

With reference to the subject previously discussed of the penalties applying under present law, here is another statement [P. 27584]

ute that is now on the books. This statute is so broad that it covers almost anything. Let me read it:

§ 1002. Possession of false papers to defraud United States.

Whoever, knowingly and with intent to defraud the United States, or any agency thereof, possesses any false, altered, forged, or counterfeited writing or document for the purpose of enabling another to obtain from the United States, or from any agency, officer or agent thereof, any sum of money, shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

So that provides for 5 years in jail and a \$10,000 fine. The Comptroller General would be responsible for checking into every single item of expense certified by the political parties under the proposal before us.

Someone has suggested that perhaps we could set standards as to how much should be spent in every single State. If anybody wants to work it out, I shall be glad to consider it, or we could have the staff work it out. But I do not think it is necessary, because no question is raised as to the percentage of the money raised by the people of New York, for example, as compared with Louisiana.

The remaining Senate amendments to which your conferees accepted changes were those dealing with swap funds and the provision requiring reports to clarify the national debt and tax structure. Changes made to this latter amendment are minor and represent changes suggested by the Bureau of the Budget to make the reporting system practical.

You will recall the discussion on the Senate floor with respect to swap funds. Under section 351 of the Internal Revenue Code, transfers of property to a corporation by one or more persons in exchange for stock in a corporation does not result in gain or loss if immediately after the exchange the person or persons in question are in control of the corporation. On July 14, 1966, the Treasury Department issued a proposed regulation indicating that the exchange of appreciated stock for shares in an investment fund where immediately after the exchange the persons who transferred the stock to the corporation are in control of it does not qualify for this provision. The Senate added an amendment to the bill providing that section 351 applied to corporate investment funds.

The conferees considered this provision at length and concluded that, at least at this time, they did not believe that stock or real estate investment funds should be eligible for this tax-free treatment under section 351. It was recognized, however, that in view of the past experience under this provision it prob-

ably would have been unfair to cut these funds off immediately. As Senators will recall from the Senate discussion in 1960, the Internal Revenue Service ruled that these funds did come under section 351, and while it is true that since that time they have refused to so rule, nevertheless, private tax counsel has so ruled for many funds since that time. In view of these considerations, the conferees provided that these investment funds should come within section 351 only with respect to transfers to stock to the funds prior to July 1, 1967. Moreover, funds required to register with the Securities and Exchange Commission under either of the two applicable laws, to be eligible for this treatment must file their registration applications with SEC by January 1, 1967; the prospective shareholders must have deposited their stocks with the fund by May 1, 1967; and the actual transfers must have occurred before July 1, 1967. Where registration application set a maximum dollar amount for a fund, this may not be revised upward after January 1, 1967. Any additional amount would not qualify for the tax-free treatment under this provision. This latter limitation, of course, applies only to those funds not already established.

I believe that the bill as revised by the conferees is a good bill and should be approved by the Senate.

I have a letter from the Secretary of the Treasury, who says this is a good bill and that it should be agreed to by the Senate. The Treasury Department did have some concern about some of the provisions in the bill as passed by the Senate, but they are satisfied with the conference agreement. The only provision they really take exception to is H.R. 10. The revenue loss of the bill as passed by the Senate was put at approximately \$470 million a year.

As we bring it back from conference, the cost of it is about \$80 million a year.

So the cost of this bill to the Treasury is only about 15 percent of what it would have been as passed by the Senate. The only very expensive item in the bill is the one provision, H.R. 10, the self-employed retirement provision. That provision, as I have stated, Mr. President, is something I have fought against for many years, and if it were here on its own merits alone, I would still be fighting it. But the House passed it 291 to 0. And in spite of my best efforts, all the arguments I could make, all the arguments the majority leader [Mr. MANSFIELD] could make, all the arguments the Secretary of the Treasury could make in talking to Senators, all the arguments the Under Secretary, the Assistant Secretary could make, and all the arguments that our staff could help us make, we simply lost. We did not have the votes to outvote them. So this