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106TH CONGRESS
1ST SESSION

# S. RES. 71

Expressing the sense of the Senate rejecting a tax increase on investment income of certain associations.

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IN THE SENATE OF THE UNITED STATES

MARCH 22, 1999

Mr. ABRAHAM (for himself, Mr. CRAPO, Mr. SANTORUM, Mr. GRAMM, and Mr. INHOFE) submitted the following resolution; which was referred to the Committee on Finance

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# RESOLUTION

Expressing the sense of the Senate rejecting a tax increase on investment income of certain associations.

Whereas the President's fiscal year 2000 Federal budget proposal to impose a tax on the interest, dividends, capital gains, rents, and royalties in excess of $10,000 of trade associations and professional societies exempt under section 501(c)(6) of the Internal Revenue Code of 1986 represents an unjust and unnecessary penalty on legitimate association activities;

Whereas at a time when the Government is projecting on-budget surpluses of more than $800,000,000,000 over the next 10 years, the President proposes to increase the tax burden on trade and professional associations by $1,440,000,000 over the next 5 years;

Whereas the President's association tax increase proposal will impose a tremendous burden on thousands of small and mid-sized trade associations and professional societies;

Whereas under the President's association tax increase proposal, most associations with annual operating budgets of as low as $200,000 or more will be taxed on investment income and as many as 70,000 associations nationwide could be affected by this proposal;

Whereas associations rely on this targeted investment income to carry out exempt-status-related activities, such as training individuals to adapt to the changing workplace, improving industry safety, providing statistical data, and providing community services;

Whereas keeping investment income free from tax encourages associations to maintain modest surplus funds that cushion against economic and fiscal downturns; and

Whereas corporations can increase prices to cover increased costs, while small and medium-sized local, regional, and State-based associations do not have such an option, and thus increased costs imposed by the President's association tax increase would reduce resources available for the important standard-setting, educational training, and professionalism training performed by associations: Now, therefore, be it

1 *Resolved,* That it is the sense of the Senate that Con-
2 gress should reject the President's proposed tax increase
3 on investment income of associations as defined under sec-
4 tion 501(c)(6) of the Internal Revenue Code of 1986.

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