Problems have been raised as to the Long Act; namely, title III of the bill which deals with the Presidential Election Campaign Fund Act—and I shall discuss them in just a moment—but I certainly do not believe that anyone can say that this represents special interest legislation. I realize that both of the Senators who led the attack on the bill have raised questions with respect to this portion of the bill, but these certainly are five more sections that cannot in any sense of the word be categorized as special interest provisions.

The remaining titles to the bill, title II and title IV as agreed to by the conferees, contain 18 sections. As near as I can tell, the entire discussion of special interest legislation as it is described revolves around four topics, accounting for seven sections of the bill. In other words, 11 more sections, make good structural changes in the law to which no question has been raised. Moreover, a review of these 11 sections discloses that in all cases they were either specifically endorsed by the Treasury Department or no objection was raised with respect to them. I shall attach to the end of my statement a brief description of these 11 clearly good structural changes.

Let us now examine the four remaining issues which apparently are responsible for the moniker which has been attached to this bill.

INVESTMENT CREDIT IN U.S. POSSESSIONS

One of these is the provision dealing with the investment credit in U.S. possessions. This amendment merely extends the application of the investment credit, now applicable to domestic investments, to investments in U.S. possessions for 1966 and subsequent years, on the same basis as the credit has been available here in the continental United States from 1962 forward. There have been statements to the effect that the Virgin Islands or Puerto Rico or some other possessions are already providing tax benefits with respect to their tax systems and, as a result, further tax benefits are not needed. This view represents a misunderstanding as to how the provision works. The tax credit provided by the bill is not available to offset Virgin Islands or Puerto Rican taxes. The investment credit can only be taken with respect to investments made by domestic corporations or U.S. citizens with respect to their U.S. tax—not on any tax which may be due a possession. In addition, this provision was carefully circumscribed so that it would not be available to any U.S. corporation or citizen already receiving special tax treatment under U.S. law with respect to investments in the possessions. This primarily is the exclusion for such income provided by section 931.

Corporations which receive the benefit of this provision will be domestic corporations with investments in possessions. They also must be corporations which are paying U.S. income tax with respect to those investments. The Finance Committee could not see why we should discriminate against investments of this type in our possessions. The committee could not see why these investments should be treated less favorably than investments here in the United States. I might add that investments made in possessions during the period when the domestic credit is suspended will not be eligible for the investment credit.

The principal objections which have been raised to this provision are that it

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is "retroactive" and also that it is "tailor made" for the Harvey Aluminum Co. First, let me say that this provision applies only to assets, the use of which has begun in the current year, 1966. In the past when practically any amendment beneficial to taxpayers has been enacted, it has been made effective as of the year in which the legislative action was taken. In other words, making this provision effective with respect to assets the use of which began in 1966 is wholly consistent with what has been almost the universal practice in this regard in the past. Moreover, when the domestic investment credit was first provided, it, too, was made effective back to the first of the year 1962 although this act did not become law until October 16, 1962. I see very little difference in the circumstances involving the two provisions, yet I heard no complaint about the domestic investment credit applying as of the first of the year in which enacted.

As to this provision being tailor made for one company, let me say that it should be obvious that in all of the various possessions of the United States certainly more than one company made investments during the calendar year 1966. It is ridiculous to assume that this provision will have application to only one company, and when tax returns for 1966 are filed, I am sure it will be shown that this charge is not true.

A bill to accomplish the objectives of the Senate amendment had been introduced in the House on August 24, 1965, giving everyone plenty of time to review its merits. The Finance Committee agreed to the amendment this year only after the Treasury Department advised the committee that it was consistent with administration policy.

SWAP FUND PROVISION

Let me now turn to the so-called swap fund amendment. The misunderstanding of the "possession" provision is only exceeded by the misunderstanding of the swap fund provision. Section 351 of the Internal Revenue Code provides that gain or loss is not to be recognized if property is transferred to a corporation

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