Speak

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NPA NATIONAL PARKING ASSOCIATION

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Thomas G. Kobus
Executive Vice President

Joyce

January 2nd, 1986

Wash. DC

The Honorable Robert J. Dole
The Majority Leader
United States Senate
141 Hart Senate Office Building
Washington, D.C. 20510

Can we get some Army Cam + 5,000 Contributors >

Ballroom

Dear Senator Dole:

Since your remarks at our 1983, 1984 and 1985 Legislative Workshops were the highlight of those programs, it is a pleasure for me to invite you to address the National Parking Association's Sixth Annual Legislative Workshop, which will be held on Thursday, April 10th, 1986 in the Ballrom of the Grand Hotel, located at 2350 M Street, N.W. in Washington, D.C. We would be delighted if you would speak at 8:00 a.m. However, since our program is being developed now, we would be happy to build our schedule around your availability.

Kirk says Tom will get $5,000 plus

As you know, the National Parking Association, a Washington D.C. based international association with over 1,1,00 members in the United States and 18 foreign countries, represents operators, owners and builders of parking facilities throughout the world. Furthermore, many of NPA's members also serve as downtown developers. About 150 of our members from around the country are expected to participate in our Legislative Workshop.

It would be helpful if you would provide us with your predicitions for the second session of the 99th Congress. In addition, I hope that you would offer us your assessment of the proposals to close the budget deficits.

The National Parking Association would be honored and delighted if you could join us on April 10th, 1986. We also look forward to providing you with an appropriate honorarium. Please have a member of your staff contact me at your earliest opportunity to indicate if you can participate in our Legislative Workshop. For your information, I am enclosing a brochure that describes our 1985 Legislative Workshop.

With best personal wishes, I am

~~2/19 Copy to Mollie Kirk~~

3/25 Advised Tom Sen. would do at 8:00 am

Sincerely yours,

Tom

THOMAS G. KOBUS
Executive Vice President

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Enclosure

April 9, 1986

BUDGET TALKING POINTS

o One piece of good budget news is that on Monday President Reagan signed the budget reconciliation bill that will yield more than $18 billion in savings over the next three years. It was a long time getting here but certain worth it.

OVERVIEW

o The Senate Budget Committee reported out a fiscal 1987 budget by a 13-9 vote. 7 Republicans and 6 Democrats voted for the resolution.

o I salute Chairman Domenici, and the rest of the members of the Budget Committee for their diligence and the speed with which the produced the budget.

o But that was only the first step in the process. This week we began a series of meetings with the President, with the Senate Committee chairmen and with the House GOP leadership to see if we can develop a consensus on budget strategy. There will be more meeting this week and probably next.

o We're already somewhat behind the schedule set out in the Gramm-Rudman-Hollings measure. But we're certainly far ahead of the House, which has chosen to do nothing to date. And in the hope that we can change that, I have written Speaker O'Neill asking that we schedule simultaneous floor action on the budget resolution for both the House and Senate.

IMPLICATIONS OF FAILURE TO MEET DEADLINES

o Missing the April 15 deadline would make it even more questionable that the reconciliation process necessary to achieve savings would be completed by June 15.

o Missing the April 15 deadline would further complicate and delay tax-reform legislation this year, since a major issue of revenue increases or neutrality in tax reform would remain an open issue.

o Procedurally, the failure to adopt a resolution by April 15 means that appropriation bill mark-ups would proceed with no general blueprint for FY 1987 spending.

o Assuming no resolution is adopted by May 15, then House appropriation bills would likely proceed to be reported, passed, and sent to the Senate. No point of order (Section 303) would lie against such bills in the House, but would lie in the Senate. The Senate could waive the point-of-order by a majority vote, voting on a resolution by the SBC. It is not clear that the SBC would be able to report such a resolution and such a resolution would likely be objected to by Minority Leader Byrd if it were reported using a poll.

o For those who argue that we should sit back and do nothing because the healthy economy will take care of the deficit, that just isn't so. Even if the very optimistic economic projections are realized, we won't meet the $144 billion Gramm-Rudman deficit target. And those who argue that we can reach the target merely by trimming appropriations accounts are also wrong. It will take more -- changes in entitlement benfit programs, and maybe even some revenue increases.

DETAILS OF BUDGET RESOLUTION

o From my perspective the resolution approved by the Budget Committee leaves something to be desired. First, I believe that the defense spending authority for next year is too low. And second, that the increase in revenues -- close to $75 billion over three years -- is much too high. I'm not alone in this thinking. Just before Congress adjourned for the Easter recess, I received a letter signed by 24 Republican senators expressing the same concerns.

o However, I understand the problem Senator Domenici faced in getting a resolution out of the committee -- the delicate balance between enough for defense, but not too much, enough cuts in domestic programs, but not too much, and enough revenues to meet the $144 billion deficit figure in Gramm-Rudman-Hollings.

o The total deficit reduction in the resolution is $38.8 billion in fiscal 1987; $58.9 billion in 1988; and $74.4 billion in 1989.

o The Committee's budget resolution contains $18.7 billion in additional revenues in fiscal 1987 and a total of $74.3 billion from fiscal 1987-89. Revenue effects from spending measures assumed in the budget, such as retirement reforms and the sale of CONRAIL, plus revenue from reconciliation would account for $6.1 billion, $22.3 billion over three years. And the president's budget contained $5.9 billion in FY 87 revenue increases, $21.6 over three years.

o Defense spending under the resolution would call for $295.1 billion in FY 87 budget authority and $280 billion in outlays. The President requested $320.4 billion in budget authority, outlays, $282.2 billion. According to the Budget Committee, the amounts included in the resolution allows for 2.8 % growth in budget authority from the FY 86 post-sequester budget authority level. In FY 1988 and 1989 there would be a 1% real growth rate.

o The budget resolution would reduce non-defense spending in FY 87 by $17.3 billion in outlays, and by more than $70 billion from FY 87-89, mostly through freezes and reductions. However, $2.3 billion in additional FY 87 spending would be allocated for critical programs such as embassy security, space shuttle construction, a farm credit initiative ($400 million over 3 years), IRS, Head Start and key education programs.

Social Security, military and civil service pensions and all other indexed programs would receive a cost-of-living adjustment. All civilian and military personnel would receive a 3% pay raise.

o Agriculture: The budget resolution assumes the enactment of the tobacco price support program contained in reconciliation with projected reduced budget authority and outlays of $100 million in fiscal 1987 and $600 million over three years; It assumes $ 300 million in savings over three years from enactment of the 1985 farm bill; and it increases budget authority by $150 million in each of the next three years and $130 million in fiscal 1987 for farm credit programs.

o Committee vote: For the resolution: Andrews, Boschwitz, Danforth, Domenici, Gorton, Grassley, Kassebaum, Chiles, Exon, Hollings, Johnston, Metzenbaum, Riegle.

Against: Armstrong, Hatch, Kasten, Quayle, Symms, Hart, Lautenberg, Moynihan, Sasser.

Gramm-Rudman, the Dollar, and Inflation

- o Gramm-Rudman should help us meet the commitment we made last September to our trading partners: to reduce the deficit as part of our effort to moderate the value of other dollar.

- o By the same token, the risk of inflation should be reduced if we bring down the deficit under Gramm-Rudman, because the pressure to pump up the money supply to keep interest rates down will ease considerably.

Gramm-Rudman: Challenge to the Established Fiscal Order

- o The first actions in response to the new Gramm-Rudman deficit control reform will be taken early in 1986. For those of you who missed it, late last year the Congress imposed a new fiscal straightjacket on itself. The new law sets firm deficit targets for each of the new five years, and mandates automatic across the board spending cuts if the deficit exceeds the target. The first round of automatic cuts under the proposal will take effect March 1 unless Congress comes up with a better way to meet the target.

- o In addition, President Reagan's budget for fiscal year 1987 is due to Congress by February 5. So we will have reconsideration of the 1986 budget proceeding simultaneously with our first shot at the 1987 budget.

That is a tall order, but is one we ought to be able to fill. Difficult as it seems, we should remember that the Gramm-Rudman law contains new procedures designed to make it easier to meet the deficit targets. We explicitly bring loan programs and other 'off-budget' items into the budget process; set a point of order against legislation from committees that have not met their budget savings allocation; and rule out of order legislation inconsistent with the deficit targets.

Possible Problems. We know there will be a rocky road ahead in implementing Gramm-Rudman. Congressmen Synar and others already have won the first round in their suit claiming it is unconstitutional, and the Reagan Administration also has some problems with the role of the Congress' General Accounting Office in mediating the deficit forecasts. The Supreme Court will have to give us a final ruling on all that in a few months. Even more important, what Congress can legislate, Congress can back out of. That's why we need a constitutional mandate for budgetary restraint, as well as a statutory one.

- So Gramm-Rudman hasn't made our options any easier: but if it works as planned, it will force us--and the President--to make some decisions and choose among the various deficit-reduction options. That means everyone's cherished spending programs will be put to the test of fiscal responsibility.

Spending the Key. Finally, let me emphasize that Gramm-Rudman is a device for reducing Federal spending. It is not a tax increase plan, or a subterfuge for one. If we fail on the spending front, we can look at other options. But the sooner we entertain any revenue options, you can bet the pressure for spending cuts will drop fast.

The Deficit and the Average American

- Unless we follow a deficit reduction path like that mandated under Gramm-Rudman, American families will face either higher interest rates or higher inflation: not to mention the risk of a disastrous new recession throwing millions of breadwinners out of work. That is what the Gramm-Rudman-Hollings initiative is all about.

- Most economists believe that enactment of deficit reduction measures that eliminate the deficit by the end of the decade will produce a drop of at least 1 percent in interest rates over the short run and 2 to 3 percentage points over the long term: relative to what they otherwise would be.

  -- With a 2% drop in interest rates, the monthly payment on a median priced home ($80,000) would go down by about $100 a month.

  -- Conversely, if we don't reduce the deficit to keep rates as low as they are now, homeowners could face that large an increase--or more-- in monthly payments.

  -- A 2% drop in interest rates would mean an additional $4,000 in income for the average wheat farmer with a 1,000 acre operation.

  -- In 1985, the Federal Government will overspend close to $1,000 for every man, woman, and child in America.

  -- This $1,000 per head of additional federal debt will be one more burden for our children to repay in higher taxes or higher inflation in the future.

THE ECONOMY IN 1986

- No one can really predict the course of the economy in 1986, although of course we have to take a stab at it to guide our budget decisions. But it is increasingly clear that the economy began picking up late last year. Leading indicators rose 0.9% in December, the eighth month in a row. Unemployment is down to 6.7%, the lowest since 1979.

- There are forces at work that improve the prospects for strong growth this year. One of these is the drop in oil prices, which acts like a tax cut for energy users and helps moderate inflationary pressures that might build as a result of the dollar's decline. Coupled with the monetary stimulus the Federal Reserve provided in the last six months of 1986, and the prospect for improvement in our balance of trade later in the year (as the effects of the dollar decline are felt), this means we have a good chance for healthy growth in 1986.

- Clearly the number one threat to maintaining a healthy economy remains the U.S. budget deficit. If it's not reduced sharply this year, we won't meet the commitment we made to our trading partners to secure their agreement to ease the dollar down. What's more, we would put an unconscionable burden on the Federal Reserve to keep the recovery going by pumping more money out in order to keep interest rates down. That's a sure recipe for inflation.

- We've created 9 million jobs with a near record economic recovery. We've got inflation down to the lowest levels in two decades. Let's not throw it all a way by punting on the deficit issue. The fact is that all the economic pundits we've been hearing in recent years have been wrong: the economy is more resilient than many believed, but not so strong as to be able to sustain huge deficits this late in the recovery. It's time for everyone to "give" a little in the interest of a deficit-reduction plan that will steer us safely through the potentially treacherous waters ahead.

March 27, 1986

Tax Reform Talking Points

- The President's tax plan and the House bill are similar in concept--they both shift more of the tax burden to corporations and reduce the tax burden on individuals. But the bills are very different in how they make the change.

- Both substantially reduce tax rates for individuals (the President to a maximum of 35%; Ways and Means to 38%) and for corporations (President 33%; Ways and Means 36%). But the Ways and Means rates take effect at much lower income levels: the 35% rate clicks in at $43,000 for married couples, as opposed to $70,000 under the Reagan plan.

- Neither plan gets an A+ for the major objectives of tax reform--simplification and fairness, but the President's plan repealed many more of the overly complicated provisions of the tax code than the Ways and Means Committee effort. The House bill just modifies, but leaves in place, many complex tax rules.

- The House bill falls far short of the President's on fairness grounds. Fringe benefits and itemized deductions are major causes of differing tax liabilities, and unlike the President's proposal, the House retained the State and local tax deduction, did less to limit interest-paid deductions, and did nothing on fringe benefits. This means that taxpayers with equal incomes can still have substantially different tax liabilities.

- I have personally long favored income tax reform and, as Chairman of the Senate Finance Committee, led the fight over a number of years to plug unjustified tax loopholes.

- The Senate Finance Committee has begun action on tax reform and will have a full schedule after the Easter recess. A lot of difficult decisions await the Committee if it is to maintain momentum towards the goals the President has outlined: lower tax rates, a $2,000 personal exemption for everyone, and more incentive for saving and capital investment.

- The 'Packwood draft' of tax reform goes a long way toward meeting the President's goals, including a top rate of 35% and a $2,000 personal exemption for all but the wealthiest taxpayers. Still there are many controversial points that will be closely scrutinized.

--the deduction for State and local sales and personal property taxes would be repealed, and that for income taxes would be available only through the first two brackets.

--Interest deductions would be more severely limited than in the House bill, including a $1,000/$2,000 limit on the consumer interest deduction.

--The minimum tax would have a lower rate and a broader base than in the House bill, but is still likely to be controversial.

--Excise taxes would be increased significantly including those on beer and wine.

o On the plus sides, from the viewpoint of many taxpayers--

--The nonitemizer charitable deduction would be made permanent without adopting the floor under the charitable deduction included in the House bill.

--Investment credit repeal would not take effect until March of this year.

--ACRS would remain the basic depreciation system, with a limited inflation adjustment allowed.

--The R&D credit would be made permanent.

--The amount of new equipment costs small businesses can expense would be dramatically increased.

o All in all, the Packwood draft does a better job of lowering tax rates while encouraging new investment and a productive climate for business.

DEPRECIATION PROPOSAL

Cosponsors: Senators Roth, Heinz, Dole, Baucus

Proposal on Depreciation

The Chairman's Proposal on Accelerated Cost Recovery would be retained with the following modifications:

1. Computers and telephone central office switching equipment would be moved to 3 years straight-line from 3 years 150 percent declining balance.

2. Rental automobiles and all light trucks would be moved to 3 years straight-line from 5 years 150 percent declining balance.

3. Property qualifying as semi-conductor manufacturing equipment would be moved to 3 years straight-line from 5 years 150 percent declining balance.

4. Property qualifying as "productivity property" would receive 200 percent declining balance depreciation. Productivity property would generally be defined as section 1245 tangible property used as an integral part of manufacturing, production, or extraction, or of furnishing transportation or telephone communications services. Productivity property would not include property in a 3-year class, buildings and their structural components (other than single purpose agricultural structures or facilities for the bulk storage of fungible commodities), utility property, office furniture, fixtures and equipment, information systems, and data handling equipment. A list of qualifying property is attached.

5. The level of expensing available to small business would be reduced to $40,000. In addition, expensing would only be available if the assets were used in an active trade or business and would be limited to taxable income derived from the trade or business in which the assets were used. An unlimited carryover would be permitted.

6. Current law recapture rules (1245 and 1250) would be retained.

7. ACRS deductions would be increased for the full amount of inflation since the second year an asset is placed in service; capped for inflation in excess of 8 percent.

PRODUCTIVITY PROPERTY BY ADR CLASS

I. Section 1245 Property Included in Productivity Property Class

Asset Guideline Class Number	Description or Title of Class or Classes
00.21	Airplanes
00.3	Land improvements (sec. 1245 property only)
01.1 - 01.3	Agriculture
10.0	Mining
13.0 - 13.3	Drilling, petroleum refining
15.0	Construction
20.1 - 20.5	Manufacture of food products
21.0	Manufacture of tobacco and tobacco products
22.1 - 22.5	Manufacture of knitted goods, yarn, fabric, carpets, and medical and dental supplies
23.0	Manufacture of apparel and other finished products
24.1 - 24.4	Timber and manufactured wood products
26.1 & 26.2	Manufacture of pulp, paper, and pulp and paper products
27.0	Printing, publishing, and allied industries
28.0	Manufacture of chemicals and allied products
30.1 - 30.21	Manufacture of rubber products and finished plastic products
31.0	Manufacture of leather and leather products
32.1 - 32.3	Manufacture of glass products, cement, and other stone and clay products
33.2 - 33.4	Manufacture of primary nonferrous metals, foundry products, and steel mill products
34.0 & 34.01	Manufacture of fabricated metal products
35.0	Manufacture of electrical and nonelectrical machinery and other mechanical products
36.0	Manufacture of electronic components, products, and systems
37.11 - 37.42	Manufacture of transportation equipment (motor vehicles, aerospace products, ships and boats, locomotives, and railroad cars)

39.0	Manufacture of athletic, jewelry, and other goods
40.1 - 40.54	Railroad transportation
41.0	Motor transport - passengers
42.0	Motor transport - freight
44.0	Water transportation
45.0	Air transport - commercial and contract
48.11 - 48.14	Telephone communications

II. Section 1245 Property Included in Productivity Property Class If Used in Productive Property "Activity" Classes Described in I, Above

Asset Guideline Class Number	Description or Title of Class or Classes
00.22	Automobiles, taxis (nonrental)
00.23	Buses
00.242	Heavy general purpose trucks
00.25	Railroad cars and locomotives (except those owned by railroad transportation companies)
00.26	Tractor units for use over-the-road
00.27	Trailers and trailer-mounted containers
00.28	Vessels, barges, tugs and similar water transportation equipment