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October 2, 1986

Congressman Mickey Edwards
U. S. House of Representatives
Washington, D.C. 20515

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CATS:	28610
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COMMENTS:	_____

Dear Mickey:

I think Will Rogers once said that when congress passes a law it is a joke. He would be laughing when he read the paper today to see one of the provisions of the tax bill which apparently takes care of the University of Texas and Louisiana State University as far as donations to their athletic program.

Apparently, Senator Long and Representative Pickle from Texas must have had something to hang over the head of Senator Packwood and Congressman Rostenkowski. According to the morning Oklahoman, in the transition rules on tax reform, as far as donations to colleges for priority seating, etc., two institutions were exempted from the provisions of the law.

The first one was "an institution established by a state legislature in 1881, located in the State Capital, pursuant to a statewide election in September, 1881". This, of course, is the University of Texas. And the other exemption was "one with an athletic stadium plans for renovation which were approved by a Board of Supervisors in December, 1984 and reaffirmed by such Board in December, 1985 and January, 1986 and the plans for renovation of which were approved by the State Board of Ethics for public employees in February, 1986". This, apparently, applies to Louisiana State University.

Surely, when congress comes back into session you will rectify this by, hopefully, extending the same exemption to all universities and colleges for their athletic program. This will mean that the government can get by by contributing only half the money that they would normally need to grant to education if a donor could donate it and take a partial credit. As a matter of fact, with the new tax rule, I would assume that the government would only be paying 28% of it. (At least this is what I hope it is paying).

On another nature, I hope that at the earliest opportunity the Capital Gains Tax Exemption will be reinstated. It simply is not fair to have the same rate of tax on a Capital Gain as on ordinary income. I will be the first to say, and have said many times before, that six months or one year is probably not a good barometer for having full Capital Gains treatment.

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I would think that a Capital Gains treatment which, perhaps, extended over 20 years and, for example, exempted 5% of the gain the first year, 10% the second year, 15% the third and so forth on up until 20 years when the 100% of the gain would be nontaxable, would be a fair and equitable thing. The same might be true for 25 years and let each year be 4%.

It is just not fair that someone who has owned a family farm since the late 1890's who has struggled to make a living and might decide that he should get off the farm, would sell it to someone and then have to pay the same rate of tax as though he had had a job in the city. By the same token, it is not fair for someone who has started a small business and been fortunate enough to see it grow for perhaps 20 or 25 years, then sell it and be subjected to the same tax as though he had made all the money in one year.

What this would lead to, in my opinion, would be corporate farming, which I do not think would be good, and also sales of small business to large corporations which would not be good for the following reasons:

1) If the sale were made for stock to a large corporation it would concentrate more business in the hands of large companies to the detriment of small companies.

2) The other thing is, that an entrepreneur, who has worked all his life to establish something, might sell out and get some stock in a company which could ultimately end up worthless. He should have the safety valve of being able to sell out for cash without having his capital confiscated by the federal government.

I do hope that you and some of your colleagues will work on something that will reinstate some form of Capital Gain for securities and other assets held for a period of 20 years or more.

Sincerely yours,

Dick

R. H. Clements
President

RHC/jc