phased out for AGI above $18,000. The AGI level was raised to $35,000. Revenue loss - $9 M.

(4) Investment Tax Credit - increased the investment tax credit for all taxpayers to 10% on a 2 year temporary basis. Also to 11% if the additional 1% is contributed to an employee stock ownership plan (ESOP). Removed $100 million cap on utilities (affected ATT only). Increased the 50% limitation for public utilities to 100% for 1975 and 1976 and then phased back at 10% a year over a 5 year period until 1981 when the 50% holds. Normalization of the ITC benefit for public utilities. Increased the limit of used property as qualified investment from $50,000 to $100,000. Allows ITC for progress payments when property takes more than two years to construct. Revenue loss - $3.39B.

(5) Corporate surtax exemption and rate reduction - increased surtax exemption from $25,000 to $50,000 and decreased the rate on the first $25,000 from 22% to 20%. Rate on second $25,000 is 22%. Revenue loss - $1.55B.

(6) Accumulated Earnings Credit - accepted Senate version. Increases the amount of accumulated earnings credit from $100,000 to $150,000. Revenue loss negligible.

(7) Net Operating Loss (NOL) - dropped in conference. Would have allowed substitution of carryover years for carryback of NOL. Present law is 3 back and 5 forward. This amendment has been tabbed the "Chrysler Amendment".

(8) Federal welfare recipients employment incentive (WIN) tax credit - generally broadens the WIN credit for employers. Revenue loss - under $3 million.

(9) Excise tax on trucks, etc. - dropped in conference. Would have repealed 10% excise tax on trucks, buses, etc. and 8% tax on related parts.

(10) Tax credit for insulation and solar equipment - dropped in conference but will be included in energy bill.

(11) Tax exemption for homeowner's associations - dropped in conference.

(12) Pension plans relative to time when contribution deemed made - allows 1974 rule for 1975. Revenue loss - none.

(13) Emergency unemployment compensation benefits - agreed to Senate allowing 13 weeks additional benefits to those who have exhausted 52 weeks of benefits. Revenue loss - $200 million.

(14) Required dying of fuel heating oil - dropped in conference - consider in energy bill.

(15) Tax Free Rollover of home purchase - agreed to Senate. Time period for rollover extended from 1 year to 18 months for purposes of nonrecognition of gain. Time for construction of new residence extended from 18 to 24 months. Revenue loss - negligible.

SUMMARY OF REVENUE EFFECTS

(As of 7:00 p.m. 3/25/75)

(billions)

Tax Rate Reductions	House	Senate	Net Change	Conference
Individuals				
(1) Rebate	8.1	9.7	+1.6	8.1
(2) Standard Ded.	5.2	-		
$200 Optional Credit	-	6.3	+3.4	
Tax Rate Reductions	-	2.3		
(3) Earned Income Credit	2.9	1.5	-1.4	1.5
(4) House Purchase Credit	-	1.1	+1.1	
(5) Child Care	-	1.7	+1.7	.090
(6) Home Insulation	-	0.7	+0.7	Dropped
Subtotal	16.2	23.3	+7.1	9.69
Business				
(1) ITC	2.4	4.3	+1.9	3.39
(2) Corp. Surtax Exempt.	1.2	1.2	-	1.55(es
(3) Tax Rate Reductions	-	0.7	+0.7	
(4) NOL	-	0.5	+0.5	Dropped
(5) Repeal Truck Excise Tax	-	0.7	+0.7	Dropped
Subtotal	3.6	7.4	+3.8	4.94
Increased Expenditures				
(1) $100 Payment to Certain Program Beneficiaries	-	3.4	+3.4	
(2) Emergency Unemployment Benefits	-	0.2	+0.2	0.2
Subtotal	-	3.6	+3.6	0.2

Tax Rate Reductions	House	Senate	Net Change	Conference
Tax Increases				
(1) Depletion	(2.2)	(1.7)	(-0.5)	
(2) Foreign Oil Taxation	-	(1.5)	(+1.5)	
(3) Deferral of Foreign income	-	(0.5)	(+0.5)	
	(2.2)	(3.7)	(+1.5)	

		House	Senate	Net Change
I.	Total Net Revenue Loss Before Conference	17.6	30.6	+13.0

II. Total Net Revenue Loss After Conference of 3/25/75 — $24.22B

III. Reduction from Senate bill - $6.38B

File, please

Warren
Hendricks

THE WHITE HOUSE

WASHINGTON

March 19, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THRU: VERN LOEN

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Ways and Means Consideration of Energy/Tax Legislation

Since Monday, when Chairman Al Ullman introduced "his" solution to the energy problem, I have had a chance to confer with just about every member of the Ways and Means Committee to get their reactions to that proposal and their feelings with regard to the possibility of its approval in Committee. Clearly there is no consensus. The Republicans are annoyed because they were not included in the Democratic Task Force on Ways and Means development of this proposal. The Democratic members on the Committee itself are not in unanimity with regard to its provisions. And, there is an attitude on the part of some of the members of the Committee that there is no energy problem. This is somewhat a reflection of public opinion resulting from the availability of gasoline even to the extent that "price wars" are going on in some parts of the country. This, obviously, makes it very difficult for those members who recognize the problem to try to convince other members on the Committee as well as the full House that something "tough" must be done.

Some very interesting developments are occuring as voiced by the three "quasi liberal" leaders on the Committee -- I am referring to Joe Karth, Sam Gibbons and Jim Corman (they have emerged as the true opinion leaders on the Democrat side). In effect they told me: (1) the Committee will not approve the Ullman bill, and (2) the President can have his program if he really wants it. This is particularly encouraging as these three are among the smartest on the Committee and can, in fact, guide the direction of the legislation. They may have a few hangups with the program as a whole, but I believe these can be ironed out. These details can be worked out as the Committee proceeds in making up a bill. However, a strategy session within the Administration should probably be held within a few days to get our ducks in line.

(more)

However, we may run the risk of having a legislative program developed which does nothing if a "no energy problem" attitude prevails. It seems to me that it would be very, very helpful if Secretary Kissinger testified before the Ways and Means Committee with specific respect to the international aspects of the problem and the attendant urgency of strong action necessary. The subject could be placed in sharp perspective, particularly, if to the extent possible it were an Open Session with the media picking it up and then for response to any sensitive aspects of the issue, the Committee went into Executive Session. This would in my mind stimulate the Committee into doing the right thing and also serve the purpose through the media of educating the American public of exactly the situation we are in and could expect to face if our reliance on imported oil is not reduced.

If the decision is made to do this, I think from a mechanical standpoint we should float it with Al Ullman and Herb Schneebeli to get their blessings and to establish the parameters of such testimony. I am deeply concerned that in the absence of such a move we might be faced with a "Caspar Milquetoast" bill from Ways and Means.

cc: Jack Marsh
William Kendall
Pat O'Donnell
Charles Leppert

THE WHITE HOUSE

WASHINGTON

IMMEDIATE

March 25, 1975

MEMORANDUM FOR BILL KENDALL
VERN LOEN
DOUG BENNETT

FROM: MIKE DUVAL D

SUBJECT: TAX CUT BILL

The Senate, during its midnight massacre, included a tax cut amendment which would repeal the 10% excise tax on trucks and trailers. This comes out to about $800 million a year.

We should indicate strong opposition to this for two essential reasons:

1. Trucks don't pay their full share now, according to some information we have (which is old but the best available). In fact, because of the new weight limits, they will impose even greater maintenance costs on the highway system. Any exemption for trucks has obvious implications on railroads, aviation and other competing modes.

2. As the President announced in his '76 Budget, he will propose a massive restructuring of the entire Highway Trust Fund, including elements of highway user taxes. The Senate amendment is inconsistent with the President's legislative proposal which will likely be transmitted to the Hill shortly after the recess.

I am alerting Doug Bennett, by telephone, to the above position. Ted Lutz of DOT will provide Bennett and Fred Webber (Treasury Congressional Relations) with a one-page fact sheet elaborating on the above.

I cannot overemphasize the importance of opposing this. It would be a death blow to the integrity of the President's highway proposal, and it will raise serious problems in terms of demands for similar treatment from the railroads and aviation interest groups.

THE WHITE HOUSE

WASHINGTON

March 28, 1975

MEMORANDUM FOR THE PRESIDENT

THROUGH: JOHN MARSH
DON RUMSFELD
MAX FRIEDERSDORF

FROM: VERNON C. LOEN VL

SUBJECT: Tax Reduction Act Conference Report (H.R.2166)

Counsellor Marsh asked me to give you the benefit of those House contacts we have had since the vote Wednesday night.

After talking personally with a number of members immediately after the vote, I feel sure a veto could be sustained. Among the 20 absentees who could be counted upon to sustain a veto are: Ashbrook, Bell, Cederberg, Dickinson, Erlenborn, Skubitz, and Wiggins, who in themselves constitute 7 of the necessary 20 vote gain from our 125-vote base. Democratic absentees who might well vote to sustain are: Fuqua, Hays of Ohio, Ichord, Passman, Rees (who took a walk on both votes after speaking against the rule) and Runnels.

Among those who have told me they would switch their votes to sustain your veto are: Don Clausen, Don Young, George O'Brien, Bill Frenzel and Larry Pressler.

Henson Moore, the freshman Republican from Louisiana, just called in strongly recommending a veto based upon public reaction to his "nay" vote in five towns of his District. Similarly, freshman Republican Tom Hagedorn of Minnesota, called to urge a veto based upon the public reaction in his District. He also voted "no".

I believe you have received the input from Minority Leader John Rhodes, who strongly and publicly urged a veto; Barber Conable, who wants a veto, but will understand if you feel you must sign; and Democrats Joe Waggonner and Phil Landrum, who fear you will get a worse bill later.

If you intend to sign the measure, I believe the conservatives could be pacified by sending up legislation to repeal the offensive sections and with a strong signing statement that you will veto every inflationary measure coming to your desk regardless of how many voted for it. The huge budgetary deficits in prospect this year and next are having a real impact on the House now, particularly after the Budget Committee's report.

Signing also could be justified if your economic advisors feel a tax stimulus still is necessary to combat recession.

Still another factor to consider is the fate of your energy recommendations also resting in the hands of the Ways and Means Committee. If you sign, I would recommend a phone call in advance to Chairman Ullman to advise him of your decision and to urge his reciprocal action by moving speedily on an acceptable energy tax bill.

Our staff is inclined to recommend that you sign the measure, but with the above caveats and perhaps with a simultaneous television address to the Nation.

WHAT WILL BE THE BUDGET DEFICIT?
(in billions)

THE CURRENT ESTIMATE (with tax bill as written).............	$60	
If Congress rejects President's holddown legislation-ADD....	12	
If features of tax bill become permanent-............ADD....	5	
NEW CONGRESSIONAL SPENDING PROPOSALS.................		$30
POTENTIAL DEFICIT THREAT...........................		$100 BILLION

New Congressional Spending Proposals

Anti-recession grants to State and local governments..........................	$5.0
Broadened unemployment compensation benefits..................................	4.0
Additional public service jobs..	3.0
Increased public works projects for State and local governments...............	3.0
Increased farm subsidies..	2.2
Additional water pollution control and abatement projects.....................	1.9
New housing subsidies...	1.9
Increased urban mass transit and highway projects..............................	1.8
Health insurance subsidies for the unemployed.................................	1.5
Increased school feeding and related programs..................................	1.4
Increased veterans benefits...	0.8
Additional small business loans...	0.4
Other increases in a wide variety of spending programs........................	3.2

March 31, 1975

replaced by new procedures which will provide for periodic registration.

Now, Therefore, I, Gerald R. Ford, President of the United States of America, by virtue of the authority vested in me by the Constitution and the statutes of the United States, including the Military Selective Service Act, as amended, do hereby revoke Proclamations No. 2799 of July 20, 1948, No. 2937 of August 16, 1951, No. 2938 of August 16, 1951, No. 2942 of August 30, 1951, No. 2972 of April 17, 1952, No. 3314 of September 14, 1959, and No. 4101 of January 13, 1972; thereby terminating the present procedures for registration under the Military Selective Service Act, as amended.

In Witness Whereof, I have hereunto set my hand this twenty-ninth day of March in the year of our Lord nineteen hundred seventy-five, and of the Independence of the United States of America the one hundred ninety-ninth.

Gerald R. Ford

[Filed with the Office of the Federal Register, 11:55 a.m., March 31, 1975]

Assistance to Civilian Refugees in South Vietnam

Statement by the President. March 29, 1975

A severe emergency exists in the coastal communities of South Vietnam which are swollen with helpless civilian refugees who have fled the North Vietnam offensive. They are desperately in need of any assistance we and other nations can provide.

To help the refugees reach safe haven further south, I have ordered American naval transports and contract vessels to assist in the evacuation of refugees from the coastal seaports.

I also call upon all nations and corporations that have ships in the vicinity of the South Vietnamese coast to help evacuate refugees to safety in the south.

I have directed that U.S. Government resources be made available to meet immediate humanitarian needs and I have appointed Mr. Daniel Parker, Administrator of the Agency for International Development, as my Special Coordinator for Disaster Relief.

TAX REDUCTION ACT OF 1975

The President's Address to the Nation Announcing His Decision To Sign H.R. 2166. March 29, 1975

Fellow Americans and fellow taxpayers:

Eleven weeks ago, in mid-January, I requested the new Congress to pass as its first priority a simple $16 billion reduction in Federal income taxes in order to stimulate economic activity and put people back to work.

I asked for a one-time refund to individual 1974 taxpayers up to a maximum of $1,000, enough to assist in the purchase of new cars, home appliances, or other improvements, thus helping business and workers in areas that have been especially hard hit by the recession. I also asked for bigger investment credits to encourage all businessmen and farmers to expand and make more jobs.

Jobs were then and are now my main concern. Unfortunately, though some other economic signs are improving, the employment picture remains bleak. I want most to help those who want to get back to work in productive jobs. This can best be done by temporary tax incentives to charge up our free enterprise system—not by government handouts and make-work programs that go on forever.

Therefore, over the past few months, I have repeatedly urged the Congress to get a straightforward tax cut bill on my desk by Easter, one that would restore some of the buying power American families lost to inflation and rising prices in 1973 and 1974. My objective was to put money in the pockets of the American people promptly rather than have the Congress dream up new schemes for more of *your* money to be spent by the Government in Washington.

Last Wednesday, before recessing, the Congress did pass a tax reduction bill, which is here before me.

The tax cut finally adopted by the Congress represents a compromise between the $16 billion I recommended in January and the $32 billion figure passed by the Senate. I said that I would accept a reasonable compromise. And the $23 billion tax reduction is within reason.

However, this bill also distributes the cuts differently and, in my opinion, fails to give adequate tax relief to the millions of middle-income taxpayers who already contribute the biggest share of Federal taxes.

But the most troublesome defect of this bill is the fact that the Congress added to an urgently needed anti-recession tax reduction a lot of extraneous changes in our tax laws, some well-intentioned but very ill-considered, which should have waited for deliberate action in committee hearings and full debate by all Members. Instead, they were adopted in a hectic, last-minute session before recessing.

This is no way to legislate fundamental tax reforms, and every Member of the Congress knows it. Upon their return, I will again ask the House and Senate to work with me on a comprehensive review of our tax structure to eliminate inequities and to ensure adequate revenues for the future without crippling economic growth.

I commend those Members of the Congress who fought for a clean and uncomplicated tax cut to create more jobs and speed economic recovery. If I were still in the House of Representatives, I would have opposed extraneous amendments and would have voted to send this bill back to committee for further cleaning up.

As President, however, I cannot, under the Constitution, accept a part of this bill and reject the rest. It comes before me on a take-it-or-leave-it basis. The Congress has gone home. I believe my veto would eventually be sustained. But I am by no means sure that this Congress would send me a better bill. It might even be worse.

The people of this country need to know, right now, how to plan their financial affairs for the rest of this year. Farmers and businessmen have already waited too long to find out what investments they can make to improve their production and put people back on the payroll. Confidence depends on certainty. And while the Congress deliberated, uncertainty has clouded financial planning throughout the country. Our country needs the stimulus and the support of a tax cut and needs it now.

I have, therefore, decided to sign this bill so that its economic benefits can begin to work.

I do this despite the serious drawbacks in the bill. Most of the drawbacks are enacted for only 1 year. I strongly urge the Members of the Congress to calmly reflect upon these provisions and let the worst expire. However, any damage they do is outweighed by the urgent necessity of an anti-recession tax reduction right now.

Even if I asked the Congress to send me a better bill—and it did—it would take too long a time to get one back, and I cannot, in good conscience, risk more delay. But I will work with the Congress to not only remedy the deficiencies in this bill but also the dangerous actions and attitudes towards huge Federal deficits some Members have already shown in other legislative decisions.

The first part of my economic recovery recommendations last January—a prompt tax cut of reasonable size—now becomes law.

[*At this point, the President signed H.R. 2166.*]

The second and equally important part of my economic program was to restrain Federal spending by cutting back $17 billion in existing programs and by a 1-year moratorium on all new Federal spending programs, except in the critical field of energy.

So far, these proposals have been mostly ignored or rejected by a majority of the Members of the Congress. Now that we have reduced our tax revenues by some $7 billion more than I proposed, we must move to reduce Federal spending in every way we can. We cannot afford another round of inflation due to giant and growing deficits that would cancel out all our expected gains in economic recovery.

Maybe I can show you the situation better on this chart.

If Congress had accepted all my economic recovery proposals, both for tax cuts and spending cuts, the estimated Federal deficit for fiscal year 1976 would have been about $52 billion, as represented by this column [*indicating*].

This kind of a deficit is far too high, but most of it was unavoidable and was brought about by mandatory Federal payment programs already on the statute books, by increased unemployment compensation, and reduced tax revenues due to the recession.

This is where we are today. The tax cuts in the bill I have just signed and other changes will bring the estimated fiscal year 1976 deficit up to approximately $60 billion [*indicating*].

Since January, Congress has rejected or ignored most of my requested spending cuts. If Congress fails to make these reductions, it will add up to about $12 billion to the contemplated 1976 deficit. On top of that, as I look at the new spending actions which committees of the Congress are already seriously considering, I can easily add up another $30 billion of spending. This would bring the deficit to the enormous total of $100 billion [*indicating*].

Deficits of this magnitude are far too dangerous to permit. They threaten another vicious spiral of runaway, double-digit inflation which could well choke off any economic recovery.

Interest rates, now starting down, would again climb as the Federal Government borrowed from the private money market to finance its $100 billion deficit. Individual citizens would be unable to borrow money for new homes, cars, and other needs. Businesses, despite the increased tax credit, would delay investments and expansions to put the unemployed back to work. I am, therefore, serving notice now that this is as high as our fiscal 1976 deficit should go. I am drawing the line right here [*indicating $60 billion on chart*].

This is as far as we dare to go.

I will insist (resist) every attempt by the Congress to add another dollar to this deficit by new spending programs. I will make no exceptions, except where our long-range national security interests are involved, as in the attainment of energy independence or for urgent humanitarian needs.

In short, in signing this bill, I am keeping my promise to reach a reasonable compromise with the Congress and to provide a needed boost to the economy. I must say again, this is as far as I will go.

If we use common sense and prudence, I am confident that the present recession will retreat into history.

If your Congressmen and your Senators return from their recess with new awareness of your deep concern and desire for caution and care in steering our difficult economic course, we will soon get back on the broad highway of increasing productivity and prosperity for all our people.

Thank you and good evening.

NOTE: The President spoke at 7:31 p.m. in the Oval Office at the White House. His address was broadcast live on radio and television.

As enacted, the bill (H.R. 2166) is Public Law 94–12, approved March 29, 1975.

Bakersfield, California

The President's Remarks Upon Arrival at Meadows Field En Route to the Naval Petroleum Reserve No. 1 at Elk Hills, California. March 31, 1975

Let me express again my very deep appreciation to all of you, coming out on this beautiful day and welcoming me and the others here in Bakersfield.

I am particularly grateful that your Congressman, Bill Ketchum, your mayor, your State assemblyman, your head of the county commissioners—and I brought with me Congressman Al Bell—and the Attorney General, Evelle Younger, are here. Let me say that the warmth of the reception and the wonderful bands that are here—I understand there are some seven bands here—I appreciate very, very much.

I had planned to come to Bakersfield on at least two other occasions in the past. For one reason or another, it was not possible to get here, so I am particularly pleased to come and visit your community, your area, and see so many wonderful people, particularly the young people.

You have a great area of our great country. You have the finest in agriculture. You have the great potential of giving to this country added capability in the field of energy. You are hard-working, dedicated, loyal Americans who give me faith every time that I see faces like these and people such as yourselves.

We have some problems in America, problems both at home and abroad, but these are the kinds of problems that can be solved and will be solved with the true American spirit that has taken our country in some 200 years from 13 poor, struggling colonies on the east coast to a country of 213 million loyal, dedicated, visionary, imaginative Americans. And I say to you that America is just beginning to be the country that our forefathers wanted it to be, and we are going to make it.

So, our third century, which begins in a few months, is a century that will make America both at home and abroad an America that can continue to give leadership and can continue to give to our people all of the blessings of our great country.

Thank you very, very much.

NOTE: The President spoke at 10:22 a.m. at Meadows Field, Bakersfield, Calif. Following his remarks, the President flew by helicopter to inspect the Naval Petroleum Reserve No. 1 at Elk Hills, Calif.

As printed above, this item follows the text of the White House press release.

Commission on CIA Activities Within the United States

Executive Order 11848. Dated March 29, 1975. Released April 1, 1975

EXTENDING THE REPORTING DATE FOR THE COMMISSION ON CIA ACTIVITIES WITHIN THE UNITED STATES

Section 6 of Executive Order No. 11828 entitled Establishing a Commission on CIA Activities Within the United States, dated January 4, 1975 is amended by deleting the words "three months from the date of this order," and substituting therefor "June 6, 1975."

GERALD R. FORD

The White House,
March 29, 1975.

[Filed with the Office of the Federal Register, 2:49 p.m., April 1, 1975]

NOTE: The text of the Executive order was released at Palm Springs, Calif.

THE WHITE HOUSE

WASHINGTON

April 7, 1975

MEMORANDUM FOR: JAMES J. CANNON, III
L. WILLIAM SEIDMAN

THRU: JOHN O. MARSH
MAX L. FRIEDERSDORF
VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Housing Tax Credit ($2,000) Provision in the Tax Reduction Act of 1975

Dr. Larry Woodworth, Chief of Staff of the Joint Tax Committee, Friday advised me that both Chairmen Long and Ullman have been concerned that the applicability of this provision may be retarded in a fashion contradictory to the intent of the provision. Apparently, many new housing developments and condominiums are priced in such a manner that the first few units are sold as "loss leaders" so as to attract buyers and as sales pick up, the prices of the housing units are increased so as to eventually reflect the "true" sales prices.

Under the certification provision of the statute, the seller is required in the face of civil and criminal penalties to certify that the particular unit is being sold at the lowest price at which it has ever been offered. Obviously, the above described practice would disqualify many of the housing units in the current inventory thereby diminishing the sought-after effect of this provision.

Long and Ullman are considering issuing a joint statement suggesting that this technical defect be corrected by minor amendment. The matter has been discussed with the Treasury Department and, I understand, Secretary Simon concurs with the amendatory approach as the defect cannot be remedied by Treasury regulations.

cc: Secretary William E. Simon, Secretary Carla Hills, Honorable James T. Lynn, Honorable James H. Cavanaugh, Honorable Tod Hullin

THE WHITE HOUSE

WASHINGTON

April 8, 1975

MEMORANDUM FOR: ROGER PORTER

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Tax Provisions Relating to Small Business

The following is a brief description of the provisions included in the Tax Reduction Act which will generally benefit small business.

Investment Tax Credit

(a) A two year increase in the investment credit from 7% to 10%. (This will in my view be made permanent).

(b) An increase from $25,00 to $100,000 in the amount of used property that may qualify for the investment credit.

Tax Rate Changes - Surtax Exemption

(a) Present law provides for a 22% tax rate on the first $25,000 of income a business receives and 48% on all income above that.

(b) The bill applied a rate of 20% on the first $25,000, 22% on income from $25,000 to $50,000 and 48% on the balance of taxable income.

(c) This provision is effective for taxable years ending in 1975.

THE WHITE HOUSE

WASHINGTON

April 8, 1975

MEMORANDUM FOR: JAMES J. CANNON, III

THRU: JOHN O. MARSH
MAX L. FRIEDERSDORF
VERN LOEN VL

FROM: DOUGLAS P. BENNETT DPB

SUBJECT: Tax Reform Bill

In discussion with Dr. Larry Woodworth last week, he described to me the items expected to be included in the Tax Reform Bill which will hopefully be completed by the Ways and Means Committee by late summer or early fall. Apparently, this reflects the thinking of Chairmen Ullman and Long.

The starting point for consideration of this legislation will be the Ways and Means' tax reform bill which was reported out of that Committee late last year but never was acted on by the House. That bill was basically structured by Chairman Wilbur Mills.

Larry expects about $5 B revenue will be raised by the following changes in the law:

(1) Minimum Taxable Income (MTI) - The concept advanced by the Treasury Department and included in last year's bill will be structurally changed this year. The changes will probably be reflective of the opposition from charitable organizations claiming that the Treasury approach would substantially reduce charitable giving.

(2) Limitation on Artificial Accounting Losses (LAL) - This proposal relates to the so-called tax shelters. The most "popular" of which are oil shelters, real estate shelters and farm shelters.

(3) Repeal of DISC.

(4) Repeal of Certain Foreign Taxation Provisions - These will probably include those provisions in last year's bill which were not dealt with in the recently signed Tax Reduction Bill. (In addition, some provisions further dealing with oil depletion will be included primarily for political reasons).

The other provisions to be included will be the simplification proposal of the Treasury Department which is basically an effort to simplify tax return preparation by individuals accomplished by eliminating certain complicated, difficult to compute, itemized deductions and substituting a "simplification deduction".

Secondly, capital gains and losses <u>will not</u> be dealt with other than by increasing the capital gains and losses holding period - from six months to twelve months and also a three-year elective loss carryback. In place of the sliding scale proposal for capital gains there will be included the concept of integration. Basically, this means that to some extent the profits of corporations and dividends received by shareholders would be taxed only once. 100% integration would cost approximately $9 B, therefore, they will probably only go 25% of the way toward integration. Provisions relating to the banking and insurance industries may also be included.

Thirdly, estate and gift tax law will be dealt with in a separate bill to follow the general tax reform bill.

I am certain that various other provisions will be added in committee but apparently Ullman hopes to end up with a net revenue gain from this bill.

cc: Secretary William E. Simon, James T. Lynn, Frederic W. Hickman, Paul H. O'Neill, William Seidman, Alan Greenspan

bcc: Bill Kendall
Pat O'Donnell
Charlie Leppert
Bob Wolthuis

THE WHITE HOUSE

WASHINGTON

April 8, 1975

MEMORANDUM FOR: JAMES J. CANNON, III

THRU: JOHN O. MARSH
MAX L. FRIEDERSDORF
VERN LOEN

FROM: DOUGLAS P. BENNETT

SUBJECT: Tax Reform Bill

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cc: Secretary William E. Simon, James T. Lynn, Frederic W. Hickman, Paul H. O'Neill

THE WHITE HOUSE

WASHINGTON

May 28, 1976

MEMORANDUM FOR: MAX FRIEDERSDORF

THROUGH: CHARLES LEPPERT, JR.

FROM: TOM LOEFFLER T.L.

SUBJECT: Request from Rep. Jimmy Quillen (R.-Tenn.) concerning the Administration's Position on HR-9719, Payments in Lieu of Taxes Act

At the outset of the Congress, the Congressman introduced HR-1966, a bill similar to HR-9719, the Payments in Lieu of Taxes Act. Quillen, as well as the National Association of Counties, has been interested in this legislation for many years, believing that tax immunity of public lands places an unfair burden on the taxpayers within the counties and local governmental units where the lands are located.

Jimmy stated that it was his understanding the Senate would not act on this legislation unless it passed the House. If, however, HR-9719 does pass the House, Quillen believes the Senate will take positive action very quickly.

Because of his strong interest in this legislation, Jimmy has personally expressed his hope that the Administration would not strongly oppose this legislation and that, if the bill reached the White House, the President would not veto it.

Presently the House Rules Committee is scheduled to consider a rule for HR-9719 on Thursday, June 3. Therefore, I suggest we give this matter our immediate attention.

cc: Pat Rowland
Alan Kranowitz

THE WHITE HOUSE

WASHINGTON

June 30, 1975

MEMORANDUM FOR: MAX L. FRIEDERSDORF

THROUGH: VERN LOEN

FROM: TOM LOEFFLER

SUBJECT: Committee on Ways and Means -- Tax Reform Consideration

The Committee on Ways and Means is holding tax reform hearings which commenced on Monday, June 23, 1975. This begins the first phase of a series of tax reform hearings, the second phase of which will begin in November of this year after completion of development and passage of the bill resulting from the hearings now ongoing.

The first set of public hearings on tax reform will be in three parts: (1) panel discussions on the objectives and approaches to tax reform; (2) testimony from Administration officials beginning July 8; and (3) presentation of testimony from the interested public. These first-phase hearings are scheduled to be completed by the end of July. Mark-up sessions should begin in early September after the August recess.

TOPICS FOR TAX REFORM CONSIDERATION IN FIRST PHASE

1. Tax shelters and minimum tax.
2. Tax simplification and reform of domestic income of individuals.
3. Foreign income.
4. Administrative provisions.
5. Repeal and revisions of obsolete, rarely used, etc. provisions.
6. Extension of individual and corporate tax reductions provided in the Tax Reduction Act of 1975.

7. Capital formation (including fast depreciation, investment credit, and integration of corporate and individual taxes).
8. Capital gain and losses.

TOPICS LIKELY TO BE GIVEN TAX REFORM CONSIDERATION IN SECOND PHASE

1. Estate and gift taxation.
2. Tax treatment of single persons and married couples.
3. Tax exempt state and municipal bonds.
4. Small business tax problems including Subchapter S.
5. Percentage depletion for minerals generally.
6. Tax treatment of financial institutions.
7. Tax treatment of cooperatives.
8. Tax treatment of insurance companies, including casualty and life companies.
9. Tax exempt organizations including private foundations.
10. Charitable contribution deductions.
11. Net operating less deductions.
12. Bank holding companies; real estate investment trusts.
13. Excise taxes.
14. Integration of pensions and social security.
15. Tax treatment of annuities.

TGL:nd

cc: Charlie Leppert
Bill Kendall
Pat O'Donnell
Doug Bennett

EMBARGOED FOR RELEASE
UNTIL 8:00 P.M. EDT

OCTOBER 6, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

THE PRESIDENT'S PROPOSAL FOR TAX CUTS AND FEDERAL SPENDING RESTRAINT

President Ford is proposing that permanent large tax cuts be made possible for American taxpayers by Congress joining with him in limiting the growth of federal expenditures. The tax reductions proposed by the President total about $28 billion compared to 1974 law. This proposal is linked to the adoption by the Congress now of a spending ceiling of $395 billion for FY 1977. This represents a reduction of about $28 billion from projected levels for that year unless action to limit federal spending is taken.

The proposed tax cuts are divided approximately 75 percent for individuals and 25 percent for business. A family of four earning $14,000 a year would receive a reduction in their tax liability of $412 or 27 percent.

I. SUMMARY OF THE TAX CUT PROPOSAL

A. The individual tax reductions will be accomplished by:

- $8 billion in cuts to replace the temporary 1975 tax reductions.
- $4 billion in additional cuts required to keep personal withholding rates constant. (The 1975 cut was reflected in withholding over an eight-month period and, therefore, a $4 billion extra cut is provided to keep withholding constant.)
- $8.7 billion in further tax relief distributed throughout all income ranges.

B. The business tax reductions will continue the tax relief for small business provided by the 1975 Act, will make permanent the higher investment credit rate of 10 percent as an incentive for investment in equipment needed to increase productivity and to provide new jobs, will reduce the marginal rate on business income as a first step toward eliminating the existing tax bias against capital formation, and will provide special relief to utilities needed to reduce dependence on foreign energy sources.

(OVER)

C. The recommended changes in the individual and business income tax structure, and their costs, as compared to 1974 law, are as follows:

	Individual Tax Cuts
Increase personal exemption from $750 to $1,000.	$10.1 billion
Replace $1,300 low income allowance and $2,000 maximum standard deduction with flat amount standard deduction of $2,500 for married couples ($1,800 for a single person)	$ 4.0 billion
Reduce tax rates	$ 6.6 billion
TOTAL INDIVIDUAL TAX CUTS	$20.7 billion

	Business Tax Cuts
Extension of 1975 corporate rate and surtax exemption changes	$ 1.7 billion
Permanent extension of investment credit increase (from 7-10; 4-10 for utilities)	$ 2.5 billion
2% corporate rate reduction (48-46%)	$ 2.2 billion
Utilities tax relief previously proposed (see Annex C)	$ 0.6 billion
TOTAL BUSINESS TAX CUTS	$ 7.0 billion
TOTAL TAX CUTS	$27.7 billion

The effects on individual taxpayers of the President's tax proposals are shown in the following tables:

Tax Liabilities for Family with 2 Dependents, Filing Joint with Itemized Deductions of 16 Percent of Adjusted Gross Income (If standard deduction exceeds itemized deduction, family uses standard deduction.)

Adjusted gross income	Tax Liability 1972-74 law	1975 law	Proposed 1976 law	Reduction from 1972-74 law	1975 law
$ 5,000	98	0	0	98	0
7,000	402	186	60	342	126
10,000	886	709	485	401	224
15,000	1,732	1,612	1,325	407	287
20,000	2,710	2,590	2,280	430	310
25,000	3,820	3,700	3,370	450	330
30,000	5,084	4,964	4,648	436	316
40,000	8,114	7,994	7,664	450	330
50,000	11,690	11,570	11,180	510	390

Office of the Secretary of the Treasury
Office of Tax Analysis

Tax Liabilities for Single Person with Itemized Deductions of 16 Percent of Adjusted Gross Income (If standard deduction exceeds itemized deduction, individual uses standard deduction.)

Adjusted gross income	Tax Liability 1972-74 law	1975 law	Proposed 1976 law	Reduction from 1972-74 law	1975 law
$ 5,000	$ 490	$ 404	$ 307	$ 183	$ 97
7,000	889	796	641	248	155
10,000	1,506	1,476	1,227	279	249
15,000	2,589	2,559	2,307	282	252
20,000	3,847	3.817	3,553	294	264
25,000	5,325	5,295	5,015	310	280
30,000	6,970	6,940	6,655	315	285
40,000	10,715	10,685	10,375	340	310
50,000	15,078	15,048	14,725	353	323

Office of the Secretary of the Treasury
Office of Tax Analysis

# #

II. FULLER DESCRIPTION OF PROPOSED TAX CUTS

A. Individual Tax Cuts

The proposed permanent restructuring would replace the temporary increased standard deduction and the $30 per taxpayer exemption credit provided by the 1975 Act. The changes assure that withholding will not be increased and that, in fact, there will be further tax reductions for the great majority of taxpayers. As compared to 1974 law, the President's proposal would:

-- Increase the personal exemption from $750 to $1,000.

-- Replace the present minimum standard deduction (low income allowance) of $1,300 and maximum standard deduction of $2,000 by a single standard deduction in a flat amount of $1,800 for a single taxpayer and $2,500 for a married couple ($1,250 for married person filing separately). This compares with the average standard deduction claimed in 1974 of $1,625 by married couples and $1,400 by single persons. (The 1975 Act made temporary changes in the standard deduction, which are described in Annex D.)

-- Provide rate reductions as shown in the tax rate schedules attached at Annexes A & B.

B. Business Tax Cuts

The President also proposes to:

-- Reduce the maximum corporate tax rate from 48 percent to 46 percent.

-- Continue the 1975 Act increase in the surtax exemption (which determines the amount taxable at rates below 48 percent) from $25,000 to $50,000 of taxable income.

-- Continue the 1975 Act reduction in the rate on the first $25,000 of taxable income from 22 percent to 20 percent (the second $25,000 of taxable income will be taxable at a 22 percent rate, with the balance of income taxed at a 46 percent rate).

-- Make permanent the 1975 Act increase in the investment credit from 7 percent (4 percent in the case of public utilities) to 10 percent.

-- Enact a six-point program to provide tax relief to electric utilities and to reduce dependency on foreign energy sources (see Annex C for full description).

III. BACKGROUND ON FEDERAL SPENDING

A. Unless action is taken to restrain federal outlays in FY 1977, spending can be expected to increase by around $53 billion in a single year. Budget outlays are approaching $370 billion in FY 1976. Without specific legislative action to limit spending, outlays in FY 1977 will reach $423 billion or more. The main elements of an increase of $53 billion are as follows:

	(Billions)
Interest on the public debt will rise as the size of the debt grows. If current interest rates are maintained, the increase will approach	+9
Civilian and military salaries increase automatically unless the President and Congress agree on an alternative plan. Would add more than	+6
Retirement benefits for retired federal military and civilian personnel also rise automatically with the cost-of-living . .	+3
Social security and railroad retirement payments increase automatically based upon the cost-of-living index	+12
Medicare and Medicaid payments rise as costs increase and the number of eligible recipients go up	+5
Public assistance, food stamps, housing subsidies and related programs are tied to the formulae set in law or in existing contracts	+2
Major construction of wastewater treatment plants now underway will add nearly .	+2
Essential procurement and research and development of military hardware and maintenance of necessary military facilities will add over	+3
Increases for energy research and development and transportation programs and inclusion of Export-Import Bank in budget.	+4
Other likely net changes including effect of Congressional inaction on budget reduction proposals heretofore proposed by the President and the effect of probable Congressional initiatives	+7
TOTAL	53

B. Decisions have not yet been made on which programs will be restrained or curtailed.

- -- Specific decisions will be made in the budget review process leading up to the President's January Budget Message to Congress.

- -- All departments and agencies will be called upon to moderate program growth, expenditures, and Federal personnel levels.

C. The President has called upon Congress to join with him in making the tax reductions possible by placing a limit of $395 billion on FY 1977 expenditures now.

- -- A $395 billion ceiling is $25 billion above the currently estimated spending level this fiscal year and $28 billion below the level now projected for FY 1977.

D. Based upon current estimates that FY 1976 spending may approach $370 billion, the FY 1976 budget deficit would be about $70 billion. With the President's proposals, the FY 1977 deficit is estimated in the range of $40-44 billion.

# # # # #

RED TAG

THE WHITE HOUSE

WASHINGTON

October 7, 1975

MEMORANDUM FOR: MAX FRIEDERSDORF

THROUGH: VERN LOEN VL

FROM: TOM LOEFFLER T.L.

SUBJECT: Reaction Statements to the President's Proposed Tax Reduction/ Spending Ceiling--Thomas P. O'Neill, Jr. (D.-Mass.) and John McFall (D.-Calif.)

Attached for your information are statements issued today by House Majority Leader O'Neill and House Majority Whip McFall. These statements are in response to the President's proposed program calling for Federal tax reductions, coupled with a ceiling on Federal expenditures for FY 77.

cc: Charles Leppert

Attach.

Rhodes made a floor statement in support. VL

RECEIVED
OCT 7 1975
WASHINGTON, D.C.

October 7, 1975

U. S. HOUSE OF REPRESENTATIVES

Office of the Majority Leader

MAJORITY LEADER THOMAS P. O'NEILL, JR., SAYS TAX CUT IS HEADED IN RIGHT DIRECTION BUT CONGRESS WANTS SPECIFICS

Mr. Speaker, I am glad that this time the President agrees with Congress on the need for a tax cut.

Just a year ago at this time, when we were headed deep into recession, President Ford was calling for a tax increase.

The President now appears to be headed in the right direction, but the Congress will want to see exactly where he is going. It is easy to call for a tax cut, but he wants to offset that with a spending cut that would carve $28 billion out of the hides of the American people.

Is the President talking about cuts in the veterans programs? Or health? Or school lunch? Or education?

What about timing? I note that the benefit of the tax cut would begin in January, 1976. But the bad news, in the form of program cuts, would not begin until October, 1976, a month before the election, and would not really be felt until well into 1977.

The President's tradeoff of a tax cut for a spending cut would cancel out all stimulus for the economy. It would be like putting a transfusion into one arm and letting blood out of the other.

The important thing is jobs and people. The tax cut should be coupled with a program for employment and economic recovery -- not some arbitrary budget figure. A flat, uncompromising budget ceiling is unrealistic. The important thing is to make sure that unemployment doesn't get to be a way of life.

October 7, 1975

U. S. HOUSE OF REPRESENTATIVES

Office of the Majority Whip

MAJORITY WHIP JOHN J. McFALL PLEASED PRESIDENT ACCEPTS DEMOCRATIC TAX CUT, PREDICTS PASSAGE THIS YEAR

A poll in a national news magazine showed yesterday that less than half the American people consider President Ford acceptable as president and that the main reason is his consistent and persistent mishandling of the economy.

Perhaps that's why Mr. Ford last night embraced the Democratic proposal to extend the tax cut and why he trotted out that favorite Republican whipping boy, galloping government spending.

The suggestion that the tax cut be extended is a step in the right direction that we welcome, although the Congressional Joint Economic Committee already has recommended a tax reduction and the House Ways and Means Committee has been working for some time on a proposal to give a bigger break to middle and lower income earners. We will pass this legislation well before the end of the year.

The Joint Economic Committee recommends more stimulus to turn the economic rebound into recovery. It recognizes, as neither Mr. Ford nor Herbert Hoover before him recognized, that arbitrary budget cuts never put a single unemployed man or woman back to work. Nor will they produce a single additional barrel of oil or bushel of wheat, and scarcities in food and fuel coupled with high interest rates are the real bogeymen in producing the inflation the President decries.

Congress will look carefully at the President's proposed spending cuts. As we have before, we will trim waste and fat and frills. Our appropriations to date are well within the range suggested by our budget resolution. But we're not going to cut $28 billion from the areas where the President has previously sought to cut. We're not going to take $28 billion out of the hides of the unemployed, the young, the elderly, the ill, the handicapped and the ill-housed.

THE WHITE HOUSE

WASHINGTON

October 24, 1975

MEMORANDUM FOR: MAX FRIEDERSDORF

THROUGH: VERN LOEN VL

FROM: TOM LOEFFLER T.L.

SUBJECT: Report on Ways and Means Committee Activities concerning Proposed Tax Reductions

In a mark-up session on Thursday, October 23, the Ways and Means Committee voted to reduce personal income tax by $12.7 billion (a one-year, 2% tax credit up to $12,000 taxable income, plus permanent adoption of 1975 Tax Reduction Act provisions changing standard deductions).

The Committee action heavily underscores the Democrats determination to hold the President's proposed $28 billion permanent tax reduction and compensurate FY 1977 $395 billion spending ceiling hostage, supposedly a legislative impossibility to handle such a proposal as a single program.

The Committee's decisions concerning personal income tax reductions occurred in the following manner:

The basic motion before the Committee was to reduce personal income tax liabilities by $12.7 billion in the manner described above.

(1) Waggonner Amendment -- the $12.7 billion personal income tax reduction would become effective only if Congress has passed by December 15, 1975, a Concurrent Resolution establishing a spending ceiling for FY 1977 at $410.3 billion or less.

Chair ruled this amendment out of order -- Chair's decision upheld by party line vote of 24 to 12.

(2) Waggonner Preferential Motion -- to defer Ways and Means Committee action on personal income tax reductions until

the House Budget Committee has established a recommended spending ceiling for FY 1977.

Defeated 16 to 21.

(3) Steiger Amendment -- would amend the Committee proposal by striking the one-year 2% tax credit, providing in lieu thereof the President's proposed increase in the personal exemption from $750 to $1,000 per individual.

Defeated 12 to 24.

(4) Committee Proposal -- described above.

Passed 21 to 16.

cc: Jim Lynn
Bill Seidman
Charlie Leppert
Bill Kendall
Pat O'Donnell

HERMAN T. SCHNEEBELI
17TH DISTRICT, PENNSYLVANIA

ROOM 1336 LONGWORTH H.O.B.
WASHINGTON, D.C. 20515

COMMITTEE ON
WAYS AND MEANS

408 FIDELITY NATIONAL BANK BUI
WILLIAMSPORT, PENNSYLVANIA 1

1146 FEDERAL BUILDING
HARRISBURG, PENNSYLVANIA 17

Congress of the United States
House of Representatives
Washington, D.C. 20515

November 25, 1975

Dear Republican Colleague:

H.R. 10612, the Tax Reform Act of 1975, is scheduled for Floor consideration the week of December 1. We urge you to vote against the previous question on the rule and support our effort to adopt a substitute rule to make a $395 billion spending limitation in order.

The Rules Committee has granted a modified closed rule which allows only for those amendments agreed upon by the Democrat Members of the Ways and Means with no Republican input. The Minority was specifically prevented from including in the Ways and Means request to the Rules Committee an amendment to impose a federal spending ceiling for fiscal year 1977. An effort to include the spending limitation before the Rules Committee was similarly rebuffed by the Democrats.

Should we prevail in defeating the previous question and obtain a vote on such an amendment, and should we successfully amend H.R. 10612 to include such a spending ceiling in the bill, of course each Republican Member would be perfectly free to determine on the merits whether or not he wished then to support the tax bill.

However, should we be unsuccessful in amending H.R. 10612 to include a spending ceiling, we would hope that the Republican Members of the House would collectively vote to reject the tax bill. We believe that a vote for the bill without any spending ceiling is unjustified, given our present and projected Federal deficits, the state of the economy, and the overall revenue impact of H.R. 10612. Specifically, in calendar year 1976, according to Ways and Means Committee estimates, the tax reform portions of the bill would raise a net total of $745 million, while the tax cuts would aggregate $15.471 billion, for a relationship of more than $20 in cuts for every $1 in revenue gain.

John J. Rhodes
JOHN J. RHODES, M.C.

H T Schneebeli
HERMAN T. SCHNEEBELI, M.C.

James H. Quillen
JAMES H. QUILLEN, M.C.

John B. Anderson
JOHN B. ANDERSON, M.C.

[Dec. 1975?]

(This would accompany a 6-months extension of the present tax bill.)

Congress is determined to control spending levels in order to reduce the national deficit.

Congress affirms its commitments to the procedures established by the Congressional Budget and Impoundment Control Act of 1974 under which it has already established a binding spending ceiling for the fiscal year 1976.

If the Congress recommends a continuation of the tax reduction provided by this Act beyond June 30, 1976, Congress shall provide, through the procedures in the Budget Act, for reductions in the level of spending in the fiscal year 1977 below what would otherwise occur, equal to any additional reduction in taxes (from the 1974 tax rate levels) provided for the fiscal year 1977, provided, however, that nothing shall preclude the right of the Congress to pass a budget resolution containing a higher or lower expenditure figure if the Congress concludes that this is warrented by economic conditions or unforeseen circumstances.

(This would accompany a 6-months extension of the present tax bill.)

Congress shares ~~approves of~~ the President's determination to reduce spending levels in order to reduce the national deficit.

Congress affirms its commitments to the procedures established by the Congressional Budget and Impoundment Control Act of 1974.

If the Congress recommends a continuation of the tax reduction provided by this measure for the remainder of the calendar year 1976, Congress shall provide for reductions in the level of spending which would otherwise occur by $1.00 for each $1.00 of tax reduction (from the 1974 tax rate levels) provided in the fiscal year 1977, <u>provided, however</u>, that nothing shall preclude the right of the Congress to pass a resolution containing a higher or lower expenditure figure if the Congress concludes that this is warranted by changing economic conditions or other unforeseen circumstances.

(This would accompany a 6-months extension of the present tax bill.)

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Congress is determined to continue the tax reduction for the first 6 months of 1976 in order to assure continued economic recovery.

Congress is also determined to continue to control spending levels in order to reduce the national deficit.

Congress reaffirms its commitments to the procedures established by the Congressional Budget and Impoundment Control Act of 1974 under which it has already established a binding spending ceiling for the fiscal year 1976.

If the congress adopts a continuation of the tax reduction provided by this Act beyond June 30, 1976, and if economic conditions warrant doing so, Congress shall provide, through the procedures in the Budget Act, for reductions in the level of spending in the fiscal year 1977 below what would otherwise occur, equal to any additional reduction in taxes (from the 1974 tax rate levels) provided for the fiscal year 1977, <u>provided</u>, <u>however</u>, that nothing shall preclude the right of the Congress to pass a budget resolution containing a higher or lower expenditure figure if the Congress concludes that this is warranted by economic conditions or unforeseen circumstances.

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FOR IMMEDIATE RELEASE

THURSDAY, DECEMBER 18, 1975

Following is a statement by Speaker Carl Albert of Oklahoma on the tax bill:

House Republicans today joined with President Ford in approving an increase in taxes and a recession. By winning their battle to deny the nation an extension of the tax cuts that began to pull this nation out of the worst economic decline in 40 years, President Ford and his band of willful Republicans are threatening nearly every American with economic uncertainty in the months ahead.

The stunning decision of 125 House Republicans to support Ford's veto means that in two weeks the amount of money withheld from paychecks for taxes will increase by $4-$6 a week. Nationally it means that about $1.5 billion a month will be pulled out of an economy still struggling to overcome the worst recession since the Great Depression.

While the precise consequences cannot be foretold, there has been virtual unanimity among economists that failure to extend the tax cuts would halt the hesitant steps of the economy away from recession and raise the likelihood of further economic downturn. This will mean still higher unemployment and higher federal budgetary deficits caused by a recession economy.

Congressional Democrats sent Ford a bill yesterday that would have kept the temporary tax cuts in effect and would have prevented the rise in taxes that now will take place on January 1. Ford vetoed that bill last night, repeating his insistence on a $28 billion tax cut effective January 1 to be accompanied by an equivalent reduction in federal spending to be effective October 1, 1976.

When Ford first made this proposal two months ago, it was widely condemned as a transparently political plan that would overstimulate the economy during the election campaign and depress it after the campaign was over. His proposal is reminiscent of the program perpetrated by Ford's mentor, Richard M. Nixon, in 1972. The Nixon program was a major contributing factor to the recession that followed the 1972 election.

Ford's contention that Congress should adopt a $395 billion spending ceiling now for the year beginning Oct. 1, 1976 is a transparent fraud. Both the President and all the President's men have been asked, time and time again, to provide some inkling of where the budget should be cut. Time and time again they have refused even to hint at what they have in mind.

In five of the last seven years Democrats in Congress have voted less money than Republican Presidents have sought. This year a Democratic Congress has again appropriated less money than Ford requested.

Congress, inaugurating its new budget procedures a year in advance, actually placed a ceiling of $375 billion on this year's budget. To place a $395 billion ceiling on a budget that has not even been submitted, as Ford demands, would subvert the new process that Ford himself asked Congress to start. Last week a bipartisan delegation of Congressional Democrats and Republicans called on Ford to warn him that his actions threatened to undo this procedure.

Despite Republicans' rhetoric seeking to disguise their opposition to the tax reduction program espoused by Democrats, the record is crystal clear. Ford himself said, while signing the temporary cuts voted last spring, that he was doing so reluctantly. At every step of the legislative path trod by the bill to extend those cuts, Republicans voted "NO." Their actions culminated today in the vote to sustain the veto. In order to pass the bill over the veto, 282 votes were needed. Democrats voted 246-32 for the tax cuts and economic recovery; Republicans voted 125-19 for higher taxes and recession.

Ford's veto and the votes of House Republicans are fiscally irresponsible political actions that jeopardize the economy of the nation for no reason other than Gerald Ford's effort to appeal to right wing Republicans and rescue his failing campaign for the Presidential nomination.

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94TH CONGRESS
1ST SESSION

H. R. 11227

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 17, 1975

Mr. RHODES introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1954 to provide that the current withholding tables will remain in effect until March 15, 1976.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 3402(a) of the Internal Revenue Code of 1954 (relating to income tax collected at source), as amended by section 205 of the Tax Reduction Act of 1975, is amended by inserting after the second sentence thereof the following: "The tables so prescribed with respect to wages paid after December 31, 1975, and on or before March 15, 1976, shall be the same as the tables prescribed

I

under this subsection which were in effect on December 10, 1975.".

(b) Section 209(c) of the Tax Reduction Act of 1975 is amended by striking out "before January 1, 1976" and inserting in lieu thereof "on or before March 15, 1976".

94TH CONGRESS
1ST SESSION

H. R. 11227

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To amend the Internal Revenue Code of 1954 to provide that the current withholding tables will remain in effect until March 15, 1976.

By Mr. RHODES

DECEMBER 17, 1975
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