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WITHDRAWAL SHEET

Ronald Reagan Library

Collection: BARR, WILLIAM: Files

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File Folder: [Tuition Tax Credits] ~~[4 of 14]~~ ~~QA 9094~~

Date: 9/18/98

Bill (7) Box 12

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo	Morton Blackwell to Elizabeth Dole thru Diana Lozano re tuition tax credit bill testimony 2 p.	7/12/82	PS cas 10/5/80
2. memo	Blackwell to Dole thru Lozano re testimony before Senate Finance Committee for the School Prayer Amendment 2 p.	7/16/82	PS

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- F-1 National security classified information [(b)(1) of the FOIA].
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

June 16, 1982

FOR: EDWIN MEESE III
JAMES BAKER
MICHAEL DEEVER

FROM: TUITION TAX CREDIT WORKING GROUP
(See Attached List)

SUBJECT: Presidential Ceremony for Tuition Tax Credits

It is the strong and unanimous judgment of the Tuition Tax Credit Working Group that the single most important step we can take to minimize attacks from civil rights groups on the Bill is to hold a Presidential ceremony in the middle of the week of June 21. Failure to hold such a ceremony will (1) substantially increase the risk that our critics will be able to shift the debate to the racial issue; (2) fritter away the opportunity to cement our coalition together before the battle starts; and (3) cause our supporters to doubt the President's real commitment to this issue.

We would like you to consider the following points:

1. Nothing is to be gained from moving quietly on this Bill. The newspapers will make the point that this is "inconsistent" with our revenue enhancement efforts regardless of how we go about sending the Bill to the Hill. Those sophisticated enough to see, and to be influenced by, this point will not be fooled by an attempt to low-key the transmittal.

2. The Administration is going to take hits from the civil rights groups on this bill regardless of how it is written. The Bill, however, is legally defensible, and can be politically defended if we lock in responsible groups (particularly the Catholics) before our critics start attacking the Bill. We cannot be sure of continued Catholic support if civil rights groups are allowed to seize the initiative in the debate. By having the leading bishops present and expressing support at the time the Bill is transmitted, we put them firmly in the President's foxhole before the shooting begins. This will go a long way toward preempting efforts by civil rights groups to exploit the racial issue. (The bishops are closeted in a retreat until Wednesday, June 23, and transmitting it on Friday will also mean that we miss the Catholic press whose deadline is generally Wednesday or Thursday.)

3. At a time when we are planning an extravaganza on the balanced budget amendment, our supporters will read the quiet treatment of this Bill as showing that we are just going through the motions and that we do not really support the initiative.

cc: Edwin L. Harper
Ken Duberstein

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

June 16, 1982

FOR: EDWIN L. HARPER
FROM: GARY L. BAUER *GLB*
SUBJECT: Presidential Ceremony for Tuition Tax Credits

Over the last 10 days there has been discussion of the possibility of a ceremony in the Rose Garden on the occasion of President Reagan sending our tuition tax credit bill to Congress. I now understand from Robert Thompson in Legislative Affairs that there has been a tentative decision not to have such a ceremony. The reason for the change of heart is the desire to avoid making things difficult for some Senators who are in the midst of attempting to craft ways to raise the necessary revenues needed to meet our budget.

I believe this decision, if finalized, will be seen by many in the tuition tax credit coalition as another example of the Administration submerging all of our interests to economic concerns. This of course isn't true but perception means a lot.

A Presidential ceremony of some kind is advisable because:

1. It will help us to avoid the charges that we are not serious about the legislation. The press will note we quietly sent the bill to Congress if no ceremony is held.
2. It will help us frame the debate. The President will make news if he makes a strong statement on the non-discrimination sections of the bill and explains how his legislation helps the low income parent gain educational freedom of choice.
3. It is unlikely that the arrival on the Hill of the legislation will be a "quiet event." If we do not take the offensive when we send the bill forward, we risk the evening news being dominated by our critics. We made a similar mistake when we made our Bob Jones decision and released it late on a Friday night without supporting statements. We then suffered 72 hours of criticism until we were forced to do an "about face." When we take a bold initiative such as tuition tax credits, we must go on the offensive if we are to overcome "establishment" opposition.
4. It will help us early on to cement the coalition we need to pass the legislation.

cc: Mike Uhlmann
Roger Porter

THE WHITE HOUSE
WASHINGTON

Ed,

6/16

Bill Barr + Mike
Uhlmann share my view
on the need for a "high-
profile" event.

Gay B.

OFFICE OF POLICY DEVELOPMENT

file
TTTC

STAFFING MEMORANDUM

DATE: 6/18/82 ACTION/CONCURRENCE/COMMENT DUE BY: _____SUBJECT: 8:00 am Mtgs - 6/17

	ACTION	FYI		ACTION	FYI
HARPER	<input type="checkbox"/>	<input type="checkbox"/>	DRUG POLICY	<input type="checkbox"/>	<input type="checkbox"/>
PORTER	<input type="checkbox"/>	<input type="checkbox"/>	TURNER	<input type="checkbox"/>	<input type="checkbox"/>
BARR	<input type="checkbox"/>	<input type="checkbox"/>	D. LEONARD	<input type="checkbox"/>	<input type="checkbox"/>
BAUER	<input type="checkbox"/>	<input type="checkbox"/>	OFFICE OF POLICY INFORMATION		
BOGGS	<input type="checkbox"/>	<input type="checkbox"/>	GRAY	<input type="checkbox"/>	<input type="checkbox"/>
BRADLEY	<input type="checkbox"/>	<input type="checkbox"/>	HOPKINS	<input type="checkbox"/>	<input type="checkbox"/>
CARLESON	<input type="checkbox"/>	<input type="checkbox"/>	OTHER		
FAIRBANKS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
FERRARA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GUNN	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
B. LEONARD	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
MALOLEY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
SMITH	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
THI MANN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

o Elizabeth Dole indicated that if we were going with the tuition tax credit legislation tomorrow that it was important to have the President involved.

Rema o Duberstein responded that heavy presidential involvement could upset the budget strategy and that he understood we had decided through the legislative strategy group that the President would not be heavily involved in a visible way and that the President already had given a major speech on the issue in Chicago.

- o Dole responded that if the President was not going to take a high profile on the submission of the legislation then we should wait for a week and hold briefings for the outside groups that support us in the White House and arm them with materials to answer the technical questions that are certain to arise.

PI o Ken Cribb observed that if we don't go with it this week we will get criticism from these groups and advised against waiting a week.

- o Duberstein added that waiting a week would not be good from his standpoint because next week the congressional

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15)

calendar would be packed with the debt ceiling increase, and the veto votes on the urgent supplemental and possibly a tax bill.

- o Dole then said that if we got some groups into the White House couldn't the President simply drop by (without any press) and show to them their support for five minutes.
- o Deaver responded by observing (strongly) that there is no such thing as a "five minute" meeting with the President, that several months ago we adopted a fourteen day rule for putting things on the President's schedule and that this sensible procedure was being constantly violated. Moreover, he observed, the President's schedule was extremely tight.
- The remainder of the discussion brought the issue to the following conclusion:
 1. We can be ready to go with both the legislation and fact sheet and materials this week. Darman claimed that the paperwork is already done.
 2. Dole will call in the interested outside groups this week (Friday). The President will drop by.
 3. There will be no press involved.
 4. We will send up the legislation this Friday.

"Naghten rule, modified by a somewhat stricter limitation referring to a 'result of a mental disease or defect.'"

Second, this bill would clearly place the burden of proof upon the defendant to establish by a preponderance of the evidence the defense of insanity. Finally, this legislation will establish the verdict of "guilty but mentally ill" in the Federal law, a verdict now available to the courts in my own State of Indiana.

There being no objection, the article was ordered to be printed in the Record, as follows:

(From the Washington Post, June 23, 1982)

(James Grady)

... AND SUCCESS

By all accounts, the most successful American of the 1980s is John W. Hinckley Jr., "the man who tried to assassinate Ronald Reagan."

This common identification of Hinckley shows the reporting error that masks his success; his goal was not to assassinate the president. Hinckley sought and found fame. It doesn't matter that he didn't kill Ronald Reagan because Hinckley never wanted that. Ronald Reagan could have been or—given Hinckley's history—might have been Jimmy Carter. Or John Lennon, if Hinckley had been imaginative enough to be the first to realize that politicians aren't the only ones with limelights to steal.

What price has Hinckley paid for his glory? Almost none.

Instead of continuing his chancy life as a drifter, he is in all probability now assured of quality food, shelter and medical attention for the rest of his life. How many other Americans are that lucky? Or that deserving? He lost nothing when society took away his freedom of motion because he wasn't going anywhere anyway except in pursuit of his dream.

Which he caught. Hinckley wanted specific fame, fame in which he won the attention of a movie star he idolized and in so doing, forged their names, together in history. Pity his dream girl, Jodie Foster, for Hinckley's criminal success has her innocent name carved on its heart.

True, he'll never "get" Jodie Foster in the flesh, never "have" her love. But love—either sexual or personal—means little to Hinckley. Besides, he didn't want Jodie Foster to love him. He wanted to be the man the public saw at the center of her life. And he is.

To execute Hinckley would have changed nothing about his success except the way in which his name is flashed in lights. Death deprives him only of the necessity of certain, ultimately transitory biological functions like breathing and backaches. Execution would have won Hinckley another set of headlines in the weekly supermarket tabloids: "Last Gasp of Twisted, Star-Crossed Lover Turned Presidential Shootist!"

Hinckley is the Me Generation come of age. His ego is absolutely free of any self-doubt or confusing questions about moral consequence. The vacillations ascribed to him by witnesses at his trial are concerned with effectiveness, not justice. He worried only about whether his "Taxi Driver" like dramatic production would work, not whether it was right or wrong.

There'd been failures on his way to fame before. He'd tried to be rock star and a Nazi, but both of these time-proven techniques required too much commitment and talent for our John. Yet he was undaunted, savvy enough to realize that the path to success has many milestones. At some you stumble.

But Hinckley worships the Sole Commandment of the National Football League Religion: winning is the only thing.

Our boy's only strength is that unshakable faith in his own petty pleasure. He pursued his Hollywood Princess far more diligently than most of us dare pursue our dreams. How many of us who sigh when Jacqueline Bisset or Robert Redford flash on the silver screen have the courage to approach our object of romance? Have, like Hinckley, the determination to pursue our yearnings across this continent? The spirit to give that full 110 percent effort extolled by coaches everywhere? Rejections and failures didn't discourage John boy. He kept plugging away for fame, fighting to be as big as the Beatles, reaching for his Andy Warhol prime time promise—and more. John Boy Hinckley wouldn't settle for a fleeting 15 minutes. He wanted history.

How easy it was for him to get it.

Of course, our boy had the good luck to live in a culture where success is the final ethic and during these modern times when two new dimensions have been added to the success game: success is increasingly measured by fame, not fortune, and never before has the process of mere fame been so institutionalized and industrialized as it is America today. Fame's temples are everywhere, from "respectable" weekly magazines like People to the supermarket tabloids; from TV's "soft" feature programs mixed in with the "hard" news shows to "personality specials" where the height of success is to have Barbara Walters ask what kind of tree you'd be if God had been less discriminating in his creative plan. This television season threw away all pretense, and gave America a show flat-out dedicated to that two dimensional vision, "Fame." "I'm gonna live forever!"

To cast Hinckley as insane or a victim of American society is absurd semantics. You are only crazy if you fail. Ask the Wright brothers, who were the ultimate loony birds. Ask the 19th century feminists, who had to be certifiably nuts to believe any woman was worth more than the procreation, recreation and exploitation ordained by both nature and divine civilization. As for being a "victim," Hinckley lost next to nothing in conceiving, calculating and controlling an "impossible" dream, which he blasted into reality.

But there are victims scattered throughout Hinckley's ultimate success: Jodie Foster. Ronald Reagan. James Brady. Thomas Delahanty. Timothy McCarthy. Their friends and families. Even Hinckley's family. And everyone who doesn't want to become a casualty on some creep's bloody stairway to the stars.Ⓢ

By Mr. DOLE (for himself, Mr. ROTH, and Mr. D'AMATO). S. 2673. A bill to amend the Internal Revenue Code of 1954 to provide a Federal income tax credit for tuition; to the Committee on Finance.

TUITION TAX CREDIT

Mr. DOLE. Mr. President, I have been a longtime supporter of providing Federal income tax relief for lower and middle income families who carry the additional burden of supporting the public schools while sending their children to private schools. Because of this double burden, an alternative to public education simply is not available to lower income families today and is not available to middle-income families without substantial sacrifice. Inflation in recent years has made mat-

ters worse. Yet alternatives to public education contribute to the pluralism that help make our society strong. Alternatives to public education can also help stimulate improvements in our public schools through the competition those alternatives present. A strong system of private schools, available to all income classes, should contribute to a better education for all of our children. And an educated, skilled populace is an essential ingredient in maintaining and improving this Nation's technological and industrial prominence.

President Reagan made a campaign promise to provide relief to these families who carry a double burden by providing a tax credit for a portion of the tuition they pay for their children's education. Today, I am pleased to assist the President in taking the first step down the path of fulfilling that promise by introducing the administration's tuition tax credit bill.

PHASED-IN, NONREFUNDABLE CREDIT

This bill would phase in, over 3 years, a nonrefundable tax credit for one-half of tuition payments for the primary or secondary education of a taxpayer's dependents, up to a maximum per student of \$100 in 1983, \$300 in 1984, and \$500 thereafter. The credit would be phased out for families with incomes of more than \$50,000 per year, and those with income in excess of \$75,000 per year would be ineligible. The well-to-do will not benefit from this bill.

NO CREDITS FOR DISCRIMINATORY SCHOOLS

Although I support tuition tax credits in principle, I would not support any bill without adequate safeguards insuring that tax credits would not be allowed for payments to private schools with racially discriminatory policies or practices. Earlier this year, the Finance Committee had occasion to review the controversy surrounding the granting of tax-exempt schools with racially discriminatory policies. It is clear from this experience that we must be careful in considering any new tax provision that might provide even indirect assistance to racially discriminatory private schools. This bill contains several provisions intended to disallow tax credits for tuition payments to racially discriminatory schools. The Finance Committee must carefully review these provisions to insure that the allowance of tuition tax credits will not in any way frustrate our fundamental national policy against racial discrimination in education.

The administration's bill has a three-pronged approach to this problem. In the first place, a school cannot qualify to receive tax-creditable tuition payments under this bill unless it is a tax-exempt educational institution under code section 501(c)(3). The Supreme Court will soon be considering the nondiscrimination standards that must be met in order to enjoy Federal tax exemption.

A school's failure to satisfy those standards will automatically disqualify it from receiving tax-creditable tuition payments. This bill, of course, would not affect the question of what non-discrimination standards are applicable, under sections 501(c)(3) and 170 of the Internal Revenue Code, to tax-exempt private schools generally. That decision remains with the Court.

This bill goes further, and adds two additional provisions designed to disallow tax credits for tuition payments to discriminatory private schools. At the end of a calendar year for which tuition tax credits may be claimed, the school would be required to submit to the IRS a statement, subject to penalties for perjury, certifying that the school has not followed a racially discriminatory policy during the calendar year.

In addition, if the Attorney General received a complaint that the school had discriminated against an individual, the Attorney General would be authorized to bring a declaratory judgment proceeding in district court to establish that a school, in fact, maintained a racially discriminatory policy. If the Attorney General prevailed in such a suit, credits would be disallowed for tuition payments to the school for 3 years.

It is my hope that the Finance Committee would review the nondiscrimination standards and procedures set forth in this bill with the assistance and counsel of experts and interested laymen in the fields of education, civil rights, and law.

CONSTITUTIONALITY

In addition to the discrimination problem, many opponents claim that, because of the religious affiliation of many private schools, tax relief for tuition payments violates the establishment clause of the first amendment. I do not agree, but it does not necessarily matter what I or any other Senator thinks about the constitutionality of this measure. So long as we are convinced that the provision does not clearly violate the first amendment, and the court decisions in this area are anything but unanimous and clear, it is up to the Supreme Court to decide the constitutionality of this provision, not us.

FISCAL RESTRAINT

Other opponents of tuition tax credits point to the burgeoning deficits and the painful process that Congress faces over the next year or 2 in learning what "fiscal restraint" means as reasons not to move forward. Our task on the Finance Committee in making tough decisions on medicare, medicaid, and welfare, and in finding more than \$20 billion in new revenues for fiscal year 1983 is perhaps one of the more painful, though necessary steps down that road. I am the first to admit the difficulty of the task we face.

In light of these challenges, immediate action on this bill or on any new or expanded tax expenditure may not be possible. The administration has rec-

ognized these restraints and is to be commended for scaling back, especially in the early years, the fiscal impact of the proposed tuition tax credit. With the 3-year phase in, the lack of a refundability provision, the lack of credits for college-level education, and the high-income phaseout, the fiscal 1983 cost of this bill is estimated at approximately \$100 million, and for fiscal 1984, approximately \$600 million. While we certainly must complete the process of finding the revenues the budget resolution directs us to find, before we turn to any new or expanded tax expenditures, an improving economy later this year and success in finding additional spending cuts may permit us to make progress on modest versions of ideas such as this sooner than some of us anticipated in the darker months of the recession that now shows signs of ending.

In short, Mr. President, tuition tax credits for low- and moderate-income families is an idea whose time has come. I will not deny that the proposal presents some thorny issues, but I do not think any are incapable of solution. I welcome constructive suggestions for improvement and hope we can meet any responsible criticisms. If I were not confident of the ultimate and timely success of this measure, I would not introduce it today.

Mr. President, I ask unanimous consent that the bill, an explanation of the bill, and the President's transmittal letter be printed in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

S. 2073

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 1. SHORT TITLE.

This Act may be cited as the "Educational Opportunity and Equity Act of 1982".

SEC. 2. CONGRESSIONAL FINDINGS.

The Congress finds that it is the policy of the United States to foster educational opportunity, diversity, and choice of all Americans. Therefore, Federal legislation should recognize that:

(A) pluralism is one of the great strengths of American society, that diversity in education is an important contributor to the pluralism, and that nonpublic schools play an indispensable role in making that diversity possible;

(B) the existence and availability of alternatives to public education tend to strengthen public education through competition and to improve the educational opportunities of all Americans;

(C) Americans should have equal opportunities to choose between the education offered by public schools and that available in private educational systems and should not be compelled because of economic circumstances to accept education provided by government created and government operated school systems, and that to force such a selection is an unfair and unjust discrimination against persons of lesser means;

(D) increasing number of American families are unable to afford nonpublic school tuition in addition to the state and local taxes that go to support public schools, and that tax relief for nonpublic school tuition

expenses is necessary if American families are to continue to have a meaningful choice between public and private education at the elementary and secondary level;

(E) tax relief in the form of tuition tax credits is the fairest way to extend a choice in education to a wide range of individuals, that tax relief in the form of tuition tax credits creates the least possible danger of interference in the lives of individuals and families consistent with achieving these ends, and that tax relief in the form of tuition tax credits achieves these ends with a minimum of complexity so that those for whom the tax relief is intended will be able to understand and take advantage of it;

(F) the tax revenue loss occasioned by a tuition tax credit for a child would be small compared to the cost to state and local taxpayers of educating the child at a public school;

(G) equality of educational opportunity is the policy of the United States, and the tax relief afforded by this legislation should not be used to promote racial discrimination.

Therefore, the primary purpose of this Act is to enhance equality of educational opportunity, diversity, and choice for Americans. The Congress finds that this Act will expand opportunities for personal liberty, diversity, and pluralism that constitute important strengths of education in America.

SEC. 3. CREDIT FOR TUITION EXPENSES.

Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credits allowable) is amended by inserting before section 45 the following new section:

"SEC. 44E. CREDIT FOR TUITION EXPENSES.

"(a) GENERAL RULE.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to 50 percent of the tuition expenses paid by the taxpayer during the taxable year to one or more educational institutions for any of his dependents (as defined in section 152(a)(1), (2), (3), (6), or (9)) who has not attained the age of 20 at the close of the taxable year in which the tuition expenses are paid and with respect to whom the taxpayer is entitled to a deduction for the taxable year under section 151.

"(b) LIMITATIONS.—

"(1) MAXIMUM DOLLAR AMOUNT PER INDIVIDUAL.—The amount of the credit allowable to a taxpayer under subsection (a) with respect to tuition expenses paid on behalf of each dependent shall not exceed—

"(A) \$100 in the case of tuition expenses paid during the taxpayer's first taxable year beginning on or after January 1, 1983;

"(B) \$300 in the case of tuition expenses paid during the taxpayer's first taxable year beginning on or after January 1, 1984; and

"(C) \$600 in the case of tuition expenses paid for each taxable year of the taxpayer beginning on or after January 1, 1985.

"(2) PHASEOUT OF CREDIT ABOVE CERTAIN ADJUSTED GROSS INCOME AMOUNTS.—The maximum amount specified in paragraph (1) shall be reduced by the following percent of the amount by which the adjusted gross income of the taxpayer for the taxable year exceeds \$50,000 (\$25,000 in the case of a married individual filing a separate return)—

"(A) 0.4 percent for the first taxable year of the taxpayer beginning on or after January 1, 1983;

"(B) 1.2 percent for the first taxable year of the taxpayer beginning on or after January 1, 1984; and

"(C) 2.0 percent for each taxable year of the taxpayer beginning on or after January 1, 1985.

"(c) SPECIAL RULES.—

"(1) ADJUSTMENT FOR SCHOLARSHIPS AND FINANCIAL ASSISTANCE.—Tuition expenses paid by the taxpayer shall be reduced by any amounts which were paid to the taxpayer or his dependents as—

"(A) a scholarship or fellowship grant (within the meaning of section 117(a)(1)) which is not includible in gross income under section 117;

"(B) an educational assistance allowance under chapter 32, 34, or 35 of title 38, United States Code; or

"(C) other financial assistance which is for educational expenses, or attributable to attendance at an educational institution, and that is exempt from income taxation by any law of the United States (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)).

"(2) DISALLOWANCE OF CREDITED EXPENSES AS DEDUCTION.—No deduction or credit shall be allowed under any other section of this chapter for any tuition expense to the extent that such expense is taken into account in determining the amount of the credit allowed under subsection (a) unless the taxpayer elects, in accordance with regulations prescribed by the Secretary, not to apply the provisions of this section to such tuition expenses for the taxable year.

"(d) TAX CREDIT NOT ALLOWED FOR AMOUNTS PAID TO RACIALLY DISCRIMINATORY INSTITUTIONS.—

"(1) REQUIRED ANNUAL STATEMENTS.—No credit shall be allowed under subsection (a) for amounts paid to an educational institution during a calendar year unless, at the end of such calendar year, the educational institution files with the Secretary (in such manner and form as the Secretary shall by regulation prescribe) a statement, subject to the penalties for perjury, that

(A) declares that such institution has not followed a racially discriminatory policy during such calendar year; and

(B) indicates whether the Attorney General has brought an action against such institution under section 7408 during such calendar year or either of the two preceding calendar years.

On or before January 31 of the calendar year succeeding the calendar year to which the statement relates, the institution shall furnish a copy of the statement to all persons who paid tuition expenses to the institution in the calendar year to which the statement relates. No credit shall be allowed to a taxpayer under subsection (a) for amounts paid to an educational institution during a calendar year unless the taxpayer attaches to the return on which the taxpayer claims the credit with respect to such calendar year a copy of the statement specified in this paragraph.

"(2) DECLARATORY JUDGMENT PROCEEDINGS.—If an educational institution is declared to have followed a racially discriminatory policy in an action brought pursuant to section 7408, then no credit shall be allowed under subsection (a) for amounts paid to such educational institution—

"(A) in the calendar year during which the Attorney General commenced the action pursuant to section 7408, and

"(B) in the calendar years immediately succeeding the year specified in subparagraph (A).

"(3) DEFINITION.—For purposes of this subsection, an educational institution follows a 'racially discriminatory policy' if it refuses, on account of race—

(A) to admit applicants as students;

(B) to admit students to the rights, privileges, programs, and activities generally

made available to students by the educational institution; or

(C) to allow students to participate in its scholarship, loan, athletic, or other programs.

A racially discriminatory policy shall not include failure to pursue or achieve any racial quota, proportion, or representation in the student body. The term 'race' shall include color or national origin.

"(4) TIME OF DISALLOWANCE.—No credit shall be disallowed under paragraph (2) until the judgment against the educational institution in the action brought under section 7408 has become final. A judgment becomes final within the meaning of this paragraph when all parties to the action have exhausted all appellate review.

"(5) STATUTE OF LIMITATIONS.—If a credit is disallowed under paragraph (2), the period for assessing a deficiency attributable to the disallowance of such credit shall not expire before the expiration of 3 years from the date the judgment becomes final within the meaning of paragraph (4). Any such deficiency may be assessed before the expiration of such three-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.

"(6) ENFORCEMENT RESPONSIBILITY.—Exclusive authority to enforce the prohibition against following a racially discriminatory policy under this subsection, or to undertake activities connected with enforcing this subsection, is vested in the Attorney General. Under this subsection, the Secretary has authority solely to receive the statements referred to in paragraph (1); to disallow credits for amounts paid to an educational institution which has failed to file such a statement as provided in paragraph (1); to disallow a credit in the case of a taxpayer who fails to comply with the procedures prescribed by the Secretary for claiming the credit; and to disallow credits for amounts paid to an educational institution against which a final judgment has been entered in an action under section 7408 as provided in paragraphs (2) and (4).

"(e) DEFINITIONS.—For purposes of this section—

"(1) EDUCATIONAL INSTITUTION.—The term 'educational institution' means a school that

(i) provides a full-time program of elementary or secondary education;

(ii) is a privately operated, not-for-profit, day or residential school; and

(iii) is exempt from taxation under section 501(a) as an organization described in section 501(c)(3), including church-operated schools to which subsections (a) and (b) of section 508 do not apply.

"(2) TUITION EXPENSES.—The term 'tuition expenses' means tuition and fees paid for the full-time enrollment or attendance of a student at an educational institution, including required fees for courses, and does not include any amount paid for

"(A) books, supplies, and equipment for courses of instruction at the educational institution;

"(B) meals, lodging, transportation, or personal living expenses;

"(C) education below the first-grade level, such as attendance at a kindergarten, nursery school, or similar institution; or

"(D) education above the twelfth-grade level."

SEC. 4. DECLARATORY JUDGMENT PROCEEDINGS.

Subchapter A of Chapter 76 of the Internal Revenue Code of 1954 (relating to judicial proceedings) is amended by redesignating section 7408 as section 7409 and by inserting after section 7407 the following new section:

"SEC. 7408. DECLARATORY JUDGMENT RELATING TO RACIALLY DISCRIMINATORY POLICIES OF SCHOOLS.

"(a) IN GENERAL.—Upon petition by a person who alleges that he has been discriminated against under a racially discriminatory policy of an educational institution, the Attorney General is authorized, upon finding good cause, to bring an action against the educational institution in the United States district court in the district in which the educational institution is located, seeking a declaratory judgment that the educational institution has followed a racially discriminatory policy and has, pursuant to such policy, discriminated against the person filing the petition.

"(b) TIME FOR FILING PETITION.—The petition shall be filed with the Attorney General within 180 days after the date on which the act of racial discrimination is alleged to have been committed against the person filing the petition.

"(c) NOTIFICATION AND OPPORTUNITY TO COMMENT.—Upon receipt of the petition, the Attorney General shall promptly notify the educational institution in writing of such petition and the allegations contained therein. Before any action may be filed, the Attorney General shall give the institution a fair opportunity to comment on all allegations made against it and to show that the racially discriminatory policy alleged in the petition does not exist or has been abandoned.

"(d) TIME FOR BRINGING ACTION.—An action may be filed by the Attorney General no later than 1 year after receiving the petition.

"(e) DEFINITIONS.—When used in this section, the terms 'educational institution' and 'racially discriminatory policy' shall have the same meaning as assigned to such terms in section 44H."

SEC. 8. TECHNICAL AND CONFORMING AMENDMENT.

(a) The table of sections for subpart A of Part IV of subchapter A of chapter 1 of such Code is amended by inserting immediately before the item relating to section 45 the following:

"Sec. 44H. Tuition expenses."

(b) Section 6504 of the Internal Revenue Code of 1954 (relating to cross references with respect to periods of limitation) is amended by adding a new paragraph (12) at the end thereof:

"(12) Disallowance of tuition tax credits because of a declaratory judgment that a school follows a racially discriminatory policy, see section 44H(d)(5)."

(c) The table of sections for subchapter A of chapter 76 of the Internal Revenue Code of 1954 (relating to civil actions by the United States) is amended by striking out the item relating to section 7408 and inserting in lieu thereof:

"Sec. 7408. Declaratory judgment relating to racially discriminatory policies of schools."

"Sec. 7409. Cross references."

SEC. 9. TAX CREDITS ARE NOT FEDERAL FINANCIAL ASSISTANCE.

Tax credits claimed under this section shall not constitute Federal financial assistance to educational institutions or to the recipients of such credits.

SEC. 7. EFFECTIVE DATE.

The amendments made by section 3 of this Act shall apply to taxable years begin-

ning after December 31, 1982, for tuition expenses paid after that date.

THE WHITE HOUSE,

Washington, D.C., June 22, 1982.

Hon. GEORGE BUSH,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: I am herewith transmitting to the Senate proposed legislation entitled "The Educational Opportunity and Equity Act of 1982." This bill would provide for increased diversity in educational opportunity by providing tax relief for parents who choose to send their children to nonpublic schools.

Diversity in educational opportunity has been one of the great strengths of our nation. It is a foundation of our pluralistic society and essential to a nation which places a high value on individual freedom.

We are justly proud of our public schools, which now offer a free education through the primary and secondary school levels to all American children willing to take advantage of it. At the same time, we must remember the important role that has been played since the beginning of our nation by the diverse nonpublic schools which also offer an education to American children. Now, as they did prior to the establishment of our public school system, parents cherish their ability to choose from a wide range of educational opportunities for their children. It is of great importance to the continued vitality of our society that parents have a meaningful choice between public education and the many forms of private education that are available.

It is also important that there be innovation and experimentation in education. The existence of many private, as well as public, schools assures that new and possibly more effective teaching approaches will not go untested. It is also important that the differing needs and demands of students and their parents be met. Parents who, for whatever reason, are not satisfied by the education available in their local public schools should be able to seek an education better suited to their children elsewhere. Furthermore, the existence of a viable private alternative should maintain a healthy pressure on public education authorities to maintain educational standards and meet student needs.

As we are all aware, the cost of education, both public and private, has risen dramatically in recent years. We all bear the burden of the rising costs of public education through state and local taxation, directly or indirectly. But those parents who wish their children to attend nonpublic schools must also bear the additional burden of paying private-school tuition. This additional cost has always severely limited the ability of lower-income families to choose the nonpublic educational alternative for their children. Rising costs are now putting private schools beyond the reach of a growing number of middle-income Americans as well. If we are to provide a meaningful choice to those who have not had it in the past, and preserve a choice for those for whom it is in danger of becoming an illusion, we must find a way to lighten the "double burden" these families bear.

We must also bear in mind that private schools do more than offer alternative educational choices to students and their parents. Nonpublic schools also carry a significant part of the burden of providing primary and secondary school education in this country. If it becomes financially impossible for many of the families now sending their children to nonpublic schools to continue to do so, the resulting increase in public school attendance will place large and unwelcome

new tax burdens on state and local taxpayers. The cost to taxpayers of offering some tax relief to parents, so that they can afford to keep their children in the private schools of their choice, is modest compared to the cost of educating their children in the public schools.

Thus, in order to promote diversity in education and the freedom of individuals to take advantage of it, and to nurture the pluralism in American society which this diversity fosters, I am transmitting to Congress today a draft bill which provides federal tax credits for the tuition expenses of children attending nonpublic primary or secondary schools. Starting in 1983, the Education Opportunity and Equity Act of 1982, if enacted, would allow a tax credit for the tuition expenses of each student attending a private, nonprofit primary or secondary school. By 1985, when this new tuition tax credit would be fully phased in, a credit equal to 50 percent of tuition expenses paid during the year, but not to exceed \$500, would be allowed for each student.

While it would be desirable for the reasons I have already mentioned to extend as well, the large losses in federal tax revenues which would result make it impossible to recommend such legislation at this time. Today's proposal makes an important start by providing this relief where it is most necessary.

Sincerely,

RONALD REAGAN.

EXPLANATION OF ADMINISTRATION BILL

The Administration's bill would allow an individual taxpayer to take a credit against income tax in an amount up to 50 percent of the qualifying tuition expenses paid by the taxpayer in a taxable year. Qualifying tuition expenses are expenses paid for tuition and fees to send certain dependents under the age of 20 full-time to private elementary or secondary schools. Qualifying tuition expenses do not include amounts paid for books, supplies, equipment, meals, lodging, transportation, or personal expenses, or for education below the first-grade level or above the twelfth-grade level.

The credit is allowed only for expenses paid with respect to students for whom the taxpayer is allowed a dependency exemption and who bear any of the following relationships to the taxpayer: children and descendants; stepchildren; siblings, stepbrothers, and stepsisters; nieces and nephews; and members of the taxpayer's spouse, whose principal place of abode is the taxpayer's home. To be allowed a dependency exemption, the taxpayer must provide more than half of the student's support for the calendar year in which the taxpayer's year begins, and except for the taxpayer's children and stepchildren, the student must have less gross income than the amount of the exemption.

The amount of the credit that is allowable for the taxable year with respect to a student is subject to two limits. First, the maximum amount of credit that may be claimed by the taxpayer for each student in any taxable year is \$100 for the taxpayer's first taxable year beginning on or after January 1, 1983, \$300 for the first taxable year beginning on or after January 1, 1984, and \$500 for taxable years beginning on or after January 1, 1985.

Second, the maximum amount of credit per student is reduced as the taxpayer's adjusted gross income increases over \$50,000 and is phased out entirely for taxpayers with adjusted gross incomes of \$75,000 and over. For the first taxable year beginning on or after January 1, 1983, the \$100 per stu-

dent maximum credit is reduced by 4 percent of the taxpayer's adjusted gross income over \$50,000; for the first taxable year beginning after January 1, 1984, the \$300 per student maximum credit is reduced by 1.2 percent of the taxpayer's adjusted gross income over \$50,000; and for taxable years beginning on or after January 1, 1985, the \$500 per student maximum credit is reduced by 2.0 percent of the taxpayer's adjusted gross income over \$50,000.

The amount of tuition expense for which a taxpayer is allowed a credit does not include expenses that are paid by scholarships and other educational aid that are not includible in the taxpayer's or in the student's income. If the scholarship is paid directly to the school and the school sends a tuition bill to the taxpayer that is net of the scholarship, the taxpayer is not deemed to have been paid the scholarship; the scholarship is excluded from the computation of tuition expense altogether.

A school with respect to which credits are allowable must provide a full-time elementary or secondary school program and must be a private, not-for-profit, day or residential school.

In addition, the school must be exempt from taxation under section 501(a) as an organization described in section 501(c)(3). Church-operated schools shall, pursuant to section 508(c), continue to be exempt from the provisions of section 508(a) and (b). The fact that credits are claimed for payments to a church-operated school shall not serve as a basis for imposing any new requirements on such schools in this regard.

The bill contains strong provisions to ensure that no credits will be permitted for amounts paid to schools that follow racially discriminatory policies.

A tax credit cannot be claimed unless the school is a tax exempt organization under section 501(c)(3). The bill also creates a new layer of protections above and beyond the 501(c)(3) requirement. In order for tuition expenses to be eligible for the credit, the school must annually file with the Secretary a statement under the penalties of perjury that it has not followed a racially discriminatory policy. In addition, the Attorney General of the United States, upon petition by an individual who claims to have been discriminated against by a school under a racially discriminatory policy, may seek a declaratory judgment in a United States district court in which the school is located that the school follows a racially discriminatory policy. If a final judgment is entered that the school follows a racially discriminatory policy, tuition tax credits are disallowed for the year in which the complaint is filed by the Attorney General and the two succeeding calendar years. The disallowance does not take effect until all parties have exhausted their rights to appeal the declaratory judgment.

The proposal defines a racially discriminatory policy as a policy under which a school refuses, on account of race: to admit applicants as students; to admit students to the rights, privileges, programs and activities generally made available to students by the school; or to allow students to participate in its scholarship, loan, athletic or other programs. A racially discriminatory policy does not include the failure by a school to pursue or achieve any racial quota, proportion, or representation among its students.

The proposal is effective for tuition expenses paid after December 31, 1982, in taxable years beginning after that date.

● Mr. PACKWOOD. Mr. President, I am delighted that the administration has submitted its tuition tax credit

proposal today. As one who has worked and worked over the years with Senator MOYNIHAN and others to help enact tuition tax credits, I look forward to working with the administration and other interested Members of Congress for enactment of this needed change.

Senator MOYNIHAN and I first introduced tuition tax credit legislation in 1977. We held extensive hearings in the Finance Committee. The Finance Committee approved tuition tax credits for elementary, secondary, college, and vocational students. However, the Senate deleted tuition tax credits for students at elementary and secondary schools in August of 1978.

Also in 1978 the House of Representatives approved a bill providing tuition tax credits for elementary, secondary, college, and vocational students. No bill was enacted in 1978, because the House and Senate could not agree on a single proposal. Specifically, the House of Representatives insisted on inclusion of elementary and secondary students, and the Senate objected.

Senator MOYNIHAN and I reintroduced tuition tax credit legislation in 1979, but we felt that we could not win enactment of tuition tax credits at the elementary and secondary level without Presidential support.

After President Reagan's election in 1980, we reintroduced tuition tax credit legislation, now pending before Congress as S. 550. In 1981 we had extensive hearings on S. 550. We believe that submission of this administration's proposal on tuition tax credits can be a very significant additional step toward enactment of tuition tax credits.

We have engaged in this cause because we believe in the importance of giving parents an opportunity to choose the best education for their children. We think the best educational opportunities will result if there are both public and private schools. We think that the continued existence of some schools not run by governments is in the best interest of quality education in America. The continued existence of non-Government schools is threatened by lack of adequate financial support. Parents who might consider enrolling their children in a non-Government run school face the double financial burden of paying taxes to support public schools and paying tuition to attend private schools. If they opt for the private school, they bear the cost of educating their child, while saving the cost to the Government of educating the child. I believe that a tuition tax credit for the parent in this situation is fiscally prudent as well as sound educational policy.

As I said a few minutes ago, I am delighted that the administration has submitted its new tuition tax credit bill, and I look forward to reviewing the proposal and working for enactment of tuition tax credits.●

TUITION TAX CREDITS

● Mr. MOYNIHAN. Mr. President, the proposal of tuition tax credits by a President of the United States is a moment to consider in the context of history, for it is the first time an American President has sent Congress legislation to provide such credits. Several candidates for the office have pledged so to do but only President Reagan has been in a position to keep that pledge and he has done so today by sending to Congress the text of S. 550.

I commend the President for fulfilling his promise; I shall work with him toward the passage of tuition tax credit legislation in the time remaining in this Congress. Such a task shall not be without difficulty. For all the positive aspects of this bill there are some provisions that must give Congress reason to pause.

As my colleagues surely know, Senator Packwood and I have been strong proponents of tax credit legislation. I have introduced four such measures since my election to this body in 1976. In 1978, the House of Representatives passed a tuition tax credit bill; the Senate nearly did so. Only active opposition by the administration, in 1978, prevented tuition tax credits from becoming law.

Mr. President, tuition tax credit legislation was nearly enacted not simply because of promises made during recent national campaigns. There is a larger promise extended to all the school children of this Nation; a promise dating from the enactment of the Elementary and Secondary Education Act of 1965, a promise, in the words of the plank in the Democratic Platform of 1964 which I crafted stating:

New methods of financial aid must be explored, including the channelling of federally collected revenues to all levels of education, and, to the extent permitted by the constitution, to all schools.

I speak from what is, by now, a rather long involvement with the question of Federal aid to education; 17 years ago, when those of us in the administration of President Johnson set out to draft a program of assistance to America's schools, there was implicit in our debates an agreement that all schools would benefit. Indeed, the support of leaders in nonpublic education for the Elementary and Secondary Education Act of 1965 followed from the understanding that their schools, too, would one day benefit.

That promise has yet to be kept. Nonpublic schools, in virtually every respect, are similar to public schools. They are good schools. In many areas, particularly in the urban center, they educate large numbers of minority and disadvantaged children—precisely those that Congress sought to assist with passage of the 1965 act. Nonpublic schools, of necessity, operate on limited budgets. Over the past 5 years, Senator Packwood and I have chaired 5 full days of hearings in the Senate on tuition tax credit legislation and if

one thing has been established, it is that nonpublic schools are neither elitist institutions nor are they to be somehow suspect for not being operated under the auspices of the Government.

Providing assistance to nonpublic schools is, then, a complement to our Nation's general commitment to assisting all elementary and secondary education. I reject the view that tuition tax credits can be provided at the expense of aid to public schools. I have repeatedly said the public schools come first. If tuition tax credits would serve to harm public schools, I would not favor their enactment. The point is that both sectors of our educational apparatus need and deserve support. When Senator Packwood and I introduced tuition tax credit legislation earlier in this Congress, I also introduced two separate bills designed in large part to aid public schools. None has yet passed. All three should, and I regret they have not as yet received the consideration they merit.

Does the President's bill fulfill the commitment made to nonpublic schools and their students nearly two decades ago? It could. But it will take some work. I would offer three reservations about this special proposal.

First, there must be an absolute requirement that no school that follows a discriminatory policy based on race should be allowed to benefit from the availability of a tuition tax credit provision in the United States Tax Code. Whether the civil rights protections in the President's bill and those in current law are clearly sufficient to this end will be the principal test for whether or not I can support this particular bill. The President, groups supporting this bill, and its advocates in Congress are in accord on the need for such protections. I would be less than candid, however, if I did not indicate that the administration's decision of January 8, 1982 to reverse a decade-long policy of enforcing nondiscrimination provisions with respect to these schools generates a certain degree of anxiety as to the administration's commitments in these matters. The administration will have to address this question with greater clarity before Congress will enact this legislation. Officials from the Treasury and Justice Departments will be asked for explanations as to how they will prevent tuition tax credits from being used on behalf of schools that discriminate. For my part, I pledge to do all I can to eliminate whatever doubts persist including, if necessary, proposing additional safeguards.

Second, the administration's omission of a refundability provision in its bill means that low income families will be unable to benefit from enactment of tuition tax credits. Those families with no tax liability, or a liability less than the amount of whatever credit they might be entitled to receive, are precisely those with the

least number of options to choose from in educating their children. Tuition tax credits should expand educational opportunity. The administration's bill would restrict the usefulness of tax credits for that portion of the population that Federal aid to education must and should serve. I will offer an amendment to the administration's bill that would make tuition tax credits fully refundable.

Last, there are those who would challenge the legality of tuition tax credits. There should be, in my view, a procedure whereby constitutional challenges to tuition tax credits could receive expedited review in the courts. Therefore, I will offer an amendment to the administration's bill that provides for expedited review so that parents who wish to make use of the credits will not face a prolonged period of uncertainty when making decisions as to the education of their children.

Mr. President, I would hope that the reservations I have expressed would not serve to detract from the commendation the President deserves for having put forth this legislation. I would hope, only, that we regard the administration's bill as a working draft—a proposal we might now use in the Finance Committee and on this floor to move our Nation forward to enactment of an equitable and reliable tuition tax credit measure.

The issue is above politics. Both the platforms of the Republican Party and the Democratic Party have consistently pledged support for the concept of Federal assistance to nonpublic schools. The most recent Democratic platform said:

Private schools, particularly parochial schools, are also an important part of our diverse educational system. The Party accepts its commitment to the support of a constitutionally acceptable method of providing tax aid for the education of all pupils in schools which do not racially discriminate and excluding so-called segregation academies.

The Republican Party platform in 1980 was even more explicit:

Federal education policy must be based on the primary of parental rights and responsibility. Toward that end, we reaffirm our support for a system of educational assistance based on tax credits that will in part compensate parents for their financial sacrifices in paying tuition at the elementary, secondary, and post-secondary level.

I note, too, that Ronald Reagan was not the first Presidential candidate to endorse tuition tax credits. So did George S. McGovern. So did Hubert H. Humphrey.

The consensus on the need for tuition tax credits derives, as I have said, from this Nation's commitment to assisting in the education of its young people. It is a commitment born in the struggle for the first program of Federal aid to elementary and secondary education in the 1960's. It is a commitment that ought now to be fulfilled in the 1980's. As I wrote of this matter in 1961 in *The Reporter*, "Public Policy is open to discussion." The President has

provided us with a vehicle for such a discussion.

ADDITIONAL COSPONSORS

S. 139

At the request of Mr. HATCH, the Senator from Wisconsin (Mr. KASTEN) was added as a cosponsor of S. 139, a bill entitled the "Comprehensive Health Care Reform Act."

S. 1018

At the request of Mr. CHAFER, the Senator from Washington (Mr. JACKSON) was added as a cosponsor of S. 1018, a bill to protect and conserve fish and wildlife resources, and for other purposes.

S. 1929

At the request of Mr. HATCH, the Senator from North Dakota, (Mr. BURDICK) was withdrawn as a cosponsor of S. 1929, a bill to amend the Public Health Service Act and the Federal Cigarette Labeling and Advertising Act to increase the availability to the American public of information on the health consequences of smoking and thereby improve informed choice, and for other purposes.

S. 2000

At the request of Mr. DOL, the Senator from Illinois (Mr. DIXON) was added as a cosponsor of S. 2000, a bill to amend title 11, United States Code, to establish an improved basis for providing relief under chapter 7, and for other purposes.

S. 2167

At the request of Mr. SPECTER, the Senator from Utah (Mr. GARN) was added as a cosponsor of S. 2167, a bill to amend the Unfair Competition Act of 1979 and Clayton Act to provide for further relief in the event of unfair foreign competition.

S. 2225

At the request of Mr. BAUCUS, the Senator from Massachusetts (Mr. KENNEDY) was added as a cosponsor of S. 2225, a bill to amend the Internal Revenue Code of 1954 to remove certain limitations on charitable contributions of certain items.

S. 2242

At the request of Mr. RIEGLE, the Senator from Ohio (Mr. METZENBAUM) was added as a cosponsor of S. 2242, a bill to amend titles XVIII and XIX of the Social Security Act to provide more adequate coverage of the services of mental health specialists under the medicare part B program and under the medicare program.

S. 2270

At the request of Mr. LUGAR, the Senator from Alaska (Mr. MURKOWSKI) was added as a cosponsor of S. 2270, a bill to amend section II of the Social Security Act to provide generally that benefits thereunder may be paid to aliens only after they have been lawfully admitted to the United States for permanent residence, and to impose further restriction on the right of any alien in a foreign country to receive such benefits.

S. 2304

At the request of Mr. DECONCINI, the Senator from Nebraska (Mr. ZORINSKY) was added as a cosponsor of S. 2304, a bill to amend title 18 to limit the application of the exclusionary rule.

S. 2455

At the request of Mr. HEINZ, the Senator from Washington (Mr. GORTON), the Senator from Illinois (Mr. DIXON), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Pennsylvania (Mr. SPECTER), the Senator from New Mexico (Mr. SCHMITT), the Senator from California (Mr. CRANSTON), the Senator from Georgia (Mr. NUNN), the Senator from Maryland (Mr. MATHIAS), the Senator from West Virginia (Mr. RANDOLPH), the Senator from Kentucky (Mr. FORD), the Senator from Louisiana (Mr. LONG), and the Senator from North Dakota (Mr. ANDREWS) were added as cosponsors of S. 2455, a bill to extend the targeted jobs tax credit.

S. 2517

At the request of Mr. MATHIAS, the Senator from Utah (Mr. GARN) was added as a cosponsor of S. 2517, a bill to revise the first section of the Clayton Act to expand the scope of the antitrust laws, and for other purposes.

S. 2550

At the request of Mr. HEINZ, the Senator from Connecticut (Mr. WEICKER) and the Senator from Maryland (Mr. MATHIAS) were added as cosponsors of S. 2550, a bill to provide a program of Federal supplemental unemployment compensation.

S. 2562

At the request of Mr. ROTH, the Senator from Iowa (Mr. GRASSLEY) was added as a cosponsor of S. 2562, a bill to transfer the functions of the Department of Energy to other agencies, to maintain continuity in vital programs and relationships, to recognize the Federal Energy Regulatory Commission as a separate independent regulatory agency, and for other purposes.

S. 2572

At the request of Mr. THURMOND, the Senator from Kansas (Mr. KASSEBAUM) was added as a cosponsor of S. 2572, a bill to strengthen law enforcement in the areas of violent crime and drug trafficking, and for other purposes.

S. 2598

At the request of Mr. McCLURE, the Senator from North Carolina (Mr. HELMS) was added as a cosponsor of S. 2598, a bill to provide for the disposal of silver from the national defense stockpile through the issuance of silver coins.

SENATE JOINT RESOLUTION 159

At the request of Mr. ROTH, the Senator from Oklahoma (Mr. BOREN) and the Senator from Oregon (Mr. HARTFIELD) were added as cosponsors of Senate Joint Resolution 159, a joint

MEMORANDUM

file TTC

THE WHITE HOUSE
WASHINGTON

June 28, 1982

FOR: ALL MEMBERS OF TUITION TAX CREDITS WORKING GROUP ..
FROM: BOB THOMPSON
SUBJECT: Tuition Tax Credits

I thought you would enjoy seeing statements by Members of the House regarding TTC.

Thanks for your assistance to Legislative Affairs during the developmental process. I enjoyed working with each of you.

cc: KMD

then apparently accept wanton death and destruction with only a slight murmur.

Serious questions have been raised by the fighting in Lebanon, not the least of which is for Congress, perhaps for the first time, to find out precisely what the legal obligations and responsibilities are, both to the United States and our allies, when we sell or give weapons to a foreign country. The time has come for Congress to clearly understand the terms under which we sell or give arms to a foreign country, and, more importantly perhaps, the time has come for Congress to decide whether we have the courage and conviction to enforce the terms.

ADMINISTRATION'S SILENCE ENCOURAGES DEATH AND DESTRUCTION

(Ms. OAKAR asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. OAKAR. Mr. Speaker, one of the greatest sins during the Nazi era was silence.

This administration has been silent about the thousands killed in El Salvador, silent about the deaths of the American missionaries and the other Americans who were killed needlessly, silent about the massacre in Lebanon.

By their silence they give the green light to massacre of people throughout the world.

TRAGEDY IN LEBANON

(Mr. MAZZOLI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MAZZOLI. Mr. Speaker, I have wrestled with these words for several weeks and have not been able to find the right combination. I probably will not find the right combination today. But my conscience prevents me from passing up this opportunity to say something about the tragedy in Lebanon.

Mr. Speaker, I am greatly dismayed and distressed by the wanton carnage and killing, the destruction which is taking place in Lebanon, the thousands upon thousands of people who are being killed and murdered in that misadventure.

I am dismayed further, Mr. Speaker, by reports, and I hope they are false, reports of the fact that humanitarian aid, food aid, medical assistance, are being prevented from being delivered to the poor victims of this terrible tragedy.

I think it should be especially evident to the people of Israel that there is no way to kill an idea with bombs and bullets and napalm. You cannot kill an idea; you cannot kill a cause.

I would hope and pray that the nation of Israel, in the humanitarian tradition for which it has been known for many years, would cease and desist

from this terrible destruction and try to solve these problems diplomatically.

POLITICAL EXPEDIENCY IN THE WIND IN EL SALVADOR

(Mr. LELAND asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LELAND. Mr. Speaker, I heard two disturbing news reports this morning. CBS News says that 10 American military personnel have been observed in combat operations in El Salvador. The State Department denies it. I hope they are telling the truth. We have been down that path before—the wrong country, the wrong ally, the wrong intentions and a secretive attempt to delude the American people.

I also heard this morning that the Reagan administration is preparing to indict 175 young men for failure to register with Selective Service. I detect the odor of political expediency in the wind today. Their indictments, if they are forthcoming, will be called a "necessary example" to other young men.

I hope those indictments are evidence only of a broad concern for our national defense; that they have no plans for these young men who have registered. And I suggest that if they truly do not have such plans, they will be able to demonstrate that they do not by assuring the American people that we are not clandestinely involved in military action in El Salvador and by proceeding with justice and compassion, rather than with political righteousness, in the matter of those 175 young men who have not registered.

BALLOUT OF SOUTHERN CALIFORNIA SURFBOARD INDUSTRY

(Mr. LUNGREN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LUNGREN. Mr. Speaker, a little later today, we are going to discuss something that has been attached to the housing bailout bill.

Yesterday, a Member tried to have a steel bailout amendment adopted.

I just ask: When we have so many economic difficulties, where will this simplistic approach end?

I have a small industry in my district in which we build surfboards. I just wonder if we ought not to do something for them.

I have a very simple proposal: Buy 10 billion surfboards, hollow them out, pour petroleum into them, seal them, and then put them offshore. We will then have a floating strategic petroleum reserve.

I hope all of my colleagues understand how this is absolutely consistent with the housing bailout and the steel bailout. I certainly will await the calls from your offices as you jump on

board this very consistent and worthy cause to help us get out of the difficulties we have right now in the surfing industry in southern California.

OVERRIDING PRESIDENT'S VETO WORST THING FOR HOUSING INDUSTRY

(Mr. COURTER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. COURTER. Mr. Speaker, sometime later this morning, we are going to be given an opportunity to vote in favor or against sustaining the President's veto with regard to the urgent supplemental.

I urge my colleagues to perceive any type of attempt to override the President's veto as the best thing we can do for the housing industry.

I think, very frankly, it is the worst thing we could do to the housing industry in the Northeast.

People are talking about bailouts. I think it is important to bail out consumers. It is important to bail out the economy of this country.

We often talk about signals. After failing to pass a sound budget various times in this House we are thinking in terms of overriding the President at a time when he is attempting to impose some measure of fiscal discipline—something we are unwilling to do.

What type of signal is an override going to be to the financial markets? What type of signal is it going to be to taxpayers? What type of signal is it going to be to the savers of this country who are charged with the responsibility of creating the necessary capital for that housing industry?

EDUCATIONAL OPPORTUNITY AND EQUITY ACT OF 1982

(Mr. GRADISON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GRADISON. Mr. Speaker, I have long felt that it is essential for this country to maintain diversity, competition, and freedom of choice in our educational system. This belief has led me to be a leading advocate of tuition tax credits in each of the last three Congresses. Today, I am reiterating my strong support for tuition tax credit legislation by introducing the Educational Opportunity and Equity Act of 1982, President Reagan's tuition tax credit proposal.

With the introduction of this bill, I hope to rekindle the debate about this important concept so that all the issues are adequately aired and a path paved for quick enactment of tuition tax credit legislation. Of particular concern to me is that the tax credits do not go to parents who send their children to schools which discriminate on the basis of race. I look forward to hearing the views of all interested par-

ties and plan to study in detail just how best to proceed in this complex and difficult area.

Mr. Speaker, I applaud the President for his vital work on this important issue and I believe wholeheartedly that, with his leadership the success that has eluded supporters of tuition tax credits is not far off.

STATUS OF PROXMIRE AMENDMENT IF VETO IS SUSTAINED

(Mr. CONTE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CONTE. Mr. Speaker, I have been asked by many Members on our side of the aisle if the President's veto on the urgent supplemental, which we should have up here shortly, is sustained, what is the status of the so-called Proxmire amendment?

I want to assure the Members of the House it is no longer the Proxmire amendment. It is now the Whitten-Conte amendment. It will be in the new urgent supplemental, bringing us back to the status quo with the \$3,000 expense limitation.

Mr. LUNGREN. Mr. Speaker, will the gentleman yield?

Mr. CONTE. I yield to the gentleman from California.

Mr. LUNGREN. With this new urgent, urgent, urgent supplemental you plan to bring before us, if we do have a sustaining of the President's veto, will this new urgent supplemental have within it money for the Coast Guard that was inadvertently left out yesterday?

Mr. CONTE. Definitely. It will have \$48 million for the Coast Guard.

Mr. LUNGREN. I thank the gentleman.

Mr. MYERS. Mr. Speaker, will the gentleman yield?

Mr. CONTE. I yield to the gentleman from Indiana.

Mr. MYERS. Why do we not just go ahead with this urgent, urgent, urgent—however many urgents I do not know—supplemental appropriation bill? Why wait for the veto that we know is coming?

Yesterday we came forth with what we felt was a clean bill to expedite the very important business of the Government and the country. Why do we not start right now and not wait for the veto?

If it should be signed for some reason, we have only wasted a little bit of time but we can save a lot of time by starting with the urgent appropriation bill right this morning before the veto gets here.

Mr. CONTE. Unfortunately, I have no control over that.

Mr. MYERS. Who does?

PERSONAL EXPLANATION

(Mr. WEISS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WEISS. Mr. Speaker, I rise for a personal explanation.

Yestersay I was absent and missed a number of recorded votes. I was absent for personal reasons. I was attending the high school graduation exercises of my son Stephen.

If I had been present, I would have voted "yea" on all of the recorded votes from 165 through 172, with the exception of 170 which was a quorum call.

I ask unanimous consent that this statement be reflected in the permanent printed RECORD at the appropriate position after the vote on each of the items.

The SPEAKER pro tempore. Without objection, the gentleman's statement will appear in the RECORD.

NATIONAL NCO/PETTY OFFICER WEEK

Ms. OAKAR. Mr. Speaker, I ask unanimous consent that the Committee on Post Office and Civil Service be discharged from further consideration of the joint resolution (H.J. Res. 518) to designate the week commencing with the fourth Monday in June 1982 as "National NCO/Petty Officer Week," and ask for its immediate consideration in the House.

The Clerk read the title of the joint resolution.

The SPEAKER pro tempore (Mr. MOAKLEY). Is there objection to the request of the gentlewoman from Ohio?

Mr. SPENCE. Mr. Speaker, reserving the right to object, and I shall not object, but I take this time to explain the resolution.

I am the principal sponsor. We have 225 cosponsors. This resolution is bipartisan in nature. It sets aside next week, of the 28th of June, to honor all of our petty officers and noncommissioned officers, past and present, who mean so much to our military.

I ask that it be passed unanimously. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Ohio?

There was no objection.

The Clerk read the joint resolution, as follows:

H.J. Res. 518

Whereas the noncommissioned officers and petty officers of the Army, Air Force, and Marine Corps and the petty officers of the Navy and the Coast Guard have been regarded as the backbone of the Armed Forces of the United States for more than two hundred years;

Whereas noncommissioned officers and petty officers continue to be the recruiters, trainers, and noncommissioned leaders of the men and women who join the Armed Forces of the United States;

Whereas the noncommissioned officers' and petty officers' spirit and devotion to duty is epitomized in the long list of recipients of the Medal of Honor and other decorations of personal valor;

Whereas noncommissioned officers and petty officers have made great sacrifices during their service to this Nation;

Whereas the recent shortage of such officers serving on active duty has highlighted their value to the Nation and its military forces; and

Whereas it is fitting and proper to recognize the significant contributions made by all noncommissioned officers and petty officers of the Armed Forces of the United States to the freedom and defense of this Nation: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the week commencing with the fourth Monday in June 1982 is designated as "National NCO/Petty Officer Week", and the President is authorized and requested to issue a proclamation calling upon the people of the United States and interested groups and organizations to set aside that week to honor past and present noncommissioned officers and petty officers of the Armed Forces of the United States in an appropriate manner.

The joint resolution was ordered to be engrossed and read a third time, was read a third time and passed, and a motion to reconsider was laid on the table.

□ 1100

GENERAL LEAVE

Ms. OAKAR. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and to include extraneous matter on the joint resolution just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Ohio?

There was no objection.

RECESS

The SPEAKER pro tempore. Pursuant to the order of the House of Wednesday, June 23, 1982, the House will stand in recess subject to the call of the Chair.

Accordingly (at 11 o'clock a.m.) the House stood in recess subject to the call of the Chair.

□ 1145

AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 11 o'clock and 50 minutes a.m.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Saunders, one of his secretaries.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. Sparrow, one of its clerk, announced that the Senate disagrees to the amendments of the House to the bill (S. 2332) entitled "An act to amend the Energy Policy and Conser-

exile. The charge was the by-now-familiar "anti-Soviet agitation and propaganda," this time leveled as a result of memoirs that Mr. Shukhevych had written about his previous imprisonment.

While serving this latest term, Mr. Shukhevych not only renounced his Soviet citizenship, he incurred the further wrath of Soviet authorities by announcing in January 1979 that he had joined the Ukrainian Helsinki Group.

What the Shukhevych case clearly demonstrates is that three Soviet bosses—Stalin, Khrushchchev and Brezhnev—failed to realize that in trying to break this son of a Ukrainian hero, they were actually creating another hero—as staunch and courageous a patriot and as unyieldingly principled as his father. Young Shukhevych became yet another boomerang, to use Valentyn Moroz's words, thrown by the Soviet system. ("You hurled a stone at every spark of life on the Ukrainian horizon and every stone became a boomerang: It returned and struck you . . . every act of repression will boomerang.")

What will happen in 1987 when Mr. Shukhevych is due to complete his term of imprisonment and exile in anyone's guess. But the Ukrainian community cannot wait until then to see how the Kremlin leadership will decide to treat this man who has followed in his father's footsteps to become a human and national-rights defender in his own right.

We must act now on behalf of Yuri Shukhevych who is at once our brother, the son of a prominent national hero, and himself a hero. ●

TUITION TAX CREDITS—PROVIDING EDUCATION AND EQUITY

HON. MARLO BIAGGI

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 24, 1982

● Mr. BIAGGI. Mr. Speaker, today I am pleased to join my colleague from Ohio (Mr. GRADISON) as an original sponsor of the "The Educational Opportunity and Equity Act of 1982"—simply put, an act to provide much-needed and long-overdue tax relief to parents of children in nonpublic schools.

As a senior member of the House Education and Labor Committee, I know that this issue is not new to this body. It is one which has been extensively discussed and debated—yet one which has never become law. I believe that this year, and in this session, those of us who are advocates of tuition tax credits, have cause for profound optimism for we have a President and an administration which supports tuition tax credits for parents of children at elementary and secondary educational levels. This support is an acknowledgement of the pluralism that exists in our educational system today—a pluralism which has given us strength and diversity as a nation.

President Reagan is to be commended for his initiation of this bipartisan legislative proposal. This tuition tax credit legislation has been endorsed by a host of organizations which have a direct interest in fostering educational opportunity and choice for our young people. Groups as diverse as the U.S.

Catholic Conference to the Knights of Columbus to Agudath Israel have lent their stamp of approval to this bill. I believe that Democrats and Republicans—working together—will form an important coalition which will transcend party lines and place us into posture which we all support—the best possible education for our children. Tuition tax credits will allow us to do just that.

I fully reject the notion that this legislation—or anything similar to it is a direct attack on our public schools in this Nation. Clearly, we are justifiably proud of these schools which offer free educational opportunity to all children. As New York's senior member of the Education and Labor Committee and a representative of the second largest school district in the Nation—New York City—my legislation record is second to none when it has come to advocacy for educational programs for our public schools. Understanding that our Federal education programs are primarily targeted toward public schools, I have been an original cosponsor of such major programs as title I, vocational education, handicapped education, ethnic heritage studies—and a host of others. I have worked vigorously for adequate funding for these programs and have remained highly supportive of both their goals as well as the populations—largely disadvantaged—which they serve.

Tuition tax credits will allow us to provide a modest tax break for parents of children in private schools—parents who have made, in many cases, large financial sacrifices to send their children to nonpublic schools. It is targeted to those families most in need—those with income below \$50,000—and is phased out for those with incomes between \$50,000 and \$75,000. The amount of credit a taxpayer may claim for each child in any taxable year is \$100 for tax year 1983, \$300 in 1984 and \$500 for every tax year 1985 and beyond.

The myth that this legislation will only benefit rich families must—and can be dispelled. My own district in the Bronx initiated a campaign in support of tax credits which resulted in 70,000 letters pouring into my office from families who wanted this legislation adopted. These families—and their children—are almost all lower and middle class working citizens—citizens whose annual income is well below \$20,000 per year. It is high time that we gave this family—the taxpayer who makes the greatest sacrifices and receives the smallest gains in return—some modest return for their hard work and financial sacrifice.

Mr. Speaker, I hope that our colleagues from both sides—Democrats and Republicans alike, will join us in this effort. We acknowledge that our task will be difficult for no one can remain blind to the economic situation that we find ourselves in today. However, this legislation marks an impor-

tant first step in the deliberations on this issue which await us.

Mr. Speaker, I commend all those who have worked hard on this legislation and have brought us to this point. For the benefit of my colleagues, I wish to insert an explanation of the Gradison-Biaggi bipartisan tuition tax credit bill and hope that they will join us.

The explanation follows:

EXPLANATION OF BIPARTISAN TUITION TAX CREDIT BILL

The Administration's bill would allow an individual taxpayer to take a credit against income tax in an amount up to 50 percent of the qualifying tuition expenses paid by the taxpayer in a taxable year. Qualifying tuition expenses are expenses paid for tuition and fees to send certain dependents under the age of 20 full-time to private elementary or secondary schools. Qualifying tuition expenses do not include amounts paid for books, supplies, equipment, meals, lodging, transportation, or personal expenses, or for education below the first-grade level or above the twelfth-grade level.

The credit is allowed only for expenses paid with respect to students for whom the taxpayer is allowed a dependency exemption and who bear any of the following relationships to the taxpayer: children and descendants; stepchildren; siblings, stepbrothers, and stepsisters; nieces and nephews; and members of the taxpayer's household, other than the taxpayer's spouse, whose principal place of abode is the taxpayer's home. To be allowed a dependency exemption, the taxpayer must provide more than half of the student's support for the calendar year in which the taxpayer's year begins, and except for the taxpayer's children and stepchildren, the student must have less gross income than the amount of the exemption.

The amount of the credit that is allowable for the taxable year with respect to a student is subject to two limits. First, the maximum amount of credit that may be claimed by the taxpayer for each student in any taxable year is \$100 for the taxpayer's first taxable year beginning on or after January 1, 1983, \$300 for the first taxable year beginning on or after January 1, 1984, and \$500 for taxable years beginning on or after January 1, 1985.

Second, the maximum amount of credit per student is reduced as the taxpayer's adjusted gross income increases over \$50,000 and is phased out entirely for taxpayers with adjusted gross incomes of \$75,000 and over. For their first taxable year beginning on or after January 1, 1983, the \$100 per student maximum credit is reduced by .4 percent of the taxpayer's adjusted gross income over \$50,000; for the first taxable year beginning after January 1, 1984, the \$300 per student maximum credit is reduced by 1.2 percent of the taxpayer's adjusted gross income over \$50,000; and for taxable years beginning on or after January 1, 1985, the \$500 per student maximum credit is reduced by 2.0 percent of the taxpayer's adjusted gross income over \$50,000.

The amount of tuition expense for which a taxpayer is allowed a credit does not include expenses that are paid by scholarships and other educational aid that are not includable in the taxpayer's or in the student's income. If the scholarship is paid directly to the school and the school sends a tuition bill to the taxpayer that is net of the scholarship, the taxpayer is not deemed to have been paid the scholarship; the scholar-

ship is excluded from the computation of tuition expense altogether.

A school with respect to which credits are allowable must provide a full-time elementary or secondary school program and must be a private, not-for-profit, day or residential school.

In addition, the school must be exempt from taxation under section 501(a) as an organization described in section 501(c)(3). Church-operated schools shall, pursuant to section 508(c), continue to be exempt from the provisions of section 508(a) and (b). The fact that credits are claimed for payments to a church-operated school shall not serve as a basis for imposing any new requirement on such schools in this regard.

The bill contains strong provisions to ensure that no credits will be permitted for amounts paid to schools that follow racially discriminatory policies.

A tax credit cannot be claimed unless the school is a tax exempt organization under section 501(c)(3). The bill also creates a new layer of protections above and beyond the 501(c)(3) requirement. In order for tuition expenses to be eligible for the credit, the school must annually file with the Secretary a statement under the penalties of perjury that it has not followed a racially discriminatory policy. In addition the Attorney General of the United States, upon petition by an individual who claims to have been discriminated against by a school under a racially discriminatory policy, may seek a declaratory judgment in a United States district court in which the school is located that the school follows a racially discriminatory policy. If a final judgment is entered that the school follows a racially discriminatory policy, tuition tax credits are disallowed for that year in which the complaint is filed by the Attorney General and the two succeeding calendar years. The disallowance does not take effect until all parties have exhausted their rights to appeal the declaratory judgment.

The proposal defines a racially discriminatory policy as a policy under which a school refuses, on account of race: to admit applicants as students; to admit students to the rights, privileges, programs and activities generally made available to students by the school; or to allow students to participate in its scholarship, loan, athletic or other programs. A racially discriminatory policy does not include the failure by a school to pursue or achieve any racial quota, proportion, or representation among its students.

The proposal is effective for tuition expenses paid after December 31, 1982, in taxable years beginning after that date.●

THE BANK HOLDING COMPANY DEREGULATION ACT OF 1982

HON. J. WILLIAM STANTON

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 24, 1982

● Mr. STANTON of Ohio. Mr. Speaker, at the request of the administration, I am pleased to introduce the Bank Holding Company Deregulation Act of 1982. This legislation is designed to provide a framework within which banks, and eventually all depository institutions, may participate in the rapidly evolving market for financial services.

Although most of the major banking legislation enacted during the 1930's remains in force, structural changes

affecting the financial services industry, have blurred the traditional statutory distinctions among financial institutions. A convergence of economic, social, technological, and political forces is responsible for these changes, and the process is irreversible.

One of the most significant examples of the increasing degree of overlap among traditionally separate industries occurs between the banking and securities industries. New products and services developed by securities firms have included money market funds and cash management accounts which have many bank-like features. Securities firms and retail chains have begun to offer some very attractive financial services nationwide which banks are not permitted to offer at all. Banks, on the other hand, have increased their participation in the private placement market, sponsored closed-end investment companies, and announced plans to engage more actively in the brokerage of securities to the general public.

As these activities increase, the need to insure that such undertakings remain in the public's best interest will also grow. We need to insure that no industry has significant regulatory advantages over others and that a proper legal structure is in place to facilitate the orderly evolution of the financial services industry.

The administration's proposed legislation will authorize banks to engage in nondepository financial businesses, such as the underwriting of municipal revenue bonds and the management of commingled agency accounts, through an affiliate of a bank holding company. Since the enactment of the Bank Holding Company Act of 1956, the bank holding company has served as a means of realizing the benefits which result from increased competition among financial institutions, while at the same time allaying the concerns surrounding the need for regulatory equality and sound banking practices.

I wish to make several specific points with regard to my personal views on this legislation. These views are based on my 18 years of experience as a member of the House Banking Committee, during which time I had the opportunity to participate in the consideration of the last major amendments to the Bank Holding Company Act in 1970.

I believe that the policy of separating banking from commerce, which is embodied in the Glass-Steagall Act, has been a sound one. Its purpose is to insure that when commercial enterprises seek credit from banks, they can get an objective determination, free of the conflicts which would arise if banks had to choose between funding their own commercial activities and those of their customers or if customers had to accept a credit service in order to avail themselves of a commercial service. Still, while we have worked diligently to separate banking from commerce, we have not succeed-

ed in separating commerce from banking. A related set of issues arises because of the fact that banks are insured depository institutions. There are legitimate concerns that nonbanking activities might engender undue risk for the bank and that as insured institutions, banks might have an advantage over their uninsured competitors.

however, given the recent developments in financial markets which I have described, there is a case to be made that the risk to the banking system might be greater if banks are not permitted to meet their competition from nonbanking financial institutions. The bank holding company device may be an appropriate mechanism to provide whatever safeguards are needed to place commercial banks and securities firms on an equal regulatory footing.

The bill which I am introducing today at the request of the administration is identical to S. 2094, which was recently introduced in the other body by Chairman GARN. It represents the administration's views regarding the conditions under which banks should be permitted to conduct securities activities. My introduction of the bill is not meant to constitute an endorsement, but I do believe that it deserves serious consideration in a timely manner. I am sure that members of both the banking and securities industries will offer extensive comments and suggestions, and I look forward to receiving these with an open mind.

The text of the Bank Holding Company Deregulation Act of 1982, as introduced by Senator GARN on May 5, 1982, can be found on pages S4562-S4565 of the CONGRESSIONAL RECORD of that date, and a section-by-section analysis follows on pages S4565-S4568.

As I previously stated Mr. Speaker, this bill is being introduced out of courtesy and at the request of the administration. I personally would want to see some major changes made in this legislation that I will address at a later time.●

THIS IS WHAT AMERICA IS ALL ABOUT

HON. GUY VANDER JAGT

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 24, 1982

● Mr. VANDER JAGT. Mr. Speaker, a few days ago a recent newspaper article in the Muskegon Chronicle, Muskegon, Mich., was brought to my attention. The headline for the article was entitled "Print Center Owner Practices 'Volunteerism.'"

I just wanted to bring to the attention of all my colleagues an extremely outstanding gesture and activity by Gene Logan, owner of the Sir Speedy Printing Center in Muskegon. In a word, Mr. Speaker, Mr. Logan has vol-

THE WHITE HOUSE
WASHINGTON

July 12, 1982

file
TTC

MEMORANDUM FOR ELIZABETH H. DOLE

THRU: DIANA LOZANO

FROM: MORTON C. BLACKWELL

SUBJECT: Tuition Tax Credit Bill Testimony

I understand that Buck Chapotin is scheduled to give testimony before the Senate Finance Committee on Friday on our tuition tax credit bill. This could be the source of serious problems.

You may recall that Chapotin gave us considerable grief in the early stages of our coalition on tuition tax credits. At first he insisted that we somehow incorporate in the tuition tax credit bill the same prohibitions contained in the Treasury Department's doomed tax exempt status bill. Fortunately strong, explicit messages from Mr. Meese convinced Chapotin he did not have a veto power over the President's tuition tax credit legislation.

The Treasury Department did, however, have people at our marathon meeting when we drafted the bill. They were not constructive influences. The drafting group developed a bill which could be supported by all of the major supporters of tuition tax credits. Throughout the process, Chapotin's representatives threatened us that Chapotin would not testify in behalf of any bill which did not have anti-discrimination language "as strong as the Bob Jones bill".

Just last Friday Kevin Hopkins and I had a spirited conversation with Greg Ballentine of Treasury Department over the wording of our White House Issue Update on tuition tax credits.

At issue in the conversation with Ballentine was whether or not the Issue Update would include an explicit rejection of the "tax expenditure" argument which is raised frequently by Senator Kennedy and others.

The President has repeatedly, explicitly rejected the tax expenditure argument to the effect that the government has a prior claim to all personal income and that tax cuts or tax credits are "tax expenditures" of federal funds. Ballentine said that Chapotin wanted the criticism of the tax expenditure argument deleted from the Issue Update.

Because opponents of tuition tax credits will surely be using this tax expenditure argument, I insisted that Administration spokesmen and other supporters of tuition tax credits needed to have in the Issue Update a clear answer to the tax expenditure argument. Finally, Kevin Hopkins and I agreed to only minor modifications in the Issue Update text, which Ballentine said he and Chapotin could then support.

You will recall my previous memorandum with respect to Education Undersecretary Gary Jones' questionable role on tuition tax credits. I think it is absolutely vital that any testimony coming out of the Administration on tuition tax credits be cleared through the normal processes here at the White House. Otherwise, I consider it a certainty that Chapotin, Gary Jones, or perhaps someone in the Justice Department will give testimony so out of line with what the tuition tax credit supporters expect that we will blow apart our coalition.

Senator Dole may very well want to have someone to give testimony on the antidiscrimination sections. In this case, it is vital that such testimony be given by Jonathan Rose of the Justice Department Office of Policy Development or Brad Reynolds of their Civil Rights Division, not by Ted Olson, office of Legal Counsel. ~~Rose~~^{OLSON} was uncooperative in both the school prayer amendment drafting and the tuition tax credit drafting. Bill Barr of OPD should clear all Administration testimony on antidiscrimination language in this bill.

As you know, many Catholic and Protestant political activists interested in tuition tax credits are wary. They suspect officials of the Reagan Administration have put forward this tuition tax credit bill as a ploy rather than as a serious effort to enact legislation. At the U.S.C.C., particularly, there are liberal staffers ready to leap at any opportunity to charge the Administration with lack of good faith on this issue.

We have a very strong coalition, most of which is actively diverting resources to the tuition tax credit battle on the strength of our representations to them. It would be foolish in the extreme to allow any Administration spokesman to give testimony on this important bill without fully clearing it through our White House system.

THE WHITE HOUSE
WASHINGTON

In the memo of July 12, to Elizabeth H. Dole on Tuition Tax Credit Bill Testimony, please note the change on page 2, paragraph 3. "Rose was uncooperative ..." should read "Olson was uncooperative..."

August ~~26~~ - Womens Equality Day
Sept 5 - Working
Mothers
Day



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

SPECIAL

July 13, 1982

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer

Department of Education
Department of Justice

SUBJECT: Treasury draft testimony on S. 2673, the Administration's tuition tax credit proposal -- for a Senate Finance Committee hearing on Friday, July 16, 1982.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than Wednesday, July 14 - 2:00 p.m.

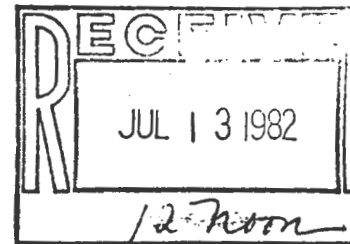
Questions should be referred to Barry White (395-4532) or to Naomi Sweeney (395-3881), the legislative analyst in this office.

Naomi R. Sweeney

Naomi R. Sweeney for
Assistant Director for
Legislative Reference

Enclosures

cc: Ken Clarkson
Mike Uhlmann/Bill Barr, OPD
Bob Carleson/Ann Fairbanks, OPD
Bernie Martin
Larry Kudlow
Mike McConnell/Mike Horowitz
Mike Esposito
Greg Jones



DRAFT
July 13, 1982 - 11:00 a.m.

For Release Upon Delivery
Expected at 9:30 a.m., E.D.T.
July 16, 1982

STATEMENT OF
THE HONORABLE JOHN E. CHAPOTON
ASSISTANT SECRETARY FOR TAX POLICY
BEFORE
THE SENATE COMMITTEE ON FINANCE

Mr. Chairman and Members of the Committee:

I am pleased to appear before you this morning in support of S. 2673, which would provide an income tax credit for 50 percent of certain elementary and secondary school tuition expenses. The tax credit is intended to enhance equality of educational opportunity for all Americans at the elementary and secondary schools of their choice.

S. 2673 addresses an extremely important area of public policy. The President has taken considerable personal interest in its development. The Administration believes that enactment of tuition tax credit legislation is essential to maintain the excellence of the American educational system and to protect the right of American parents to determine how and where their children will be educated.

S. 26⁷³~~27~~ would establish a tuition tax credit system that will fulfill this Administration's commitment to parental responsibility, educational excellence, and fiscal and administrative restraint. The bill will further the

educational diversity that is the hallmark of our educational system. It will make educational freedom of choice a reality to more American families. It will target assistance on those families that need it most. Finally, it will neither interfere with the operation of private schools nor impose costly administrative and regulatory burdens on them.

Equality of educational opportunity clearly requires that a diverse range of schools -- public and private -- be available to all American families, and that all American families have the financial ability to permit meaningful freedom of choice among schools. We believe that parents have a fundamental right, and responsibility, to direct the education of their children in a way which best serves their individual needs and aspirations. Moreover, we believe that parental involvement in the decision-making process enhances the quality of education provided.

Private schools are essential to fulfilling our national educational needs. They provide a healthy diversity of approach, and are often a significant source of innovation and experimentation. But private schools are expensive, and inflation is making them more so. At the same time, higher taxes caused by bracket creep are making it more difficult for families to afford private education. Few federally funded programs exist to aid private elementary and secondary school students. Establishing such programs would involve

significant administrative costs and effort for the government and families alike. Tuition tax credits offer a simpler means to assist these students by permitting families to spend the money that they have earned for the education they themselves select.

Tax credits are especially appropriate as a method of assisting parents to educate their children at private elementary and secondary schools. In this area, unlike others I have discussed with this Committee in the past, tax credits will not duplicate existing tax benefits or government spending. Tax credits for tuition expenses have the additional advantage of providing the same dollar benefit to all taxpayers. In contrast, a deduction would provide a greater benefit for individuals in higher tax brackets.

S. 2673 would allow an individual taxpayer to take a credit against income tax in an amount up to 50 percent of the qualifying tuition expenses paid by the taxpayer in a taxable year. Qualifying tuition expenses are expenses paid for tuition and fees to send certain dependents under the age of 20 full-time to private elementary or secondary schools. Qualifying tuition expenses do not include amounts paid for books, supplies, equipment, meals, lodging, transportation, or personal expenses, or for education below the first-grade level or above the twelfth-grade level.

The credit is allowed only for expenses paid with respect to students for whom the taxpayer is allowed a dependency exemption and who bear any of the following relationships to the taxpayer: children and descendants; stepchildren; siblings, stepbrothers and stepsisters; nieces and nephews; and members of the taxpayer's household, other than the taxpayer's spouse, whose principal place of abode is the taxpayer's home. To be allowed a dependency exemption, the taxpayer must provide more than half of the student's support for the calendar year in which the taxpayer's year begins, and except for the taxpayer's children and stepchildren, the student must have less gross income than the amount of the exemption.

The amount of the credit that is allowable for the taxable year with respect to a student is subject to two limits. Both limits ensure that tuition tax credits benefit those families that most need assistance in making equal education opportunity a reality. First, the maximum amount of credit that may be claimed by the taxpayer for each student in any taxable year is \$100 for the taxpayer's first taxable year beginning on or after January 1, 1983, \$300 for the first taxable year beginning on or after January 1, 1984, and \$500 for taxable years beginning on or after January 1, 1985. This ceiling ensures that, beginning in 1985, parents who send their children to private schools with tuition of \$1,000 or less per year will receive a credit for a full 50

percent of tuition expenses. Parents who send their children to more expensive schools will receive a credit for a lesser percentage of tuition expenses.

The second feature of S. 2673 that limits the benefit of tuition tax credits to less wealthy families is the phase-out of the credit for higher-income families. The maximum amount of credit per student is reduced as the taxpayer's adjusted gross income increases over \$50,000 and is phased out entirely for taxpayers with adjusted gross incomes of \$75,000 or over. For the first taxable year beginning on or after January 1, 1983, the \$100 per student maximum credit is reduced by .4 percent of the taxpayer's adjusted gross income over \$50,000; for the first taxable year beginning after January 1, 1984, the \$300 per student maximum credit is reduced by 1.2 percent of the taxpayer's adjusted gross income over \$50,000; and for taxable years beginning on or after January 1, 1985, the \$500 per student maximum credit is reduced by 2.0 percent of the taxpayer's adjusted gross income over \$50,000.

The amount of tuition expense for which a taxpayer is allowed a credit does not include expenses that are paid by scholarships and other educational aid that are not includible in the taxpayer's or in the student's income. If the scholarship is paid directly to the school and the school sends a tuition bill to the taxpayer that is net of the

scholarship, the taxpayer is not deemed to have been paid the scholarship; the scholarship is excluded from the computation of tuition expense altogether.

A school with respect to which credits are allowable must provide a full-time elementary or secondary school program and must be a private, not-for-profit, day or residential school.

In addition, the school must be exempt from taxation under section 501(a) as an organization described in section 501(c)(3). Church-operated schools shall, pursuant to section 508(c), continue to be exempt from the provisions of section 508(a) and (b). The fact that credits are claimed for payments to a church-operated school shall not serve as a basis for imposing any new requirements on such schools in this regard.

S. 2673 contains strong provisions to ensure that no credits will be permitted for amounts paid to schools that follow racially discriminatory policies. A racially discriminatory policy is a policy under which a school refuses, on account of race: to admit applicants as students; to admit students to the rights, privileges, programs and activities generally made available to students by the school; or to allow students to participate in its scholarship, loan, athletic or other programs. A racially

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Finally, the Attorney General of the United States, upon petition by an individual who claims to have been discriminated against by a school under a racially discriminatory policy, may seek a declaratory judgment in a United States district court in the district in which the school is located that the school follows a racially discriminatory policy. If a final judgment is entered that the school follows a racially discriminatory policy, tuition tax credits are disallowed for the year in which the complaint is filed by the Attorney General and the two

succeeding calendar years. The disallowance takes effect when all parties have exhausted their rights to appeal the declaratory judgment.


This Committee has expressed its concern that aid not be provided to discriminatory schools. The triple enforcement mechanism that I have described will prevent use of tuition tax credits to pay expenses at racially discriminatory schools without interfering in the operation of private schools and without subjecting private schools to costly administrative burdens.

S. 2673 is a bill that provides substantive tax relief to the families of nonpublic school students, that broadens and enriches educational opportunities, and that promotes excellence in our schools. The bill recognizes the value of our private schools, and will strengthen the right of parents to decide the education of their children. The Administration strongly supports S. 2673.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
ROUTE SLIP

TO Bob Carleson/Ann Fairbanks
 Mike Uhlmann/Bill Barr

- Take necessary action
- Approval or signature
- Comment
- Prepare reply
- Discuss with me
- For your information
- See remarks below

FROM Naomi Sweeney 

DATE 7/13/82

REMARKS

SUBJECT: Attached Treasury testimony on
Tuition Tax Credit bill

I would appreciate it if you would make sure
that the appropriate White House offices get
to see this testimony. I don't know where
else I should be sending it in the White
House except your offices.

SPECIAL



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

SPECIAL

July 13, 1982

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer

Department of Education
Department of Justice

SUBJECT: Treasury draft testimony on S. 2673, the Administration's tuition tax credit proposal -- for a Senate Finance Committee hearing on Friday, July 16, 1982.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than Wednesday, July 14 - 2:00 p.m.

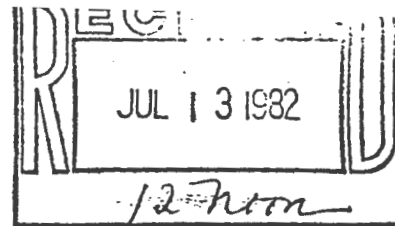
Questions should be referred to Barry White (395-4532) or to Naomi Sweeney (395-3881), the legislative analyst in this office.

~~Naomi R. Sweeney~~

Naomi R. Sweeney for
Assistant Director for
Legislative Reference

Enclosures

cc: Ken Clarkson
Mike Uhlmann/Bill Barr, OPD
Bob Carleson/Ann Fairbanks, OPD
Bernie Martin
Larry Kudlow
Mike McConnell/Mike Horowitz
Mike Esposito
Greg Jones



DRAFT
July 13, 1982 - 11:00 a.m.

For Release Upon Delivery
Expected at 9:30 a.m., E.D.T.
July 16, 1982

STATEMENT OF
THE HONORABLE JOHN E. CHAPOTON
ASSISTANT SECRETARY FOR TAX POLICY
BEFORE
THE SENATE COMMITTEE ON FINANCE

Mr. Chairman and Members of the Committee:

I am pleased to appear before you this morning in support of S. 2673, which would provide an income tax credit for 50 percent of certain elementary and secondary school tuition expenses. The tax credit is intended to enhance equality of educational opportunity for all Americans at the elementary and secondary schools of their choice.

and diversity

S. 2673 addresses an extremely important area of public policy. The President has taken considerable personal interest in its development. The Administration believes that enactment of tuition tax credit legislation is essential to maintain the excellence of the American educational system and to protect the right of American parents to determine how and where their children will be educated.

S. 26⁷³~~27~~ would establish a tuition tax credit system that will fulfill this Administration's commitment to parental responsibility, educational excellence, and fiscal and administrative restraint. The bill will further the

educational diversity that is the hallmark of our educational system. It will make educational freedom of choice a reality to more American families. It will target assistance on those families that need it most. Finally, it will neither interfere with the operation of private schools nor impose costly administrative and regulatory burdens on them.

Equality of educational opportunity clearly requires that a diverse range of schools -- public and private -- be available to all American families, and that all American families have the financial ability to permit meaningful freedom of choice among schools. We believe that parents have a fundamental right, and responsibility, to direct the education of their children in a way which best serves their individual needs and aspirations. Moreover, we believe that parental involvement in the decision-making process enhances the quality of education provided.

Private schools are essential to fulfilling our national educational needs. They provide a healthy diversity of approach, and are often a significant source of innovation and experimentation. But private schools are expensive, and inflation is making them more so. At the same time, higher taxes caused by bracket creep are making it more difficult for families to afford private education. ~~Few federally funded programs exist to aid private elementary and secondary school students.~~ Establishing ^{direct assistance} ~~such~~ programs would involve

for such
schools

and might lead to Federal involvement in the programs of private schools.

significant administrative costs and effort for the government and families alike. Tuition tax credits offer a simpler means to ^{expand the opportunities of} assist these students by permitting families to spend the money that they have earned for the education they themselves select. ^{It also} guarantees the continued independence of private schools, since ~~no~~ no Federal Department will be involved in a funding capacity.

~~Tax credits are especially appropriate as a method of assisting parents to educate their children at private elementary and secondary schools.~~ In this area, unlike others I have discussed with this Committee in the past, tax credits will not duplicate existing tax benefits or government spending. Tax credits for tuition expenses have the additional advantage of providing the same dollar benefit to all taxpayers. In contrast, a deduction would provide a greater benefit for individuals in higher tax brackets.

S. 2673 would allow an individual taxpayer to take a credit against income tax in an amount up to 50 percent of the qualifying tuition expenses paid by the taxpayer in a taxable year. Qualifying tuition expenses are expenses paid for tuition and fees to send certain dependents under the age of 20 full-time to private elementary or secondary schools. Qualifying tuition expenses do not include amounts paid for books, supplies, equipment, meals, lodging, transportation, or personal expenses, or for education below the first-grade level or above the twelfth-grade level.

Indeed, this proposal deals for the first time with the double burden placed upon parents who pay taxes to support ^{their} public schools, it also pays full tuition for their own children in private schools, relieving their children of the burden on the public schools. Instead of increasing the burden on the public schools and straining scarce resources for public education, it is only fair that ~~the~~ ^{the} burden be shifted to the parents and, I should add, that they might be forced through economic circumstance to return their children to public schools bequeathed.

The credit is allowed only for expenses paid with respect to students for whom the taxpayer is allowed a dependency exemption and who bear any of the following relationships to the taxpayer: children and descendants; stepchildren; siblings, stepbrothers and stepsisters; nieces and nephews; and members of the taxpayer's household, other than the taxpayer's spouse, whose principal place of abode is the taxpayer's home. To be allowed a dependency exemption, the taxpayer must provide more than half of the student's support for the calendar year in which the taxpayer's year begins, and except for the taxpayer's children and stepchildren, the student must have less gross income than the amount of the exemption.

The amount of the credit that is allowable for the taxable year with respect to a student is subject to two limits. Both limits ensure that tuition tax credits benefit those families that most need assistance in making equal education opportunity a reality. First, the maximum amount of credit that may be claimed by the taxpayer for each student in any taxable year is \$100 for the taxpayer's first taxable year beginning on or after January 1, 1983, \$300 for the first taxable year beginning on or after January 1, 1984, and \$500 for taxable years beginning on or after January 1, 1985. This ceiling ensures that, beginning in 1985, parents who send their children to private schools with tuition of \$1,000 or less per year will receive a credit for a full 50

percent of tuition expenses. Parents who send their children to more expensive schools will ^{not be able to claim} receive a credit for ^{additional} ~~a lesser~~ percentage of tuition expenses.

The second feature of S. 2673 that ^{targets} ~~limits~~ the benefit of tuition tax credits ^{to} ~~to~~ less wealthy families is the phase-out of the credit for higher-income families. The maximum amount of credit per student is reduced as the taxpayer's adjusted gross income increases over \$50,000 and is phased out entirely for taxpayers with adjusted gross incomes of \$75,000 or over. For the first taxable year beginning on or after January 1, 1983, the \$100 per student maximum credit is reduced by .4 percent of the taxpayer's adjusted gross income over \$50,000; for the first taxable year beginning after January 1, 1984, the \$300 per student maximum credit is reduced by 1.2 percent of the taxpayer's adjusted gross income over \$50,000; and for taxable years beginning on or after January 1, 1985, the \$500 per student maximum credit is reduced by 2.0 percent of the taxpayer's adjusted gross income over \$50,000.

The amount of tuition expense for which a taxpayer is allowed a credit does not include expenses that are paid by scholarships and other educational aid that are not includible in the taxpayer's or in the student's income. If the scholarship is paid directly to the school and the school sends a tuition bill to the taxpayer that is net of the

scholarship, the taxpayer is not deemed to have been paid the scholarship; the scholarship is excluded from the computation of tuition expense altogether.

A school with respect to which credits are allowable must provide a full-time elementary or secondary school program and must be a private, not-for-profit, day or residential school.

In addition, the school must be exempt from taxation under section 501(a) as an organization described in section 501(c)(3). Church-operated schools shall, pursuant to section 508(c), continue to be exempt from the provisions of section 508(a) and (b). The fact that credits are claimed for payments to a church-operated school shall not serve as a basis for imposing any new requirements on such schools in this regard.

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[Handwritten notes and signatures]

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