Rebuilding America For A New Era

Clinton Administration Accomplishments

·NEC meeting on Monday:

Agenda: Revenue Proposals

I. Modified BTU tax (see separate memorandum)

II. Capital gains relief

- A. Should "seed capital" incentives (0% capital gains rate for seed capital holdings of 10 years or more) be provided for small firms? NO
- B. Cap on gains eligible for exclusion. ~~$500 million~~ 10 million or 10X
- C. Size of corporation that may issue eligible stock. $500 million
- D. Should S corporation stock be eligible? NO
- E. Should corporate shareholders be eligible for the exclusion? NO

III. International Proposals

- A. Deferral. The proposal triggers U.S. tax on the accumulated earnings of foreign corporations owned by U.S. multinationals to the extent that passive assets exceed 25 percent of total assets.
- B. Royalties. The proposal separately groups royalty income (which is typically low-taxed in foreign jurisdictions) with passive income (which also is typically low-taxed) for purposes of the foreign tax credit.
- C. Transfer pricing. The proposal would impose a stiff penalty on businesses that fail to establish and document their transfer pricing methodology before they file their tax return. $3.8 over the period

IV. Puerto Rico Tax Credit JTC .250

- A. The proposal would cap the section 936 tax credit at 65 percent of wages paid in Puerto Rico.
  ⇒ perhaps job loss

V. Real estate provisions

- A. Passive loss relief/extension of depreciable life of nonresidential real property.
  1. Proposal allows real estate professionals, including brokers, to use rental losses to offset other real estate income, such as brokerage commissions.

2. Proposal extends depreciable life of nonresidential real property to 36 years.

B. Relaxation of rules relating to pension investments in real estate (for example, relaxes limits on seller financing and seller leasing).

C. Permanent extension of the low-income housing credit (applies after June 30, 1992).

D. Permanent extension of mortgage revenue bonds and mortgage credit certificate program (applies after June 30, 1992).

ENERGY TAX ISSUES AND TREASURY RECOMMENDATIONS

The following is a list of outstanding issues regarding the energy tax and Treasury's recommendations. This document is being provided to the NEC and other participants of the Task Force to facilitate discussion of these issues.

IMPOSITION POINTS

ISSUE 1: Point of imposition of the energy tax on oil.

RECOMMENDATION: We recommend that the energy tax be imposed on and paid by the refiner at the refinery gate (i.e., the energy tax is imposed on refined petroleum products as they leave the refinery, rather than on crude oil when received by the refinery). We do not recommend imposing the energy tax at the terminal rack, consistent with our principle that the tax should be imposed as far upstream from the end user as possible.

ISSUE 2: Point of imposition of the energy tax on natural gas.

RECOMMENDATION: We recommend that the energy tax be imposed on the local distribution company or industrial user at the city gate with collection by the pipeline. We do not recommend imposing the energy tax directly on the end user.

ISSUE 3: Point of imposition of the energy tax on coal.

RECOMMENDATION: Treasury's summary of the Administration's revenue proposals (the "Green Book") indicates that coal would be taxed at the minemouth. To avoid potential fixed-price contract problems and imposition of State severance taxes on top of the energy tax, we now recommend that the energy tax be imposed on and paid by the utility or industrial user upon delivery.

ISSUE 4: Point of imposition of the energy tax on electricity provided by independent power producers (IPP) under fixed-price contracts. Note: this recommendation assumes that fixed-price contracts prevent a passthrough of the energy tax. We have requested copies of sample contracts.

RECOMMENDATION: We recommend that the energy tax be imposed on and paid by the utility or industrial user upon receipt; the energy tax is based on fossil fuels used by the IPP to produce power; the IPP receives a credit for the energy tax on fossil fuels it used to generate the electricity. Note: these rules apply only when the IPP sells electricity under a pre-effective-date, fixed-price contract; in all other cases, tax is imposed on the producer (whether IPP or utility) or on the fuel used by the producer.

PASSTHROUGH

ISSUE 5: Secure passthrough of tax for utilities.

RECOMMENDATION: We recommend that a tax penalty similar to depreciation normalization be imposed on the utility if the tax is not passed through; the intention is to encourage State regulatory approval of the passthrough.

TAX RATE

ISSUE 6: Whether home heating oil should be taxed at the oil rate.

RECOMMENDATION: According to the Green Book, the oil rate applies with a delayed phase-in of the difference between the oil rate and the basic rate. We recommend no change in this rule.

ISSUE 7: Whether the same energy tax rate should be imposed on liquefied petroleum gases (from oil) and natural gas liquids (from gas) because they are essentially the same product, and, if so, which tax rate.

RECOMMENDATION: We recommend the imposition of the energy tax at the rate for natural gas on both products.

ISSUE 8: Whether petroleum coke should be taxed at the tax rate for coal.

RECOMMENDATION: We recommend the imposition of the energy tax at the rate for refined petroleum products.

EXEMPTIONS

ISSUE 9: General scope of exemptions from the energy tax.

RECOMMENDATION: According to the Green Book, exports and nonfuel uses of fossil fuel are exempt. Nonfuel uses include feedstock uses, asphalt, lubricants, etc. We recommend no change to this rule.

ISSUE 10: Whether oil and natural gas used to produce fuel are exempt from tax.

RECOMMENDATION: We recommend oil or natural gas used in the field (e.g., EOR) at the site where it is produced be exempt from tax. However, oil or gas brought to the site and used as fuel should be taxed. Oil used in a refinery and natural gas used in a processing plant should not be taxed. However, purchased natural gas used as fuel in a refinery should be taxed. We recommend that fuel used for propulsion of other fuels and natural gas lost in transmission be taxed.

ISSUE 11: Whether to impose tax on fuel alcohol (ethanol and methanol), ETBE, MTBE, other oxidants, and biomass that produces fuel alcohol, and, if so, at which tax rate (i.e., oil rate or natural gas rate).

RECOMMENDATION: According to the Green Book, ethanol and methanol will be taxed; the tax rate, however, was not specified. We recommend that all of these fuels be taxed, based on their Btu content, at the rate for refined petroleum products.

ISSUE 12: Whether coal gasification should be double taxed on essentially the same Btu's (coal used to produce synthetic natural gas). (This issue is unique to North Dakota.)

RECOMMENDATION: We recommend the imposition of the energy tax on the synthetic natural gas produced only; recommend the exemption of the coal used for production.

ISSUE 13: Whether to impose tax on pump storage electricity (fossil fuels, hydro- and nuclear electricity are used to pump water into the storage unit during off-peak periods and hydroelectricity is produced when water is released).

RECOMMENDATION: We recommend the imposition of the energy tax on the fossil fuel, hydro- and nuclear electricity used to pump water into the storage unit; recommend the exemption of the resulting hydroelectricity.

ISSUE 14: Whether electricity used in the production of aluminum should be exempt as a feedstock.

RECOMMENDATION: Feedstocks are nonfuel uses of fossil fuels; electricity is exempt only if exported or produced from pump storage.

ISSUE 15: Whether to grant an exemption for coal waste.

RECOMMENDATION: We recommend that coal waste be exempt from the energy tax unless it is used as a fuel.

ISSUE 16: Whether to grant an exemption from the energy tax for landfill gas, municipal solid waste, wood or wood-derived products, and tires burned as fuel.

RECOMMENDATION: We recommend exemption unless EPA objects.

IMPORTS AND EXPORTS

ISSUE 17: Scope of exemption for exports.

RECOMMENDATION: We recommend that exported taxable products and electricity be exempt.

ISSUE 18: Whether to provide border tax adjustments for energy-intensive manufactured products.

RECOMMENDATION: We recommend that no tax adjustments be provided on either imports or exports.

ISSUE 19: Provisions to comply with GATT/Free Trade limitations on the energy tax on imported or exported electricity.

RECOMMENDATION: We recommend that, to avoid trade limitations, proof of actual fuel source and consumption be allowed. Note: it may be necessary to require such proof in the case of exports.

FLOOR STOCKS TAX

ISSUE 20: Whether to impose a floor stocks tax.

RECOMMENDATION: We recommend the imposition of a floor stocks tax (on inventory held as of the date of imposition) each time rates change (including each indexing period) with exceptions for exempt uses and a reasonable de minimis rule.

Attachment (Green Book pages on Energy Tax)

Office of Tax Policy
March 10, 1993

ENERGY PROVISIONS

PROVIDE A MODIFIED BTU TAX

Current Law

The United States currently does not impose a broad-based energy tax. The United States does impose an excise tax on motor fuels (gasoline, special motor fuels, and diesel fuel) used for highway transportation; special motor fuels used in motorboats; and diesel fuel used in trains. The United States also imposes an excise tax on coal from domestic mines and an excise tax on crude oil received at domestic refineries and petroleum products entered into the United States. With the exception of the motor fuels tax, all energy taxes are minor. For the most part, these are dedicated revenues that are deposited in various trust funds. The motor fuels tax also has a deficit reduction portion that is not dedicated, but is retained in the General Fund.

Reasons for Change

A broad-based energy tax would help reduce the deficit and put the government on a pay-as-you-go basis for needed public programs. In addition, the tax would advance three goals: reduction of environmental damages, energy conservation, and reduced dependence on foreign sources of energy. The tax would encourage energy efficiency and fuel mix choices better reflecting the true environmental and security costs of energy use. Moreover, an energy tax would help move the United States economy from income-based to consumption-based taxation, with attendant benefits to saving, investment, and returns to work effort.

Proposal

The proposal would impose an excise tax on fossil fuels (coal, oil, natural gas) at a basic rate of $0.257-per-million-Btus plus a $0.342-per-million-Btus supplemental tax on oil. The tax would also be imposed on alcohol fuels (ethanol and methanol produced, other than from fossil fuels, for use as a fuel). The tax would be imposed on hydro-and nuclear-generated electricity, and on imported electricity at a rate equal to the national average of tax embedded in electricity generated from fossil fuel. Additionally, the tax would be imposed on imported taxable products at a rate equal to the average tax imposed on equivalent domestic products. All tax amounts would be indexed for general inflation after 1997. A single national average of Btu content would be used for oil, gas, and alcohol fuels, while actual Btu content would be used for coal. Nonconventional fuels (including solar, geothermal, biomass, and wind), exported taxable products, and non-fuel uses of fossil and alcohol fuels (including coke and feedstocks) would be exempt.

The collection point for the tax would be the refinery for oil, the pipeline for natural gas, the minemouth for coal, the production facility for alcohol fuels, the utility for hydro- and nuclear-generated electricity, and the importation point for imported electricity and imported taxable products. Exemptions or downstream credits would be provided for nonfuel use and exports.

The tax at one-third of the rates specified above would be imposed beginning July 1, 1994; two-thirds beginning July 1, 1995; and the full rates beginning July 1, 1996. An appropriate delay in the phase-in of the supplemental tax on oil would be provided in the case of home heating oil.

Effects of Proposal

The proposal would raise substantial revenues for deficit reduction while advancing environmental, energy conservation and security objectives. In particular, the proposal would reduce carbon emissions and vehicle use, and reductions in consumption of oil would come disproportionately from imports. With the indexation feature, revenues from the proposal (in constant dollars) would be relatively stable.

* 1 Mitchell heating fuels adjustment. Mitchell said one year delay not enough.

2 energy for energy - ag says no different from other

3. Unresolved issues

- heavy oil - anything through a pipeline can tax. Enhanced oil recovery. Exemptions will lead to exemptions. DoE we encouraged enhanced so we might want to continue
- no exemptions for heavy oil
  heating oil.

Pres George

* ethanol - ag wants exemption. no.

*Breaux has asked that we prioritize the stimulus programs.
- fenced off part → investment delay 'til reconciliation
- non-fenced - stimulus

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DEPUTY DIRECTOR

File: 95 bud

DISCUSSION PAPER FOR NEC MEETING, JULY 27, 1993

FROM: Leon E. Panetta and Alice M. Rivlin

SUBJECT: Planning the FY 1995 Budget Decision Process

__Objective__

We need to find a way to help the President make decisions on the FY 1995 budget:

- that reflect his priorities--reconsidered in the light of eight months experience in running the government;
- for which the Administration can build a winning coalition in Congress;
- that meet the FY 1995 discretionary caps. (Eventually we might want to make a case for raising the caps, but we should not start with that possibility in mind.)

__Opportunity__

The tightness of the caps gives the Administration an enormous opportunity to propose restructuring what the Federal government does. This budget (together with the National Performance Review) can make a bold statement about a leaner, better focussed, more efficient Federal government.

__First step: Review the Administration's Investment Proposal__

As Bob Reich points out, the Congress has funded only a bit more than half of the President's investment package. Keeping to the $29 billion of investment funding originally contemplated for FY 1995 would assume an impossibly rapid ramp up. The NEC needs to discuss an approach to the original investment package and how to get the relevant Cabinet Secretaries rethinking both the nature and timing of these investments. (Gene Sperling is starting that discussion today.)

__Second step: Agency Priorities__

OMB has been holding a series of Management and Budget Reviews (M&B Reviews) with heads of major agencies. Agency heads have been asked to present to the OMB

Director how they propose to restructure their activities in FY 1995. They were asked to discuss both the highest priorities and what they would cut in order to fund those priorities within the cap. Some agencies have done a lot of work to define priorities and specify what programs they would reduce to fund their priorities. Other agencies used the session solely to plead for more funds and FTE.

By the end of this process (week of August 2) OMB will be able to describe each agency's situation and plans (with varying degrees of specificity). For example, (1) agency A would have to cut $1.2 billion from its base in order to stay within the cap and preserve its investments. Secretary A proposes to do this by cutting X, Y and Z. (2) Agency B believes its investments should be increased more slowly; it will not have to cut its base. (3)Agency C believes all programs are important and has not seriously addressed cutbacks. OMB believes it should consider increasing Program S and cutting out programs T and W.

The M&B reviews themselves, are part of an ongoing process. We will be working with the agencies as they refine their ideas. However, it would be possible to take a snapshot to get a good cross agency picture of where we stand now.

Third step: Cross-cutting issues and Presidential Priorities

Most of the major priorities of the Administration cut across agencies. OMB is starting the process of selecting ~~major priority areas~~ and identifying options within them. It will be possible to lay out high, low and medium budgets within each area that will allow the President, the NEC, and others, to discuss what the options are for allocating funds within each. The areas that we have identified as useful for cross-cuts are:

Environment (EPA/Interior/Ag/NOAA/Energy/State/Corps of Engineers)

R&D and Technology (Commerce/HUD/Commerce/HHS/Ed/Labor/tax)

Managing economic change, including Defense downsizing, forests, trade agreements, community development (Defense/HUD/Commerce/HHS/Ed/Labor/tax)

Urban policy, including crime and violence (HUD/HHS/Labor/Commerce/Justice/DOT/tax)

Post-secondary training (Ed/VA/Defense/Labor/HHS/tax)

Children, families, welfare reform (HHS/Ed/Labor/Ag/tax)

Drug policy (Justice/Treasury/HHS/ONDCP/Education/State/Defense)

Foreign Assistance (State/AID/Defense/Treasury)

Peacekeeping (State/Defense)

Fourth step: Making Room for the Priorities

The agencies will all want more money than is available. The cross-cuts will also likely focus mainly on upside options since all are areas that the Administration wants to emphasize. Hence, it is necessary to make a major effort to identify programs that can be cut to make room for priorities. A set of suggested criteria for such cuts is attached. Some efforts have been made in the National Performance Review to identify the low priority programs. The budget process should build on this effort.

Doesn't this [illegible] create room

Fifth step: Putting it all together

The final step should be to provide the President with a comprehensible and limited set of options so that he can move the pieces around and make final decisions on the budget. He should be able to see where the agencies have come out, what options emerged from the cross-cuts and where it is possible to "make room" for the other priorities. The OMB/NEC should be able to lay out for him a manageable set of options coming out of the work in steps one through four.

Attachment

Criteria for Low Priority

1. **Programs that have accomplished their goal.** Consider eliminating all programs that have manifestly done their jobs (like REA) or are dealing with problems that are no longer priorities.

2. **No federal role, no spillovers.** Consider eliminating all programs for which it is hard to make a case that the problem requires a federal solution. This would eliminate programs whose benefits are primarily local or within the state and do not spill over into other jurisdictions. Alternatively, consider lowering matching rates on programs that have strong state support.

3. **Inconsistent with another policy.** Consider eliminating all programs whose justification has been overtaken by another policy, especially a major new policy. For example, programs to serve populations not covered by health insurance should be phased out as universal coverage is phased in.

4. **Programs that don't work.** Consider eliminating programs for which evaluations have shown little or no success in which major implementation problems have persisted.

5. **Subsidies to uneconomic activities.** Consider eliminating or phasing out subsidies that perpetuate activities that do not meet a market teSt (whether the subsidy is a grant, an artificial price, a tax break or cheap credit) and find a way to help the former recipients to make a living some other way.

6. **Small size.** Consider eliminating all grant programs with outlays of less than $100 million on the grounds it is too expensive to administer such small programs and states/localities could absorb easily.

Strategies for accomplishing priorities.

Be generous to priorities; then work to hold to President's commitment on priorities, and bring them to the process.

please copy for Gene

flec plan/postplan
BR/SM

Document No. 020124SS

WHITE HOUSE STAFFING MEMORANDUM

DATE: 5/27/93 **ACTION/CONCURRENCE/COMMENT DUE BY:** ---

SUBJECT: HOUSE APPROPRIATIONS COMMITTEE ACTION ON FY 1993 TARGETED INVESTMENT SUPPLEMENTAL AND FY 1994 602(b) ALLOCATIONS

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	✓	MONTOYA	☐	☐
McLARTY	☐	✓	NUSSBAUM	☐	☐
GEARAN	☐	✓	PASTER	☐	✓
NEEL	☐	✓	RASCO	☐	✓
PANETTA	☐	☐	RUBIN	☐	✓
EMANUEL	☐	✓	SEGAL	☐	☐
GIBBONS	☐	☐	STEPHANOPOULOS	☐	☐
HALE	☐	☐	TYSON	☐	☐
HERMAN	☐	☐	VARNEY	☐	☐
LAKE	☐	✓	WATKINS	☐	☐
LINDSEY	☐	☐	WILLIAMS	☐	✓
McGINTY	☐	✓	CLERK	☐	✓

REMARKS:

The attached has been forwarded to the President.

RESPONSE:

COPY

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
Ext. 2702

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

May 26, 1993

93 MAY 26 P3:02

MEMORANDUM FOR THE PRESIDENT

FROM: Leon Panetta

SUBJECT: House Appropriations Committee Action on FY 1993 Targeted Investment Supplemental and FY 1994 602(b) Allocations

On May 24th, the House Appropriations Committee approved a targeted investment supplemental (H.R. 2244) and their FY 1994 602(b) allocations. House floor action on the targeted investment supplemental is scheduled for today.

The FY 1994 602(b) allocations were approved by voice vote. The Committee reduces your request for defense outlays by approximately $2.5 billion, reduces the international affairs outlays by $.6 billion and shifts the funding to domestic subcommittees. No CBO/OMB outlay adjustments were made to the allocations.

Foreign Operations Subcommittee Chairman Obey said that he believed that the Foreign Operations allocation would not provide adequate resources to fund the Administration's highest priority foreign policy initiative, aid to Russia. We are working with Chairman Obey and Defense Subcommittee Chairman Murtha on an alternative funding mechanism for Russian aid that uses funds available under the Defense and International Affairs caps for FY 1993.

A McDade substitute 602 (b) was defeated (20-25), which would have set Defense spending at your request ($2.5 billion in outlays above the approved allocation) and all other funding would have essentially been frozen ($12 billion below the approved allocation).

Targeted Investment Supplemental

- $.84 billion is provided, primarily for the programs you requested on May 14th (detailed below), with offsets of $.9 billion from a broad range of specific accounts.

- An Obey amendment was adopted (26-24) which struck $200 million requested for the EPA wastewater program and eliminated the $200 million Low-Income Home Energy

Assistance (LIHEAP) rescission. The Obey amendment was offered as a substitute to the Gallo amendment, which would have taken the $200 million for LIHEAP from Summer Youth.

- $320 million is provided for Summer Youth Employment, distributed under current law. The requested set-asides and expanded age eligibility were not approved by the Committee but may be restored on the floor. Upon adoption of the rule, Rep. Water's language will be approved.

- $200 million was approved for the Justice Department "cop" program. Funds are allocated by formula rather than through the requested discretionary authority of the Attorney General.

- $200 million for EPA wastewater construction grants, $200 million below the request.

- $14 million in unrequested funds is provided for the SBA tree planting program.

- $71 million for USDA wastewater construction grants (part of request in the original stimulus package).

- $51 million for Amtrak (part of request in the original stimulus package).

- Rather than approve the proposed .45 percent across-the-board rescission, the Committee approved specific rescissions such as HOPE ($165 million), Federal Prisons ($95 million), EDA ($55 million), JTPA ($50 million), Superfund ($100 million) and a delay in the availability of FY 1993 Weed and Seed funds until September 30, 1993.

- A Durbin amendment was defeated (16-20) which would have prohibited the use of Energy and Water Act funds for a lock and dam project in southern Illinois.

- A Callahan amendment to reduce Summer Youth by $20 million and eliminate the Coast Guard rescission of $20 million, was defeated (voice).

CURRENT STATUS OF SENATE AND HOUSE BUDGET COMMITTEE DELIBERATIONS

HOUSE BUDGET COMMITTEE

Fiscal Year 1994

- will bring discretionary spending within or slightly below FY 1994 caps

Fiscal Year 1997

- likely to hit $140 billion in FY 1997 deficit reduction using CBO scoring

FY 1994 - FY 1998

- likely to meet $473 billion target in net deficit reduction using CBO scoring

SENATE BUDGET COMMITTEE

Fiscal Year 1994

- will bring discretionary spending within caps for both FY 1994 and FY 1995

Fiscal Year 1997

- likely to hit or surpass $140 billion in deficit reduction using CBO scoring

FY 1994 - FY 1998

- may surpass $473 billion in net deficit reduction by increasing revenues above administration budget

• if you leave state/local deductions out it will cut revenue in half.
$32 billion over 5yrs. ← Congress wants to cut our investments.
• $490 is what the Senate is aiming for.

- Ag
- medicare
- soc Security

1997
- give us credit for debt maturities:
- COLA fix until age 62 for military + govt retirees.
- Senate $22 billion in additional taxes upper income.

POTENTIAL ADDITIONAL BUDGET SAVINGS
(Outlays, in billions of dollars)

		1997 Savings	Total 1994-1998 Savings
1.	Means-test Medicare premiums for $75/100K	0.8	3.5
2.	Increase Medicare premiums by:		
	-- $5.50 in '94; $6 thereafter	2.3	7.7
	-- $5 in '94; $6 thereafter	2.1	6.8
3.	COLA cuts		
	-- No COLA under age 62 (Military and Civilian, net)	1.7	6.3
	-- Cap all COLAs at poverty threshold	13.6	49.1
4.	2.2% Across-the-board reductions in '94-'98 total discretionary	12.0	52.1
5.	4.0% Across-the-board reductions in '94-'98 nondefense discretionary	12.0	49.4
6.	4.6% Across-the-board reductions in '94-'98 nondefense, noninvestment discretionary	12.0	50.5
7.	2.3% Across-the-board reductions in '94-'98 nondefense, noninvestment discretionary and $6 billion reduction in '97 outlays for lower-priority investments	12.0	NA

POSSIBLE PRIORITIES ON INVESTMENTS

	Highest	Middle	Lowest
INFRASTRUCTURE			
Transportation	Federal-aid highway Smart cars Mass transit capital grants High-speed rail High-speed rail bonds	Airport improvement Air traffic control	Alcohol-related highway safety Public land highways
Environment	Clean water Environmental technology Green-light programs	Drinking water Weather service Natural resource protection	Dam safety Water resources Watershed resource Environmental restoration DOE Forests for the Future Tree-planting National research USDA Forestry research USDA
Rural Development		Rural water Business and community	
Energy		Alternative fuel vehicles Federal buildings Weatherization grants Close-out DOE reactors Energy conservation and renewables Natural gas research Advanced neutron source	Fusion research
Community Development		CDBG OEA for community conversion EDA for community conversion Enterprise zones Community development banks	
Technology	NASA short-haul aircraft High-performance computing Information highways	NASA civil aviation Dual-use technology FCCSET NIST growth National labs NSF Government efficiency R&E tax credit	
Housing	Vouchers	Assisted housing preservation Supportive housing Mortgage revenue bonds Low-income housing tax credit Urban Partnership Against Crime Severely distressed housing HOPE youthbuild	Real estate investment tax incentive
LIFELONG LEARNING	WIC Parenting Head Start Child Care Block Grant Education Reform National Service Dislocated Workers Summer youth Youth apprenticeship	Job Corps 50-50 Job Corps maintenance One-stop career shopping Worker profiling	Employer-paid education tax exclusion Older Americans employment TJTC
REWARDING WORK	EITC Extended benefits UC	Crime initiative	EEOC
HEALTH CARE	NIH Ryan White Food Stamps	Substance abuse Food safety Low-income home energy Rural health Disability insurance processing Health insurance deduction self-employed	VA medical
PRIVATE-SECTOR INCENTIVES	Bumpers Small-business ITC AMT depreciation	Temporary ITC SBA loans	Small-issue manufacturing bonds Appreciated property for AMT RR retirement fund transfer

+'s · no backing off
· election about this.

* won't get package

- stay ground
- use sense of congress language
- private conversa[tion] w/Byrd Natcher
- go to public on prior invest program.

- Holding Ground
- Prioritizing
- Looking for other cuts/revenue
- Accept lower #.

BROAD CATEGORIES OF ADDITIONAL SPENDING CUTS
(OMB or CBO FY97 estimate in billions)

1. Defense (many proposals)

2. "Foreign Aid"
   - Egypt & Israel (1.4)
   - Security assistance (0.3 more; we have already cut 0.7)

3. NASA
   - Space Station (2.5; interaction with our cut unclear)
   - ASRM (0.4; interaction with our cut unclear)
   - NASP (0.2?)
   - Other missions (new science 0.2; exploration 0.1)

4. Supercollider (0.6)

5. The Arts
   - NEA }
   - NEH }
   - CPB } (total 1.2)

6. Veterans
   - Medical care (0.3 cut; perhaps also axe our 1.0 add)
   - Compensation (2.3)

7. Assistance to the States
   - Impact aid (0.8)
   - Medicaid (7.2)
   - AFDC/food stamps/Medicaid admin (0.6 to 1.2)
   - Most other means-tested would ultimately hit States

8. The "shark tank"
   - Agriculture
     - Target prices (3.7), Market Promotion (0.2), tobacco (0.2?), FmHA (0.2), cotton (2.5?), conservation reserve (0.2), research/extension (0.9)
   - Rural
     - ARC (0.2), TVA (0.2), PMA (0.2?), REA (0.1), BIA (0.1), black lung (neg.), clean coal (0.1)
   - Highway
     - Outlays = receipts (1.8?), demos (0.8)
   - Air travel
     - Essential Air Service (0.1), AIP (1.8?), slot fee (0.3), air traffic control fee (1.6)
   - Amtrak (0.2)
   - Ocean (0.1), Coast Guard (0.9), inland waterway (0.5)
   - Mass Transit (0.9)

9. The executive branch
   - TSP match (0.5)
   - "Overhead" (?)
   - Consultants (?)
   - Travel (?)

10. The Congress
    - Pay raise, franking, Speakers, gym (neg.)
    - Across-the-board (1.0?)
    - GPO wage scale (neg.)

11. Business/labor
    - SBA (0.3)
    - ICC (?)
    - Davis-Bacon (0.6)

12. Entitlements
    - COLAs
    - Medicare

• Budget Resolution

• Byrd rule waiver - must be in 1st budget resolution.
→ nothing in reconcilation that is extraneous.

• Reserve fund. a way to get

- In budget resolution say we will waive Byrd Rule to get the 60 vote point of order avoided.

-

Bo

Agenda: Revenue Proposals

I. **Executive compensation** - correlated to performance.

II. **Non-deductibility of lobbying expenses**

· if lobbying on legislation counts
asking about existing laws counts

A. Should lobbying include Executive Branch contacts regarding non-legislative actions? Retroactive to Feb 17th

B. Lobbying rules apply to trade associations.
- a bit of a problem, but go, it.

C. Rules applicable to lobbying by charitable organizations. don't do it.

III. **Enterprise zones** Bentsen
· do not want a plug
· do not want 10 zones.

A. Schedule for proposals.

IV. **Investment tax credit**

- merchant marine cap funds
- single purpose non economic farm structures
- stuffed animals

A. Investment tax credit generally applies to tangible personal property. Certain property eligible for the pre-1986 credit should be excluded. movies, sound recordings shell videos
$3 billion over the period

B. Continued exclusion of computer software. a problem to change.

C. Cap on credit available for automobiles. $675 cap not adjusted for inflation or indexed.

V. **Changes in Tax Rates**

A. Effective date of income tax rates. as they are to be negotiated.
- Rost wants 93 to stay.

VI. **Business meals**

A. 50% of business meals would be non-deductible.
- no evidence that businesses closed down when things went from 100 — 80%.

1. Get Waldman to look at this.
2. Friday enterprise zone answer
- 50 zones $4.1 billion

March 11, 1993

3/10/93

Stimulus.wk3

STIMULUS PROPOSALS
(in millions of dollars)

Sequencing Spring

	Proposed Budget Authority/ Obligations	1993 Jobs	1994 Jobs
Highest-Priority Proposals			
Unemployment Compensation	4,000	0	0
Highways	2,976 *	13,100	45,200
CDBG	2,536	15,894	30,952
Youth Summer Jobs	1,000	111,600	91,900
Wastewater	845	862	4,018
Mass Transit	752 *	3,800	5,500
Head Start	556	12,500	0
Chapter 1 Summer	500	14,000	0
Supportive Housing	423	3,430	5,566
DOI Natural Resource	349	11,280	1,120
RDA Grants and Loans	348	84	2,061
SSA DI	302 **	0	0
Immunization	300	250	0
Airport Improvement	250 *	200	600
Chapter 1 Census	235	6,000	0
Veterans Maintenance	235	3,115	1,787
Ryan White	200	0	0
AMTRAK	188	700	750
Agriculture Natural Resource	188	2,500	1,450
SBA 7(a)	141	3,021	9,062
Army Corps Water	94	1,409	2,066
WIC	75	300	0
Older Americans	32	5,600	0
National Service	15	250	0
Food Safety	4	80	0
Subtotal, Highest Priority Proposals			
BA and Obligations	16,544	209,975	202,032
BA Only	13,160		
Fall			
Proposals with Delayed Availability 1/			
Pell prior (−$160)	1,211	0	0
Pell Current	653	0	0
NSF R&D	188	1,057	1,000
IRS Modernization	148	404	430
NIST ATP	103	330	310
EDA	94	352	494
NOAA	81	125	0

(B)[illegible]

	Proposed Budget Authority/ Obligations	1993 Jobs	1994 Jobs
BIA School	49	100	200
Weatherization	47	282	260
EPA Watershed	47	704	451
Agriculture Watershed	47	305	325
DOE National Labs	47	216	0
NTIA Info Highways	64	122	260
Ag Facility Maintenance	38	282	170
BIA Roads	33	1,270	150
D.C.	28	0	0
Vehicle Conversion	28	235	0
NPS Historic Preservation	23	425	300
EPA: Green–light	23	169	225
TEFAP	23	0	0
Federal Buildings	19	85	0
Building Conservation	19	94	0
NSF Netowrking	19	103	0
Worker Profiling	14	0	0
NIST Networking	14	140	0
NIH Networking	9	66	0
EEOC	9	156	332
FmHA Grants	6	90	0
BIA Loans	6	0	0
FmHA Single–Family	5	810	0
NASA Networking	4	38	0
DOC MBDA	2	0	0
FmHA Loans	1	90	0
Subtotal, Proposals with Delayed Availability			
BA and Obligations	3,102	8,050	4,907
BA Only	16,262		
Total, Stimulus Proposals	19,646	218,025	206,939
Memorandum: Stimulus proposals not included in Supplemental Appropriations Bill:			
ITC	6,442 ****	100,000	200,000
HUD Modernization	83 ***	1,090	2,200

* Obligations

** Budget authority and obligations

*** Outlays

****Tax expenditure

1/ In certain cases, availability of funding will need to be extended into FY 1994.

March 13, 1993

Agenda: Review of Revenue Proposals

I. Modified BTU Tax

II. Non-Deductibility of Lobbying Expenses

III. International Proposals

IV. Executive Compensation

V. Capital Gains Relief

VI. Investment Tax Credit

VII. Real Estate Proposals

VIII. Miscellaneous Proposals

- -- Enterprise zones
- -- Changes in tax rates
- -- Puerto Rico tax credit
- -- Business meals

Modified BTU Tax

A. Point of imposition for natural gas.

<u>Recommendation</u>: The tax should be imposed on the local distribution company and on industrial users that receive gas directly from the pipeline. The pipeline would collect and pay over the tax.

<u>Rationale</u>: The principal alternatives were upstream imposition on the producer or pipeline (rejected because they might be unable to pass the tax through) and imposition on end users (rejected because of full visibility of a direct tax on consumers and collection problems).

B. Point of imposition for electricity.

<u>Recommendation</u>: The tax should be imposed on electricity from hydro and nuclear and on fossil fuel used to generate electricity. The generator would pay the tax on (i) electricity produced from hydro and nuclear and (ii) except in the case of previously-taxed oil or natural gas, fossil fuel used to generate electricity. Independent power producers with pre-effective-date, fixed-price contracts would effectively be permitted to pass through the tax to the utility through a credit mechanism.

<u>Rationale</u>: The principal alternative was imposition on end users (rejected because of full visibility of a direct tax on consumers and collection problems).

Treasury looking

C. Energy used in manufacturing.

double taxation can occur can't wash it

<u>Recommendation</u>: No special treatment for energy used in manufacturing (although self-generated energy used in energy production would be exempt) should be provided.

<u>Rationale</u>: The principal alternatives were an exemption for energy used in manufacturing (rejected because of revenue loss and loss of conservation incentives) and a combination of import taxes and export rebates to offset the price effects of the tax (rejected because of problems under our trade agreements and doubt as to whether an offset is economically necessary).

Kim CO

D. Home heating oil. Don't give up $600 million

Look at further

<u>Recommendation</u>: The proposal as announced taxes home heating oil at the oil rate, with a delayed phase-in of the difference between the oil rate and the natural gas rate. An alternative, more favorable, treatment of home heating oil would be to tax it at the natural gas rate. This would lose approximately $600 million over the budget window, by

comparison with the original proposal. Other alternatives are also being explored.

E. Hydroelectricity.

Recommendation: Hydroelectricity should be taxed at a rate equal to the average tax burden on fossil-fuel electricity.

Look at!

Rationale: The principal alternatives were taxing hydroelectricity at one-third of that rate to reflect the fact that no heat is lost in its generation or to exempt hydroelectricity (both rejected because of revenue loss, the need for regional balance, and problems under our trade agreements if imported electricity were taxed at a higher rate).

F. Ethanol.

Recommendation: Ethanol and methanol should be taxed at the ~~oil rate.~~ natural gas rate. (Note: this results in a slightly lower tax on ethanol, as a percentage of price, than on the same volume of gasoline, because ethanol has a lower BTU content.)

Rationale: The principal alternatives are taxing ethanol at the natural gas rate or exempting it completely. These were both rejected because they would distort the gasoline market. In addition, there is doubt as to whether ethanol is as benign environmentally as its proponents claim. A third alternative (more favorable) treatment for ethanol would be to provide a partial exemption for small ethanol producers.

Non-deductibility of Lobbying Expenses

A. Should lobbying include Executive Branch contacts regarding non-legislative actions?

Language consistent with lobbying [illegible] rules. Exemption for certain types of regular staff.)

Recommendation: The proposal denies the lobbying deduction for lobbying the legislative branch and for contact with the executive branch on legislative matters. It does not, however, apply to attempts to influence the executive branch on regulations or policies set through the adjudication process.

Rationale: Regular contacts with the executive branch are a fact of life for many businesses -- rules and regulations need clarification, licenses must be approved, and rates must be set. If too many non-legislative contacts are swept into the rule there will be substantial legitimate complaints.

B. The proposal applies the lobbying rules to trade associations.

The rule works by denying a deduction for the part of trade association membership dues that are used for lobbying. This would involve some recordkeeping that trade associations may complain about.

C. Existing law places certain restrictions on lobbying by charitable organizations.

Recommendation: The limits on charitable lobbying should not be tightened.

Rationale: Under current law, a charity's lobbying expenditures may not exceed an insubstantial amount. This limit is extremely hard to enforce. If there is an attempt to tighten these rules, there will likely be a tremendous political response. When the IRS originally drafted regulations on these rules, they received over 20,000 comments.

International Proposals

A. Elimination of deferral for foreign subsidiaries of U.S. corporations. The proposal triggers U.S. tax on the accumulated earnings of foreign corporations owned by U.S. multinationals to the extent that passive assets exceed 25 percent of total assets.

Rationale: Few compelling reasons exist for stockpiling passive assets offshore other than tax planning.

B. Treatment of royalties. The proposal separately groups royalty income (which is typically low-taxed in foreign jurisdictions) with passive income (which also is typically low-taxed) for purposes of the foreign tax credit.

John Young HP problem

Rationale: This would eliminate the existing tax preference for licensing of intangible property for use in foreign production. The proposal prevents U.S. multinationals from sheltering royalty income from residual U.S. tax by crediting high foreign taxes paid on active business income and removes one tax incentive for locating manufacturing facilities abroad. See attached example.

The 1986 Tax Act prevented U.S. multinationals from sheltering other types of income with foreign tax credits, but did not cover most royalties. Since the 1986 Tax Act, the amount of royalty income from foreign sources dramatically increased -- it more than tripled from $4.2 billion in 1985 to $12.8 billion in 1991. In contrast, the growth in royalty income prior to this period was modest (from 1982 to 1985, royalties increased a mere 17 percent). It appears that tax planning was a principal reason for the dramatic increase in royalty payments to U.S. multinationals after 1986.

C. Transfer pricing initiative. The proposal would impose a stiff penalty on businesses that fail to establish and document their transfer pricing methodology before they file their tax returns. The Administration proposal was scored by Treasury to raise $3.8 billion over the period. Joint Tax's estimate was considerably lower--$250 million.

Explanation: While Joint Tax has not shared its assumptions with Treasury, the difference must be because either they perceive the transfer pricing compliance problem to be much smaller than widely believed, or they believe that the proposal would have little impact on the compliance problem that exists. The Treasury disagrees strongly. Joint Tax has a history of assigning extremely conservative estimates to compliance initiatives.

Attachment

Executive Compensation

A. How should officers covered by the proposal be defined?.

Recommendation: The SEC disclosure approach should be followed (the top 5 officers in publicly-traded corporations). publically traded companies.

Alternatives: The primary alternatives were (1) treating the CEO as the only officer and (2) using the H.R. 4210 approach of including all officers of the taxpayer or persons with the authority of an officer.

B. How should the rules be applied to pre-existing compensation arrangements?

Recommendation: Binding employment contracts and options already granted should be grandfathered. 17 Feb

Alternative: Do not include any grandfather provision.

C. How should productivity be defined? Under the proposal, deductions would be denied for all compensation in excess of $1 million, unless it is "linked to productivity." Three possible approaches to this exception are:

1. The productivity-based exception could be limited to commissions and similar payments based directly on the individual's performance (e.g. brokers, salespersons and traders).

   Revenue gain is about $1.2 billion over 5 years

2. The productivity-based exception described in option (1) could be expanded to include stock options and other stock-based compensation meeting the following conditions:

   a. Minimum 3-year period between grant and exercise;

   b. Strike price does not exceed fair market value on date of issue; and

   c. Shareholder vote to approve grant of option.

   Revenue gain is about $1.0 billion over 5 years.

3. **Recommendation:** In addition to the exception for commissions described in option (1), compensation would not be subject to the $1 million cap if:

stays.

a. Independent directors establish in advance the criteria by which an officer's performance will be measured and the method on which the officer's compensation will be based;

b. Shareholders vote to approve the compensation criteria established by the independent directors; and

c. Prior to the payment of the compensation, the independent directors certify in writing that the covered officer's performance related compensation is justified based on the factors established in advance.

<u>Revenue gain</u> is about $600 million over 5 years.

Capital Gains Relief

A. Should "seed capital" incentives be provided for small firms (capitalization of less than $5 million)? The Bumpers bill includes a "sliding scale" capital gains cut for seed capital investments held for more than 5 years, resulting in a 0 percent capital gains rate for seed capital investments held for 10 years or more. (The Administration's proposal, as announced on February 17, did not include this provision).

<u>Recommendation</u>: A 0 percent rate should not be provided.

<u>Rationale</u>: A 100% exclusion is not necessary to stimulate investment. The last time the capital gains rate was in the 14% range (the rate that effectively applies under the Administration's proposal when 50% of gain is excluded and the maximum capital gains rate for individuals is 28 percent) was in the 1930's, when the ordinary income rate was over 80 percent (and capital gains were taxed at a 15 percent rate). Moreover, the abundant tax shelter opportunities from excluding all gain from tax will undermine the credibility of the Administration's program.

B. Should there be a cap on the amount of capital gain eligible for exclusion from income? (The Administration's proposal, as announced on February 17, capped the gain eligible for the 50 percent exclusion at the greater of $1 million or 10 times the taxpayer's investment.)

<u>Recommendation</u>: The amount of capital gain eligible for exclusion should be limited to the greater of $10 million or 10 times original investment.

<u>Rationale</u>: This is a tax equity issue. The tax benefit should be targeted to produce the maximum incentive effect, without creating windfalls. Note that the 10 times original investment rule, when combined with a $50 million maximum capitalization rule (see below), means that up to $500 million of gain per company potentially would qualify for the exclusion.

C. What should be the maximum size for a corporation that may issue stock eligible for the capital gains exclusion? (The Bumpers bill has a ceiling $100 million capitalization and the February 17 Administration proposal provided a $25 million cap.)

<u>Recommendation</u>: Firms should be limited to a maximum capitalization of $50 million.

<u>Rationale</u>: 99 percent of corporations have less than $25 million or less of assets. In addition, if the $100 million threshold is adopted, substantial erosion of tax base may

occur in the future (today's smaller corporations are tomorrow's larger ones). Note that the benefit of the capital gains provision extends to a large variety of businesses, not just high-tech companies.

D. Should S corporation stock be eligible for the capital gains exclusion?

<u>Recommendation</u>: S corporation stock should not be eligible.
- tell them figure out how to solve loophole

<u>Rationale</u>: Allowing an exclusion for S corporation stock will result in tax shelters. S corporations are "pass through" entities similar to partnerships. Deductions within an S corporation are passed through to shareholders as ordinary deductions, but corresponding capital gain on sale of the S corporation stock will be eligible for exclusion. This is a classic tax shelter.

-- <u>The Bumpers bill does not prevent the abuse</u>. Assume a $100 machine that retains its value over time, but the cost of which is deducted through depreciation over 5 years (the same point can be made for any case in which economic depreciation is slower than tax depreciation). The $100 of depreciation shelters $100 of operating income, and there is no adjustment to the S corporation shareholder's basis. If the shareholder sells his stock, he will realize a $100 gain (the business holds $100 of cash and a machine still worth $100) attributable to the <u>excess of tax depreciation over economic depreciation</u>. This gain will be capital gain eligible for the exclusion. Thus, the taxpayer gets $100 of depreciation deductions, but may exclude $50 of the corresponding capital gains. This is a pure tax benefit, without economic substance. Although the Bumpers bill includes a special basis adjustment rule for losses, it does not alter this result when an S corporation has income.

-- <u>Bumpers' list of excluded businesses does not solve the shelter problem</u>. Most businesses have tax depreciation in excess of economic depreciation on their fixed assets. Other tax benefits (e.g., investment tax credits and depletion) produce similar results.

-- <u>There is no simple solution to this problem</u>. It is not possible to isolate the economic depreciation of equipment. An analogous problem in the area of partnership taxation has led to one of the most complex and controversial provisions of current law. Even if the problem could be solved, the solution would be difficult to enforce and would impose complexity on small businesses.

E. Should corporate shareholders be eligible for the exclusion?

Recommendation: Corporate investors should not be eligible because of the resulting complications and abuse potential.

Rationale: Complex "aggregation" rules may be necessary to prevent corporate split-ups. There is no need to provide incentives for large companies to spin off promising technologies to gain a tax benefit.

This is a small business capital gains not a new business capital gains.

Investment Tax Credit

A. The pre-1986 investment tax credit generally applied to tangible personal property. Although the Administration proposal generally follows the outlines of the pre-1986 credit, certain property eligible for the pre-1986 credit should be excluded from the Administration proposal.

<u>Recommendation</u>: (1) Movies, videos, sound recordings and TV shows should be excluded because these readily lead to shelter activity, have resulted in protracted litigation with the IRS, and generally should not be treated as tangible property. (2) Merchant marine capital funds should not be included because they already enjoy substantial tax advantages (i.e., a deduction for contributions to the fund and tax-free inside buildup). (3) Single purpose non-agricultural structures should be excluded because they generated economic distortions (taxpayers would use a series of single purpose structures to obtain the credit, rather than one more efficient building).

B. Computer software should continue to be excluded.

immediate write off of software made everybody happier

<u>Recommendation</u>: Computer software has appropriately been treated as an intangible by the courts and the IRS and therefore was not eligible for the credit. Computer software should not be distinguished from other intangibles (such as patents) for purposes of the credit.

Many taxpayers deduct currently the cost of developing or acquiring computer software. In addition, computer software used in research and experimentation and new advances in computer software created by research and experimentation qualify for the R&E credit.

C. The credit available for automobiles should be capped.

<u>Recommendation</u>: Prior law included a $675 cap that should be retained. However, the cap should not be adjusted for inflation. Eliminating or indexing the cap will cost substantial revenue and will probably not generate meaningful additional investment.

Real Estate Proposals

A. Passive loss relief. The proposal provides passive loss relief and extends the depreciable life of nonresidential real property.

1. The proposal allows real estate professionals, including brokers, to use rental losses to offset other real estate income, such as brokerage commissions. The proposal is identical to the Senate Finance Committee version of H.R. 11. The Senate version limits losses to income from real estate trades or businesses. The House version did not include a similar limit (real estate losses could offset all income).

2. The Administration proposal extends the depreciable life of nonresidential real property from 31.5 to 36 years (which largely pays for passive loss relief). H.R. 11 proposed an extension from 31.5 to 40 years.

B. Investments by pensions. The proposal includes relaxation of rules relating to pension investments in real estate (for example, it relaxes limits on seller financing and seller leasing). Similar rules were included in H.R. 11.

C. Low-income housing credit. The proposal permanently extends the low-income housing credit (applicable after June 30, 1992).

D. Mortgage revenue bonds. The proposal permanently extends mortgage revenue bonds and the mortgage credit certificate program (applicable after June 30, 1992).

- Mayors get away with 50
- How many-lower?
- 10-25. Need great incentives.

Miscellaneous Proposals

Enterprise zones

A. A schedule for finalizing the proposals must be established.

Discussion: In order for to estimate the revenue impact of this proposal, it is necessary to have all the specifications worked out. Although there are many issues that need to resolved by the staffs, an estimate based on a detailed proposal -- not just a $4.1 billion plug number -- should be sent to OMB.

There is some sentiment to have only 10 zones. Politically, it will be difficult to propose that low a number. Moreover, 10 zones would use less than the allotted $4.1 billion of tax incentives (the exact amount cannot be determined without knowing the details of the proposals).

The staffs have many issues to resolve, but a deadline should be set for them to complete their work -- either Monday or Tuesday -- so that any of the open issues can be resolved in time to provide estimates for OMB.

Changes in tax rates

A. The effective date of the changes in the income tax rates must be finalized.

Recommendation: The changes in rates, both individual and corporate, should be effective as of January 1, 1993.

Rationale: An effective date of January 1, 1993 was already announced publicly without significant adverse reaction in financial markets. Congressional Committees may be relying on this announced effective date. Delay of the effective date would result in revenue loss and would allow taxpayers greater opportunities to manipulate the timing of income and deductions (e.g., accelerate income into 1993, a low rate year, and defer deductions into 1994, a high rate year).

Puerto Rico tax credit

A. The proposal would cap the section 936 tax credit at 65 percent of wages paid in Puerto Rico.

B. It will be argued that the proposal may cause a loss of jobs in Puerto Rico (although the wage credit cap minimizes this, consistent with the revenue target).

C. It will be argued that the proposal may cause some disruption to the Puerto Rican banking systems as deposits are withdrawn by the companies affected. It will also be argued that the result may be an increase in the cost of borrowing in Puerto Rico, including on home mortgages. Treasury is waiting for a proposal from the Puerto Rican government to address this issue, and is considering other options as well.

Business meals

A. The proposal is to make 50 percent of the expense for business meals and entertainment non-deductible.

Comment: Under current law, 20 percent of the expenses for business meals and entertainment are non-deductible. There is likely to be considerable opposition to this proposal which raises $16 billion over 5 years.

Next Steps:

① Espy? Call ~~Matt~~ Roger

② Change language in all documents re: capgains

③ Question of decreasing equity ~~involvement~~ investments because of incentives to invest elsewher.

SM call a couple of places

④ Stimulus memo