

Tax Notes

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THE WEEK IN REVIEW: BUSINESS PLAN PROVIDES GRIST DURING SLOW PERIOD ON HILL.

Tax practitioners, always hungry for guidance, were given something to chew on last week. Treasury tax officials, following a practice begun under the Bush administration in 1991, released the long-awaited business plan, which includes nearly 130 regulatory and other advisory projects that tax officials expect to complete over the course of the year. Just what is in it? This week's Tax Notes includes the entire list of projects, ranging from alternative minimum tax issues to tax-exempt bonds. (See p. 1223.)

Practitioners also look to the courts for guidance, and last week the Supreme Court shed some light on the ever-controversial issue of retroactive tax legislation. The Court heard oral arguments in *U.S. v. Carlton*, which involves a provision of the Tax Reform Act of 1986 that allows a decedent's estate to deduct one-half of the proceeds of a sale of securities to an employee stock ownership plan.

Justices focused on what tests might be applied to determine the constitutionality of Congress's power to legislate retroactively, and they appeared to be leaning away from approving such a retroactive change if the taxpayer has been induced to participate in a tax benefit. (Story on p. 1227.)

Environmental Front

Those who are concerned with the tax treatment of environmental cleanup costs may be interested, and possibly alarmed, that the Service has determined that grantor trusts may not be used to collect funds to cover environmental cleanup costs. Members of a D.C. Bar audience were both surprised and disturbed by this news, which came from an official in the IRS's Office of Assistant Chief Counsel (Passthroughs and Special Industries). (Story on p. 1230.)

Environmental issues were the focus of more ire at an IRS hearing last week where representatives from the natural gas industry hammered at the IRS for proposed regulations that retroactively apply a definition of "refinery" that conflicts with the traditional definition. Petroleum industry representatives argued the IRS has exceeded its authority in defining facilities that produce natural gas as refineries in the proposed regs. (Story on p. 1231.)

Domestic energy producers hit Capitol Hill last week, claiming the wolf is at the door and that they need relief in the form of tax preferences. They found a welcome ear in Senate Finance Committee member David L. Boren, D-Okla., who has taken it upon himself to organize a coalition of lawmakers to draft a list of energy-related concerns and tax relief proposals to hand over to the administration. (Story on p. 1239.)

Balancing Act

The main business on Capitol Hill last week, however, revolved around the budget. The House Budget Committee late in the week approved the bulk of President Clinton's budget recommendations, defeating a Republican alternative that would have called for a \$500-per-child tax credit for middle-income and upper-income families.

Also defeated, on the Senate side, was the balanced budget amendment, which seems to come around for a vote every couple of years. According to Senate Majority Leader George J. Mitchell, D- Maine, the Senate's vote killed the constitutional amendment for the year. (Story on p. 1241.)

Meanwhile, the House's chief taxwriter, Ways and Means Chairman Dan Rostenkowski, D-Ill., faces a tough couple of weeks. With a primary on March 15, the veteran Chicago politician has been playing the campaign game, trying to pull himself out from under the shadow of an ongoing federal grand jury investigation so he can shed more public light on his congressional accomplishments. One message seems clear, [\[P. 1222\]](#) though -- he won't be pushing much in the way of tax bills this year. (See p. 1240.)

This week's issue also contains a look at the Service's goals in encouraging electronic filing, and its likelihood of meeting them by 2001. In a news analysis, Tax Notes examines the history of tax systems modernization, IRS efforts to encourage electronic filing, the successes and failures of the past few years, and projections about the future. (Story on p. 1233.)

On the conference circuit, the National Tax Association held a seminar on financial instruments a week ago in Clearwater, Fla. Topics included broad trends in financial markets, newly created financial instruments, asset securitization, cross-border trading, and the value added taxation of financial institutions. (Story on p. 1242.)

Commentary

This week's special reports begin with **Robert W. Wood's** look at the current state of the law on the excludability of gender, racial, and age discrimination recoveries. (See p. 1317.) Frederic L. Ballard Jr. and Linda B. Schakel discuss the tax issues raised by the new legislation on enterprise zone facility bonds, the so-called EZ bonds. (See p. 1321.)

In Current & Quotable, we reprint the full text of a memo from the House Banking Committee's Minority Staff to the committee's Ranking Minority Member, Jim Leach, R-

Iowa, regarding allegations by Bill and Hillary Clinton's Whitewater partner James McDougal that they overstated interest deductions. (See p. 1327.) In Economic Perspective, Gene Steuerle discusses the apparent lack of tax proposals in the federal budget put forward by President Clinton. (See p. 1329.)

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Tax Analysts Information

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