

moment. I do not question the motives of the Treasury Department in this flip-flop. It is not the first time they have suddenly changed positions. I am not unmindful that in late August, the Secretary of the Treasury said he was unalterably opposed to suspension of the 7-percent investment credit, and 10 days later he was for it. He had a right to change his mind on that issue, and he has a right to change his mind now and ask for this bill.

I now wish to discuss some of the features in the bill to which I object and express my opinion as to why I think it would be better if it were not enacted at this time.

I yield to the Senator from Louisiana.

Mr. LONG of Louisiana. Of course, the Senator is entitled to his opinion.

Those of us who voted for the swap fund amendment felt that if we looked at the law, we would find that the present law permits the tax-free transfer of securities to investment companies. The Treasury felt that this was something of a loophole, and wanted it to be closed. The Treasury proposed to close it by an administrative regulation; but it seemed to us that it ought to be done by law. We believe that Congress ought to act, rather than to have the Treasury act administratively. The Treasury is pleased that the conferees have closed the loophole affirmatively.

Mr. WILLIAMS of Delaware. I know that the Treasury is apparently pleased today to accept a proposal which only 1 week ago they denounced as the most glaring loophole ever proposed by Congress.

Mr. LONG of Louisiana. What we have before us is a different proposal. This is a proposal that the Treasury helped us to draft. The Treasury feels that it is a good proposal.

Mr. McCARTHY. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I shall yield in a moment.

The only change that has been made is that we have fixed the final termination date as July 1 of next year.

Mr. LONG of Louisiana. The SEC registration must be filed before January 1, 1967, and the funds must be deposited by May 1, 1967.

Mr. WILLIAMS of Delaware. Application must be filed in December but July 1 is the final date.

Mr. LONG of Louisiana. And cannot be amended to raise the amount.

Mr. WILLIAMS of Delaware. After January.

I shall discuss the merits of the proposal later. When the committee had this particular proposal before it, the representatives of the Treasury Department said it was a glaring loophole and even indicated that if that one amendment alone were in the bill, they would have to recommend its veto. But now we are told they are willing to accept it.

That is the Treasury flip-flop about which I am talking.

I now yield to the Senator from Minnesota.

Mr. McCARTHY. The Senator from Delaware keeps quoting the Treasury; but the Senator himself knows that it was not a glaring loophole. He knows better.

Mr. WILLIAMS of Delaware. I agreed with the Treasury that it is a loophole.

Mr. McCARTHY. But not the largest loophole in the tax code. The Senator would not commit his reputation in support of the Treasury official he quotes and say that this was the most glaring loophole in the whole tax code. He will quote the Treasury official as saying that, but he himself will not say that it is.

Mr. WILLIAMS of Delaware. I concurred in what the Treasury representatives said to our committee, and no one has caused me to change my mind. I respect the opinion of the Senator from Minnesota even though he differs with me.

Mr. McCARTHY. No one can prove that a penny of revenue would be lost if the amendment is adopted; neither can the Senator prove that there would be a loss of a nickel of taxes in that "glaring loophole," that a nickel's worth of taxes would be lost. In fact, the record shows that it might bring in revenue, if anything. This is a loophole through which the Treasury could get revenue. The Treasury ought to be for that kind of loophole.

Mr. WILLIAMS of Delaware. I do not want this debate to get to the silly stage. Certainly there is a loss in revenue.

Mr. McCARTHY. Who ever heard of a loophole through which the Treasury would make money? Who ever heard of the Treasury closing a loophole or asking the taxpayers to close a loophole because the Government was making money?

Mr. WILLIAMS of Delaware. Let us not get this to the ridiculous stage. The Treasury agreed that there was a loophole, and in my opinion, there is a loophole now. Perhaps it would be just as well to proceed to show how this is tax relief for a certain group so that there can be no misunderstanding.

This proposal legalizes a method by which those who have a sizable block of securities or real estate which has been secured at a very low cost in relation to its present market value can, by forming a group or a fund, diversify their investments by turning their stock over to a fund and taking stock in the newly formed corporation, thus avoiding the payment of capital gains tax.

They cannot do this under existing law without paying a capital gains tax. It is something which they will not be able to do after July 1, 1967, but the supporters of this bill say, "We will legalize what you have done heretofore and