

upon which there is committee agreement. There is no real revenue loss. Those are the only ones which will be considered in the second tax bill, which will be coming up following passage of this provision.

Mr. PROXMIRE. Would the manager indicate whether, in addition to the various measures he has suggested, there is a report available to the Senate so that we understand the language?

Mr. DOLE. Yes.

Mr. PROXMIRE. We would like the report from the committee as to how the amendments would work.

Mr. DOLE. We will furnish what we have. We do not have the final draft, but we have a draft we will be happy to furnish to the Senator.

Mr. PROXMIRE. Does that have the language?

Mr. DOLE. Yes; we have the language.

Mr. METZENBAUM. Would the Senator from Kansas yield?

Mr. DOLE. With reference to the black lung?

Mr. METZENBAUM. No; not with reference to the black lung. As I understand it, there are three measures having to do with taxes. One is the black lung bill on which the Senator from Kansas, as I understand, intends to add an amendment which would be directing the Secretary of the Treasury with respect to certain clarifications that would be expected. Is that the only thing that would be added to black lung?

Mr. DOLE. The Senator is correct. There will be three provisions which would be added. One would require the Secretary to report, I think by January 1982, information to the Treasury Department and the Joint Committee on Taxation with regard to the number of companies employing leasing and what the leasing transactions are. The Finance Committee believes this provision should be carefully monitored.

Mr. METZENBAUM. I understand the reporting of the leasing is one amendment that the Senator from Kansas is to add to the black lung bill. Is that correct?

Mr. DOLE. That is correct. I might say all of these were approved by the Finance Committee without objection. The other would be the home office deduction, the business deduction, for dwelling units held for rental income, and the third would be a 2-year postponement for the 1976 net operating loss rules.

Mr. METZENBAUM. Would the Senator from Kansas tell us what the cost would be to the Treasury of the second and third amendments?

Mr. DOLE. The leasing amendment reporting requirement—

Mr. METZENBAUM. That is the first one. I am talking about the second and third.

Mr. DOLE. The net operating loss postponement revenue impact is less than \$5 million.

Mr. METZENBAUM. And the one with respect to the use of residences for business purposes?

Mr. DOLE. For fiscal 1982, it would be \$93 million.

Mr. METZENBAUM. How much?

Mr. DOLE. Fiscal 1982 is \$93 million fiscal 1983 is \$51 million.

Mr. METZENBAUM. Is it retroactive as well?

Mr. DOLE. That includes the retroactive portion.

Mr. METZENBAUM. The retroactive part would be how much? \$93 million?

Mr. DOLE. Yes, \$93 million in fiscal 1982, and \$51 million in 1983. It would be \$68 million in fiscal 1984.

Mr. METZENBAUM. So we are talking about, in the next 3 years, \$200 million in revenue loss.

Mr. DOLE. That is substantially accurate, yes.

If I could explain the modification, it might be helpful to the Senator from Ohio and others who are concerned about any of these provisions.

Mr. METZENBAUM. Surely.

Mr. DOLE. Mr. President, among the modifications that the Senator from Kansas has made to the amendment are three changes approved by the Committee on Finance. There is considerable interest in each of these three provisions, and I hope that we can expedite them by adopting this amendment.

**THE HOME OFFICE DEDUCTIONS AND BUSINESS DEDUCTIONS FOR DWELLING UNITS HELD FOR RENTAL INCOME**

Currently section 280A, added by the 1976 Tax Reform Act, limits the deduction of certain expenses incurred for the use of a dwelling unit in connection with a trade or business or income producing activity of the taxpayer if the taxpayer also uses the dwelling unit for personal purposes.

The Finance Committee amendment will liberalize existing home office rules to permit a business expense deduction for certain taxpayers having more than one trade or business. As long as a home office is the principal place of business for one of the taxpayer's businesses, the expenses will be deductible, even if that business is not the taxpayer's main business activity.

This amendment is consistent with recent decisions of the U.S. Tax Court under current law. The IRS has disagreed with this result in the past, and the statutory change will make clear that the Tax Court interpretation is correct.

In addition, we should encourage, not discourage, an individual who has enough industry to take on a second job operated out of his home.

The committee amendment will also alter rules disallowing business deductions when rental properties are rented to a taxpayers relatives. The committee amendment will no longer treat as personal use arm's-length rentals to family members for use as a principal residence. This provision will also permit certain financing arrangements involving co-ownership by the taxpayer and the lessee.

In an arm's-length transaction, expense deductions under the Tax Code should not depend on whether a taxpayer rents to a stranger or to a relative. If

a taxpayer in an arm's-length transaction rents a dwelling unit to a relative, at fair rental value, for use as a principal residence, the Tax Code should not treat him any differently than it would had he rented to a stranger.

In addition, the Finance Committee amendment will make clear that if a taxpayer spends a day maintaining or repairing rental property, the day will not constitute a personal use day even if other family members accompany the taxpayer. Maintenance, however, must be the principal purpose of the trip. If a taxpayer spends a day to repair and maintain rental property, he should not be penalized by loss of deductions, because his teenage son accompanies him, but does not work all day. This amendment will clarify that such a day should not be counted as a personal use "vacation day" in limiting a taxpayers' deductions for rental property.

Finally, this provision will clarify that the personal use rules of section 280A will not be construed to deny otherwise allowable business expenses for travel away from home.

The Finance Committee amendment will make all of these changes in the operation of section 280A effective for open taxable years beginning after December 31, 1975.

**THE 2-YEAR POSTPONEMENT IN THE 1976 NET-OPERATING LOSS RULES**

The Tax Reform Act of 1976 substantially revised the rules of section 382 which limit net-operating loss carryovers of corporations that undergo a substantial change of ownership through stock purchases or reorganizations. The effective date of the 1976 act amendment was deferred because of technical problems. In the absence of further congressional action, the amendments will become effective on January 1, 1982, with respect to plans for reorganization adopted on or after that date and, for taxable years beginning after June 30, 1982, with respect to sales or exchanges of stock on or after January 1, 1982.

The Finance Committee amendment will provide for a 2-year deferral of the effective date of the 1976 act amendments.

This amendment will permit a careful review of the technical problems of the 1976 Tax Reform Act. It will also remove the uncertainty for taxpayers of a retroactive postponement of losses.

**THE NEW LEASING REPORTING REQUIREMENT**

This third modification in the amendment will provide in a timely fashion the information the Treasury Department and the Joint Committee on Taxation need to determine which companies are employing leasing, what the volume of leasing transactions is and, perhaps most importantly, how efficiently leasing is operating in providing capital investment incentives for lessees. The Finance Committee believes that this controversial provision must be carefully monitored to insure that it performs as we anticipated. Indeed, I am pleased to report, Mr. President, that our committee began its oversight review of this provision with a full