92D CONGRESS
1st Session
SENATE
REPORT
No. 92-553

REVENUE ACT OF 1971

DECEMBER 4, 1971.—Ordered to be printed

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

CONFERENCE REPORT

[To accompany H.R. 10947]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 10947) to provide a job development investment credit, to reduce individual income taxes, to reduce certain excise taxes, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 4, 21, 29, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 60, 65, 68, 70, 71, 72, 73, 74, 75, 77, 78, 80, 83, 84, 86, 93, 103, 106, 114, 115, 116, 117, 120, 121, 123, 125, and 126.

That the House recede from its disagreement to the amendments of the Senate numbered 2, 3, 5, 6, 8, 12, 13, 16, 17, 18, 19, 20, 22, 23, 24, 25, 26, 27, 31, 32, 33, 45, 46, 48, 51, 52, 53, 54, 55, 56, 57, 58, 59, 62, 63, 79, 82, 87, 88, 89, 90, 91, 92, 94, 95, 96, 97, 98, 99, 100, 102, 104, 105, 107, 108, 109, 110, and 112, and agree to the same.

Amendment numbered 1:

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

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

TITLE I—JOB DEVELOPMENT INVESTMENT CREDIT; DEPRECIATION REVISION

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TITLE V—DOMESTIC INTERNATIONAL SALES CORPORATIONS

TITLE VI—JOB DEVELOPMENT RELATED TO WORK INCENTIVE PROGRAM

TITLE VII—TAX INCENTIVES FOR CONTRIBUTIONS TO CANDIDATES FOR PUBLIC OFFICE

TITLE VIII—FINANCING OF PRESIDENTIAL ELECTION CAMPAIGNS

And the Senate agree to the same.

Amendment numbered 7:

That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with an amendment, as follows:

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

(c) *ACCOUNTING FOR INVESTMENT CREDIT IN CERTAIN FINANCIAL REPORTS AND REPORTS TO FEDERAL AGENCIES.—*

(1) IN GENERAL.—It was the intent of the Congress in enacting, in the Revenue Act of 1962, the investment credit allowed by section 38 of the Internal Revenue Code of 1954, and it is the intent of the Congress in restoring that credit in this Act, to provide an incentive for modernization and growth of private industry. Accordingly, notwithstanding any other provision of law, on and after the date of the enactment of this Act—

(A) no taxpayer shall be required to use, for purposes of financial reports subject to the jurisdiction of any Federal agency or reports made to any Federal agency, any particular method of accounting for the credit allowed by such section 38,

(B) a taxpayer shall disclose, in any such report, the method of accounting for such credit used by him for purposes of such report, and

(C) a taxpayer shall use the same method of accounting for such credit in all such reports made by him, unless the Secretary of the Treasury or his delegate consents to a change to another method.

(2) EXCEPTIONS.—Paragraph (1) shall not apply to taxpayers who are subject to the provisions of section 46(e) of the Internal Revenue Code of 1954 (as added by section 105(c) of this Act) or to section 203(e) of the Revenue Act of 1964 (as modified by section 105(e) of this Act).

And the Senate agree to the same.

Amendment numbered 9:

That the House recede from its disagreement to the amendment of the Senate numbered 9, and agree to the same with an amendment, as follows:

On page 6, line 7, of the Senate engrossed amendments, strike out "not more than 2 years".

And the Senate agree to the same.

Amendment numbered 10:

That the House recede from its disagreement to the amendment of the Senate numbered 10, and agree to the same with an amendment, as follows:

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

"(D) COUNTRIES MAINTAINING TRADE RESTRICTIONS OR ENGAGING IN DISCRIMINATORY ACTS.—If, on or after the date of the termination of Proclamation 4074, the President determines that a foreign country—

"(i) maintains nontariff trade restrictions, including variable import fees, which substantially burden United States commerce in a manner inconsistent with provisions of trade agreements, or

"(ii) engages in discriminatory or other acts (including tolerance of international cartels) or policies unjustifiably restricting United States commerce,

he may provide by Executive order for the application of subparagraph (A) to any article or class of articles manufactured or produced in such foreign country for such period as may be provided by Executive order."

And the Senate agree to the same.

Amendment numbered 11:

That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with the following amendments:

On page 9 of the Senate engrossed amendments, after line 7, insert the following:

(3) Section 48(a)(2)(B) (relating to exceptions from rule for property used outside the United States) is amended by inserting after clause (viii) (as added by paragraph (2)) the following new clause:

"(ix) any cable, or any interest therein, of a domestic corporation engaged in furnishing telephone service to which section 46(c)(3)(B)(iii) applies (or of a wholly owned domestic subsidiary of such a corporation), if such cable is part of a submarine cable system which constitutes part of a communication

link exclusively between the United States and one or more foreign countries; and".

On page 9 of the Senate engrossed amendments, beginning with line 8, strike out all through line 2 on page 10 and insert the following:

(d) CERTAIN PROPERTY USED TO EXPLORE FOR, DEVELOP, REMOVE, AND TRANSPORT RESOURCES FROM OCEAN WATERS AND SUBMARINE DEPOSITS.—Section 48(a)(2)(B) (relating to exceptions from rule for property used outside the United States) is amended by inserting after clause (ix) (as added by subsection (c)(3)) the following new clause:

> *"(x) any property (other than a vessel or an aircraft) of a United States person which is used in international or territorial waters for the purpose of exploring for, developing, removing, or transporting resources from ocean waters or deposits under such waters."*

On page 10, line 12, of the Senate engrossed amendments, after "disposition," insert: *then, unless such sale or other disposition constitutes an involuntary conversion (within the meaning of section 1033),*

On page 10, line 24, of the Senate engrossed amendments, after "184," insert: *187,*

On page 12, line 10, of the Senate engrossed amendments, strike out "(c) and" and insert: *(c)(1), (c)(2), and*

On page 12, line 12, of the Senate engrossed amendments, strike out "(c) and" and insert: *(c)(1), (c)(2), and*

And the Senate agree to the same.

Amendment numbered 14:

That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment, as follows:

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

(b) DEFINITION OF PUBLIC UTILITY PROPERTY, ETC.—Section 46(c)(3) (relating to public utility property) is amended—

(1) by inserting "or" at the end of clause (ii) of subparagraph (B), and by striking out clauses (iii) and (iv) of such subparagraph and inserting in lieu thereof the following:

> *"(iii) telephone service, telegraph service by means of domestic telegraph operations (as defined in section 222(a)(5) of the Communications Act of 1934, as amended; 47 U.S.C., sec. 222(a)(5)), or other communication services (other than international telegraph service),";*

(2) by adding at the end of subparagraph (B) the following new sentence: "Such term also means communication property of the type used by persons engaged in providing telephone or microwave communication services to which clause (iii) applies, if such property is used predominantly for communication purposes."; and

(3) by adding after subparagraph (B) the following new subparagraph:

> *"(C) In the case of any interest in a submarine cable circuit used to furnish telegraph service between the United States and a point outside the United States of a taxpayer engaged in furnishing international telegraph service (if the rates for such furnishing have been established or approved by a governmental unit, agency, instrumentality, commission, or similar body described in subparagraph (B)), the qualified investment shall*

not exceed the qualified investment attributable to so much of the interest of the taxpayer in the circuit as does not exceed 50 percent of all interests in the circuit."

And the Senate agree to the same.

Amendment numbered 15:

That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment, as follows:

On page 15, line 23, of the Senate engrossed amendments, strike out "paragraph (1)" and insert: *paragraphs (1) and (2)*

And the Senate agree to the same.

Amendment numbered 28:

That the House recede from its disagreement to the amendment of the Senate numbered 28, and agree to the same with the following amendments:

On page 19, line 12, of the Senate engrossed amendments, before "Property" insert: *Certain*

On page 19, lines 21 and 22, of the Senate engrossed amendments, strike out "which is not short term lease property (as defined in paragraph 4)" and insert: (*other than property described in paragraph (4)*)

On page 20, line 11, of the Senate engrossed amendments, before "short" insert: *certain*

On page 20, line 14, of the Senate engrossed amendments, strike out "short term lease property" and insert: *property described in paragraph (4)*

On page 20, line 18, of the Senate engrossed amendments, strike out "which is new section 38 property"

On page 20, lines 23 and 24, of the Senate engrossed amendments, strike out "short term lease property" and insert: *property described in paragraph (4)*

On page 21, line 9, of the Senate engrossed amendments, strike out "short term lease property" and insert: *property described in paragraph (4).*

On page 22 of the Senate engrossed amendments, strike out lines 7 through 11 and insert:

"(4) PROPERTY TO WHICH PARAGRAPH (2) APPLIES.—Paragraph (2) shall apply only to property which—

"(A) is new section 38 property,

"(B) has a class life (determined under section 167(m)) in excess of 14 years,

"(C) is leased for a period which is less than 80 percent of its class life, and

"(D) is not leased subject to a net lease (within the meaning of section 57(c)(2)).."

And the Senate agree to the same.

Amendment numbered 30:

That the House recede from its disagreement to the amendment of the Senate numbered 30, and agree to the same with an amendment, as follows:

Insert the matter proposed to be inserted by the Senate amendment, and on page 19, line 17, of the House engrossed bill strike out "110" and insert: *109*

And the Senate agree to the same.

Amendment numbered 44:

That the House recede from its disagreement to the amendment of the Senate numbered 44, and agree to the same with amendments as follows:

Strike the matter proposed to be stricken out by the Senate amendment, and on page 24 of the House engrossed bill, after line 20, insert the following:

(4) by inserting after subparagraph (B) the following new subparagraph:

"(C) Every individual having for the taxable year a gross income of $750 or more and to whom section 141(e) (relating to limitations in case of certain dependent taxpayers) applies;"

And the Senate agree to the same.

Amendment numbered 47:

That the House recede from its disagreement to the amendment of the Senate amendment numbered 47, and agree to the same with amendments as follows:

On page 35 of the Senate engrossed amendments, strike out the table after line 5 and insert the following:

"Percentage Method Withholding Table

"Payroll period:	*Amount of one withholding exemption*
Weekly	*$14. 40*
Biweekly	*28. 80*
Semimonthly	*31. 30*
Monthly	*62. 50*
Quarterly	*187. 50*
Semiannual	*375. 00*
Annual	*750. 00*
Daily or miscellaneous (per day of such period)	*2. 10."*

On page 37 of the Senate engrossed amendments, strike out line 24 and all that follows down through line 2 on page 38 and insert in lieu thereof the following:

(h) FIFTEEN-DAY EXTENSION OF EXISTING WITHHOLDING PROVISIONS.—

(1) Paragraph (3) of section 3402(a) (relating to requirement of withholding) is amended by striking out "January 1, 1972" and inserting in lieu thereof "January 16, 1972".

(2) Paragraph (2) of section 805(b) of the Tax Reform Act of 1969 (relating to percentage method of withholding) is amended by striking out "January 1, 1972" and inserting in lieu thereof "January 16, 1972".

(i) EFFECTIVE DATE.—

(1) The amendments made by this section (other than subsection (h)) shall apply with respect to wages paid after January 15, 1972.

(2) The amendments made by subsection (h) shall apply with respect to wages paid after December 31, 1971, and before January 16, 1972.

And the Senate agree to the same.

Amendment numbered 49:

That the House recede from its disagreement to the amendment of the Senate numbered 49, and agree to the same with an amendment as follows:

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

SEC. 210. CERTAIN EXPENSES TO ENABLE INDIVIDUALS TO BE GAINFULLY EMPLOYED.

(a) IN GENERAL.—Section 214 (relating to expenses for care of certain dependents) is amended to read as follows:

"SEC. 214. EXPENSES FOR HOUSEHOLD AND DEPENDENT CARE SERVICES NECESSARY FOR GAINFUL EMPLOYMENT.

"(a) ALLOWANCE OF DEDUCTION.—In the case of an individual who maintains a household which includes as a member one or more qualifying individuals (as defined in subsection (b)(1)), there shall be allowed as a deduction the employment-related expenses (as defined in subsection (b)(2)) paid by him during the taxable year.

"(b) DEFINITIONS, ETC.—For purposes of this section—

"(1) QUALIFYING INDIVIDUAL.—The term 'qualifying individual' means—

"(A) a dependent of the taxpayer who is under the age of 15 and with respect to whom the taxpayer is entitled to a deduction under section 151(e),

"(B) a dependent of the taxpayer who is physically or mentally incapable of caring for himself, or

"(C) the spouse of the taxpayer, if he is physically or mentally incapable of caring for himself.

"(2) EMPLOYMENT-RELATED EXPENSES.—The term 'employment-related expenses' means amounts paid for the following expenses, but only if such expenses are incurred to enable the taxpayer to be gainfully employed:

"(A) expenses for household services, and

"(B) expenses for the care of a qualifying individual.

"(3) MAINTAINING A HOUSEHOLD.—An individual shall be treated as maintaining a household for any period only if over half of the cost of maintaining the household during such period is furnished by such individual (or if such individual is married during such period, is furnished by such individual and his spouse).

"(c) LIMITATIONS ON AMOUNTS DEDUCTIBLE.—

"(1) IN GENERAL.—A deduction shall be allowed under subsection (a) for employment-related expenses incurred during any month only to the extent such expenses do not exceed $400.

"(2) EXPENSES MUST BE FOR SERVICES IN THE HOUSEHOLD.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), a deduction shall be allowed under subsection (a) for employment-related expenses only if they are incurred for services in the taxpayer's household.

"(B) EXCEPTION.—Employment-related expenses described in subsection (b)(2)(B) which are incurred for services outside the taxpayer's household shall be taken into account only if incurred for the care of a qualifying individual described in subsection (b)(1)(A) and only to the extent such expenses incurred during any month do not exceed—

"(i) $200, in the case of one such individual,

"(ii) $300, in the case of two such individuals, and

"(iii) $400, in the case of three or more such individuals.

"(d) INCOME LIMITATION.—If the adjusted gross income of the taxpayer exceeds $18,000 for the taxable year during which the expenses are

incurred, the amount of the employment-related expenses incurred during any month of such year which may be taken into account under this section shall (after the application of subsections (e)(5) and (c)) be further reduced by that portion of one-half of the excess of the adjusted gross income over $18,000 which is properly allocable to such month. For purposes of the preceding sentence, if the taxpayer is married during any period of the taxable year, there shall be taken into account the combined adjusted gross income of the taxpayer and his spouse for such period.

"(e) SPECIAL RULES.—For purposes of this section—

"(1) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married at the close of the taxable year, the deduction provided by subsection (a) shall be allowed only if the taxpayer and his spouse file a single return jointly for the taxable year.

"(2) GAINFUL EMPLOYMENT REQUIREMENT.—If the taxpayer is married for any period during the taxable year, there shall be taken into account employment-related expenses incurred during any month of such period only if—

"(A) both spouses are gainfully employed on a substantially full-time basis, or

"(B) the spouse is a qualifying individual described in subsection (b)(1)(C).

"(3) CERTAIN MARRIED INDIVIDUALS LIVING APART.—An individual who for the taxable year would be treated as not married under section 143(b) if paragraph (1) of such section referred to any dependent, shall be treated as not married for such taxable year.

"(4) PAYMENTS TO RELATED INDIVIDUALS.—No deduction shall be allowed under subsection (a) for any amount paid by the taxpayer to an individual bearing a relationship to the taxpayer described in paragraphs (1) through (8) of section 152(a) (relating to definition of dependent) or to a dependent described in paragraph (9) of such section.

"(5) REDUCTION FOR CERTAIN PAYMENTS.—In the case of employment-related expenses incurred during any taxable year solely with respect to a qualifying individual (other than an individual who is also described in subsection (b)(1)(A)), the amount of such expenses which may be taken into account for purposes of this section shall (before the application of subsection (c)) be reduced—

"(A) if such individual is described in subsection (b)(1)(B), by the amount by which the sum of—

"(i) such individual's adjusted gross income for such taxable year, and

"(ii) the disability payments received by such individual during such year,

exceeds $750, or

"(B) in the case of a qualifying individual described in subsection (b)(1)(C), by the amount of disability payments received by such individual during the taxable year.

For purposes of this paragraph, the term 'disability payment' means a payment (other than a gift) which is made on account of the physical or mental condition of an individual and which is not included in gross income.

"(f) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section."

(b) CLERICAL AMENDMENT.—*The table of sections for part VII of subchapter B of chapter 1 is amended by striking out the item relating to section 214 and inserting in lieu thereof the following:*

"Sec. 214. Expenses for household and dependent care services necessary for gainful employment."

(c) EFFECTIVE DATE.—*The amendments made by this section shall apply to taxable years beginning after December 31, 1971.*

And the Senate agree to the same.

Amendment numbered 50:

That the House recede from its disagreement to the amendment of the Senate numbered 50, and agree to the same with an amendment, as follows:

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

SEC. 211. LEVIES ON SALARIES AND WAGES.

(a) WRITTEN NOTICE REQUIRED.—*Section 6331 (relating to levy and distraint) is amended by redesignating subsection (d) as (e) and by inserting after subsection (c) the following new subsection:*

"(d) SALARY AND WAGES.—

"(1) IN GENERAL.—Levy may be made under subsection (a) upon the salary or wages of an individual with respect to any unpaid tax only after the Secretary or his delegate has notified such individual in writing of his intention to make such levy. Such notice shall be given in person, left at the dwelling or usual place of business of such individual, or shall be sent by mail to such individual's last known address, no less than 10 days before the day of levy. No additional notice shall be required in the case of successive levies with respect to such tax.

"(2) JEOPARDY.—Paragraph (1) shall not apply to a levy if the Secretary or his delegate has made a finding under the last sentence of subsection (a) that the collection of tax is in jeopardy."

(b) EFFECTIVE DATE.—*The amendments made by this section shall apply with respect to levies made after March 31, 1972.*

And the Senate agree to the same.

Amendment numbered 61:

That the House recede from its disagreement to the amendment of the Senate numbered 61, and agree to the same with the following amendments:

On page 52, line 18, of the Senate engrossed amendments, after the period insert:

The burden of proof in respect of the issue, for purposes of this paragraph, as to whether a payment constitutes an illegal bribe, illegal kickback, or other illegal payment shall be upon the Secretary or his delegate to the same extent as he bears the burden of proof under section 7454 (concerning the burden of proof when the issue relates to fraud).

On page 52 of the Senate engrossed amendments, beginning with line 19, strike out all through line 10 on page 53, and insert:

"(3) KICKBACKS, REBATES, AND BRIBES UNDER MEDICARE AND MEDICAID.—No deduction shall be allowed under subsection (a) for any kickback, rebate, or bribe made by any provider of services, supplier, physician, or other person who furnishes items or services for which payment is or may be made under the Social Security Act, or in whole or in part out of Federal funds under a State plan

approved under such Act, if such kickback, rebate, or bribe is made in connection with the furnishing of such items or services or the making or receipt of such payments. For purposes of this paragraph, a kickback includes a payment in consideration of the referral of a client, patient, or customer.": and

On page 53 of the Senate engrossed amendments, beginning with line 14, strike out all through line 11 on page 56 and insert:

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to payments after December 30, 1969, except that section 162(c)(3) of the Internal Revenue Act of 1954 (as added by subsection (a)) shall apply only with respect to kickbacks, rebates, and bribes payment of which is made on or after the date of the enactment of this Act.

And the Senate agree to the same.

Amendment numbered 64:

That the House recede from its disagreement to the amendment of the Senate numbered 64, and agree to the same with the following amendments:

On page 60, line 4, of the Senate engrossed amendments, after "1969," insert: *and before April 1, 1972,*

On page 60, lines 6 and 7, of the Senate engrossed amendments, strike out "such date" and insert: *May 27, 1969*

On page 60, line 9, of the Senate engrossed amendments, strike out "on or after April 1, 1972" and insert: *after March 31, 1972*

On page 61, line 8, of the Senate engrossed amendments after "1969," insert: *and before April 1, 1972,*

On page 61, lines 9 and 10, of the Senate engrossed amendments, strike out "such date" and insert: *May 27, 1969*

On page 62, line 18, of the Senate engrossed amendments, before "the" insert: *and*

On page 62, line 20, of the Senate engrossed amendments, strike out the comma.

And the Senate agree to the same.

Amendment numbered 66:

That the House recede from its disagreement to the amendment of the Senate numbered 66, and agree to the same with an amendment, as follows:

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

SEC. 314. INCOME FROM CERTAIN AIRCRAFT AND VESSELS.

(a) ELECTION.—Section 861 (relating to income from sources within the United States) is amended by adding at the end thereof the following new subsection:

"(e) ELECTION TO TREAT INCOME FROM CERTAIN AIRCRAFT AND VESSELS AS INCOME FROM SOURCES WITHIN THE UNITED STATES.—

"(1) IN GENERAL.—For purposes of subsection (a) and section 862 (a), if a taxpayer owning an aircraft or vessel which is section 38 property (or would be section 38 property but for section 48(a)(5)) leases such aircraft or vessel to a United States person, other than a member of the same controlled group of corporations (as defined in section 1563) as the taxpayer, and if such aircraft or vessel is manufactured or constructed in the United States, the taxpayer may elect, for any taxable year ending after the commencement of such

lease, to treat all amounts includible in gross income with respect to such aircraft or vessel (whether during or after the period of any such lease), including gain from sale or other disposition of such aircraft or vessel, as income from sources within the United States.

"(2) EFFECT OF ELECTION.—An election under paragraph (1) made with respect to any aircraft or vessel shall apply to the taxable year for which made and to all subsequent taxable years. Such election may not be revoked except with the consent of the Secretary or his delegate.

"(3) MANNER AND TIME OF ELECTION AND REVOCATION.—An election under paragraph (1), and any revocation of such election, shall be made in such manner and at such time as the Secretary or his delegate prescribes by regulations.

"(4) CERTAIN TRANSFERS INVOLVING CARRYOVER BASIS.—If the taxpayer transfers or distributes an aircraft or vessel which is subject to an election under paragraph (1) and the basis of such aircraft or vessel in the hands of the transferee or distributee is determined by reference to its basis in the hands of the transferor or distributor, the transferee or distributee shall, for purposes of paragraph (1), be treated as having made an election with respect to such aircraft or vessel."

(b) CLERICAL AMENDMENT.—Section 862 (relating to income from sources without the United States) is amended by adding at the end thereof the following new subsection:

"(c) CROSS REFERENCE—

"For source of amounts attributable to certain aircraft and vessels, see section 861(e)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after August 15, 1971, but only with respect to leases entered into after such date.

And the Senate agree to the same.

Amendment numbered 67:

That the House recede from its disagreement to the amendment of the Senate numbered 67, and agree to the same with the following amendments:

On page 70, line 1, of the Senate engrossed amendments, strike out "316" and insert: *315*.

On page 70 of the Senate engrossed amendments, strike out lines 13 through 22 and insert:

(b) CERTAIN CAPITAL EXPENDITURES.—Section 103(c)(6)(F)(iii) (relating to exception of certain capital expenditures for purposes of the $5,000,000 limit) is amended by striking out "$250,000" and inserting in lieu thereof "$1,000,000"

(c) EFFECTIVE DATES.—The amendments made by subsection (a) shall apply with respect to obligations issued after January 1, 1969. The amendment made by subsection (b) shall apply with respect to expenditures incurred after the date of the enactment of this Act.

And the Senate agree to the same.

Amendment numbered 69:

That the House recede from its disagreement to the amendment of the Senate numbered 69, and agree to the same with an amendment, as follows:

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

SEC. 316. DISCLOSURE OR USE OF INFORMATION BY PREPARERS OF RETURNS.

(a) CRIMINAL PENALTY.—Part I of subchapter A of chapter 75 (relating to crimes) is amended by adding at the end thereof the following new section:

"SEC. 7216. DISCLOSURE OR USE OF INFORMATION BY PREPARERS OF RETURNS.

"(a) GENERAL RULE.—Any person who is engaged in the business of preparing, or providing services in connection with the preparation of, returns of the tax imposed by chapter 1, or declarations or amended declarations of estimated tax under section 6015, or any person who for compensation prepares any such return or declaration for any other person, and who—

"(1) discloses any information furnished to him for, or in connection with, the preparation of any such return or declaration, or

"(2) uses any such information for any purpose other than to prepare, or assist in preparing, any such return or declaration,

shall be guilty of a misdemeanor, and, upon conviction thereof, shall be fined not more than $1,000, or imprisoned not more than 1 year, or both, together with the costs of prosecution.

"(b) EXCEPTIONS.—

"(1) DISCLOSURE.—Subsection (a) shall not apply to a disclosure of information if such disclosure is made—

"(A) pursuant to any other provision of this title, or

"(B) pursuant to an order of a court.

"(2) USE.—Subsection (a) shall not apply to the use of information in the preparation of, or in connection with the preparation of, State and local tax returns and declarations of estimated tax of the person to whom the information relates.

"(3) REGULATIONS.—Subsection (a) shall not apply to a disclosure or use of information which is permitted by regulations prescribed by the Secretary or his delegate under this section."

(b) CLERICAL AMENDMENT.—The table of contents for part I of subchapter A of chapter 75 is amended by adding at the end thereof the following new item:

"Sec. 7216. Disclosure or use of information by preparers of returns."

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the first day of the first month which begins after the date of the enactment of this Act.

And the Senate agree to the same.

Amendment numbered 76:

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

Restore the matter proposed to be stricken out by the Senate amendment, and omit the matter proposed to be inserted by the Senate amendment.

On page 52 of the House engrossed bill, strike out lines 5 and 6 and insert the following:

(a) *REPEAL OF AND EXEMPTIONS FROM TAX.*—

(1) *REPEAL.—Section 4061(a) (relating to tax on automobiles, etc.) is amended to read as follows:*

On page 53, line 13, of the House engrossed bill, strike out the final quotation mark.

On page 53 of the House engrossed bill, after line 13, insert the following:

"Truck trailer and semitrailer chassis and bodies, suitable for use with a trailer or semitrailer having a gross vehicle weight of 10,000 pounds or less (as so determined)."

(2) *EXEMPTIONS FOR LOCAL TRANSIT BUSES, AND FOR TRASH CONTAINERS, ETC.—Section 4063(a) (relating to exemptions for specified articles) is amended by adding at the end thereof the following new paragraphs:*

"(6) LOCAL TRANSIT BUSES.—The tax imposed under section 4061(a) shall not apply in the case of automobile bus chassis or automobile bus bodies which are to be used predominantly by the purchaser in mass transportation service in urban areas.

"(7) TRASH CONTAINERS, ETC.—The tax imposed under section 4061(a) shall not apply in the case of any box, container, receptacle, bin, or other similar article which is to be used as a trash container and is not designed for the transportation of freight other than trash, and which is not designed to be permanently mounted on or permanently affixed to an automobile truck chassis or body, or in the case of parts or accessories designed primarily for use on, in connection with, or as a component part of any such article."

(3) *TECHNICAL AMENDMENTS.—*

(A) Section 4221(c) (relating to relief of manufacturer from liability in certain cases) is amended by striking out "section 4063(b)," and inserting in lieu thereof "section 4063(a) (6) or (7), 4063(b),"

(B) Section 4222(d) (relating to registration in the case of certain exemptions) is amended by striking out "sections 4063(b)," and inserting in lieu thereof "sections 4063(a) (6) and (7), 4063(b),".

(C) Section 6416(b)(2) (relating to specified uses and resales in case of which tax payments are considered overpayments) is amended—

(i) by striking out "described in section 4221(e)(5)." in subparagraph (R) and inserting in lieu thereof "described in section 4063(a)(6) or 4221(e)(5); or"; and

(ii) by adding at the end thereof the following new subparagraph:

"(S) in the case of a box, container, receptacle, bin, or other similar article taxable under section 4061(a), sold to any person for use as described in section 4063(a)(7)."

And the Senate agree to the same.

Amendment numbered 81:

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

Restore the matter proposed to be stricken out by the Senate amendment.

On page 58, line 16, of the House engrossed bill, after "imposed" insert the following: *(without regard to the amendment made by paragraph (2) of subsection (a) of this section)*

On page 58, line 18, of the House engrossed bill, strike out "(f)" and insert the following: *(g)*

On page 60, line 15, of the House engrossed bill, strike out "(a) and (f)" and insert the following: *(a), (f), and (g)*

And the Senate agree to the same.

Amendment numbered 85:

That the House recede from its disagreement to the amendment of the Senate numbered 85, and agree to the same with amendments as follows:

On page 98, line 17, of the Senate engrossed amendments, strike out "403" and insert the following: *402*

On page 99 of the Senate engrossed amendments, strike out lines 20 through 24.

And the Senate agree to the same.

Amendment numbered 101:

That the House recede from its disagreement to the amendment of the Senate numbered 101, and agree to the same with the following amendments:

On page 104 of the Senate engrossed amendments strike line 25.

On page 105, line 3, of the Senate engrossed amendments strike "group." and insert: *group; and*

On page 105 of the Senate engrossed amendments between lines 3 and 4 insert:

"(v) the uncommitted transitional funds of the group as determined under paragraph (4).

On page 105, line 8 of the Senate engrossed amendments strike out "subparagraph (B) (ii)" and insert: *subparagraphs (B) (ii) and (v)*

On page 106, between lines 9 and 10, of the Senate engrossed amendments, insert the following:

"(4) UNCOMMITTED TRANSITIONAL FUNDS.—The uncommitted transitional funds of the group shall be an amount equal to the sum of—

(A) the excess of—

(i) the amount of stock or debt obligations of domestic members of such group outstanding on December 31, 1971, and issued on or after January 1, 1968, to persons other than United States persons or any members of such group, but only to the extent the taxpayer establishes that such amount constitutes a long-term borrowing for purposes of the foreign direct investment program, over

(ii) the net amount of actual foreign investment by domestic members of such group during the period that such stock or debt obligations have been outstanding; and

"(B) the amount of liquid assets to the extent not included in subparagraph (A) held by foreign members of such group and foreign branches of domestic members of such group on October 31, 1971, in excess of their reasonable working capital needs on such date.

For purposes of this paragraph, the term 'liquid assets' means money, bank deposits (not including time deposits), and indebtedness of 2 years or less to maturity on the date of acquisition; and the actual

foreign investment shall be determined under paragraph (3) without regard to the date in subparagraph (A) of such paragraph and without regard to subparagraph (D) of such paragraph.

On page 106, line 10, of the Senate engrossed amendments strike out "(4)" and insert: *(5)*

And the Senate agree to the same.

Amendment numbered 111:

That the House recede from its disagreement to the amendment of the Senate numbered 111, and agree to the same with the following amendment:

Omit the matter proposed to be inserted by the Senate amendment and insert on page 105, after the period in line 11, of the House engrossed bill, the following:

For purposes of this section, a foreign corporation which qualified as an export trade corporation for any 3 taxable years beginning before November 1, 1971, shall be treated as an export trade corporation.

And the Senate agree to the same.

Amendment numbered 113:

That the House recede from its disagreement to the amendment of the Senate numbered 113, and agree to the same with the following amendment:

On page 108 of the Senate engrossed amendment strike out lines 7 through 11 and insert:

"(3) LIMITATION.—No controlled foreign corporation may qualify as an export trade corporation for any taxable year beginning after October 31, 1971, unless it qualified as an export trade corporation for any taxable year beginning before such date. If a corporation fails to qualify as an export trade corporation for a period of any 3 consecutive taxable years beginning after such date, it may not qualify as an export trade corporation for any taxable year beginning after such period."

And the Senate agree to the same.

Amendment numbered 118:

That the House recede from its disagreement to the amendment of the Senate numbered 118, and agree to the same with an amendment, as follows:

Strike out the matter proposed to be stricken out and in lieu thereof insert: *of this title*

And the Senate agree to the same.

Amendment numbered 119:

That the House recede from its disagreement to the amendment of the Senate numbered 119, and agree to the same with an amendment, as follows:

Strike out the matter proposed to be stricken out and in lieu thereof insert: *of this title*

And the Senate agree to the same.

Amendment numbered 122:

That the House recede from its disagreement to the amendment of the Senate numbered 122, and agree to the same with the following amendments:

On page 115, line 14, of the Senate engrossed amendments, strike out "VII" and insert: *VI*

On page 115, line 17, of the Senate engrossed amendments, strike out "701" and insert: *601*

On page 115, line 21, strike out "44" and insert: *42*

On page 117, line 10, of the Senate engrossed amendments, strike out "and"

On page 117, line 12, of the Senate engrossed amendments, strike out the period and insert: , *and*

On page 117 of the Senate engrossed amendments, after line 12, insert:

"*(E) section 41 (relating to contributions to candidates for public office).*

On page 121, line 12, of the Senate engrossed amendments, strike out "or"

On page 121, line 19, of the Senate engrossed amendments, strike out "individual." and insert: *individual, or*

On page 121 of the Senate engrossed amendments, after line 19, insert:

"*(iii) a termination of employment of an individual, if it is determined under the applicable State unemployment compensation law that the termination was due to the misconduct of such individual.*

On page 122 of the Senate engrossed amendment, after line 11, insert:

"*(d) FAILURE TO PAY COMPARABLE WAGES.—*

"*(1) GENERAL RULE.—Under regulations prescribed by the Secretary or his delegate, if during the period described in subsection (c)(1)(A), the taxpayer pays wages (as defined in section 50B(b)) to an employee with respect to whom work incentive program expenses are taken into account under subsection (a) which are less than the wages paid to other employees who perform comparable services, the tax under this chapter for the taxable year in which such wages are so paid shall be increased by an amount (determined under such regulations) equal to the credits allowed under section 40 for such taxable year and all prior taxable years attributable to work incentive program expenses paid or incurred with respect to such employee, and the carrybacks and carryovers under subsection (b) shall be properly adjusted.*

"*(2) SPECIAL RULE.—Any increase in tax under paragraph (1) shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit allowable under subpart A.*

On page 122 of the Senate engrossed amendments, strike out lines 13 through 22, and insert:

"*(a) WORK INCENTIVE PROGRAM EXPENSES.—For purposes of this subpart, the term 'work incentive program expenses' means the wages paid or incurred by the taxpayer for services rendered during the first 12 months of employment (whether or not consecutive) of employees who are certified by the Secretary of Labor as—*

"*(1) having been placed in employment under a work incentive program established under section 432(b)(1) of the Social Security Act, and*

"*(2) not having displaced any individual from employment.*

"*(b) WAGES.—For purposes of subsection (a), the term 'wages' means only cash remuneration (including amounts deducted and withheld).*

"*(c) LIMITATIONS.—*

On page 123, line 11, of the Senate engrossed amendments, strike out "wages or salary of an employee" and insert: *item with respect to any employee*

On page 123, line 24, of the Senate engrossed amendments, strike out "or".

On page 124, line 5, of the Senate engrossed amendments, strike out "trust." and insert: *trust, or*

On page 124 of the Senate engrossed amendments, after line 5 insert:

> *"(C) is a dependent (described in section 152(a)(9)) of the taxpayer, or, if the taxpayer is a corporation, of an individual described in subparagraph (A), or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.*

On page 124, line 6, of the Senate engrossed amendments, strike out "(c)" and insert: *(d)*

On page 124, line 17, of the Senate engrossed amendments, strike out "(d)" and insert: *(e)*

On page 125, line 9, of the Senate engrossed amendments, strike out "(e)" and insert: *(f)*

On page 125, line 19, of the Senate engrossed amendments, strike out "(f)" and insert: *(g)*

On page 126 of the Senate engrossed amendments, strike out the matter between lines 3 and 4, and insert:

> *"Sec. 40. Expenses of work incentive programs.*
> *"Sec. 41. Contributions to candidates for public office.*
> *"Sec. 42. Overpayments of tax.*

On page 126, line 4, of the Senate engrossed amendments, strike out "of such Code".

On page 126 of the Senate engrossed amendments, after line 15, insert:

(4) Section 56(a)(2) (relating to imposition of minimum tax for tax preferences) is amended—

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

(B) by striking out "; and" at the end of clause (iii) and inserting in lieu thereof a comma, and

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

"(iv) section 40 (relating to expenses of work incentive program), and

"(v) section 41 (relating to contributions to candidates for public office); and".

(5) Section 56(c)(1) (relating to tax carryovers) is amended—

(A) by striking out "and" at the end of subparagraph (B),

(B) by striking out "exceed" at the end of subparagraph (C), and

(C) by inserting after subparagraph (C) the following new subparagraphs:

"(D) section 40 (relating to expenses of work incentive program), and

"(E) section 41 (relating to contributions to candidates for public office), exceed".

On page 132 of the Senate engrossed amendments, beginning with line 4 strike out all through line 2 on page 148.

And the Senate agree to the same.

Amendment numbered 124:

That the House recede from its disagreement to the amendment of the Senate numbered 124, and agree to the same with the following amendments:

On page 157, line 18, of the Senate engrossed amendments, strike out "IX" and insert: *VII*

On page 157, line 21, of the Senate engrossed amendments, strike out "901" and insert: *701*

On page 157 of the Senate engrossed amendments, strike out line 24 and insert in lieu thereof: *section 40 (as added by section 601 of this Act) the following*

On page 158 of the Senate engrossed amendments, strike out the first 12 lines and insert in lieu thereof the following:

"SEC. 41. CONTRIBUTIONS TO CANDIDATES FOR PUBLIC OFFICE.

"(a) GENERAL RULE.—In the case of an individual, there shall be allowed, subject to the limitations of subsection (b), as a credit against the tax imposed by this chapter for the taxable year, an amount equal to one-half of all political contributions, payment of which is made by the taxpayer within the taxable year.

"(b) LIMITATIONS.—

"(1) MAXIMUM CREDIT.—The credit allowed by subsection (a) for a taxable year shall be limited to $12.50 ($25 in the case of a joint return under section 6013).

"(2) APPLICATION WITH OTHER CREDITS.—The

On page 158, line 20, of the Senate engrossed amendments, strike out "2" and insert: *3*

On page 159, lines 5, 8, 12, 13 and 14, and 17, of the Senate engrossed amendments, strike out "election" and insert: *nomination or election*

On page 160, line 5, of the Senate engrossed amendments, strike out "election" and insert: *nomination or election*

On page 161, line 7, of the Senate engrossed amendments, strike out "42" and insert: *41*

On page 161, line 8, of the Senate engrossed amendments, strike "902" and insert: *702*

On page 161, line 17, of the Senate engrossed amendments, strike "42" and insert: *41*

On page 161 of the Senate engrossed amendments, strike out lines 21 and 22 and insert:

(a) shall not exceed $50 ($100 in the case of a joint return under section 6013).

On page 162, line 8, of the Senate engrossed amendments, strike "42" and insert: *41*

On page 162 of the Senate engrossed amendments, after line 19, insert the following:

(c) The table of sections of part VII of subchapter B of chapter 1 is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 218. Contributions to candidates for public office.
"Sec. 219. Cross references."

On page 162, line 20, of the Senate engrossed amendments, strike "903" and insert: *703*

On page 163 of the Senate engrossed amendments, starting with line 3, strike out all through line 2 on page 187 and insert in lieu thereof the following:

TITLE VIII—FINANCING OF PRESIDENTIAL ELECTION CAMPAIGNS

SEC. 801. PRESIDENTIAL ELECTION CAMPAIGN FUND ACT.

The Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subtitle:

"Subtitle H—Financing of Presidential Election Campaigns

"CHAPTER 95—PRESIDENTIAL ELECTION CAMPAIGN FUND

"SEC. 9001. SHORT TITLE.

"This chapter may be cited as the 'Presidential Election Campaign Fund Act'.

"SEC. 9002. DEFINITIONS.

"For purposes of this chapter—

"(1) The term 'authorized committee' means, with respect to the candidates of a political party for President and Vice President of the United States, any political committee which is authorized in writing by such candidates to incur expenses to further the election of such candidates. Such authorization shall be addressed to the chairman of such political committee, and a copy of such authorization shall be filed by such candidates with the Comptroller General. Any withdrawal of any authorization shall also be in writing and shall be addressed and filed in the same manner as the authorization.

"(2) The term 'candidate' means, with respect to any presidential election, an individual who (A) has been nominated for election to the office of President of the United States or the office of Vice President of the United States by a major party, or (B) has qualified to have his name on the election ballot (or to have the names of electors pledged to him on the election ballot) as the candidate of a political party for election to either such office in 10 or more States. For purposes of paragraphs (6) and (7) of this section and purposes of section 9004(a)(2), the term 'candidate' means, with respect to any preceding presidential election, an individual who received popular votes for the office of President in such election.

"(3) The term 'Comptroller General' means the Comptroller General of the United States.

"(4) The term 'eligible candidates' means the candidates of a political party for President and Vice President of the United States who have met all applicable conditions for eligibility to receive payments under this chapter set forth in section 9003.

"(5) The term 'fund' means the Presidential Election Campaign Fund established by section 9006(a).

"(6) The term 'major party' means, with respect to any presidential election, a political party whose candidate for the office of President in the preceding presidential election received, as the candidate of such party, 25 percent or more of the total number of popular votes received by all candidates for such office.

"(7) The term 'minor party' means, with respect to any presidential election, a political party whose candidate for the office of President in the preceding presidential election received, as the candidate of such party, 5 percent or more but less than 25 percent of the total number of popular votes received by all candidates for such office.

"(8) The term 'new party' means, with respect to any presidential election, a political party which is neither a major party nor a minor party.

"(9) The term 'political committee' means any committee, association, or organization (whether or not incorporated) which accepts contributions or makes expenditures for the purpose of influencing, or attempting to influence, the nomination or election of one or more individuals to Federal, State, or local elective public office.

"(10) The term 'presidential election' means the election of presidential and vice-presidential electors.

"(11) The term 'qualified campaign expense' means an expense—

"(A) incurred (i) by the candidate of a political party for the office of President to further his election to such office or to further the election of the candidate of such political party for the office of Vice President, or both (ii) by the candidate of a political party for the office of Vice President to further his election to such office or to further the election of the candidate of such political party for the office of President, or both, or (iii) by an authorized committee of the candidates of a political party for the offices of President and Vice President to further the election of either or both of such candidates to such offices,

"(B) incurred within the expenditure report period (as defined in paragraph (12)), or incurred before the beginning of such period to the extent such expense is for property, services, or facilities used during such period, and

"(C) neither the incurring nor payment of which constitutes a violation of any law of the United States or of the State in which such expense is incurred or paid.

An expense shall be considered as incurred by a candidate or an authorized committee if it is incurred by a person authorized by such candidate or such committee, as the case may be, to incur such expense on behalf of such candidate or such committee. If an authorized committee of the candidates of a political party for President and Vice President of the United States also incurs expenses to further the election of one or more other individuals to Federal, State, or local elective public office, expenses incurred by such

committee which are not specifically to further the election of such other individual or individuals shall be considered as incurred to further the election of such candidates for President and Vice President in such proportion as the Comptroller General prescribes by rules or regulations.

"(12) The term 'expenditure report period' with respect to any presidential election means—

"(A) in the case of a major party, the period beginning with the first day of September before the election, or if earlier, with the date on which such major party at its national convention nominated its candidate for election to the office of President of the United States, and ending 30 days after the date of the presidential election; and

"(B) in the case of a party which is not a major party, the same period as the expenditure report period of the major party which has the shortest expenditure report period for such presidential election under subparagraph (A).

"SEC. 9003. CONDITION FOR ELIGIBILITY FOR PAYMENTS.

"(a) IN GENERAL.—In order to be eligible to receive any payments under section 9006, the candidates of a political party in a presidential election shall, in writing—

"(1) agree to obtain and furnish to the Comptroller General such evidence as he may request of the qualified campaign expenses with respect to which payment is sought,

"(2) agree to keep and furnish to the Comptroller General such records, books, and other information as he may request,

"(3) agree to an audit and examination by the Comptroller General under section 9007 and to pay any amounts required to be paid under such section, and

"(4) agree to furnish statements of qualified campaign expenses and proposed qualified campaign expenses required under section 9008.

"(b) MAJOR PARTIES.—In order to be eligible to receive any payments under section 9006, the candidates of a major party in a presidential election shall certify to the Comptroller General, under penalty of perjury, that—

"(1) such candidates and their authorized committees will not incur qualified campaign expenses in excess of the aggregate payments to which they will be entitled under section 9004, and

"(2) no contributions to defray qualified campaign expenses have been or will be accepted by such candidates or any of their authorized committees except to the extent necessary to make up any deficiency in payments received out of the fund on account of the application of section 9006(c), and no contributions to defray expenses which would be qualified campaign expenses but for subparagraph (C) of section 9002(11) have been or will be accepted by such candidates or any of their authorized committees.

Such certification shall be made within such time prior to the day of the presidential election as the Comptroller General shall prescribe by rules or regulations.

"(c) MINOR AND NEW PARTIES.—In order to be eligible to receive any payments under section 9006, the candidates of a minor or new party in a

presidential election shall certify to the Comptroller General, under penalty of perjury, that—

"(1) such candidates and their authorized committees will not incur qualified campaign expenses in excess of the aggregate payments to which the eligible candidates of a major party are entitled under section 9004, and

"(2) such candidates and their authorized committees will accept and expend or retain contributions to defray qualified campaign expenses only to the extent that the qualified campaign expenses incurred by such candidates and their authorized committees certified to under paragraph (1) exceed the aggregate payments received by such candidates out of the fund pursuant to section 9006.

Such certification shall be made within such time prior to the day of the presidential election as the Comptroller General shall prescribe by rules or regulations.

"SEC. 9004. ENTITLEMENT OF ELIGIBLE CANDIDATES TO PAYMENTS.

"(a) IN GENERAL.—Subject to the provisions of this chapter—

"(1) The eligible candidates of a major party in a presidential election shall be entitled to payments under section 9006 equal in the aggregate to 15 cents multiplied by the total number of residents within the United States who have attained the age of 18, as determined by the Bureau of the Census, as of the first day of June of the year preceding the year of the presidential election.

"(2)(A) The eligible candidates of a minor party in a presidential election shall be entitled to payments under section 9006 equal in the aggregate to an amount which bears the same ratio to the amount computed under paragraph (1) for a major party as the number of popular votes received by the candidate for President of the minor party, as such candidate, in the preceding presidential election bears to the average number of popular votes received by the candidates for President of the major parties in the preceding presidential election.

"(B) If the candidate of one or more political parties (not including a major party) for the office of President was a candidate for such office in the preceding presidential election and received 5 percent or more but less than 25 percent of the total number of popular votes received by all candidates for such office, such candidate and his running mate for the office of Vice President, upon compliance with the provisions of section 9003 (a) and (c), shall be treated as eligible candidates entitled to payments under section 9006 in an amount computed as provided in subparagraph (A) by taking into account all the popular votes received by such candidate for the office of President in the preceding presidential election. If eligible candidates of a minor party are entitled to payments under this subparagraph, such entitlement shall be reduced by the amount of the entitlement allowed under subparagraph (A).

"(3) The eligible candidates of a minor party or a new party in a presidential election whose candidate for President in such election receives, as such candidate, 5 percent or more of the total number of popular votes cast for the office of President in such election shall be entitled to payments under section 9006 equal in the aggregate to an amount which bears the same ratio to the amount computed under paragraph (1) for a major party as the number of popular votes re-

ceived by such candidate in such election bears to the average number of popular votes received in such election by the candidates for President of the major parties. In the case of eligible candidates entitled to payments under paragraph (2), the amount allowable under this paragraph shall be limited to the amount, if any, by which the entitlement under the preceding sentence exceeds the amount of the entitlement under paragraph (2).

"(b) LIMITATIONS.—The aggregate payments to which the eligible candidates of a political party shall be entitled under subsections (a) (2) and (3) with respect to a presidential election shall not exceed an amount equal to the lower of—

"(1) the amount of qualified campaign expenses incurred by such eligible candidates and their authorized committees, reduced by the amount of contributions to defray qualified campaign expenses received and expended or retained by such eligible candidates and such committees, or

"(2) the aggregate payments to which the eligible candidates of a major party are entitled under subsection (a)(1), reduced by the amount of contributions described in paragraph (1) of this subsection.

"(c) RESTRICTIONS.—The eligible candidates of a political party shall be entitled to payments under subsection (a) only—

"(1) to defray qualified campaign expenses incurred by such eligible candidates or their authorized committees, or

"(2) to repay loans the proceeds of which were used to defray such qualified campaign expenses, or otherwise to restore funds (other than contributions to defray qualified campaign expenses received and expended by such candidates or such committees) used to defray such qualified campaign expenses.

"SEC. 9005. CERTIFICATION BY COMPTROLLER GENERAL.

"(a) INITIAL CERTIFICATIONS.—On the basis of the evidence, books, records, and information furnished by the eligible candidates of a political party and prior to examination and audit under section 9007, the Comptroller General shall certify from time to time to the Secretary for payment to such candidates under section 9006 the payments to which such candidates are entitled under section 9004.

"(b) FINALITY OF CERTIFICATIONS AND DETERMINATIONS.—Initial certifications by the Comptroller General under subsection (a), and all determinations made by him under this chapter, shall be final and conclusive, except to the extent that they are subject to examination and audit by the Comptroller General under section 9007 and judicial review under section 9011.

"SEC. 9006. PAYMENTS TO ELIGIBLE CANDIDATES.

"(a) ESTABLISHMENT OF CAMPAIGN FUND.—There is hereby established on the books of the Treasury of the United States a special fund to be known as the 'Presidential Election Campaign Fund'. The Secretary shall maintain in the fund (1) a separate account for the candidates of each major party, each minor party, and each new party for which a specific designation is made under section 6096 for payment into an account in the fund and (2) a general account for which no specific designation is made. The Secretary shall, as provided by appropriation Acts, transfer to each account in the fund an amount not in excess of the sum of the amounts designated (subsequent to the previous presidential election) to such account by individuals under section 6096 for payment into such account of the fund.

"(b) TRANSFER TO THE GENERAL FUND.—If, after a presidential election and after all eligible candidates have been paid the amount which they are entitled to receive under this chapter, there are moneys remaining in any account in the fund, the Secretary shall transfer the moneys so remaining to the general fund of the Treasury.

"(c) PAYMENTS FROM THE FUND.—Upon receipt of a certification from the Comptroller General under section 9005 for payment to the eligible candidates of a political party, the Secretary shall pay to such candidates out of the specific account in the fund for such candidates the amount certified by the Comptroller General. Payments to eligible candidates from the account designated for them shall be limited to the amounts in such account at the time of payment. Amounts paid to any such candidates shall be under the control of such candidates.

"(d) TRANSFERS FROM GENERAL ACCOUNT TO SEPARATE ACCOUNTS.—

"(1) If, on the 60th day prior to the presidential election, the moneys in any separate account in the fund are less than the aggregate entitlement under section 9004(a)(1) or (2) of the eligible candidates to which such account relates, 80 percent of the amount in the general account shall be transferred to the separate accounts (whether or not all the candidates to which such separate accounts relate are eligible candidates) in the ratio of the entitlement under section 9004(a)(1) or (2) of the candidates to which such accounts relate. No amount shall be transferred to any separate account under the preceding sentence which, when added to the moneys in that separate account prior to any payment out of that account during the calendar year, would be in excess of the aggregate entitlement under section 9004(a)(1) or (2) of the candidates to whom such account relates.

"(2) If, at the close of the expenditure report period, the moneys in any separate account in the fund are not sufficient to satisfy any unpaid entitlement of the eligible candidates to which such account relates, the balance in the general account shall be transferred to the separate accounts in the following manner:

"(A) For the separate account of the candidates of a major party, compute the percentage which the average number of popular votes received by the candidates for President of the major parties is of the total number of popular votes cast for the office of President in the election.

"(B) For the separate account of the candidates of a minor or new party, compute the percentage which the popular votes received for President by the candidate to which such account relates is of the total number of popular votes cast for the office of President in the election.

"(C) In the case of each separate account, multiply the applicable percentage obtained under paragraph (A) or (B) for such account by the amount of the money in the general account prior to any distribution made under paragraph (1), and transfer to such separate account an amount equal to the excess of the product of such multiplication over the amount of any distribution made under such paragraph to such account.

"SEC. 9007. EXAMINATIONS AND AUDITS; REPAYMENTS.

"(a) EXAMINATIONS AND AUDITS.—After each presidential election, the Comptroller General shall conduct a thorough examination and audit

of the qualified campaign expenses of the candidates of each political party for President and Vice President.

"(b) REPAYMENTS.—

"(1) If the Comptroller General determines that any portion of the payments made to the eligible candidates of a political party under section 9006 was in excess of the aggregate payments to which candidates were entitled under section 9004, he shall so notify such candidates, and such candidates shall pay to the Secretary an amount equal to such portion.

"(2) If the Comptroller General determines that the eligible candidates of a political party and their authorized committees incurred qualified campaign expenses in excess of the aggregate payments to which the eligible candidates of a major party were entitled under section 9004, he shall notify such candidates of the amount of such excess and such candidates shall pay to the Secretary an amount equal to such amount.

"(3) If the Comptroller General determines that the eligible candidates of a major party or any authorized committee of such candidates accepted contributions (other than contributions to make up deficiencies in payments out of the fund on account of the application of section 9006(c)) to defray qualified campaign expenses (other than qualified campaign expenses with respect to which payment is required under paragraph (2)), he shall notify such candidates of the amount of the contributions so accepted, and such candidates shall pay to the Secretary an amount equal to such amount.

"(4) If the Comptroller General determines that any amount of any payment made to the eligible candidates of a political party under section 9006 was used for any purpose other than—

"(A) to defray the qualified campaign expenses with respect to which such payment was made, or

"(B) to repay loans the proceeds of which were used, or otherwise to restore funds (other than contributions to defray qualified campaign expenses which were received and expended) which were used, to defray such qualified campaign expenses,

he shall notify such candidates of the amount so used, and such candidates shall pay to the Secretary an amount equal to such amount.

"(5) No payment shall be required from the eligible candidates of a political party under this subsection to the extent that such payment, when added to other payments required from such candidates under this subsection, exceeds the amount of payments received by such candidates under section 9006.

"(c) NOTIFICATION.—No notification shall be made by the Comptroller General under subsection (b) with respect to a presidential election more than 3 years after the day of such election.

"(d) DEPOSIT OF REPAYMENTS.—All payments received by the Secretary under subsection (b) shall be deposited by him in the general fund of the Treasury.

"SEC. 9008. INFORMATION ON PROPOSED EXPENSES.

"(a) REPORTS BY CANDIDATES.—The candidates of a political party for President and Vice President in a presidential election shall, from time to time as the Comptroller General may require, furnish to the

Comptroller General a detailed statement, in such form as the Comptroller General may prescribe, of—

"(1) the qualified campaign expenses incurred by them and their authorized committees prior to the date of such statement (whether or not evidence of such expenses has been furnished for purposes of section 9005), and

"(2) the qualified campaign expenses which they and their authorized committees propose to incur on or after the date of such statement.

The Comptroller General shall require a statement under this subsection from such candidates of each political party at least once each week during the second, third, and fourth weeks preceding the day of the presidential election and at least twice during the week preceding such day.

"(b) PUBLICATION.—The Comptroller General shall, as soon as possible after he receives such statement under subsection (a), prepare and publish a summary of such statement, together with any other data or information which he deems advisable, in the Federal Register. Such summary shall not include any information which identifies any individual who made a designation under section 6096.

"SEC. 9009. REPORTS TO CONGRESS; REGULATIONS.

"(a) REPORTS.—The Comptroller General shall, as soon as practicable after each presidential election, submit a full report to the Senate and House of Representatives setting forth—

"(1) the qualified campaign expenses (shown in such detail as the Comptroller General determines necessary) incurred by the candidates of each political party and their authorized committees;

"(2) the amounts certified by him under section 9005 for payment to the eligible candidates of each political party; and

"(3) the amount of payments, if any, required from such candidates under section 9007, and the reasons for each payment required.

Each report submitted pursuant to this section shall be printed as a Senate document.

"(b) REGULATIONS, ETC.—The Comptroller General is authorized to prescribe such rules and regulations, to conduct such examinations and audits (in addition to the examinations and audits required by section 9007(a)), to conduct such investigations, and to require the keeping and submission of such books, records, and information, as he deems necessary to carry out the functions and duties imposed on him by this chapter.

"SEC. 9010. PARTICIPATION BY COMPTROLLER GENERAL IN JUDICIAL PROCEEDINGS.

"(a) APPEARANCE BY COUNSEL.—The Comptroller General is authorized to appear in and defend against any action filed under section 9011, either by attorneys employed in his office or by counsel whom he may appoint without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and whose compensation he may fix without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title.

"(b) RECOVERY OF CERTAIN PAYMENTS.—The Comptroller General is authorized through attorneys and counsel described in subsection (a) to appear in the district courts of the United States to seek recovery of any amounts determined to be payable to the Secretary as a result of examination and audit made pursuant to section 9007.

"(c) DECLARATORY AND INJUNCTIVE RELIEF.—The Comptroller General is authorized through attorneys and counsel described in subsection (a) to petition the courts of the United States for declaratory or injunctive relief concerning any civil matter covered by the provisions of this subtitle or section 6096. Upon application of the Comptroller General, an action brought pursuant to this subsection shall be heard and determined by a court of three judges in accordance with the provisions of section 2284 of title 28, United States Code, and any appeal shall lie to the Supreme Court. It shall be the duty of the judges designated to hear the case to assign the case for hearing at the earliest practicable date, to participate in the hearing and determination thereof, and to cause the case to be in every way expedited.

"(d) APPEAL.—The Comptroller General is authorized on behalf of the United States to appeal from, and to petition the Supreme Court for certiorari to review, judgments or decrees entered with respect to actions in which he appears pursuant to the authority provided in this section.

"SEC. 9011. JUDICIAL REVIEW.

"(a) REVIEW OF CERTIFICATION, DETERMINATION, OR OTHER ACTION BY THE COMPTROLLER GENERAL.—Any certification, determination, or other action by the Comptroller General made or taken pursuant to the provisions of this chapter shall be subject to review by the United States Court of Appeals for the District of Columbia upon petition filed in such Court by any interested person. Any petition filed pursuant to this section shall be filed within thirty days after the certification, determination, or other action by the Comptroller General for which review is sought.

"(b) SUITS TO IMPLEMENT CHAPTER.—

"(1) The Comptroller General, the national committee of any political party, and individuals eligible to vote for President are authorized to institute such actions, including actions for declaratory judgment or injunctive relief, as may be appropriate to implement or construe any provision of this chapter.

"(2) The district courts of the United States shall have jurisdiction of proceedings instituted pursuant to this subsection and shall exercise the same without regard to whether a person asserting rights under provisions of this subsection shall have exhausted any administrative or other remedies that may be provided at law. Such proceedings shall be heard and determined by a court of three judges in accordance with the provisions of section 2284 of title 28, United States Code, and any appeal shall lie to the Supreme Court. It shall be the duty of the judges designated to hear the case to assign the case for hearing at the earliest practicable date, to participate in the hearing and determination thereof, and to cause the case to be in every way expedited.

"SEC. 9012. CRIMINAL PENALTIES.

"(a) EXCESS CAMPAIGN EXPENSES.—

"(1) It shall be unlawful for an eligible candidate of a political party for President and Vice President in a presidential election or any of his authorized committees knowingly and willfully to incur qualified campaign expenses in excess of the aggregate payments to which the eligible candidates of a major party are entitled under section 9004 with respect to such election.

"(2) Any person who violates paragraph (1) shall be fined not more than $5,000, or imprisoned not more than one year or both.

In the case of a violation by an authorized committee, any officer or member of such committee who knowingly and willfully consents to such violation shall be fined not more than $5,000, or imprisoned not more than one year, or both.

"(b) *Contributions.*—

"(1) *It shall be unlawful for an eligible candidate of a major party in a presidential election or any of his authorized committees knowingly and willfully to accept any contribution to defray qualified campaign expenses, except to the extent necessary to make up any deficiency in payments received out of the fund on account of the application of section 9006 (c), or to defray expenses which would be qualified campaign expenses but for subparagraph (C) of section 9002 (11).*

"(2) *It shall be unlawful for an eligible candidate of a political party (other than a major party) in a presidential election or any of of his authorized committees knowingly and willfully to accept and expend or retain contributions to defray qualified campaign expenses in an amount which exceeds the qualified campaign expenses incurred with respect to such election by such eligible candidate and his authorized committees.*

"(3) *Any person who violates paragraph (1) or (2) shall be fined not more than $5,000, or imprisoned not more than one year, or both. In the case of a violation by an authorized committee, any officer or member of such committee who knowingly and willfully consents to such violation shall be fined not more than $5,000, or imprisoned not more than one year, or both.*

"(c) *Unlawful Use of Payments.*—

"(1) *It shall be unlawful for any person who receives any payment under section 9006, or to whom any portion of any payment received under such section is transferred, knowingly and willfully to use, or authorize the use of, such payment or such portion for any purpose other than—*

"(A) *to defray the qualified campaign expenses with respect to which such payment was made, or*

"(B) *to repay loans the proceeds of which were used, or otherwise to restore funds (other than contributions to defray qualified campaign expenses which were received and expended) which were used, to defray such qualified campaign expenses.*

"(2) *Any person who violates paragraph (1) shall be fined not more than $10,000, or imprisoned not more than five years, or both.*

"(d) *False Statements, Etc.*—

"(1) *It shall be unlawful for any person knowingly and willfully—*

"(A) *to furnish any false, fictitious, or fraudulent evidence, books, or information to the Comptroller General under this subtitle, or to include in any evidence, books, or information so furnished any misrepresentation of a material fact, or to falsify or conceal any evidence, books, or information relevant to a certification by the Comptroller General or an examination and audit by the Comptroller General under this chapter; or*

"(B) *to fail to furnish to the Comptroller General any records, books, or information requested by him for purposes of this chapter.*

"(2) *Any person who violates paragraph (1) shall be fined not more than $10,000, or imprisoned not more than five years, or both.*

"(e) KICKBACKS AND ILLEGAL PAYMENTS.—

"(1) *It shall be unlawful for any person knowingly and willfully to give or accept any kickback or any illegal payment in connection with any qualified campaign expense of eligible candidates or their authorized committees.*

"(2) *Any person who violates paragraph (1) shall be fined not more than $10,000, or imprisoned not more than five years, or both.*

"(3) *In addition to the penalty provided by paragraph (2), any person who accepts any kickback or illegal payment in connection with any qualified campaign expense of eligible candidates or their authorized committees shall pay to the Secretary, for deposit in the general fund of the Treasury, an amount equal to 125 percent of the kickback or payment received.*

"(f) UNAUTHORIZED EXPENDITURES AND CONTRIBUTIONS.—

"(1) *Except as provided in paragraph (2), it shall be unlawful for any political committee which is not an authorized committee with respect to the eligible candidates of a political party for President and Vice President in a presidential election knowingly and willfully to incur expenditures to further the election of such candidates, which would constitute qualified campaign expenses if incurred by an authorized committee of such candidates, in an aggregate amount exceeding $1,000.*

"(2) *This subsection shall not apply to (A) expenditures by a broadcaster regulated by the Federal Communications Commission, or by a periodical publication, in reporting the news or in taking editorial positions, or (B) expenditures by any organization described in section 501(c) which is exempt from tax under section 501(a) in communicating to its members the views of that organization.*

"(3) *Any political committee which violates paragraph (1) shall be fined not more than $5,000, and any officer or member of such committee who knowingly and willfully consents to such violation and any other individual who knowingly and willfully violates paragraph (1) shall be fined not more than $5,000, or imprisoned not more than one year, or both.*

"(g) UNAUTHORIZED DISCLOSURE OF INFORMATION.—

"(1) *It shall be unlawful for any individual to disclose any information obtained under the provisions of this chapter except as may be required by law.*

"(2) *Any person who violates paragraph (1) shall be fined not more than $5,000, or imprisoned not more than one year, or both.*

"SEC. 9013. EFFECTIVE DATE OF CHAPTER.

The provisions of this chapter shall take effect on January 1, 1973.

"CHAPTER 96. PRESIDENTIAL ELECTION CAMPAIGN FUND ADVISORY BOARD

"SEC. 9021. ESTABLISHMENT OF ADVISORY BOARD.

"(a) ESTABLISHMENT OF BOARD.—*There is hereby established an advisory board to be known as the Presidential Election Campaign Fund Advisory Board (hereinafter in this section referred to as the 'Board').*

It shall be the duty and function of the Board to counsel and assist the Comptroller General of the United States in the performance of the duties and functions imposed on him under the Presidential Election Campaign Fund Act.

"(b) COMPOSITION OF BOARD.—The Board shall be composed of the following members:

"(1) the majority leader and minority leader of the Senate and the Speaker and minority leader of the House of Representatives, who shall serve ex officio;

"(2) two members representing each political party which is a major party (as defined in section 9002(6)), which members shall be appointed by the Comptroller General from recommendations submitted by such political party; and

"(3) three members representing the general public, which members shall be selected by the members described in paragraphs (1) and (2).

The terms of the first members of the Board described in paragraphs (2) and (3) shall expire on the sixtieth day after the date of the first presidential election following January 1, 1973, and the terms of subsequent members described in paragraphs (2) and (3) shall begin on the sixty-first day after the date of a presidential election and expire on the sixtieth day following the date of the subsequent presidential election. The Board shall elect a Chairman from its members.

"(c) COMPENSATION.—Members of the Board (other than members described in subsection (b)(1) shall receive compensation at the rate of $75 a day for each day they are engaged in performing duties and functions as such members, including traveltime, and, while away from their homes or regular places of business, shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons in the Government service employed intermittently.

"(d) STATUS.—Service by an individual as a member of the Board shall not, for purposes of any other law of the United States be considered as service as an officer or employee of the United States."

SEC. 802. MISCELLANEOUS AMENDMENTS.

(a) DESIGNATION OF INCOME TAX PAYMENTS TO PRESIDENTIAL ELECTION CAMPAIGN FUND.—Effective with respect to taxable years ending on or after December 31, 1972, section 6096(a) (relating to designation of income tax payments to the presidential election campaign fund) is amended to read as follows:

"(a) IN GENERAL.—Every individual (other than a nonresident alien) whose income tax liability for any taxable year is $1 or more may designate that $1 shall be paid over to the Presidential Election Campaign Fund for the account of the candidates of any specified political party for President and Vice President of the United States, or if no specific account is designated by such individual, for a general account for all candidates for election to the offices of President and Vice President of the United States, in accordance with the provisions of section 9006(a)(1). In the case of a joint return of husband and wife having an income tax liability of $2 or more, each spouse may designate that $1 shall be paid to any such account in the fund."

(b) REPEAL OF CERTAIN PROVISIONS.—

(1) Sections 303, 304, and 305 of the Presidential Election Campaign Fund Act of 1966 (80 Stat. 1587) are repealed.

(2) The enactment of subtitle H of the Internal Revenue Code of 1954 by section 801 of this Act is intended to comply with the provisions of section 5 (relating to the Presidential Election Campaign Fund Act of 1966) of the Act entitled "An Act to restore the investment credit and allowance of accelerated depreciation in the case of certain real property", approved June 13, 1967 (Public Law 90-26, 81 Stat. 58). The provisions of section 6096 of the Internal Revenue Code of 1954, together with the amendments of such section made by subsection (a), shall be applicable only to taxable years ending on or after December 31, 1972.

And the Senate agree to the same.

RUSSELL B. LONG,
CLINTON P. ANDERSON,
HERMAN E. TALMADGE,
CARL T. CURTIS,
JACK MILLER,
Managers on the Part of the Senate.

WILBUR D. MILLS,
AL ULLMAN,
JAMES A. BURKE,
MARTHA W. GRIFFITHS,
JOHN W. BYRNES,
JACKSON E. BETTS,
HERMAN T. SCHNEEBELI,
Managers on the Part of the House.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 10947) to provide a job development investment credit, to reduce individual income taxes, to reduce certain excise taxes, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

Farm Machinery and Equipment

Amendment No. 4: Under the bill as passed by the House, the investment credit provided by section 38 of the Internal Revenue Code of 1954 is restored for property acquired after August 15, 1971, or acquired during the period April 1–August 15, 1971, pursuant to an order placed after March 31, 1971. Senate amendment no. 4 restored the investment credit for farm machinery and equipment acquired during the period January 1–August 15, 1971, pursuant to an order placed during the period January 1, 1971, through March 31, 1971.

The Senate recedes.

Accounting for Investment Credit in Financial Reports

Amendment No. 7: The Senate amendment provides that, for purposes of accounting for the investment credit in financial reports, no taxpayer shall be required to use any particular method of accounting. The amendment also requires taxpayers to disclose in their financial reports, the method of accounting used for the investment credit.

The House recedes with an amendment. The conference agreement clarifies the application of the Senate amendment by providing that taxpayers for purposes of reporting to Federal agencies and for purposes of making financial reports subject to regulation by Federal agencies are to be permitted to account for the tax benefit of the investment credit either currently in the year in which the investment credit is taken as a tax reduction, or ratably over the life of the asset. This includes not only reports made to the Federal Government, but also reporting to stockholders to the extent any Federal agency has the authority to specify the method of such reporting. This treatment is to be available notwithstanding any other law or regulation under law. The method used after the date of the bill must be consistently followed unless permission to make a change in the method of reporting is obtained from the Secretary or his delegate. The requirements set forth in this provision are not to apply to reports of public utilities for which other rules are provided under section 105 of the bill.

Useful Life for Investment Credit Purposes

Both the bill as passed by the House and as passed by the Senate in section 102 provide that a taxpayer must use the same useful life with respect to an asset in determining the amount of the allowable investment credit as the taxpayer uses in computing depreciation or amortization on the asset. The conferees agreed that this was not the rule in the past.

The conferees also concluded that where a taxpayer uses a method of depreciation, such as the units-of-production method or the income-forecast method, which does not directly relate the useful life of the property in terms of a specific number of years, the determination as to what constitutes the useful life for purposes of the investment credit as required by the bill should be made by comparing the depreciation taken under the units-of-production method or income-forecast method at the end of 3, 5, and 7 years with the most liberal depreciation which would be taken under the double-declining-balance or sum-of-the-years digits method for an asset of the useful life of 7 years. If the depreciation expected to be taken under the units-of-production method or income-forecast method at these time intervals does not exceed by more than 20 percent the depreciation taken under the most favorable of the other two methods, the useful life of the asset under the income-forecast method or units-of-production method will be assumed to be 7 years.

Similar comparisons may be made with other useful lives. If the depreciation actually taken is greater than anticipated, then rules achieving essentially the same result as the recapture rules with respect to the investment credit are to apply. The effect of this is to permit the taxpayer to obtain a tax credit where he utilizes a method of depreciation which yields results substantially equivalent to the double-declining balance or sum-of-the-years digits methods of depreciation for comparable useful lives. This, of course, does not prevent a taxpayer from showing on the basis of his particular facts or circumstances, that other treatment with respect to the investment credit should be made applicable.

Limitation of Credit to Domestic Products

Amendment No. 8: Under the bill as passed by the House, the investment credit was not to be available for certain property which is completed outside the United States or 50 percent or more of the basis of which is attributable to value added outside the United States, if the construction of the property begins before the termination date of Presidential Proclamation 4074 (which imposed the import surcharge) or is acquired before that date. Senate amendment No. 8 provides that the investment credit will not be denied for foreign property acquired pursuant to an order placed after March 31, 1971, and before August 16, 1971 (or the construction of which by the taxpayer began during this period).

The House recedes.

Amendment No. 9: The bill as passed by the House authorized the President by Executive order where he finds it in the public interest to exempt any article or class of articles from the provision which denies the investment credit to certain foreign property in the case of

acquisitions pursuant to orders after (or the construction of which began after) August 15, 1971. Any such exemption could be prospective only from the date of the Executive order. Under Senate amendment No. 9, the exemption could be retroactive for up to two years if the President determined it to be in the public interest.

The House recedes with an amendment under which the exemption can be made retroactive to any date after August 15, 1971, if the President determines it to be in the public interest.

Under the above provision, the House indicated that among the situations in which it believed it was in the public interest to waive the limitation with respect to the investment credit were: (1) where the United States market for a particular type of item tends toward a monopolistic one (i.e., is dominated by one or two domestic producers); (2) where there are practically no U.S. manufacturers of the type of products involved and substantially all items of these types are imported; and (3) where the foreign producer of an item can show that it is seeking to develop a market in the United States prior to transferring the manufacturing operations for the item to the United States. The Senate Finance Committee report expresses general agreement with these three illustrations of public interest but adds a fourth. It would also provide for the waiving of the limitation where so-called "free-list" nonduty items which have a long history of free trade (such as farm machinery) are involved. However, the Senate Finance Committee report also indicated that it is contemplated that the President would not terminate the limitation with respect to an article (or brand of article) if there is a finding that a corporation (or an affiliated group of corporations within the meaning of section 312(l)(2)) has increased the foreign production of that article while within a reasonable time before or after that increase there had been significant decreases in the production of that article (or substantially similar article) in the United States.

The conferees agreed as to the appropriateness of the fourth category added in the Senate Finance Committee report. However, they concluded that it was inappropriate to limit the application of the four exceptions referred to above where there had previously been a significant decrease in the domestic production for the article in question (or substantially similar article). The application of such a rule would be difficult to apply administratively and could result in undesirable consequences with respect to domestic consumers, where, for example, this would perpetuate a situation tending toward monopoly.

Amendment No. 10: The Senate amendment authorizes the President to continue the application of the foreign property provision of the bill, when he terminates Presidential Proclamation 4074, to any article or class of articles, or to any article or class of articles manufactured or produced in any foreign country, if he determines such action to be in the public interest.

The House recedes with an amendment. Under the conference agreement, if on or after the date of the termination of Proclamation 4074, the President determines that a foreign country maintains nontariff trade restrictions, including variable import fees, which substantially burden United States commerce in a manner inconsistent with provisions of trade agreements, or engages in discriminatory or other acts (including tolerance of international cartels) or policies unjustifi-

ably restricting United States commerce, he may by Executive order apply the foreign property provision of the bill to any article or class of articles manufactured or produced in such foreign country for such period as may be provided by Executive order. The trade restrictions and discriminatory acts referred to by this provision are the same as those contained in section 252(b) of the Trade Expansion Act of 1962.

Definition of Section 38 Property

Amendment No. 11: Section 104 of the bill as passed by the House made several changes in the definition of "section 38 property", that is, property which qualifies for the investment credit. Livestock and communication satellites (as defined in section 103(3) of the Communication Satellite Act of 1962), or any interest therein, of a United States person were made eligible for the credit. The bill as passed by the House provided that property for which a taxpayer elected rapid amortization under the various provisions of the Internal Revenue Code of 1954 would not be eligible for the credit. Among these provisions where only one of the two provisions would be applicable was section 187 relating to certain coal mine safety equipment.

Senate amendment No. 11 modified some of these changes and made several additional rules. In the case of livestock, the Senate amendment provided that horses would not be eligible for the investment credit and that, if livestock was acquired to replace substantially identical livestock sold or otherwise disposed of within a period beginning 6 months before and ending 6 months after the acquisition, generally the cost of the livestock acquired would be reduced, for purposes of the investment credit, by the amount realized on the sale or disposition.

Senate amendment no. 11 also provided that coal mine safety equipment would be eligible for the investment credit as well as for rapid amortization.

The Senate amendment clarifies the provision of present law relating to storage facilities (section 48(a)(1)(B)(ii) of the Code) so as to make it clear that such provision applies only to facilities for the bulk storage of fungible commodities, including commodities in a liquid or gaseous state.

The Senate amendment extends the investment credit to coin-operated washing machines and dryers located in apartment buildings.

Under present law, property used predominantly outside the United States generally does not qualify for the investment credit. Present law and the bill as passed by the House provide a number of exceptions to this rule. Senate amendment no. 11 provides two additional exceptions. The first is for property (other than a vesel or aircraft) of a United States person which is used in international or territorial waters for the purpose of exploring for, developing, removing, or transporting resources from ocean waters or submarine deposits. The second is for any cable, manufactured in the United States, or any interest therein, of a domestic regulated telephone company (or of a wholly owned domestic subsidiary of such a company), if the cable is part of any submarine cable system which constitutes part of a communication link with the United States.

Senate amendment no. 11 makes it clear that replacement track material of a railroad that uses the retirement-replacement method of accounting for depreciation of its railroad track qualifies for the investment credit if the replacement is made under certain specified conditions or circumstances. A special limitation applies if the replacement is made as a result of a casualty.

The House recedes with amendments. Under the conference agreement, the special rule provided by the Senate amendment for replacement livestock is not to apply if the replacement is due to an involuntary conversion (including an involuntary conversion on account of disease or drought to the extent provided in section 1033 of the Code). The conference agreement restores the provision of the bill as passed by the House relating to coal mine safety equipment for which rapid amortization is elected. The conference agreement includes the provisions of the Senate amendment relating to storage facilities, coin-operated washing machines and dryers located in apartment buildings. The conference agreement also removes the permanent requirement that submarine telephone cable, in order to be eligible for the investment credit, must be manufactured in the United States and makes it clear that the provision applies only to cables, or interests in cables, used exclusively in communication links between the United States and foreign countries. No inference is to be drawn as to the treatment of such submarine telephone cable under prior provisions relating to the investment credit, either as a result of this provision or as a result of any other provision included in this section. Finally, the conference agreement includes the portion of the Senate amendment which provides that property (other than vessels or aircraft) used to explore for, develop, remove, or transport resources from ocean waters or submarine deposits under such waters is to be eligible for the investment credit. Certain types of drilling rigs used for these purposes have, under prior rulings, been held to be eligible for the investment credit as documented vessels. No change is intended to be made in the status of such rigs.

Used Property

Amendment No. 12: Under prior law, used property qualifies for the investment credit to the extent that the cost of such property placed in service by a taxpayer in any taxable year does not exceed $50,000.

Under the bill as passed by the House, this limit was increased to $65,000, but was required to be reduced by the amount of the qualified investment in new section 38 property placed in service by the taxpayer during the taxable year.

Senate amendment no. 12 struck out this provision of the bill as passed by the House, and restored prior law.

The House recedes.

Public Utility Property

Amendment No. 14: Under the bill as passed by the House, public utility property (i.e., section 38 property placed in service by certain regulated companies qualifies for only four-sevenths of the investment credit (three-sevenths under prior law). Included among the

utilities subject to this limitation are regulated telephone companies and domestic telegraph companies. The bill as passed by the House extended this limitation to regulated international telegraph companies and other regulated companies providing communication services.

Senate amendment no. 14 restored international telegraph companies to their status under prior law but extended the definition of public utility property to include communication property of any taxpayer if it is of the type used by persons engaged in providing regulated telephone or microwave communication services and if the taxpayer uses the property predominantly for communication purposes.

The House recedes with an amendment. Under the conference agreement, the provisions of the Senate amendment are retained but in the case of submarine cable circuits of a regulated international telegraph company, the investment credit with regard to any circuit between the United States and a point outside the United States is to be limited to so much of the interest of the company in the circuit as does not exceed 50 percent of the total interests in the circuit.

Treatment of Investment Credit for Ratemaking Purposes

Amendment No. 15: The bill as passed by the House provides the following three basic elective options as to treatment of the investment credit for ratemaking purposes: (1) under the first option the credit may not be flowed through to income but may be used to reduce the rate base (provided that this rate base reduction is restored not less rapidly than ratably over the useful life of the property); (2) under the second option the credit may be flowed through to income (but not more rapidly than ratably over the useful life of the property) and there must not be any adjustment to reduce the rate base; (3) under the third option there would be no restrictions on the treatment of the credit for ratemaking purposes. All regulated companies may choose between option (1) and option (2) within 90 days after the date of the enactment of this bill. If no election is made in that time, option (1) applies. Option (3) (election of which must be made within 90 days after enactment) is to be available only with respect to property where under the accelerated depreciation rules enacted as part of the Tax Reform Act of 1969 the benefits of the credit were flowed through to the customers. If, after March 31, 1972, a company flows through to income an amount greater than that permitted under the option applicable to that company, or its rate base is adjusted by an amount greater than that permitted under its applicable option, then the company is to lose the investment credit with respect to its public utility property for all open years and all future years.

Senate amendment No. 15 adopts the basic structure of the House provision with several changes. First, it provides that a regulated company furnishing steam through a local distribution system or gas or steam by pipeline may elect to have neither flow through nor rate base adjustment where a Federal agency having ratemaking jurisdiction determines that the natural domestic supply of the product is insufficient to meet the present and future needs of the domestic economy; this election must be made within 90 days after enactment. Second, a company that elects the second option (ratable flow-through

but no rate base adjustment) must use the same ratable flow through on its regulated books of account for any other purposes for which those books are used (thus, there may be no requirement that the company treat the investment credit in its reports to shareholders, or to the public, in any manner different from the manner the company treats the investment credit for ratemaking purposes). Third, ratemaking treatment of the credit must be conformed to the rules provided by the bill in the first final action taken by the regulatory agency after enactment of the bill, rather than by March 31, 1972, as provided under the House bill. Fourth, a denial of the credit under the bill because of a regulatory agency acting inconsistently with the rules of the bill will not apply to property placed in service after the agency puts into effect a determination which is consistent with the bill.

The House recedes with a clerical amendment.

Limitation on Carryovers and Carrybacks

Amendment No. 23: When the investment credit was terminated in 1969 a limitation was imposed on the amount of carryovers and carrybacks of prior unused credits which a taxpayer could use in any taxable year after the termination. The bill as passed by the House removed this limitation for taxable years ending after December 31, 1971. The Senate amendment provides in effect that the limitation is to be removed for the portion of taxable years ending in 1971 after August 15.

The House recedes.

Availability of Credit to Certain Lessors

Amendment No. 27: The bill as passed by the House provided that in certain cases the credit provided by section 38 of the Code is not allowed to noncorporate lessors of property. Senate amendment no. 27 makes it clear that, where the lessor is a partnership which has a corporate partner, this limitation does not deny to the corporate partner the credit which is otherwise allowable to it.

The House recedes.

Certain Property Leased for Short Term

Amendment No. 28: Under prior law, a lessor of section 38 property could elect to "pass through" the investment credit to the lessee of the property. Senate amendment no. 28 adds a special rule applicable to a short term lease of property which is defined in the amendment as a lease for a term which is less than 80 percent of the class life of the property leased. In the case of such a lease, the Senate amendment limits the amount of the investment credit which can be passed through to the lessee to the same percentage of the credit which would be passed through under the general lease rule as the percentage which the term of the lease is of the class life of the property.

The House recedes with amendments. Under the conference agreement the special rule provided by the Senate amendment is not to apply to leases of property which have a class life of 14 years or less or to leases which are "net leases" (as defined in section 57(c)(2) of the Code).

Certain Property Placed in Service in Rural Areas and Central Cities

Amendment No. 29: Under the bill as passed by the House, the amount of the investment credit is generally 7 percent of the qualified investment (as defined in section 46(c) of the Code). Senate amendment no. 29 provided that in the case of certain property placed in service in rural areas and central cities, the credit would be 10 percent instead of 7 percent.

The Senate recedes.

Railroad Rolling Stock

Amendment No. 30: Under present law (section 263(e) of the Code), certain expenditures incurred in connection with the rehabilitation of a unit of railroad rolling stock (except a locomotive) are treated as deductible repairs under section 162 or 212 of the Code.

Senate amendment no. 30 makes this provision elective and also in effect, permits the taxpayer to elect either this provision or the new repair allowance provision provided by the bill as passed by the House (new section 263 (f) of the Code).

The House recedes.

Transitional Rules for Real Property and Subsidiary Assets

Amendment No. 33: The Senate amendment provides two transitional rules, one applicable to real property and the other to subsidiary assets, under the new class life depreciation system provided by the bill as passed by the House. These transitional rules are to apply to property placed in service during the period beginning January 1, 1971, and ending December 31, 1973, or if earlier the date on which class lives are subsequently prescribed by the Secretary of the Treasury or his delegate.

The House recedes.

Increase in Personal Exemption

Amendment No. 35: Under existing law, the amount of the personal exemption is $650 for calendar year 1971, $700 for 1972, and $750 for 1973 and later years. Under the bill as passed by the House, the personal exemption would be $675 for calendar year 1971 and $750 for 1972 and subsequent taxable years.

Senate amendment no. 35 retained the $675 personal exemption for calendar year 1971, but the amount of the personal exemption for calendar year 1972 and subsequent taxable years would be $800.

The Senate recedes.

Low Income Allowance

Amendments Nos. 38 and 39:

The House bill increased the low income allowance to $1,300 for calendar 1972 and subsequent years.

The Senate amendments made this change effective also for taxable years beginning in 1971.

The Senate recedes.

Certain Fiscal Year Taxpayers

Amendment No. 45: Under the bill as passed by the House, section 21 of the Internal Revenue Code of 1954 was amended to provide for proration of the changes in personal exemptions made by the bill in the case of a taxpayer whose taxable year is not the calendar year.

Senate amendment no. 45 provides for both the changes in the personal exemption and the changes in the standard deduction to be prorated for these taxpayers.

The House recedes.

Withholding Changes

Amendment No. 47: Existing law provides a percentage withholding method for 1971, 1972, and 1973 which incorporates the personal exemption and the standard deduction provided by existing law for those years. Wage bracket withholding tables based on the percentage method are prescribed by the Secretary of the Treasury. Under existing law, there is significant underwithholding in many cases. The bill as passed by the House amended the withholding provisions to reflect changes made by the bill in the personal exemption and standard deduction and to minimize underwithholding. These changes in withholding would take effect in two stages, the first stage was to be effective with respect to wages paid after November 14, 1971, and before January 1, 1973, and the second stage with respect to wages paid after December 31, 1972.

Senate amendment no. 47 amended the withholding provisions to reflect changes made by the Senate amendments in the personal exemption and standard deduction and to minimize underwithholding. Under the Senate amendments, these changes would take effect in one stage, that is, with respect to wages paid after December 31, 1971.

The House recedes with amendments. Under the conference agreement the withholding provisions are amended to reflect changes made by the action recommended in the accompanying conference report in the personal exemption and the standard deduction and to minimize underwithholding. Under the conference agreement, these changes are to take effect in one stage, effective with respect to wages paid after January 15, 1972.

Declarations of Estimated Income Tax by Individuals

Amendment No. 48: The bill as passed by the House would increase the income levels above which a declaration of estimated income tax by individuals is required. It would also increase the levels applicable in the case of those requirements for filing declarations which are based on final tax liability or on the amount of income from sources other than wages.

Senate amendment no. 48 would accept the House provision in this respect but would provide that it is to take effect with respect to taxable years beginning after December 31, 1971 (instead of with respect to taxable years beginning after December 31, 1972).

The House recedes.

Certain Expenses To Enable Individual To Be Gainfully Employed

Amendment No. 49: Under existing law (section 214 of the Code) certain categories of taxpayers are allowed an itemized deduction for amounts they spend for the care of certain dependent children (under age 13) and also for incapacitated dependents where such amounts enable the taxpayer to be gainfully employed. The amount of the deduction for any taxable year is limited to $600 where there is one such dependent, or to $900 where there are two or more such dependents. Generally for married couples the amount of the deduction is reduced by the adjusted gross income in excess of $6,000.

Senate amendment No. 49 revises and broadens the existing provision by making the deduction available both for household service expenses and dependent care expenses incurred in order to permit the taxpayer to be gainfully employed. For services of these types provided in the home, a deduction for up to $400 a month is allowed. The $400 deductible amount may also consist of child care expenses outside of the home of up to $200 a month for the care of one child, $300 a month for the care of 2 children, and $400 for the care of 3 or more children.

The deduction under this provision is available for expenses for gainful employment where the taxpayer's household includes a child under age 15 who may be claimed as a dependent of the taxpayer, a disabled dependent (regardless of age), or a disabled spouse. In the case of disabled dependents, the eligible expenses are reduced by adjusted gross income and nontaxable disability payments (government or private) in excess of $750 received by the dependent; and in the case of a disabled spouse, by disability payments. For married couples, the deduction is fully available where their combined annual adjusted gross income is not above $18,000. For those with incomes above this amount the otherwise allowable deduction is reduced 50 cents for each dollar of income above $18,000. The deduction is available whether or not the taxpayer takes the standard deduction.

The House recedes with an amendment. The conference agreement essentially retains the Senate amendment. However, the deduction may be taken only as an itemized deduction and the $18,000 income limit, above which the allowable deduction is reduced, is made applicable to unmarried as well as married taxpayers. In addition, the conference agreement clarifies the fact that a deduction is allowed only for expenses incurred to enable a taxpayer to be employed on a substantially full-time basis (employed for three-quarters or more of the normal or customary work week or the equivalent during the month).

The conference agreement also makes it clear that a taxpayer maintains a household for any period, only if he furnishes over half the cost of maintaining the household during such period.

The requirement that the expenses be incurred to enable the taxpayer to be gainfully employed is not intended to include amounts paid to an individual who is employed, for example, predominantly as a gardener, bartender, or chauffeur.

In the case of the reduction of otherwise allowable deductions by the adjusted gross income or disability payments received by a dependent, the expenses to be offset are only those expenses solely attributable to the disability of the dependent and are not to include the household

service expenses which would be allowable in the absence of such dependent.

In these cases, the adjusted gross income and disability payments received by the dependent are applied first against any expenses incurred on his behalf in excess of the $400-a-month limit. Then any remaining payment received is applied against the expenses coming within the $400-a-month limit. Next the reduction for adjusted gross income in excess, of $18,000 is applied. Adjusted gross income in excess of $18,000 in the taxable year reduces the amount of eligible expenses incurred (after the imposition of the $400-a-month limit) by 50 cents for each dollar of adjusted gross income over $18,000.

For purposes of the reduction for adjusted gross income in excess of $18,000, expenses incurred during any month (regardless of when paid) are to be compared to the adjusted gross income properly allocable to such period. Generally, the period for this purpose will be the taxable year, but allocations to shorter periods (such as a month) may be necessary where there is, for example, a change in marital status.

Married taxpayers must file a joint return in order to be eligible for the deduction (except for a taxpayer who would not be considered to be married under section 143(b)(1) (relating to certain married individuals living apart) if such section referred to any dependent instead of only to a child). In the case of individuals whose marital status changes during the year, the availability of the deduction is determined with regard to the eligible expenses incurred and the income earned by each spouse during the period of each marital status in a manner similar to present regulations.

Levies on Salaries and Wages

Amendment No. 50: Senate amendment numbered 50 added a new subsection (d) to section 6331 of the Code (relating to levy and distraint) providing that levy may be made on the salary or wages of an individual under section 6331(a) of the Code only after the Secretary of the Treasury or his delegate has notified the individual of his intention to make such levy.

The House recedes with a substitute for the Senate amendment which adopts the substance of the Senate amendment but makes clarifying changes.

Unearned Income of Certain Taxpayers

Amendment No. 51: Under the bill as passed by the House, certain income of a trust required to be included in the gross income of a beneficiary of the trust was to be disregarded in computing the percentage standard deduction. In addition the sum of the personal exemptions and standard deduction of the taxpayer could not exceed the adjusted gross income computed without regard to such income of the trust.

The Senate amendment provides that in the case of a taxpayer who is a dependent of another taxpayer, the percentage standard deduction is computed only with reference to his earned income and the low income allowance is not to exceed his earned income.

The House recedes.

LIMITATIONS ON CARRYOVERS OF UNUSED CREDITS

Amendments Nos. 54 and 55: The bill as passed by the House provides that in certain corporate reorganizations the rules of present law relating to carryover of net operating losses shall also apply to unused investment credits, unused foreign tax credits, and unused net capital losses. Senate amendment No. 54 applies this provision to unused work incentive program credits (added by section 601 of the bill). Under the bill as passed by the House, the new provision would apply to reorganizations and other changes in ownership occurring after the date of the enactment of the bill.

Senate amendment No. 55 limits the application of this new provision to reorganizations and other changes in ownership pursuant to a plan of reorganization or contract entered into on or after September 29, 1971.

The House recedes.

DEFINITION OF NET LEASE; EXCESS INVESTMENT INTEREST

Amendment No. 56: The bill as passed by the House clarified the definition of a net lease for purposes of the minimum tax on tax preferences and for the limitation of the deductibility of excess investment interest. Under present law, a lease is a net lease for these purposes if the trade or business deductions arising with respect to the property leased are less than 15 percent of the rental income produced by the property.

The bill as passed by the House also restricted the business deductions taken into account for this purpose to deductions of the lessor other than deductions for rents or reimbursed expenses with respect to the leased property.

Senate amendment No. 56 incorporates these changes and makes two additional changes in the definition of a net lease. The first change permits taxpayers to aggregate all leases on a single parcel of real property and treat the leases as a single lease for purposes of determining whether in the aggregate the real property is subject to a net lease under the 15 percent rule. The second permits a taxpayer to disregard real property improvements which are more than 5 years old for purposes of determining whether the property is subject to a net lease under the 15 percent rule described above. In addition, the Senate amendment provides that the amount of excess investment interest subject to the minimum tax or subject to disallowance under section 163 of the Code is to be reduced by the amount of any "out-of-pocket losses" of the taxpayer incurred with respect to the leased property. These losses are, in general, the amount by which the deductions for business (or investment) expenses, interest, and property taxes exceed the gross rental income from the property.

The House recedes.

CAPITAL GAIN DISTRIBUTIONS OF CERTAIN TRUSTS

Amendment No. 58: This Senate amendment postpones for one year the application of the capital gain distributions rule enacted by the Tax Reform Act of 1969 in the case of certain accumulation trusts in existence on December 31, 1969.

The House recedes.

Western Hemisphere Trade Corporations

Amendment No. 59: The bill as passed by the House provided that in determining whether a corporation qualified for the special Western Hemisphere Trade Corporation treatment of the Code, income derived from sources within the Virgin Islands of the United States would not be taken into account.

The Senate amendment provides that for purposes of the income tax law of the Virgin Islands of the United States, the Western Hemisphere Trade Corporation provisions of the Internal Revenue Code will be treated as having been repealed.

The House recedes.

Capital Gains and Stock Options

Amendment No. 60: Under present law stock options and capital gains derived from sources outside of the United States are not subject to the minimum tax for tax preferences if the foreign country in which the transaction occurs does not give preferential treatment under its tax laws. The bill as passed by the House provides that, for purpose of applying this provision, preferential treatment is accorded if the foreign country imposes no significant amount of tax with respect to the transaction. Under the bill as passed by the House, this new provision is to apply to taxable years beginning after December 31, 1969 (the effective date of the minimum tax for tax preferences). The Senate amendment provided that this new provision would only apply to transactions occurring after June 24, 1971.

The Senate recedes.

Bribes, Kickbacks, Medical Referral Payments, Etc.

Amendment No. 61: Under present law (section 162(c)(2) of the Code as amended by the Tax Reform Act of 1969) a deduction is denied for a payment which is an illegal bribe or kickback if the individual making the payment is convicted, or enters a plea of guilty or nolo contendere, in a criminal proceeding. Present law also contains a special provision under which the statute of limitations for assessing deficiencies may be extended in these cases.

Senate amendment No. 61 denies a deduction for any payment which is an illegal bribe, illegal kickback, or other illegal payment under any law of the United States, or any State law which is generally enforced, if the applicable law subjects the payor to a criminal penalty or the loss of license or privilege to engage in a trade or business. For this purpose, a kickback includes a payment in consideration of the referral of a client, patient, or customer.

The Senate amendment also amended titles XVIII and XIX of the Social Security Act to provide criminal penalties for kickbacks, bribes, and rebates made in connection with the furnishing of items or services to individuals for which payment is made under those titles (or is made out of Federal funds under a State plan approved under those titles).

The House recedes with amendments. Under the conference agreement, the provisions of the Senate amendment relating to illegal bribes, illegal kickbacks, and other illegal payments are retained but the burden of proof in respect of the issue as to whether a payment con-

stitutes an illegal bribe, illegal kickback, or other illegal payment within the meaning of the Senate amendment is to be upon the Secretary of the Treasury or his delegate to the same extent as he bears the burden of proof under section 7454 of the Code, relating to fraud. The conference agreement eliminates the provision under which the statute of limitation for assessing deficiencies may be extended in these cases.

Also under the conference agreement, a deduction will be disallowed for any kickback, rebate, or bribe made by any provider of services, supplier, physician, or other person who furnishes items or services for which payment is or may be made under the Social Security Act, or in whole or in part out of Federal funds under a State plan approved under such Act, if the kickback, rebate, or bribe is made in connection with the furnishing of such items or services or the making or receiving of such payments. For this purpose, a kickback includes a payment in consideration of the referral of a client, patient, or customer.

Under the Senate amendment, the changes made with respect to illegal bribes, illegal kickbacks, and illegal payments apply with respect to payments made after December 30, 1969. The conference agreement retains this effective date but provides that the provision relating to kickbacks, rebates, and bribes under the Social Security Act is to apply only with respect to payments made on or after the date of enactment of the bill.

Activities Not Engaged in for Profit

Amendment No. 62: Under present law, in determining whether or not an activity is engaged in for profit for purposes of applying section 183 of the Code (added by the Tax Reform Act of 1969), there is a rebuttable presumption that an activity is engaged in for profit for a taxable year if there is a profit in the activity in two taxable years out of the five taxable years ending with the taxable year in question (in the case of breeding, training, showing, or racing horses, the period is 7 taxable years). This Senate amendment applies this presumption, in the case of a new activity, by using a 5 (or 7) taxable year period beginning with the year in which the taxpayer first engages in an activity. For this purpose, a taxpayer is treated as not having engaged in any activity before 1970.

The House recedes.

Certain Distributions to Foreign Corporations

Amendment No. 63: This Senate amendment provides that, in the case of a distribution of property to a foreign corporation (if the amount received is not effectively connected with the conduct by the recipient of a trade or business within the United States), the amount of the distribution is the fair market value of the property.

The House recedes.

Original Issue Discount

Amendment No. 64: This Senate amendment provides special rules for taxing (and withholding tax on) original issue discount in the case of nonresident aliens and foreign corporations if the income is

not effectvely connected with the conduct of a trade or business within the United States.

Neither the Senate amendment nor the report of the Senate Finance Committee is intended to imply how bonds held for six months or less are treated for tax purposes when held by United States persons.

The House recedes with technical and clerical amendments.

Foreign Beneficiaries of Estates, Trusts and Real Estate Investment Trusts

Amendment No. 65: This Senate amendment provided special rules for taxing (and withholding tax on) certain income of non-resident aliens and foreign corporations from domestic estates, trusts, and real estate investment trusts which have income from property subject to depreciation, depletion, or amortization. The conferees concluded that this provision needed further study.

The Senate recedes.

Income From Certain Vessels and Aircraft

Amendment No. 66: This amendment provides that, if a taxpayer leases a domestically produced aircraft or vessel described in the Senate amendment to a United States person, he may elect to treat income derived with respect to the aircraft or vessel as income derived from sources within the United States. Such an election is to be irrevocable, unless the Secretary of the Treasury or his delegate consents to a revocation, and applies to all income with respect to the aircraft or vessel, including gain on its sale or disposition.

The House recedes with an amendment which incorporates the provisions of the Senate amendment with technical and clarifying changes. Some of these changes are designed to insure that, where an election is made, both the income as well as the losses from any such aircraft or vessel are treated as being from United States sources. The conferees indicated that if it should develop that taxpayers attempt to achieve United States source treatment for losses but foreign source treatment for income or gains, corrective measures will be considered.

Industrial Development Bonds

Amendment No. 67: Under present law, certain small issues of industrial development bonds are exempted from the rule which provides that industrial development bonds are not obligations the interest on which is excluded from tax. Generally, these are issues of $1,000,000 or less, but under certain conditions, can be as much as $5,000,000. Senate amendment no. 67 increased the $1,000,000 limit to $5,000,000, and eliminated the special provisions for issues of $5,000,000 or less.

Also present law exempts obligations issues for certain specified purposes from the industrial development bond rule. One of the specified purposes is facilities for the local furnishing of water. Senate amendment no. 67 eliminates the requirement that water facilities must be local and provides an exemption for facilities for the furnishing of water if the facilities are available on reasonable demand to members of the general public.

The House recedes with amendments. The conference agreement retains the provisions of the Senate amendment relating to facilities for the furnishing of water. The conference agreement retains the provisions of existing law with respect to the dollar limits (both the $1,000,000 and $5,000,000 limits) on small issues which are exempt from the industrial development bond rule, but increases from $250,000 to $1,000,000 the amount of expenditures which may be disregarded in applying the conditions relating to issues of $5,000,000 or less where the expenditures are required by circumstances which could not be reasonably foreseen or arise out of mistake of law or fact. Included in these expenditures are expenditures necessitated by erroneous cost estimates, by increases in costs due to inflation, strikes, delays, or architectural modifications but not increases due to expansions.

Expenses for Higher Education

Amendment No. 68: This Senate amendment provided an income tax credit (not exceeding $325) for certain expenses incurred by a taxpayer in providing an education above the 12th grade for himself or any other individual.

The Senate recedes.

Disclosure of Information by Preparers of Income Tax Returns

Amendment No. 69: This Senate amendment required a person who prepares an income tax return or declaration of estimated tax (other than his own return or declaration) to declare under penalty of perjury either (1) that he will not use, or make available to any other person, information furnished to him to prepare the return or declaration, or (2) that he has obtained the consent of the taxpayer to use, or make available, such information. The Senate amendment also provided a criminal penalty if any preparer used, or made available, any information furnished for the preparation of a return or declaration unless the taxpayer concerned had consented thereto.

The House recedes with an amendment. Under the conference agreement, a criminal penalty is provided if a person engaged in the business of preparing returns and declarations (or who does so for compensation), or in providing services in connection with the preparation of returns and declarations, discloses any information furnished to him for the preparation of a return or declaration or uses any such information other than for the preparation of such return or declaration.

This provision does not apply to certain specified cases, such as, use of information to prepare State tax returns and disclosures required by the Internal Revenue Code or by court order.

Under the conference agreement, this provision is to become effective on the first day of the first month which begins after enactment of the bill.

Property Tax Credit for the Elderly

Amendment No. 70: This Senate amendment provided an income tax credit (not exceeding $300) for real property taxes, and rent treated as real property taxes, paid by individuals age 65 or over whose income does not exceed $6,500.

The Senate recedes.

ADDITIONAL EXEMPTION FOR DISABILITY

Amendment No. 71: This Senate amendment provided an additional personal exemption for a taxpayer who is disabled and for a spouse who is disabled.

The Senate recedes.

SELF-PROPELLED OIL WELL SERVICE OR DRILLING EQUIPMENT VEHICLES AND MOTOR OPERATED CRANES

Amendment No. 72: This Senate amendment exempted from the highway use tax certain self-propelled oil well service or drilling equipment and motor-operated cranes.

The Senate recedes.

DEPOSIT OF EMPLOYMENT TAXES BY SMALL EMPLOYERS

Amendment No. 73: This Senate amendment provided that employers of 50 or less individuals would be required to pay or deposit only one time each quarter certain taxes imposed or deducted and withheld under subtitle C of the Code.

The Senate recedes.

BUDGET INFORMATION WITH RESPECT TO REVENUE LOSSES AND INDIRECT EXPENDITURES

Amendment No. 74: The Senate amendment amends the budget and accounting act to require the budget submitted by the President (or special analyses presented with the budget) to contain estimates of losses in revenue from provisions of the Federal income tax laws and also estimates of indirect expenditures through the operation of Federal tax laws.

The conferees concluded that it would be more appropriate to have such estimates of tax expenditures made by the Treasury Department and to have the estimates submitted annually to the Committee on Ways and Means of the House, the Committee on Finance of the Senate and the Joint Committee on Internal Revenue Taxation. It is expected that these tax expenditure reports to the tax committees will initially be modeled after similar reports previously made and included in the Annual Reports of the Secretary of the Treasury in 1968 and 1970. Modifications may, of course, be made from time to time in consultation wth the tax committees. In addition to making these reports to the tax committees on annual basis, the Treasury Department may desire to include these data on tax expenditures in the annual report of the Secretary of the Treasury. The Treasury Department has indicated its willingness to submit information to the tax committees in the manner indicated above and as a result the amendment no longer appears necessary.

The Senate recedes.

REPEAL OR SUSPENSION OF EXCISE TAX ON PASSENGER AUTOMOBILES, ETC.

Amendments Nos. 75 through 84: The House bill repealed the 7-percent excise tax on domestic and imported passenger automobiles,

the 10-percent tax on domestic and imported light-duty trucks and buses of 10,000 pounds or less (gross vehicle weight), and the 7-percent tax on domestic and imported automobile trailers and semitrailers. In addition, it provided (in accordance with specified standards and procedures) for refunds of the excise tax paid by consumers purchasing passenger automobiles (or related articles) after August 15 or light-duty trucks or buses (or related articles) after September 22, 1971. Finally, it provided that any use tax paid by a manufacturer or importer with respect to an automobile or light-duty truck after the specified date is to be treated as an overpayment.

The Senate amendments followed the provisions of the House bill in most respects insofar as domestic vehicles are concerned, although they also repealed the tax on domestic truck trailers and semitrailers of 10,000 pounds or less which are suitable for use with light-duty trucks, the tax on domestic buses to be used predominantly in urban mass transportation service, and the tax on domestic containers to be used predominantly in urban mass transportation service, and the tax on domestic containers to be used in conjunction with trucks for solid waste disposal. With respect to imported vehicles, however, the Senate amendments suspended rather than repealed these taxes, authorizing the President to reimpose them on a country-by-country basis (subject to the existing law phaseout) after considering whether the country involved restricts the sale or use therein of domestically manufactured vehicles.

As to consumer purchase refunds (and the treatment of use tax payments as overpayments) the Senate amendments followed the provisions of the House bill, except that with respect to light-duty trucks it changed from September 22 to August 15 the date after which a purchase (or use) will give rise to such a refund (or to such treatment).

In addition, the Senate amendments added to the House bill new provisions (1) subjecting to tax the original tires and tubes on imported vehicles, (2) requiring the Treasury Department to assure that the benefit of these repeals and suspensions will be passed on to consumers, and (3) transferring 7 percent of alcohol tax receipts to the Highway Trust Fund to compensate it for the revenues lost by these repeals and suspensions.

The conference agreement follows the House bill in repealing the taxes to which that bill relates (rather than repealing them in the case of domestic vehicles but only suspending them in the case of imported vehicles), and also repeals the taxes on the additional types of vehicles and related items included in the Senate amendments—trailers and semitrailers of 10,000 pounds or less which are suitable for use with light-duty trucks, urban mass transit buses, and containers for use in conjunction with trucks for solid waste disposal (specifically limiting the repeal in this case to trash containers for such use). It also follows the House bill in specifying the effective date of the repeal (September 23 for light-duty trucks and August 16 for passenger automobiles) for purposes of determining whether a person purchasing a vehicle or related article before the date of enactment is entitled to a refund of the tax paid and whether use taxes paid with respect to a vehicle before such date will be treated as an overpayment. Only "new" vehicles will qualify for consumer purchase (or floor stocks) refunds; and the conferees anticipate that the test of newness will be found to have been met

in the case of any vehicle (other than one being resold) if (1) it is covered by a full manufacturer's warranty or more than 50 percent of the time and mileage of the manufacturer's warranty is unexpired on the day of the sale (or on the effective date of the repeal for purposes of floor stocks refunds) and (2) in the case of passenger automobiles, it has attached to it on that day the "new car label" required by the Automobile Information Disclosure Act of 1958.

The conference agreement includes the provision from the Senate amendment which subjects to tax (with the proceeds going into the Highway Trust Fund) the original tires and tubes on imported vehicles. It omits the Senate language specifically requiring the Treasury Department to issue regulations to assure that the benefits of the repeals are actually passed on to the ultimate consumers. However, this was done with the understanding that the Department is to exercise all possible diligence and surveillance to see that these benefits are in fact passed on, and that the Council of Economic Advisers is to review vehicle prices and report periodically to Congress regarding the extent to which the tax reduction is in fact being passed on. The Committees on Ways and Means and Finance will follow these reports in considering whether they should reimpose this tax. Finally, it omits the Senate language transferring alcohol tax receipts to the Highway Trust Fund.

Credit Against Tax on Coin-Operated Gaming Devices

Amendment No. 85: The Senate amendment added to the House bill a new provision allowing a credit against the Federal occupational tax on coin-operated gaming devices (up to a maximum of 80 percent of such tax) for similar State taxes imposed on legal gaming devices, but only where the State is imposing such tax (or a similar tax) on the date of enactment. Provision is included for prepayment of the Federal tax as reduced by the estimated amount of the new credit.

The conference agreement includes this provision, except that it omits the requirement of the Senate amendment that the tax (or a similar tax) be in effect in a State on the date of enactment of the bill in order to qualify for the new credit.

Domestic International Sales Corporation

Amendments No. 86, 93, 106, and 116: The Senate amendments provide that the tax deferral made available under the bill with respect to the export-related profits of a DISC is to apply only to profits for taxable years beginning before January 1, 1977.

The Senate recedes.

Amendment No. 88: The Senate amendment provides that receipts by a corporation from a DISC which is a member of the same controlled group will not be treated as qualified export receipts.

The House recedes.

Amendments 89 and 90: The House bill provided that the term "controlled group" is to have the meaning given the term in section 1563(a) except that a 50 percent rather than an 80 percent test of ownership is to apply. The Senate bill broadened the definition by providing that section 1563(b) shall not apply. This has the effect of removing limitations which would otherwise have excluded exempt

organizations, foreign corporations, insurance companies and franchised corporations.

The House recedes.

Amendments No. 91 and 92: The House bill provided that export promotion expenses for purposes of applying the inter-company pricing rules include one-half of the cost of shipping export property aboard ships documented under the laws of the United States in those cases where law or regulations do not require that the property be so shipped.

The Senate amendments extend this rule to apply also to the cost of shipping export property aboard airplanes owned and operated by United States persons.

The House recedes.

Amendments No. 94, 95, and 96: Under the bill as passed by the House, it was provided that a DISC's export-related profits would not be subject to current taxation only to the extent the profits were attributable to exports of the controlled group of corporations of which the DISC was a member in excess of 75 percent of the average exports of that group for the years 1968, 1969, and 1970.

The Senate amendments deleted these provisions of the House bill and instead provided that 50 percent of a DISC's export-related profits would be subject to current taxation.

The House recedes.

In the situation where minerals of a taxpayer are sold by a related DISC on a commission basis, the conferees believe that to effectuate the purpose of the DISC provisions of the bill, the taxpayer should not be placed in any different position than if it had directly made the sale for purposes of determining its "taxable income from the property" for percentage depletion purposes. In other words it is intended that in this case the Treasury Department under its broad regulatory authority in this area will provide that the taxpayer is not required to deduct the amount of the commissions paid to the DISC to the extent they exceed the selling expenses of the DISC. Actual or deemed distributions from a DISC, however, are not to be considered "taxable income from the property."

Amendments No. 97, 98, 101, 102, 103 and 104: Under the bill as passed by the House, a DISC's tax-deferred income could be loaned to a United States manufacturer producing for export without causing the income to become taxable if certain requirements were satisfied. A qualifying loan is referred to a producer's loan.

The Senate amendments provide generally for the termination of tax-deferral on DISC profits which are the subject of a producer's loan if the profits are considered to be invested in foreign plant or equipment. The amount considered invested in this manner generally is the net increase in foreign assets of members of the same controlled group as the DISC, but not more than the smaller of the actual amount transferred abroad by the domestic members or the outstanding amount of producer's loans to these members. The net increase in foreign assets would be the gross amount of assets (described in section 1231(b) of the Internal Revenue Code of 1954) located outside the United States acquired by members of the group in taxable years beginning after December 31, 1971, reduced by specified amounts of foreign funds attributable to periods after that date.

The House recedes with an amendment. The conference agreement follows the Senate amendments and in addition specifies two additional amounts which may be used to offset a controlled group's gross increases in foreign assets for purposes of determining the group's net increase in foreign assets. The first amount is the excess of the amount of stock or debt obligations issued by domestic members of the group on or after January 1, 1968, to unaffiliated foreign persons and outstanding on December 31, 1971, over the net amount of funds transferred by domestic members of the group to foreign members of the group (or foreign branches of domestic members) during the period the stock or debt was outstanding. This excess amount may be taken into account, however, only to the extent the taxpayer establishes that the foreign borrowing (i.e. the issuance of the stock or debt obligations) constitutes a long-term foreign borrowing for purposes of the foreign direct investment program administered by the Office of Foreign Direct Investment of the Department of Commerce. It is intended that a taxpayer ordinarily should establish that a foreign borrowing constitutes a qualified long-term foreign borrowing for this purpose by demonstrating that appropriate reports were filed with the Office of Foreign Direct Investment with respect to the foreign borrowing.

The second amount which under the conference agreement may be taken into account in determining a group's net increase in foreign assets is the amount of liquid assets held by foreign members of the group (and foreign branches of domestic members) on October 31, 1971, in excess of the reasonable working capital needs of such foreign members and foreign branches on that date. For this purpose, "liquid assets" includes only money, bank deposits (other than time deposits) and indebtedness which when acquired had a maturity of 2 years or less.

Amendment No. 111: The Senate amendment provides that a foreign corporation which fails to qualify as an export trade corporation because it fails to meet the 75 percent export receipts requirement may, if it has a substantial export business, transfer its assets to a DISC without any gain or loss, or immediate tax consequences, resulting to any of the parties involved.

The House recedes with an amendment.

Under the conference agreement it is provided that a foreign corporation which qualified as an export trade corporation for any three taxable years beginning before November 1, 1971, will be treated as an export trade corporation for purposes of the provision which allows a foreign corporation to transfer its assets to a DISC without tax consequences.

Amendment No. 113: The House bill repealed the export trade corporation provisions for taxable years beginning after December 31, 1975. The Senate amendment did not repeal these provisions but provided that a corporation which was not an export trade corporation for a taxable year beginning before November 1, 1971, would not be eligible for treatment as an export trade corporation for taxable years beginning on or after that date.

The House recedes with an amendment.

The conference agreement retains the provisions of the Senate amendment but also provides that a corporation which fails to qualify

as an export trade corporation for any period of 3 consecutive years beginning after October 31, 1971, may not again be eligible for treatment as an export trade corporation.

Amendment No. 117: The Senate amendment provides that the President will furnish a report to Congress before December 31, 1975, on the effect tax structures and practices of the United States and foreign nations have on the establishment of manufacturing facilities in those countries and on the competitiveness of U.S. exports.

The Senate recedes. The conferees intend, however, that the President should furnish a comprehensive report of the type described in the Senate amendment to the Congress by February 1, 1973, and every three years thereafter.

Protection of Balance of Payments

Amendment No. 121: This Senate amendment added a new title to the bill which conferred authority on the President to impose quotas and import surcharges on articles imported into the United States during a balance of payments emergency period (as defined in the amendment). The Senate amendment also directed the Secretary of the Treasury to exempt from the import surcharge piston-type internal combustion engines to be installed in snowmobiles.

This amendment was not considered on its merits because of questions raised as to its germaneness under the House rules.

The Senate recedes.

The conferees noted that the imposition of the surcharge on internal combustion engines to be installed in snowmobiles serves to emphasize the way in which the U.S.-Canadian Auto Products Agreement is, in practice, achieving unreciprocal results. Further, the conferees noted that an agreement providing ostensibly for free trade in automotive products ordinarily would not be expected to cover the tariff treatment of an article such as snowmobiles. In view of the fact, however, that the U.S.-Canadian Auto Products Agreement as implemented by the Automotive Products Trade Act provides for the duty-free treatment of snowmobiles from Canada, the conferees urge that the Secretary of the Treasury give full consideration to the competitive position of domestic manufacturers of snowmobiles by providing an exemption from the additional duty proclaimed by the President on August 15 for engines imported for installation in snowmobiles.

Job Development Related to Work Incentive Program

Amendment No. 122: This amendment added a new title to the bill which provides an income tax credit for certain expenses incurred in the work incentive program. The amendment also contained a series of amendments to title IV of the Social Security Act designed to improve the work incentive program provided by present law. This portion of the amendment was not considered on its merits because of questions raised as to its germaneness under the House rules.

Under the portion of the Senate amendment which provides the tax credit, an employer who employs an individual whom the Secretary of Labor certifies as having been placed in employment under a work incentive (WIN) program established under section 432(b)(1) of the

Social Security Act will be allowed an income tax credit equal to 20 percent of the wages paid to the employee during the first 12 months of his employment (whether or not such months are consecutive). The amount of credit which can be used in any taxable year is subject to limits similar to those applicable to the investment credit, and provision is made for carryback and carryover of unused credits similar to the carryback and carryover provisions of the investment credit.

Under the Senate amendment, an employer must retain a WIN program employee for at least 1 year after the completion of 12 months of employment, unless the employee leaves his employment voluntarily or becomes disabled. In the event of any other termination of employment of such an employee within the prescribed period, no credit is allowed for wages paid to that employee and any credit which has been allowed in a prior year for wages paid to that employee is recaptured.

The Senate amendment requires that, in order to be eligible for the credit, the wages paid to a WIN program employee must be incurred in a trade or business in the United States. No credit is allowable for wages paid to an employee who is related to the taxpayer.

The House recedes with amendments. Under the conference agreement, an employer is not to lose the credit for wages paid to a WIN program employee whose employment is terminated, if it determined under the State unemployment compensation law that the termination was due to the employee's misconduct. The credit is to be allowed with respect to any WIN program employee only if the Secretary of Labor certifies that his employment did not displace another individual from employment. The conference agreement makes it clear that the credit is to be allowed only for wages paid in cash. In addition, the conference agreement requires that the wages paid to a WIN program employee must be equal to wages paid non-WIN program employees of the employer performing comparable service.

Emergency Unemployment Compensation

Amendment No. 123: The Senate amendment added a new title to the bill which provided for the payment, under Federal-State agreements, of emergency unemployment compensation for up to 26 weeks to unemployed individuals who have exhausted their entitlement to both regular unemployment compensation and unemployment compensation payable pursuant to the Federal-State Extended Unemployment Compensation Act of 1970. In order for a State to be eligible to enter into such an agreement, the State law of such State must provide for the payment of extended compensation in accordance with the Federal-State Extended Unemployment Compensation Act of 1970. Emergency benefits would be payable only during periods of high unemployment, as determined under a formula prescribed in the amendment. The cost of providing emergency compensation would be financed entirely from Federal funds until June 30, 1973, and thereafter the financing would be 80 percent Federal and 20 percent State.

This amendment was not considered on its merits because of questions raised as to its germaneness under the House rules.

The Senate recedes.

Tax Incentives for Contributions to Candidates for Public Office; Financing of Presidential Election Campaigns

Amendment No. 124: This amendment adds two new titles to the House bill. The first of the new titles will allow an individual a credit against income tax for one-half of the political contributions made during a taxable year, with a maximum credit of $25 in the case of a joint return of husband and wife, and a maximum credit of $12.50 in the case of the return of a single person (or married person filing separately). The political contribution can be to a candidate for election to a Federal, state, or local office, in a primary, general, or special election, or it can be made to a political committee. In lieu of the credit, a taxpayer will be allowed to deduct from adjusted gross income the amount of political contributions made during the taxable year, except that the deduction in the case of a joint return cannot exceed $100, and in the case of the return of a single person (or a married person filing separately), the deduction cannot exceed $50. These provisions for a credit or deduction apply only to political contributions made after December 31, 1971.

The second of the new titles added to the bill by the Senate amendment provides public financing as an alternative way of financing the general election campaigns of Presidential and Vice Presidential candidates. Under the amendment, the candidates of each major party would be entitled to public financing in an amount equal to 15¢ multiplied by the number of residents in the United States who are age 18 years old or older as of the first day of June of the year preceding the presidential election. A major party is a party which in the preceding presidential election received 25 percent or more of the total number of popular votes received by all candidates for President in that election. A minor party (one that received more than 5 percent but less than 25 percent of the popular vote in the preceding presidential election) would be eligible to receive that percentage of the entitlement of a major party which the minor party vote in the preceding presidential election is of the average vote received by the two major parties in that election.

Under the Senate amendment, a new party can share in public financing after the election if it obtains more than 5 percent of the popular vote in the election. The new party would receive that percentage of the entitlement of a major party which the new party's vote in the current election is of the average number of popular votes received in that election by the major parties. Under this provision, a minor party can increase its basic entitlement if its proportion of votes in the current election exceeds its proportion of votes in the preceding presidential election.

Public financing is provided, under the Senate amendment, by a so-called check-off system, starting with income tax returns for the calendar year 1971. Under this system, an individual can designate that $1 of his tax liability be set aside in a special account in the Presidential Election Campaign Fund for the candidates of a political party specified by the taxpayer. Alternatively, the taxpayer can direct that the $1 will be set aside in a non-partisan general account in the fund. In the case of a joint return having a tax liability of $2 or more, each spouse may designate that $1 is to be paid into an account. If

no designation is made, nothing would be set aside in any account by reason of the filing of the tax return.

If the candidates of a political party elect public financing, payments to the candidates can be made only out of the special account designated for that party. If at the beginning of the campaign period there is insufficient money in any account to satisfy the entitlement of the party, the money in the non-partisan general account will be allocated to all the special accounts in the ratio of the balances in those accounts. However, under the Senate amendment, no amount could be allocated to a special account in an amount greater than the smallest amount needed by a major party to bring it up to its entitlement.

If a major party elects public financing, it cannot spend on the general campaign more than its entitlement (15¢ times the number of the residents of the United States who are 18 years old or older in the preceding year); and it cannot accept contributions for the general campaign if there is sufficient money in its special account to pay its full entitlement. If there is a deficiency in the account, contributions can be accepted but only to the extent of the deficit.

A minor party or a new party can accept contributions from private sources, but it must agree that it will not spend more in the general campaign than the amount of the entitlement of a major party, and that it will return campaign contributions to the extent they exceed the campaign expenses not covered by public financing.

Public financing provides funds for expenditures related to the campaign period (and establishes limits on total expenditures for such period) beginning with the date on which the first major party nominates its candidate for President and ending on the date 30 days after the election. The Comptroller General will certify the amount payable out of the accounts to the eligible candidates (candidates who elect public financing).

Candidates for President and Vice President (whether or not they have elected public financing) are required to furnish the Comptroller General, from time to time during the general campaign, with a statement of the amount spent—and proposed to be spent—on the campaign. The Comptroller General is required to publish in the Federal Register a summary of these expenses. These expenditure reports include the amounts spent by committees authorized or recognized by candidates whether or not eligible candidates.

The eligible candidates are to file with the Comptroller General a list of committees who are authorized to spend money on their behalf. It would be unlawful for any individual, or for any committee which is not an authorized committee, to spend more than $1,000 during the general campaign on behalf of the candidacy of the eligible candidates of a party.

A Presidential Election Campaign Fund Advisory Board is created to assist the Comptroller General in performing his duties.

Criminal penalties are provided for willful violations constituting prohibited transactions.

The House recedes with amendments. In the cases of the provisions allowing a credit or deduction for political contributions, the Senate provision is adopted with only clerical amendments. With respect to the public financing of Presidential campaigns, the House

accepts the Senate provision with clerical and technical amendments and with the following changes:

(1) The Senate amendment would have applied to the 1972 presidential campaign. Under the conference agreement, the provision will take effect on January 1, 1973, so the first election to which it will apply will be the 1976 presidential election.

(2) Under the Senate amendment the check-off system commences with income tax returns filed for the calendar year 1971. Under the conference agreement, the check-off system will apply only to tax returns filed for the calendar year 1972 and subsequent taxable years.

(3) The Senate amendment provided an automatic appropriation to the Presidential Election Campaign Fund of the amounts checked off by taxpayers. Under the conference agreement, the payments into the fund will be made only as provided by appropriation acts, in amounts not in excess of the amounts checked off in tax returns.

(4) In lieu of the Senate provision for transfer of moneys in the fund from the non-partisan general account to the separate accounts, the conference agreement provides for the transfer, on the 60th day before the election, of not more than 80 percent of the moneys in the general account, based upon the entitlement at that time of the major parties and the minor parties. No amount, however, can be transferred to a special account which would bring the moneys in that account above the entitlement of the candidates to which such account relates. If the moneys in any separate account are insufficient at the end of the expenditure report period (30 days after the election) to satisfy any unpaid entitlement of the eligible candidates to which the account relates, the balance in the general account will be transferred to the separate accounts in accordance with the popular votes received by the parties in the current election.

(5) The conference agreement eliminates the provision in the Senate amendment that made it a criminal penalty for an "individual" to spend more than $1,000 on behalf of eligible candidates in the presidential election unless he was authorized by the candidate to make such expenditures. In addition, it was made clear that the prohibition against expenditures in excess of $1,000 by organizations which are not authorized committees does not apply to broadcasting organizations or newspapers (or other periodicals) in reporting the news or editorial opinions, or to tax-exempt organizations reporting to their members the views of the organization with respect to Presidential candidates.

(6) The conference agreement also adds a provision to allow the Comptroller General or other interested parties to bring court actions in order to implement or construe the new provisions. For this purpose the Comptroller General is authorized to employ his own legal counsel. Because the provisions of this title will have a direct and immediate effect on the actions of individuals, organizations, and political parties with respect to the financing of campaigns for the offices of President and Vice President of the United States, these individuals, organizations, and political parties must know whether major and minor parties may expect to receive financing under the provisions of this title or whether political parties and others should continue to solicit, and individuals, organizations, and others should continue to make, contributions to provide such financing. According-

ly, the conference agreement makes provision for expeditious disposition of legal proceedings brought with respect to these provisions. The agreement provides for actions involving these provisions to be brought before a three-judge district court, to be expeditiously tried, and for appeals from decisions of that court to go directly to the Supreme Court.

FEDERAL IMPOUNDMENT INFORMATION

Amendment No. 125: This Senate amendment added a new title to the bill which required the President to transmit reports to the Congress and the Comptroller General containing certain information whenever any appropriated funds are impounded.

This amendment was not considered on its merits because of questions raised as to its germaneness under the House rules.

The Senate recedes.

PROMOTION OF RECIPROCAL TRADE AND PROTECTION OF AMERICAN JOBS

Amendment No. 126: This Senate amendment added a new title to the bill which authorized the President under certain conditions to impose quotas and other import restrictions on articles imported into the United States.

This amendment was not considered on its merits because of questions raised as to its germaneness under the House rules.

The Senate recedes.

RUSSELL B. LONG,
CLINTON P. ANDERSON,
HERMAN E. TALMADGE,
CARL T. CURTIS,
JACK MILLER,
Managers on the Part of the Senate.

WILBUR D. MILLS,
AL ULLMAN,
JAMES A. BURKE,
MARTHA W. GRIFFITHS,
JOHN W. BYRNES,
JACKSON E. BETTS,
HERMAN T. SCHNEEBELI,
Managers on the Part of the House.

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