

Sept. 17



HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

G. WILLIAM WHITEHURST
SECOND DISTRICT
VIRGINIA

August 13, 1986

8-9:00 am

*Joyce
(also copy to B. Lacy for)*

Dear Senator Dole:

While you and your Republican colleagues are battling to retain control of the U. S. Senate, we in Virginia are facing a similar challenge in our fight to maintain control of the Virginia Delegation in the U. S. House of Representatives.

We are currently doing all we can to help keep control of the U. S. Senate, as are our two distinguished U. S. Senators, John Warner and Paul Trible, and many of our major contributors. But we also need your help with our efforts in Virginia.

As you know, the Republicans currently hold a six to four edge in the Virginia House Delegation, but we are facing stiff challenges in five of the six districts we hold and Republicans were able to mount challenges to incumbent Democrats in only one district.

In an attempt to assist two Virginia incumbents -- Frank Wolf in the 10th District and Stan Parris in the 8th District -- and two of our challengers -- Joe Canada, who is seeking the 2nd District seat held by Bill Whitehurst, who is retiring, and Flo Traywick, Virginia's Republican National Committeewoman, who is seeking the seat held by Democrat Jim Olin -- we have formed an affiliated campaign committee called Virginia Victory 86.

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Our committee will be holding a \$500 per plate breakfast for major Virginia contributors on September 17th at the Raddison Mark Plaza Hotel in Alexandria just off Interstate 95 in Alexandria, just a few minutes from your office, and we would be deeply appreciative if you would agree to be the breakfast speaker.

This event, Senator, is an excellent opportunity for us to bolster our chances of retaining control of the Virginia Delegation in the House and we are hopeful of an early and affirmative response from you. Would you please have a member of your staff call John Magill in the office of Congressman Whitehurst at 225-4215 if you have any questions.

Sincerely,

G. William Whitehurst
Member of Congress

Stan Parris
Member of Congress

Frank R. Wolf
Member of Congress

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No. Va.
Democrat

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No. Va.

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tax bill

BOB DOLE
KANSAS

United States Senate

OFFICE OF THE MAJORITY LEADER
WASHINGTON, DC 20510

September 16, 1986

*Brf/K GOP candidates
Radisson mark
Playa Hotel
5000 Seminary Rd
9/17/86 Alex.
va.*

TO: SENATOR DOLE
FROM: GEORGE PIELER
SUBJECT: TALK TO CONTRIBUTORS FOR VIRGINIA GOP DELEGATION

This is a group of about 100-115 northern Virginia businessmen, particularly builders and developers, who are contributing to northern Virginia GOP House candidates (Frank Wolf, Stan Parris, and challengers Joe Canada and Flo Traywick).

According to Congressman Whitehurst's office, the main interest will be in 1986. GOP politics and the tax reform bill. Materials are attached, including bios on the GOP challengers forwarded by Campaign America.

Attachment

To Joyce
From: Clay Collins
1/5

CAPSULE BIOGRAPHY OF FLO TRAYWICK

- * Respected member, Republican National Committee
- * Eight years' experience as Legislative Assistant at the Virginia General Assembly
- * Former Vice Chairman, Citizens Advisory Board, Urban Assistance Incentive Fund
- * Former Personnel Counselor with a Lynchburg business
- * Attended Hollins College, Central Virginia Community College, Lynchburg College
- * Graduate, Randolph-Macon Woman's College, 1978
- * Member, Administrative Board, Court Street Methodist Church, Lynchburg, Va.
- * Member, Board for Parents United
- * Member, Founding Board, Lynchburg School for Performing Arts

2/5

BIOGRAPHY OF FLO TRAYWICK

Flo Neher Traywick has spent more than 30 years in service to her community and her state through her work in Republican Party politics. Well-known for her political acumen and analytical ability, she has been a leader at every policy-making level of the party.

Mrs. Traywick was elected to the Republican National Committee in 1984 by a GOP convention of several thousand delegates. As a member of the RNC, the highest policy-making body of the Republican Party, Mrs. Traywick is called upon to give her views on both foreign and domestic issues of national concern. She is briefed by Cabinet secretaries, such as Caspar Weinberger and Donald Regan, and she deliberates on the multi-million-dollar budget of the RNC.

Mrs. Traywick's Jeffersonian faith in individuals has made her a tireless advocate of grassroots politics. In this computer age, she's known for writing handwritten notes on her personal stationery. Her personal campaign style has contributed to the margin of victory of such notables as President Reagan, former Gov. John Dalton, Sen. John Warner, former Congressman Caldwell Butler and others. Statewide candidates know the importance of Mrs. Traywick's backing if they are to run well in the Sixth District.

Mrs. Traywick was appointed by Gov. Dalton to the Citizen's Advisory Committee for Furnishing and Interpreting the Executive Mansion. She also served as vice-chairman of the Citizen's Advisory Board, Urban Assistance Incentive Fund.

Flo Traywick was born May 9, 1924, in Lynchburg. Her parents, Flo and Clarence Neher, were Midwesterners who came "home" to their Virginia roots in 1918. Her father, an accountant, was widely respected for his meticulous work. He was also widely liked for his geniality and love of people, traits he passed on to his daughter.

Mrs. Traywick attended the Lynchburg public schools and Hollins College. She interrupted her education to become the wartime bride of then-Capt. H. V. "Bo" Traywick. They have three children: Bo Jr., a tugboat captain with Chesapeake Corp.; Robin, a freelance writer; and Cris, president of APC Products, Inc. Mr. Traywick is the founder of APC Products, which markets industrial equipment.

Mrs. Traywick spent four years in the early 1970s as an employment counselor with Nelson Personnel in Lynchburg. During that time, she dealt with top business and industry leaders on a one-to-one basis, securing plum positions for her clients.

In 1975, with her family grown, Mrs. Traywick decided it was time to finish her college education. She attended Central Virginia Community College and Lynchburg College with son Cris before transferring to Randolph-Macon Women's College. She was graduated from Randolph-Macon with a BA in classical studies in 1978.

In the fall of 1977, Mrs. Traywick ran for the House of Delegates in a two-seat district held by the Democrats. Despite being greatly outspent, she is credited with helping defeat a five-term incumbent. Incidentally, she received college credit for this campaign.

Mrs. Traywick serves on the administrative boards of Court Street Methodist Church, the Lynchburg Humane Society, and the Preservation of the Academy of Music.



Republican National Committee

Frank J. Fahrenkopf, Jr.
Chairman

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Dear PAC Representative:

It is my pleasure to bring your attention to one of our outstanding candidates for Congress -- Flo Traywick, running in Virginia's Sixth Congressional District. Flo Traywick's ambitious grassroots campaign efforts coupled with her opponent's increased vulnerability makes this an excellent opportunity to return the district to Republican leadership once again.

As a long time party leader and member of the Republican National Committee, Flo Traywick has demonstrated her leadership skills and her ability to represent Virginia. The Republican National Committee has endorsed the candidacy of Flo Traywick and committed our resources to her campaign.

This is a very promising race and one we hope you will support financially. Please take a moment to review the enclosed information on Flo Traywick. Thank you.

Sincerely,



Frank J. Fahrenkopf, Jr.

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A. JOSEPH CANADA, JR.

Personal: Date of Birth: May 8, 1939. A native of Lynchburg, Virginia.

Education: Graduated from Hampden-Sydney College in 1962 with a B.A. Degree. Graduated from T.C. Williams School of Law, University of Richmond, in 1965.

Business: Aide to the Secretary of Health, Education and Welfare, Washington, D.C.
Assistant Commonwealth's Attorney for the City of Virginia Beach from 1965 to 1967.
Private law practice since 1967.

Civic Affairs: Former Secretary and Legal Counsel for the Virginia Beach Jaycees.
Past President of the Princess Anne Lions Club.
Member, Board of Directors of the Virginia Council of Alcoholism & Drug Dependence, Inc.
Member, Board of Directors of Virginia Beach Boys' Club.
Member, Board of Directors of the American Council of Young Political Leaders.
Member, Virginia Trial Lawyers Association.
Member, Virginia Beach and Virginia State Bar Association.
Member, Virginia Wildlife Federation.

Present Political Position: State Senator - 8th Senatorial District, Va. Beach
Elected to the State Senate in 1971.

Senate Committee Assignments: Courts of Justice
Education and Health
Local Government
Rehabilitation and Social Services

Political Activities: Member, Virginia Beach Republican City Committee.
Member, Steering Committee for Congressman G. William Whitehurst Campaign.
As a member of the Board of Directors of the American Council of Young Political Leaders (ACYPL) was selected to tour the Soviet Union under the sponsorship of the ACYPL and the State Department in 1972, and to tour Japan in 1973.
Member, President's Administration of Justice Task Force.
State Co-Chairman Reagan for President Committee.
Second District Co-Chairman for Ford-Dole ticket.
Named to the "Outstanding Young Men of America" 1972.
Named in the 1973-74 Edition of "Who's Who in American Politics".
Listed in the 1973 Edition of "Distinguished Legislators of America".
Named "Outstanding Young Man of Virginia Beach" (1974) by the Virginia Beach Jaycees.

Honors:

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VIRGINIA 2

Incumbent: William Whitehurst (R)
retiring

Open Seat

State Senator Joe Canada is the Republican-endorsed candidate for this seat. He is a practicing lawyer and has served as a member of the State Senate since 1971 with committee memberships in Courts of Justice, Education and Health, Local Government, and Rehabilitation and Social Services. Joe is a former Secretary of the Virginia Beach Jaycees, past President of the Princess Anne Lions Club, Chairman of the VA Task Force on Missing Children, and former state co-chair of Reagan for President Committee.

Canada for Congress Committee
317 Birchwood Park Dr., Suite 303
Virginia Beach, VA 23452
(804) 431-1986

Primary: June 10

September 16, 1986

TAX REFORM

IMPACT ON REAL ESTATE

- o There is much to recommend the tax reform bill in the sense of lowering rates and making sure that everyone with substantial income will have to pay some income tax. But that does not mean this bill is perfect tax reform.
- o The treatment of real estate and other investments in limited partnership form is troublesome. A good case can be made for the passive loss rules as a way to curb tax shelters, but lengthening the cost recovery periods and eliminating the investment tax credit, combined with reduced tax rates, would have gone a long way toward making tax shelters unattractive, even without the passive loss limitations.
- o Even assuming the passive loss rules were necessary to combat tax shelters, a good argument could be made that it was overkill to apply the limitations to existing investments.
- o As many of you know, I worked hard to provide transition relief to minimize hardship in the short run. We had some modest success in the Finance Committee in getting a four-year phase-in of the passive loss and interest limitations.
- o And, in conference, I was successful in moderating the double impact of the investment interest limitation and the passive loss limitation. While this may seem to be a technical point, I can assure you that it was not easy to find the \$3.6 billion that it took to make that technical change. This should make the transition period at least somewhat less harsh.

Handwritten notes:
Dole
Stim
Frank
J. B.

TAX REFORM

TIMING

- o I understand that Bob Packwood and Dan Rostenkowski want to file the conference report this Thursday. If the report is filed as expected, the House may vote on the tax reform legislation next Tuesday or Wednesday.
- o I expect to schedule the conference report for Senate floor action shortly after the House adopts the report.
- o There are a number of members in both Houses who have concerns about various provisions of the tax reform bill. However, the President has stated that this legislation is a top priority item and it should pass without too much trouble.
- o That does not mean that there will not be full debate of the conference report on the Senate floor. Unless circumstances change, a number of senators will want to express their views on specific issues.

Provisions Affecting Businesses

	CONFERENCE BILL	CURRENT LAW
Corporate tax rate	34% top rate; 2 lower rates on income up to \$75,000	46% top rate; 4 lower rates on income up to \$100,000
Investment tax credit	Repealed	6% to 10%
Depreciation	Less generous than current law for equipment; much less generous for real estate	Accelerated
Autos	5 years, 200% front-loaded	3 years, 150% front-loaded
Manufacturing equipment	7 years, 200% front-loaded	5 years, 150% front-loaded
Commercial real estate	31.5 years, straight line	19 years, 175% front-loaded
Business meals and entertainment	80% deductible; no deduction for stadium skyboxes	Fully deductible
Oil and gas	One-year write-off for most intangible drilling costs	One-year write off for intangible drilling costs
Bank bad debt reserves	Deductible only for banks with less than \$500 million in assets	Deductible
Timber	Retains most timber write-offs	One-year write-off of most costs of growing trees
Research and development	Extend credit for 3 years	25% credit on incremental R&D; expired Dec. 31, 1985

Provisions Affecting Individuals		
	CONFERENCE BILL	CURRENT LAW
Individual tax rates	2 rates: 15, 28%	14 rates: 11% to 50%
For joint filers ¹	15% up to \$29,750 28% over \$29,750	
Personal exemption	\$2,000 (\$1,950 in 1988); phased out for incomes above \$149,250 ²	\$1,080
Standard deduction ³	Joint filer: \$5,000; Head of household: \$4,400; Singles: \$3,000	Joint filer: \$3,670; Head of household: \$2,480; Singles: \$2,480
Mortgage interest	Principal and second residence fully deductible; home equity loans deductible if used for home purchase, home improvement, medical or educational expenses	All mortgages, including home equity loans, fully deductible
Other interest deductions	Consumer interest not deductible; investment interest deductible up to amount equal to investment income ⁴	\$10,000 plus amount equal to investment income
Charitable contributions	Deductible only for itemizers	Fully deductible for itemizers and non-itemizers
State and local taxes	Deductible except for sales taxes	Fully deductible
Long-term capital gains	28% top rate	20% top rate
Short-term capital gains	28% top rate	50% top rate
Individual retirement account contributions	\$2,000 deductible for low and middle income workers; phased out for upper-middle and high-income workers with pension plans	\$2,000; \$250 for nonworking spouse
401(K) Tax-deferred Savings Plans	Limited to \$7,000 a year	Allows up to \$30,000 a year
Medical deduction	Deductible in excess of 7.5% of AGI ⁵	Deductible in excess of 5% of AGI
Two-earner deduction	No	Yes
Miscellaneous deductions	Deductible in excess of 2% of AGI	Fully deductible
Income averaging	Not allowed	Allowed
Tax shelters	Prohibits use of losses from "passive" investments to offset other income ⁶	No limits on using losses from "passive" investments to offset other income

¹In the Conference bill, no 0% bracket is included. Nonitemizing taxpayers would reduce taxable income by the amount of the standard deduction before calculating taxes. Under current law, this deduction is built into the tax rates and shows up as a 0% bracket.

²For joint filers.

³Called zero bracket amount under current law. Numbers under current law are for 1986; conference numbers are for 1988.

⁴Provision is new.

12 September 1986

TALKING POINTS/GRAMM-RUDMAN-HOLLINGS/DEFICIT REDUCTION

o On August 19 Congress got the news that it must go back to the drawing board to come up with additional deficit reductions if it wants to comply with the commitment it made last year under the Gramm-Rudman-Hollings Balanced Budget Act. In response, the Joint Committee on the Budget, September 11, approved about \$19 billion in spending cuts -- evenly divided between military and domestic spending.

But it is my hope, and the hope of the administration and I believe most in Congress, to avoid this so-called sequester by coming up with the \$9.4 billion in spending cuts needed to meet the Gramm-Rudman-Hollings FY 1987 deficit target. I hope that we will begin this "reconciliation" process sometime next week.

o While \$9.4 billion is more than pocketchange, Senate committees have already come up with \$3 billion in so-called budget reconciliation savings. Finding the remaining \$9-12 billion, through program reductions, asset sales, and user fees is well within the "doable" range.

o In addition to finding the actual deficit cuts, Congress must grapple with whether or not it wants to "fix" the Gramm-Rudman-Hollings law so that the "automatic spending cut" provisions found unconstitutional by the Supreme Court can be retained.

o The Senate attached the so-called Gramm-Rudman-Hollings fix as an amendment to legislation increasing the federal debt ceiling. Their amendment is designed to meet the objections raised by the Supreme Court about the separation of powers. Simply put, it gives the Office of Management and Budget the authority to lay out the spending cuts if the automatic trigger is pulled.

o But OMB's fall-back function is essentially a "Green Eyeshade" operation. The amendment guarantees that the administration will have no discretion, and that OMB's function will indeed be purely ministerial.

o The House has not voted on any similar amendment. So, Congress can't complete action on the Gramm-Rudman-Hollings fix until this fall -- if at all. There is some reluctance among

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Democrats -- both in the House and Senate -- to grant OMB new authority. But I hope that the House will agree with Senate action -- even if some modifications are needed -- and the fix will be in place.

o Because heretofore, Congress has shown little appetite for making the kind of cuts necessary to dramatically reduce the deficit. And the threat of automatic spending cuts, while not foolproof, is an additional mechanism to force Congress to live up to, not only the Gramm-Rudman-Hollings targets, but its basic fiscal responsibility.

SEPTEMBER 12, 1986

INTEREST RATES AND THE ECONOMY

- o Over the past few months there has been increasing focus on the role of interest rates in both the U.S. and the world economy. The concern is that rates have been too high to allow the kind of growth rates the U.S. and its trading partners need to guarantee continued economic progress to their citizens. And unless the prospects are good for growth without inflation in the developed world, the developing nations won't have the markets and the financial assistance they need to build a better future.
- o Policymakers are responding to the concern about the level of interest rates. On June 12 I called for the Fed to take the lead in lowering rates and the Fed has acted. Four times this year the Board has lowered its discount rate, most recently on August 20. The discount rate now stands at 5.5%, the lowest it has been in years.
- o But it's still not clear that rates are as low as they should be, consistent with our commitment to keep inflation at bay. For one thing, inflation has come way, way down. In the first quarter of this year prices are expected to rise between 2 - 3% at worst. Yet with the prime rate still at 7 1/2%, real interest rates remain in the range of 4 1/2 to 5 1/2%.
- o I know there is a lot of concern about the risk of renewed inflation. That's a risk we can never afford to ignore. But we do have to look at what's going on in the real economy, and most of the indicators are that a low interest rate policy is the least risky policy to take right now.
- o In addition, lowering interest rates in the U.S. is an effective way to encourage some of our major trading partners to gear their economies towards faster growth and providing more opportunities to buy U.S. goods and services. I know both Chairman Volcker and Secretary Baker are working to coordinate action along these lines with the Germans and the Japanese.

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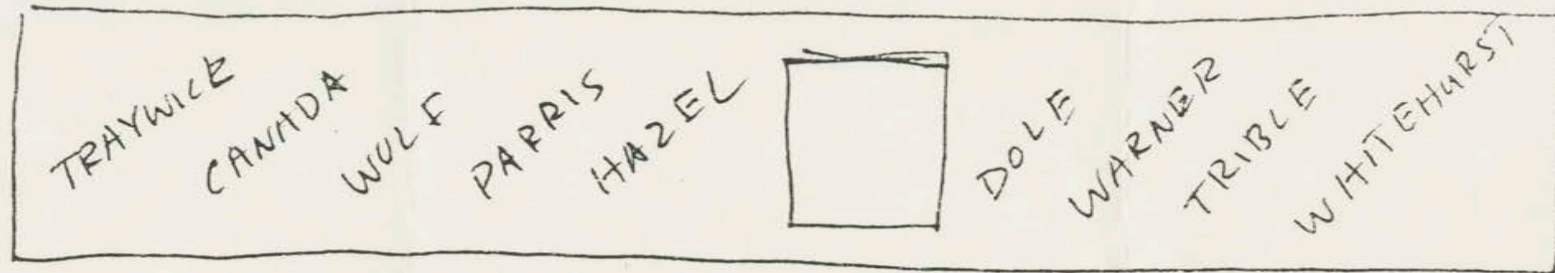
- o There is a lot of good news in the American economy. Unemployment continues to drift downward, and in August the rate dropped to 6.8%. In addition, for the first time this year we saw an increase in manufacturing employment. With inflation still down, and plenty of unused productive capacity, we have a real opportunity to pick up the growth pace and create more jobs without rekindling inflation.
- o On top of everything else, lower rates and faster growth can bolster our efforts to stabilize the international financial and trading system. They will help lower the U.S. budget deficit, reduce the debt burdens of our friends in the Third World, and help ease pressures for backward-looking protectionist policies.
- o Gold. I know there has been some concern in financial markets in recent weeks that the upturn in gold prices may be signalling a return of inflation. While we have to watch that closely, I think it's premature to jump to that conclusion. There are a lot of independent factors--including international tensions, and concern about the future of the gold supply from South Africa--that temporarily affect the price of gold. That's one reason why we've been so cautious about proposals to return to some kind of a gold standard.

Stock Market

- o The stock market plunge is widely being attributed to concern that interest rates won't go any lower, because there are some signs of an economic pickup. Specifically, retail sales rose 0.8% in August; wholesale prices rose 0.3% and unemployment has dropped to 6.8%.
- o This shows the kind of "good news is bad news" situation we've gotten into. Signs of economic strength are bad news for bond and stock markets because they are read as reducing the Fed's inclination to cut interest rates further.
- o Be that as it may, I think the Fed should remain open to further rate cuts: particularly if our main trading partners don't move further in the direction of economic stimulus.

Sept. 17 - FR Breakfast
Radisson Mark Plaza

AUDIENCE



VIRGINIA VICTORY 86 COMMITTEE

-- September 17 Breakfast
Radisson Mark Plaza Hotel, 5000 Seminary Rd., Alexandria
(take Seminary Rd. West, Exit #4, off I 395)

- 8:05 - Welcome by Til Hazel
- 8:06 - Hazel introduces Whitehurst
- 8:07 - Invocation by Whitehurst
- 8:07 - 8:32 - Breakfast
- 8:32 - Introduction of 4 candidates by Hazel (no remarks by candidates)
- 8:34 - Hazel introduces Warner
- 8:35 - Warner remarks
- 8:37 - Hazel introduces Tribble
- 8:38 - Tribble remarks
- 8:40 - Hazel introduces Dole
- 8:41 - Dole speech
- 8:56 - Closing by Hazel