

quests, gains from barter, all capital gains, social security benefits, proceeds of stock sales, all dividends and interest received, as well as wages, salaries, and net business profits of the self-employed. From income so broadly defined would be subtracted all increases in savings and investments made by the taxpayer over the year. As now, costs of doing business or earning an income, such as travel expenses and union dues, would be deductible, as would charitable contributions, heavy medical costs, mortgage interest, and State or local income taxes. However, other provisions for exemptions, exclusions, deductions, and sheltering now granted under the income tax—more than 60 of them—would be removed to put all taxpayers with the same standards of living on the same footing.

To concentrate tax relief on the poorest families, where it is most needed, the bill proposes a personal exemption of \$2,000 per taxpayer and dependent, double the exemption under the income tax. Tax rates, unspecified by the bill until congressional tax policy determines the amount necessary for replacing the income tax, would be graduated, so that persons spending more would pay at higher rates.

Administration of the progressive consumption tax would greatly resemble that of the income tax. On forms much like 1040, the taxpayer would list his income and deduct his itemized (or standard) deductions, then subtract net savings/investment for the year—or add net dis-savings or reduction in investment. Finally, personal exemptions would be subtracted and the amount of tax calculated from tables provided by the IRS.

There would be tax withholding, from interest and dividends as well as from wages and salaries. This would be done from withholding tables akin to those now in use for the income tax, but relating tax to amount of income and assumed average level of savings, instead of to income and assumed average level of deductions as is now the case.

Corporations would be taxed on their dividends, thus allowing for the deduction of all business costs and reinvestment of earnings. To insure that closely held corporations do not serve as devices for avoiding personal taxes, a minimum tax would be placed on those retaining the larger part of their net income.

One purpose of the bill is to encourage savings which are productively invested. However, to limit the accumulation of wealth in families from generation to generation, H.R. 4442 also provides for restoration of the estate tax by greatly reducing the overgenerous credits allowed by the Economic Recovery Tax Act of 1981 Gifts and

bequests would, of course, enter the taxable income of the recipient.

The purpose of H.R. 4442 is to stimulate debate in the Congress. We can usefully consider other alternative means of reforming the tax structure and cutting into the deficit. The value-added tax and flat income taxes have already been proposed. However, I submit that a progressive consumption tax, along the lines of H.R. 4442, offers a more equitable method of raising the large amounts of tax revenue which are desperately needed to restore fiscal solvency. ☉

CONGRESS BACKS DOWN ON SHOOTING ANIMALS

HON. TOM LANTOS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, November 18, 1983

☉ Mr. LANTOS. Mr. Speaker, I wish to express my deep and keen disappointment at the conference report language in the Department of Defense appropriations dealing with the use of animals in military medical training.

I laud the decision of the conferees to exempt dogs and cats from the horror of being shot, but this decision falls far short of solving the real problem.

It ignores the use, and potential abuse, of a wider range of animals—less familiar to the American public, but which are nonetheless capable of suffering. The Secretary of Defense made the wise decision to place a moratorium on the opening of the wound laboratory because of the potential dangers to animals and because of the wasteful expenditures of taxpayers money.

Surely, those issues will not be solved simply by protecting animals which are primarily household pets. Until the Defense Department proves to the Congress it is willing to adopt a responsible policy on the humane treatment of animals, the Congress should take a much stronger role and prohibit the use of animals in experimentation and training. ☉

RETHINK H.R. 4102

HON. HAMILTON FISH, JR.

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, November 18, 1983

☉ Mr. FISH. Mr. Speaker, just last Thursday, November 10, the House passed and sent to the Senate the bill H.R. 4102, dealing with telephone service in the United States.

I strongly support the concept of universal telephone service for all Americans, but I just as strongly opposed H.R. 4102 as the wrong way to

go about assuring such universal service.

The bill was lacking in many substantive respects, and it was also at odds with consent decree effecting the AT&T divestiture. I raised that point in debate, and also requested sequential referral to the Judiciary Committee, unfortunately without success.

Just 7 days have passed since the measure left this House, and already we are seeing the fruits of our misguided efforts.

On November 17, yesterday, the rating agency Standard & Poor's Corp. placed the triple A ratings of AT&T and Western Electric on Credit Watch because of financial threats due to congressional action on H.R. 4102 on November 10.

And S&P's caution is not directed exclusively at AT&T, but also on the future of the local telephone companies, such as New York Telephone, which services most of my constituency. Quoting from S&P's news release,

S&P is also concerned with the potential long-term negative impact on the regulated local telephone industry, including Bell operating companies.

S&P pointed out further that the subsidization of local service by inflated long-distance charges and access charges levied only against multiline business customers would eventually lead to bypass of the local telephone systems by big businesses. They say,

Residential customers would thus be forced to bear a rising proportion of the costs of operating the local system, and rates would be forced much higher than under the FCC's access charge plan.

The Wall Street Journal reiterated this point in an article which follows as well.

Mr. Speaker, I wish to call the attention of my colleagues to this action on Wall Street as just the first of many negative consequences to be expected if H.R. 4102 becomes law. I urge that each Member rethink this entire issue with a view toward opposing the bill is and when it returns to the House for further action.

The article follows:

AT&T, WESTERN ELECTRIC RATINGS PLACED ON CREDITWATCH BY S&P

For immediate release, November 17, 1983.

New York.—The "AAA" senior debt ratings of American Telephone & Telegraph Co. and its manufacturing subsidiary, Western Electric Co., are placed on Creditwatch with negative implications in the wake of proposed Federal legislation. The Universal Telephone Service Preservation Act was passed by the U.S. House of Representatives on November 10. If enacted in its current form, the bill would continue the system of local rate subsidy by long distance charges. This is contrary to the principles embodied in the modified final judgment and the Federal Communications Commission's (FCC) access order, which are structural assumptions underlying S&P's current ratings. Under the present system, AT&T's long distance competitors pay only 55 percent of