

zation of the tax liability of foreign income and bringing it more into conformity with treaties and our arrangements with other countries.

I am in complete agreement with that title of the bill as it has been worked out. The conference report is even better, and it strengthened the bill. I am in complete agreement with that phase of the bill.

Mr. LAUSCHE. What will be the loss of revenue from that standpoint when there is taken into account all titles of the bill? Would the Senator say that the amount is about \$44 million?

Mr. WILLIAMS of Delaware. H.R. 10 would cost about \$40 to \$60 million. One could only guess in that connection. There are several other sections here which would run the loss figure up \$15 or \$20 million, and then there is the \$26 million increase revenue in title I.

I would not quarrel with the estimate of the chairman that the net result of the adoption of the package, as a whole, would be in the neighborhood of \$50 million.

Mr. LAUSCHE. I commend the Senator from Delaware. I request that he continue his discussion, describing the other Christmas gifts made to special taxpayers by this bill, and the grab bags.

Mr. LONG of Louisiana. Mr. President, would the Senator yield at that point?

Mr. WILLIAMS of Delaware. I yield. I had told the chairman that I would not be too long.

Mr. LONG of Louisiana. I appreciate the opportunity to affirmatively explain why we do not agree with the Senator's view that there is a revenue loss from the operation of swap funds.

If one man holds a share of stock which he bought for \$1, which is now worth \$100, and he puts it in a common fund with another man who had a share of stock in a different company which he bought for \$1, which now sells for \$100, and they have to pay a 25-percent capital gains tax, they are not going to put the stock in a common fund, but rather, they will hold it in their safe deposit boxes. That being the case, the Government would get no revenue at all. If they put it in a common fund, the fund would be likely to sell some of it and then the Government gets revenue from the fund. The fund would have the same cost basis as the shareholders when they contributed the stock.

Those who argue for the swap funds contend that it makes money for the Government, but the Treasury did not like it and thought it might be a loophole because it permits stock diversification without the payment of capital gains tax. They sought any regulation to correct this. All we did was to attempt to affirm at a date beginning 6 months to a year later what the Treasury sought to do by its own regula-

tion. The Treasury now supports this provision.

Mr. WILLIAMS of Delaware. I should like to point out to the Senator from Louisiana clearly what is involved here. Say that A has a million dollars in stock which cost him \$1 a share and which on the market today is worth \$100 per share. Say that B has a similar investment in another company which cost him \$1 a share and its market value is 100 times that. Each wants to diversify his holdings so that he will own half the stock of A and half the stock of B. Under existing law if they sell they have to pay a capital gains tax. Under the so-called loophole, by joining together in an exchange stock fund they will be diversified, each owning a half million dollars of each company. They pay no capital gains tax. There is no possible way to make an estimate as to what would be lost or gained under this loophole. There is no possible way to estimate what any man would do, if. But the point I am making is that there are 90 million Americans today who pay taxes. All except those who are in these seven combines will have to pay the capital gains tax. They want to diversify, and what this bill is saying is, "You seven can go ahead and diversify your real estate holdings, your bonds, and your stocks, and the capital gains tax is waived. They can diversify and will have no capital gains tax to pay.

Mr. President, I do not think it is right.

Mr. LONG of Louisiana. Mr. President, will the Senator from Delaware yield right there?

Mr. WILLIAMS of Delaware. I think we have debated this phase long enough. I promised the majority leader that I would confine my remarks to the question before the Senate today, but I am glad to yield to the Senator from Louisiana further. However, I want the RECORD to show that I am not delaying this colloquy.

Mr. LONG of Louisiana. I should like to read into the RECORD section 351(a). I should like to read what the law states:

(a) General Rule.—No gain or loss shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock or securities in such corporation and immediately after the exchange such person or persons are in control (as defined in section 368(c)) of the corporation. For purposes of this section, stock or securities issued for services shall not be considered as issued in return for property.

Many tax lawyers think that means these swap funds are legal. The Treasury wanted to stop the establishment of these funds and its regulations seem to have had that effect since no one can arrange to have the question litigated without risking large amounts of money.

Mr. WILLIAMS of Delaware. I do