

The other purpose, of course, is to encourage thrift, to encourage capital accumulation.

Mr. MINISH. The Senate-passed bill contains an exemption for credit transactions where the finance charge is less than \$10. That is where the purchase price is roughly \$100 per item. Such purchases are related to us as—represented to us as a transaction for the people you are trying to help. Is a purchase of \$100 a small transaction?

Mr. HARDING. No, sir; it is not a small transaction at all for our clientele.

Mr. MINISH. Thank you.

Mr. HARDING. And in our testimony we propose that that restriction which appears in the Senate bill not appear in the House bill.

Mr. MINISH. Does OEO favor the House bill over the Senate bill?

Mr. HARDING. Over the Senate bill with modifications to the House bill.

Mr. MINISH. How do you feel about the same question, Mr. Secretary?

Secretary TROWBRIDGE. I favor H.R. 11601 over the Senate bill, S. 5, when comparing the disclosure provisions of the two bills. My own personal opinion is that the balance of the provisions in H.R. 11601 which deal with other areas of this problem would better be left for further scrutiny, frankly, for two reasons. One, I think they deserve a little bit more and secondly, I think if we get bogged down in debate over many of these additional features, the time will run out on the chance to pass the disclosure bill which the Congress has the opportunity to do.

Mr. MINISH. Thank you, Mr. Secretary.

Mrs. SULLIVAN. Mr. Wylie?

Mr. WYLIE. Thank you, Madam Chairman.

The other day I asked Mr. Barr about the Internal Revenue Service's regulation which states that an interest amount equal to 6 percent of the average unpaid balance of the installment contract during the year or the portion of the total carrying charge allocable to the year, whichever is lesser, can be deducted as an expense on the Federal income tax return. Would you favor a change in that regulation if a disclosure bill such as this is passed, so that we know what the interest rate might be so the full amount could be deducted as an expense.

Mr. HARDING. Are you speaking to me, Mr. Wylie, in my former capacity with the Internal Revenue Service or my present capacity with the poor, or does it make any difference?

Mr. WYLIE. I am trying not to make such a distinction. It seems to me we are talking about legislation here to assist the poor and this regulation mitigates against the poor, limiting the deduction to 6 percent. As I understood it from Secretary Trowbridge and from Mr. Shriver, the persons who are hit the hardest by these service charges, interest rates and so forth, are the poor and very poor. They can't figure out these charges. Could we not help them if that is who we are trying to help by saying, "you can deduct whatever the actual amount is on your income-tax return"?

Mr. HARDING. I think it would certainly be a gesture in that direction, Mr. Wylie. I think that the people we are talking about here are not people who are probably—they are probably not taxpayers to