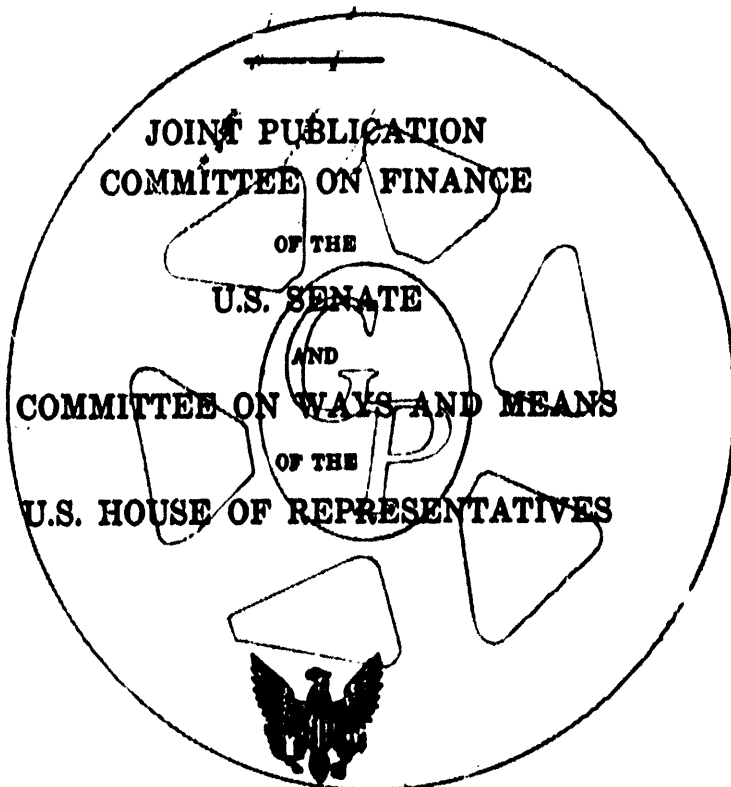


SUMMARY OF THE DECISIONS OF THE  
CONFEREES ON H.R. 15414  
REVENUE AND EXPENDITURE CONTROL  
ACT OF 1968



MAY 9, 1968

Prepared for the use of the Senate Committee on Finance and the  
House Committee on Ways and Means

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## GENERAL STATEMENT

WASHINGTON, D.C., May 9.—The Honorable Wilbur D. Mills (D., Ark.), Chairman of the Committee on Ways and Means of the House of Representatives, and the Honorable Russell B. Long (D., La.), Chairman of the Committee on Finance of the Senate, today announced that the House and Senate conferees on H.R. 15414 had reached agreement on the Senate amendments to the bill.

H.R. 15414 as passed by the House of Representatives on February 29, 1968, extended excise taxes on automobiles and telephones and required more current income tax payments by corporations. The Senate amendments provided, among other things, for a 10-percent surtax and a \$6 billion reduction in the ceiling on Government spending for fiscal year 1969. The bill passed the Senate on April 2, 1968.

The actions taken by the conference committee are generally described in the following paragraphs.

### Sec. 1.—Title

The name of the Act is to be the Revenue and Expenditure Control Act of 1968.

### Sec. 2.—Government Employee Limitation

It was agreed that with respect to permanent full-time civilian employees in the executive branch one vacancy in four in each department or agency is not to be filled until such time as the overall number of employees reaches the level of June 30, 1966. In the case of temporary and part-time employees, the number of such employees in any department or agency in any month is not to exceed the number in the corresponding month of 1967. A special rule is provided for agencies with 50 or fewer employees and the Director of the Bureau of the Budget is authorized to reallocate the positions to be filled among departments or agencies in the interest of the more efficient operation of the Government. Exempt from this provision are persons appointed by the President with the advice and consent of the Senate, casual employees, employees serving without compensation and employees (up to 70,000) who are provided summer employment as economically or educationally disadvantaged persons between the ages of 16 and 22.

### Sec. 3.—Expenditure Limitation for Fiscal Year 1969

Expenditures for the fiscal year 1969 are to be reduced by \$6 billion from the level of \$186.1 billion estimated in the budget to \$180.1 billion except that the following categories of expenditures, to the extent they exceed the amount shown in the budget, are not to be taken into account for purposes of applying this limitation:

- (1) Expenditures for special support of Vietnam operations;
- (2) Interest on the debt;
- (3) Veterans benefit payments; and
- (4) Payments from trust funds established by the Social Security Act, as amended.

Under this provision Congress would cut appropriations for current expenditures to the extent it could, but to the extent the Congressional reductions fell short of \$6 billion, then the President would be required to further reduce actual spending to reach the limit.

#### **Sec. 4.—Reduction in Obligational Authority**

New obligational and loan authority for the fiscal year 1969 is to be reduced by \$10 billion from the level of \$201.7 billion proposed in the budget to \$191.7 billion except that increases above the budget proposals for new obligational authority and loan authority for the same four purposes specified in section 3 are not to be taken into account. In addition, the President is to make a report to Congress next January, at the time the budget is submitted, including specific recommendations for legislation to rescind \$8 billion of the \$222.3 billion of unobligated balances of obligational and loan authority which was approved in years before the fiscal year 1969. The President is granted the authority in carrying out these expenditure and obligational authority provisions to reduce expenditures or obligations in those instances in which the amount to be expended or obligated is based upon a formula involving the amount appropriated.

#### **Sec. 5.—Technical**

This is a technical amendment which is the same in both the House and Senate versions of the bill.

#### **Sec. 6.—Excise Tax on Autos and Telephone Service**

The 10 percent excise tax on communications and the 7 percent excise tax on automobiles are continued in the manner provided in both the House and the Senate versions of the bill.

#### **Sec. 7.—Speedup of Corporate Tax Payments**

The Senate would have applied the House provision with respect to the speedup of corporate tax payments only in the case of tax liability over \$5,500 (generally the tax on the first \$25,000 of income) as compared to \$40 under the House bill. The collection of tax payments on liability over this amount would have been placed on a current basis, over a five-year transitional period. (No change was made in the provision in both the House and the Senate versions of the bill which increases from 70 percent to 80 percent the percentage of estimated tax which must be reported currently.)

The conferees agreed to place all income tax liability above \$40 in the case of corporations on a current payment basis. However, two transitional rules are provided to accomplish this result. In the first five-year period (1968-1972 inclusive), tax liabilities above \$5,500 are placed on a current basis. In the next five-year transitional period 1973-1977 inclusive tax liability below \$5,500 will be placed on a current basis.

The Senate limitations on so-called quickie refunds of overpayments of estimated tax were accepted by the conferees—that is, quickie refunds will be available only where the overpayment exceeds the corporation's expected tax by at least 10 percent and by an amount equaling at least \$500.

Any additional corporate tax payments for 1968 arising from the speedup of payments and from the surcharge described subsequently are to be paid in three equal payments, which for a calendar year corporation are to be made by June 15, September 15, and December 15.

### **Sec. 8.—Timely Mailing**

This section, regarding the timely mailing of deposits, is the same in both the House and Senate versions of the bill.

### **Secs. 9 and 10.—Industrial Development Bonds**

In the case of industrial development bonds, the conferees decided that the income on these bonds should be taxable in the case of any issue over \$1 million. Industrial development bonds are those whose proceeds are used in an activity engaged in for profit by other than a governmental unit or other than an organization exempt from tax (but in this latter case only if the activity is related to the function upon which the organization's exemption is based) and on which either the payment of the principal and interest is secured in whole or in part by property or the payments received from property are pledged for payment of the interest and principal. Exceptions are provided in the case of sports facilities (such as stadiums), convention or trade show facilities, various types of transportation facilities, specified public utility facilities, air or water pollution abatement facilities, and facilities for industrial parks.

This provision is to be effective with respect to bonds issued on or after May 1, 1968, except where a commitment has been made before that time. In general terms, a commitment for this purpose includes cases where

(a) the issuance of the obligation, or the project, was approved by the governing body of the governmental unit issuing the obligation (or by the voters of the governmental unit);

(b) a governmental unit had made a significant financial commitment in connection with the project;

(c) a party other than the governmental unit had entered into contracts related to the use of the property for an amount equal to 20 percent or more of the proceeds; or

(d) a governmental agency concerned with economic development has approved a project or an application for financial assistance with respect to a project is pending before such an agency and the financial assistance is subsequently provided.

### **Sec. 11.—Advertising in Publications of Tax-Exempt Organizations**

This Senate amendment provides that the advertising income which an exempt organization receives in publishing a periodical is to be exempt from the tax on unrelated trade or business income if the publication of the periodical is substantially related to the exempt activities of the organization.

The conferees deleted this amendment from the bill with the understanding that the Committee on Ways and Means would consider the matter later this year.

### **Sec. 12.—Joint Hospital Facilities**

The conferees included in the bill the provision relating to tax-exempt status in the case of organizations providing joint services to hospitals on a cooperative basis but limited the application of this provision to cases where the organizations are providing such functions as computer services, purchasing services, laboratory services, personnel services, etc. (but not laundry services), for the member hospitals.

### **Sec. 13.—Advertising in a Political Convention Program**

The conferees agreed to the provision in the Senate bill relating to advertising in a political convention program. Under the amendment, to be deductible, the expenses for advertising must be reasonable in light of the business the taxpayer may expect to receive directly as a result of this advertising or be reasonable in light of the business expected to be brought by the convention to the area in which the taxpayer has a principal place of business. In addition, the funds must be used only for convention expenses. (Under existing law no deduction would be allowed for expenses incurred in advertising in these programs.)

### **Sec. 14.—Aid to Families with Dependent Children**

This section contains three separate amendments relating to the AFDC program.

*Freeze.*—The first of these amendments would have repealed the so-called AFDC freeze contained in the Social Security Amendments of 1967 which limits Federal participation in AFDC payments to families, where the father is absent from the home, to the proportion of the under-age-18 population receiving such assistance in each State during the first quarter of 1968. The limitation would become effective July 1, 1968.

Under the conference bill, the date when this limitation will first go into effect is postponed for one year—from July 1, 1968, to July 1, 1969. In addition, provision is made for including within the base proportion of a state additional numbers of cases added to the state's rolls by the second quarter of 1969 by reason of the state's complying with a judicial decision of a court of competent jurisdiction affecting state laws relating to duration of residence requirements or so-called man-in-the-house rules. The fiscal year 1969 cost of this amendment is estimated at \$125 million.

*Unemployed Fathers—Unemployment Compensation.*—The second of the Senate AFDC amendments would have deleted a provision contained in the Social Security Amendments of 1967 which prohibits payments under the unemployed fathers (AFDC-UF) program to a family for any month in which the father receives an unemployment compensation payment. The conference agreement substitutes a limitation under which this prohibition shall apply only to the specific weeks for which the father receives unemployment compensation payments. The fiscal year 1969 cost of this amendment is estimated at \$2 million.

*Unemployed Fathers—Attachment to the Work Force.*—The third Senate AFDC amendment would have repealed the requirement that a father have a specified history of prior employment in order that the family be eligible for aid to families with dependent children.

The conferees deleted this Senate amendment and thus retained the work test in present law.

### **Sec. 15.—Family Planning**

The Social Security Amendments of 1967 required a State to offer family planning services to all appropriate AFDC participants or lose a portion of Federal funds otherwise available for the State AFDC program. This Senate amendment provides that in the case of a State which does not now provide the required family planning services, the

amendment in the Social Security Amendments of 1967 would not apply to that State until after the close of its next legislative session.

The conference agreement omits this amendment. The conference committee did not believe that the provisions of existing law require any State to take action contrary to State statute and expects the Department of Health, Education, and Welfare to so interpret and administer this provision.

#### **Sec. 16.—Amendment to Medical Assistance (Medicaid) Program**

Another Senate amendment relates to a provision contained in the Social Security Amendments of 1967 which prohibits Federal participation in payments under the title XIX program for services which would have been provided under Part B of medicare in states that had not elected to buy-in for their title XIX eligibles.

This provision, which penalizes some states, was not correctly timed when it was enacted, and it was not subject to amendment in the conference that was held last December on the Social Security bill.

The conference committee has agreed to postpone the effective date of this provision until July 1, 1970, and thus coordinate it with the date on which states are required under existing law to have title XIX programs in operation and the date when they may exercise their option to buy-in for title XIX eligibles.

The fiscal year 1969 cost of this amendment is estimated at \$5 million,

#### **Sec. 17.—Income Tax Surcharge**

The conferees agreed to a 10 percent income tax surcharge applicable to both individuals and to corporations. In the case of individuals, the surcharge is to be effective for the period from April 1, 1968, through June 30, 1969. In the case of corporations, the surcharge is effective from January 1, 1968, though June 30, 1969.

The surcharge does not apply to individuals whose taxable income does not exceed the amount in the first two taxable income brackets (\$1,000 of taxable income in the case of a single person and \$2,000 in the case of a married couple). While the surcharge generally applies to the entire taxable income of persons with larger amounts of taxable income, in order to prevent a sudden tax increase just above the first two tax brackets, a provision applies which has the effect of gradually removing this exemption as income increases beyond the exempt level. The withholding in the case of individuals is to begin the 15th day after the date of enactment. In the case of individuals filing declarations, the increase will be reflected in declarations filed on September 15, in the case of calendar year taxpayers.

In the case of corporations, the surcharge is to apply before the application of tax credits.

#### **Sec. 18.—Textile Quotas**

The conferees agreed to delete the Senate amendment which would have established mandatory import quotas on textile articles, unless the President entered into agreements with foreign countries within 180 days after the date of enactment limiting the importation of such articles.

In deleting this Senate amendment the conferees understood that the Committee on Ways and Means would announce hearings to be

held on all questions and issues raised in the field of international trade. (Concurrently with the announcement of the conference decision with respect to this amendment Honorable Wilbur D. Mills, Chairman of the House Ways and Means Committee issued the following statement:

MAY 9, 1968.

**CHAIRMAN MILLS' STATEMENT RELATIVE TO TEXTILE AMENDMENT**

The conference committee did not agree to include in the conference agreement the amendment of Senator Hollings concerning textile quotas.

However, I believe all members of the conference committee recognize the widespread concern not only in the textile industry but in many other industries about increasing imports, particularly in certain segments of our market. I think all the conferees also are concerned about our declining balance of trade, particularly since our balance of trade has been the most favorable item in our whole balance of payments picture.

Accordingly, I am announcing today that on June 4 the Committee on Ways and Means will begin extensive public hearings on the subject of the foreign trade of the United States. These hearings will include not only the Administration trade bill, which we understand will be sent to us prior to the hearing, but also a broad variety of proposals relative to both imports and to exports. Such subjects, for example, as quotas, either on an across-the-board or an item-by-item basis, American selling price, antidumping, will be included, among the other subjects.

This public hearing should provide the Committee on Ways and Means and the Congress a comprehensive view of the present and prospective position of the United States in international trade and should provide us an informed basis for any subsequent legislation in this vitally important field.

**Sec. 19.—Foreign Nations Indebted to the United States**

The conferees deleted the Senate amendment which would have (1) required the Secretary of the Treasury to demand payment of debts in arrears from all countries more than 90 days in arrears in the payment of principal or interest on debts owed the United States, and (2) provided that dollars presented to the Treasury by a country that is in arrears are not to be redeemed in gold but instead credited against the debts owed this country

In deleting this amendment, the conferees expect that the Secretary of the Treasury and the Secretary of State will study this matter and make a report to the Congress with respect to it.

**Sec. 20.—Tax Reform**

The conferees agreed to the Senate amendment which requires the President not later than December 31, 1968, to submit to the Congress proposals for a comprehensive reform of the Internal Revenue Code of 1954.



**ESTIMATED REVENUE INCREASES DUE TO TAX  
PROVISIONS OF H.R. 15414—CONFERENCE ACTION**

[In billions of dollars]

	Fiscal years	
	1968	1969
<b>Excise taxes, extension of present rates:</b>		
Automobiles.....	\$0. 2	\$1. 5
Telephone service.....	. 1	1. 2
<b>Total, excise extension.....</b>	<b>. 3</b>	<b>2. 7</b>
Corporations estimated tax payments.....	. 5	. 5
<b>Surcharge:</b>		
Individuals.....	<sup>1</sup> . 1	<sup>1</sup> 7. 7
Corporations.....	. 6	3. 2
<b>Total surcharge.....</b>	<b>. 7</b>	<b>10. 9</b>
<b>Total revenue increase.....</b>	<b>1. 5</b>	<b>14. 0</b>

<sup>1</sup> Assuming increased withholding June 10, 1968.

NOTE: Detail may not add to total due to rounding.

A full year liability at 1968 levels:	Billions
Individual.....	\$6. 8
Corporations.....	3. 4
<b>Total.....</b>	<b>10. 2</b>

(7)

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