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# **THE SCHULZE SOLUTION**

**A UNIFORM BUSINESS TAX TO COMPETE  
IN THE GLOBAL ECONOMY**

**FEBRUARY 6, 1991**

## THE SCHULZE SOLUTION

### A Uniform Business Tax for Deficit Reduction and Competitiveness

#### PROPOSAL:

To impose a Uniform Business tax on the net receipts of goods produced or imported into the United States, reduce the deficit and replace the current corporate income tax, without increasing net taxes on Americans.

#### EXPLANATION:

A tax would be computed on a monthly or quarterly basis and imposed on the difference between gross sales less cost of goods sold. The tax would be imposed on U.S. goods and services at a rate sufficient to replace net U.S. Corporate tax liability. In addition, it would tap a new source of revenue never tapped directly before, the value of imported goods sold in our market!

In summary the Schulze Solution would:

- I. Impose a 9% net receipts tax on goods sold in the U.S.
- II. Utilize the \$300 plus billion in revenue raised to:
  - A. Replace the corporate income tax (\$100 billion);
  - B. Provide \$60 billion for tax integration, savings incentives and deficit reduction;
  - C. Replace the corporate FICA tax (\$158 billion) while not changing payments to the OASDI trust fund;

#### REASONS TO SUPPORT THE SCHULZE SOLUTION:

This Uniform Business Net Receipts tax is extremely easy to compute and would greatly simplify and streamline corporate taxation resulting in tremendous savings and much greater efficiency --

- \* The National Association of Manufacturers and the TEI estimate that corporate tax compliance currently costs almost as much as it raises in total corporate tax;

For the first time, the U.S. would tax imports, a source never taxed before, thus harmonizing our tax code with our competitors who all tax our products at the border --

- \* A 9% tax imposed on the \$672 billion of imported economic activity flooding into the U.S. would raise \$60 billion for deficit reduction with no net U.S. tax increase (and legal under the GATT);

#### CONCLUSION:

The Schulze Solution taps a source of revenue never before considered and reduces the deficit without a net tax increase on Americans. It achieves simplification, savings and trade parity.



Draft of 1/10/91

**GENERAL EXPLANATION OF THE UNIFORM BUSINESS  
TAX ACT OF 1991**

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Introduction To The Uniform Business Tax

The Uniform Business Tax Act of 1991 is intended to provide a framework for progress; the initial step toward redesigning the U.S. tax system in accordance with a national strategy to serve the long-term best interest of America in the emerging global economy of the 1990s.

The present business net income and employer-paid payroll taxes would be replaced by a 9-percent Uniform Business Tax (UBT) on the annual "net business receipts" of each taxable business that produces and/or sells goods or services in the United States. The amount of a business' net business receipts is determined by adding up its receipts from sales of goods and services and subtracting the cost of goods and services purchased from other businesses.

This simple, low-rate business tax is border-adjustable. Therefore, it does not apply to export sales; thereby helping to make American-made goods less expensive and more competitive in international markets. Conversely, the UBT does apply to imports; thereby assuring that foreign-made goods will no longer be able to compete in U.S. markets on a virtually tax-free basis.



In addition, the UBT allows U.S. manufacturers of American-made goods to expense their purchases of productive capital equipment; thereby reducing the presently high "cost of capital" in the United States and further helping to make American-made goods more competitive both here and abroad. Nevertheless, the UBT is revenue neutral with respect to present U.S. business taxes. It will raise the same amount of revenue as the existing business taxes it replaces.

Additional revenue of approximately \$60 billion per year will be derived primarily from broadening the tax base to include foreign-owned companies that presently receive about \$600 billion per year from the sale of foreign-made goods in the U.S. This border-tax element of the UBT is consistent with international practice as applied by our trading partners around the world. It will extract from foreign companies a fair share of tax revenue commensurate with the benefits they receive from participating in the U.S. economy.

The additional \$60 billion in annual revenue from the import tax will be used primarily to pay for additional fundamental tax reforms to stimulate economic growth -- perhaps including an outright, across-the-board tax cut for all Americans. A portion of the added revenues may also be used to reduce the deficit more rapidly than is provided for under present law. The added revenues would not permit the overall and by-category caps on

discretionary spending under the new budget law to be exceeded. To further assure that the intended tax cuts and deficit reduction are not derailed by more federal spending, additional enforcement procedures will be drafted to provide that the added revenue cannot be used to justify increases in entitlement spending.

#### Reassuring The Integrity of the Social Security Trust Fund

Because the UBT would, for example, replace the existing employer-paid portion of the FICA payroll tax, as well as the existing corporate and other business income taxes, strict statutory rules are provided to reassure the integrity of the Social Security Trust Fund. The minimum amount of UBT payable by a business cannot be less than the amount its FICA payroll tax liability would be had that tax not been replaced. A similar rule is provided with respect to the railroad retirement tax. That minimum amount of UBT would be paid into the Fund to the same extent and on the same rapid schedule as under present law. There would be absolutely no change in the financial capacity of the Fund or in any OASDI or other benefits. The employee-paid portion of the FICA tax would continue as under present law.

Analogous To Combination of An Employer Payroll Tax and a  
Fundamentally Reformed Business Tax

The remainder of a business's annual UBT liability would be paid into general revenues quarter-annually, on an estimated basis, subject to a final annual reconciliation and return, in generally the same manner as the present corporate and other business income taxes.

Thus, when viewed as a whole, the UBT resembles a combination of the present employer-paid payroll tax and a fundamentally reformed and simplified business tax system. The UBT will eliminate the self-defeating, anti-growth biases against U.S. jobs and competitiveness that are needlessly imposed by the present corporate income tax.

Distinguishing Features Of The UBT

The UBT is designed with positive purposes in mind -- to enhance instead of impede economic growth; to help instead of hurt U.S. businesses; to make American-made goods more instead of less competitive both here and around the world; to rebuild the declining industrial base of America and provide more better-paying jobs at home; to broaden the tax base to include foreign companies that now participate in our economy on a virtually tax-free basis; and, ultimately, to reduce taxes for all Americans instead of continuing to compound and concentrate the tax burden on ourselves.



### A Competitive Tax System For A Competitive Global Economy

Before American-made goods can again become truly competitive, we must first have a competitive tax system. Other countries with which we compete in world trade have adopted tax systems of the modern variety that work to their advantage. They exempt from tax the foreign-made goods they sell into our economy and impose tax on the American-made goods we sell into their economies. Indeed, with the recent additions of Canada and Japan, border-adjustable taxes have become the international norm among countries that understandably seek to serve their own best interests.

In contrast, we in the United States do just the opposite. As a general rule, we tax the income that our own companies receive from manufacturing goods in the U.S. that they sell abroad. On the other hand, as a practical matter, we do not tax foreign companies on the amount they receive from manufacturing goods abroad that are sold in the U.S. markets. Recent data from the Commissioner of Internal Revenue show that foreign-owned subsidiaries (operating in the U.S. right along-side our own companies) each year receive about \$600 billion from sales in U.S. markets of goods manufactured abroad by their foreign-parent corporations. Yet, as a group, they pay no U.S. income tax. By and large, that tax-free status is not because they are evading taxes. Rather, it is because the present U.S. business tax system does not require payment of tax on the amount foreigners receive from manufacturing goods abroad even though sold here.

By conforming the U.S. tax system to the international norm of border-adjustable taxes, the UBT will eliminate these present tax biases that work against American-made goods and U.S. jobs in favor of foreign manufacturers and their employees. Under the UBT, exports of American-made goods will be exempt and imports of foreign-made goods will be taxed.

#### Positive Advantages From Substituting UBT for Existing Taxes

Major positive advantages for U.S. companies and their employees, as well as for U.S. consumers, will be obtained because the UBT is a substitute tax instead of an additional tax. Any additional tax (such as an increase in the corporate income tax) would bear heavily on U.S. businesses and their employees as well as on consumers (either in the form of higher product prices or reduced output). In all cases, the increased "tax cost" (whether measured by net income in the case of the present corporate income tax or by net receipts in the case of the UBT) would tend to make American-made goods more expensive and less competitive with foreign-made goods.

Even if made border-adjustable, an additional tax would not provide the same positive advantage for American-made goods and U.S. jobs as will be achieved by substituting the UBT for existing U.S. business taxes. For example, if an additional tax increased the tax cost of producing an American-made product by \$1.00, an export rebate of the additional tax would serve only to prevent that product from being made more expensive and less

competitive in world trade. Although preferable to an additional tax without an export rebate, American-made goods still would not gain any net advantage in foreign markets compared to present law. Also, if an additional tax increased the tax cost of producing an American-made product for sale at home, the import tax would serve only to similarly increase the "tax costs" of foreign-owned companies that manufacture goods abroad for sale in U.S. markets. American-made goods would only have been kept even. The artificial advantage that foreign-made goods presently enjoy would not have been removed.

When, however, as in the case of the UBT, a border-adjustable net business receipts tax is substituted for the corporate income tax and other existing business taxes, major positive advantages result. For example, if \$1.00 of the present corporate income tax is imbedded in the cost of producing an American-made product, and if the UBT is substituted for that corporate income tax and then rebated on an export sale, the American-made product will be \$1.00 less expensive and \$1.00 more competitive in world trade.

Also because the UBT is a substitute tax instead of an additional tax, there will be no net tax increase on present U.S. taxpayers. Because U.S. businesses will have had no net tax increase, there will be no greater amount of tax imbedded in the cost of American-made goods produced for sale at home. Therefore, price competition from U.S. companies will tend to prevent the import tax on foreign-made goods from being passed on



in the form of higher prices to U.S. purchasers. When a foreign-owned subsidiary imports goods manufactured abroad by its parent corporation, it will directly pay the import tax and generally absorb it as an expense. When a U.S. importer goes abroad to purchase foreign-made goods, the foreign manufacturer will generally have to adjust the selling price to offset the import tax that will have to be paid when the goods are brought into the U.S. for resale in the U.S. economy. The burden of the import tax will be primarily borne by foreign companies, not by Americans.

In some cases where imports are required regardless of price, such as with imported oil, the import tax will increase the cost to U.S. purchasers. That effect will, however, be small compared to the \$60 billion per year in additional revenue from all imports which is available to pay for tax cuts for Americans and for deficit reduction. Certainly the effect on the cost of imported oil will be more than offset by other provisions of the UBT which enhance economic growth and provide more better paying U.S. jobs.

#### The UBT Allows Expensing of Capital Equipment

In order to rebuild the industrial base of America and provide more and better jobs at home, we must put more and better tools in the hands of American workers. The "cost of capital" for productive machinery and equipment is inordinately high in

the United States, and higher than in many other countries; in significant part because the present U.S. tax system allows businesses to recover their capital equipment costs only in increments through depreciation over long periods of time.

Many of the most respected academic economists and others concerned about economic growth in the U.S. have long called for enactment of a "cashflow tax" that would allow businesses to currently deduct the cost of capital equipment the same way they do with inventory, supplies, and other expenses.

Because the UBT is a type of business "cashflow" tax, the cost of productive new machinery and equipment would be subtracted from business receipts in arriving at net business receipts; thereby greatly reducing the "cost of capital" in the U.S. and further making American-made products less expensive and more competitive around the world.

#### The UBT Is a Territorial Tax

Although it would tax the net business receipts of all businesses -- whether foreign-owned or U.S.-owned -- from their operations in this country, the UBT would not tax operations of U.S.-owned business carried on solely in the area of foreign competition outside the United States.

This territorial rule, which is an important corollary to the fact that the UBT would not be imposed on U.S. exports, is in marked contrast to the present corporate income tax. Presently, foreign-owned companies operating in the U.S. are, as a practical

matter, largely free of any U.S. income tax. Conversely, U.S.-owned companies competing in international markets (where they pay large amounts of income and other taxes to other countries) must in addition pay U.S. income tax on their strictly foreign operations as well as on their U.S. operations. In theory, this extra-territorial U.S. tax is supposed to be offset by a credit for the taxes U.S. companies pay to other countries. In practice, however, because of a series of tortuously complex limitations and income recalculation rules imposed over the years, U.S. companies operating abroad typically are subject to multiple layers of taxation.

#### The UBT Is a Low Rate, Simple Tax

Two universally endorsed goals of fundamental tax reform have long been to reduce the marginal rates of tax and to greatly simplify the system -- in both cases, in order to avoid the major economic distortions that impede growth.

The rate of tax under the UBT will be no more than 8 to 10 percent and is the lowest business tax rate in modern times in the United States. Although the marginal tax rates under the present income tax have been reduced from their historic highs around the time of World War II, the corporate tax rate is still 34 percent and the top rate on unincorporated businesses is 31 percent.



The UBT is a simple tax involving little more than "household account" rudimentary bookkeeping; in absolute contrast to the present business income tax system which occupies hundreds of pages of the Internal Revenue Code and contains thousands of special rules and exceptions.

#### No Tax Increase for Americans

Perhaps the most significant aspect of the UBT is that all these fundamental tax reforms to enhance economic growth can be achieved without either increasing the federal budget deficit or enacting new taxes on Americans to pay for them.

In fact, the additional revenues from the import tax largely paid by foreigners will permit both deficit reduction and tax cuts for Americans.

#### Further Refinement and Improvement

Although the UBT contains the basic framework for an efficient, correctly functioning border-adjustable tax and is intended to set the standard for constructive change, further refinements may still need to be made.

Technical comments and substantive suggestions for improvement will be welcomed. A full debate is in order -- directed toward achieving the goal of a well-designed tax system that will best serve the long-term interests of the United States.

**TECHNICAL EXPLANATION OF THE UNIFORM BUSINESS  
TAX ACT OF 1991**

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**Overview of the Basic Framework of the Tax**

A 9-percent Uniform Business Tax (UBT) will be paid by each incorporated and unincorporated taxable business. The tax base for any taxable business is the excess of its receipts for goods and services sold in the U.S. over the sum of the cost of its materials and supplies and the cost of services provided to it by any other taxable business.

The UBT will replace the corporate income tax imposed by section 11, the individual income tax imposed by section 1 to the extent attributable to the net business receipts of an unincorporated business subject to the UBT, and the FICA and railroad retirement payroll taxes imposed by sections 3111 and 3221(a) to the extent payable by a business subject to the UBT.<sup>1/</sup>

The replacement of the above-stated existing taxes will be achieved by repeal of the corporate income tax imposed by section 11, by crediting the UBT paid by an unincorporated business against the tax imposed by section 1, and by making the taxes imposed by sections 3111 and 3221(a) inapplicable to wages

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<sup>1/</sup> Unless otherwise specified, all references are to sections of the Internal Revenue Code of 1986 as it would be amended by the Act.

included in the tax base of the UBT. The amount of UBT that corresponds to the amount of taxes otherwise payable under sections 3111 and 3221(a) is appropriated to the trust funds in the same manner as those payroll taxes.

Although much simpler and imposed at a lower rate, in many other ways the UBT resembles a combination of the presently separate payroll and income taxes paid by corporations and other businesses. Because, however, the UBT is imposed on net business receipts which correspond to the taxable value of goods and services produced and sold in the United States, it is an indirect tax under the General Agreement on Tariffs and Trade (GATT).

Therefore, unlike the present business income taxes imposed by sections 1 and 11, the UBT is a border-adjustable tax. Except for the portion which is appropriated to trust funds, the UBT does not apply to export sales. Similarly, unlike the present income tax, the UBT is territorial and does not apply to the foreign-source business receipts of U.S.-owned corporations and other businesses.<sup>2/</sup> On the other hand, unlike the present

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<sup>2/</sup> This territorial limitation would not create a tax incentive for U.S.-owned businesses to locate plants abroad to service either the U.S. market or foreign markets. Imports back into the U.S. are subject to a 9-percent import tax. Exports from a U.S.-sited plant into foreign markets are free from the tax imposed by section 1601(a), the same as if the plant were located abroad. Overall, the UBT. provides a substantial advantage to U.S.-sited plants as compared to present law.



income tax, the UBT does apply to the full amount received by foreign-owned businesses from the sale into the United States of goods manufactured outside the United States. The border-adjustable feature of the UBT includes a complementary 9-percent import tax.

### Codification of the UBT

Many of the basic rules for calculation, return and payment of the UBT are, by cross reference or otherwise, closely related to provisions of the income tax presently imposed by chapter 1 of subtitle A of the Internal Revenue Code of 1986. Therefore, most of the provisions would be included in a new chapter 7 of subtitle A.

### The UBT Tax Base

The tax is imposed on the "taxable value" of goods and services produced and sold in the United States by a taxable business. Section 1601. The taxable value produced and sold by a taxable business is equal to the value of goods and services sold (as measured by business receipts) reduced by the value of goods and services purchased (as measured by business expenses). Thus, the taxable value added by the business is, under sections 1601(a) and 1602, expressed as its net business receipts. Business receipts and business expenses are, respectively, defined in sections 1603 and 1604.

### Definition of Taxable Business

All C corporations are taxable. All S corporations, partnerships, and proprietorships with net business receipts in excess of \$50,000 for the taxable year are also taxable. Section 1612. Under rules prescribed by the Secretary, any other business may elect to be a taxable business. Section 1612(b)(3).

Any organization exempt from income tax under chapter 1 of subtitle A is excluded from the payment of the UBT. Section 1611. Such an organization will remain subject to any tax imposed by section 511. Section 11(e).

### Return and Payment of the Tax

In general, return and payment of the tax is made by the corporation or other business which produced the net business receipts subject to tax. Sections 1612 and 1621. An affiliated group of corporations may make a consolidated return. Section 1622. In the case of an S corporation and a partnership, the amount of net business receipts subject to tax is determined at the entity level and the entity is treated as the taxpayer. Section 1612(b)(1). In the case of a proprietorship, return and payment of the tax is made by the proprietor.

Except as provided in section 1601(c)(2)(D) (related to the minimum tax), return and payment of the tax (including payments

of estimated tax) will be made on the same schedule as if the tax were an income tax imposed on the taxpayer by chapter 1 of subtitle A. Section 1621(a). For this purpose, S corporations and partnerships are treated as C corporations.

#### Minimum Tax for All Taxable Business

Under section 1601(c), the minimum amount of tax payable by any taxable business is equal to the amount of FICA tax under section 3111 (or railroad retirement tax under section 3221(a)) that it would otherwise owe. Sections 3111(d) and 3221(f) make those payroll taxes inapplicable to wages paid by a taxable business, except for purposes of reference in making the minimum tax calculation under section 1601(c).

The rules for the time of payment and deposit of the minimum tax, and for appropriation to trust funds, are the same as those which apply to the taxes imposed by sections 3111 and 3221(a). Section 1601(c)(2)(D).

#### Credit For Minimum Tax

Normally the tax imposed by section 1601(a) would substantially exceed the amount of minimum tax determined under section 1601(c). In those circumstances, the minimum tax serves solely to provide for rapid payment, deposit, and appropriation to trust funds.



In other circumstances, the minimum tax may exceed 9-percent of the taxpayer's net business receipts for the taxable year. Most typically, that might occur when business expenses are unusually large (or business receipts are unusually small) for nonrecurring or cyclical reasons. Thus, when the minimum tax determined under section 1601(c) exceeds the tax imposed by section 1601(a), the taxpayer is allowed a credit for that excess in succeeding years. Section 1601(c)(2). The credit allowed by section 1601(c)(2) can, however, never reduce the taxpayer's UBT liability below the minimum tax for the taxable year.

Application of the credit is illustrated by the following example:

In 1991, the taxpayer's minimum tax is \$10X and its section 1601(a) tax is \$5X. In 1992, the taxpayer's minimum tax is also \$10X, but its section 1601(a) tax (before application of the minimum chapter 7 tax credit) is \$20X. In 1992, the taxpayer is allowed a \$5X credit (the amount by which the minimum tax paid in 1991 exceeded the section 1601(a) tax in 1991) and pays only \$15X.

#### Definition of Business Receipts

In general, business receipts include all amounts received by the taxpayer for the sale or rental of property or for the performance of service. Section 1603. The UBT is, however, territorial in its application. Therefore, receipts from the sale or rental of property located outside the United States and receipts for services performed outside the United States are excluded. Export receipts are also excluded. Section 1603(b).

The definition of business receipts also excludes interest, dividends, and receipts from the sale of a financial instrument, land or any other capital asset (as defined in section 1221) not used in the active conduct of the business. Section 1603(d). Amounts received for separately stated sales or use taxes are also excluded. Section 1603(c)(1).

#### Definition of Business Expenses

In general, business expenses include all amounts paid for the purchase of goods and services from other taxable businesses. Section 1604.

Because the UBT is territorial in its application, the definition of business expenses does not include (i) the cost of services performed outside the United States; (ii) the cost of property for use or consumption by the taxpayer outside the United States; or (iii) the cost of property located outside the United States. Business expenses include the cost of property imported into the United States for resale in the United States.

The definition of business expenses does not include direct or indirect compensation paid to employees (section 1604(b)(1)(A)), amounts paid to exempt organizations (1604(b)(2)), interest or dividends (Section 1604(b)(1)), or the amount paid for property, the receipts from the sale of which are excluded from the definition of business receipts under section 1603.

In general, business expenses do not include amounts paid to any governmental unit as taxes or otherwise. For these purposes, separately stated sales and use taxes are treated as imposed on the purchaser. Section 1604(b)(2). Under section 1604(b)(2)(C), if an invoice from a seller separately lists a tax, other than a sales or use tax, that is imposed on the seller, the portion of the purchase price attributable to the tax will be considered part of the amounts paid for the purchase of goods and services. Thus, such amount will be a business expense of the purchaser (if the purchaser is a taxable business) (section 1604(b)(2)) and a business receipt to the seller (section 1603(c)(2)).

#### Computation of Net Business Receipts

The 9-percent UBT tax rate is applied to the net business receipts of the taxable business for the year. Section 1601(b). The amount of net business receipts is equal to the sum of business receipts for the year minus the sum of business expenses for the year. Section 1602.

The following example illustrates the calculation of net business receipts.



|                                                   | <u>Amounts Received (\$)</u> | <u>Business Receipts (\$)</u> |
|---------------------------------------------------|------------------------------|-------------------------------|
| 1. Sale of goods                                  | 150.....                     | 150                           |
| 2. Rents                                          | 5.....                       | 5                             |
| 3. Export sales                                   | 25.....                      | 0                             |
| 4. Interest                                       | 5.....                       | 0                             |
| 5. Dividends                                      | 5.....                       | 0                             |
| 6. Sale of property<br>located outside<br>of U.S. | 20.....                      | 0                             |
| 7. Sale of stock                                  | 5.....                       | 0                             |
| 8. Sale of invest-<br>ment real estate            | 10.....                      | 0                             |
| 9. TOTAL                                          | 225.....                     | 155                           |

|                                                             | <u>Amounts Paid (\$)</u> | <u>Business Expenses (\$)</u> |
|-------------------------------------------------------------|--------------------------|-------------------------------|
| 10. Inventory, parts<br>and supplies                        | 40.....                  | 40                            |
| 11. Employee<br>compensation                                | 90.....                  | 0                             |
| 12. Capital<br>equipment                                    | 10.....                  | 10                            |
| 13. Interest                                                | 5.....                   | 0                             |
| 14. Rents                                                   | 5.....                   | 5                             |
| 15. Dividends                                               | 5.....                   | 0                             |
| 16. Purchase of<br>property<br>located out-<br>side of U.S. | 10.....                  | 0                             |
| 17. Sale of stock                                           | 5.....                   | 0                             |
| 18. TOTAL                                                   | 200.....                 | 55                            |

In the foregoing example, the amount of net business receipts for the year is \$100 (line 9 minus line 18).

#### Transition Rules Under the Tax

The UBT provides special transitional rules for the computation of net business receipts. These rules permit the taxable business to take into account deductions for depletion, depreciation, and amortization commenced under prior law. Section 1604(c)(1).

The UBT also allows a C corporation a transitional credit against the tax imposed by section 1601(a) for unused income tax credits and net operating losses that would, under prior law, be carried to the business's first taxable year beginning after December 31, 1990. Section 1604(c)(2). This credit is not allowed against the minimum tax determined under section 1601(c).

#### Taxable Value of Intermediation Services

Insurance companies, banks, and other financial institutions are subject to the tax imposed by section 1601(a) and the minimum tax determined under section 1601(c). In the case of such businesses, however, the taxable value produced and sold in the United States consists primarily of the intermediation services they perform. Net business receipts from insurance, lending, and similar activities cannot be determined merely by subtracting monetary outflows from monetary inflows. Therefore, under

section 1605(a)(4)(A), the business receipts from such activities are, in general, equal to the amount received for the intermediation services provided. Section 1605(a)(4)(B) provides that the amount received for intermediation services will be determined in accordance with regulations prescribed by the Secretary. More detailed statutory guidelines for determination of the amount received for intermediation services in the United States will be included in section 1605 before enactment of the UBT.

#### Application of the Tax to Unincorporated Businesses

Although substitution of the UBT for the present corporate income tax can be accomplished by repeal of the tax imposed by section 11 simultaneously with enactment of the UBT, special provision must be made in the case of S corporations, partnerships and proprietorships.

Under section 30, shareholders of S corporations, partners and proprietors will be allowed an income tax credit equal to the taxpayers' share, determined under regulations prescribed by the Secretary, of the net chapter 7 tax paid by the taxable business for the year. The net chapter 7 tax is the amount by which the tax imposed by section 1601(a) exceeds the minimum tax determined under section 1601(c).



### Special Rules and Definitions

Various special rules and definitions are briefly described below.

The purchase or sale of property occurs, in the case of real property, where located, and in all other cases where delivery takes place. Section 1605(a)(1). Services are treated as performed inside the United States if 50-percent or more is actually performed in the United States. Section 1605(a)(2). The performance of services includes the incidental transfer of property in connection therewith. Section 1631.

Except in the case of an exchange which is described in section 368, exchanges of property and services are treated as sales and the amount received is the fair market value of the property or services exchanged. Section 1605(a)(3).

When payments for property or services are to be made in more than one taxable year, such payments are taken into account by the buyer and seller, respectively, in the year paid or received. Section 1605(b)(1). Receipts include all lease payments received during the taxable year. Section 1605(b)(2). Section 1605(b)(3) provides transitional rules to prevent double counting of amounts taken into account in taxable years beginning before 1991.

The term "business" includes a trade or any activity regularly carried on for profit. Except as provided in section 1604(b)(6) related to certain independent contractors, the term "employee" has the same meaning as for purposes of chapter 24. References to "United States" include a Commonwealth and any possession.

#### Conforming Amendments

Sections 275 and 164 of the Code are amended to make clear that only the portion of the tax imposed by section 1601(a) which exceeds the minimum tax determined under section 1601(c) is nondeductible in computing income tax liability. Taxpayers other than C corporations (where the income tax is repealed) may continue to deduct that portion of the amount determined under section 1601(c) which corresponds to presently deductible payroll taxes.

Section 6655 is amended to provide for estimated payments of the tax imposed by 1601(a) in excess of the minimum tax determined under section 1601(c).

#### Repeals and Terminations

The Act terminates the corporate income tax imposed by section 11, except in the case of the tax imposed by section 511. The Act terminates the minimum tax imposed by section 55 and the employer-paid FICA and Tier 1 Railroad Retirement taxes on wages to which the UBT applies.

### Application of Tax Proceeds

The Act provides for appropriation to trust funds of the proceeds from the minimum tax determined under section 1601(c).

### Complementary Import Tax

In general, section 4476 (in subchapter C of chapter 36) imposes a 9-percent import tax on property entered into the United States. Exceptions are provided for small dollar amounts of property imported for personal use and for re-importation of property previously sent outside the United States for further manufacture, repair, or the like.

The tax is paid by the importer of record who enters the property into the United States. Thus, when goods are manufactured abroad for sale in the United States, the tax typically would be paid by the U.S.-based sales subsidiary on behalf of its foreign-owned parent corporation. In other cases, the tax would be paid by U.S. businesses that purchase and import foreign-made goods, or by an import agent on their behalf. The tax would also apply to goods manufactured abroad by U.S.-owned companies if sold into the United States.

### Effective Date

The amendments made by the Act apply to taxable years beginning after December 31, 1990.



## **COSPONSORS OF THE UBT**

**FEBRUARY 6, 1991**

**MR. APPLEGATE**

**MR. HORTON**

**MR. LIPINSKI**

**MR. RAVENEL**

**MS. KAPTUR**

**MR. GEKAS**

**MR. DEFazio**

**MS. BENTLEY**

**MR. ROWLAND**

**MR. WALSH**

**MR. HUCKABY**

**MR. SKEEN**

**MR. BUSTAMANTE**

**MR. CUNNINGHAM**

**MR. MORAN**

SCHULZ004

ELC

101<sup>ST</sup> CONGRESS  
2<sup>D</sup> SESSION

H. R. \_\_\_\_

IN THE HOUSE OF REPRESENTATIVES

Mr. SCHULZE (for himself and Mr. APPLEGATE, Mrs. BENTLEY, Mr. DEFAZIO, Mr. GEKAS, and Mr. RAVENEL) introduced the following bill; which was referred to the Committee on \_\_\_\_\_

A BILL

To amend the Internal Revenue Code of 1986 to make American-made goods more competitive, to provide more better-paying United States jobs, to enhance savings and investment, to reduce the deficit, to provide revenues for additional tax reform and tax reduction, all without increasing taxes on Americans, and for other purposes.

1        *Be it enacted by the Senate and House of Representatives*  
2        *of the United States of America in Congress assembled,*

## 1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the ``Uniform Business Tax Act  
3 of 1991``.

## 4 SEC. 2. IMPOSITION OF UNIFORM BUSINESS TAX.

5 (a) IN GENERAL.--Subtitle A of the Internal Revenue Code  
6 of 1986 (relating to income taxes) is amended by adding at  
7 the end thereof the following new chapter:

## 8 ``CHAPTER 7--UNIFORM BUSINESS TAX

- ``Subchapter A. Imposition of tax.
- ``Subchapter B. Net business receipts.
- ``Subchapter C. Definition and treatment of  
taxable businesses.
- ``Subchapter D. Administration.
- ``Subchapter E. Definitions and special rules.

## 9 ``Subchapter A--Imposition of Tax

``Sec. 1601. Imposition of tax.

## 10 ``SEC. 1601. IMPOSITION OF TAX.

11 ``(a) GENERAL RULE.--There is hereby imposed a tax equal  
12 to 9 percent of the taxable value of property and services  
13 produced and sold in the United States by a taxable business.

14 ``(b) DETERMINATION OF TAXABLE VALUE.--The taxable value  
15 subject to tax under this chapter for the taxable year shall  
16 be equal to the net business receipts of the taxable business  
17 for the taxable year.

## 18 `` (c) MINIMUM TAX.--

19 `` (1) IN GENERAL.--The tax imposed by this chapter



1 for the taxable year shall not be less than the sum of--

2       ``(A) the tax which would (but for section  
3 3111(d)) be imposed by section 3111 on wages paid  
4 during such taxable year, plus

5       ``(B) the tax which would (but for section  
6 3221(f)) be imposed by section 3221(a) on  
7 compensation paid during such taxable year.

8       ``(2) CREDIT FOR MINIMUM TAX IMPOSED.--

9       ``(A) IN GENERAL.--There shall be allowed as a  
10 credit against the tax imposed by this chapter for  
11 any taxable year an amount equal to the minimum  
12 chapter 7 tax credit for such year.

13       ``(B) MINIMUM CHAPTER 7 TAX CREDIT.--For purposes  
14 of subparagraph (A), the minimum chapter 7 tax credit  
15 for any taxable year is the excess (if any) of--

16       ``(i) the aggregate amount (if any) by which  
17 the amount of the taxes imposed by this chapter  
18 for all prior taxable years determined without  
19 regard to the credit allowed by this paragraph  
20 but taking into account the credit allowed by  
21 section 1604(c)(2)(B) exceeds the amount of the  
22 taxes which would have been imposed by this  
23 chapter for all prior taxable years without  
24 regard to this subsection (but taking into  
25 account the credits allowed by section

1 1604(c)(2)(B)), over

2 `` (ii) the aggregate amount allowable as a  
3 credit under subparagraph (A) for all prior  
4 taxable years.

5 `` (C) LIMITATION.--The credit allowable under  
6 subparagraph (A) for any taxable year shall not  
7 exceed the excess (if any) of--

8 `` (i) the tax imposed by this chapter  
9 (determined without regard to the credit allowed  
10 by this paragraph but taking into account the  
11 credit allowed by section 1604(c)(2)(B)) for such  
12 year, over

13 `` (ii) the amount determined for such year  
14 under paragraph (1).

15 `` (D) DEPOSIT OF MINIMUM TAX.--For purposes of  
16 section 6302(g) and other rules and regulations  
17 relating to the deposit of taxes imposed by chapters  
18 21 or 22, the portion of the tax imposed by this  
19 chapter which equals the minimum tax described in  
20 subsection (b)(1) shall be treated as taxes imposed  
21 by chapters 21 or 22, as appropriate.

22 `` Subchapter B--Net Business Receipts

- `` Sec. 1602. Net business receipts.
- `` Sec. 1603. Business receipts.
- `` Sec. 1604. Business expenses.
- `` Sec. 1605. Special rules for determining  
business receipts and expenses.

1 ``SEC. 1602. NET BUSINESS RECEIPTS.

2 ``(a) GENERAL RULE.--For purposes of this chapter, the  
3 term 'net business receipts' means the excess (if any) of--

4 ``(1) the business receipts of the taxpayer for the  
5 taxable year, over

6 ``(2) the business expenses of the taxpayer for the  
7 taxable year.

8 ``(b) CARRYOVER OF EXCESS EXPENSES.--If the business  
9 expenses of the taxpayer for the taxable year exceed the  
10 business receipts of the taxpayer for such taxable year, the  
11 amount of such excess shall be treated as a business expense  
12 of the taxpayer in the following taxable year.

13 ``SEC. 1603. BUSINESS RECEIPTS.

14 ``(a) GENERAL RULE.--For purposes of this chapter, the  
15 term 'business receipts' means the aggregate amount received  
16 by the taxpayer in connection with a business during the  
17 taxable year from--

18 ``(1) the sale or rental of property located in the  
19 United States, or

20 ``(2) the performance of services in the United  
21 States.

22 The amount of the business receipts for any taxable year  
23 shall be reduced by the amount of returns or allowances made  
24 during such taxable year to the extent attributable to  
25 amounts included in business receipts for such taxable year



1 or prior taxable years.

2       “(b) RECEIPTS FROM EXPORTS EXEMPTED.--For purposes of  
3 this chapter, the term ‘business receipts’ shall not include  
4 any amount received from the sale of property for export or  
5 for resale by the purchaser for export.

6       “(c) TAXES.--

7           “(1) SALES AND USE TAXES.--For purposes of  
8 subsection (a), the amount received by the taxpayer from  
9 the sale or rental of property or the performance of  
10 services does not include amounts paid for sales or use  
11 taxes imposed by any State or political subdivision  
12 thereof or the District of Columbia (regardless of  
13 whether such tax is imposed on the seller or purchaser)  
14 with respect to such transaction if such taxes are stated  
15 as a separate charge.

16           “(2) OTHER TAXES.--Except as provided in paragraph  
17 (1), the amount received by the taxpayer from the sale or  
18 rental of property or the performance of services  
19 includes any amount received with respect to or for  
20 payment of taxes which are imposed on the purchaser.

21       “(d) CERTAIN OTHER RECEIPTS EXEMPTED.--For purposes of  
22 this chapter, the term ‘business receipts’ shall not include  
23 any amount received by the taxpayer--

24           “(1) as dividends,

25           “(2) as interest, or

1           ``(3) from the sale of--

2           ``(A) any financial instrument,

3           ``(B) land, or

4           ``(C) any other property which is a capital asset  
5           (as defined in section 1221) not used in the active  
6           conduct of a business by the taxpayer.

7   ``SEC. 1604. BUSINESS EXPENSES.

8       ``(a) IN GENERAL.--For purposes of this chapter, except  
9   as otherwise provided in this chapter, the term 'business  
10  expenses' means any amount paid or incurred by the taxpayer  
11  during the taxable year with respect to a business of the  
12  taxpayer for the purchase or use of property (or any interest  
13  therein) or for the purchase of services.

14      ``(b) CERTAIN EXPENSES NOT TAKEN INTO ACCOUNT.--For  
15  purposes of this section--

16          ``(1) SPECIFIC EXPENSES.--The term 'business  
17  expenses' shall not include interest, dividends, or any  
18  amount paid or incurred by the taxpayer for--

19          ``(A) specified employee costs (as defined in  
20  paragraph (5)),

21          ``(B) land,

22          ``(C) any financial instrument,

23          ``(D) any other property which is a capital asset  
24          (as defined in section 1221) not used in the active  
25          conduct of a business by the taxpayer, or

1           “(E) property which is for use or consumption by  
2 the taxpayer outside the United States.

3           “(2) AMOUNTS PAID TO EXEMPT ENTITIES.--

4           “(A) GENERAL RULE.--The term ‘business expenses’  
5 shall not include any amount which is paid to--

6           “(i) the United States, any State or  
7 political subdivision thereof, the District of  
8 Columbia, a Commonwealth or possession of the  
9 United States, or any agency or instrumentality  
10 of any of the foregoing, or

11           “(ii) an organization described in section  
12 1611 (relating to exempt organizations).

13           “(B) TAXES.--Subparagraph (A) shall apply to--

14           “(i) any sales or use tax payable with  
15 respect to the purchase or use of property or the  
16 purchase of services if such tax is separately  
17 stated (and regardless of whether the tax is  
18 imposed on the seller or the purchaser), and

19           “(ii) other taxes imposed on the taxpayer.

20           “(C) REIMBURSEMENTS FOR TAXES.--Except as  
21 provided in clause (i) of subparagraph (B),  
22 subparagraph (A) shall not apply to amounts paid to  
23 persons not described in clause (i) of subparagraph  
24 (A) as reimbursement for or as payment for taxes  
25 imposed on such persons.



1           “(3) AMOUNTS PAID FOR SERVICES PERFORMED OUTSIDE THE  
2       UNITED STATES.--The term ‘business expenses’ shall not  
3       include any amount which is paid or incurred for services  
4       performed outside the United States.

5           “(4) AMOUNTS PAID FOR PROPERTY OUTSIDE THE UNITED  
6       STATES.--The term ‘business expense’ shall not include  
7       any amount paid or incurred for property located outside  
8       the United States for use, consumption, or disposition  
9       outside the United States.

10          “(5) SPECIFIED EMPLOYEE COSTS.--For purposes of  
11       paragraph (1)(A), the term ‘specified employee costs’  
12       means--

13               “(A) any compensation paid or incurred to an  
14       employee to the extent includible in such employee’s  
15       gross income under chapter 1,

16               “(B) any contribution to or other expense  
17       allocable to a plan referred to in section 404  
18       (relating to deduction for contributions of an  
19       employer to an employees’ trust or annuity plan and  
20       compensation under a deferred-payment plan), or

21               “(C) any contribution or other expense allocable  
22       to--

23                       “(i) a plan referred to in section 404  
24       (relating to employees’ trust or annuity plans  
25       and deferred payment plans),

1           ``(ii) a plan for providing group-term life  
2 insurance for employees,

3           ``(iii) an accident or health plan of an  
4 employer for compensation (through insurance or  
5 otherwise) to his employees for personal injuries  
6 or sickness,

7           ``(iv) a qualified group legal services plan  
8 (as defined in section 120(b)),

9           ``(v) a cafeteria plan (as defined in section  
10 125(d)),

11           ``(vi) an educational assistance program (as  
12 defined in section 127(b)), or

13           ``(vii) a dependent care assistance program  
14 (as defined in section 129(d)).

15       ``(6) TREATMENT OF CERTAIN INDEPENDENT CONTRACTORS.--

16           ``(A) GENERAL RULE.--For purposes of this  
17 chapter, any individual (not otherwise an employee of  
18 the taxpayer) shall be treated as an employee of the  
19 taxpayer if--

20           ``(i) such individual has performed services  
21 for the taxpayer (or for the taxpayer and related  
22 persons) on a substantially full-time basis for a  
23 period of at least 1 year, and

24           ``(ii) such services are of a type  
25 historically performed, in the business field of

1 the taxpayer, by employees.

2 For purposes of the preceding sentence, the term  
3 'related persons' has the same meaning as when used  
4 in section 144(a)(3).

5 `` (B) ELECTION.--Under regulations prescribed by  
6 the Secretary, any individual who is treated as an  
7 employee under subparagraph (A) may, with the written  
8 consent of the taxpayer, elect to be treated as an  
9 employee of the taxpayer for purposes of chapter 1,  
10 chapter 21 or 22 (whichever is applicable), and  
11 chapter 24.

12 `` (c) TRANSITIONAL RULES.--For the purposes of this  
13 section--

14 `` (1) DEPRECIATION, ETC., COMMENCED UNDER PRIOR  
15 LAW.--

16 `` (A) IN GENERAL.--In the case of any property or  
17 expense with respect to which a depreciation,  
18 depletion or amortization deduction was allowed for  
19 the last taxable year beginning before 1991, a  
20 recovery allowance shall be determined by amortizing  
21 the recoverable basis ratably over--

22 `` (i) 30 years, beginning with the first  
23 taxable year beginning after December 31, 1990,  
24 in the case of property or an expense with a  
25 remaining recovery life of 15 years or more, and



1           (ii) 10 years, beginning with the first  
2           taxable year beginning after December 31, 1990,  
3           in the case of property or an expense with a  
4           remaining recovery life of less than 15 years.

5           (B) TREATMENT OF AMOUNT RECOVERED.--The  
6           recovery allowance determined under subparagraph (A)  
7           for the taxable year shall be treated as a business  
8           expense paid or incurred by the taxpayer during the  
9           taxable year.

10          (C) LIMITATION ON AMOUNT.--The amount treated  
11          under subparagraph (B) as a business expense for any  
12          taxable year when added to amounts treated as a  
13          business expense under subparagraph (B) for preceding  
14          taxable years shall not exceed the amounts which are  
15          (or but for the repeal of the corporate income tax by  
16          the Uniform Business Tax Act of 1991 would have been)  
17          allowable as depletion, depreciation or amortization  
18          deductions with respect to property or expenses  
19          described in subparagraph (A) in such taxable year  
20          and each preceding taxable year (if any) beginning  
21          after 1990. Any amount not allowable as a business  
22          expense by reason of this subparagraph shall be  
23          treated as a recovery allowance described in  
24          subparagraph (A) for the next succeeding taxable  
25          year.

1           ``(D) DEFINITIONS.--For purposes of this  
2 paragraph--

3           ``(i) RECOVERABLE BASIS.--The term  
4       'recoverable basis' means, as of the beginning of  
5 the first taxable year beginning after 1990, the  
6 adjusted basis of property or the unrecovered  
7 portion of an expense that is (or but for the  
8 repeal of the corporate income tax by the Uniform  
9 Business Tax Act of 1991 would have been)  
10 recoverable for income tax purposes through  
11 depreciation, cost depletion, or amortization  
12 allowances in taxable years beginning after 1991.

13          ``(ii) REMAINING RECOVERY LIFE.--The term  
14       'remaining recovery life' means, in the case of  
15 depreciable property or an amortizable expense,  
16 the number of full and partial taxable years  
17 beginning after 1990 in which a depreciation or  
18 amortization deduction would be allowable if the  
19 property or expense were depreciated or amortized  
20 using the life and method in effect in the last  
21 taxable year before 1991. The remaining recovery  
22 life of property subject to a depletion allowance  
23 shall be treated as less than 15 years.

24          ``(iii) DEPRECIATION DEDUCTIONS.--For  
25 purposes of subparagraph (C), depletion,

1 depreciation, or amortization deductions include  
2 any portion of the recoverable basis that is  
3 taken into account (or that but for the repeal of  
4 the corporate income tax by the Uniform Business  
5 Tax Act of 1991 would have been taken into  
6 account) in a taxable year for purposes of  
7 determining the gain or loss (for income tax  
8 purposes) on the disposition of an asset in such  
9 taxable year.

10 `` (2) AMORTIZATION OF UNUSED NOL AND CREDIT  
11 CARRYOVERS.--

12 `` (A) IN GENERAL.--A C Corporation shall be  
13 allowed as a credit against the tax imposed by this  
14 chapter for the taxable year an amount equal to the  
15 lesser of--

16 `` (i) 20 percent of the transitional credit  
17 carryovers, or

18 `` (ii) the excess of the transitional credit  
19 carryovers over the aggregate amount allowed as a  
20 credit under this paragraph for all prior taxable  
21 years.

22 `` (B) TRANSITIONAL CREDIT CARRYOVERS.--For  
23 purposes of this paragraph, the term `transitional  
24 credit carryovers' means the aggregate amount of  
25 credits, and the amount equal to 34 percent of the



1 net operating losses, which would (but for the repeal  
2 of the corporate income tax by the Uniform Business  
3 Tax Act of 1991) be carried to the taxpayer's first  
4 taxable year beginning after December 31, 1990.

5 `` (C) LIMITATION.--The credit allowable under  
6 subparagraph (A) for any taxable year shall not  
7 exceed the amount by which the tax determined under  
8 section 1601(a) exceeds the amount determined under  
9 section 1601(c).

10 `` SEC. 1605. SPECIAL RULES FOR DETERMINING BUSINESS RECEIPTS  
11 AND EXPENSES.

12 `` (a) GENERAL RULE.--For purposes of section 1603(a)--

13 `` (1) SALES OF PROPERTY.--

14 `` (A) IN GENERAL.--Except as provided in  
15 subparagraph (B), the purchase or sale of property  
16 shall be treated as occurring where delivery takes  
17 place.

18 `` (B) REAL PROPERTY.--The purchase or sale of  
19 real property shall be treated as occurring where the  
20 real property is located.

21 `` (2) SERVICES PERFORMED INSIDE AND OUTSIDE THE  
22 UNITED STATES.--If a service is performed both inside and  
23 outside the United States, such service shall be treated  
24 as performed--

25 `` (A) inside the United States, if 50 percent or

1 more of such service is performed inside the United  
2 States, or

3 `` (B) outside the United States, if less than 50  
4 percent of such service is performed inside the  
5 United States.

6 `` (3) EXCHANGES TREATED AS SALES.--

7 `` (A) IN GENERAL.--Except as provided in  
8 subparagraph (B)--

9 `` (i) an exchange of property for property or  
10 for services shall be treated as a sale of  
11 property, and

12 `` (ii) an exchange of services for property  
13 or for services shall be treated as the  
14 performance of services.

15 `` (B) EXCEPTIONS FOR REORGANIZATIONS.--An  
16 exchange of property which is described in section  
17 368 (relating to definitions of corporate  
18 reorganizations) shall not be treated as a sale of  
19 property.

20 `` (C) AMOUNT TREATED AS RECEIVED.--The amount  
21 included in business receipts with respect to  
22 exchanges described in subparagraph (A) shall be the  
23 fair market value of the property or services treated  
24 as being sold.

25 `` (4) INTERMEDIATION SERVICES.--

1           ``(A) BUSINESS RECEIPTS.--In the case of  
2 insurance activities, lending activities or other  
3 similar activities involving intermediation carried  
4 on by an insurance company or financial institution,  
5 the business receipts from such activities shall be  
6 the amount received for the intermediation services  
7 provided.

8           ``(B) AMOUNT RECEIVED.--The amount received by  
9 the taxpayer within any taxable year for  
10 intermediation services shall be determined in  
11 accordance with regulations prescribed by the  
12 Secretary.

13       ``(b) SPECIAL RULE FOR SALE OR LEASE PAYMENTS RECEIVED IN  
14 MORE THAN 1 TAXABLE PERIOD.--

15           ``(1) SALES.--In the case of any sale of property or  
16 services where the consideration is to be received by the  
17 seller in more than 1 taxable period--

18           ``(A) in the case of the seller, the amount paid  
19 for such property or services shall be taken into  
20 account for the taxable year in which received, and

21           ``(B) in the case of the buyer, the cost of such  
22 property or services shall be taken into account for  
23 the taxable year in which paid.

24           ``(2) LEASES.--In the case of a lease with a term  
25 which includes more than 1 taxable year, the business

1 receipts for each such taxable year shall include the  
2 lease payments received by the lessor during such year.

3 `` (3) NO DOUBLE COUNTING.--

4 `` (A) SELLER.--In the case of a seller, paragraph  
5 (1) shall not apply to the extent that the proceeds  
6 of the sale were taken into account in determining  
7 gross income for a taxable year beginning before  
8 1991.

9 `` (B) BUYER.--In the case of a buyer, paragraph  
10 (1) shall not apply to the extent that the cost of  
11 the property or services is taken into account in  
12 determining gross income for a taxable year beginning  
13 before 1991 or is taken into account in determining  
14 recovery allowances under section 1604(c).

15 `` Subchapter C--Definition and Treatment of Taxable Business

`` Sec. 1611. Exempt organizations.  
`` Sec. 1612. Taxable business.

16 `` SEC. 1611. EXEMPT ORGANIZATIONS.

17 `` No tax shall be imposed under section 1601 on any  
18 organization which is exempt from tax under chapter 1  
19 (relating to income taxes). Any net business receipts of such  
20 organization which are allocable to an unrelated business of  
21 such organization (determined under the rules of section 513)  
22 shall not be taken into account under this chapter.

23 `` SEC. 1612. TAXABLE BUSINESS.



1       “(a) GENERAL RULE.--For purposes of this chapter, the  
2 term ‘taxable business’ means--

3               “(1) any C corporation, and

4               “(2) any other taxpayer the business receipts of  
5 which for the taxable year exceed \$50,000.

6       “(b) SPECIAL RULES.--

7               “(1) PARTNERSHIPS AND S CORPORATIONS.--For purposes  
8 of subsection (a), an S corporation and a partnership  
9 shall be treated as a taxpayer and the business receipts  
10 thereof shall be determined at the entity level and shall  
11 not be allocated to the shareholders of an S corporation  
12 or to the partners of a partnership.

13               “(2) TAXPAYERS UNDER COMMON CONTROL.--All persons  
14 which are--

15                       “(A) members of the same controlled group of  
16 corporations (within the meaning of section 52(a)),  
17 or

18                       “(B) under common control (within the meaning of  
19 section 52(b)),

20 shall be treated as 1 person for purposes of the \$50,000  
21 amount specified in subsection (a)(2).

22               “(3) ELECTION TO BE TREATED AS A TAXABLE  
23 BUSINESS.--Any taxpayer which is not described in  
24 paragraph (1) or (2) of subsection (a) may under rules  
25 prescribed by the Secretary elect to be treated as a

1 taxable business with respect to its business activity.  
2 Any such election shall be revocable only with the  
3 consent of the Secretary.

4 ``Subchapter D--Administration

``Sec. 1621. Time for filing return.

``Sec. 1622. Consolidated returns.

5 ``SEC. 1621. TIME FOR FILING RETURN.

6 `` (a) IN GENERAL.--Each person on whom a tax is imposed  
7 by section 1601 for any taxable year shall file a return of  
8 such tax no later than the time for filing the return of tax  
9 imposed by chapter 1 for such taxable year.

10 `` (b) TAXABLE YEAR.--For purposes of this chapter, the  
11 taxable year of any person shall be--

12 `` (1) such person's taxable year for purposes of  
13 chapter 1, or

14 `` (2) if there is no taxable year for purposes of  
15 chapter 1, the calendar year.

16 ``SEC. 1622. CONSOLIDATED RETURNS.

17 `` (a) GENERAL RULE.--An affiliated group of corporations  
18 shall have the privilege of making a consolidated return with  
19 respect to the uniform business tax imposed by this chapter.  
20 The making of a consolidated return shall be upon the  
21 condition that all corporations which at any time during the  
22 taxable year have been members of the affiliated group  
23 consent to all of the consolidated return regulations

1 prescribed under this section prior to the last day  
2 prescribed for the filing of such return. The making of such  
3 consolidated return shall be considered such consent.

4     “(b) BUSINESS RECEIPTS AND EXPENSES DISREGARDED.--An  
5 affiliated group that files a consolidated return shall  
6 disregard business receipts and business expenses  
7 attributable to sales or uses of property or sales of  
8 services between members of the consolidated group unless the  
9 affiliated group elects on its first return to include  
10 business receipts and business expenses attributable to such  
11 sales or uses.

12     “(c) DEFINITION OF AFFILIATED GROUP.--For purposes of  
13 this section, the term ‘affiliated group’ means an affiliated  
14 group as defined in section 1504, except that an affiliated  
15 group shall not include any corporation to which section  
16 1605(a)(5) (relating to intermediation services) applies  
17 unless permitted under regulations prescribed by the  
18 Secretary.

19     “(d) REGULATIONS.--The Secretary shall prescribe such  
20 regulations as are necessary to carry out this section.

21     “Subchapter E--Definitions and Special Rule

“Sec. 1631. Definitions and special rule.

22     “SEC. 1631. DEFINITIONS AND SPECIAL RULE.

23     “For purposes of this chapter--

24     “(1) BUSINESS.--The term ‘business’ includes--

1           ``(A) a trade, and

2           ``(B) an activity regularly carried on for  
3           profit.

4           ``(2) EMPLOYEE.--Except as provided in section  
5           1604(b)(6), the term 'employee' has the meaning such term  
6           has for purposes of chapter 24 (relating to withholding).

7           ``(3) UNITED STATES.--The term 'United States', when  
8           used in a geographical sense, includes a Commonwealth and  
9           any possession of the United States.

10          ``(4) SPECIAL RULE WHERE PERFORMANCE OF SERVICES  
11          INCLUDES INCIDENTAL TRANSFER OF PROPERTY.--If in  
12          connection with the performance of any services there is  
13          an incidental transfer of property, such transfer shall  
14          be treated as part of the performance of such services."

15          (b) INCOME TAX CREDIT FOR NET CHAPTER 7 TAX.--

16           (1) IN GENERAL.--Subpart B of part IV of subchapter A  
17          of chapter 1 of such Code is amended by inserting after  
18          section 29 the following new section:

19          ``SEC. 30. NET CHAPTER 7 TAX PAID BY CERTAIN TAXPAYERS.

20           ``(a) ALLOWANCE OF CREDIT.--In the case of an eligible  
21          taxpayer, there shall be allowed as a credit against the tax  
22          imposed by this chapter for the taxable year an amount equal  
23          to the net chapter 7 tax paid or incurred by the taxpayer  
24          during the taxable year.

25           ``(b) ELIGIBLE TAXPAYER.--For purposes of this section--



1       ``(1) IN GENERAL.--The term 'eligible taxpayer' means  
2 any person liable for the tax imposed by chapter 7.

3       ``(2) PARTNERSHIPS AND S CORPORATIONS.--In the case  
4 of a partnership, each partner shall be treated as liable  
5 for, and as having paid or incurred his distributive  
6 share of, the tax imposed by chapter 7. A similar rule  
7 shall apply in the case of S corporations.

8       ``(c) NET CHAPTER 7 TAX.--For purposes of this section,  
9 the term 'net chapter 7 tax' means the excess of the tax  
10 imposed by this chapter over the amount determined under  
11 section 1601(c).

12       ``(d) APPLICATION WITH OTHER CREDITS.--

13       ``(1) IN GENERAL.--The credit allowed by subsection  
14 (a) for any taxable year shall not exceed the excess (if  
15 any) of--

16               ``(A) the regular tax for the taxable year  
17 reduced by the sum of the credits allowable under  
18 subpart A and sections 27, 28, and 29, over

19               ``(B) the tentative minimum tax for the taxable  
20 year.

21       ``(2) CARRYOVER OF DISALLOWED CREDIT.--The credit  
22 which is not allowed by subsection (a) for any taxable  
23 year by reason of paragraph (1) shall be treated as net  
24 chapter 7 tax paid by the taxpayer in the succeeding  
25 taxable year.

1       “(e) REGULATIONS.--The Secretary shall prescribe such  
2 regulations as are necessary to carry out this section.”

3 (2) CLERICAL AMENDMENT.--The table of sections for  
4 such subpart B is amended by adding at the end thereof  
5 the following new item:

Sec. 30. Net chapter 7, tax paid by certain taxpayers.

6 (c) COMPLEMENTARY TAX ON IMPORTS.--

7 (1) IN GENERAL.--Chapter 36 of such Code (relating to  
8 other excise taxes) is amended by inserting after  
9 subchapter B the following new subchapter:

10 SUBCHAPTER C--IMPORTED PROPERTY

Sec. 4476. Imposition of tax.

11 SEC. 4476. IMPOSITION OF TAX.

12       “(a) GENERAL RULE.--There is hereby imposed a tax equal  
13   to 9 percent of the customs value of all property entered  
14   into the United States for consumption, use, or warehousing.

15       “(b) LIABILITY FOR TAX.--The tax imposed by subsection  
16       (a) shall be paid by the person entering the property into  
17       the United States for consumption, use, or warehousing.

18       “(c) EXCEPTION FOR PERSONAL USE ITEMS.--The tax imposed  
19 by this section shall not apply to any article entered into  
20 the United States duty free under subchapters I through VII  
21 of chapter 98 of the Tariff Schedules of the United States.

22      "(d) SPECIAL RULE FOR REIMPORTATION.--In the case of any

1 article that is classified under a heading or subheading of  
2 subchapter I or II of chapter 98 of the Tariff Schedules of  
3 the United States, the tax under this section shall be  
4 imposed only on that portion of the customs value of such  
5 article that is dutiable under such heading or subheading."

6 (2) CLERICAL AMENDMENT.--The table of subchapters for  
7 such chapter 36 is amended by inserting after the item  
8 relating to subchapter B the following new item:

"Subchapter C. Imported property."

9 (d) DEDUCTIBILITY OF TAX.--

10 (1) NONDEDUCTIBILITY OF PORTION OF THE UBT.--Section  
11 275(a) of such Code (relating to denial of deduction for  
12 taxes) is amended by adding after paragraph (6) the  
13 following new paragraph:

14 "(7) the uniform business tax imposed by section  
15 1601 to the extent that such tax exceeds the amount  
16 determined under section 1601(c)."

17 (2) DEDUCTIBILITY OF A PORTION OF THE UBT.--Section  
18 164(a) of such Code (relating to the deductibility of  
19 taxes) is amended by adding after paragraph (5) the  
20 following new paragraph:

21 "(6) The portion of the uniform business tax imposed  
22 for the taxable year that does not exceed the amount  
23 determined under section 1601(c)."

24 (e) ESTIMATED TAX.--Subparagraph (A) of section



1 6655(g)(1) of such Code is amended by striking ``plus`` at  
2 the end of clause (iii), by striking ``over`` at the end of  
3 clause (iv) and inserting ``plus`` and by adding at the end  
4 thereof the following new clause:

5                   ``(v) the tax imposed by section 1601 to the  
6 extent such tax exceeds the amount determined  
7 under section 1601(c), over``.

8       (f) CLERICAL AMENDMENT.--The table of chapters for  
9 subtitle A of such Code is amended by inserting after the  
10 item relating to chapter 6 the following new item:

          ``Chapter 7. Uniform business tax.``

11 SEC. 3. REPEAL OF CORPORATE INCOME TAX.

12       Section 11 of the Internal Revenue Code of 1986 is  
13 amended by adding at the end thereof the following new  
14 subsection:

15       ``(e) TERMINATION.--The tax imposed by subsection (a)  
16 shall not apply for any taxable year beginning after December  
17 31, 1990. This subsection shall not apply with respect to any  
18 tax imposed by section 511.``

19 SEC. 4. REPEAL OF CORPORATE MINIMUM TAX.

20       Section 55 of the Internal Revenue Code of 1986 is  
21 amended by adding at the end thereof the following new  
22 subsection:

23       ``(e) TERMINATION OF TAX ON CORPORATIONS.--The tax  
24 imposed by this section shall not apply to any corporation



1 for any taxable year beginning after December 31, 1990."

2 SEC. 5. REPEAL OF EMPLOYER TAX ON CERTAIN COMPENSATION.

3 (a) SOCIAL SECURITY TAX.--Section 3111 of the Internal  
4 Revenue Code of 1986 (relating to employer FICA tax) is  
5 amended by adding at the end thereof the following new  
6 subsection:

7 "(d) TERMINATION OF TAX ON WAGES SUBJECT TO UNIFORM  
8 BUSINESS TAX.--The tax imposed by this section shall not  
9 apply to wages paid in taxable years to which the tax imposed  
10 by chapter 7 applies to the employer."

11 (b) TIER 1 RAILROAD RETIREMENT TAX.--Section 3221 of such  
12 Code (relating to the employer railroad retirement tax) is  
13 amended by adding at the end thereof the following new  
14 subsection:

15 "(e) TERMINATION OF TIER 1 TAX ON COMPENSATION SUBJECT  
16 TO UNIFORM BUSINESS TAX.--The taxes imposed by subsection (a)  
17 shall not apply to compensation paid in taxable years to  
18 which the tax imposed by chapter 7 applies to the employer."

19 SEC. 6. APPLICATION OF TAX PROCEEDS.

20 The Federal tax revenue attributable to the portion of  
21 the tax imposed by section 1601 of the Internal Revenue Code  
22 of 1986 which equals the tax that would have been imposed  
23 (but for sections 3111(d) and 3221(f) of such Code) by  
24 sections 3111 and 3221 shall be appropriated to trust funds  
25 in the same manner as such funds would have been appropriated

SCHULZ004

28

1 if they had been paid pursuant to sections 3111 and 3221 of  
2 such Code.

3 SEC. 7. EFFECTIVE DATE.

4 The amendments made by this Act shall apply to taxable  
5 years beginning after December 31, 1990.

# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                          | Date    | Restriction    | Class. |
|--------------------------|--------------------------------------------------------------------|---------|----------------|--------|
| 01a. Note                | From Robert Portman to John Sununu<br>Re: Prayer Breakfast (1 pp.) | 1/30/91 | <del>P-5</del> |        |

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Chief of Staff to the President, Office of the  
**Series:** Sununu, John, Files  
**Subseries:** White House Offices File  
**WHORM Cat.:**  
**File Location:** Legislative Affairs  
(McClure) (1991) [3]

Open on Expiration of PRA  
(Document Follows)  
By *JF* (NLGB) on 10/28/05

|                               |                |                             |           |
|-------------------------------|----------------|-----------------------------|-----------|
| <b>Date Closed:</b>           | 12/28/2004     | <b>OA/ID Number:</b>        | 29179-007 |
| <b>FOIA/SYS Case #:</b>       | 1998-0004-F[2] | <b>Appeal Case #:</b>       |           |
| <b>Re-review Case #:</b>      | 2005-0426-S    | <b>Appeal Disposition:</b>  |           |
| <b>P-2/P-5 Review Case #:</b> |                | <b>Disposition Date:</b>    |           |
| <b>AR Case #:</b>             |                | <b>MR Case #:</b>           |           |
| <b>AR Disposition:</b>        |                | <b>MR Disposition:</b>      |           |
| <b>AR Disposition Date:</b>   |                | <b>MR Disposition Date:</b> |           |

### RESTRICTION CODES

**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P-1 National Security Classified Information [(a)(1) of the PRA]
- P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P-3 Release would violate a Federal statute [(a)(3) of the PRA]
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

**Freedom of Information Act - [5 U.S.C. 552(b)]**

- (b)(1) National security classified information [(b)(1) of the FOIA]
- (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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- (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- (b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE  
WASHINGTON

Date: 1/30/91

TO: John Sununu

FROM: ROBERT J. PORTMAN *RP*  
Deputy Assistant to the President and  
Director, Office of Legislative Affairs

☐ Action

☐ Comments

☒ FYI

RE: Prayer Breakfast

Stenholm, with some misgivings, is taking care of the  
Prince Bandar request for tomorrow morning.

THE CHIEF of STAFF  
has seen



# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                                                | Date     | Restriction    | Class. |
|--------------------------|------------------------------------------------------------------------------------------|----------|----------------|--------|
| 01b. Letter              | From Bandar bin Sultan bin Abdulaziz to Charles Stenholm<br>Re: Prayer Breakfast (1 pp.) | 12/10/90 | <del>P-5</del> |        |

### Collection:

**Record Group:** Bush Presidential Records  
**Office:** Chief of Staff to the President, Office of the  
**Series:** Sununu, John, Files  
**Subseries:** White House Offices File  
**WHORM Cat.:**  
**File Location:** Legislative Affairs  
(McClure) (1991) [3]

Open on Expiration of PRA  
(Document Follows)  
By gf (NLGB) on 10/28/05

|                               |                |                             |           |
|-------------------------------|----------------|-----------------------------|-----------|
| <b>Date Closed:</b>           | 12/28/2004     | <b>OA/ID Number:</b>        | 29179-007 |
| <b>FOIA/SYS Case #:</b>       | 1998-0004-F[2] | <b>Appeal Case #:</b>       |           |
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| <b>AR Disposition:</b>        |                | <b>MR Disposition:</b>      |           |
| <b>AR Disposition Date:</b>   |                | <b>MR Disposition Date:</b> |           |

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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

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(b)(9) Release would disclose geological or geophysical information

سفارة المملكة العربية السعودية  
في واشنطن

ROYAL EMBASSY OF SAUDI ARABIA  
WASHINGTON, D. C. 20037

OFFICE OF  
THE AMBASSADOR

December 10, 1990

The Honorable Charles W. Stenholm  
United States Congress  
1226 Longworth House Office Building  
Washington, D.C. 20515

Dear Congressman Stenholm:

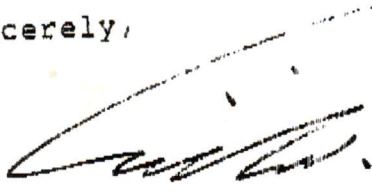
The Annual National Prayer Breakfast is, indeed, an event to which I look forward each year. However, I would like to inquire if there will be a representative of the Muslim faith attending in 1991. Considering the present situation in the Gulf region, I feel that a brief reading from the Holy Koran by a representative of the Muslim faith would be an especially appropriate addition to the program.

Consequently, I would like to suggest that Doctor Abdullah Khouj, Director of the Islamic Center in Washington, be permitted to say a prayer at the January 31 Breakfast. Doctor Khouj would serve as a dignified representative of the Muslim faith for this notable and memorable event.

I look forward to your early response.

With best regards,

Sincerely,

  
Bandar bin Sultan bin Abdulaziz  
Ambassador

(the past two years Prince Bandar has done the reading)

Stenholm never called Bandar back -  
Bandar called him yesterday: was told there  
will be no Muslim reading - program set -  
Bandar wants to know if there is anything you can do?

God says this -  
can it be worked out?  
Downside =  
Stenholm says he does not  
think it's a good idea -  
but can work it out if  
POTUS wants it. lead  
Downside = will lead  
to other requests -  
eg. A Jewish  
reading.



# Withdrawal/Redaction Sheet

## (George Bush Library)

| Document No.<br>and Type | Subject/Title of Document                                                                                                        | Date   | Restriction    | Class. |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------|--------|----------------|--------|
| 02. Memo                 | From Nicholas Calio to John Sununu<br>Re: Who to include in Foreign Policy meeting of POTUS and Congressional Leadership (2 pp.) | 1/4/91 | <del>P-5</del> |        |

### Collection:

**Record Group:** Bush Presidential Records  
**Office:** Chief of Staff to the President, Office of the  
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 (Document Follows)  
 By JP (NLGB) on 10/28/05

|                               |                |                             |           |
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| <b>Date Closed:</b>           | 12/28/2004     | <b>OA/ID Number:</b>        | 29179-007 |
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THE WHITE HOUSE

WASHINGTON

DETERMINED TO BE AN  
ADMINISTRATIVE MARKING,  
PER E.O. 12958, SEC. 3.3 (C) ~~CONFIDENTIAL~~

THE CHIEF of STAFF  
has seen

January 4, 1991

f  
MEMORANDUM FOR JOHN H. SUNUNU, CHIEF OF STAFF

FROM: NICHOLAS E. CALIO, DEPUTY ASSISTANT TO THE *NEC*  
PRESIDENT FOR LEGISLATIVE AFFAIRS

---

You requested that I put in writing the reasons for including House Majority Leader Dick Gephardt in foreign policy meetings between the President and House Speaker Tom Foley, House Republican Leader Bob Michel, Senate Majority Leader George Mitchell, and Senate Republican Leader Bob Dole. The reasons follow.

As background, I note that Gephardt's office and Foley's office both contacted me after meeting notifications were made. Gephardt's office was low key in its approach; they simply asked "what was going on" and why "the Big Five had become the Big Four." Speaker Foley's Chief of Staff, Werner Brandt, called "on the Speaker's behalf" and was more direct in expressing concern that Gephardt was not included in the meeting. (For the record, I indicted that the Office of Legislative Affairs had drawn the invitation list and that we thought it was an appropriate one.)

According to Werner, the Speaker is concerned about not including the Majority Leader for "a series of connected reasons." First, it is a matter of Congressional protocol. The Speaker is the highest ranking officer in Congress. The House Majority and Minority Leaders are directly below him and of equivalent position, both to each other and to their Senate counterparts. Therefore, excluding the Majority Leader "unwittingly" attempts to change Congressional protocol.

Moreover, the Majority Leader is the Speaker's appointment to the Intelligence and Budget Committees and is the Majority's Floor Leader. He "runs the show for the Speaker every day," as Werner put it, and will be essential to any effort to demonstrate Congressional support for the President's Persian Gulf policy.



Perhaps more to the point, the Speaker notes that he was "always" included in such meetings when he was Majority Leader and not including Gephardt puts him (the Speaker) in an awkward position. I am told that the Speaker plans to personally raise this issue with the President.

In addition to the points made by the Speaker, I believe it better serves our own purposes to include the Majority Leader in such meetings. While I understand that the reasons for not including him are legitimate and not ill-intentioned, we run the risk of news reports like those last spring in which the President and/or the Administration implicitly appeared to be or were explicitly accused of being petty.

There are more practical reasons, however. Gephardt, in my view, has shown a greater willingness to be helpful or, at the least, a greater reluctance to be critical, the closer we have tied him to the process on other issues. While I do not expect him to stop staking out his own position, bringing him in does raise the stakes for him personally, and the Speaker indirectly, if he gets too far out front.

Including him also helps the Speaker in the Democratic Caucus -- a large block of activist members of the Democratic Caucus are closely aligned with Gephardt and believe that the Speaker is too accommodating to the Administration. Thus, we make it more difficult for the Speaker to provide positive direction in the Caucus and on the Floor by setting the Majority Leader up as an outsider.

For all the reasons above, I believe we should include the Majority Leader in future meetings. I recommend that we call Speaker Foley before he calls the President, acknowledge his concerns and indicate that the Majority Leader will be included. If we do decide to include him, I also think it would be a good idea if the President and you stayed away from this and simply have me convey to the Speaker's office that future meetings will be with the Big Five.

THE WHITE HOUSE

WASHINGTON

THE CHIEF of STAFF  
has seen

January 2, 1991

MEMORANDUM FOR JOHN H. SUNUNU

FROM: ROB PORTMAN *RP*

SUBJECT: Proposed Congressional Meetings on Persian Gulf

Per your request, below are our suggested attendees for meetings with selected Members of Congress which might be held next week. As you will see, each group has a core of Committee members (Foreign Affairs, Foreign Relations, or Armed Services), but also includes leadership and other selected Members.

1. House Foreign Affairs Group

Newt Gingrich (R-GA)  
Bill Gray (D-PA)  
Gerald Solomon (R-NY)  
John Porter (R-IL)  
Matthew McHugh (D-NY)  
Lee Hamilton (D-IN)  
Robert Toricelli (D-NJ)  
Gus Yatron (D-PA)  
Douglas Bereuter (R-NE)  
Jim Leach (R-IA)  
Tom Lantos (D-CA)  
Robert Lagomarsino (R-CA)  
Bill Goodling (R-PA)  
Mervyn Dymally (D-CA)  
Olympia Snowe (R-ME)  
Howard Berman (D-CA)  
Christopher Smith (R-NJ)  
Mel Levine (D-CA)  
Bill Archer (R-TX)  
Dan Rostenkowski (D-IL)

## 2. House Armed Services Group

Henry Hyde (R-IL)  
Bill Richardson (D-NM)  
Norm Dicks (D-WA)  
Bill Young (R-FL)  
Bill Lowery (R-CA)  
Steny Hoyer (D-MD)  
Bob Livingston (R-LA)  
Rod Chandler (R-WA)  
Beverly Byron (D-MD)  
Earl Hutto (D-FL)  
G.V. Montgomery (D-MS)  
Bob Stump (R-AZ)  
Ike Skelton (D-MO)  
Dave McCurdy (D-OK)  
Marilyn Lloyd (D-TN)  
Larry Hopkins (R-KY)  
Bob Davis (R-MI)  
Andy Ireland (R-FL)  
Duncan Hunter (R-CA)  
Norman Sisisky (D-VA)  
David Martin (R-NY)  
Jim Hansen (R-UT)  
Curt Weldon (R-PA)  
Jon Kyl (R-AZ)

## 3. Senate Armed Services Group

George Mitchell (D-ME)  
Alan K. Simpson (R-WY)  
Sam Nunn (D-GA)  
J. James Exon (D-NE)  
Carl Levin (D-MI)  
Edward Kennedy (D-MA)  
Jeff Bingaman (D-NM)  
Alan J. Dixon (D-IL)  
John Glenn (D-OH)  
Albert Gore, Jr. (D-TN)  
Timothy E. Wirth (D-CO)  
Richard Shelby (D-AL)  
Robert C. Byrd (D-WV)  
John W. Warner (R-VA)  
Strom Thurmond (R-SC)  
William Cohen (R-ME)  
John McCain (R-AZ)  
Malcolm Wallop (R-WY)  
Slade Gorton (R-WA)  
Trent Lott (R-MS)  
Dan Coats (R-IN)



#### 4. Senate Foreign Relations Group

Bob Dole (R-KS)  
Wendell Ford (D-KY)  
Claiborne Pell (D-RI)  
Joseph R. Biden, Jr. (D-DE)  
Paul S. Sarbanes (D-MD)  
Alan Cranston (D-CA)  
Christopher J. Dodd (D-CT)  
John F. Kerry (D-MA)  
Paul Simon (D-IL)  
Terry Sanford (D-NC)  
Daniel Patrick Moynihan (D-NY)  
Charles S. Robb (D-VA)  
Jesse Helms (R-NC)  
Richard G. Lugar (R-IN)  
Nancy Landon Kassebaum (R-KS)  
Larry Pressler (R-SD)  
Frank H. Murkowski (R-AK)  
Mitch McConnell (R-KY)  
Connie Mack (R-FL)