Kay Luther

Will not do

Sheila

Friday, Sept. 26 8:30 a.m.

CENTURY 21
REAL ESTATE CORPORATION
1101 Connecticut Avenue, N.W.
Suite 500
Washington, DC 20036
(202) 463-8850

ROBIN DOLE
Director of Government Relations

September 18. 1986

The Honorable Bob Dole
The Majority Leader
United States Senate
Washington, D.C. 20510

Dear Dad:

I was thrilled to hear from Betty that a cancellation in your schedule will allow you to address the CENTURY 21® National Brokers' Communication Congress (N.B.C.C.) on September 24, 1986. I understand that your acceptance is contingent on unanticipated conflicts, but hope you will be able to participate in our program.

We anticipate approximately 120 members of the CENTURY 21 system, including corporate officers, Regional Directors and franchisees, to attend the meeting. The meeting will be held at the Vista International Hotel, 1400 M Street, N.W., in Ballrooms A and B. We have scheduled you to speak at 11:00 a.m., allowing 30 minutes for prepared remarks and 10 to 15 minutes for a question and answer period. I selected 11:00 a.m. to avoid any conflict with a morning White House ledership meeting.

As you know, the CENTURY 21 system is the largest real estate sales organization in North America. As a franchise sales organization, we have 26 regions in the United States, one in Canada and one in Japan; with 6,500 offices and 75,000 full-time sales associates. The N.B.C.C. is comprised of representatives of the entire system in the United States and meets biannually to provide an open forum for the discussion of issues affecting the real estate marketplace, the CENTURY 21 system and franchise operating procedures.

At the request of the N.B.C.C. representatives, one meeting each year is held in Washington to give our franchisees an opportunity to personally meet and discuss their concerns with Members of Congress. This year our political day will focus on pending tax reform legislation. Prior to your remarks, other speakers will discuss the real estate provisions contained in the conference report, their impact on real estate investors and industry plans to improve some of the provisions in the future. Our morning speakers include: Dan Bolar, Deloitte, Haskins & Sells; Bill Brack, Williams & Jensen and Gil Thurm, National Association of Realtors.

I plan to introduce you as one of the few members of the Conference Committee who supported real estate interests. Our group will be particularly interested in your comments regarding final passage of tax reform legislation, any plans you have to improve the passive loss provision next year and your inside views on the political realities.

As you will recall, you addressed the N.B.C.C. in Washington in 1983, and were very well received by our group. The N.B.C.C. representatives attending this meeting were elected in 1985 or 1986 and, therefore, have not heard you speak in Washington. In addition, you addressed the CENTURY 21® Annual Convention in Orlando in 1984.

I will be in touch with Betty and Rich to provide the necessary details. If you have any questions or need additional information, please call me at 463-8850. Thanks for your help!

Sincerely,

Robin

Robin Dole

RD:la

Sept. 24

September 16, 1986 Joyce

tent. 11:00 am
Wed, Sept. 24
Vista Hotel
Ballrooms A & B.

TO: Senator Dole

FROM: Betty

RE: Request from Robin for you to speak at Century 21 meeting on Wed., Sept. 24, at Vista Hotel

Robin called, knowing the schedule next week will be hectic, but asked if there is any possibility of your speaking to the Century 21 group at their Washington meeting on Wed., Sept. 24, at the Vista Hotel. It would be speaking on tax reform and would be between 10:15 and 11:30.

She knows it's unlikely, but asked me to run it by you....

Yes_____ No _________

She needs to know Wed. A.M.

P.S. you have an 8-9:00 am. FR Bkfst you are co-hosting for Linda Chavez at the Hyatt --

and a 12:45 Speech at an Ag Seminar at either the Sheraton Grand or Hyatt (John Gordley is supposed to be advising me as to which hotel shortly).

There may be a possibility of a Leadership Meeting at the White House, but we probably won't know that for a few days -- and she needs a quick answer.

Senator's perspective on tax reform

TAX REFORM

TIMING

- As you may know, the conference report on the tax reform act was filed late last Thursday. I understand that the House will consider the conference report tomorrow (Thursday) morning.
- I expect to schedule the conference report for Senate floor action shortly after the House adopts the report.
- 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.
- 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.

September 24, 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 lenghthening 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.

September 22, 1986

PASSIVE LOSS

- The tax bill which has emerged from the House-Senate conference is the most equitable tax legislation to come through Congress in a long time. It reflects our commitment to real tax reform -- reform which is based on lower rates and fewer loopholes, across-the-board. I realize that some of the provisions in this package will adversely affect the real estate industry, but I am confident that the lower rates contained in this bill, if enacted, will stimulate American economic performance both at home and abroad.

- The passive loss provision contained in the Senate's tax bill has been a source of contention for many of those who have invested in real estate in past years (especially through limited partnerships), and the conference agreement addresses some of these grievances.

- I became aware of a problem in the phase-in of the Senate tax bill's passive loss rules shortly after it passed the Senate in June. As stated in the Senate provision, the phase-in rules on passive loss limitation and those on interest incurred in passive activities interacted in such a way that the percentage disallowance in transition years was substantially higher than advertised. The reason for this increase was that a taxpayer was required to apply the interest limitation, then only the interest which was not disallowed under the interest limitation would be subject to passive loss.

- As some of you may know, no additional passive loss transition was provided except for some low-income housing relief. The new low-income housing provision will exempt from the passive loss rules projects constructed or subject to a binding contract on August 16, 1986.

- However, only a limited class of investors will be able to take advantage of the rule. Initial investments must not have been made before 1984 and the investor must be obligated to make at least 50 percent of his investment after this year.

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[4]	No limits on using losses from "passive" investments to offset other income

[1]In 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.

[2]For joint filers.

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

[4]Provision is phased in over a number of years.

[5]Adjusted Gross Income.

Wall Street Journal August 18, 1986

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

September 19, 1986

TAX REFORM: THE LAST ROUND

- Tax reform is about to become a reality, despite all the naysayers who said it would never happen. The bill has been filed and the House is expected to vote on the final package this week.

- Not everyone is happy with this legislation, but it does achieve the main goals President Reagan set for tax reform: much lower tax rates, coupled with elimination of special tax breaks, to improve the equity of the tax system; a $2,000 personal exemption to boost American families; and no tax increase.

- In particular, the new low tax rates -- 15% and 28% by 1988, when the new tax law will be fully effective -- are cause for celebration. About 80% of Americans will be able to pay taxes at a flat 15% rate.

- The Family. The working poor, who need help the most, would get the most benefit. 6 1/2 million of the lowest income taxpayers would be taken off the rolls. The earned income credit would be raised, and adjusted for inflation in the future. The standard deduction for joint returns goes up to $5,000 from the present $3,670.

- Fairness. The new low tax rates are made possible by a major crackdown on unjustified tax shelters for the rich, and by eliminating many special tax breaks. But mortgage interest, charitable contributions, and state and local income and property taxes remain fully deductible.

- Economic impact. In the long run, tax reform should be good for the economy. Much lower tax rates, and a more level playing field for all types of business activity, give the U.S. the most advanced tax system in the world: an important factor in the global economic competition. We will be ahead of the game if we realize the productivity and efficiency gains that tax reform promises.

- At the same time, there are legitimate concerns, especially in the short run. There's no question the transition to the new system will cause significant dislocations and may be a temporary drag on the economy. And shifting the tax take more to businesses is not free from risk.

o <u>Warning Signal</u>. <u>Most</u> of all, though, we need to implement this system and stick with it . . . we promised, and we ought to stick to our promises. Most importantly, we have to guarantee that the low 1988 rates <u>are</u> achieved, and that they are <u>not</u> raised in the future. Low rates are the key to this whole endeavor, and we have no right to renege on the low-rate pledge we made to <u>all</u> taxpayers. A number of business and pro-taxpayer groups are signing up pledges to <u>stick</u> with the new low rates: and that is exactly what we need to do.