Washington report, vol. 13 no.50, February 4, 1985

American Institute of Certified Public Accountants.

AICPA Washington Report

February 4, 1985, Volume XIII, Issue 50

Commerce	Three of five eligible voters went to polls in November . . . p. 1
Federal Reserve	Bank holding companies and real estate . . . . p. 1
National Credit Union Administration	Credit union service organizations . . . . p. 1
Treasury	Gross income exclusions for foster care payments . . . . p. 2
	Sec. Regan looks at tax reform . . . . p. 2
	Form 8271, Tax Shelter Reporting Number available . . . . . p. 2
	Luxury auto hearing cancelled . . . . p. 2
Special	Sen. Kasten introduces "FAST" tax reform bill . . . . p. 3

COMMERCE, DEPARTMENT OF

Sixty percent of the voting-age population said they went to the polls in last November's presidential election, according to the Commerce Department's Census Bureau in a survey released on 1/28/85. This is 1 percentage point higher than in both 1980 and 1976 and is a gain shared equally by all regions except the Midwest, which showed no increase in voter turnout. Among women age 18 and over, 61% reported voting, up from 59% in 1980. The turnout for men was 59% as in 1980. People 65 and older reported a higher proportion of voting than in 1980, up from 65 to 68%. The survey showed little change between 1980 and 1984 among those in ages 18 to 24 (41%), 25 to 44 (about 58%), and 45 to 64 (about 69%). Black turnout was up substantially to 56%, 5 percentage points higher than in 1980 and 7 over 1976. The proportion of Black voters in the South was up to 53% from 48% in 1980 and was up by 6 percentage points in the North and West combined (59% in 1984). Hispanic turnout was 33%, not statistically different from 1980. As in 1980, the highest turnout was reported among those with four or more years of college, family householders owning their own home, and among the employed. However, voting reported by the unemployed rose from 41 to 44% while there was no change from 1980 for those employed (62%). The survey shows that 68% of the voting-age population reported being registered, up from 67% in 1980. This survey was conducted two weeks after the November 6 election. The percentages and numbers of people reported as voting are, according to the Census Bureau, considerably higher than the official counts to date, which indicate that 93 million people voted for President in 1984.

FEDERAL RESERVE BOARD

Whether or not to initiate rulemaking that would establish the framework for bank holding companies to engage in real estate investment activities is the subject of a request for comment by the FRB (see the 1/31/85 Fed. Reg., pp. 4519-22). Comments should include conditions that should be established to ensure the conduct of the activity does not result in unsound banking practices, unfair competition, or conflicts of interest. A number of specific conditions are also in the request including a requirement that the activity be conducted only through a direct nonbank subsidiary of the bank holding company; a requirement that the real estate subsidiary be maintained independent in name and operation from any bank affiliate; compliance with certain capital requirements by a bank holding company desiring to engage in real estate activities, and; maintenance of adequate capital by the real estate subsidiary. Comments are requested by 3/29/85. For further information contact J. Virgil Mattingly at 202/452-3430.

NATIONAL CREDIT UNION ADMINISTRATION

A proposal to regulate Federal credit union loans to and investments in credit union service organization (CUSOs), is the subject of a request for comments by the NCUA (see the 2/1/85 Fed. Reg., pp. 4698-701). Among items under consideration are the elimination of inconsistencies and unnecessary procedures in determining proper activities for CUSOs and, the provision of guidance concerning the proper structure of CUSOs in order to minimize the risk of loss to participating credit unions and the National Credit Union Share Insurance Fund. Comments are requested by 3/29/85. For further information contact Robert Fenner at 202/357-1030.

Regulations relating to the exclusion from gross income for certain foster care payments have recently been released by the IRS (see the 2/1/85 Fed. Reg., pp. 4702-04). Current law provides that foster parents may exclude from gross income amounts received during the taxable year as qualified foster care payments. Qualified foster care payments include amounts paid by a station child placing agency to reinburse foster parents for the expense of a caring for a foster child. The proposal illustrates that amounts paid in excess of the expense of caring for a qualified foster child and amounts paid for keeping emergency shelter available are not excludable from gross income. Comments are sought by 4/2/85. For further information contact Cynthia Clark at 202/566-3288.

"Speaking of possible changes I understand Jack Kemp has been standing next to Paul Volcker ever since he heard about Jim Baker and me" quipped outgoing Secretary of the Treasury, Donald T. Regan in remarks before the Executive Forum in Washington, D.C. on 1/25/85. Government growth, according to Regan, "entrenched as it is in our society, is a very formidable force. That's why, in this second term, we must mount another dedicated, concerted counter offensive." Turning to the budget, Regan indicated that it will be submitted early this month and it will seek major cuts in spending. Secretary Regan also listed numerous tax proposals, initially calling for comprehensive tax reform: "We propose to lower marginal tax rates dramatically, with a tax rate of no more than 35%. And we want to rid the system of all those tax preferences which necessitate higher tax rates and distort economic decisions. Americans should be able to keep more of the rewards from their efforts if they choose to work harder or longer or be more creative or innovative. And they should be able to conduct their affairs and plan their futures on the basis of economics, not taxation. Americans should also know that their tax system is fair; that taxpayers and businesses with similar incomes are paying similar amounts of tax, and that everyone is paying a fair share. Lastly, Americans should not have to spend inordinate time and expense just in order to comply with tax laws. The treasury proposal, which will serve as the basis for President Reagan's tax reform recommendations to Congress, would correct much of what is wrong with our present system."

Form 8271, Investor Reporting of Tax Shelter Registration Number, is now available at local IRS offices and must be attached to tax returns being filed by those investors with the IRS, according to a 1/29/85 IRS News Release. A tax shelter required to be registered under section 6111 of the Internal Revenue Code will be issued a registration number by the IRS, which must be furnished to all investors. Any person claiming or reporting any income, deduction, loss, credit or other tax benefit attributable to an interest in such tax shelters must complete Form 8271 and enter the registration number. Form 8271 must be attached to any return, such as Forms 1040, 1065, etc, on which such an item is reported. The IRS said that Form 8271 also should be attached to amended returns (Forms 1040X and 1120X) and applications for tentative refund (Forms 1045 and 1139) which report these tax shelter items. If the interest is purchased or otherwise acquired by a "pass-through entity" such as a partnership, S corporation, or trust, both the pass-through entity and its partners, shareholders, or beneficiaries must complete Form 8271, the IRS noted.

The public hearing on proposed regulations relating to the limitation on the amount of depreciation and investment tax credit for luxury automobiles has been cancelled by the IRS. Originally scheduled for 2/5/85, the hearing has been postponed to allow the service time to make certain changes to the proposal. It is anticipated that the revised regulations will be released early this week.

SPECIAL: SEN. KASTEN REINTRODUCES "FAST" TAX BILL

S. 325, "a bill to reduce tax rates in a manner that is fair to all taxpayers, and to simplify the tax laws by eliminating most credits, deductions, and exclusions", was introduced by Sen. Robert Kasten (R-WS) on 1/31/85. The bill, according to Kasten, is virtually the same bill that he and Rep. Jack Kemp (R-NY) introduced last year in the 98th Congress. In general, this bill would provide that all taxable income is taxed at a rate of 24%. Most deductions, credits, exemptions, and exclusions are eliminated except that the personal exemption is doubled to $2000 for each taxpayer, spouse, and dependent below age 19. There is a extra $2000 exemption for the elderly, blind, or disabled. Zero-bracket amounts (standard deduction) of $2600 single, $2700 head of household, and $3300 joint. The bill indexes for inflation the personal exemption, zero-bracket amounts and earned income credit. There are new exclusions for earned and unearned income: Excludes 20% of gross wage, salary and self-employment income up to Social Security wage base ($41,700 in 1986, and indexed by law); phased out to result in a maximum effective marginal tax rate of about 28%. For those with employment income of less than $10,000 (single) or $15,000 (joint return), excludes 20% of any income from taxation regardless of its source, up to those amounts; this is designed to protect those who live mostly from saving and pension income rather than wages. S.325 retains deductions for charitable contributions, interest on mortgages and loans for education and investments, real property taxes, and medical expenses above 10% of adjusted income. In its treatment of capital gains and losses, taxpayers may choose between full taxation of gains, with basis indexed for inflation from date of enactment, or excluding 40% of gains and losses (17% top rate) without indexing. Current homeowners rollover and one time exclusion is retained. The six month holding period is made permanent. The bill retains the current treatment of IRAs, KEOGHs and related retirement annuities. The corporate tax rate is set at 35% to a tax base which defined by eliminating "most deductions, credits, exemptions and exclusions." Sen. Kasten's bill has been referred to the Senate Committee on Finance. In a related matter, Senators Dennis DeConcini (D-AZ) and Steven Symms (R-ID) introduced S. 321, "a bill to amend the Internal Revenue Code of 1954 to implement a flat rate tax system."

For additional information, please contact Stephanie McCarthy, Gina Rosasco, or Nick Nichols at 202/872-8190.

AICPA *Washington Report*

American Institute of Certified Public Accountants
1620 Eye Street, N.W., Washington, D.C. 20006

FIRST CLASS MAIL