

men-approved methods. Consequently, industry has sought tax credits and accelerated amortization provisions for anti-pollution devices. Additional tax credits and accelerated amortization will be needed if the present programs are continued.

"Serious study needs to be given to incentives that would relate to performance in waste reduction rather than to the installation of particular treatment methods. One weakness of the present programs is that they tend to encourage the use of established waste treatment methods to the possible exclusion of more efficient solutions such as process changes, or in the case of water, in-stream treatment. The present emphasis also encourages large investments in individual capital facilities which may soon face obsolescence should jointly owned or operated facilities or less capital-intensive methods prove to be more efficient."

If the federal government is going to demand that the states require secondary treatment of all wastes, a good case can be made for a substantial increase in the tax credit allowed for investment in treatment facilities as being expenditures for some public benefit rather than as treatment required to prevent injury to another.

However, it is also important to note that the mere authorization by Congress of a tax credit is of no value unless industry can take advantage of that tax credit. You will recall that for five months Congress suspended the 7% investment tax credit except for those expenditures which were made for pollution control and abatement facilities. For that period of time the Internal Revenue Service required that there be federal certification of those investments. Secretary Udall proposed, in the Federal Register of February 1, 1967, a set of conditions that would have to be met for industry to take advantage of the 7% tax credit. That proposed rule has never been promulgated, but, if it had, or if a similar rule would be applied to additional tax credits made available by Congress, it would almost negate the incentive intended.

Under these proposed rules, the Secretary would require double certification. That is, certification by state authorities and by the federal officials. Under these proposed rules to get the federal certification, conditions above and beyond the state requirements would have to be met. For industries seeking the tax credit, the net effect would have been the pre-emption of the state water quality standards by a federal effluent standard. Thus, the intent of the Water Quality Act of 1965 could have been substantially altered by the use of the proposed federal tax credit certification requirements.

If Congress should allow industry a substantial tax credit for treatment facilities, the entire credit could be of little or no value to industry by reason of the Secretary's certification requirements. Congress should set forth the specific qualifications, or provide that state certification will be sufficient to qualify for the federal tax credit.

Tax assistance to encourage water pollution abatement has been recognized as in the public interest by a number of states. However, the tax credit application can be a problem when it is difficult to show what part of the capital investment in a new plant has actually gone into pollution control and abatement facilities. This points up the advisability of defining in any legislation what the rules should be for certification. States have had to devise such rules for application of their credits. Granting the states the responsibility of certification for federal tax credit allowances would be a practical approach that would eliminate duplication of effort and expense.

Let me summarize my comments on tax credits by saying that if the present FWPCA program continues to demand that states arbitrarily insist upon secondary treatment of all effluent, industry is unquestionably going to need substantial tax credits to finance the costly and unprofitable treatment facilities.

Another "incentive" that might be made available to industry would be an allowance for the accelerated amortization of their waste treatment facilities. The business community would favor the quick write-off of their capital costs in a one-to-three year period. This would be most helpful when coupled with tax credits.

The Senate Public Works Committee suggested that Congress should also give consideration to a federal loan program designed to assist industry with the costs of pollution control. The Committee suggested that a Rural Electrification-type program might be helpful. This REA program, as you know, was designed as a social program to enhance the welfare of our rural citizens. The Committee states that, "The control of pollution is even a more important welfare requirement of our urban population."