

be to abandon the basic principle that a capital gains tax becomes due when the investor changes his basic investment position. This principle would then become subject to increasing attacks and requests for special treatment in other situations.

In addition to this basic policy objection, the amendment continues to pose serious problems of administration and very possibly extensive litigation over the issue of "undue hardships," which concept was retained in the proposed amendment. Therefore, although the necessity of defining impracticality has been eliminated, this change has not vitiated the problems which I described in my previous letter because of the retention of the equally abstract concept of "undue hardship."

For the foregoing reasons, the Treasury Department remains opposed to the enactment to S. 698.

The Bureau of the Budget has advised the Treasury Department that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely yours,

STANLEY S. SURREY, *Assistant Secretary.*

STATEMENT BY HON. EDWARD V. LONG, U.S. SENATOR FROM THE STATE OF MISSOURI

Mr. Chairman, I appreciate this opportunity to comment on the amendment Senator Symington and I have proposed to S. 698. The amendment would revise the Internal Revenue Code so as to permit, under certain circumstances, the proceeds obtained through involuntary conversions to be reinvested without payment of the capital gains tax in property not now authorized.

My concern about the present capital gains tax policy was aroused by landowners in western Missouri who are being forced to sell their property to make way for the Kaysinger Dam and Reservoir which will provide flood protection, hydro-electric power, water supply and recreation for hundreds of thousands of people. There are presently 71 authorized projects of the Corps of Engineers within a 200-mile radius of Kaysinger Dam, 107 projects within 300 miles.

The displacement involved to these projects is and will continue to be a major factor in many communities throughout the State. Under existing provisions of the Internal Revenue Code, if a taxpayer is forced by some external circumstance to change his investment position and reinvests the proceeds of a condemnation award in property which is similar or related in service or use to property converted, or which is of like kind with the property converted, then capital gains taxation is deferred.

In many cases, those being displaced are unable to locate or acquire similar property with their condemnation award. My proposal would provide a more equitable treatment in such instances where it was established that similar property is not available in the general vicinity, and where a landowner reaches the age when it is physically impossible to start a new enterprise. It would broaden the range of choice in the replacement of income producing property without the capital gains tax, to any type of real property, any trade or business property, and certain types of investment securities.

The Treasury Department, I understand, is opposed to the amendment. It has consistently taken a position against legislation to extend special tax treatment in the past. I firmly believe, however, that the situation is one which must be faced and one which deserves action. The issue is people whose lives are being disrupted, people who must bear heavy financial burdens so that all citizens will benefit from projects. We cannot turn our backs on these people.

The fact that the adoption of our amendment would result in a revenue loss to the government is not sufficient reason for ignoring the problem. Those whose lands are taken for the benefit of the general public should be afforded fair tax treatment. The thousands of farmers and local citizens being displaced as a result of the federal flood control program did not ask to have their property taken.

The Treasury Department is also concerned that the amendment would lead to extensive litigation to determine whether it was an "undue hardship" to require investment in similar property in order to obtain deferral of the capital gains tax. The fact that there is no present judicial interpretation of this phrase which would be available to the courts should not preclude action.