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TAX REFORM EFFECTS

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by

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CONTENTS

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TAX REFORM EFFECTS

SUMMARY

It is expected that the 100th Congress will take legislative action to make corrections to the Tax Reform Act of 1986 (P.L. 99-514), signed into law on Oct. 22, 1986. The question is whether the 100th Congress's reconsideration of the new tax law will be limited to technical corrections and adjustments, or whether substantive corrections or amendments to the new tax law will be seriously considered.

Before the President's signature on the Tax Reform Act was dry, proposals were being advanced to reintroduce some of the tax advantages that particular industries or activities had lost. For example, there is some concern about reinstating incentives for investment, retirement savings, and charitable contributions. There is also some concern that certain industry sectors were hit particularly hard by the tax reform, including defense contractors, financial institutions, real estate, and State and local governments.

On the other side, there is resistance to making substantive changes to the new tax law. Some truly support the goals of the tax reform and believe that the efficiency gains to the economy in the long run will outweigh the setbacks to certain groups of individuals and businesses. Some simply take the position that major changes in the tax laws should not be made every year. The Gramm-Rudman-Hollings deficit reduction effort has heightened awareness that giving back tax benefits would narrow the tax base and lose revenues that would need to be made up somewhere else. Although pressures to reduce the deficit make it tempting to increase income tax rates, adjust the brackets, or delay indexing, President Reagan remains adamantly against any tax increase.

Throughout 1987, the Congress is likely to be monitoring the reaction of taxpayers and the economy to the Tax Reform Act of 1986. This evidence may lead to consideration of substantive changes in the new tax law in 1988 or 1989.

ISSUE DEFINITION

The 99th Congress adjourned without passing the enrolling resolution (H.Con.Res. 395) which was to have contained many technical corrections and transition rules for the Tax Reform Act of 1986 (P.L. 99-514). Reportedly, the House and Senate failed to agree on the enrolling resolution because Members on the Senate side sought substantive changes which the full House had not approved. It is expected that the 100th Congress will take legislative action to make corrections to the tax law. The question is whether the Congress's reconsideration of the new tax law will be limited to technical corrections and adjustments, or whether substantive corrections or amendments to the new tax law will be seriously considered.

BACKGROUND AND ANALYSIS

The Tax Reform Act of 1986: Sweeping Overhaul, but Revenue-Neutral

The Tax Reform Act of 1986 (P.L. 99-514) was the most sweeping overhaul of the income tax code in decades. The Act lowered income tax rates for both individuals and corporations, broadened the tax base by eliminating or restricting deductions, exclusions, and credits, removed many low income people from the tax rolls, and tried to reduce tax distortions to investment decisions by taxing different types of investments more equally.

The tax reform package was presented as revenue-neutral over the five fiscal years, 1987-91. Tax cuts on the individual income tax side are offset by increased collections from the corporate side. According to revenue projections for the new law compared with prior tax law, the reformed tax code would generate an additional $11.4 billion in revenue in 1987, but a shortfall of $16.7 billion in 1988 and $15.1 billion in 1989, before again generating additional revenues in 1990 and 1991.

Many of the changes in the Tax Reform Act, however, involve only a change in the timing of tax payments and not a change in their absolute amount. In other words, some tax payments will merely be shifted from the future to the present. In addition, the revenue estimates do not take into account some of the possible behavioral responses to the changes in the tax system. As a result, it is not certain whether the Act will indeed be revenue-neutral, or whether it will reduce or aggravate the budget deficit in the future.

Technical Corrections

The 99th Congress adjourned without passing the enrolling resolution for the tax act (H.Con.Res. 395) which was to have contained many technical corrections and transition rules to the Tax Reform Act. Many of the changes were purely technical, rectifying clerical errors made in the drafting of the bill, such as correcting misspellings and renumbering certain provisions. Other corrections involved adding or deleting various provisions (mostly transition rules) supposedly agreed to by House and

Senate tax writers, but unintentionally omitted. A large portion of the bill related to these "transition rules," or special provisions which govern how certain changes made by the Tax Reform Act will affect specific taxpayers. At least 40 of the 80 pages in the bill related to transition rules and technical corrections covering the new rules for depreciation and tax-exempt bonds.

Both the House and the Senate sought to use the enrolling resolution to add substantive changes. After the House had passed its resolution, the Senate stripped the bill of several provisions and added substantive changes of its own. The House rejected most of the Senate's amendments, and an impasse resulted. Tax-writers from both the House and Senate tried to reach a compromise in the closing hours of the 99th Congress. Many differences were worked out, however a compromise proposal failed to reach the House floor, and the resolution died. Part of the problem lay in the fact that many details of the tax reform bill had not been worked out by House and Senate tax-writers by the time the bill was passed. Subsequently, disagreements on the enrolling resolution arose over which provisions were technical amendments to the tax act and which were substantive additions.

One substantive provision of H.Con.Res. 395 (99th Cong.) which was controversial was a provision which would repeal after 1990 Internal Revenue Code section 162(h) governing the tax home for State legislators. If enacted, this provision would mean that State legislators would not be able to deduct their "away from home " expenses for food, travel, and lodging while serving in the State legislature.

The two tax-writing committees are expected simultaneously to introduce technical corrections legislation in late May 1987. The staff drafting the legislation has been instructed to keep the changes as close as possible to technical corrections, and not to include what would be considered substantive changes. The bill will include most of the provisions contained in H.Con.Res. 395 from the 99th Congress. In addition, the staff is working on technical changes or clarification in the extensive and complex pension and international provisions. Many other areas of the lengthy Tax Reform Act of 1986 are also likely to be reviewed.

This legislation is not likely to be moved through Congress in 1987 unless some agreement can be reached that it will be restricted to technical changes. There is resistance by the chairmen of the tax-writing committees to having the technical corrections bill serve as a vehicle for substantive amendments to the income tax law so soon after a major reform.

Calls for Substantive Changes to the New Tax Law

Overall Reactions to the Tax Reform Act of 1986

The reactions of taxpayers and the economy to the new tax law remain to be seen, as provisions are phased in between 1986 and 1990 and taxpayers become more fully aware of the changes. Many taxpayers will not really face what happened until April 1988 when they fill out their tax returns for 1987. Complaints can be expected from companies and individuals who "lost" because of the tax reform -- either because their own tax liabilities increased as a result of losing tax benefits, or their income decreased as a result of changing spending and investment patterns on the part of other taxpayers. These complaints may lead to requests to Congress for special transition rules protecting specific projects or taxpayers. Or, individual complaints may be aligned with a broader criticism, such as blaming the tax reform for any weakening of the economy overall, particular industry sectors, investment, or the balance of trade.

Considerable attention is likely to be paid to the consequences of the new tax law for macroeconomic activity. If the tax legislation is in fact revenue-neutral, it is unlikely to have any major impact on the economy overall. A shift in the tax burden from individuals to corporations is likely to stimulate consumption. Some critics have stressed that investment will be depressed, largely because of repeal of the investment tax credit, and claimed that these negative effects will be larger than the positive effects of consumption induced by lower taxes on individuals. Critics also argue that other provisions such as restrictions on deductions for real estate investments will dampen investment. In any case, the aggregate effect on the economy seems likely to be small. Nevertheless, there is likely to be continuing speculation about and study of the role of the changes in the tax code on economic activity.

Attention has also focused on the tax reform as part of the general concern for the U.S.'s international competitiveness. Some critics have argued that the tax reform proposal will make U.S. exports less competitive because it will increase the cost of capital. This argument is inconsistent with economic theory which points out that a flexible exchange rate will adjust to offset any aggregate cost increases, just as it moves to offset differences in rates of inflation between countries. Some changes in the composition of exports could result, but the overall trade balance would not be altered through changes in the cost of capital. If there is an influence on aggregate competitiveness, it will depend in the short run on the extent to which the bill is generally stimulative (increasing the trade deficit) or contractionary (decreasing the trade deficit), but these effects are likely to be small in magnitude in the near term. Eventually, the tax rate reductions should cause the interest rate to fall, which would reduce the trade deficit as capital inflows and the demand for dollars contract. Thus, the tax reform should not detract from U.S. international competitiveness.

Controversial Components of the New Tax Code

One of the principal arguments behind the tax reform movement from the beginning was neutrality toward various business investments. The realization that different rates of tax on different activities or different assets caused business investment decisions to be made for tax rather than economic reasons converted many former opponents of tax reform into supporters. The Tax Reform Act of 1986 does indeed reduce the differences in tax rates, thus furthering one major goal of tax reform.

An inevitable by-product of this leveling of tax rates, however, is that some activities and assets lose the former relative tax advantage they enjoyed. If an activity was taxed at half the rate applicable to other businesses and now is taxed at the same rate, the favored activity loses its former advantage in attracting investors and/or customers and its supporters may feel abused. This feeling can occur even if the new tax rate is lower in absolute terms than the old one; and, of course, in many cases the formerly favored activity actually experiences an absolute increase in tax rates.

So before the President's signature on the Tax Reform Act was dry, proposals were being advanced to reintroduce the tax advantages that particular industries or activities had lost. This section discusses some of the changes most likely to be heavily lobbied in the coming year. These discussions are not inclusive; there are those who would like to change virtually everything in the Tax Reform Act, and this brief obviously could not cover all such proposals. The selection of topics is therefore somewhat arbitrary.

Investment incentives. The school of thought influential in the passage of the 1981 tax cut continues to argue for the importance of investment incentives in the tax code. There is interest in restoring the investment tax credit and preferential treatment of capital gains. However, these two large base-broadeners were important both in the trade for lower tax rates and in the pursuit of a more "level playing field" for different types of investments.

Prior law's investment tax credit permitted businesses to offset 10% of the purchase price of qualified assets against their tax liabilities. The credit, however, was only available on the purchase of machines and equipment. As a consequence, businesses were encouraged to allocate more of their investment funds to equipment than was economically efficient, and less investment to assets such as structures and inventories. The credit particularly favored investment in machines with relatively short useful lives.

A major reason the investment credit was repealed was to eliminate its distortions of investment choices. Supporters of the credit have argued, however, that its repeal will retard overall levels of investment and economic growth will consequently be slower. But even if repeal of the investment credit leads to a decline in aggregate investment, it has been pointed out that aggregate investment would have to decline by an extremely large amount in order to offset the efficiency gains from tax reform.

Prior to the Tax Reform Act, 60% of long-term capital gains income was excluded from taxation under the individual income tax; capital gains earned by corporations was subject to a preferentially lower tax rate. The Tax Reform Act repeals this special tax treatment for capital gains. As with the investment tax credit's repeal, a major reason for repeal of the capital gains exclusion was to eliminate its distorting effect on the allocation of investment. Prior law had the effect of encouraging investment in assets that produced returns in the form of capital gains at the expense of investments that produced steady streams of interest or dividends. Abolition of the special tax rates for capital gains also promotes tax equity in a horizontal sense, since it promotes more equal taxation of persons with income from different sources. Eliminating capital gains treatment also was an important tradeoff for the deep tax rate cuts for high income individuals in the attempt to make the tax reform "distributionally neutral" among the income groups.

Supporters of special tax treatment for capital gains have traditionally argued that lower tax rates on capital gains encourage investment in general. They argue further that special treatment for capital gains income encourages investments that are beneficial for society, but which would otherwise be too risky for investors to make.

As with the investment credit, however, the validity of this argument depends on any decline in investment outweighing the efficiency gains from repealing the special capital gains tax rates. Also, the Tax Reform Act leaves a large tax benefit for capital gains intact. Unlike other income, capital gains are not taxed as they accumulate. Rather, they are taxed only when the taxpayer disposes of the capital asset that has appreciated. Taxes on capital gains income are thus deferred (postponed) under the Tax Reform Act, as they were under prior law.

While the large Federal budget deficit and efficiency concerns place severe constraints on readopting these investment incentives, future economic conditions might nonetheless lead to their serious reconsideration. The Tax Reform Act contained little in the way of indexing provisions that would insulate the tax burden on investment from the effects of inflation. A reemergence of inflation could thus lead to pressure for more accelerated depreciation or reinstituting a special tax rate for capital gains. Similarly, a recession would add strength to proposals for reinstating an investment tax credit.

Long-term contracts of defense contractors. Prior to the Tax Reform Act, manufacturers working on contracts taking longer than a year to complete (and for products taking longer than a year to manufacture) could wait to report their taxable income from a contract until the year the contract was completed. Also, some of a company's overhead and administrative costs chargeable to a Federal Government or other cost-plus contract could be deducted in the year incurred rather than when the income from the contract was reported.

Under the Tax Reform Act, this "completed contract" method of reporting is restricted to 60% of any contract. The other 40% must be reported as taxable income in the year the work is done. Also, any administrative or overhead costs chargeable to the contract on a cost-plus or Federal contract must be treated as contract costs (i.e., only 40% deductible in the year incurred).

Defense contractors and their political allies argued strenuously in favor of full completed contract reporting during the tax reform debates, primarily as a subsidy to national defense. This argument can be expected to be revived in the coming year. The completed contract method of reporting was, however, the chief reason for the much-publicized cases of profitable defense contractors who paid no taxes.

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Bad debt deductions of banks and thrift institutions. Commercial banks, mutual savings banks, and savings and loan institutions could under prior law take a deduction for an addition to a reserve for bad debts that was not based on their own experience of losses on their loans. Commercial banks were allowed to maintain a reserve based on a set percentage of their loans, and thrift institutions investing a sufficient percentage of their assets in real estate loans could deduct up to 40% of their taxable income as an addition to a bad debt reserve.

The Tax Reform Act restricted the deduction for commercial banks to "small" banks (those with assets of $500 million or less). "Large" banks may deduct only bad debts actually written off during the year. In addition, the existing reserves of "large" banks must be recaptured (taken into income) over 4 years, unless the bank is "financially troubled." In a year in which a bank is "troubled" (defined as having nonperforming loans equal to 75% or more of assets), recapture of existing reserves is suspended. The deduction allowed thrift institutions is retained in the Tax Reform Act but is reduced to 8% of taxable income.

In the debates over the Tax Reform Act, it was frequently pointed out that the financial sector's tax advantages were being curtailed just at the time that it was experiencing severe financial difficulties. The "troubled bank" exception mentioned above was added due to these arguments. If the financial sector's own financial health is in doubt, these arguments are likely to be revived.

On the other hand, the restrictions placed on the deductibility of consumer interest by individuals could work to the advantage of banks and thrift institutions. Since home mortgage interest remains deductible, many of them are already promoting "home equity" loans as substitutes for credit card or finance company borrowing. The ability to make mortgage loans gives these financial institutions a unique competitive advantage, which could mitigate the industry's desire for changes in the tax law.

Farmers' concerns. Farm groups have not been particularly displeased with the Tax Reform Act, feeling especially that tax shelter restrictions such as the "passive loss" limitations would help the agricultural sector. But some have been disturbed by the repeal of the capital gains exclusion and income averaging.

Farmers who have owned land for many years often have very large capital gains when they sell out. Since they are usually either in financial difficulty or retiring when they sell their farms, they have frequently argued a need for a special tax break on such capital gains. (A limited exception to the old alternative minimum tax on capital gains for insolvent farmers was passed early in 1986.) This argument will certainly be revived in the 100th Congress. Arguing against relief is the potential cost, especially as a precedent for other worthy groups, such as small businessmen. Also, many of these farmers took advantage of the untaxed appreciation of their land by mortgaging it for its appreciated value, in effect having already taken some of their "profit" in the form of untaxed loan proceeds, so many would be reluctant to give them an additional tax benefit on the sale of the land.

Under prior law, taxpayers with rising incomes could use income averaging to calculate taxes on their higher incomes at the tax rate applicable to their average income over five years. Farmers have complained that repeal of this provision hurts them especially, because farm income fluctuates wildly from year to year. Under the more graduated tax rates of prior law, about 10% or so of farmers used income averaging in a typical year; under the new, flatter rate structure, probably far fewer would find it useful.

Real estate and tax shelters. Unlike the farmers, the real estate industry initially reacted to the Tax Reform Act with unmitigated opposition. This industry feels that it is built on tax shelter investing and sees the curbs on tax shelters, particularly the "passive loss" provisions, as very harmful. Coupled with the more extended depreciation schedules and some other changes, the industry complained of being singled out for especially harsh treatment. Many real estate spokesmen are now saying that the Act will not be as disastrous as was first feared; but many are still unhappy with the very complex "passive loss" rules.

The "passive loss" restrictions are the most direct and potentially the most effective attack on tax shelters in the tax law. The general rule is that losses incurred in any business activity in which an individual taxpayer does not "materially participate" may be deducted only from positive income from a similar activity. These "passive losses" may not be used to offset salaries, profits from active business interests or professional practices, or earnings from portfolio investments. Limited partners are defined by law as passive investors. Rental of property is also defined as being always a passive activity.

For real estate rentals, however, there are special rules. Although defined as a passive activity, real estate rentals can give rise to a limited amount of deductible losses if the investor "actively" participates in the management of the property. ("Active participation" is intended to be an easier standard to meet than "material participation.") Losses of up to $25,000 per year may be deducted by a taxpayer whose total income is less than $100,000. The $25,000 limit is reduced by $1 for every $2 of income in excess of $100,000, so that taxpayers with incomes of $150,000 or more may not deduct any real estate rental losses from non-passive income. (For low-income housing, the income limits are $200,000 and $250,000 and the taxpayer does not have to "actively participate.")

Some real estate interests contend that these restrictions will dry up the sources of capital for the real estate industry. Others point out that many real estate investors are profit seekers whose aftertax returns will be improved by the Tax Reform Act's lower rates. Some real estate brokers and agents object to having rental activity automatically classified as "passive." They argue that their property ownership is not passive investment but a part of their normal business activity and that they should therefore be treated as other businesses are (i. e., losses deductible if they "materially participate").

Some modifications of the passive loss rules are likely to be sought by real estate interests in the 100th Congress. However, the passive loss restrictions are popular with other groups, such as farmers, so policymakers may want to see this new provision in operation before they start making changes. In addition, the restrictions on tax shelters, along with the elimination of capital gains treatment, were an important tradeoff for the deep cuts in tax rates for high income individuals in the effort to keep the tax reform "distributionally neutral" among the income groups.

State and local sector. The State-local sector is directly affected by tax reform in three ways. First, the itemized deduction for sales taxes is eliminated. Second, numerous restrictions are placed on tax-exempt State and local bonds. And third, the linkage of many State income tax bases to the Federal income tax base will cause State income tax revenues to change automatically as the Federal income tax base is broadened.

The elimination of sales tax deductibility will probably not have much effect on either State and local revenues or the structure of their tax systems. The primary reason is that the price to the taxpayer of raising a dollar via the sales tax does not rise very much relative to the price of other potential tax sources whose price also is increased by the rate reduction. Absent much of a price change, there is little incentive to alter tax payments or the way in which taxes are raised.

The tax-exempt bond provisions are expected to substantially restrict the ability of State and local governments to issue revenue bonds (bonds not backed by the taxing power of the State or local government) for certain types of projects, in particular those the Congress considers to be for non-public or private purposes. These tax law changes represent the culmination of a 20-year debate between State-local and Federal officials over the existence or absence of social benefits from these "private-activity" bonds. The volume of these bonds has been restricted by reducing the number of allowable activities for which they can be issued and imposing a volume cap on the remaining allowable activities. In addition, the ability of State and local governments to earn arbitrage profits has been curtailed and the interest income on "private-activity" bonds has been included in the alternative minimum income tax base. Although efforts will surely be made to restore some activities to tax-exempt status, State and local governments are still able to issue bonds for any activity they feel satisfies a public purpose provided they assume financial responsibility for the payment of the principal and interest on the bonds.

Some States may have their income tax revenues increased by as much as 15% by the linkage of their income tax base to the expanded Federal income tax base. The primary issue here is one of inadequate information for the States to accurately assess the magnitude of the change and make plans to adjust their tax systems. The States are likely to request some legislation to provide a formal framework for the Federal Government to generate adequate information for the States' planning purposes.

Charitable contributions. The reduction in both individual and corporate marginal tax rates, the sunset of the nonitemizer deduction for charitable contributions, the decrease in the number of itemizers, and the inclusion of the appreciated value of gifts of property in the taxable income base will all act to reduce the incentive for charitable contributions. The effects on charitable giving are expected to be greatest for higher income taxpayers for two reasons. First, the reduction in their incentive to give is greater because their marginal tax rates are reduced the most and they are the primary donors of appreciated property. Second, higher income taxpayers are generally considered to be more responsive to these tax incentives.

For these reasons, concern over the impact of the tax changes has been voiced most by those charitable organizations whose contributions are dependent primarily on high-income donors, such as educational and cultural institutions. Since the social benefits of reducing tax rates are generally considered to outweigh the adverse consequences of the reduced incentives on charitable organizations, complaints have focused on the change in the taxation of appreciated property as being an additional unwarranted and untimely disincentive. The appreciated property provision is, however, consistent with proper income definition whereby expenses are deductible in determining taxable income only when the associated income earned is included in the tax base. Prior law allowed the taxpayer to deduct the full fair market value of donated property as a charitable contributions expense, without ever having to include the appreciated value (value in excess of purchase price) in his income tax base.

Great uncertainty surrounds the likely effect of these changes on the level of charitable giving. The increased aftertax price of contributions will cause contributions to decline. But to the extent that the tax reform increases individuals' aftertax incomes, they will have more to spend on everything, including charitable contributions.

Alternative Minimum Tax for Individuals and Corporations. The Tax Reform Act of 1986 revises and tightens the alternative minimum tax, for both individuals and corporations. Several new tax preference items are added to the tax base, and the difference in the tax rates between the regular and the alternative tax decreases. In the short-run, these changes mean that many more taxpayers will be subject to the alternative minimum tax than was the case under prior law. The new alternative minimum tax will increase the tax liabilities of individuals and corporations that had made or continue to make heavy use of "tax preference items." In the case of individuals, some of these tax preferences, such as passive losses, will be phased-out as deductions under the regular tax and, hence, the alternative minimum tax will subside in importance in the long run.

Pressure to revise the new alternative minimum tax is likely to come in two general forms. First, it will be argued that the alternative minimum tax greatly increases the complexity of the tax system. Second, it will be argued that certain items, for example the unrealized gain on charitable contributions of appreciated property, should not be included as tax preferences.

In assessing these arguments it should be noted that under prior law the use of tax preferences allowed many high-income individuals and profitable corporations to pay little or no tax. As a result, Congress felt that the alternative minimum tax should be tightened so that high-income taxpayers could not avoid paying their fair share of the tax burden. The trade-off for this increased equity is an increase in complexity.

Restrictions on deductibility of contributions to IRAs. Individuals have been objecting to the restrictions placed on the deductibility of contributions to individual retirement arrangements (IRAs). Individuals still can contribute up to the lesser of $2,000 or 100% of their compensation to an IRA. For married couples filing joint tax returns with only one earner, the spousal IRA limit is a combined contribution of $2,250. Working couples may contribute up to $4,000.

Under prior law, all IRA contributions could be deducted from gross income. The new law restricted deductibility for taxpayers who are participating in employer-sponsored pension plans and who have adjusted gross incomes (AGI) above certain levels. The IRA contributions now are: (1) deductible for taxpayers not active in employer-sponsored pension plans; (2) deductible for active participants in employer-sponsored pension plans with AGI below $25,000 for single returns and $40,000 for joint returns; (3) partially deductible under a phase-out rule for active participants in employer-sponsored pension plans with AGI between $25,000 and $35,000 for single returns and $40,000 and $50,000 for joint returns; and (4) nondeductible for active participants in employer-sponsored pension plans with AGI above $35,000 for single returns and $50,000 for joint returns. As before, the law defers taxes on all earnings until they are distributed to the taxpayer.

The Employee Benefit Research Institute estimated that if these restrictions had been in effect in 1985, 73% of the 24.4 million individuals who had opened IRAs by the end of 1985 would have been able to fully deduct their IRA contributions. Only 15% would have lost the full deduction and 12% would have been eligible for a partial deduction.

Repeal of three-year basis recovery rule. Government employees and recent retirees are upset about the new law's repeal of the "3-year basis recovery rule" for contributory pension plans. This rule had allowed a taxpayer retiring under a pension plan into which he had made aftertax contributions to receive pension benefits tax-free until he recovered the full amount of his already-taxed contributions. As long as a taxpayer could recover his aftertax contributions within three years, he could use this rule. Otherwise, his already-taxed contributions were received tax-free, but prorated over his expected lifetime.

Under the new tax law, the proration procedure applies to all participants in aftertax contributory pension plans. The nontaxable portion of the pension benefit is equal to the pension benefit times the ratio of the aftertax contributions to the total benefits that will be received during a retiree's expected lifetime. This is not "double taxation" because aftertax contributions are not taxed again. Because a portion of the pension benefit is taxed from the start of retirement, retirees might face higher tax rates on other income received early in retirement. With fewer tax brackets under the new law, this is less likely than under prior law.

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U.S. Congress. House. Committee on Ways and Means. Tax Reform Act of 1985; Report on H.R. 3838 together with dissenting and additional views. Washington, U.S. Govt. Print. Off., Dec. 7, 1985. (99th Congress, 1st session. House. Report no. 99-426)

U.S. Congress. Joint. Committee on Taxation. Comparison of Tax Reform provisions of H.R. 3838 as passed by the House and the Senate, prepared for use by the House-Senate Conferees by the Staff of the Joint Committee on Taxation. Washington, U.S. Govt. Print. Off., July 15, 1986. (99th Congress, 2d session. Joint. Report no. JSC 15 86)

U.S. Congress. Joint. Committee on Taxation. Summary of Conference Agreement of H.R. 3838 (Tax Reform Act of 1986), prepared by the Staff of the Joint Committee on Taxation. Washington, U.S. Govt. Print. Off., August 29, 1986. (99th Congress, 2d session. Joint. Report no. JSC 16 86)

U.S. Congress. Senate. Committee on Finance. Tax Reform Act of 1986; Report to accompany H.R. 3838 together with additional views. Washington, U.S. Govt. Print. Off., May 29, 1986. (99th Congress, 2d session. Senate. Report no. 99-313)

CHRONOLOGY

H.R. 3838 (The Tax Reform Act of 1986)

10/22/86 --- H.R. 3838 was signed by the President, and became P.L. 99-514.

09/26/86 --- The Senate agreed to the Conference Report by a vote of 74-23.

09/25/86 --- The House approved the Conference Report by a vote of 292-136.

09/18/86 --- The Conference Committee Report (H.Rept. 99-841) was filed in the House.

08/16/86 --- The Conference Committee approved a compromise tax reform plan, but left details to be worked out by House and Senate tax writers.

07/17/86 --- House and Senate Conferees met to resolve differences.

06/24/86 --- By a vote of 97-3, the Senate passed H.R. 3838 with amendment.

05/29/86 --- The Senate Finance Committee reported H.R. 3838 (in the form of a substitute amendment), S.Rept. 99-313.

12/17/85 --- H.R. 3838 passed House (amended) by voice vote.

12/07/85 --- H.R. 3838 was reported by the House Committee on Ways and Means (H.Rept. 99-426).

H.Con.Res. 395 (Enrolling resolution for H.R. 3838)

10/18/86 --- House and Senate tax writers attempted to reach a compromise, but legislation was blocked in the House, and the Senate adjourned sine die.

10/18/86 --- The Senate deleted most of the House's amendments and insisted on its changes to the resolution.

10/17/86 --- The House stripped most of the Senate amendments from the bill and replaced them with House's original provisions.

10/16/86 --- The Senate, through amendment, deleted provisions from the House bill and added new provisions.

09/25/86 --- After approving H.R. 3838, the House passed H.Con.Res 395.

FOR ADDITIONAL READING

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----- Farm income taxation under the Tax Reform Act of 1986, by Jack H. Taylor. [Washington] 1986.
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----- The home office deduction under the Tax Reform Act of 1986, by John Luckey. [Washington] 1986.
CRS Report 86-973 A

----- Individual retirement accounts: tax incentives for retirement savings [by] Richard Hobbie and Ray Schmitt. [Washington] 1986. (Updated regularly)
CRS Issue Brief 84104

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