Congressional Record S. 8583-87 - Tax Policy Review of 1972

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By Mr. MANSFIELD:

S. 3657. A bill to insure congressional review of tax preferences, and other items which narrow the income tax base, by providing now for the termination over a 3-year period of existing tax preference provisions, is referred to the Committee on Finance.

TAX POLICY REVIEW OF 1972

Mr. MANSFIELD. Mr. President, William D. Mills, chairman of the House Ways and Means Committee, has today introduced a bill, H.R. 18320, entitled Tax Policy Review Act of 1972. I, at this time, am introducing an identical bill.

This bill provides that virtually all of the tax preferences in existing law will be systematically reviewed over the years 1973, 1974, and 1975. This result is achieved by providing for the repeal of these tax preference provisions as of the first of 1974, 1975, and 1976 unless action is taken to continue the provisions in their present form or in some modified form. I ask unanimous consent that there be inserted in the Congressional Record at the end of my statement a list of these provisions which under this bill will be terminated over the next 3 years in the absence of action to the contrary, together with the bill itself.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1 and 2.)

Mr. MANSFIELD. Mr. President, Senators will recall that last March 21 I took the opportunity to commend the Senator from Massachusetts (Mr. KENNEDY), the Senator from Wisconsin (Mr. NELSON), the Senator from Michigan (Mr. HART), and the Senator from Minnesota (Mr. MONDALE) for their efforts in attempting to change the tax structure. At that time I indicated that in the near future I hoped to offer a proposal which would contribute toward making the tax code more equitable. As I indicated at that time, I believe that the notion of unfairness about the tax code is justified. Something needs to be done to give assurance that everyone will pay their fair share of the tax burden.

At that time I indicated that my proposal would put a termination date on every tax preference and exclusion in the tax code so that Congress must renew every preference if it is to be continued.

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 and the Congress as a whole with an 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.

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 5-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 process, 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 rehabilitation. Each election year, promises are made for tax reform; this proposal, if enacted this year, will assure tax reform and assure 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 are subject to a review by the Congress to see whether in the opinion of Congress they should be retained or as 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
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“(4) TERMINATION.—Paragraph (1) shall not apply to amounts received with respect to an employee who died on or after January 1, 1974.”

Sec. 104. EXEMPTION FROM TAX OF $100 OF DIVIDENDS RECEIVED BY INDIVIDUALS

Section 116(a) of such Code (relating to exclusion from gross income of dividends received by an individual) is amended by adding at the end thereof the following new sentence: “This subsection shall not apply in the case of any taxable year beginning on or after January 1, 1974.”

Sec. 105. TREATMENT OF LOSS FROM CERTAIN NONBUSINESS GUARANTEES

Section 166(f) of such Code (relating to loss from guaranty of certain noncorporate obligations) is amended by adding at the end thereof the following new sentence: “The preceding sentence shall not apply to any amendment made on or after January 1, 1974.”

Sec. 106. TWENTY-PERCENT REDUCTION IN EXEMPTION PER PERSON

Section 167(b)(1) of such Code (relating to the personal exemption) is amended by adding at the end thereof the following new sentence: “This paragraph shall not apply to individuals.”

Sec. 107. CAPITAL GAIN TREATMENT FOR LUMP-SUM DISTRIBUTIONS FROM PENSION FUNDS

Sections 402(a) (2) and 408(a) (2) (A) of such Code (relating to capital gain treatment for certain distributions) are each amended by adding at the end thereof the following new sentence: “This paragraph shall not apply to distributions paid to any employee on or after January 1, 1974.”

Sec. 108. TREATMENT OF EMPLOYER STOCK OPTIONS

Section 421 of such Code (relating to the treatment of qualified stock option plans) is amended by adding at the end thereof the following new subsection: “(d) TERMINATION.—This section shall not apply with respect to a qualified stock option plan or a restricted stock option plan exercise on or after January 1, 1974.”

Sec. 109. TAX EXEMPTION OF CREDIT UNIONS AND MUTUAL INSURANCE FUNDS FOR CERTAIN FINANCIAL INSTITUTIONS

Section 501(c) (14) of such Code (relating to tax exemption for credit unions and for mutual insurance companies, mutual savings banks, and other organizations) is amended by adding at the end thereof the following new subsection: “(c) Munich Reinsurance Company .—In the case of any taxable year beginning on or after January 1, 1974, the tax imposed by subsection (b) shall be reduced by the sum specified in paragraph (2) of such subsection, and subsection (b) shall be applied without regard to the $10,000 exemption.”

Sec. 110. TREATMENT OF BAD DEBT RESERVES OF BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) BANKS—Section 585 of such Code (relating to reserves for losses on loans of banks) is amended by adding at the end thereof the following new subsection: “(c) NO SPECIAL ADDITION FOR YEARS AFTER 1973.—Subsections (a) and (b) shall not apply in the case of any taxable year beginning on or after January 1, 1974, and the proportionate addition to the reserve for bad debts for any taxable year beginning after such date shall be computed under section 166(c) on the basis of the actual experience of the taxpayer for the taxable year.”

(b) MUTUAL SAVINGS BANKS, DOMESTIC BUILDING AND LOAN ASSOCIATIONS, AND CO-OPERATIVE BANKS.—The reference in subsection (b) of such Code (relating to additions to reserves for
Section 613 of such Code (relating to the allowance of percentage depletion) is amended by adding at the end thereof the following new subsection:

"(d) TERMINATION—Subsections (a), (b), and (c) shall not apply in the case of any taxable year beginning on or after January 1, 1974."  

Section 613. EXCLUSION OF GROSS-UP ON DIVIDENDS OF LESS DEVELOPED COUNTRIES

Section 202(b)(2) of such Code (relating to deduction of interest) is amended by adding at the end thereof the following new sentence:

"(b) TAXES.—Section 164(2) of such Code (relating to deduction of interest) is amended by adding at the end thereof the following new sentence:

"(c) Stockholder of Cooperative Housing Corporation.—Section 218(a) of such Code (relating to deduction of interest and tax incentive by cooperative housing corporation tenant-stockholder) is amended by adding at the end thereof the following new sentence:

"No deduction shall be allowed under this subsection in the case of any taxable year ending on or after January 1, 1975."  

Section 203. FAST DEPRECIATION METHODS

Section 167(c)(2) of such Code (relating to deductions for business purposes) is amended by adding at the end thereof the following paragraph:

"(b) Deduction for business purposes shall not apply in the case of property placed in service after January 1, 1975."  

Section 204. DEDUCTION OF RESEARCH AND EXPERIMENTAL EXPENDITURES

Section 164 of such Code (relating to experimental expenditures in the case of mines) is amended by adding at the end thereof the following new subsection:

"(c) Stockholder of Cooperative Housing Corporation.—Section 218(a) of such Code (relating to deduction of interest and tax incentive by cooperative housing corporation tenant-stockholder) is amended by adding at the end thereof the following new sentence:

"No deduction shall be allowed under this subsection in the case of any taxable year ending on or after January 1, 1975."  

Section 205. DEDUCTION OF NONBUSINESS INTEREST AND TAXES

Section 175(a) of such Code (relating to deduction of interest) is amended by adding at the end thereof the following new sentence:

"(a) Stockholder of Cooperative Housing Corporation.—Section 218(a) of such Code (relating to deduction of interest and tax incentive by cooperative housing corporation tenant-stockholder) is amended by adding at the end thereof the following new sentence:

"No deduction shall be allowed under this subsection in the case of any taxable year ending on or after January 1, 1975."  

Section 206. DEDUCTION OF NONBUSINESS INTEREST AND TAXES

Section 175(a) of such Code (relating to deduction of interest) is amended by adding at the end thereof the following new sentence:

"(a) Stockholder of Cooperative Housing Corporation.—Section 218(a) of such Code (relating to deduction of interest and tax incentive by cooperative housing corporation tenant-stockholder) is amended by adding at the end thereof the following new sentence:

"No deduction shall be allowed under this subsection in the case of any taxable year ending on or after January 1, 1975."  

Section 207. DEDUCTION OF EXPENSES FOR CLEANING LAND

Section 183 of such Code (relating to deduction by farmers of expenditures for clearing land) is amended by adding at the end thereof the following new subsection:

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

Section 208. AMORTIZATION OF RAILROAD GRADING AND TUNNEL BORING

Section 316 of such Code (relating to amortization of railroad grading and tunnel boring) is amended by adding at the end thereof the following new subsection:

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

Section 209. DEDUCTION OF INTANGIBLE DRILLING AND DEVELOPMENT COSTS

Section 323(e)(1) of such Code (relating to amortization of intangible drilling and development costs) is amended by adding at the end thereof the following new subsection:

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

Section 210. DEDUCTION OF DEVELOPMENT EXPENSES 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:

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

Section 211. TAX EXEMPTION FOR SHIPS UNDER FOREIGN FLAGS

Sections 872(b)(1) and 883(a)(1) of such Code (relating to exemption of earnings from carrying traffic under foreign flag) are amended by adding at the end thereof the following paragraph:

"This paragraph shall not apply to earnings received during any taxable year beginning on or after January 1, 1975."  

Section 212. SPECIAL DEDUCTION FOR A WESTERN HEMISPHERE TRADE CORPORATION

Section 922 of such Code (relating to special deduction for Western Hemisphere trade corporation) is amended by adding at the end thereof the following new subsection:

"(f) TERMINATION.—Subsection (a) shall not apply in the case of any taxable year beginning on or after January 1, 1975."  

Section 213. EXCLUSION OF EARNINGS OF MINERS IN POSSESSIONS OF THE UNITED STATES

Section 931 of such Code (relating to exclusion of earnings of miners in possessions of the United States) is amended by adding at the end thereof the following new subsection:

"(g) TERMINATION.—Subsection (a) shall not apply in the case of any taxable year beginning on or after January 1, 1975."
Section 103(b) of such Code (relating to the inapplicability of the tax exemption of interest on certain obligations) is amended by adding at the end thereof the following new sentence: "Subsection (a) shall not apply to interest on obligations issued on or after January 1, 1976." 

Section 107 of such Code (relating to the exclusion of paragonies) 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, 1976." 

Section 108 of such Code (relating to deduction of expenses for certain household and dependent care services) 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, 1976." 

Section 112 of such Code (relating to the deduction of moving expenses) 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, 1976." 

Section 113 of such Code (relating to the exceptions and limitations on recognition of gain) 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, 1976." 

Section 114 of such Code (relating to the nonrecognition of gain on appreciated property used to redeem stocks) is amended by adding at the end thereof the following new sentence: "This paragraph shall not apply to any distribution made on or after January 1, 1976."
18. The special exemptions for excess deduction account for farm losses.
   Provisions Terminated on and After January 1, 1975:
   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.