

# FORD APPEALS FOR 'NEW REALISM'; ASKS CUTS IN TAXES AND SPENDING, SPURS FOR JOBS AND STOCK BUYING

JAN 20 1976  
**Securities Proposal  
Would Defer Taxes  
On Money Invested**  
NYTimes

By EILEEN SHANAHAN  
Special to The New York Times

WASHINGTON, Jan. 19—  
President Ford proposed tonight  
the enactment of a new type  
of tax benefit designed to en-  
courage more people to buy  
common stocks.

The proposal was one of a  
half a dozen major tax recom-  
mendations contained in the  
State of the Union Message,  
but was the only one that had  
not leaked out earlier.

The proposed tax-incentive  
for stock-ownership would not  
be granted to the wealthiest in-  
dividuals, under Mr. Ford's  
plan, but would be confined to  
persons below the highest in-  
come levels.

The incentive would be the  
deferral of taxes, under speci-  
fied circumstances, for some of  
the money invested in common  
stocks.

The cutoff point for eligi-  
bility for the tax-benefit is still  
unresolved within the Admin-  
istration, but the Treasury De-  
partment has proposed that no  
one with an income above  
\$40,000 a year be eligible.

The incentive plan and the  
cutoff point would have to be  
enacted by Congress as would  
all the rest of the President's  
tax proposals. Whether many  
or any of them would survive  
the legislative process in rec-

Continued on Page 19, Column 1

## STATE OF UNION

JAN 20 1976

### Congress Urged to Act With 'Common Sense' to Meet U.S. Needs

NYTimes

By JAMES M. NAUGHTON  
Special to The New York Times

WASHINGTON, Jan. 19—  
President Ford, declaring that  
"common sense" dictated a self-  
disciplined course at the outset  
of the third American century,  
called tonight on Congress to  
act with restraint in meeting  
the immediate needs and ex-  
pectations of the nation.

The President asked the sec-  
ond session of the 94th Con-

gress to reduce Federal taxes  
and curb Government spending,  
to bolster the economic base of  
the Social Security system, to  
spur private industry in creat-  
ing new jobs and to give states  
and localities more leeway in  
using Federal funds for edu-  
cation, health and social serv-  
ices.

But Mr. Ford urged the Sen-  
ate and House of Representa-  
tives to forego massive, expen-  
sive new programs and search  
instead for a "new realism" in  
the relations between Govern-  
ment and the governed.

The President also asked  
Congress, in his second State  
of the Union address, to give  
him more flexibility to conduct  
diplomacy rather than less, and  
to resist the temptation to  
legislate "crippling" and dan-  
gerous shackles on the intelli-  
gence community.

Sober and Careful Tone

Although substantially more  
upbeat than Mr. Ford's address  
a year ago to a joint session  
of Congress, the President's  
tone in the text of the address  
prepared for delivery on nation-  
wide television was sober and  
careful.

"Just a year ago I reported  
that the state of the Union  
was not good," he said. "To-  
night I report that the state of  
our Union is better—in many  
ways a lot better—but still not  
good enough."

Text of the President's address  
appears on Page 18.

# Securities Plan Would Defer Taxation

But while the President outlined in brief his plans to seek tax relief for middle-income families, protection against catastrophic illness for the aged, tax incentives for expanding business and an expansion of Federal law enforcement forces, he cautioned against trying to do too much.

Government in America, he said in a speech laced with Bicentennial themes and allusions to founding patriots, has always had the best intentions.

## 'Forgot Sound Principles'

"But in the recent past we sometimes forgot the sound principles that had guided us through most of our history," Mr. Ford said.

"In our rush to accomplish great deeds quickly," the President contended, officials in Washington too often created programs that "did not work" and unbalanced the economy with "huge and unprecedented" increases in Federal spending.

"The time has come," the President said, "for a fundamentally different approach, for a new realism that is true to the great principles on which this nation is founded."

He said that he would and the Congress should seek balance and, "in all that we do, we must be more honest with the

Continued on Page 19, Column 3

Continued From Page 1, Col. 7

ognizable form was uncertain.

The other major tax programs Mr. Ford officially recommended tonight were these:

¶A further reduction of \$10 billion in income taxes for individuals and corporations, effective next July 1. This plan would reduce the tax by \$227 a year for a family of four earning \$15,000 and "hard-working Americans caught in the middle can really use that kind of cash," Mr. Ford said.

¶A increase in Social Security taxes of three-tenths of 1 percent on employees and employers. This would increase the Social Security taxes on the same \$15,000-a-year family by \$45—a figure Mr. Ford did not provide.

¶A special program of accelerated depreciation writeoffs for business that build new plants or extend old ones in areas with unemployment of at least 7 percent. Mr. Ford said this aspect of his tax program "must be approved at the earliest possible date."

¶Changes in the estate tax affecting family farms and family business so that they "can be handed down from generation to generation without having to be sold to pay taxes."

There are several aspects to the stock incentive plan that the President said would give "moderate-income families income tax benefits if they make long-term investments in com-

mon stock in American companies."

Basically the plan provides that money invested in common stock in any year, up to a specified amount, would not be taxable as income in that year, provided that the stock bought with the tax-free income was not sold for at least seven years. The plan would be similar to the tax benefits that can be realized by putting money into an individual retirement account or a self-employed retirement plan.

When the stock was sold, some taxes would be paid, but the Administration has not yet decided just how much tax it will seek to work that out with Congress later.

At its most generous, the broadened stock ownership plan, as the Administration has christened it, might provide that the total value of the stock when sold—that is, the original purchase price, plus any gain in its value, plus the value of any accumulated and reinvested dividends—might be taxed at the capital gains rate, which is one-half of the rate paid on ordinary income.

So generous a plan seemed certain to encounter strong opposition in Congress, however.

It was also unclear how the Administration's plan would be received by a key member of Congress, Senator Russell B. Long of Louisiana, who is chairman of the Senate Finance Committee. He has his own different proposal, for using tax-incentives to encourage

stock ownership.

Among the items left open for discussion and negotiation with Congress is the exact amount that an individual or family would be permitted to invest in common stock and have the money made tax-free.

A figure in use in discussions within the Administration has been \$1,500 a year for any individual or family with income of \$20,000 or less. For those with incomes between \$20,000 and \$40,000, the amount that could be invested tax-free would be reduced by \$75 for every \$1,000 of income. Thus persons with incomes of \$40,000 or more would not be able to take advantage of the broadened stock ownership program.

Mutual fund shares would be eligible for purchase under the program, and so would stocks provided for employees at a reduced price by employers.

What the White House called a "fact sheet," which it distributed with the text of the President's speech, gave some fresh details about the proposed plan to provide rapid tax writeoffs of the expenses of building and equipping new plants in high-unemployment areas.

The building of such facilities would have to begin within one year of today to be eligible for the tax benefits. Machinery and equipment would have to be ordered in the coming year and placed in service within 36 months from today to be eligible.

Continued From Page 1, Col. 8

American people, promising them no more than we can deliver, and delivering all that we promise."

The President's address—which simultaneously set the directions he will take toward a legislative program this year and outlined the platform on which he will seek election to a full term—drew its conservative theme from the title, "Common Sense," of the radical tract by Thomas Paine that helped arouse Americans to revolution two centuries earlier.

"Common sense tells me to stick" to the "steady course" pursued by his Administration in 1975, Mr. Ford said.

## Program for 1976

Accordingly, he outlined the elements of his 1976 program, nearly all of which had become public knowledge before tonight, as follows:

¶While inflation is slowing, to "stop it cold" Mr. Ford called for holding spending in the coming fiscal year to the \$394.2 billion that he will suggest in his budget plan on Wednesday.

¶To enhance recovery from the recession of a year ago, the President called again for the addition of \$10 billion of Federal income tax reductions to the \$18 billion in tax cuts in effect through next June.

¶To combat continued high unemployment without resort to large-scale Government intervention, Mr. Ford proposed to give business an incentive to create jobs by accelerating their tax write-offs for plant expansion in high-employment areas.

¶The President repeated earlier plans to alter estate tax laws to enhance the likelihood

that small businesses and farms would be passed from one generation to the next, and he sketched to Congress a new proposal to give tax breaks to middle-income families if they invest in corporate stocks.

¶While declaring that the nation "cannot realistically afford" a Federal program of national health insurance, Mr. Ford said he would send to Congress a plan to provide catastrophic health insurance for the elderly and poor now covered by Medicare.

¶Mr. Ford gave a broad outline of his intention to combine 59 separate Federal grant programs into new, broadly defined grants to the states in the areas of education, health services, child nutrition and social services.

¶To shore up a Social Security system that he said was "headed for trouble," the President called for an increase in the tax rate and the wage base on which the system is funded. But he softened the political impact of the tax increase proposal by pledging to endorse the payment to Social Security recipients of the full cost-of-living increase due this year.

#### Concern on Intelligence

Some of the sternest language in Mr. Ford's address to Congress dealt with his long-standing concern that Congress was imposing unwarranted restrictions of foreign policy and stood ready to meet past excesses of the intelligence community by going too far in curtailing covert efforts abroad.

In an evident allusion to the mood of neo-isolationism that he has spoken of as a legacy of American involvement in Indochina, the President cautioned that "the American people have heard too much about how terrible our mistakes, how evil our deeds and how misguided our purposes."

Americans, he said, "know better," and "it is time we quit downgrading ourselves as a nation."

He said that while "consultation and accommodation" in foreign policy was essential to relations between Congress and the White House, foreign relations were meant by the Constitution's framers to be "conducted effectively only if there is strong central direction that allows flexibility of action."

He upbraided the Senate for having voted late last year to bar use of Federal funds for covert activities in Angola and urged the House not to follow suit.

"We must not face a future," he said, "in which we can no longer help our friends, such as in Angola." With means short of direct intervention.

He said that if Congress went too far in legislating restrictions on the Central Intelligence Agency and other elements of the intelligence community, adversaries would be tempted toward "new adventures" and United States capacity to influence world events would rest dangerously on resort to "direct armed conflict."

In drafting the Presidential address—a process that began last summer and involved the whole range of White House advisers—Mr. Ford's speech writers sought to identify his election year image with the theme of "new realism" and "common sense" that permeated his text.

Mr. Ford spoke of a nation "crossing a threshold" but retaining an identity with its origins and ideals. He referred

to the constant search for "a more perfect Union" and said the travails of 1975 had demonstrated it would come not from political rhetoric but from decision infused with "courage and common sense."

Although Democrats in Congress and critics within his own party might and likely will disagree, the President said that the experience of his inherited Administration had proved that "we are not only headed in the new direction I proposed 12 months ago, but that it turned out to be the right direction."

#### Nomination Process Begins

The President's address to Congress and the nation coincided with the beginning, in precinct caucuses across Iowa, of the Presidential nominating process. The speech came one year and one day prior to the inauguration of the President who will be elected next Nov. 2.

Although tempering earlier predictions that the address would constitute a crucial element of Mr. Ford's candidacy for a full term, White House and Ford campaign aides said that they expected the speech to help erase Mr. Ford's image among some Americans as an indecisive, if genial, President.

The "opportunity" presented by the annual appearance on Capitol Hill, said one aide, was to present Mr. Ford as a "cool, moderate, safe guy with the answers" to economic and other problems.

Their hope, the aides said, was that Mr. Ford's appearance—in one of the most fundamentally "Presidential" roles—would contrast favorably with the initial impression created by his rival for the Republican nomination, Ronald Reagan.

In Mr. Reagan's first two weeks of campaigning, he has been preoccupied with a defense of his own controversial plan to transfer \$90 billion of Federal programs to the states.

The President's own program is apt to encounter substantial opposition in the heavily Democratic 94th Congress, however. The tax cut, energy and spending suggestions that Mr. Ford outlined on Capitol Hill one year ago produced nearly year-long friction, stalemate and compromise.

#### Muskie Will Respond

The extent of the conflict in store in the 1976 election year will be made clear when Senator Edmund S. Muskie, Democrat of Maine, delivers a State of the Union response Wednesday night on behalf of the Congressional majority.

Leaders of both parties on Capitol Hill set modest expectations for the Bicentennial session of Congress as the members returned today from their year-end recess.

Mike Mansfield, the Senate majority leader, forecast enactment of a program of insurance against catastrophic illness, an extension of the current tax-cut program beyond June and measures providing greater Congressional control of intelligence agencies.

After a year in which Mr. Ford exercised his veto power 17 times, "I would hope there would be more cooperation and less vetoes," Mr. Mansfield said.

Representative John J. Rhodes, the House minority leader, also said that "Government by veto is not a good way to run the country" but laid the blame for the conflict on Democrats in Congress.