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Congressional Record S. 8583 - Congressional Review of Tax Preferences

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As I indicated, if a preference has clear validity, then Congress will renew the provision.

Under this bill existing tax preference provisions can be analyzed and reviewed over the next three years. This process should afford the House Ways and Means Committee and the Senate Finance Committee the opportunity to make a judgment with respect to these provisions. At the time Congress makes its review of any of these preference provisions, it may decide that there is some way outside the tax system which will better achieve the goals sought or it may conclude that a preference provision previously in the code is desirable but perhaps in some modified form.

The idea that it is appropriate to review tax preference provisions or incentives from time to time certainly is not new. In the Tax Reform Act of 1969, termination dates were provided for three provisions added in that act—the year amortization provision for railroad rolling stock, the special amortization provision for pollution control facilities, coal mine safety equipment and expenditures for rehabilitation of low and moderate income housing. The 1971 act also provided a termination date for the amortization of expenditures for on-the-job training and child care facilities.

By adopting on a broader scale the approach taken by Congress in 1969 and 1971, this bill would take a long step toward assuring the tax reform will be a continuing and on-going project, not something that happens only once every generation. By dividing these termination dates and spreading them over 3 years, the bill gives assurance that there will be an opportunity to adequately review these provisions in the Congress.

There is a growing sentiment in the country that the tax code needs refurbishment. Each election year, promises are made for tax reform; this proposal, if enacted this year, will assure tax reform and assures a continued currency to the tax code.

In introducing this bill, I want to make it clear that by providing for the termination of a provision in this bill, I am not expressing an opinion as to whether the provision is desirable or undesirable. Instead, what I am doing is merely expressing the view that the provisions in this bill all deserve review by the Congress to see whether in the opinion of Congress they should be retained as they are, modified or deleted from the tax law.

The termination dates provided for in this bill are quite comprehensive and are explained fully in the statement which I have asked permission to have inserted in the Record at the conclusion of my remarks. I commend this bill to your attention. It seems to me that it represents the best possible way of assuring a systematic review of our tax provisions.

Mr. President, I have communicated with the distinguished chairman of the Senate Finance Committee concerning the introduction of this measure. I felt it would have been inappropriate for him to consider a possible cosponsorship of
this measure prior to its being referred to his committee. I know from past experience the openness of Senator Long on these matters and that he will give this measure the fullest consideration this year. The measure in effect returns the initiative for tax writing to the Congress as a continuing matter as envisioned in the Constitution.

EXHIBIT 1
S. 3657

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.—This Act may be cited as the “Tax Policy Review Act of 1972.”

(b) TABLE OF CONTENTS—

TITLE I—PROVISIONS TO TERMINATE ON JANUARY 1, 1974

Sec. 101. The $30,000 exemption and deduction of regular income taxes for the minimum tax on tax preferences.

Sec. 102. Treatment of group-term life insurance purchased for employees.

Sec. 103. Exclusion from gross income of $5,000 employees death benefit.

Sec. 104. Exclusion from tax of $100 of dividends received by individuals.

Sec. 105. Treatment of loss from certain nonbusiness guarantees.

Sec. 106. Twenty-percent variation under the asset depreciation range system.

Sec. 107. Capital gain treatment for lump-sum distribution from pension plans.

Sec. 107. Treatment of employee stock options.

Sec. 109. Tax exemption of credit unions and mutual funds for certain financial institutions.

Sec. 110. Treatment of bad debt reserves of banks and other financial institutions.

Sec. 111. Percentage depletion for oil, gas, and other minerals.

Sec. 112. Capital gain for timber, coal, and iron ore royalties.

Sec. 113. Exclusion of gross-up on dividends of less developed country corporations.

Sec. 114. Exemption of earned income from foreign sources.

Sec. 115. Exception to capital gains.

Sec. 116. Rules for recapture of depreciation on sale at gain of real property.

Sec. 117. Special exemptions for excess deductions account for farm losses.

TITLE II—PROVISIONS TO TERMINATE ON JANUARY 1, 1975

Sec. 201. Exclusion from gross income of amounts received as sick pay.

Sec. 202. Deduction of nonbusiness interest and taxes.

Sec. 203. Fast depreciation methods.

Sec. 204. Deduction of research and experimentation expenditures.

Sec. 205. Deduction of soil and water conservation expenditures.

Sec. 206. Additional first-year depreciation allowance.

Sec. 207. Deduction of expenditures for parking land.

Sec. 208. Amortization of railroad grading and tunnel borings.

Sec. 209. Cost of intangible drilling and development costs.


Sec. 211. Tax exemption for ships under foreign flag.

Sec. 212. Special deduction for a Western Hemisphere trade corporation.
losses on loans of mutual savings banks and in certain other financial organizations, is amended by adding at the end thereof the following paragraph:

"(b) No special additions for years after 1973.—This subsection shall not apply in the case of any taxable year beginning after January 1, 1974, and the reasonable addition to the reserve for bad debts for any taxable year beginning after January 1, 1974, shall be computed under section 166(c) on the basis of the actual experience of the taxpayer."

Sec. 111. PERCENTAGE DEPLETION FOR OIL, GAS, AND OTHER DEEP MINERALS

Section 613 of such Code (relating to the allowance of percentage depletion) is amended by adding at the end thereof the following new subsection:

"(e) TERMINATION.—Subsection (a) shall not apply to any taxable year beginning on or after January 1, 1974."

Sec. 112. CAPITAL GAIN FOR TIMBER, COAL, AND IRON ORE ROYALTIES

Section 631 of such Code (relating to gain or loss in the case of timber, coal, or domestic iron ore) is amended by adding at the end thereof the following new subsection:

"(e) TERMINATION.—Subsection (a) shall not apply to any taxable year beginning on or after January 1, 1974."

Sec. 113. EXCLUSION OF GROSS-UP ON DIVIDENDS OF LESS DEVELOPED COUNTRY CORPORATIONS

Section 202(d) of such Code (relating to the definition of less developed country corporation) is amended by adding at the end thereof the following new sentence: "No foreign corporation shall be treated as a less developed country corporation for any of its taxable years which begin on or after January 1, 1974.

Sec. 911 of such Code (relating to exemption of earned income from sources without the United States) is amended by adding at the end thereof the following new subsection:

"(e) TERMINATION.—Subsection (a) shall not apply to any taxable year beginning on or after January 1, 1974."

Sec. 115. ALTERNATIVE TAX ON CAPITAL GAINS

Section 1201 of such Code (relating to the alternative tax for corporations and individuals on capital gains) is amended by adding at the end thereof the following new subsection:

"(f) TERMINATION.—Subsections (a) and (b) of this section shall not apply to any taxable year beginning on or after January 1, 1974."

Sec. 116. RULES FOR RECAPTURE OF DEPRECIATION ON SALE AT GAIN OF REAL PROPERTY

Section 1250 (relating to gain from dispositions of certain depreciable realty) is amended by adding at the end thereof the following new subsection:

"(e) TERMINATION OF ERENT TREATMENT OF REAL PROPERTY.—Any disposition of section 1250 property after December 31, 1973, shall be subject to the provisions of subsection (a) but shall be treated under section 1245(a) as a disposition of section 1246 property, subject to the exceptions and limitations of section 1246(b), and by determining the recomputed basis of the property under section 1246(a) by adding only those expenditures which are attributable to periods after December 31, 1968."

Sec. 117. SPECIAL EXEMPTIONS FOR EXCESS EXPENDITURES ACCOUNT FOR FARM LOSSES

Section 1261(d) of such Code (relating to special rules with respect to the excess deductions account) is amended by adding at the end thereof the following new paragraph:

"(7) TERMINATION OF $50,000 AND $25,000 EXEMPTIONS.—If any taxable year beginning on or after January 1, 1974, subsection (b)(2) shall be applied without regard to the provisions provided in subparagraphs (B) and (C)."

TITLE II.—PROVISIONS TO TERMINATE ON JANUARY 1, 1975

CHAPTER 2A.—EXEMPTIONS FROM GROSS INCOME OF AMOUNTS RECEIVED AS SICK PAY

Section 105(d) of the Internal Revenue Code of 1954 (relating to exclusion from gross income of compensation from an employer as sick pay) is amended by adding at the end thereof the following new sentence: "This subsection shall not apply to amounts received in any taxable year beginning on or after January 1, 1975."

Sec. 201. EXCLUSION FROM GROSS INCOME OF AMOUNTS RECEIVED AS SICK PAY

Section 105(d) of such Code is amended by adding at the end thereof the following new subsection:

"(e) TERMINATION.—Subsection (a) shall not apply to any taxable year beginning on or after January 1, 1975."

Sec. 202. DEDUCTION OF NONBUSINESS IN-TEREST AND TAXES

Section 163(a) of such Code (relating to deduction of interest) is amended by adding at the end thereof the following new sentence: "In the case of an individual, no deduction shall be allowed under this subsection for interest paid or accrued during a taxable year beginning on or before January 1, 1975, unless the indebtedness is for the purchase or carrying on a trade or business or for any activity described in section 212 (relating to expenses for production of income)."

Sec. 208. AMORTIZATION OF RAILROAD GRAVING AND TUNNEL BORES

Section 185 of such Code (relating to amortization of railroad grading and tunnel bores) is amended by adding at the end thereof the following new subsection:

"(f) TERMINATION.—Subsections (a) and (b) shall not apply to any taxable year beginning on or after January 1, 1975."

Sec. 209. DEDUCTION OF INTANGIBLE DRILLING AND DEVELOPMENT COSTS

Section 263(c)(2) of such Code (relating to deduction of development costs in the case of mines) is amended by adding at the end thereof the following new sentence: "In the case of any taxable year beginning on or after January 1, 1975, tangible drilling and development expenditures (other than those incurred in drilling a nonproductive well) shall be charged to capital account and shall not be deductible in accordance with such regulations."

Sec. 210. DEDUCTION OF DEVELOPMENT EXPENDITURES IN THE CASE OF MINES

Section 616 of such Code (relating to the deduction of development expenditures in the case of mines) is amended by adding at the end thereof the following new subsection:

"(g) TERMINATION.—Subsections (a) and (b) shall not apply to any taxable year beginning on or after January 1, 1975."

Sec. 211. TAX EXEMPTION FOR SHIPS UNDER FOREIGN FLAGS

Sections 872(b)(1) and 883(a)(1) of such Code (relating to tax exemption of earnings from ships under foreign flags) are each amended by adding at the end thereof the following:

"(b) In the case of any taxable year beginning on or after January 1, 1975, 'shall not apply to earnings derived during any taxable year beginning on or after January 1, 1975."

Sec. 212. SPECIAL DEPRECIATION FOR A WESTERN HEMISPHERE TRADE CORPORATION

Section 922 of such Code (relating to special depreciation for Western Hemisphere trade corporation) is amended by adding at the end thereof the following new sentence: "No deduction shall be allowed under this section for any taxable year beginning on or after January 1, 1975."

Sec. 213. EXEMPTION OF INCOME FROM SOURCES WITHIN POSSESSIONS OF THE UNITED STATES

Section 931 of such Code (relating to exemption of income from sources within possessions of the United States) is amended by adding at the end thereof the following new subsection:

"(j) TERMINATION.—This section shall not apply in the case of any taxable year beginning on or after January 1, 1975."
Section 954(b) (1) of such Code (relating to exclusion of certain dividends, interest, and gains from subpart F income) and section 954(b) (2) of such Code (relating to exclusion of shipping income from subpart F income) are each amended by adding at the end thereof the following new sentence: "This paragraph shall not apply to sec. 954(b) (2) of such Code (relating to exclusion of shipping income from subpart F income) after January 1, 1976." 

Section 915(b) of such Code (relating to tax exclusion of dividend income received by domestic corporations) is amended by adding at the end thereof the following new sentence: "This section shall not apply to any amount received during a taxable year beginning on or after January 1, 1976." 

Section 306 of such Code (relating to tax exclusion of dividend income received by domestic corporations) is amended by adding at the end thereof the following new sentence: "This section shall not apply to any amount received during a taxable year beginning on or after January 1, 1976." 

Section 308 of such Code (relating to tax exclusion of dividend income from foreign source) is amended by adding at the end thereof the following new sentence: "This section shall not apply to any amount received during a taxable year beginning on or after January 1, 1976." 

Section 309 of such Code (relating to tax exclusion of dividend income from foreign source) is amended by adding at the end thereof the following new sentence: "This section shall not apply to any amount received during a taxable year beginning on or after January 1, 1976." 

Section 310 of such Code (relating to tax exclusion of dividend income from foreign source) is amended by adding at the end thereof the following new sentence: "This section shall not apply to any amount received during a taxable year beginning on or after January 1, 1976." 

Section 311 of such Code (relating to tax exclusion of dividend income from foreign source) is amended by adding at the end thereof the following new sentence: "This section shall not apply to any amount received during a taxable year beginning on or after January 1, 1976." 

Section 312 of such Code (relating to tax exclusion of dividend income from foreign source) is amended by adding at the end thereof the following new sentence: "This section shall not apply to any amount received during a taxable year beginning on or after January 1, 1976." 

Section 313 of such Code (relating to tax exclusion of dividend income from foreign source) is amended by adding at the end thereof the following new sentence: "This section shall not apply to any amount received during a taxable year beginning on or after January 1, 1976."
18. The special exemptions for excess deduction account for farm losses.

Provisions Terminated on and After January 1, 1976:
1. The exclusion from gross income of sick pay.
2. The deduction for nonbusiness interest.
3. The deduction for nonbusiness taxes.
5. The deduction of research and experimental expenditures.
6. The deduction of soil and water conservation expenditures.
7. Additional first-year depreciation allowance.
8. The deduction of expenditures for clearing land.
9. Amortization of railroad grading and tunnel bores.
10. The deduction of intangible drilling and development costs.
11. The deduction of development expenditures in case of mines.
12. The exemption of ships under foreign flags.
13. The special deduction for Western Hemisphere trade corporations.
14. The exemption of income from sources within possessions of the United States.
15. The exclusion from Subpart F of shipping profits and certain dividends and interest.
16. The provisions relating to Domestic International Sales Corporations.
17. Step-up in tax basis of property acquired from a decedent.
18. Capital gain from the sale or exchange of patents.

Provisions Terminated On and After January 1, 1976:
1. The $25,000 corporate surtax exemption.
2. The retirement income credit.
3. The deduction and credit for political contributions.
4. The Investment credit.
5. The exclusion for interest on State and local bonds.
6. The exclusion of the rental value of parsonages.
7. The exclusion from gross income of scholarships and fellowships.
8. The exclusion from gross income of gain on sale of residence by person over 65.
9. Additional personal exemptions for the aged and blind.
10. The exemption for child where income exceeds $750.
11. The deduction for nonbusiness casualty losses.
12. The charitable contribution deduction.
13. The medical expense deduction.
15. The moving expense deduction.
16. Nonrecognition of gain on the use of appreciated property to redeem stock.
17. Nonrecognition of gain in connection with certain liquidations.
18. The deduction for long-term capital gains.