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Various Editors

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1986]

SYMPOSIUM PROCEEDINGS

PROF. WOLFMAN (MODERATOR): Thank you ever so much, Gerry. I am reminded by what Judge Parker and Gerry Brannon said to relate a case that was before the Tax Court. Gerry referred to the notion that we have, that we tax only money income, that we don't tax in-kind income, and Judge Parker alluded to some of the problems of cases they have before them—the number of shelter cases. Of course, she was alluding, without direct reference, to these tax protester cases that they have—that are designed by people who want to send the tax system crashing. There were a group of such cases in which taxpayers asserted that the receipt of dollars as wages weren't money income. That is what we tax—money income. Dollars aren't money because they are but federal reserve notes with promises to pay and if you take them to the treasury to redeem, you only get additional promises to pay in the same greenback. And so, they do not have income and the Tax Court had a slew of these cases and they were all being thrown out.

And finally, the Tax Court, I think later than it should, concluded that it should start imposing penalties—damages on taxpayers who keep bringing these frivolous cases. Judge Cannonwald, colleague of Judge Parker, had the case that announced that hereafter people who assert this will be penalized. In the opinion, in which Judge Cannonwald finally said that this was going to happen and these promises to pay *are* income; but in any event that the taxpayer is not convinced that these promises to pay aren't income, he should at least take solace from the fact that he can pay the tax in those same greenbacks. So that argument won't sail very far today.

AUDIENCE MEMBER: What about imputed income?

MR. BRANNON: My point is that there should be systematic thinking about these things. It seems to me that systematically thinking about the services that a housewife contributes to the real income of the family, would, for one thing, suggest to us that in the area of dealing with the problems of joint/split income, et cetera, we should be concerned with the working spouse situation where those services are absent. And spouse allowance or marriage penalty ought to be related to the working spouse, not just a

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flat credit when there is unearned income involved and no change in the service levels.

I would agree with you that there are many forms of non-money income that are difficult to handle. But, my complaint was these problems were not thought through and the result was that we missed some that we should have handled.

MODERATOR: If I could just add a comment to [the audience member's] question and the response to it. Obviously, the problem of imputed income from household services is not unrelated to the problem of imputed income from home ownership. It's harder to tax the imputed income from services. That's not a reason, it seems to me, to not tax the much easier income from imputed income from home ownership. But, moreover, and this is where I have a criticism of *Treasury I*—Congress did, I think, make an important step toward dealing with the problem of household services several years ago when it authorized the deduction of 10% (up to 10% of \$30,000 a year). This was directed precisely to the problem. Because the fact that we don't tax household services and do tax income from the market, has at the minimum had a very serious negative effect, particularly on women who want to enter the market. And so, by reducing the tax on the lower-earning spouse, we have come to equate, though still far distance from, but have moved towards equating the exemption of income from homeowners in order to encourage the borrower to enter the market place. I think *Treasury I* made a terrible mistake, although I support almost all of *Treasury I* and would vote for it as a package, I thought that was one clearly unnecessary error in *Treasury I*.

AUDIENCE MEMBER: In assembling your excellent panel, I think you were a little short of inviting people from the real world.

MODERATOR: That's why you were invited.

AUDIENCE MEMBER: And Judge Parker is definitely from the real world. I'd like to say a few words about things I've heard very little of: retroactivity and administerability. The House passed a bill where almost everything and almost all conduct is to be governed under that bill as of the beginning of this year and perhaps earlier. We have, of course, not the vaguest idea of what the final legislation or final effect will be like. To the extent that this is kind of like an in terram tactic to deter activities that certain

people in Congress don't like; one, I think that is bad policy; two, I doubt if very many members of Congress intended it to function that way. But I'm sure that it is functionally that way.

The other point is a temporary problem which will go away. The other problem won't go away and it is of grave concern to me. When we have these bills every year—or two years (at most)—and we have new concepts introduced and they are extremely difficult concepts and Congress follows the pattern it likes to use now (leaving almost all to regulation). First of all, it takes an incredibly long time with regulations to get them out. Second, there are mistakes in them when they do come out. Third, they come out as proposed regulations and don't get fixed for more years. The result of this is that in the practice of tax law, it is almost impossible to advise the client. In the area of any kind of foreign corporate transaction, I understand that there are supposed to be one hundred and twenty regulations out, which I am told are “full of surprises.” But, in the meantime of a year and half, you are not able to give much advice to the client.

The original issue of discount-like indexing, which hasn't happened yet, and which like the § 385 regulations which went away, the original issue-discount area was a new idea or at least an expansion of an idea that had been kind of relatively modest for years. I am told that the new regulations which have yet to appear again from the 1984 Act have grown so far from 120 pages and are growing still.

In the area of partnerships, the Treasury has just given us a set of regulations that will require an amendment to virtually every kind of partnership agreement that has ever been drafted with no kind of backward time limit. Most everybody knows . . . the point is that regardless of the merits of the intriguing idea that members of the panel have talked about, they don't work in the real world and you can't advise clients, clients can't make decisions and [the] Internal Revenue Service surely can't administer it.

MODERATOR: In case you didn't hear it, that was a question. It ended with “don't you think so?” Anybody on the panel like to comment? Charles.

DR. McLURE: I just made a note to deal with the uncertainty question of the transaction problem and let's call it the retroactivity problem. One thing that I think I said in this paper, although

I've written so many papers I'm not sure it's in this one, it's quite sure that if you grandfather the purchaser of something subject to the ITC, then that may take care of *that* purchaser, it doesn't do a whole lot for the guy who has invested in machine tools to make the equipment that would be excluded from the ITC. In other words, you don't get there just from some grandfather of that type. This leads me to suggest that you should phase things in more gradually. Again, I think none of us would object *a lot* if we were told "X years from now," 10 or 5 if you want, "we are going to change the law—and be *aware* of it, and don't come back later and say you didn't know about it or you didn't believe it that we are going to change it." That's the way to deal with those problems. You ask if we are concerned with the problem of everything being in limbo. And the answer is yes, you have to be concerned.

I personally think that everything from *Treasury I* forward, we should have had these effective dates out far enough ahead that certainly it would put a lot less stuff in limbo in the meantime. I, myself, don't believe that you ought to initially create chilling effects to chill those things you don't like just because you can't get the legal action out by the effective date. Obviously, the same thing is true about the regulations—it is a problem. I have no further comment.

MR. BRANNON: I would like to add to one of Charles' points in a slightly different way. It strikes me as a wonderful way to go about reforming the tax law would be to enact a bunch of changes that would take place in between 1995 and 2000. My guess is that Congress would find that too boring to work on. The only thing that makes reform fun is the prospect of being able to tell some people that they are going to get some whopping tax reductions. This means that you are going to get the money from someone else who had started a transaction depending on the old law. It is a terrible situation, but this is the way our politics work.

MODERATOR: This business of showing effect is *not* new. If you look at the 1954 Code and you see odd-ball effective dates throughout the 1954 Code, you wonder what the effectiveness of all those dates is. A lot of it goes to Wilbur Mills, when he was chairman of the Ways and Means Committee. You will find a whole series of effective dates that are tied precisely to the date that he announced he was in favor of something. His announcement date became the effective date. If you look to the 1954

Code, you can trace it back to his press release date. We are doing this much less than used to be done.

MODERATOR: We are just not used to it as much anymore but they did it because they wanted to have a chilling effect with respect to that. Dave—any comments?

MR. BROCKWAY: Well, first in this piece of legislation, I don't think that the administration is recommending legislation that Congress is adopting because they think it is a good joke to play on people and that they are trying to make life difficult for tax lawyers. Since I've been there, with the exception of this legislation, every piece of major legislation has been driven by fiscal concerns, not tax policy concerns. It's been driven by the fact that before 1981 you had no indexing of the individual sectors, so you generated substantial fiscal dividend right up through the bracket due to inflation bracket creep so that as inflation increased more rapidly you had to have legislation to plow that tax increase into the economy to keep the same level of federal revenues that you wanted from the fiscal policy standpoint. In the process, given the natural tendency that not all that money went back to the general public from whence it came, but it went to whatever trendy non-tax policy objective happened to be favored at that time. So that during the sixties and seventies you saw a great increase in the number of tax expenditures/non-tax goals that technically could be accomplished through the system.

In 1981, that problem was over-corrected when the bill, with its 750 billion tax cut in five years, and indexing the tax system so that there is no prospect of inflation growing us out of the revenue shortfall. Since then (1982-1984), these three tax bills have been the largest tax increase in peacetime history. Certainly the 1982 and 1984 bills were very large. The 1983 bill—the Social Security Bill—was also basically a revenue increase when you looked at how that bill was played out. These bills were driven by revenue concerns. They were important revenue concerns, trying to fund the government. They were probably more important, in any event, in the judgment of the administration of Congress, than the concerns about the instability of the tax laws. They would obviously have increased taxes by simply increasing the rates at the time for want of political concerns—the President said he didn't want any tax increases.

If you will remember, I said those three tax bills were one of

the largest revenue increases in peacetime history; no one would believe, in the general public, that the President was the signer of the three largest tax increases. There are certain political advantages of changing complicated rules that you deal with, Bill, but the general public doesn't really have much interaction with this aspect.

Moreover, I think that people could make a fairly strong argument in those cases that if we are going to increase taxes, it would be better to increase taxes from those who weren't paying a significant amount of taxes in their income compared to the ones that were. As a way of increasing taxes, what was done in 1982 and 1984 made a lot more sense as a way of increasing taxes than a rate increase would have made at that time. The main reason this bill has had trouble in being enacted is the fact that it doesn't have a fiscal purpose behind it, to raise revenue. If it were a revenue raising bill, and it was treated that way, and there was a consensus that we should have a big tax increase, I think there would be more urgency in getting it passed. But since it does not, in its own terms, directly deal with that issue (in fact, it was specifically designed not to deal with that issue), I think you don't have that driving force. I can't tell you the number of particular business supporters of tax reform who see tax increases coming in the future affecting their high-effective rate tax businesses. They see other businesses who benefitted in 1981 or who are low-effective rate taxes, and they don't want to see a surtax coming in and raising income tax on people who are paying tax.

Those people who are paying tax end up paying more when we have to pay a surtax. We would like to see a leveling of the playing field first before we go to this revenue increase in taxes as they see happening. That is why they are supporting this legislation. Again, it is a fiscal concern that they are thinking about in that context.

Behind that, it is difficult to see change happening. It is a problem that everybody has to deal with. But you can't say that simply because there are problems in changing the tax law. The difficulty you see out there, you are simply not going to respond to.

There are a lot of problems with the current system. It is not as *fair* as we would like it to be, nor as efficient as it might be. The only way to deal with that is to change the law, and when you change the law, there are going to be transactional effects. Whether this is possible in a theoretical sense is another question.

But I think that a large portion has to do with a certain quality. You could very well have a system to phase down the rates, to phase out the preferences that we are going to eliminate. But neither side of the transaction tries out the political process to carry through with that implied promise. So that is why we get a more direct change. It would be nicer if we didn't have to do this. But I think the reality is that you have to do it.

One example I can think of—bad effective dates—withholding interest on dividends. Most say that was a great idea. One thing that was said that was done *wrong* was to delay the effective date for six months. This gave people time to generate a lobby and campaign to repeal it. I'm not sure that people realize that, under the administration proposal of the House Bill, if children earned income, if it isn't put into an unqualified asset account (or whatever it's called) it will be taxed at the parents' rate. The tinkering is to deal with the public responses. Whether the problem is seen in formulating the policy, that is the income-shifting justifying the solution.

I think there will be public reaction against those rules and that potential public reaction is what motivates further revision of the rules.

AUDIENCE MEMBER: What happens if you start imputing income?

MR. BRANNON: I go back to the point that Bernie Wolfman made. In many of these areas, there can be considerable improvement by systematically thinking about the problem. It ought very well be that you can't impute a lot of incomes. Certainly we have never found a feasible way to impute these house[hold] services. If you recognize that the problem is there, you will get to a different conclusion as to how to deal with the marriage penalty. Some of that is a recognition of lost income from a spouse who doesn't provide the house[hold] services. That was consistent with your concern about deductions—so that we did come out in a case where you wanted deductions.

PROF. TURNIER: This doesn't deal with services but with use of assets. Once you start proposing a tax on the imputed value of a home, then the interest deduction becomes quite depressible. Also, property tax deduction is perfectly depressible. Last thing, right now you can take ACRS on your house. There was a Brookings Institute on comprehensive tax rights, Don Rubins, I think, made a comment on it. He said that it did do that and gave them

depreciation deductions. Once you get all this, owning a home may be even a better deal than it is at present, from a tax standpoint. That will depend on the depreciation you acquire.

MODERATOR: I am interested in one aspect of [the audience member's] question because law students frequently, before they have acquired a comprehensive grasp of the system, ask why don't we allow a deduction for a person's services to charity, as we allow a deduction for a person's money to charity. The answer is we do—in not taxing the income. If you were to allow a deduction; you would be allowing it twice. It is effectively the receipt of the value of your services which you are then giving to charity. So you are getting a wash. And that is true with respect to your question about the services that are not now currently taxed. But if you did tax the services, then of course I agree with what Bill Turnier said—you would allow the cost as a business expense.

AUDIENCE MEMBER: I have a three-prong question. From the proposition that a tax system is only as good as the compliance you get, a number of panelists have referred to the fact that the income tax system won't be discarded until there is a demonstration that it is not working. The first question that I am going to ask all three—is an income tax system working when there is 5 to 20% noncompliance? Secondly, what will 3838 do to the public's view of the income tax? Thirdly, to bring up a question again, what are the tax policy implications in looking for revenue in a federal tax amnesty of some sort to bring in what is estimated to be as much as \$600 to \$700 billion in uncollected interest and penalties? I'd like to start out with Professor Shurtz. I distinctly recollect that she pointed out that we should not abandon an income tax system unless it is demonstrated that it is not working. Dr. McClure also spoke of that.

PROF. SHURTZ: Of course, I would modify the income tax system. I would keep the income tax system. But I would change the present system. If the primary criteria of change is the maximization of revenue, change it and eliminate many of the loopholes. However, original sin would still exist with respect to imputed income and unrealized appreciation. But, still, will we eliminate medical and casualty loss, home deduction interest, state and local taxes, et cetera? Then, I think that people wouldn't perceive it as being unfair. I would go back to the empirical criteria that I mentioned in the last part of my article. It seems to me that once

you have a tax program that is comprehensive and uses maximization of revenue as the primary criteria, then you should use empirical data to see if, in fact, we are having compliance or not. I would first change it to the way I would want it to be, which would be to forget the social and economic policies and concentrate on maximization of revenue. That would be the primary criteria of administerability, and maybe economic efficiency being next. Then, look and see if under empirical criteria people are complying. I honestly think under my system there wouldn't be this \$600 billion underground economy, or there wouldn't be 15 to 20% of uncollected revenue.

MODERATOR: Who do you wish to impale with your second prong?

AUDIENCE MEMBER: Dr. Brannon may have a comment on the effect H.R. 3838 will have on people's reaction to doing what they theoretically think they will be doing when they fill out their tax return.

MR. BRANNON: Could I take number three? Is this a multiple choice? I don't have any opinion as to what the general attitude is about 3838. I haven't done any survey and I don't know what people think about this. I pass.

JUDGE PARKER: I would like to make a comment. I have absolutely no basis for this. It's just my perception that we cannot continue to disappoint the American public. They really do want tax reform. If they are sold on the idea that this is tax reform and then they perceive that it is not, I think the compliance problems are going to be much more severe than they are today.

I agree that they are very severe today. It's not just the drug money down in Miami, although that is a big part of the underground economy. It is people all over the country—otherwise perfectly decent, law abiding citizens who wouldn't take a dime out of the collection plate at the church—but they are just simply not reporting their income. They are not paying taxes. They're completely off of the economy. I think it is very dangerous. I think the self-assessment system is really in jeopardy. I think the alarm bells are ringing. If we don't do it with tax reform soon, we are going to miss an opportunity.

MODERATOR: It's not just doing it with tax reform. I think that

the cynicism that the American public has about compliance is basically engendered by a sense of congressional desire—if I can use the word desire to tolerate non-compliance. Indeed, to encourage it. I think the repeal on withholding on dividends and interest cannot be read any other way. Everybody acknowledges that there is a minimum of \$5 billion unrecorded income. Some people suggest \$8 billion. That clear way of collecting that without any additional money that is currently taxable was repealed with only four nay votes in the Senate. It shows Congress is quite ambivalent about any will to have compliance.

I agree that we need reform *and* compliance, but I would be delighted if David would respond to my observation that there is a sense that at times Congress wants, for some constituency out there or other, to tolerate widespread non-compliance.

MR. BROCKWAY: I guess there is a lot on the table. One, to start off with, you use the term 15%. Someone threw out the number of \$600 billion. We should all keep in mind that no one fills out forms saying how much tax they are not paying. None of us know what the size of the underground economy is, or how much unpaid tax there is. We don't know how big the problem is. But there is a serious problem—whether we are willing to tolerate it or whether the system is unworkable or what are we going to do instead?

You are still picking up a substantial sum of money running the government through this tax system. We would like to have a better tax system for compliance. But I don't think we [can say the] system doesn't work when you are raising some \$500 billion a year, or something in that magnitude, through the tax system.

I think that to try and improve the compliance, there are a number of things that have been done in recent years in legislation. A lot of them are things that even earlier there is discussion as to maybe that is going to far. They have come out with rules that increase penalties for failure to comply or to further intrude into peoples' lives. There is a real trade-off. We could obviously have great compliance if we had every time anyone went out to a business meal they had an IRS agent sitting at the table finding out whether they are really talking about business. One could draw all sorts of ridiculous examples.

But there is an intrusion into peoples' lives as you try and force them to comply with the laws. You simply have a trade-off on how you want to deal with the situation. I don't know that

there really is much more you would want to do in terms of compliance in the tax system beyond what has been done in recent years and some of the things that are under consideration in this tax bill right now. There may be a number of areas that have gone too far. Withholding on interest and dividends was repealed because banks didn't like it. They financed the lobbying campaign. There are more letters to Congress on that than anything else.

You can't take the position that this really isn't reform. You have to have a system that the public thinks is fair and then say that the one taking that they clearly said wouldn't be fair (there is too much of an intrusion) is withholding on interest and dividends you ought to have. It wasn't Congress saying itself that you shouldn't have this compliance mechanism. It was the public saying it would rather take the non-compliance.

We got maybe two letters from world saying "yes," it was willing to keep withholding on interest and dividends. It was an issue that went to the average American. It was writing in droves. Whether or not it was the banks that were financing it, it was clearly the view of the public that this was too much of an intrusion in their lives. They would rather go with less compliance in that regard.

I do think, though, that we have a very serious problem. It is a problem that I really don't know how you can go too much further in penalties and withholding provisions than what we have right now in the law. We have to move to a system that the public thinks is fair. Whether this bill does it or not, I'm not sure.

My first view is that I do think that the average person thinks the things that are being done in this bill will respond to what they see is the problem with the tax system. I think that they see as the problem with the tax system the fact that there are high profile situations of upper-income people and corporations not paying tax. You can make all sorts of theoretical arguments why, for example, an alternative minimal tax doesn't make any sense. Gerry makes a very good argument of why alternative minimal taxes make sense. It does respond to this one issue of the public's perception of the fairness of the tax system. It would require everybody to pay some reasonable amount of tax on their income and also reduce the taxes somewhat on upper-income people who aren't taking advantage of the various shelters/preferences available today. I think the bill moves in that direction. It may not move as far as we would like it to, but the ways that it does not

move, as remarked earlier, items like state and local tax deductions, or imputed income from home, are simply *not* the reason the public thinks the current system is unfair.

Moving in those areas will not improve the public's feeling that we had a fair tax system. Moving in the areas of cutting back tax shelters might. You have a trade-off if you do that against how much investment you want to encourage. Those are the areas that if you move in, you might have the public react that it is a more fair system and potentially comply better with the tax system.

DR. McCLURE: For some months I was kind of puzzled why the President kept on saying simplification. I kept saying reform. Were we talking about the same thing? I don't know. I think there is a sense in which those two things are not inconsistent, that is that, I think the American public wanted simplification.

They weren't concerned only with the question of IRAs. They wanted to simplify so that other people couldn't take advantage of things that they couldn't take advantage of because their income wasn't high enough. In that sense, simplification and reform are the same thing. Two different words for the same thing.

AUDIENCE MEMBER: All penalties in the world won't help compliance; you will never have compliance.

MR. BROCKWAY: There is a clear trade-off. There is absolutely no doubt about it, between whether you have sufficient resources or services. I don't think it is simply agents out in the field. Taxpayer services are an important across the board. If you put more resources there you don't need to come up with some draconian rules of forcing taxpayers to do it for themselves rather than having the government devote sufficient resources. I don't know if there is a very large groundswell out there in the public or an increase in the size of the IRS.

AUDIENCE MEMBER: We don't have compliance today—what about tax shelters?

PROF. SHURTZ: I would like to respond. I think the perception has changed. What the average taxpayers have seen in recent years is not the underground economy, but tradesmen who will give you a cut if you pay them in cash. Most of us as average taxpayers are faced with this day after day.

MR. BROCKWAY: One reason you never saw it until the post-war period—where you had those income groups, very little if any tax burden—because of the threshold level of filing the income tax, you had very little pressure to avoid the tax. Beyond that, I suspect we probably always did have the problem when you had cash wages. One reason we have good compliance is because we have withholding where we do.

The next area we have good compliance is where we have information reporting. Where you don't have that, compliance drops down. I think that has always been a problem in the economy. It would be very nice to help that out—whether or not one could repeal the deduction for all business lunches, I don't know. The question is whether that is an appropriate level of income. Whether you can do that, you have to make a policy decision. I don't think you have that easy solution in dealing with the tradesman—whether they can declare all their income.

You certainly aren't going to come up with a situation where you want to have some sort of withholding for anytime anyone comes out to work something out. There would be a great reaction against that much complexity in people's life just to make the tax system work. You are going to have someone out there say that the only way to solve this is to have a system that they generally recognize as being fair so they can say to themselves, or make it harder for them to rationalize the failure to pay by saying, "well since these others hired Bill to get out of paying tax, I'll do it through my self-help method." I'd think that is an appropriate acronym for withholding. Everyone has their own justification for their self-help in reducing their taxes. You have to come up with a system that people believe is as fair as possible.

MR. BROCKWAY: I'm not sure in my own mind that you have a cash economy that doesn't comply anywhere near as compelling as in the wage sector where you have mechanics to either report the income or withhold the income. I would be very surprised if there were a lot of information to suggest that at one point people very readily complied and now, they don't.

MODERATOR: I don't know anything about two-martini lunches, but I have the impression that there is a multi-martini reception waiting for us. Two more questions and then we'll see how many martinis are waiting for us.

AUDIENCE MEMBER: Please comment on Social Security.

MR. BROCKWAY: I don't think reform of the income tax system is probably trying to get in an area of the unemployment system. The only thing you can do with Social Security is to clear the taxes you pay into that system and the benefits that you get out of it, so that there might be a little more willingness to get it on the tax rolls, and not to avoid it. But beyond that I think that it is difficult enough with the issues before us in reforming the income tax system without taking on that other tax, which is extremely volatile particularly as you get into that unemployment tax area.

Again, with the increase in unemployment taxes, it is another reason for the low- or middle-income taxpayer or the tradesman to avoid tax. Certainly, that is why people want to be independent contractors to avoid that tax.

AUDIENCE MEMBER: Is tax amnesty a good idea? Why would a taxpayer come forward? Would such a tax amnesty create a type of precedence?

MR. BRANNON: There is some experience of amnesties at the state level. What is conspicuous is that you get an initial burst of revenue and then you lose some revenue in the future. Then people begin to expect the next amnesty.

There is some research going on with respect to the relative size of these two things. It's not clear at this point whether the initial burst makes worthwhile the long run loss. If you're able to convince some people that you are going to have this *one* amnesty, and *never* again will amnesty ever come up, you'll probably make more money on it. But it is simply not clear at this point that you make money off of it.

MODERATOR: I am from a state that has used amnesty—Massachusetts. They have raised a lot of money. Our governor, for some reason, is very positive of [about it] as other governors are. I share a skepticism about amnesty with respect to the *federal* government for all the reasons Gerry indicated.

Moreover, I think it is true that the states *haven't* been good enforcers of their taxes. They are now threatening to become good enforcers after the amnesty. The federal government, although we are not happy with the degree of compliance, we have been so far away from the non-compliance of the states that we can't even talk about them in the same breath. We have enforced the income tax to a significant degree and if we now declare an amnesty for those who haven't complied, I think (A) you

make a lot of people who have complied feel like schnooks and (B) you do run the serious risk that (i) they needn't worry as much as in the past because there will be another amnesty or (ii) it will just be made obvious to them how many people in the past have failed to comply.

I think better than an amnesty is the suggestion that we put more money into the IRS and come up with a tax system that is simpler in the sense more uniform and real substantive reform.

DR. McCLURE: Let me add when you say "amnesty," I think that all depends on what that means. If it means simply "put up the back taxes. . ."

MODERATOR: With interest?

DR. McCLURE: I mean without interest—then clearly those people who are paying are schnooks. If on the other hand, it is *with* interest, there is somewhat less than that. My own reaction is that to try to kill something is to call it a "Banana Republic Policy," that is really what it reminds me of here. I have seen too many places in South America where every now and then they have the "last-ever amnesty." It just doesn't seem to make any sense.

MODERATOR: One more question.

AUDIENCE MEMBER: What's the status of the effective dates?

MR. BROCKWAY: There is a non-binding resolution in the House and Senate. Senator Packwood and Senator Wong, and the ranking minority members Mr. Wisenkovski and Mr. Duncan suggesting that they get together and work out some statement on delay of effective dates. They have gotten together last week and the staff has been instructed to go look at the issue and see what impacts delaying the effective dates would have on rating so they could make effective decisions on that.

I wouldn't expect anything to happen on that until at least a couple of weeks. It is simply going to take some time to think through the issue. Senator Wisenkovski has made public statements to the effect that he is against the notion, at least in certain areas, of a wholesale movement of all the effective dates. His concern is a type of rush-to-market situation. Last year we had enormous growths in stocks and bonds before the end of the year to try to get it in under the deadline. If you delay the effective date

there, you might have a lot of response to get assets acquired and put in service before the end of this year. How to resolve those issues, no one knows.

I am not about to predict it. They will talk through it. They don't have any clear resolution themselves. It's all in the preliminary stage.