

June 22, 1988

M E M O R A N D U M

TO: SENATOR DOLE  
FROM: RICH BELAS  
SUBJECT: MERRILL LYNCH BREAKFAST

At your Merrill Lynch breakfast, you may be asked about the Ways and Means markup and one correction in particular - the treatment to shareholders of expenses of mutual funds.

Congressman Rostenkowski has proposed a package of technical corrections, extensions, and revenue raisers which is being used as the markup document. It requires \$6 billion over three years. As yet, there are no new "rifle shot" amendments.

The Committee has not gotten very far. Yesterday, they ran through the markup document. Today, they got off to a late start today because of eulogies for Congressman Duncan. They will continue tomorrow, but they will quit by mid-afternoon to go to Congressman Duncan's funeral.

The particular item that the Merrill Lynch people may be most interested in is repeal of a provision of the 1986 Act that applies the two-percent floor on miscellaneous itemized deduction to indirect deductions through mutual funds.

Last year's reconciliation bill delayed the effective date for treating shareholder expenses of publicly offered mutual funds as miscellaneous expenses of individuals subject to the 2 percent floor until taxable years beginning after December 31, 1987.

Congressman Rostenkowski's proposal would be to fix this problem permanently.

You might want to point out that you were among the first to point out this problem. You wrote to Senator Bentsen early in this Congress that you thought this should be a technical correction, and you cosponsored Senator Moynihan's bill on the subject.

Another question you may get is on a proposed 5% tax on interest earned by foreign portfolio investors. This was included in the staff's preliminary list of revenue raisers, but it is not included in the Rostenkowski package.

A copy of a summary of the Rostenkowski package is attached.

JCX-10-88  
 June 21, 1988

- WAYS AND MEANS COMMITTEE -

Proposed Committee Amendment to H.R. 4333, Technical Corrections Act of 1988

Fiscal Years 1988-91  
 (Millions of Dollars)

Item	1988	1989	1990	1991	1988-91
I. TECHNICAL CORRECTIONS ACT OF 1988 (H.R. 4333), as introduced.....	-48	38	52	44	86
II. WAYS AND MEANS SUBCOMMITTEE PROPOSALS					
A. Public Assistance Subcommittee: Extend the Foster Care Independent Living Program and AFDC Quality Control moratorium (1).....	--	-36	-9	--	-45
B. Social Security Subcommittee: Make minor and technical benefit and tax adjustments to the Social Security Act (1).....	--	-27	-42	-24	-93
Subtotals: WAYS AND MEANS SUBCOMMITTEE PROPOSALS.....	---	-63	-51	-24	-138
III. PROPOSALS BY OTHER HOUSE COMMITTEES					
A. Interior Committee: Exempt earnings of, and distributions from, Enjebi Community Trust Fund (effective for all open taxable years).....	(2)	(2)	(2)	(2)	(3)
B. Merchant Marine Committee: Extend commencement date of Oil Spill Liability Trust Fund and tax on petroleum through 1990 (effective date of enactment).....	--	--	--	--	---
Subtotals: PROPOSALS BY OTHER HOUSE COMMITTEES.....	(2)	(2)	(2)	(2)	(3)
IV. TIME-SENSITIVE SIMPLIFICATION AND CLARIFICATION PROPOSALS					
A. Additional Technical Corrections.....	-5	-3	--	2	-6
B. Employee Benefits					
1. Revise sanction for violation of the COBRA health care continuation rules (effective for taxable years beginning after 1988).....	(4)	(4)	(4)	(4)	(3)
2. Simplify fringe benefit non-discrimination rules (section 89) (effective for years beginning after 1988).....	(2)	(2)	(2)	(2)	(3)
C. Eliminate gift tax liability on creation of spousal joint and survivor annuities (effective after December 31, 1981).....	(2)	(2)	(2)	(2)	(3)
D. Provisions affecting section 457: Codify IRS Notice 88-68, delay effective date for collectively-bargained plans, and exempt nonelective deferred compensation paid to independent contractors (effective for taxable years beginning December 31, 1987).....	--	-25	-31	-33	-89
Subtotals: TIME-SENSITIVE SIMPLIFICATION AND CLARIFICATION PROPOSALS..	-5	-28	-31	-31	-95

Item	1988	1989	1990	1991	1988-91
<b>V. EXTENSIONS</b>					
A. Extend educational assistance through 1990 and deny benefit with respect to certain education leading to post-graduate degree for years beginning after 1988.....	-90	-349	-308	-93	-840
B. Extend low-income housing credit through 1990.....	--	-26	-172	-345	-543
C. Extend mortgage revenue bonds through 1990 with new program targeting (effective after December 31, 1988).....	--	-9	-64	-102	-175
D. R & D Provisions					
1. Extend R & D credit through 1990.....	--	-401	-816	-366	-1,583
2. Reduce section 174 R&D expensing deduction by amount of section 41 R&D credit (effective for taxable years beginning after December 31, 1988).....	--	136	277	124	537
3. Adopt Treasury Reg. sec. 1.861-8 compromise (67% solution) with gross sales cap (effective 1987 through 1990) and allocate 67% of foreign-conducted research to foreign sources (effective for taxable years beginning after June 21, 1988).....	-349	-540	-597	-248	-1,734
E. Extend targeted jobs tax credit through 1990 with new program targeting.....	--	-47	-130	-138	-315
F. Adopt permanent exemption of publicly-offered regulated investment companies from 2% floor on miscellaneous itemized deductions.....	-38	-262	-314	-377	-991
G. Adopt permanent modification of diesel fuel excise tax collection and exemption procedures for off-highway business users (effective July 1, 1988).....	-84	-232	-61	-62	-439
<b>Subtotals: EXTENSIONS.....</b>	<b>-561</b>	<b>-1,730</b>	<b>-2,185</b>	<b>-1,607</b>	<b>-6,083</b>
<b>VI. REVENUE RAISERS</b>					
A. Reduce portfolio dividends received deduction from 70% to 60% in 1989, 55% in 1990, and 50% beginning in 1991 and thereafter..	--	231	507	737	1,475
B. Repeal completed contract method of accounting (effective for contracts entered into on or after June 21, 1988).....	92	585	1,030	710	2,417
C. Restrict single-premium and investment-oriented life insurance and annuity products (generally effective for amounts attributable to premiums paid on or after June 21, 1988).....	7	94	196	349	646
D. Accelerate corporate estimated taxes (effective for taxable years beginning after December 31, 1988).....	--	742	83	44	869
E. Repeal Alaska Native Corporations grandfather for certain losses after April 26, 1988.....	75	300	225	225	825
<b>Subtotals: REVENUE RAISERS.....</b>	<b>174</b>	<b>1,952</b>	<b>2,041</b>	<b>2,065</b>	<b>6,232</b>
<b>GRAND TOTALS.....</b>	<b>-440</b>	<b>169</b>	<b>-174</b>	<b>447</b>	<b>2</b>

Joint Committee on Taxation - June 21, 1988

- (1) Includes increases in outlays.
- (2) Loss of less than \$500,000.
- (3) Totals are not available for estimates represented by footnotes.
- (4) Gain of less than \$500,000.



Merrill Lynch & Co., Inc.  
1828 L Street, N.W.  
Suite 906  
Washington, DC 20036  
202 822 3685

William R. DeReuter  
Government Relations  
Representative

~~23~~ 23  
Merrill Lynch & Co., Inc.  
1828 L Street, N.W.  
Suite 906  
Washington, DC 20036  
202 822 3666

*Betty - would appreciate  
nothing that could be done.  
Bill DeReuter*

April 27, 1988

Bruce E. Thompson, Jr.  
Vice President  
Director of  
Government Relations

*Janice*

The Honorable Bob Dole  
United States Senate  
SH-141 Hart Senate Office Building  
Washington, D.C. 20510

*8:30 speak  
(but flexible)*

*Radisson Park Terrace  
1515 Rhode Island*

*June 21-23  
7:04  
Can't attend  
add'l  
Dole T. dinner*

Dear Senator Dole:

Merrill Lynch & Co., is conducting a management conference June 21-23 at the Radisson Park Terrace Hotel, 1515 Rhode Island Avenue, N.W. in Washington. The audience will be comprised of approximately 120 senior office managers from throughout the nation.

We would be honored if you would consent to appear at a breakfast for a brief discussion of issues facing the Congress that you deem appropriate. Of course, we would be happy to provide a \$2,000 honorarium. Should you desire, we would also provide transportation to and from the hotel.

The available dates and times are as follows:

<u>Tuesday, June 21</u>	<u>9:00 a.m.</u>
<u>Wednesday, June 22</u>	<u>8:00 a.m.</u>
<u>Thursday, June 23</u>	<u>8:00 a.m.</u>

The format would be informal, consisting of approximately 20 minutes of general remarks followed by questions from the audience.

As Senate Republican Leader, your participation at this breakfast would significantly add to the success of our conference. Should you have questions or desire additional information, please have a member of your staff contact me at 822-3666.

I hope you will be able to join us.

Sincerely,

*5-12 Interview letter*