

June 13, 1988

M E M O R A N D U M

TO: SENATOR DOLE
FROM: RICH BELAS
SUBJECT: COALITION AGAINST REGRESSIVE TAXATION BREAKFAST SPEECH

You are scheduled to speak at a breakfast meeting of the Coalition Against Regressive Taxation (CART) on Wednesday morning at 8 a.m. The meeting is at the American Trucking Association.

CART is a group represented by Bob Lighthizer that opposes excise taxes.

According to Lighthizer, they will be expecting to hear about current events, generally, and will not be expecting a tax policy speech.

He told me that the most likely tax question would be your guess as to whether there would be a tax bill this year, although they might ask about next year also. I suggested to him that the last thing you needed was for any member of his group to try to back you into suggesting that tax increases would be inevitable next year as part of a compromise to reduce the deficit.

As you know, neither the Ways and Means Committee nor the Finance Committee has begun consideration of the Technical Corrections Bill. Ways and Means is likely to begin consideration next week, although there may be informal caucuses this week.

According to Senator Bentsen's staff, he is likely to wait at least until Ways and Means has concluded their efforts and may wait until the bill passes the House.

A big question is whether there will be extension of the provisions which expired at the end of 1987 or expire at the end of this year. These items include the mutual fund "phantom income" problem that Rod has been concerned about, R & D credits, the section 861 sourcing rule for research and development expenses, employer-sponsored education assistance, mortgage revenue bonds, and the targeted jobs credit.

If Congress extended each expiring provision for one year, the revenue cost would be \$2.3 billion for FY 1989 and \$1.3 billion for FY 1990, according to the Joint Tax Committee.

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Congressman Rostenkowski has been reported as considering such a one-year extension. In addition, if all the special items Ways and Means members have shown an interest in are included, another \$7 billion to \$15 billion would be necessary.

That is the basic problem that has delayed the technical corrections bill.

The only relatively noncontroversial revenue raiser that has been identified is a tightening of the corporate estimated tax rules which Senator Bentsen originally had intended to use to pay for the change in the collection of the excise tax paid by farmers and others for off-road vehicles. That would raise \$900 million over two years.

Ways and Means is also looking at tightening the benefits for so-called "single premium" life insurance policies. This could raise \$200 million to \$300 million.

Therefore, if the extensions and a large number of member items are included in a bill this year, there could be some risk that there would be some effort to raise some excise taxes.

*June 15
Wed.*

Speak

May 23, 1988

Joyce

TO: Senator Dole

FROM: Betty

RE: Request from Lighthizer to speak at breakfast meeting
June 15

*430-1st St, A.E.
Ph: 544-6245*

Bob has asked if you would speak at an 8:00 am breakfast meeting of CART (Coalition Against Regressive Taxation) on Wednesday, June 15. It will be at the American Trucking Assn. -- on the Hill and there will be approx. 30 attendees). It would be one-half hour of brief off-the-cuff remarks, but mostly Q & A. There will be a \$2,000 honorarium.

You are scheduled to be on the TODAY Show that morning in the first segment, so you could be at the Trucking Assn. by 8:00 or 8:15.

Do you want to do?? Yes No

Contact: Bob or Judy *371-7000*

5/24 Advised Judy Sen. would do.

TALKING POINTS FOR CART BREAKFAST

JUNE 15, 1988

- O AS YOU KNOW, NEITHER THE WAYS AND MEANS
COMMITTEE NOR THE FINANCE COMMITTEE HAS
BEGUN CONSIDERATION OF THE TECHNICAL
CORRECTIONS BILL.

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O DAN ROSTENKOWSKI HELD SEPARATE, INFORMAL
CAUCUSES WITH HIS DEMOCRATIC AND
REPUBLICAN MEMBERS YESTERDAY, AND I EXPECT
WAYS AND MEANS IS LIKELY TO BEGIN
CONSIDERATION NEXT WEEK.

- O I UNDERSTAND THAT THERE WAS A FAIR AMOUNT OF SENTIMENT AGAINST DOING "RIFLE-SHOT" AMENDMENTS, ALTHOUGH THIS VIEW WAS NOT UNANIMOUS. HOWEVER, THERE ARE LIKELY TO BE MORE GENERIC ISSUES SUCH AS THE DIESEL TAX COLLECTION ISSUE AND THE SO-CALLED "HEIFER TAX" WHICH COULD BE ADDRESSED.

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- O SENATOR BENTSEN IS LIKELY TO WAIT AT LEAST
UNTIL WAYS AND MEANS HAS CONCLUDED THEIR
EFFORTS AND MAY WAIT UNTIL THE BILL PASSES
THE HOUSE.

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- O A BIG QUESTION IS WHETHER THERE WILL BE EXTENSION OF ALL THE PROVISIONS WHICH EXPIRED AT THE END OF 1987 OR EXPIRE AT THE END OF THIS YEAR. THESE ITEMS INCLUDE THE MUTUAL FUND "PHANTOM INCOME" PROBLEM, R & D CREDITS, THE SECTION 861 SOURCING RULE FOR RESEARCH AND DEVELOPMENT EXPENSES, EMPLOYER-SPONSORED EDUCATION ASSISTANCE, MORTGAGE REVENUE BONDS, AND THE TARGETED JOBS CREDIT.

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- O IF CONGRESS EXTENDED EACH EXPIRING
PROVISION FOR ONE YEAR, THE REVENUE COST
WOULD BE \$2.3 BILLION FOR FY 1989 AND \$1.3
BILLION FOR FY 1990, ACCORDING TO THE JOINT
TAX COMMITTEE.

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O THE ADMINISTRATION HAS ENDORSED THE ESTABLISHMENT OF A PERMANENT R & D CREDIT, CHANGING THE R & D ALLOCATION RULES, AND FIXING THE MUTUAL FUND PROBLEM. ALL IN ALL, THE ADMINISTRATION HAS ENDORSED REVENUE LOSING PROVISIONS FOR FY 1989 TOTALLING \$1.7 BILLION, AS WELL AS REVENUE RAISERS TO OFFSET THESE PROVISIONS.

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- O CONGRESSMAN ROSTENKOWSKI HAS BEEN REPORTED AS CONSIDERING SUCH A ONE-YEAR EXTENSION OF THE EXPIRING PROVISIONS. IN ADDITION, IF ALL THE SPECIAL ITEMS WAYS AND MEANS MEMBERS HAVE SHOWN AN INTEREST IN ARE INCLUDED, ANOTHER \$7 BILLION TO \$15 BILLION WOULD BE NECESSARY.
- O THAT IS THE BASIC PROBLEM THAT HAS DELAYED THE TECHNICAL CORRECTIONS BILL.

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O THE ONLY RELATIVELY NONCONTROVERSIAL
REVENUE RAISER THAT HAS BEEN IDENTIFIED IS A
TIGHTENING OF THE CORPORATE ESTIMATED TAX
RULES WHICH SENATOR BENTSEN ORIGINALLY HAD
INTENDED TO USE TO PAY FOR THE CHANGE IN THE
COLLECTION OF THE EXCISE TAX PAID BY FARMERS
AND OTHERS FOR OFF-ROAD VEHICLES. THAT
WOULD RAISE \$900 MILLION OVER TWO YEARS.

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O THE WAYS AND MEANS COMMITTEE IS ALSO
LOOKING AT TIGHTENING THE BENEFITS FOR
SO-CALLED "SINGLE PREMIUM" LIFE INSURANCE
POLICIES. THIS COULD RAISE \$200 MILLION TO \$300
MILLION. IN ADDITION, MR. ROSTENKOWSKI HAS
PROPOSED CLOSING DOWN A PROVISION
CONCERNING ALASKAN NATIVE CORPORATIONS
THAT SENATOR STEVENS PROPOSED IN 1986. I
UNDERSTAND THAT THE PROVISION WAS USED IN
WAYS NOT EXPECTED

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IN 1986, AND THAT HAS INCREASED THE REVENUE
LOSS SUBSTANTIALLY. HOWEVER, IT IS NOT AT ALL
CLEAR THAT DAN ROSTENKOWSKI'S APPROACH
WILL BE CONSIDERED NONCONTROVERSIAL.

- O IF ALL THE EXTENSIONS AND A LARGE NUMBER OF
MEMBER ITEMS ARE INCLUDED IN A BILL THIS YEAR,
THERE COULD BE SOME RISK THAT THERE WOULD
BE SOME EFFORT TO RAISE SOME EXCISE TAXES.

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- O ON THE OTHER HAND, IF MEMBERS SHOW
RESTRAINT, THERE SHOULD BE NO NEED TO
RESORT TO EXCISE TAXES OR OTHER MAJOR
REVENUE ITEMS.