

not want to discuss this all day long. I should like to hurry along and comply with the desire of the majority leader for adjournment. I am well aware of that section of the law. The Under Secretary of the Treasury quoted that same law the time he said it was not applicable to these swap funds on securities but that the section was intended to deal with the situation where one corporation would organize another corporation and receive its stock in exchange for property it contributes to the new corporation. Under Secretary Surrey said it was in no way related to the problem we are discussing today. I think we have debated this point long enough.

It is a loophole to aid a very small group to avoid its tax obligation.

Mr. GORE. Will the Senator from Delaware yield to me long enough to make this observation? I have listened with great interest to the explanations of the distinguished Senator from Minnesota and the distinguished Senator from Louisiana. Their explanations of how the Treasury is not going to lose money by this amendment reminds me of that intrepid merchant down my way who was not quite satisfied with the condition of his business, so he put on a big sale. During the sale, one of his neighbors came by and said to him, "How are you getting along?"

The merchant replied, "Oh, fine. I am losing money on every item I am selling, but I am making it up on volume."

Mr. WILLIAMS of Delaware. Mr. President, I next want to discuss section 201 of the conference report. This deals with the application of investment tax credit to property used in possessions of the United States. That is the title of the section. When the 7-percent investment tax credit was first enacted, Congress intentionally and very clearly confined it to purchases of equipment used in the continental United States. It did not apply to any equipment used by American corporations abroad.

There is no argument about that. Congress did that, clearly and intentionally. Right or wrong, that is the law. As evidence of that point there are pending before the Committee on Foreign Relations one or two treaties which the Treasury Department first approved, but in light of the recent suspension I think it has withdrawn its support. These treaties would have extended the investment tax credit to American corporations for their investments in certain countries—Pakistan was one, and Israel another. Several others were waiting in line in case one treaty was approved.

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This bill deals with investment tax credit on property used by American corporations in possessions of the United States.

The section which is before us now carries retroactivity.

Let me quote from the summary in the committee report concerning section 201:

1. *Application of the investment credit to certain property in U.S. possessions.*—The investment credit is extended to property located in U.S. possessions provided the property is owned by a U.S. company or citizen, subject to U.S. tax on its income from possessions would otherwise have qualified for the investment credit, and is not owned or used by U.S. persons who are presently exempt from U.S. tax. This amendment is effective with respect to property placed in service after December 31, 1965.

Mr. President, construction of this property started prior to that date and it was put into use after December 31, 1965. Why did they pick this one date, and why was that section so designed? Because it fits exactly one company. It fits, to my knowledge, just one company, the Harvey Aluminum Co., which will get a windfall of about \$2 million in tax credit. The tax credit which goes to that company would be retroactive in that this amends the old law to apply to investments of American companies abroad.

In other words, at the same time, Congress is suspending the 7-percent investment credit for other taxpayers the bill provides a retroactive \$2-million investment credit for another company. Under the law they could not have obtained such credit, but now it is proposed to permit it retroactively.

In addition, I should like to point out the other concession that this company already gets with its investment in the islands. This company in the Virgin Islands has already had approved a 75-percent rebate on its tax on income from its plant in the Virgin Islands for 16 years. That tax subsidy in the Virgin Islands had already been approved.

It will be noted that the language of the bill cleverly states that the \$2-million bonus in this bill is deductible from the income of the parent organization in the United States. The company has shipped equipment to the Virgin Islands, so that means that the bulk of \$2-million windfall will be deducted from the top obligation of the parent organization in the United States. The plant itself is already exempt from income taxes to the extent of 75 percent by virtue of an agreement it has in the Virgin Islands government.

Mr. President, I ask unanimous consent to have printed in the RECORD a series of correspondence concerning this project, including one letter from the Secretary of the Interior, one letter from the General Services Administration, and one letter from the Treasury Department.

There being no objection, the correspondence was ordered to be printed in the RECORD, as follows: