**Senate to Act on 'Christmas Tree' Bill**

# Tax 'Gifts' Set for Firms

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On Nov. 27, the Senate Finance Committee approved an innocent-sounding bill easing federal tax burdens for American prisoners of war.

Nowhere in the bill or the 25-page committee report was there any mention of Allied Chemical and Dye, Texas Gulf Corp., FMC, Stauffer Chemical, McDonnell-Douglas Aircraft, Bacardi Rum, Kerr-McGee Chemical Corp., the Win Schuler restaurant chain of Michigan, or several thousand residents of Logan County, W. Va.

Yet these firms and persons are among the major beneficiaries of a dozen special tax benefit provisions added by the Finance Committee in readying the House-passed bill for expected floor action this week or next.

The additions have turned the POW tax bill into this year's "Christmas Tree," the title traditionally given to the annual "minor" tax measure, usually passed hurriedly just before Christmas recess, that carries a fat sack of gifts for a handful of taxpayers having powerful friends on Capitol Hill.

The committee bill may be only a start. Several special provisions are being readied by various Senators as floor amendments. And in the House, 30 to 40 more such provisions, sponsored chiefly by members of the tax-writing Ways and Means Committee, reportedly are being gathered into one package for quick approval either as a separate bill or a giant amendment to the Senate measure.

Some of these special tax provisions are justified; they merely correct inequities or technical faults in the law. Others are much

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more questionable, benefiting only one or two taxpayers. However, it is the stealth and concealment that raise the most questions.

As is customary, the Senate bill and report don't identify the congressional sponsors or the immediate beneficiaries.

Interviews with tax experts, staff members and Senate aides, however, revealed the beneficiaries and some key sponsors: Sens. Clifford P. Hansen (R-Wyo.), John V. Tunney (D-Calif.), Gale McGee (D-Wyo.), Robert P. Griffin (R-Mich.) and Robert C. Byrd (D-W.Va.).

House members pushing provisions that got into the Senate bill were Reps. Charles Chamberlain (R-Mich.), Teno Roncalio (D-Wyo.), James Corman (D-Calif.) and Puerto Rican Resident Commissioner Jaime Benitez.

Hansen, a Finance Committee member, offered a proposal that will mean an annual saving of $2 million for a large number of chemical and mining firms that mine the ore trona, a raw material that yields soda ash for soap and other products.

McGee and Roncalio backed this amendment. About half the nation's trona is produced in Wyoming by Kerr-McGee, Allied Chemical and Dye, Texas Gulf, FMC and Stauffer.

The Hansen amendment would reverse a 1971 Treasury ruling and permit the trona mining firms to continue taking the mineral depletion allowance on the value added to trona by conversion into soda ash. The Treasury strongly opposes the amendment.

The powerful Senate Democratic Whip, Robert Byrd, won committee approval for his amendment saving Logan County taxpayers an estimated $3 million in taxes over fiscal years 1972 to 1974.

On Feb. 26, 1972, a dam owned by Buffalo Mining, a subsidiary of the Pittston Co., burst, killing 116, destroying 700 homes with 4,000 to 5,000 residents. The Byrd amendment specifies that these taxpayers' first $5,000 in reimbursements from the mining company would be exempt from taxes even if they have already taken a tax deduction for the loss. Normally, such reimbursement is taxable when a deduction has already been taken.

The Benitez amendment, backed by the Puerto Rican rum industry as well as the commonwealth government, was pressed by Maurice Fillius, a semi-retired lawyer representing Bacardi, who says he spoke to every member of the Finance Committee on the matter.

It provides that when spirits imported from Puerto Rico and the Virgin Islands to the United States are destroyed by accident, or are lost, while in bonded warehouses or immediately after removal from bonded warehouses, the U.S. whisky tax shall be refunded.

Whisky produced in the United States already enjoys this tax rebate, and Fillius said its extension to the imported Puerto Rican whisky is merely correction of a tax inequity—a point with which the Treasury agreed. He said Bacardi was interested because it bottles imported rum in a plant in Jacksonville, Fla. There isn't any loss to the U.S. Treasury, since the whisky tax on such rum ordinarily goes to the commonwealth government.

Corman and Tunney sponsored a special benefit enabling McDonnell-Douglas, which has a California plant near Corman's district, to take advantage of the law that says the profits of an overseas trading corporation organized under the DISC (Domestic International Sales Corp.) law aren't taxable as ordinary business income; they remain untaxed until distributed to shareholders.

The Corman-Tunney amendment would allow McDonnell-Douglas to shift income from its overseas trading corporation to a special financial subsidiary without losing the special tax status. Tunney said he agreed to cosponsor this only after receiving assurance that the Treasury didn't object. There isn't any tax impact, but the amendment bends the existing law slightly for the convenience of McDonnell-Douglas or anyone else who wants to do this.

The Win Schuler restaurant provision, sponsored by Chamberlain and the influential GOP Senate whip, Griffin, would repeal an 1896 provision empowering the Internal Revenue Service to regulate labeling of certain "filled cheese" products—cheese to which oils and other compounds are added.

Schuler, who owns seven restaurants in Michigan and Ohio, had been selling a filled cheese spread called "Win Schuler's Bar-

Scheeze." A competitor told the IRS he wasn't complying completely with the labeling requirement. Facing severe loss, the Schuler restaurant chain turned to Congress. The committee said the Food and Drug Administration separately regulates food cleanliness, purity and labeling, and so the 1896 law is really obsolete. The Treasury will lose only a trifle: about $10,000 a year in licensing taxes. The Treasury didn't oppose the amendment.