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ASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. May 22, 1978

TREASURY TO AUCTION $2,250 MILLION OF 4-YEAR 1-MONTH NOTES

The Department of the Treasury will auction $2,250 million of 4-year 1-month notes to raise new cash. Additional amounts of the notes may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities at the average price of accepted competitive tenders.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

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Attachment

HIGHLIGHTS OF TREASURY OFFERING TO THE PUBLIC OF 4-YEAR 1-MONTH NOTES TO BE ISSUED JUNE 7, 1978

May 22, 1978

Amount Offered:	
To the public	$2,250 million
Description of Security:	
Term and type of security	4-year 1-month notes
Series and CUSIP designation	Series H-1982 (CUSIP No. 912827 HU 9)
Maturity date	June 30, 1982
Call date	No provision
Interest coupon rate	To be determined based on the average of accepted bids
Investment yield	To be determined at auction
Premium or discount	To be determined after auction
Interest payment dates	December 31 and June 30 (first payment on December 31, 1978)
Minimum denomination available	$1,000
Terms of Sale:	
Method of sale	Yield Auction
Accrued interest payable by investor	None
Preferred allotment	Noncompetitive bid for $1,000,000 or less
Deposit requirement	5% of face amount
Deposit guarantee by designated institutions	Acceptable
Key Dates:	
Deadline for receipt of tenders	Wednesday, May 31, 1978, by 1:30 p.m., EDST
Settlement date (final payment due)	
a) cash or Federal funds	Wednesday, June 7, 1978
b) check drawn on bank within FRB district where submitted	Monday, June 5, 1978
c) check drawn on bank outside FRB district where submitted	Friday, June 2, 1978
Delivery date for coupon securities	Tuesday, June 13, 1978

Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE May 22, 1978

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,200 million of 13-week Treasury bills and for $3,400 million of 26-week Treasury bills, both series to be issued on May 25, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing August 24, 1978			26-week bills maturing November 24, 1978		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.377 a/	6.421%	6.62%	96.395	7.092%	7.46%
Low	98.357	6.500%	6.70%	96.365	7.151%	7.52%
Average	98.363	6.476%	6.68%	96.370	7.141%	7.51%

a/ Excepting 1 tender of $600,000

Tenders at the low price for the 13-week bills were allotted 18%.
Tenders at the low price for the 26-week bills were allotted 41%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 23,275,000	$ 23,275,000	$ 44,265,000	$ 16,315,000
New York	3,585,530,000	1,831,730,000	4,766,790,000	2,828,190,000
Philadelphia	23,690,000	23,690,000	10,670,000	10,670,000
Cleveland	45,680,000	40,680,000	87,710,000	84,760,000
Richmond	31,140,000	21,140,000	54,515,000	33,515,000
Atlanta	26,410,000	26,410,000	19,790,000	19,790,000
Chicago	314,880,000	69,380,000	460,670,000	97,720,000
St. Louis	40,705,000	16,065,000	41,070,000	14,070,000
Minneapolis	20,450,000	20,450,000	19,385,000	16,385,000
Kansas City	23,045,000	23,045,000	21,005,000	21,005,000
Dallas	18,745,000	18,745,000	6,620,000	5,620,000
San Francisco	214,790,000	77,490,000	359,325,000	244,985,000
Treasury	7,950,000	7,950,000	7,210,000	7,210,000
TOTALS	$4,376,290,000	$2,200,050,000 b/	$5,899,025,000	$3,400,235,000 c/

b/ Includes $339,965,000 noncompetitive tenders from the public.
c/ Includes $196,965,000 noncompetitive tenders from the public.
1/ Equivalent coupon-issue yield.

Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE UPON DELIVERY
Expected at 2:00 p.m.
May 24, 1978

STATEMENT OF EMIL M. SUNLEY,
DEPUTY ASSISTANT SECRETARY OF THE TREASURY FOR TAX POLICY
BEFORE THE SUBCOMMITTEE ON OVERSIGHT OF
THE HOUSE WAYS AND MEANS COMMITTEE
ON EXTENSION OF THE HIGHWAY TRUST FUND

Mr. Chairman and Members of this Distinguished Committee:

When development of an interstate highway system was being considered in the mid-1950's, the Congress decided to establish a separate funding system for this and other Federal highway aid programs. A trust fund, the Highway Trust Fund, was established with financing from most of the taxes on motoring products -- the rates being raised in some cases -- plus two new taxes, that on manufacturers' sales of tread rubber and an annual use tax on heavy trucks and buses. In accordance with the determination that motorists should pay for Federal highway aid, the Fund contained, and continues to contain, a provision designed to prevent spending of more than the balance in the Fund.

Under one clause in the law, the Fund may borrow from the general fund of the Treasury but must repay the advances (with interest). But the provision that actually prevents spending more in a fiscal year than is available during the year is one requiring a reduction in apportionments for the interstate system whenever the Secretary of the Treasury (after consultation with the Secretary of Transportation) decides that amounts that will be available in the Fund, after all other required highway aid expenditures have been made, will be insufficient to pay amounts expected to come due if the full amounts authorized to be appropriated for the interstate system for any fiscal year are apportioned. Under such circumstances, the Secretary of Transportation is then required to reduce the apportionments to the States with respect to the interstate system so as to forestall the estimated deficiency. The reduction in the apportionments is to be made among the States on a pro rata basis. Subsequently, whenever the Secretary of the Treasury estimates that

Highway Trust Fund balances will become available to pay for apportionments for the interstate highway system which were previously withheld, the amounts previously withheld are to be apportioned by the Secretary of Transportation. The withholding of apportionments only from the interstate system served to protect the Federal aid programs for other roads, such programs having been in effect for many years before the interstate program was added.

Federal aid for highways is one area where a user charge system definitely is a responsible method of financing, as the motoring public, including truckers, is the direct beneficiary of the highway aid. But if expenditures are to be met from user charges, a requirement has to be in force which will make certain that expenditures are kept in line with tax funds available for any given year. If expenditures during a year can anticipate future receipts, it is very likely that the practical result will be that the "deficit" will never be made up. The need for maintaining current levels of spending will be advanced as a reason for "delaying" repayment of the debt.

H.R. 11733 as reported by the House Public Works Committee authorizes appropriations for Federal highway aid for the fiscal years 1979-1982 which would be considerably in excess of the revenues expected of the Trust Fund during that period.

To pay for the 4-year level of authorization in the Public Works Committee bill would require extension of the user taxes and Trust Fund more than 4 years beyond the present September 30, 1979 expiration date. But extension of the taxes beyond the period of authorization of expenditures should not be considered as a way of paying for the authorizations now proposed by H.R. 11733. To do so would destroy the orderly sequence of highway financing. This is why we have strongly recommended that the highway spending program be limited to current receipts from the user taxes within the 4-year time frame recommended for extension of the Highway Trust Fund and highway user taxes. An alternative, of course, that would accommodate the Public Works Committee's level of authorizations within a 4-year time frame would be to increase the gasoline tax by 2 cents a gallon (over $2 billion a year) for 4 years. We do not recommend an increase as part of a highway program.

The current law requirement for adjustments to apportionments when estimated future receipts of the Fund will be inadequate to pay for expenditures resulting from authorized apportionments now requires all reductions to be made in apportionments for the interstate system. An amendment to this provision as proposed by Congressmen Conable and Gibbons would make the required reductions the same percentage for all Federal-aid highway and highway safety construction programs. This amendment also would specify that the procedure for determination of the need for a reduction in apportionments be carried out under a more definite time table, and that any percentage cutback be published in the Federal Register a stated time before the beginning of the next fiscal year.

Present law is rather vague as to when the Secretary of the Treasury has to notify the Secretary of Transportation of the need for reduction in interstate systems apportionments. A more structured procedure than currently exists for determining and announcing reductions in apportionments would be helpful in altering all concerned with highway aid programs as to changes in apportionments from the level of authorizations. Requiring all programs to be reduced proportionately whenever a cutback is required would prevent the whole of any cutback from falling on the interstate system and thus limit the effect of a cutback on the completion of the interstate system which already is greatly behind schedule. Under present law, an authorization program which is greatly in excess of anticipated revenues for the Trust Fund, as is the case with H.R. 11733, would require suspending a large proportion of interstate system apportionments during part of the 4-year period covered by the bill. For these reasons, we believe the Conable-Gibbons amendment would provide a better mechanism for managing highway funding.

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ASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE May 23, 1978

RESULTS OF AUCTION OF 2-YEAR NOTES

The Department of the Treasury has accepted $2,400 million of $5,764 million of tenders received from the public for the 2-year notes, Series P-1980, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	8.00% 1/
Highest yield	8.10%
Average yield	8.09%

The interest rate on the notes will be 8%. At the 8% rate, the above yields result in the following prices:

Low-yield price	100.000
High-yield price	99.819
Average-yield price	99.837

The $2,400 million of accepted tenders includes $988 million of noncompetitive tenders and $1,352 million of competitive tenders from private investors, including 35% of the amount of notes bid for at the high yield. It also includes $ 60 million of tenders at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities in exchange for maturing securities.

In addition to the $2,400 million of tenders accepted in the auction process, $ 177 million of tenders were accepted at the average price from Government accounts and Federal Reserve Banks for their own account in exchange for securities maturing May 31, 1978, and $470 million of tenders were accepted at the average price from Federal Reserve Banks as agents for foreign and internationl monetary authorities for new cash.

1/ Excepting 8 tenders totaling $105,000

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SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE UPON DELIVERY
Expected at 11:00 am, E.D.T.
May 24, 1978

REMARKS OF THE HONORABLE W. MICHAEL BLUMENTHAL
SECRETARY OF THE TREASURY
BEFORE THE INTERNATIONAL MONETARY CONFERENCE
MEXICO CITY, MEXICO
MAY 24, 1978

This annual conference provides a unique forum for an exchange of views on key issues facing the world financial and banking community. It is of great value to me to participate, and a distinct privilege to address this assembly. We in government and you in the banking industry share a common interest in a smoothly working international monetary system, and a strong and active world economy. The actions of governments help shape the environment within which banks operate; your industry in turn helps determine the economic framework for public policy. A clear understanding of each others' views is not only beneficial but essential. Your conferences contribute greatly towards achieving that understanding.

The New System

This year's meeting comes at a time when we are entering a new phase of international monetary history. Just last month, with the ratification of the new IMF Articles, we inaugurated the new international monetary system which had been agreed at Jamaica. Our collective task in the coming year will be to implement that new system, to get it operating effectively. And, within the framework of the new system, to achieve a better balance in the pattern of international payments.

For the United States, the aim of adjustment and a better payments pattern has special meaning. We know we have a responsibility to reduce our current account deficit, and to assure a strong and healthy dollar. We are determined to fulfill that responsibility, by improving the fundamental strength of our economy, and by following sound underlying economic and financial policies. There is now an increased awareness of our determination to take all necessary action needed for a sound dollar: to curb inflation, cut back our dependence on imported oil, and improve our export performance, along the lines announced by President Carter on April 11. With this increased worldwide awareness, the uncertainty and disorder that

periodically characterized the exchange markets in the six months October through March has gradually given way in recent weeks to an improved tone. We are working hard to maintain it that way. Our intention was never otherwise.

I mention this by way of introduction to some thoughts I would like to share with you on the monetary system we live under and must work with. The efforts of the Carter Administration to set these fundamental economic variables in order are the manifestations of the different focus demanded by the new IMF provisions on exchange arrangements. This new system represents an important evolutionary step along a clear historical trend -- a move away from trying to impose exchange stability on nations by some external means, and toward the concept of placing directly on nations the responsibility for developing exchange stability by following sound underlying economic and financial policies. It is a move in the right direction. It is an effort we must all support.

Historical Precis

Under the gold standard, with exchange rates rigidly tied to gold, domestic economic policies were clearly and sometimes brutally subordinated to international imperatives. Exchange stability was imposed on countries from the outside, and sometimes at great cost. While adjustment occurred, it was at times accomplished harshly and inflexibly, with the result that the system broke down, and led in the 1930's to a period of restrictions and predatory exchange rate policies.

The Bretton Woods par value system was designed to correct, on the one hand, the excesses of the gold standard, and on the other, the aggressive exchange rate behavior of the interwar years: it retained the general framework of a gold standard, but provided for greater flexibility and greater freedom of national policy formulation by permitting par value changes in event of "fundamental disequilibrium." It was for a time a highly successful system. But fundamental changes in global patterns of economic growth, coupled with dramatic growth in the size and fluidity of the international capital markets, brought it under strain in the 1960's and early 1970's and led to the need for reform.

The new system now embodied in the IMF Articles retains the basic Bretton Woods philosophy of cooperation and liberal trade and payments. But it moves away from trying to force stability on nations through an external mechanism -- as the gold standard to an extreme degree and the Bretton Woods system to a lesser degree had tried to do but failed. Instead it aims at developing stability through the application of sound underlying economic and financial policies in individual countries. It is a more realistic, more pragmatic approach. It focuses attention less on

the symptoms of instability in the world economy -- conditions in the exchange markets -- and more on the root causes: the pursuit of divergent and in some cases inappropriate national policies by individual countries.

The main obligations placed on nations under the new IMF Articles are two fold. First, each nation must endeavor to direct its policies toward orderly growth with reasonable price stability. Second, each nation must avoid manipulating its exchange rate to avoid adjustment or gain unfair competitive advantage.

These are tough demands. The monetary system would function well if all nations followed sensible policies directed toward non-inflationary growth, and if they did not try to maintain exchange rates at artificial levels. But we must frankly acknowledge that neither our new monetary system, nor any likely alternative system, can force sovereign nations against their will to adopt particular domestic economic and financial policies. In the last analysis, German and Japanese growth policy is made by German and Japanese authorities. Swiss and British monetary policy is made by the Swiss and British authorities. And American economic and financial policy is made by American authorities -- the President and the Congress.

Despite these individual differences, all of the major countries have a responsibility to work toward the internal discipline that is essential to meaningful stability in the international monetary system. This is one reason why the heads of state have taken to periodic Summit meetings -- to foster the kind of gap bridging of domestic macro-economic policies that is necessary for a smoothly functioning exchange market for goods and money. We must expect that solutions will not be quick or dramatic, and that they will yield only to patience and determination.

Yet what we have in the new IMF Articles is a mechanism which can help us reconcile these differences, an improved framework for cooperation in adjustment and management of the monetary system, a foundation on which we can build if there is the international will to cooperate. It will take a lot of work, and we should not except too much too quickly. But it clearly is in the common interest of all nations to endeavor to ensure its success.

Making the System Work Through Surveillance

In order to give operational content to the new system, the IMF will have to develop and sharpen its processes of surveillance over nations' policies -- both its broad examination of members' general economic and financial policies, and its more direct examination of their exchange rate policies. We look to

surveillance by the Fund as the cornerstone of a smoothly working monetary system. Surveillance will give the system its backbone and structure, provide the means of assessing responsible international behavior, and permit the influence of the international community to be brought to bear on nations which fail to comply with their obligations.

The United States is fully committed to making this process work. To this end, we have made specific proposals to meet three requirements: first, the IMF must have full information about policies and developments in member countries; second, the IMF as an institution must be so organized as to handle its surveillance duties effectively, and with the involvement of the senior political officials responsible in their own governments; third, the IMF must have the techniques by which it can bring to bear the full moral force of the world community's views on the compliance or non-compliance of individual countries with their international obligations.

A system based on effective surveillance seems to me to have distinct advantages over previous systems. It relies in a real sense on analysis and judgment -- rather than on mechanical rules and operating procedures. It is more flexible: it can be adapted to take account of the different circumstances of different countries, and also of changing conditions in the international economy over time. It permits more evenhanded treatment of nations, in that surveillance applies equally to those in surplus and those in deficit, and an imbalance in one direction is no less a matter of international concern than an imbalance in the other direction. The surveillance system thus broadens the authority and strengthens the hand of the IMF, whose ability to influence members' policies was in the past largely limited to the relatively few members borrowing in the Fund's credit tranches.

Should We Stick To It?

In anticipating the move to flexible exchange rates, some observers expected that greater flexibility would remove the discipline from the system -- that nations could ignore developments in their exchange markets, and pursue internal monetary and fiscal policies without regard to their external effects. While it is widely recognized that flexible rates have helped the world economy to deal with some major shocks in recent years, one notes today increased ambivalence in some circles about the new system, perhaps because of growing realization that such expectations were not realistic. The exchange market implications of persistent large payments imbalances are often discomforting: export industries and workers are not happy about exchange rate appreciation; consumers do not like to see the prices of their imports rise because of depreciation; private and official entities holding large amounts of foreign currencies

react strongly to exchange rate changes. These and other factors can and do bring powerful forces to bear on the process of national economic decision making, in a manner which is often discomforting to politicians.

But the failure of the flexible exchange rate system to meet up to false expectations and the fact that in practice, the new regime does not obviate the need for national economic discipline, is scarcely cause for abandoning it as some have suggested. No system can provide freedom from discipline. Our present efforts must be aimed at trying to make the new system work rather than to replace it with something new.

The United States government accepts the role of exchange rate movements as a barometer of whether a nation is following such policies on growth, inflation, and balance-of-payments adjustment. To be sure, we stand ready to intervene in the market to counter speculation and disorder in the market. But we do not believe efforts by countries to maintain exchange rates out of kilter with underlying economic and financial performance would be practical or desirable.

Moreover, there is a need to avoid the uncertainties that would arise from expectations that further major changes in the international system are in prospect. The introduction of a new monetary system is a major event, an inherently disruptive change which is always difficult for the world to absorb. As the trustees of the world's monetary system, we can build confidence only by making such changes at infrequent intervals on an evolutionary basis.

There are now, and there will continue to be, various proposals for major adaptations in the present system. As intellectually interesting as these may be, the United States feels strongly that we have no responsible choice but to get on with the more prosaic, nuts and bolts job of making the flexible exchange rate system work.

The Future

I am not suggesting that we should reject the possibility of future long-term evolution in the system or in the roles of different reserve assets. I can envision various possibilities which might in time develop.

For example, I am confident that the future will bring an expansion in the role of the SDR. The SDR has important long-run potential for the system, and the United States, which worked in the 1960's to help establish that asset, favors the development of that potential. Consideration is now being given within the IMF to some moves to increase the financial attractiveness of the SDR, and to ways of expanding its usability in transactions. The

possibility of a further allocation of SDRs is also under study. The United States has suggested a review of other possibilities -- in particular, that an allocation of SDR might be considered in connection with the payment of funds to the IMF as part of any increase in quotas that might be approved in the future. We have also suggested that possibilities be studied for increased use of SDR in regular IMF credit transactions as part of the longer-run development of the asset. We should be receptive to other ways of increasing the use, and usefulness, of the SDR.

A second possible evolution which may occur in the future and is now receiving renewed attention is the development of a European currency. Monetary union has been a longstanding objective of the European Community, which has been frustrated in a sense by the same kinds of problems that confront the system generally -- payments imbalances, difficulties of national policy coordination and harmonization, and wide differences in actual economic performance. Whether union is feasible and desirable is largely a question for the European nations themselves to decide. If the Community wishes to move toward currency unification and develop a single European currency with an international role, the United States would have no objection in principle provides that such a step would be fully compatible with the broader financial system. We would be prepared to examine any such proposals with an open mind and with understanding.

But such changes in the monetary system should be seen as possibilities for the future. Now we must work to improve the operation of the adjustment process, and achieve a better balance in the pattern of world payments. That effort must be conducted within the monetary system as it presently exists.

The Role of the Dollar

I would like to conclude with a few comments on the role of the dollar in the system.

In my opinion, the reserve currency role of the dollar is neither an "exorbitant privilege" for the United States, as some allege, nor an "exorbitant burden," as other contend. Under the par value system, it was argued that a privilege existed for reserve currency countries in that the U.S. was then permitted, by issuing its currency, to borrow too easily and finance deficits on too large a scale. But any such privilege is much reduced or eliminated under present arrangements:

-- First, because with flexible exchange rates dollar accumulations by other countries are less an automatic result of the operation of the system and more a matter of discretion;

-- Second, because with present large and open capital markets, onshore and off, many other deficit countries can at any time be borrowing dollar in large amounts and putting them on the market -- with the result that borrowing to finance U.S. deficits is not the major source of the growth in supply of dollars.

Also, the burden alleged to arise from our reserve currency role -- that the U.S. does not have the same freedom as others to adjust its exchange rate -- is, I suspect, more a function of the size of our market and competitive strength of our economy than our reserve currency role.

I feel also that the decline in the dollar's exchange rate which occurred during the latter part of last year and early months of this year had little to do with the dollar's reserve currency role. During the last quarter of 1977 and the first quarter of this year, the dollar declined by an average 8 percent, trade weighted. But in that six-month period the United States was itself running a current account deficit at an annual rate of nearly $30 billion. The factors underlying the U.S. payments deficit were well known to the market -- our failure to adjust to the high cost of energy; a rate of inflation that was rising while some other countries were holding inflation rates stable; growth in our economy while other economies were stagnating; and for a variety of reasons, a lack of sufficient growth in our exports. These problems did not arise from the dollar's role as a reserve currency. They would have caused balance-of-payments deficits and exchange rate pressures under any type of international monetary system, whether or not the dollar were widely held in reserves. In fact, there was not a lot of shifting of reserves out of dollars during those months.

A change in the role of the dollar is not a cure for our problems. The solution to the U.S. balance-of-payments deficit lies in dealing with the factors which caused it -- energy, inflation, weak export performance, inadequate growth abroad. As the largest economy and provider of the world's vehicle currency, we understand that the burden falls especially heavily on the United States to maintain economic discipline, to set these fundamentals right. But we do not look to a revision of the international monetary system, or to a change in the dollar's role in that system, or to other devices such as the introduction of a substitution account to replace dollars with SDRs, as a solution to the difficulties the dollar has faced.

Conclusion

In the end, the central issue of the internatioanl monetary system is -- and will continue to be -- the operation of the adjustment process, the questions of what forces are brought to

bear on what countries to adopt internal or external policies to bring their respective external positions into sustainable harmony. Different mechanical arrangements, such as the gold standard and the Bretton Woods system of par values and gold convertibility, can have powerful implications for these questions. We have to recognize clearly that when we discuss "reform" of the system, we are discussing the means by which international rules or judgments are applied to the fundamental national economic policies of individual nations as they affect the adjustment process.

The new monetary system recognizes the issue explicitly and squarely in its focus on underlying policy and economic stability in member nations. This approach provides the potential, if we are all genuinely willing to make it work, for a more satisfactory and balanced operation of the system as a whole than we have yet experienced in this century.

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FOR IMMEDIATE RELEASE
MAY 23, 1978

Contact: Robert E. Nipp
202/566-5328

TREASURY ANNOUNCES RESULTS OF GOLD AUCTION

The Department of the Treasury announced that 300,000 ounces of fine gold were sold today to 12 successful bidders at prices from $180.01 to $182.35 per ounce, yielding an average price of $180.38 per ounce.

Gross proceeds from this sale were $54.1 million. Of the proceeds, $12.7 million will be used to retire Gold Certificates held by Federal Reserve banks. The remaining $41.4 million will be deposited into the Treasury as a miscellaneous receipt.

These sales were made as the first in a series of monthly auctions being conducted by the General Services Administration on behalf of the Department of the Treasury. The next auction, at which another 300,000 ounces will be offered, will be held on June 20.

A total of 212 bids were submitted by 44 bidders for a total amount of 1,364,400 ounces at prices ranging from $12 to $182.35 per ounce.

The list of the successful bidders and the amount of gold awarded to each is attached. The General Services Administration will release additional detail later.

Attachment

	Ounces
Swiss Bank Corporation Zurich, Switzerland	96,400
Dresdner Bank Frankfurt, Federal Republic of Germany	97,600
Union Bank of Switzerland Zurich, Switzerland	50,000
Sharps Pixley New York, New York	18,000
NMR Metals Inc. New York, New York	13,200
Merrill-Montagu New York, New York	4,800
Swiss Credit Bank Zurich, Switzerland	2,000
J. Aron Inc. New York, New York	10,000
Monex International Ltd. Newport Beach, California	400
Samuel Montagu London, U.K.	3,600
Johnson Matthey Bankers, Ltd. London, U.K.	3,200
Morris Cannan San Antonio, Texas	800

IMMEDIATE

Statement by W. Michael Blumenthal
Secretary of the Treasury

May 23, 19

I left New York yesterday with the feeling that resolution of city's fiscal crisis was near and Senator Proxmire agreed to defer postponement of the Senate Banking Committee hearing Wednesday until the last possible moment.

The negotiating parties have worked diligently to find common ground. The state and city officials, the banking community and the union leaders are closer to agreement than ever before.

But we are now right down to the wire and I am disappointed that the self-imposed deadline was not met. It is essential that the remaining issues be resolved quickly so that the hearing of the Senate Banking Committee can proceed.

I think both sides understand the necessity of reaching a settlement that is, first and most important, fiscally responsible, that is fair to all parties and that permits the City to effect needed efficiencies through collaboration with its union leaders and employees.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE

May 24, 1978

RESULTS OF TREASURY'S 52-WEEK BILL AUCTION

Tenders for $2,456 million of 52-week Treasury bills to be dated May 30, 1978, and to mature May 29, 1979, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS: (Excepting 1 tender of $165,000)

	Price	Discount Rate	Investment Rate (Equivalent Coupon-Issue Yield)
High -	92.508	7.410%	7.96%
Low -	92.499	7.419%	7.97%
Average -	92.501	7.417%	7.97%

Tenders at the low price were allotted 71%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted
Boston	$ 37,625,000	$ 7,625,000
New York	4,296,645,000	2,084,195,000
Philadelphia	32,905,000	2,905,000
Cleveland	69,040,000	8,360,000
Richmond	90,555,000	66,555,000
Atlanta	11,965,000	8,265,000
Chicago	807,450,000	226,200,000
St. Louis	39,025,000	11,155,000
Minneapolis	28,920,000	5,050,000
Kansas City	17,480,000	6,480,000
Dallas	5,720,000	3,720,000
San Francisco	305,005,000	22,420,000
Treasury	2,605,000	2,605,000
TOTAL	$5,744,940,000	$2,455,535,000

The $2,456 million of accepted tenders includes $105 million of noncompetitive tenders from the public and $1,142 million of tenders from Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities accepted at the average price.

An additional $ 21 million of the bills will be issued to Federal Reserve Banks as agents of foreign and international monetary authorities for new cash.

epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE ON DELIVERY
May 25, 1978 -- 9:00 a.m. EDST

STATEMENT OF THE HONORABLE RICHARD J. DAVIS
ASSISTANT SECRETARY OF THE TREASURY
FOR ENFORCEMENT AND OPERATIONS
BEFORE THE
SUBCOMMITTEE ON CRIMINAL LAWS AND PROCEDURES OF THE
SENATE COMMITTEE ON THE JUDICIARY

Mr. Chairman and Members of the Subcommittee:

I very much appreciate the opportunity to appear before this Subcommittee today in order to discuss legislation which would require the tagging of explosive materials. The proposed tagging would serve two purposes, identification and detection. Identification taggants would remain intact after a bomb explodes and enable the type of explosive used to be identified and traced. Detection taggants would enable the presence of a bomb to be established before it exploded.

The Treasury Department strongly supports the adoption of such legislation. It would provide us with critical tools in the battle against terrorists and others who use explosives illegally: it would help us apprehend the bomber, and it would help save lives and preserve property by preventing explosions from taking place.

Bombing is a particulary vicious and indiscriminate crime, and it is a clearly deliberate act of violence. One does not, in a moment of intense anger, grab his "home protection bomb" from a closet and blow-up his spouse or neighbor. The bomber actively has to acquire the knowledge of how to make a bomb; he has to fabricate the explosive device; and he has to plant it. This is a calculated, planned and indisputably intentional process. At the same time the consequences of

the bomber's action are severe: death, injury and the destruction of property. For these reasons we believe that we should do all that we legitimately can to meet this problem.

The tagging of all commercial explosives of the types used in bombings is one such action about which you have already heard much testimony. Representatives of ATF and the Aerospace Corporation have testified concerning the value of identification tagging, and a detailed report prepared by Management Science Associates has been submitted for your consideration. I will not repeat what these others have already said.

What is clear is that the addition of identification taggants to commercial explosive materials or their boosters will better enable law enforcement authorities to trace the explosive material from a bomb scene to its last recorded owner and, hopefully, to its ultimate user. The chances of solving more bombing crimes will be improved when identification tagging is introduced.

From Treasury's perspective, the vital issue as to identification tagging is whether the crimes solved and the deterrence established will be worth the effort and costs of requiring the identification taggants. We believe that the answer is clearly affirmative. The American people can only profit from this program. Bombers can only lose. And, the costs for the manufacturers, dealers and users of explosive materials will not be excessive.

If identification tagging is desirable, a successful detection tagging program is critical. Bombing is a crime that is carried out secretly and without warning. A bomb is small and lightweight. It can be hidden easily. Through a time delay mechanism or a motion-activated detonator, it can be concealed (or mailed) and then abandoned by its creator. The bomber can choose his explosive device, select his target, and plant his bomb. But once he has left it, every passerby becomes a random target as it explodes without warning.

The need, therefore, is to develop the ability to detect the presence of a bomb before it explodes. As the Subcommittee has learned from the previous detailed testimony of Mr. Atley Peterson of the Bureau of Alcohol, Tobacco and Firearms and Dr. Robert Moler of Aerospace Corporation, substantial progress in developing a working capability to tag explosives so that they may be detected before exploding has recently been made. And it is this part of the tagging program from which the greatest direct benefits to the public safety can be expected. With detection taggants added to explosive materials and with detection devices placed at high target value locations, we can go beyond solving bombing crimes only after the destruction has happened and begin, through pre-detonation discovery, to prevent bombings from occurring. While the cost-benefit of this form of tagging is less certain than that for identification tagging, this life saving potential is of primary importance.

I would now like to discuss some of the points that have been raised during these hearings. Initially, it has been suggested to the Subcommittee by some industry representatives that the Federal government should buy the tagging materials and distribute them to the explosives manufacturers. There has also been a suggestion that the Government should bear the liability for any adverse results of explosives tagging.

It is the Treasury Department's belief that the Federal government should not interpose itself in the commercial chain and create an artificial and unnecessary "middleman" between the producers of taggants and their customers, the manufacturers of explosive materials. The function of Treasury's Bureau of Alcohol, Tobacco and Firearms with respect to the explosives industry should be to develop the requirements and to monitor the execution of the tagging programs. The BATF function clearly should not be that of an

unnecessary, bureaucratic intruder in the marketplace. We believe either role -- that of distributor of taggants or insurer of manufacturers -- should be reserved for private enterprise where it will be accomplished as guided by normal market forces and business management interests. Any involvement of the Federal government in this "middleman" role is unnecessary and would create an unfortunate precedent. We sincerely hope the Subcommittee will not add any requirements of this sort to S. 2013.

Some have suggested that taggants would be required before it becomes safe or feasible to do so. That is not our desire. Taggants for each class of explosives should not be required until the all around safety, performance quality and environmental impact of the tagged explosive are established through rigorous research and testing. In addition, a tagging requirement should only be imposed if the taggant itself has the requisite longevity, survivability, and uniqueness to accomplish its task.

It is because tagging technology and the readiness and adequacy for implementation varies according to the type of explosive, that we have recommended in all Treasury testimony that S. 2013 should include greater discretionary authority and flexibility for the Secretary in determining what explosive materials should be tagged and when. Specific language to provide this flexibility while setting forth the requirements discussed above has been developed by Treasury and adopted for the explosives tagging provisions of S. 2236, the antiterrorism bill introduced by the Senate Governmental Affairs Committee. A copy of this language is attached to my testimony.

It is our view that this legislation should require the insertion of taggants in all types of commercially available explosive materials which are used in crimes. The Secretary would then have the authority, applying the standards in our proposed language, to impose the specific requirement for each class of

explosives within a reasonable time after the taggant for that class has been successfully tested and is available. The Secretary would exempt those classes of explosives not yet ready for tagging.

Mr. Chairman, the benefits of tagging are clear. It will not, however, provide a panacea, instantly solving the problem of explosives crime. Identification tagging will help solve some bombings, not all. Detection tagging does not mean that all bombs will immediately be detected. Together, however, they will meaningfully advance our ability to deal with the bombing problem, and may deter some from using this deadly instrument. These would be major advances.

One thing is clear, however: the extent to which tagging will help counter bombing crimes will be largely influenced by how quickly and how many forms of explosives are tagged. It is critical, therefore, that as soon as technology allows, the requirement that a particular class of explosives be tagged should go into effect. One class of explosives is ready to be tagged now; others will be shortly. We, therefore, urge that this legislation be passed during this session. We can then minimize the delay in getting tagged explosives into the marketplace and maximize our ability to apprehend those who use bombs and to save the lives of their intended victims at the earliest possible time.

The Treasury Department deeply appreciates the detailed attention which the Subcommittee and you, Mr. Chairman, have given to the problem of bombings and the tagging of explosives to help fight this severe crime problem. We believe that nearly all American citizens share in the desire so often expressed before and by the Members of this Subcommittee that all explosive materials commonly used in the various forms of criminal and terrorist bombings should, when operationally feasible, be required to contain both identification and detection taggants.

We will gladly continue to work with the Subcommittee's staff to achieve a final version of S. 2013 which will accomplish our mutual goal of a workable scheme for requiring the tagging of explosive materials for identification and for detection.

That concludes my statement, Mr. Chairman, I will be happy to answer any questions the Subcommittee may have.

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FOR IMMEDIATE RELEASE
May 24, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY ANNOUNCES COUNTERVAILING DUTY INVESTIGATION OF IMPORTS OF AMPICILLIN TRIHYDRATE FROM SPAIN

The Treasury Department today announced an investigation to determine whether the Government of Spain is subsidizing exports of ampicillin trihydrate. The investigation results from a petition filed on behalf of domestic interests. Ampicillin trihydrate is a semi-synthetic form of penicillin used in the treatment of disease.

The Countervailing Duty Law requires that the Secretary of the Treasury collect an additional duty that equals the size of the "bounty or grant" (subsidy) paid on the exportation or manufacture of merchandise imported into the United States.

A preliminary determination in this case must be made not later than September 23, 1978, and a final determination no later than March 23, 1979.

Notice of this action will appear in the Federal Register on May 25, 1978.

Imports of ampicillin trihydrate from Spain amounted to approximately $13,000 during calendar year 1977.

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SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
May 25, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY ANNOUNCES FINDING OF DUMPING IN GILMORE CASE

The Treasury Department announced today that it is issuing a "Finding of Dumping" with respect to imports of carbon steel plate from Japan.

This action follows the Treasury's January 13, 1978, Determination of Sales at Less Than Fair Value and the U. S. International Trade Commission's April 24, 1978, Determination of Injury in the case. A Finding of Dumping means that all entries of the merchandise from the date of withholding of appraisement, in this case October 5, 1977, will be assessed for antidumping duties if they have been sold at below fair value.

Imports of this merchandise during calendar year 1976 were valued at roughly $174 million.

Notice of this action will be published in the Federal Register of May 30, 1978.

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SHINGTON, D.C. 20220 TELEPHONE 566-2041

Press Contact: Robert E. Nipp
202/566-5328
Non-Press Contact: 202/566-8235
566-8651
566-5286

FOR IMMEDIATE RELEASE
May 25, 1978

TRIGGER PRICES ADJUSTED: HEARING SET ON GREAT LAKES DIVERSION CLAIMS

The Department of the Treasury announced today that the handling charges used to calculate trigger prices of steel mill products entering through West Coast ports will be increased from the present rate of $3 to $7 per metric ton, effective for shipments exported to the United States on or after May 31, 1978. This adjustment is being made to more accurately reflect actual Japanese handling costs.

The Department also announced that it will review the effect of the trigger price mechanism on the Great Lakes region. Specifically, the Department will consider allegations that a secondary effect of the trigger price mechanism has been or will be to divert steel imports from Great Lakes to East, West and Gulf coast ports.

As a result of a preliminary review of these claims, the Department is considering adjustments in the Great Lakes freight rates used to calculate trigger prices for steel plate and cold and hot rolled sheets to reflect more closely actual Japanese freight costs. A hearing will consider these proposed adjustments, together with other proposals to correct this claimed diversionary effect.

Written comment on the issues is invited through Thursday, June 12, 1978, while written requests to testify will be considered through Thursday, June 8, 1978.

If sufficient interest is expressed, a hearing will be held on Monday, June 12, 1978, according to Robert H. Mundheim, Treasury General Counsel.

B-943

The Treasury notice, which will be published in the next several days in the Federal Register, states that the Treasury Department, in cooperation with officials of the Saint Lawrence Seaway Development Corporation, has reviewed the trigger price freight rates in light of Bureau of the Census data concerning actual shipments to the Great Lakes in 1977. From this review, it appears that adjustment in some of the freight rates may be appropriate as follows:

	Great Lakes Trigger Price Freight Rate (per metric ton)	Adjusted Great Lakes Trigger Price Freight Rate (per metric ton)
Steel Plates	$40	$30 - $32
Hot Rolled Sheets	$35	$31 - $33
Cold Rolled Sheets	$35	$29 - $31

Subject to comments received from the public, it is the intention of the Treasury Department to adjust the Great Lakes freight rates within the ranges indicated above and to apply the adjusted rates to trigger prices for all shipments to the Great Lakes exported on or after July 1, 1978.

The notice also identifies a number of other proposals which have been made to correct the alleged diversionary effect. Specific factual information has been requested to enable the Department to determine whether any of these proposed adjustments in the trigger price mechanism are warranted.

Written comment is being requested and a hearing may be held to air these issues and to secure comment from those supporting or contesting the basis for adjustments in the trigger price mechanism.

A copy of the Treasury notice is attached.

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Department of the Treasury

NOTICE

Adjustment of Handling Charges and
Hearing on Great Lakes "trigger prices"
for imported steel mill products.

Notice is hereby given that the handling charges used to calculate trigger prices of steel mill products entering through West Coast ports will be increased to $7 per metric ton, effective for shipments exported on or after May 31, 1978. It has been determined that this adjustment is necessary to reflect more accurately actual Japanese handling costs.

The Treasury Department is also hereby inviting public comment on its program for monitoring imports of steel mill products as it affects the Great Lakes region. A hearing will be held to consider allegations that a secondary effect of the trigger price mechanism has been or will be to divert steel imports from Great Lakes to East, West, and Gulf coast ports. As a result of its preliminary review of these claims, the Treasury Department is considering an adjustment in the Great Lakes freight rates used to calculate trigger prices for steel plate and cold and hot rolled sheets to reflect more closely actual Japanese freight costs. The hearing will consider these proposed adjustments, together with other proposals to correct this claimed diversionary effect.

BACKGROUND: Under the trigger price mechanism, import specialists at every port of entry monitor the prices of all imported steel mill products to gather information on possible sales at "less than fair value" within the meaning of the Antidumping Act. As guidelines for the gathering of such information, trigger prices have been calculated from data on the costs of production of the Japanese basic steel industry. Information on sales below trigger prices is forwarded to Customs headquarters in Washington where it is tabulated and compared to other available data to determine whether an antidumping proceeding should be initiated. If, as a result of such an investigation, sales at less than fair value are found by the Treasury Department and injury is found by the International Trade Commission, a dumping finding will be made.

Trigger prices reflect the Japanese cost of producing steel mill products plus the cost of transporting such products to each of the four major importing regions: The West Coast, Gulf Coast, East Coast, and Great Lakes. As freight costs increase, trigger prices increase. For example, the current trigger prices for cold

rolled sheet[1] for each of the four regions are:

	Base Price	Charges to CIF			
		Freight	Handling	Interest	Total
West Coast	$297	$23	$3[2]	$7	$330
Gulf Coast	$297	$23	$5	$8	$333
East Coast	$297	$27	$4	$9	$337
Great Lakes	$297	$35	$4	$11	$347

It is asserted that both the absolute and relative level of the trigger prices for the Great Lakes region will lead to the diversion of steel from the Great Lakes to West, Gulf, and East Coast ports. Serious economic dislocations for the Great Lakes region would allegedly follow from such a diversion, particularly for those longshoremen, stevedores, warehousemen, and terminal operators whose work depends on imported steel. Moreover, backhaul cargo, such as grain, would allegedly be diverted to other coasts. Finally, it is claimed that the Saint Lawrence Seaway Development Corporation, whose annual revenues are dependent on steel imports, will suffer substantial losses.

A number of proposals have been offered to correct this alleged anomaly:

1. Equalize the Great Lakes importation charges with those of the East Coast.

2. Adjust the trigger price importation charges to reflect more closely actual freight differentials for Japanese steel imports as recorded in official U.S. Census tabulations.

3. Adjust the Great Lakes importation charges to reflect the least cost route for the Japanese, even where that involves an inland route such as the Mississippi River.

Those who contest the need for any change in the current Great Lakes trigger prices point out that the trigger prices were based upon both the production costs and the transportation costs for the Japanese. As such, they provide appropriate guidelines for the Treasury Department to gather information on sales which warrant further scrutiny in light of the fair value standard in the Antidumping Act. The Antidumping Act does not permit equalizing the

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[1]For the third quarter, trigger prices on this product will be increased by 5.5 percent. (43 FR 20070)

[2]Subject to the increase announced in this notice.

different freight costs associated with shipping merchandise from the country of export to various parts of the United States. For example, if the West Coast trigger prices were applied across the board, the trigger prices would provide a standard for identifying sales at potentially less than fair value only at West Coast ports. On the other hand, if the Great Lakes trigger prices were applied to nation-wide entries, the trigger prices would identify far too many sales as potentially at less than fair value. Under the Antidumping Act Japanese sales to the West Coast can properly be made at a lower price than sales to the Great Lakes.

It has also been pointed out that the actual evidence of diversion may be difficult to document. However, if the diversion has occurred, or will occur, it should be evident from a variety of sources. For example, Great Lakes grain trade offsets freight costs for imported steel into the Great Lakes by providing shippers with a backhaul cargo. Has this trade been affected? Have seaway tolls declined? Since the St. Lawrence Seaway opened in mid-April, clear evidence of a significant diversionary effect has not been presented to the Treasury Department.

The Treasury Department, in cooperation with officials of the Saint Lawrence Seaway Development Corporation, has reviewed the trigger price freight rates in light of Bureau of the Census data concerning actual shipments to the Great Lakes in 1977. From this review, it appears that adjustments in some of the freight rates may be appropriate as follows:

	Great Lakes Trigger Price Freight Rate (per metric ton)	Adjusted Great Lakes Trigger Price Freight Rate (per metric ton)
Steel Plates	$40	$30 - $32
Hot Rolled Sheets	$35	$31 - $33
Cold Rolled Sheets	$35	$29 - $31

Subject to comments received from the public, it is the intention of the Treasury Department to adjust the Great Lakes freight rates within the ranges indicated above and to apply the adjusted rates to trigger prices for all shipments to the Great Lakes exported on or after July 1, 1978.

PUBLIC COMMENT: The public is invited to comment on the issues outlined above. In particular, the Department is interested in any factual data which would affirm or disaffirm any of the contentions

made. In considering the possible diversion of steel shipments from Great Lakes ports of entry, the Department will be interested in receiving factual evidence concerning steel and related shipments, such as:

1. The experience of common and charter carriers since the TPM became effective with respect to (a) orders for shipping space to Great Lakes ports as compared to East or Gulf Coast ports for the balance of the current year, (b) number of cancellations of prior orders to Great Lakes ports, (c) number of diversions from the Great Lakes to East or Gulf Coast ports requested, and (d) volume of traffic now on order compared to prior years.

2. The extent of the infrastructure at Great Lakes ports for handling return or onward cargo by vessels delivering steel and the effect, if any, of the availability of such cargo on inward freight rates and on outbound shipping space at Great Lakes ports.

3. The experience of infrastructure facilities (e.g. grain elevators, marine terminals) since the TPM became effective with respect to (a) cancellations of space or services; (b) level of orders or volume of transactions; and (c) communications to customers concerning possible shipping space that will be available at Great Lakes ports for the balance of the year.

PROCEDURES:

1. Written submissions. Written submissions which are received before the close of business on Thursday, June 12, 1978, will be considered. To be included in the record, written submissions must be submitted in five copies. Each submission should designate clearly the name and address of the party making the submission.

2. Requests to present oral testimony: All requests to present oral testimony, and an outline of the proposed testimony, must be received in writing not later than the close of business, Thursday, June 8, 1978.

Requests to present oral testimony should include the following information:

(a) The name, address, telephone number, and official position (if applicable) of the party submitting the request, and the person or persons who will present the oral testimony (if different from the party submitting the request);

(b) The position to be taken by the party; and

(c) The amount of time requested for the presentation of oral testimony, and, if more than 10 minutes is requested, the reasons therefore.

Treasury might find it useful to organize oral testimony into panels of witnesses so that specific issues can be explored in depth among persons who bring to the discussion varying experience and points of view.

3. Oral Testimony: If sufficient interest is expressed, oral testimony will be heard on Monday, June 12, 1978. Each person scheduled to testify will be notified of the date and the amount of time allotted for his presentation.

4. Communications: All communications with regard to written submissions or oral testimony should be addressed to: Peter D. Ehrenhaft, Deputy Assistant Secretary for Tariff Affairs, Room 3424, Department of the Treasury, Washington, D.C. 20220. Telephone: 202-566-2806.

General Counsel

Dated: MAY 25 1978

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SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE May 26, 1978

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,201 million of 13-week Treasury bills and for $3,401 million of 26-week Treasury bills, both series to be issued on June 1, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing August 31, 1978			26-week bills maturing November 30, 1978		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.326 a/	6.622%	6.83%	96.389 b/	7.143%	7.51%
Low	98.314	6.670%	6.88%	96.375	7.170%	7.54%
Average	98.317	6.658%	6.87%	96.380	7.160%	7.53%

a/ Excepting 4 tenders totaling $3,230,000

b/ Excepting 1 tender of $200,000

Tenders at the low price for the 13-week bills were allotted 75%.
Tenders at the low price for the 26-week bills were allotted 96%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 15,995,000	$ 15,995,000	$ 68,980,000	$ 48,780,000
New York	3,468,615,000	1,856,490,000	4,533,530,000	2,815,930,000
Philadelphia	16,785,000	16,785,000	63,430,000	63,430,000
Cleveland	39,940,000	29,940,000	113,010,000	97,610,000
Richmond	26,560,000	15,560,000	46,560,000	29,200,000
Atlanta	25,530,000	24,030,000	17,960,000	17,960,000
Chicago	504,510,000	102,260,000	427,975,000	158,875,000
St. Louis	43,200,000	15,200,000	40,960,000	13,920,000
Minneapolis	3,710,000	3,710,000	14,500,000	4,500,000
Kansas City	22,390,000	22,390,000	15,950,000	15,950,000
Dallas	10,200,000	10,200,000	5,780,000	5,780,000
San Francisco	298,695,000	78,695,000	209,845,000	123,845,000
Treasury	9,285,000	9,285,000	5,105,000	5,105,000
TOTALS	$4,485,415,000	$2,200,540,000 c/	$5,563,585,000	$3,400,885,000

c/ Includes $320,465,000 noncompetitive tenders from the public.
d/ Includes $174,735,000 noncompetitive tenders from the public.
1/ Equivalent coupon-issue yield.

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SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 12:15 P.M. May 26, 1978

TREASURY OFFERS $6,000 MILLION OF 20-DAY TREASURY BILLS

The Department of the Treasury, by this public notice, invites tenders for approximately $6,000 million of 20-day Treasury bills to be issued June 2, 1978, representing an additional amount of bills dated December 22, 1977, maturing June 22, 1978 (CUSIP No. 912793 Q9 0).

Competitive tenders will be received at all Federal Reserve Banks and Branches up to 12:30 p.m., Eastern Daylight Saving time, Thursday, June 1, 1978. Noncompetitive tenders will not be accepted. Tenders will not be received at the Department of the Treasury, Washington. Wire and telephone tenders may be received at the discretion of each Federal Reserve Bank or Branch. Each tender for the issue must be for a minimum amount of $1,000,000. Tenders over $1,000,000 must be in multiples of $1,000,000. The price on tenders offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used.

The bills will be issued on a discount basis under competitive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, this series of bills will be issued entirely in book-entry form in a minimum denomination of $10,000 and in any higher $5,000 multiple, on the records of the Federal Reserve Banks and Branches

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank or Branch in cash or other immediately available funds on Friday, June 2, 1978.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which these bills are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of these bills (other than life insurance companies) must include in his or her Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, No. 418 (current revision), Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars may be obtained from any Federal Reserve Bank or Branch.

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SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
May 26, 1978

Contact: George G. Ross
202/566-2356

TREASURY RELEASES TAX INITIATIVES OF THE PRESIDENT'S URBAN PROGRAM

The Treasury Department today made available the three tax proposals which make up the tax initiatives of the President's Urban Program, announced on March 27, 1978.

The three proposals are the Targeted Employment Tax Credit, the Small Issue Industrial Development Bond, and the Differential Investment Tax Credit. The proposals are in the form of draft legislation, explanations, and letters of transmittal. The legislation was prepared in the form of amendments to H.R. 12078, the President's Tax Program.

Attached are Fact Sheets, explanations, draft legislation, and a copy of the letter of transmittal to Al Ullman, Chairman of the House Ways and Means Committee. A similar letter was sent to Russell B. Long, Chairman of the Senate Finance Committee, as well as to the President of the Senate and the Speaker of the House.

Also attached is a list of the areas of the country which satisfy the distress test for eligibility under the Industrial Development Bond and Differential Investment Tax Credit provisions of the Administration's Urban Program.

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

MAY 25 1978

Dear Mr. Chairman:

For your information, I am enclosing copies of the letters and enclosures which I have sent today to the Speaker of the House of Representatives and the President of the Senate with respect to the Small Issue Industrial Development Bond and Differential Investment Tax Credit initiatives of the President's urban program. These proposals, together with the Targeted Employment Tax Credit proposal sent to you on May 22, 1978, comprise the tax initiatives of the President's urban program, announced on March 27, 1978.

Sincerely,

Donald C. Lubick
Acting Assistant Secretary
(Tax Policy)

The Honorable
Al Ullman
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Enclosures

FACT SHEET

Small Issue Industrial Development Bonds

The President's Proposal:

- The size of projects which may be financed with tax exempt "small issues" of industrial development bonds will be increased from a maximum of $5 million to $20 million, but the tax exemption will be allowed only for acquisition or construction of land or depreciable property in "distressed" areas.

- The test for economic distress will be applied to areas defined by either: 1) the boundaries of any city, town or other unit of general purpose government or 2) the area within a county's boundaries outside of all general purpose units of local government.

- Local area eligibility will be defined separately for two groups: local areas with boundaries in whole or in part within an SMSA and local areas wholly outside of SMSAs. An area will be eligible if it meets at least three of four criteria relative to all local areas within its group: i) its local unemployment rate is above the average, ii) its five-year growth rate of employment is below the average, iii) its five-year growth rate of population is below the average, and iv) its five-year absolute change in per-capita income is below the average.

Present Law:

- Industrial development bonds are securities issued by State and local governments for the benefit of private borrowers. One of the cases for which interest on such bonds is tax-exempt is for small issues, where the amount of the bonds sold does not exceed $1 million or the total capital expenses on the facility being financed do not exceed $5 million.

Reasons for the Recommendation:

- Many areas of the nation have been suffering from high unemployment and a declining economic base. More investment is needed in these distressed areas to provide jobs and to promote economic development.

- The exception under present law that allows tax exemption for small issue IDBs enables States and localities to promote economic development by attracting new plants. Because their use is universally available, however, the competitive advantage to any one locality in attracting investment is largely cancelled by the use of the IDBs by other localities. Raising the dollar amount of the small issue exemption and limiting its application to economically distressed areas will serve the purpose of encouraging investment where it is most needed.

Effects on Revenue: The revenue effect of this proposal is negligible through calendar year 1983.

FACT SHEET

Differential Investment Tax Credit

The President's Proposal:

- An additional investment credit of five percent, beyond the 10 percent credit of current law, will be provided for certain investments in distressed areas. This additional credit will be allowed only for those investments or portions of an investment for which the Department of Commerce has issued a "certificate of necessity." Certificates for up to $400 million of additional credits may be issued during 1979 and 1980 for eligible investments.

- Only investment in distressed areas will be eligible to be certified. In selecting investments, the Department of Commerce will be required to consider the extent to which the investment will provide job opportunities in and contribute to the tax and economic bases of the distressed area. In addition, the Department of Commerce will have authority to certify investments in distressed enclaves located in jurisdictions that do not themselves qualify as distressed areas. However, only 5 percent of the investments certified for the differential credit may be in such distressed enclaves.

- The definition of distressed areas is the same as for Small Issue Industrial Development Bonds. (See Fact Sheet for Small Issue Industrial Development Bonds.)

Present Law:

- Taxpayers are currently entitled to a credit against their Federal income tax liabilities equal to 10 percent of their investments in certain qualified assets.

- There is no provision in current law for variations in the investment credit according to the geographic location of particular investments.

Reasons for the Recommendation:

- By augmenting the existing 10 percent credit, the differential investment credit will encourage companies to undertake specific projects that will create additional employment opportunities and help to relieve the fiscal pressure on local governments in communities that have been encountering relatively slow economic growth and high unemployment.

- The requirement for certification of individual projects will assure that the additional stimulus of this credit will be limited to projects that are likely to contribute to economic development and to provide jobs in distressed communities.

- The certification mechanism provides a method for limiting the total cost of the program by preventing an open-ended subsidy to all investments in distressed areas.

Effect on Revenue: This proposal will reduce tax liabilities by $41 million in calendar year 1979, $132 million in calendar 1980, and $114 million in calendar 1981.

FACT SHEET
Targeted Employment Tax Credit

The President's Proposal:

- A Targeted Employment Tax Credit will replace the New Jobs Tax Credit, which expires after this year. The proposed tax credit will be available to employers of young persons aged 18-24 who are from low-income households (less than 70% of regional lower living standard) and handicapped individuals who are referred from vocational rehabilitation programs.

- The amount of the credit will be one-third of the employee's FUTA wages up to a maximum credit of $2,000 for the first year of employment and one-fourth of those wages up to $1,500 for the second year.

- Eligible individuals will be certified by local agencies that are designated by the Department of Labor. Neither the employer nor the IRS will be responsible for determining eligibility of employees.

- Restrictions and conditions:

  --The employee must be employed full-time and for at least 75 days.

  --The credit may not offset more than 90 percent of tax liability in any year.

  --The employer's deduction for wages paid must be reduced by the amount of the credit.

  --No more than 20 percent of an employer's wage base for Federal unemployment insurance taxes may be counted in the base for the credit.

  --Employers may not simultaneously earn employment credits and on-the-job training payments or WIN credits for the same employees.

Present Law:

- The New Jobs Tax Credit allows a credit of up to $2,100 for increased employment in 1977 and 1978.

- Total amount of the credit is one-half of amount by which current FUTA wages exceeds 102% of prior year's FUTA wages.

- An additional credit of 10% of FUTA wages is allowed for certain handicapped individuals.

. Restrictions:

--Credit is limited to $100,000, 25% of present year FUTA wages, 50% of the excess of total wages over 105% last year's total wages, or income tax liability, whichever is less.

--The employer's deduction for wages paid must be reduced by the amount of the credit allowable.

Reasons for the Recommendation:

. The proposed credit focuses the incentive on disadvantaged young people, who are experiencing the highest rates of unemployment.

. The new credit is not restricted to companies that have employment growth. Thus, there will be greater certainty that hiring eligibles will result in credits for the employer. Also, the incentives will be spread more evenly by industry and region.

. Under the Jobs Credit no incentive is provided for hiring more than 47 new employees, while under the proposed credit all taxpaying employers will be given an incentive to employ additional disadvantaged and handicapped individuals, up to 20% of their FUTA payroll.

. Young persons in poor households will be aided in finding full-time, private sector jobs and they will be assisted in keeping these jobs while they learn skills and gain regular work experience.

. Credits will be earned for employment of about 1.9 million disadvantaged and handicapped persons when the proposed program is fully in effect.

Effect on Revenue: This proposal will reduce tax liabilities by $0.6 billion in calendar year 1979 and by $1.5 billion when fully effective.

SMALL ISSUE INDUSTRIAL DEVELOPMENT BONDS

Present Law and Related Provisions of the Administration's Tax Program

Industrial development bonds (IDBs) are obligations which raise capital for private business enterprise but are nominally issued by State or local governments. Most frequently, the proceeds of an issue of IDBs are used to acquire or to construct a facility; the facility is then "leased" to a private user for a rental exactly sufficient to pay debt service on the bonds. The lease generally provides that the private user may purchase the facility for a nominal amount at the end of the lease term. Payment of debt service on the bonds is secured by the rental payments and the facility itself. Generally the nominal issuer is not liable for payment of debt service on the bonds and the holders must look solely to the credit of the private user.

In issuing tax-exempt IDBs a State or local government essentially lends its tax exemption to a private business to enable it to finance facilities at the lower interest rates prevailing in the tax-exempt market. In addition, the

"lease" agreement between the issuer and the private user is generally treated as a conditional sale contract for Federal income tax purposes; the user is, therefore, able to obtain the tax benefits associated with ownership of the property, including investment tax credits and accelerated depreciation or amortization. State and local governments use IDB financing to assist local industrial development. Since these governments incur no liability on the bonds, which are universally recognized as a debt of the private user, the issuance of IDBs has no direct consequence to the nominal issuer.

Interest on State and local government obligations is generally exempt from tax under the Internal Revenue Code. However, the Revenue and Expenditure Control Act of 1968 denied tax exemption to IDBs, with certain exceptions. In general, a bond is an IDB under the Code if (1) the proceeds of the issue are to be used in any trade or business not carried on by a government or tax-exempt organization and if (2) repayment of principal or interest is secured by an interest in, or derived from payments with respect to, property used in a trade or business. Obligations issued by a State or local government to raise funds for use by a non-profit, charitable organization in its trade or business are not generally treated as IDBs and are thus tax exempt.

One of the exceptions to the general rule allows tax-exemption for "small issues" of IDBs in amounts of $1 million or less if the proceeds are used for the acquisition or construction of land or depreciable property. The $1 million limitation applies to all bonds issued to provide facilities in one municipality or county for the same person or group of related persons. At the election of the issuer, the $1 million limitation may be increased to $5 million. However, the $5 million limitation applies to the sum of all small issues plus the total capital expenditures over a six-year period (other than those financed by small issue IDBs), of that person or group of related persons in the municipality or county.

Under the President's 1978 Tax Program, the maximum small issue exemption would be doubled from $5 million to $10 million. The small issue exemption would also be limited to IDBs issued to finance the acquisition or construction of land or depreciable property in economically distressed areas.

The President's 1978 Tax Program also includes a Taxable Bond Option (TBO) for State and local governments. Under TBO, State and local governments will have the right to elect to issue taxable bonds and other debt obligations with the

Federal Government paying a fixed percentage of the issuer's interest cost. For obligations issued during 1979 and 1980, the Federal Government will pay 35 percent of the interest cost. For obligations issued thereafter, the Federal Government will pay 40 percent. In general, all otherwise tax-exempt State and local obligations will be eligible for TBO. In particular, this means that TBO will be available for IDBs qualifying for tax exemption under the small issue exception for distressed areas.

Explanation of Proposal

Increase in Small Issue Exemption

The maximum small issue exemption for IDBs will be raised from $5 million to $20 million. Tax exemption for small issue IDBs will be limited to IDBs issued to finance the acquisition or construction of land or depreciable property in economically distressed areas.

Alternative Subsidy from National Development Bank

In addition to increasing the limitation for tax-exempt (or optional TBO) small issue IDBs, the President's urban proposals will authorize the National Development Bank under

an alternative program to subsidize the interest costs on loans for private facilities to be located in distressed areas. This subsidy will be available only for taxable issues. The subsidy will equal 35 percent of the interest costs of bonds issued in 1979 and 1980 and 40 percent of the interest costs of bonds issued after 1980, the same subsidy rate available under TBO.

Geographic Definition of an Area for Eligibility

An area will be defined as economically distressed according to the criteria described in the next section. The boundaries of an area to which the test for economic distress will be applied are either: (1) the boundaries of any city, town or other unit of general-purpose local government, or (2) the area within a county's boundaries outside of all general-purpose units of local government. In the case of Alaska, the portion of a Census Division not lying within the boundaries of a local government will be subject to the test for economic distress.

Any State or local government may issue a tax-exempt IDB that meets the definition of a small issue for the acquisition or construction of land or depreciable property in any economically distressed area within its boundary.

Eligibility Conditions

Two geographical categories will be used for purposes of determining local area eligibility: (a) all local areas with boundaries in whole or in part within a Standard Metropolitan Statistical Area (SMSA) as defined by the Department of Commerce and reported to the Secretary of the Treasury, and (b) all local areas wholly outside of SMSAs. An eligible local area is an area that meets at least three of the following four criteria relative to all local areas in its category:

i. its local unemployment rate (defined over a suitable period of time) is above the average,

ii. its five-year growth rate of employment is less than the average,

iii. its five-year growth rate of population is less than the average, and

iv. its five-year absolute changes in per capita income is less than the average.

This definition of distress measures both the level of economic activity (in the unemployment variable) and the rate of change of economic activity (in the employment growth rate, population growth rate, and per capita income change variables). An area which has below average unemployment may

still qualify as distressed if it has a low rate of economic growth according to each of the three measures of change. This means that poor areas with slow growth can qualify for assistance even if their unemployment rate is slightly below the national average. On the other hand, the use of an absolute change in per capita income will tend to eliminate wealthy areas with low percentage, but high absolute, changes in income since such areas will generally have below average unemployment. Thus aid will be channeled to those areas which are not providing adequate employment opportunities or are lagging behind the economic expansion of the rest of the nation.

SMSAs encompass all the major urban areas of the country. Dividing local jurisdictions into two groups allows urban and non-urban areas to be compared to the average within their own group. Because some of the evaluation criteria used may have different meanings in urban and rural areas, this division is necessary to assure that each area is evaluated according to reasonably comparable criteria. In addition, the division provides that areas of economic distress in all sections of the country, including both distressed urban and distressed rural areas, are eligible for assistance.

In determining eligibility, data comparisons will be made for approximately 40,000 local government jurisdictions. It is important, however, that those areas in the country not within the boundaries of an incorporated local government also be eligible for assistance if they meet the test of economic distress. To assure this result, these unincorporated areas will be treated as a separate jurisdiction for which "balance of county" indicators will be calculated.

A list of eligible local areas will be published every year reflecting the most recent available data. For predictability in investment planning, loss of eligibility for a previously eligible local area will be delayed for one year after failure of the formal eligibility test.

Reasons for Change and Analysis of Effects

The basic purpose of the urban tax proposals is to encourage private sector investment that will revitalize geographic areas suffering from long-term economic distress. Distressed areas include many of the major central cities in the nation, which have for years suffered the effects of a declining economic base, high unemployment and the loss of jobs and population to surrounding suburbs and to high-growth

regions. However, the proposal has been designed to take into account problems of economic distress outside as well as within major urban areas.

The exception under present law that allows tax exemption for small issue IDBs enables States and localities to promote economic development by attracting new plants. Because their use is universally available, however, the competitive benefit to any one locality in attracting investment is largely cancelled by the use of IDBs by other localities. This proposal is designed to correct that defect of present law, by restructuring the incentive to target investment more sharply to areas of economic distress.

Under the proposed eligibility test, State and local governments will be able to utilize the expanded small issue IDB provision on behalf of private investments in areas encompassing about one-third of the nation's population. Eligible areas will include almost all of the nation's largest cities, many smaller cities with high unemployment and slow growth, and stagnating rural areas throughout the country. Because the right to issue tax-exempt small issue IDBs will be limited to investments in eligible areas, the dollar cost to the Treasury will be negligible. The increased volume of IDBs issued in distressed areas will be

matched by a reduction in IDBs in areas not meeting the eligibility test. Thus, the incentives provided in this program will encourage State and local governments to issue IDBs to attract additional investment to distressed areas, while not increasing generally the use of tax-exempt borrowing or the amount of Federal subsidy under the proposed TBO.

Revenue Estimate

The revenue effect of this proposal is negligible (less than $1 million annually).

SMALL ISSUE INDUSTRIAL DEVELOPMENT BONDS

H.R. 12078 (the Revenue Act of 1978) is amended as follows:

(1) Amend section 312 (Federal interest subsidy for State and local governments) by adding at the end thereof the following:

(j) Industrial Development Bond Issues in Economically Distressed Areas.--See the National Development Bank Act of 1978 for alternative subsidy for issues in economically distressed areas the face amount of which is $20,000,000 or less (including issues which fail to satisfy the requirements of subparagraph (D) of section 103(b)(6) (exemption for certain small issues of industrial development bonds) by reason of clause (ii) thereof).

(2) Amend section 321(b)

(a) By striking out "the National Development Bank Act of 1978", and inserting in lieu thereof "section 322 of the Revenue Act of 1978"; and

(b) By inserting the following paragraph after paragraph (2):

(3) by striking out "$5,000,000" in the heading and text of subparagraph (D) and inserting in lieu thereof "$20,000,000".

(3) Definition of Economically Distressed Areas.--Add the following new section to the bill.

SEC. 322 ECONOMICALLY DISTRESSED AREAS.

(a) An area shall be treated as an economically distressed area to the extent such area is located with or within the qualifying areas shown on a list published by the Secretary of the Treasury in accordance with subsection (f). Notwithstanding the previous sentence, this treatment shall apply for the annual or interim period specified in subsection (f) and for the next following annual period.

(b) Economically Distressed Areas Defined.--An "economically distressed area" is the area of a local government if for such area of local government at least three of the following conditions are satisfied:

(1) The unemployment rate is above the average unemployment rate for the statistical grouping to which such local government belongs;

(2) The rate of growth in employment is less than the rate of growth for the statistical grouping to which such local government belongs;

(3) The absolute change in per capita income is less than the absolute change for the statistical grouping to which such local government belongs; and

(4) The rate of growth in population is less than the rate of growth for the statistical grouping to which such local government belongs.

The rates referred to in this subsection shall be determined as specified in subsection (d).

(c) Definitions.

(1) The term "local government" means

(A) a municipality, township, or other political subdivision of a State (other than a county) which is a unit of general government (determined on the same principles as are used by the Bureau of the Census for general statistical purposes), including the District of Columbia, and

(B) so much of a county (or, in the case of Alaska, a census division) as is not specified in subparagraph (A).

(2) The term "statistical grouping" shall mean either all Standard Metropolitan Statistical Areas ("SMSA's") (as determined by the Secretary of Commerce) considered as a group, or all areas outside of SMSA's ("non-SMSA's") considered as a group. A local government belongs to the statistical grouping comprised of all SMSA's if any part of the area of such local government is within the area of an SMSA; otherwise, such local government belongs to the statistical grouping comprised of non-SMSA's.

(d) Determination of Rates.

(1) Unemployment Rate.--For the purposes of this section the unemployment rate for a local government shall be determined by computing the average rate of

unemployment in the area contained within the local government during the most recent 20 calendar quarters for which data are available. The dates that define the period of time shall be the same for all local governments.

(2) Rate of Growth in Employment.--For the purposes of this section, the rate of growth in employment for a local government shall be determined by subtracting from the employment in the area contained within the local government for the most recent 4 calendar quarters for which data are available, the employment within such area for a 4-calendar quarter period which preceded such recent 4 calendar quarters by either 5 or 6 years, as determined by the Bureau of Labor Statistics for the Secretary of Labor, and dividing this difference by the employment within such area for the earlier 4-calendar quarter period. For the interim period described in subsection (f)(2), the previous sentence shall be applied by substituting "at least 5 or 6 years" for "either 5 or 6 years". The dates that define the periods of time shall be the same for all local governments.

(3) Absolute Change in Per Capita Income.--For the purposes of this section, the absolute change in per capita

income for a local government shall be determined by subtracting from the per capita income in the area contained within the local government for the most recent year for which data are available, the per capita income within such area for a year which preceded such recent year by either 5 or 6 years, as determined by the Bureau of the Census for the Secretary of Commerce for general statistical purposes. The dates that define the periods of time shall be the same for all local governments.

(4) Rate of Growth in Population.--For purposes of this section, the rate of growth in population for a local government shall be determined by subtracting from the population in the area contained within the local government for the most recent year for which population data are available, the population in such area as of a date which preceded the date of the most recently available population data by either 5 or 6 years, as determined by the Bureau of the Census for the Secretary of Commerce for general statistical purposes, and dividing this difference by the population within such area for the earlier year. The dates that define the periods of time shall be the same for all local governments.

(5) Nonavailability of Data for Specified Time Period.--If data are not available for the specified period of time for eligibility under paragraph (1) or for the earlier periods of time referred to in paragraphs (2), (3), and (4), the Secretary of Labor or the Secretary of Commerce, as the case may be, shall determine the local rate in question on the basis of data for the most appropriate period of time of less than 20 calendar quarters (in the case of paragraph (1)) or of less than 5 years (in the case of paragraphs (2), (3), and (4)).

(6) Assignment of Rates.--Where an unemployment rate or rate of growth in employment cannot be determined for a local government, the unemployment rate or rate of growth in employment for the smallest unit of local government or appropriate geographic area for for which a local rate has been determined within the jurisdiction or area in which such local government is located shall be assigned to such local government. However, if the Governor of the State in which such local government is located has provided the Secretary of Labor with an unemployment rate or rate of growth in employment for such local government and the Secretary of Labor determines that such rate has been developed in a manner consistent with the procedures used by the Secretary of Labor then such rate shall be assigned to the local government.

(7) For local governments described in subsection (c)(1)(B), the data required for paragraphs (1) through (4) shall be determined by subtracting from the data for the county so much of such data as are applicable to local governments described in subsection (c)(1)(A).

(e) Responsibility for Determining Rates.

(1) The Secretary of Labor shall determine or assign unemployment rates and rates of growth in employment for each local government and for each statistical grouping annually and shall report such rates annually to the Secretary of the Treasury.

(2) The Secretary of Commerce shall determine the absolute change in per capita income and the rate of growth in population for each unit of local government and for each statistical grouping annually and shall report such rates annually to the Secretary of the Treasury.

(f) Based upon the data supplied in accordance with subsection (e), the Secretary of the Treasury (or his delegate)

(1) Shall annually compile and publish a list of all local governments which meet the requirements set forth in subsection (b), and

(2) Is authorized to publish prior to the first annual publication described in paragraph (1) an interim list of all local governments which meet the requirements set forth in subsection (b).

Each such publication shall state the period of time for which the list is applicable.

DIFFERENTIAL INVESTMENT TAX CREDIT

Present Law and Related Provisions of the Administration's Tax Program

Taxpayers are entitled to a credit against their Federal income tax liabilities equal to 10 percent of their investments in certain qualified assets. The rate of this investment credit was temporarily increased to 10 percent from 7 percent as of January 25, 1975, and is scheduled to revert to 7 percent on January 1, 1981. Property eligible for the investment credit consists of depreciable property having an estimated useful life of 3 or more years which is either tangible personal property or other tangible property (such as fixtures and heavy machinery) used as an integral part of the productive process.

The amount of investment credit for any year may be used, dollar for dollar, to offset tax liability of up to $25,000. Credits in excess of $25,000 may, in general, be used to offset up to 50 percent of tax liability in excess of $25,000. In any year in which the amount of the taxpayer's investment credit exceeds the applicable limits, the excess may be carried back to the three taxable years before and

forward to the seven taxable years after the year in which the asset was placed in service.

In the case of pollution control equipment that is amortized over five years, the amount of the credit is reduced to 5 percent. Other exceptions apply to public utilities, railroads, and airlines. There is, however, no provision for variations in the investment credit according to the geographic location of particular investments.

The President's 1978 Tax Program includes several significant changes in the investment credit. The current 10 percent investment credit would be made permanent. Industrial structures (including investments made to rehabilitate existing industrial structures) placed in service after December 31, 1977 would be included among the assets that will qualify for the credit. The investment credit (and investment credit carryovers) would be available to offset up to 90 percent of a taxpayer's liability for tax, including the first $25,000 of tax liability. Special limits for public utilities, railroads, and airlines would be phased out. Certified pollution control facilities eligible for the special 5 year amortization period would be made eligible for the full 10 percent investment credit.

Explanation of the Proposal

The Administration proposes enactment of an additional investment credit for certain investments in distressed areas. The amount of this differential credit will be 5 percent, in addition to the existing 10 percent credit, for those investments or portions of an investment for which the Department of Commerce has issued a "certificate of necessity." Certificates for up to $400 million of additional credits may be issued during 1979 and 1980 for eligible investments.

Only investments in distressed areas, as defined for purposes of the industrial development bond proposal, will be eligible to be certified. See "SMALL ISSUE INDUSTRIAL DEVELOPMENT BONDS." In selecting investments, the Department of Commerce will be required to consider the extent to which the investment will provide job opportunities in and contribute to the tax and economic bases of the distressed area. In addition, the Department of Commerce will have authority to certify investments in distressed enclaves located in jurisdictions that do not themselves qualify as distressed areas. However, only 5 percent of the investments certified for the differential credit may be in such distressed enclaves.

Applications for certificates allowing the additional credit will be made to the Department of Commerce, which will select those qualifying for the additional credit. After the issuance of a provisional certificate, the investor will be required, at a time when the investment is nearly complete, to obtain from the Department of Commerce a further certification that the project has been carried out substantially as described in the provisional certificate. The final certificate issued by the Department of Commerce, when filed with the investor's tax return for the year the project is placed in service, will entitle the investor to the additional 5 percent credit. The additional investment credit otherwise will be subject to current rules governing qualification, limitations, and carryovers.

Reasons for Change

By augmenting the existing 10 percent credit, the differential investment credit will encourage companies to undertake specific projects that will create additional employment opportunities and help to relieve the fiscal pressure on local governments in communities that have been encountering relatively slow economic growth and high unemployment. The requirement for certification of individual projects will assure that the additional stimulus

of this credit will be concentrated on those projects that are likely to contribute most to local economic development. This procedure is similar to the use of certificates of necessity during World War II and the Korean conflict to target incentives so as to induce production of goods necessary to the war effort. The certifying agency will be in a position to encourage the infusion of private capital into those localities that need it the most and to select those projects that will have the most beneficial economic effects.

The commitment of $400 million of tax revenues during a two-year period will encourage a private commitment of $8 billion of investment in economically distressed areas over a period of several years, as the projects are actually placed in service.

Revenue Estimate

Change in Tax Liability
($ millions)

: Calendar Year				
:1979	1980	1981	1982	1983
-41	-132	-114	-30	-12

DIFFERENTIAL INVESTMENT TAX CREDIT

H.R. 12078 (the Revenue Act of 1978) is amended by adding the following new sections to the bill:

Sec. 422. Additional Investment Credit for Certain Distressed Area Property.

(a) Allowance.--Section 46(a)(2)(as amended by section 421 of this Act) is amended by adding after subparagraph (B) the following new subparagraph:

"(C) Distressed Area Property.--The amount of credit determined under this paragraph for the taxable year is the amount determined without regard to this subparagraph plus five percent of that part of the qualified investment (as determined under subsections (c) and (d)) which is attributable to distressed area property (as defined in subsection (h))."

(b) Distressed Area Property.--Section 46 is amended by adding at the end thereof the following:

"(h) Distressed Area Property.--For purposes of this section, a qualified investment is attributable to distressed area property to the extent of the basis of new section 38 property (as defined in section 48(c)), and so much of the qualified progress expenditures for the taxable year with respect to progress expenditure property (as defined in subsection (d)(2)(A)), as are specified in a final certificate issued pursuant to section 423 of the Revenue Act of 1978.

Sec. 423, Certification of Investments in Distressed Areas as Eligible for Additional Investment Credit

(a) Availability.--The additional investment credit provided for in section 48(a)(2)(C) of the Code, as amended by sections 421 and 422 of this Act, shall be available in the amount finally certified by the Secretary of Commerce (or his delegate) pursuant to subsection (c).

(b) Provisional Certification.--

(1) On the request of any person, at such time and in such manner as the Secretary of Commerce may prescribe by regulations, the Secretary of Commerce may issue a provisional certificate stating that a proposed investment made

(A) in a jurisdiction that qualifies as an economically distressed area (as defined in section 322 of this Act), or

(B) in any other locale that substantially meets the criteria used to define a distressed area, will be eligible for the additional credit for "distressed area property" provided in section 48(a)(2)(C). For purposes of this subsection, the determination of whether an area qualifies under subparagraph (A) or (B) shall be made as of the date of issuance of the provisional certificate.

(2) In issuing the provisional certificate provided for in paragraph (1), the Secretary of Commerce shall

describe the project for which the certificate is issued, the period of time (which for good cause shown the Secretary of Commerce may extend) within which the project must be substantially completed, the maximum amount of investment for which the certificate is issued, and such other terms and conditions as the Secretary of Commerce may prescribe by regulations.

(3) In selecting investments for which certificates may be issued pursuant to paragraph (1), the Secretary of Commerce shall take into consideration, among other things,

(A) for purposes of paragraph (1)(A), the extent to which any proposed investment will contribute to the economic and tax bases of the jurisdiction in which it is proposed to be made, the extent to which it will, when placed in service, result in an increase in job opportunities, particularly for the chronically unemployed and low income and minority residents, available in such jurisdiction, and such other factors as the Secretary of Commerce by regulations may prescribe, and

(B) for purposes of paragraph (1)(B), the population density of the locale, the extent to which residents of the locale will benefit from the investment, and such other factors as the Secretary of Commerce by regulations may prescribe.

(c) Final certification.--

(1) When the Secretary of Commerce finds that any investment for which a provisional certificate was issued pursuant to subsection (b) has been substantially completed within the time, in the manner and in compliance with such other terms and conditions as were set forth in such provisional certificate, the Secretary of Commerce shall issue a final certificate which shall specify, among other things, the identity of the project, and the amount of investment finally certified as being in distressed area property. Such final certificate shall also contain such additional information as the Secretary of Commerce (in consultation with the Secretary of the Treasury) may require by regulations.

(2) No final certificates may be issued after December 31, 1982.--No final certificate issued after December 31, 1982 shall be valid for purposes of subsection (a).

(d) The amount of distressed area investment for which the Secretary of Commerce may issue provisional certificates may not exceed, in the aggregate, $4 billion during calendar year 1979 and $8 billion during calendar years 1979 and 1980; provided, that of such amount, no more than $200 million during calendar year 1979 and $400 million during calendar years 1979 and 1980 may be for investments described in subsection (b)(1)(B).

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

MAY 22 1978

Dear Mr. Chairman:

For your information, I am enclosing copies of the letters and enclosures which I have sent today to the Speaker of the House of Representatives and the President of the Senate with respect to the Targeted Employment Tax Credit initiative of the President's urban program.

Sincerely,

Donald C. Lubick
Acting Assistant Secretary
(Tax Policy)

The Honorable
Al Ullman
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Enclosures

TARGETED EMPLOYMENT TAX CREDIT

Present Law

Under present law, a New Jobs Tax Credit is allowed to employers for additions to employment in a trade or business over a base level that is determined by employment in the previous calendar year Qualified increases in employment are measured by the amount of an employer's aggregate unemployment insurance wages under the Federal Unemployment Tax Act (FUTA). Generally, the credit is 50 percent of the amount by which FUTA wages paid during the current calendar year exceeds 102 percent of FUTA wages paid during the preceding calendar year. An additional credit equal to 10 percent of FUTA wages paid to certain handicapped individuals is also allowed. The credit applies only to FUTA wages paid for calendar years 1977 and 1978.

The amount of the New Jobs Tax Credit is limited to the lesser of:

(1) 50 percent of the amount by which total wages paid during the current year exceeds 105 percent of total wages paid during the previous year;

(2) 25 percent of FUTA wages paid during the current year;

(3) $100,000 for any given year (except for the additional 10 percent credit for handicapped individuals); or

(4) The employers' income tax liability for the year, reduced by certain other credits.

The employer's deduction for wages must be reduced by the amount of the credit allowable. Unused credits may be carried back three years and forward seven years. Special rules apply to controlled groups of corporations and other entities under common control, self-employed individuals who become employees, and situations where ownership of a major portion of a business changes hands.

Explanation of the Proposal

The Administration proposes that the present New Jobs Tax Credit be allowed to expire, as scheduled, and that a Targeted Employment Tax Credit be enacted in its place to be effective January 1, 1979. This credit would be available to employers of certain low-income young persons and certain handicapped individuals. These persons would be certified as eligible by local agencies designated as "prime sponsors" under the Comprehensive Employment and Training Act (CETA).

To be certified as eligible, an individual must be either (1) at least 18 years of age and no more than 24 years of age and a member of a household that has an income of less than 70 percent of the regional lower living standard, or

(2) a handicapped individual referred to the employer under a vocational rehabilitation referral plan. An individual may not be certified as eligible while employed under a contract for on-the-job training that is financed from any Federally funded source.

Generally, an employer would be entitled to a credit against income tax equal to one-third of the FUTA wages paid to eligible employees during their first year of employment plus one-fourth of the FUTA wages paid to eligible employees during their second year of employment. The credit is available only for full-time employment (at least 30 hours per week) in a trade or business within the United States; and no credit will be allowed unless the employee has been kept in continuous full-time employment for at least 75 calendar days. The amount of base wages eligible for the credit in any year is limited to 20 percent of the employer's total FUTA payroll. The amount of the credit that may be claimed in any year is also limited by the same rule that the Administration has proposed for the investment credit and for the WIN and welfare credits; that is, the total amount of all of these tax credits may not exceed 90 percent of tax liability in any 1 year. Credits in excess of the 90 percent limit may be carried back 3 years or forward 7 years, as under current law. The requirement of present jobs credit that the

employer's deduction for wages be reduced by the amount of the credit allowed would also be continued under this proposal. An employer would not be allowed to claim a WIN or welfare credit and a targeted employment credit for wages paid to the same employee.

Reasons for Change

The Targeted Employment Tax Credit would replace the present, unfocused Jobs Credit that may reward employees for any increase in employment. Thus, the tax incentive for hiring additional employees would be focused on disadvantaged young people, who are experiencing as a group the highest rates of unemployment, and on handicapped individuals. In recent years, the average unemployment rate among disadvantaged 18 to 24 year olds has been several times the average rate for the labor force as a whole. In addition, there is evidence that employment of minorities within this group has not responded to the overall decline in unemployment in the current recovery as rapidly as would be forecast from previous recoveries. The Targeted Employment Tax Credit attacks a serious problem of structural unemployment and is, therefore, an important complement to a program of overall fiscal stimulus.

The proposed employment credit also avoids the tendency of the present incremental credit to reward industries and regions that experience rapid or sporadic employment growth relative to those that have gradual or no growth. This feature of the present jobs credit is not only unfair, but it also may contribute to cyclical instability in the economy. The existing credit provides no additional hiring incentive for employers that are subject to the $100,000 ceiling nor has it succeeded in stimulating many new employment opportunities among employers that are not limited by this ceiling. Recent preliminary evidence from a survey of taxpayers indicates that a very large percentage of the existing credit goes to employers who report no conscious effort to increase employment in response to the credit.

The proposed credit will provide assistance for disadvantaged young persons to find jobs or to obtain better jobs in the private labor market. It will also provide private employers an incentive to retain eligible workers during the critical first 2 years of employment in which work habits and skills are developed. The eligible individual will be able to offer an employer the prospect of a tax credit of as much as $2,000 for the first year of employment and up to $1,500 for the second year of employment.

So long as the employee is retained for at least 75 calendar days, and eligible employees account for no more than 20 percent of FUTA payroll, the employer will be entitled to the tax credit. The amount of credit will not depend upon the size of the employer's business or how rapidly it is growing. There are no "recapture" rules for employees that leave, whatever the cause. Thus, there is a high degree of certainty associated with this proposal. Such certainty is important to the success of any economic incentive program.

An employee who meets the eligibility criteria need not change jobs or experience a period of unemployment in order to qualify an employer for credits. However, an employee who leaves a job after 75 calendar days, must be recertified as still within the age and income limits in order to remain eligible. These rules are intended to provide flexibility for employers and employees in their employment decisions and also to minimize compliance and administrative burdens. The employer would only need to keep track of the first day of employment for each eligible employee and maintain separate accounts for FUTA wages paid to those in the first year and those in the second year of employment. The employee who loses a job or wishes to seek a better one may have the advantage of eligibility at any time that the age and household income tests are met. Neither the certification agency, nor the IRS, would be required to follow individual workers from job to job.

Under this proposal an employer whose work force consists primarily of semiskilled or inexperienced workers could not undertake wholesale replacement of non-eligible employees with eligible employees. The share of FUTA payroll that qualifies for the credit is limited to 20 percent. This is approximately the average rate of labor turnover in a year, so that employers could reach the maximum credit in a year by filling job vacancies as they normally occur.

When the proposed program is fully in effect, credits will be allowed on behalf of approximately 1.9 million disadvantaged and handicapped workers. Many of these would otherwise have been unemployed and many will have found better jobs (including full-time in place of part-time jobs) as a result of their eligibility.

Revenue Estimate

Change in Tax Liability

($ millions)

Calendar Years					
1979	1980	1981	1982	1983	Full effect
-562	-1,069	-1,231	-1,306	-1,381	-1,498

TARGETED EMPLOYMENT TAX CREDIT

H.R. 12078 (the Revenue Act of 1978) is amended by adding the following new section to the bill.

SECTION 215. TARGETED EMPLOYMENT TAX CREDIT.

(a) Amount of Credit.--Section 51 of the Internal Revenue Code of 1954 is amended to read as follows:

"SEC. 51. AMOUNT OF CREDIT.

"(a) First-In-First-Out Rule.--The amount of the credit allowed by section 44B for the taxable year shall be an amount equal to the sum of--

"(1) the section 44B credit carry-overs carried to such taxable year,

"(2) the amount of the credit determined under subsection (b) for such taxable year, plus

"(3) the section 44B credit carry-backs carried to such taxable year.

"(b) Determination of Amount of Credit for Current Taxable Year.--The amount of the credit determined under this subsection for the taxable year shall be an amount equal to the sum of--

"(1) the amount that is equal to 1/3 of the wages paid to full-time eligible employees during their first year of employment, and

"(2) the amount that is equal to 1/4 of the wages paid to full-time eligible employees during their second year of employment.

For purposes of this subpart, an eligible employee's first year of employment begins on the first day of employment after certification or referral as described in section 51(d)(2), or, in the case of an individual who is employed at the time of certification or referral, on the first day of employment in the calendar year in which certification or referral occurs.

"(c) Limitations and Conditions for Allowance.--

"(1) Seventy-five day rule.--No credit shall be allowed with respect to an eligible employee unless that employee is employed for at least seventy-five consecutive calendar days.

"(2) Remuneration must be for trade or business employment within the United States.--Remuneration paid to an eligible employee shall be taken into account only if more than one-half of the remuneration so paid is for services performed in the United States in a trade or business of the employer.

"(3) WIN credit may not be claimed.--An employer allowed a credit for the taxable year under section 40 with respect to the employment of an employee who is an eligible employee within the meaning of subsection (d)(2) shall not be allowed a credit under section 44B for wages paid to that employee during that taxable year.

"(4) Maximum amount of credit attributable to an employee's first year of employment.--The amount of the credit allowed attributable to wages paid to any one full-time eligible employee during the first year of employment shall not exceed $2,000.

"(5) Limitation based on total wages.--The aggregate amount of wages used in computing the credit under subsection (b) shall not exceed 20 percent of the total amount of wages paid to all employees during the calendar year ending with or within the employer's taxable year.

"(d) Definitions.--For purposes of this subpart.--

"(1) Wages.--The term 'wages' has the meaning given the term 'wages' by section 3306(b), except that for purposes of applying section 3306(b) services performed by an eligible employee--

"(A) during more than one-half of any pay period (within the meaning of section 3306(d)) within the taxable year that constitute agricultural labor (within the meaning of section 3306(k)), or

"(B) for which more than one-half of the remuneration for the taxable year is attributable to services described in section 3306(c)(9),

shall be considered to be employment.

"(2) Eligible employee.--The term 'eligible employee' means an individual who--

"(A) has been certified by the Secretary of Labor or such entity that he may choose, including a prime sponsor (as designated by the Secretary of Labor under chapter 17 of title 29, United States Code) or the state employment security agency, to be at the time of certification--

"(i) at least eighteen years of age but not yet twenty-five years of age,

"(ii) a member of a household that has an annualized income for the 6 month period prior to certification (exclusive of unemployment compensation and welfare payments) which, in relation to family size, is less than seventy percent of the lower living standard income level, and

"(iii) not participating in an on-the-job training position in which funds provided, directly or indirectly, by the Federal Government are being paid to the employer as part of that individual's participation; or

"(B) has a physical or mental disability which constitutes or results in a substantial handicap to employment and has been referred to the employer upon completion of (or while receiving) rehabilitative services pursuant to--

"(i) an individualized written rehabilitation plan under a State plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973, or

"(ii) a program of vocational rehabilitation carried out under chapter 31 of title 38, United States Code.

"(3) Lower living standard income level.--The term 'lower living standard income level' means that income level (adjusted for regional and metropolitan and urban and rural differences and family size) determined annually by the Secretary of Labor based upon the most recent 'lower living family budget' issued by the Secretary of Labor."

(b) Special Rules.--

(1) Trades or businesses under common control.--Subsections (a) and (b) of section 52 of the Internal Revenue Code of 1954 are amended to read as follows:

"(a) Controlled Group of Corporations.--For purposes of this subpart, an eligible employee who works for more than one corporation that is a member

of the same controlled group of corporations shall be treated as employed by a single employer. In such a case, the credit (if any) allowed by section 44B to any such member shall be determined by the amount of wages it has paid the employee during the taxable year, after first taking into account any wages previously paid during the taxable year by other members of the controlled group. For purposes of this subsection, the term 'controlled group of corporations' has the meaning given to such term by section 1563 (a), except that--

"(1) 'more than 50 percent' shall be substituted for 'at least 80 percent' each place it appears in section 1563 (a)(1), and

"(2) the determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of section 1563.

("b) Employees of Partnerships, Proprietorships, Etc., Which Are Under Common Control.--For purposes of this subpart, under regulations prescribed by the Secretary, an eligible employee who works for more than one trade or business (whether or not incorporated) in a group of trades or businesses that are under common control shall be treated as employed by a single employer.

and the credit (if any) allowed by section 44B to any such trade or business shall be determined by the amount of wages it has paid the employee during the taxable year, after first taking into account any wages previously paid during the taxable year by other trades or businesses in the same group under common control. The regulations prescribed under this subsection shall be based on principles similar to the principles which apply in the case of subsection (a).".

(2) Conforming amendments.--

(A) Subsections (c) and (e) of section 52 are deleted, subsection (d) is relettered as subsection (c), and subsection (f) is relettered as subsection (d).

(B) Subsection (g) of section 52 is relettered as subsection (e) and is amended by inserting "and" at the end of paragraph (1), by striking out ", and" at the end of paragraph (2) and inserting in lieu thereof a period, and by striking out paragraph (3).

(C) Subsection (h) of section 52 is relettered as subsection (f), and subsections (i) and (j) are deleted.

(c) Limitation Based on Amount of Tax.--

(1) Subsection (a) of section 53 of the Internal Revenue Code of 1954 is amended to read as follows:

"(a) General Rule.--The credit allowed by section 44B for the taxable year shall not exceed ninety percent of its adjusted tax base provided in section 54 for the taxable year.".

(2) Subsection (b) of section 53 is deleted.

(3) Subsection (c) of section 53 is relettered as subsection (b) and amended to read as follows:

"(b) Carryback and Carryover of Unused Credit.--

"(1) In general.--If the sum of the amount of the section 44B credit carryovers to the taxable year under section 51 (a) (1) plus the amount determined under section 51 (a) (2) for the taxable year exceeds the amount of the limitation provided by subsection (a) for such taxable year (hereinafter in this subsection referred to as the "unused credit year"), such excess attributable to the amount determined under section 51 (a) (2) shall be--

"(A) a section 44B credit carryback to each of the 3 taxable years preceding the unused credit year, and

"(B) a section 44B credit carryover to each of the 7 taxable years following the unused credit year,

and, subject to the limitations imposed by section 51(b) and subsection (a) of this section, shall be taken into account under the provisions of section 51(a) in the manner provided therein. If any portion of such excess is a carryback to a taxable year beginning before January 1, 1977, section 44B shall be deemed to have been in effect for such taxable year for purposes of allowing such carryback as a credit under such section. The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the 10 taxable years to which (by reason of subparagraphs (A) and (B)) such credit may be carried, and then to each of the other 9 taxable years to the extent that, because of the limitation contained in paragraph (2), such unused credit may not be added for a prior taxable year to which such unused credit may be carried.

"(2) Limitation on carrybacks.--The amount of the unused credit that may be taken into account under section 51 (a) for any preceding taxable year shall not exceed the amount by which the limitation provided by subsection (a) of this section for such taxable year exceeds the sum of--

"(A) the amounts determined under paragraphs (1) and (2) of section 51 (a) for such taxable year, plus

"(B) the amounts which, by reason of this subsection, are carried back to such taxable year and are attributable to taxable years preceding the unused credit year.

"(3) Limitation on carryovers.-- The amount of the unused credit that may be taken into account under section 51 (a) (1) for any succeeding taxable year shall not exceed the amount by which the limitation provided by subsection (a) of this section for such taxable year exceeds the sum of the amounts which, by reason of this subsection, are carried to such taxable year and are attributable to taxable years preceding the unused credit year.".

(d) Technical and Conforming Amendments.--

(1) Clerical amendments.--

(A) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking "Sec. 44B. Credit for employment of certain new employees.", and inserting in lieu thereof, "Sec. 44B. Targeted employment tax credit."

(B) The table of subparts for part IV of subpart IV of subchapter A of chapter 1 is amended by striking "Subpart D. Rules for computing credit for employment of certain new employees.", and inserting in lieu thereof, "Subpart D. Rules for computing targeted employment tax credit."

(2) Minimum tax.--Clause (iv) of section 56 (e) (1) (A) is amended by striking out "credit for employment of certain new employees", and inserting in lieu thereof "credit for employment of certain employees".

(3) Corporate reorganizations.--

(A) Paragraph (26) of section 381 (c) (relating to items of the distributor or transferor corporation) is amended by striking the word "NEW" from the heading.

(B) Section 383 (relating to special limitations on unused investment credits, work incentive program credits, new employee credits, foreign taxes, and capital losses), as in effect for taxable years beginning after June 30, 1978, is amended--

(i) by striking out "to any unused new employee credit of the corporation under section 53 (c)," and inserting in lieu thereof "to any unused new employee or targeted employment tax credit of the corporation under section 53 (b),"; and

(ii) by inserting immediately after "New Employee Credits," in the heading the phrase "Targeted Employment Tax Credits,"

(C) Section 383 (as in effect on the day before the date of the enactment of the Tax Reform Act of 1976) is amended--

(i) by striking out "to any unused new employee credit of the corporation under section 53(c)," and inserting in lieu thereof "to any unused new employee or targeted employment tax credit of the corporation under section 53 (b),"; and

(ii) by inserting immediately after "New Employee Credits ," in the heading the phrase "Targeted Employment Tax Credits,".

(D) The table of sections for part V of subchapter C of chapter 1 is amended by inserting after "new employee credits," the phrase "targed employment tax credits,".

(4) Statutes of limitation and interest relating to targeted employment tax credit carryback.--

(A) Assessment and collection.--Subsection (p) of section 6501 (relating to limitations on assessment and collection) is amended by--

(i) revising the heading to read "Carrybacks of Credits under Section 44B"; and

(ii) striking out "new employee" each place it appears and inserting in lieu thereof "section 44B".

(B) Credit or refund.--Paragraph (9) of section 6511 (d) (relating to limitations on credit or refund) is amended by--

(i) revising the heading to read "Special period of limitation with respect to carrybacks of credits under section 44B"; and

(ii) striking out "new employee" each place it appears and inserting in lieu thereof "section 44B".

(C) Interest on underpayments and overpayments.-- Paragraph (5) of section 6601 (d) (relating to income tax reduced by carryback or adjustment for certain unused deductions) and section 6611 (f) (relating to refund of income tax caused by carry-back or adjustment for certain unused deductions) are amended by--

(i) revising the headings to read "carry-back of credits under section 44B."; and

(ii) striking out "new employee" each place it appears and inserting in lieu thereof "section 44B".

(5) Tentative carryback adjustments.--

(A) Application for adjustment.--Section 6411 (relating to quick refunds in respect of tentative carryback adjustments) is amended--

(i) by striking out "or unused new employee credit" each place it appears in such section and inserting in lieu thereof "unused new employee or targeted employment tax credit",

(ii) by striking out "new employee credit" each place it appears in the first two sentences of subsection (a) and inserting in lieu thereof "new employee or targeted employment tax credit", and

(iii) by striking out "section 53 (c)," in the first sentence of subsection (a) and inserting in lieu thereof "section 53(b),".

(B) Tentative carryback adjustment assessment period.--Section 6501 (m) (relating to tentative carryback adjustment assessment period) is amended by striking out "or a new employee credit carryback" and inserting in lieu thereof "a new employee credit carryback, or a targeted employment tax credit carryback".

(6) Self-employment tax.--Subsection (a) of section 1402 (relating to net earnings from self-employment) is amended by--

(A) striking out "and" at the end of paragraph (11);

(B) striking out the period at the end of paragraph (12) and inserting in lieu thereof "; and "; and

(C) adding a new paragraph (13) to read as follows:

"(13) the deduction for wages and salaries shall be determined without regard to section 280C.".

List of Eligible Jurisdictions for the Industrial Development Bond and Differential Investment Tax Credit Provisions of the Administration's Urban Program

The accompanying list indicates the areas of the country which satisfy the distress test for eligibility under the Industrial Development Bond and Differential Investment Tax Credit provisions of the Administration's Urban Program. For towns, cities, and townships shown in the list, the eligible area is defined by the boundaries of the local jurisdiction. In the case of counties, the eligible area refers to that portion of the county outside of incorporated or organized jurisdictions.

The key to the state codes in the list of eligible areas is as follows:

01 Alabama
02 Alaska
03 Arizona
04 Arkansas
05 California
06 Colorado
07 Connecticut
08 Delaware
09 District of Columbia
10 Florida
11 Georgia
12 Hawaii
13 Idaho
14 Illinois
15 Indiana
16 Iowa
17 Kansas
18 Kentucky
19 Louisiana
20 Maine
21 Maryland
22 Massachusetts
23 Michigan
24 Minnesota
25 Mississippi
26 Missouri
27 Montana
28 Nebraska
29 Nevada
30 New Hampshire
31 New Jersey
32 New Mexico
33 New York
34 North Carolina
35 North Dakota
36 Ohio
37 Oklahoma
38 Oregon
39 Pennsylvania
40 Rhode Island
41 South Carolina
42 South Dakota
43 Tennessee
44 Texas
45 Utah
46 Vermont
47 Virginia
48 Washington
49 West Virginia
50 Wisconsin
51 Wyoming

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
1	BARBOUR COUNTY
1	BIBB COUNTY
1	BULLOCK COUNTY
1	BUTLER COUNTY
1	CALHOUN COUNTY
1	CHAMBERS COUNTY
1	CHOCTAW COUNTY
1	CLARKE COUNTY
1	CLAY COUNTY
1	CLEBURNE COUNTY
1	COLBERT COUNTY
1	CONECUH COUNTY
1	COOSA COUNTY
1	COVINGTON COUNTY
1	CULLMAN COUNTY
1	DALE COUNTY
1	DALLAS COUNTY
1	ESCAMBIA COUNTY
1	ETOWAH COUNTY
1	FAYETTE COUNTY
1	GENEVA COUNTY
1	GREENE COUNTY
1	HALE COUNTY
1	LAWRENCE COUNTY
1	LIMESTONE COUNTY
1	LOWNDES COUNTY
1	MACON COUNTY
1	MADISON COUNTY
1	MARENGO COUNTY
1	MARSHALL COUNTY
1	MONROE COUNTY
1	MORGAN COUNTY
1	PERRY COUNTY
1	PICKENS COUNTY
1	PIKE COUNTY
1	RANDOLPH COUNTY
1	RUSSELL COUNTY
1	TALLADEGA COUNTY
1	TALLAPOOSA COUNTY
1	WILCOX COUNTY
1	WINSTON COUNTY
1	BLUE SPRINGS TOWN
1	CLAYTON TOWN
1	CLIO TOWN
1	EUFAULA CITY
1	LOUISVILLE TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
1	BRENT TOWN
1	CENTREVILLE CITY
1	MIDWAY TOWN
1	UNION SPRINGS CITY
1	GEORGIANA TOWN
1	GREENVILLE CITY
1	MCKENZIE TOWN
1	ANNISTON CITY
1	BLUE MOUNTAIN TOWN
1	HOBSON CITY TOWN
1	JACKSONVILLE CITY
1	OHATCHEE TOWN
1	OXFORD TOWN
1	PIEDMONT CITY
1	WEAVER TOWN
1	FIVE POINTS TOWN
1	LAFAYETTE CITY
1	LANETT CITY
1	MAPLESVILLE TOWN
1	THORSBY TOWN
1	GILBERTOWN TOWN
1	SILAS TOWN
1	TOXEY TOWN
1	PENNINGTON TOWN
1	FULTON TOWN
1	GROVE HILL TOWN
1	JACKSON CITY
1	THOMASVILLE CITY
1	EDWARDSVILLE TOWN
1	LEIGHTON TOWN
1	LITTLEVILLE TOWN
1	SHEFFIELD CITY
1	TUSCUMBIA CITY
1	CASTLEBERRY TOWN
1	EVERGREEN CITY
1	REPTON TOWN
1	GOODWATER CITY
1	ROCKFORD TOWN
1	ANDALUSIA CITY
1	FLORALA CITY
1	HEATH TOWN
1	LOCKHART TOWN
1	OPP CITY
1	RIVER FALLS TOWN
1	BABBIE CITY
1	CAROLINA TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
1	GANTT TOWN
1	HORN HILL TOWN
1	LIBERTYVILLE TOWN
1	ONYCHA TOWN
1	SANFORD TOWN
1	GARDEN CITY TOWN
1	HANCEVILLE TOWN
1	SCUTH VINEMONT TOWN
1	FAIRVIEW TOWN
1	GOOD HOPE TOWN
1	BAILEYTON TOWN
1	ARITON TOWN
1	MIDLAND CITY TOWN
1	NEWTON TOWN
1	OZARK CITY
1	PINCKARD TOWN
1	DALEVILLE TOWN
1	LEVEL PLAINS TOWN
1	GRIMES TOWN
1	NAPIER FIELD TOWN
1	CLAYHATCHEE TOWN
1	ORRVILLE TOWN
1	SELMA CITY
1	HAMMONDVILLE TOWN
1	SHILO TOWN
1	ATMORE CITY
1	BREWTON CITY
1	EAST BREWTON TOWN
1	FLOMATON TOWN
1	POLLARD TOWN
1	RIVERVIEW TOWN
1	ALTOONA TOWN
1	ATTALLA CITY
1	GADSDEN CITY
1	GLENCOE TOWN
1	RAINBOW CITY TOWN
1	REECE CITY TOWN
1	WALNUT GROVE TOWN
1	MOUNTAINBORO TOWN
1	SARDIS CITY TOWN
1	RIDGEVILLE TOWN
1	FAYETTE CITY
1	HODGES TOWN
1	RED BAY CITY
1	RUSSELLVILLE CITY
1	BLACK TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
1	COFFEE SPRINGS TOWN
1	GENEVA CITY
1	HARTFORD TOWN
1	MALVERN TOWN
1	SAMSON CITY
1	SLOCOMB TOWN
1	EUNOLA TOWN
1	BOLIGEE TOWN
1	EUTAW CITY
1	FORKLAND TOWN
1	AKRON TOWN
1	GREENSBORO CITY
1	NEWBERN TOWN
1	HEADLAND CITY
1	BRIDGEPORT CITY
1	BESSEMER CITY
1	BIRMINGHAM CITY
1	DETROIT TOWN
1	ST FLORIAN TOWN
1	COURTLAND TOWN
1	HILLSBORO TOWN
1	TOWN CREEK TOWN
1	ARDMORE TOWN
1	ATHENS CITY
1	ELKMONT TOWN
1	MOORESVILLE TOWN
1	LESTER TOWN
1	FORT DEPOSIT TOWN
1	BENTON TOWN
1	HAYNEVILLE TOWN
1	NOTASULGA TOWN
1	TUSKEGEE CITY
1	FRANKLIN TOWN
1	HUNTSVILLE CITY
1	MADISON TOWN
1	GURLEY TOWN
1	TRIANA TOWN
1	OWENS CROSS ROADS TOWN
1	DAYTON TOWN
1	DEMOPOLIS CITY
1	FAUNSDALE TOWN
1	LINDEN CITY
1	THOMASTON TOWN
1	MYRTLEWOOD TOWN
1	SWEETWATER TOWN
1	PROVIDENCE TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
1	BEAR CREEK TOWN
1	BRILLIANT TOWN
1	GUIN TOWN
1	HACKLEBURG TOWN
1	ALBERTVILLE CITY
1	ARAB CITY
1	GRANT TOWN
1	GUNTERSVILLE CITY
1	UNION GROVE TOWN
1	BAYOU LA BATRE TOWN
1	PRICHARD CITY
1	MOUNT VERNON TOWN
1	WILMER TOWN
1	BEATRICE TOWN
1	EXCEL TOWN
1	FRISCO CITY TOWN
1	MONROEVILLE CITY

STATE = 1: 201 RECORDS

05/23/78 AT 01:25

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
1	VREDENBURGH TOWN

STATE = 1: 1 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
1	DECATUR CITY
1	FALKVILLE TOWN
1	HARTSELLE CITY
1	EVA TOWN
1	MARION CITY
1	UNICNTOWN TOWN
1	ALICEVILLE CITY
1	CARROLLTON TOWN
1	GORDO TOWN
1	REFORM TOWN
1	ETHELSVILLE TOWN
1	PICKENSVILLE TOWN
1	MC MULLEN TOWN
1	MEMPHIS TOWN
1	BANKS TOWN
1	BRUNDIDGE TOWN
1	TROY CITY
1	ROANOKE CITY
1	WADLEY TOWN
1	WEDOWEE TOWN
1	WOODLAND TOWN
1	HURTSBORO TOWN
1	PHENIX CITY
1	BON AIR TOWN
1	CHILDERSBURG TOWN
1	GANTTS QUARRY TOWN
1	LINCOLN TOWN
1	SYLACAUGA CITY
1	TALLADEGA CITY
1	TALLADEGA SPRINGS TOWN
1	ALEXANDER CITY CITY
1	CAMP HILL TOWN
1	DADEVILLE TOWN
1	DAVISTON TOWN
1	CARBON HILL CITY
1	CORDOVA CITY
1	DORA TOWN
1	DAKMAN TOWN
1	PARRISH TOWN
1	OAK HILL TOWN
1	PINE APPLE TOWN
1	PINE HILL TOWN
1	ADDISON TOWN
1	DOUBLE SPRINGS TOWN
1	HALEYVILLE CITY
1	LYNN TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
1	ARLEY TOWN

STATE = 1: 47 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
2	KODIAK ISLAND BORO
2	TOTAL FOR BARROW
2	TOTAL FOR KODIAK
2	SAXMAN CITY
2	OLD HARBOR CITY
2	OUZINKIE CITY
2	PORT LIONS CITY
2	AKHIOK CITY
2	LARSEN BAY CITY
2	EAGLE CITY
2	KAKE CITY
2	SAINT MARYS CITY
2	AKOLMIUT CITY
2	MEKORYUK CITY
2	PILOT STATION CITY
2	SCAMMON BAY CITY
2	SHAKTOOLIK CITY
2	TELLER CITY
2	WALES CITY
2	AKIAK CITY
2	DIOMEDE CITY
2	GOLOVIN CITY
2	KOYUK CITY
2	TOLUKSAK CITY
2	PORT HEIDEN CITY
2	ALEKNAGIK CITY
2	HUGHES CITY
2	KOBUK CITY
2	PORT ALEXANDER CITY

STATE = 2: 29 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
3	WILLIAMS CITY
3	HAYDEN TOWN
3	AVONDALE CITY
3	TOLLESON CITY
3	GILA BEND TOWN
3	SOUTH TUCSON TOWN
3	COOLIDGE CITY
3	MAMMOTH TOWN
3	WELLTON TOWN

STATE = 3: 9 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
4	ASHLEY COUNTY
4	BRADLEY COUNTY
4	CALHOUN COUNTY
4	CHICOT COUNTY
4	CLARK COUNTY
4	CLAY COUNTY
4	CLEVELAND COUNTY
4	CONWAY COUNTY
4	DALLAS COUNTY
4	DESHA COUNTY
4	FULTON COUNTY
4	HOT SPRING COUNTY
4	JACKSON COUNTY
4	LAFAYETTE COUNTY
4	LEE COUNTY
4	LINCOLN COUNTY
4	LITTLE RIVER COUNTY
4	LOGAN COUNTY
4	MADISON COUNTY
4	MILLER COUNTY
4	MISSISSIPPI COUNTY
4	MONTGOMERY COUNTY
4	NEVADA COUNTY
4	OUACHITA COUNTY
4	PHILLIPS COUNTY
4	POINSETT COUNTY
4	POLK COUNTY
4	PRAIRIE COUNTY
4	ST FRANCIS COUNTY
4	SCOTT COUNTY
4	SEARCY COUNTY
4	HAMBURG CITY
4	BANKS TOWN
4	WARREN CITY
4	HAMPTON CITY
4	THORNTON TOWN
4	HARRELL TOWN
4	TINSMAN CITY
4	DERMOTT CITY
4	EUDORA CITY
4	LAKE VILLAGE CITY
4	AMITY CITY
4	ARKADELPHIA CITY
4	GURDON CITY
4	OKOLONA TOWN
4	WHELEN SPRINGS TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
4	GUM SPRINGS TOWN
4	CADDO VALLEY TOWN
4	DATTO TOWN
4	GREENWAY CITY
4	KNOBEL TOWN
4	NIMMONS TOWN
4	PEACH ORCHARD TOWN
4	PIGGOTT CITY
4	POLLARD TOWN
4	ST FRANCIS CITY
4	SUCCESS TOWN
4	MC DOUGAL TOWN
4	KINGSLAND CITY
4	RISON CITY
4	MORRILTON CITY
4	MENIFEE TOWN
4	MULBERRY CITY
4	EARLE CITY
4	GILMORE TOWN
4	NORVELL TOWN
4	CARTHAGE CITY
4	SPARKMAN TOWN
4	ARKANSAS CITY TOWN
4	DUMAS CITY
4	MCGEHEE CITY
4	REED TOWN
4	MITCHELLVILLE CITY
4	GUY TOWN
4	ALTUS CITY
4	BRANCH CITY
4	DENNING TOWN
4	MAMMOTH SPRING TOWN
4	SALEM CITY
4	VIOLA TOWN
4	POYEN TOWN
4	DELAPLAINE TOWN
4	FRIENDSHIP TOWN
4	PERLA TOWN
4	AMAGON TOWN
4	GRUBBS TOWN
4	NEWPORT CITY
4	SWIFTON CITY
4	TUCKERMAN CITY
4	TUPELO TOWN
4	JACKSONPORT TOWN
4	WELDON TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
4	BEEDEVILLE TOWN
4	BRADLEY CITY
4	BUCKNER CITY
4	LEWISVILLE CITY
4	STAMPS CITY
4	ALICIA TOWN
4	BLACK ROCK CITY
4	MINTURN TOWN
4	SEDGWICK TOWN
4	SMITHVILLE TOWN
4	LYNN TOWN
4	MARIANNA CITY
4	MORO TOWN
4	RONDO TOWN
4	AUBREY TOWN
4	GOULD CITY
4	GRADY TOWN
4	STAR CITY CITY
4	ASHDOWN CITY
4	FOREMAN CITY
4	OGDEN TOWN
4	WILTON TOWN
4	WINTHROP TOWN
4	BLUE MOUNTAIN TOWN
4	BOONEVILLE CITY
4	MAGAZINE TOWN
4	PARIS CITY
4	RATCLIFF CITY
4	SCRANTON TOWN
4	SUBIACO TOWN
4	CAULKSVILLE TOWN
4	ST PAUL TOWN
4	GARLAND TOWN
4	FOUKE TOWN
4	TEXARKANA CITY
4	JOINER CITY
4	LUXORA TOWN
4	BURDETTE CITY
4	BASSETT TOWN
4	CLARENDON CITY
4	MOUNT IDA CITY
4	NORMAN TOWN
4	ODEN TOWN
4	BLACK SPRINGS TOWN
4	EMMET CITY
4	PRESCOTT CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
4	BLUFF CITY
4	BODCAW TOWN
4	ROSSTON TOWN
4	CALE TOWN
4	WILLISVILLE TOWN
4	BEARDEN TOWN
4	CAMDEN CITY
4	CHIDESTER CITY
4	LOUANN TOWN
4	STEPHENS CITY
4	EAST CAMDEN TOWN
4	CASA TOWN
4	FOURCHE TOWN
4	HOUSTON TOWN
4	PERRY TOWN
4	ELAINE CITY
4	HELENA CITY
4	MARVELL CITY
4	WEST HELENA CITY
4	LAKE VIEW TOWN
4	ANTOINE TOWN
4	DELIGHT CITY
4	MURFREESBORO CITY
4	FISHER TOWN
4	HARRISBURG CITY
4	MARKED TREE CITY
4	TRUMANN CITY
4	TYRONZA TOWN
4	WEINER CITY
4	WALDENBURG TOWN
4	COVE TOWN
4	HATFIELD TOWN
4	MENA CITY
4	WICKES TOWN
4	VANDERVOORT TOWN
4	GRANNIS TOWN
4	DE VALLS BLUFF TOWN
4	HAZEN CITY
4	ULM TOWN
4	BIGGERS TOWN
4	FORREST CITY CITY
4	HUGHES CITY
4	MADISON CITY
4	PALESTINE TOWN
4	WHEATLEY TOWN
4	WIDENER TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
4	CALDWELL TOWN
4	WALDRON CITY
4	GILBERT TOWN
4	HACKETT CITY
4	HUNTINGTON CITY
4	EVENING SHADE TOWN
4	SIDNEY TOWN
4	GRIFFITHVILLE TOWN
4	HIGGINSON TOWN
4	JUDSONIA CITY
4	RUSSELL TOWN
4	WEST POINT TOWN
4	GARNER TOWN
4	COTTON PLANT CITY
4	PATTERSON TOWN

STATE = 4: 199 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
5	ALAMEDA COUNTY
5	COLUSA COUNTY
5	KINGS COUNTY
5	LASSEN COUNTY
5	LOS ANGELES COUNTY
5	SAN BERNARDINO COUNTY
5	YUBA COUNTY
5	ALBANY CITY
5	BERKELEY CITY
5	HAYWARD CITY
5	OAKLAND CITY
5	PIEDMONT CITY
5	IONE CITY
5	GRIDLEY CITY
5	WILLIAMS CITY
5	HERCULES TOWN
5	PITTSBURG CITY
5	RICHMOND CITY
5	SAN PABLO CITY
5	CLAYTON CITY
5	LAFAYETTE CITY
5	SANGER CITY
5	RIO DELL CITY
5	BRAWLEY CITY
5	IMPERIAL CITY
5	MARICOPA CITY
5	TEHACHAPI CITY
5	MCFARLAND CITY
5	ALHAMBRA CITY
5	AZUSA CITY
5	BALDWIN PARK CITY
5	BELL CITY
5	BURBANK CITY
5	COMPTON CITY
5	EL MONTE CITY
5	EL SEGUNDO CITY
5	GARDENA CITY
5	HAWTHORNE CITY
5	HUNTINGTON PARK CITY
5	INGLEWOOD CITY
5	LAKEWOOD CITY
5	LA PUENTE CITY
5	LONG BEACH CITY
5	LOS ANGELES CITY
5	LYNWOOD CITY
5	MAYWOOD CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
5	MONROVIA CITY
5	PALOS VERDES ESTATES CTY
5	POMONA CITY
5	SAN FERNANDO CITY
5	SAN GABRIEL CITY
5	SAN MARINO CITY
5	SIERRA MADRE CITY
5	SIGNAL HILL CITY
5	SOUTH GATE CITY
5	SOUTH PASADENA CITY
5	VERNON CITY
5	BELLFLOWER CITY
5	BRADBURY CITY
5	DUARTE CITY
5	INDUSTRY CITY
5	IRWINDALE CITY
5	NORWALK CITY
5	PARAMOUNT CITY
5	PICO RIVERA CITY
5	SANTA FE SPRINGS CITY
5	SOUTH EL MONTE CITY
5	WALNUT CITY
5	ARTESIA CITY
5	COMMERCE CITY
5	LAWNDALE CITY
5	ROLLING HILLS CITY
5	BELL GARDENS CITY
5	CUDAHY CITY
5	LA MIRADA CITY
5	ROSEMEAD CITY
5	LANCASTER CITY
5	HAWAIIAN GARDENS
5	HIDDEN HILLS CITY
5	LOMITA CITY
5	PALMDALE CITY
5	CARSON CITY
5	LA CANADA FLINTRIDGE CITY
5	SEASIDE CITY
5	MARINA CITY
5	NEVADA CITY CITY
5	COLFAX CITY
5	BANNING CITY
5	BEAUMONT CITY
5	BLYTHE CITY
5	COACHELLA CITY
5	SACRAMENTO CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
5	SAN JUAN BAUTISTA CITY
5	BARSTOW CITY
5	COLTON CITY
5	ONTARIO CITY
5	SAN BERNARDINO CITY
5	MONTCLAIR CITY
5	RANCHO CUCAMONGA CITY
5	ADELANTO CITY
5	IMPERIAL BEACH CITY
5	NATIONAL CITY CITY
5	SAN FRANCISCO CITY
5	LOMPOC CITY
5	SANTA MARIA CITY
5	LOYALTON CITY
5	OORRIS TOWN
5	WEED CITY
5	VALLEJO CITY
5	NEWMAN CITY
5	WATERFORD CITY
5	LIVE OAK CITY
5	SANTA PAULA CITY
5	WHEATLAND CITY

STATE = 5: 114 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
6	CONEJOS COUNTY
6	CROWLEY COUNTY
6	DOLORES COUNTY
6	HUERFANO COUNTY
6	LAS ANIMAS COUNTY
6	MINERAL COUNTY
6	OTERO COUNTY
6	ANTONITO TOWN
6	LA JARA TOWN
6	ROMEO TOWN
6	SANFORD TOWN
6	SAN LUIS TOWN
6	SUGAR CITY TOWN
6	LA VETA TOWN
6	WALSENBURG CITY
6	AGUILAR TOWN
6	COKEDALE TOWN
6	STARKVILLE TOWN
6	TRINIDAD CITY
6	KIM TOWN
6	CREEDE TOWN
6	NUCLA TOWN
6	CHERAW TOWN
6	FOWLER TOWN
6	LA JUNTA CITY
6	MANZANOLA TOWN
6	ROCKY FORD CITY
6	SWINK TOWN
6	RYE TOWN
6	BOONE TOWN

STATE = 6: 30 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
7	BRIDGEPORT CITY
7	BRISTOL CITY
7	HARTFORD CITY
7	NEW BRITAIN CITY
7	BANTAM BOROUGH
7	LITCHFIELD BOROUGH
7	TORRINGTON CITY
7	MIDDLETOWN CITY
7	ANSONIA CITY
7	DERBY CITY
7	MERIDEN CITY
7	NAUGATUCK BOROUGH
7	NEW HAVEN CITY
7	WATERBURY CITY
7	MILFORD CITY
7	WEST HAVEN CITY
7	WOODMONT BOROUGH
7	JEWETT CITY BOROUGH
7	NORWICH CITY
7	DANIELSON BOROUGH
7	PUTNAM CITY
7	WILLIMANTIC CITY
7	STRATFORD TOWN
7	EAST HARTFORD TOWN
7	HARTLAND TOWN
7	PLAINVILLE TOWN
7	WETHERSFIELD TOWN
7	BARKHAMSTED TOWN
7	CANAAN TOWN
7	COLEBROOK TOWN
7	GOSHEN TOWN
7	HARWINTON TOWN
7	LITCHFIELD TOWN
7	MORRIS TOWN
7	NORFOLK TOWN
7	NORTH CANAAN TOWN
7	PLYMOUTH TOWN
7	SALISBURY TOWN
7	SHARON TOWN
7	THOMASTON TOWN
7	WATERTOWN TOWN
7	WINCHESTER TOWN
7	CLINTON TOWN
7	MIDDLEFIELD TOWN
7	PORTLAND TOWN
7	BRANFORD TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
7	EAST HAVEN TOWN
7	HAMDEN TOWN
7	MADISON TOWN
7	NORTH BRANFORD TOWN
7	NORTH HAVEN TOWN
7	ORANGE TOWN
7	OXFORD TOWN
7	SEYMOUR TOWN
7	BOZRAH TOWN
7	FRANKLIN TOWN
7	GRISWOLD TOWN
7	LISBON TOWN
7	SPRAGUE TOWN
7	VOLUNTOWN TOWN
7	BROOKLYN TOWN
7	CANTERBURY TOWN
7	CHAPLIN TOWN
7	EASTFORD TOWN
7	KILLINGLY TOWN
7	PLAINFIELD TOWN
7	POMFRET TOWN
7	PUTNAM TOWN
7	SCOTLAND TOWN
7	STERLING TOWN
7	THOMPSON TOWN
7	WINDHAM TOWN

STATE = 7: 72 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
8	NEW CASTLE COUNTY
8	BOWERS TOWN
8	FELTON TOWN
8	HARRINGTON CITY
8	HARTLY TOWN
8	HOUSTON TOWN
8	KENTON TOWN
8	LEIPSIC TOWN
8	LITTLE CREEK TOWN
8	WYOMING TOWN
8	BELLEFONTE TOWN
8	ELSMERE TOWN
8	MIDDLETOWN TOWN
8	NEW CASTLE CITY
8	NEWPORT TOWN
8	ODESSA TOWN
8	WILMINGTON CITY
8	ARDENTOWN VILLAGE

STATE = 8: 18 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
10	BREVARD COUNTY
10	DE SOTO COUNTY
10	FRANKLIN COUNTY
10	GADSDEN COUNTY
10	GULF COUNTY
10	HIGHLANDS COUNTY
10	LAFAYETTE COUNTY
10	LIBERTY COUNTY
10	MADISON COUNTY
10	PUTNAM COUNTY
10	TAYLOR COUNTY
10	COCOA CITY
10	COCOA BEACH CITY
10	MELBOURNE CITY
10	ROCKLEDGE CITY
10	TITUSVILLE CITY
10	MELBOURNE VILLAGE TOWN
10	SATELLITE BEACH TOWN
10	W MELBOURNE TOWN
10	INDIAN HARBOUR
10	CAPE CANAVERAL CITY
10	PALM SHORES TOWN
10	ISLANDIA CITY
10	ARCADIA CITY
10	APALACHICOLA CITY
10	CARRABELLE CITY
10	CHATTAHOOCHEE CITY
10	GREENSBORO TOWN
10	GRETNA TOWN
10	HAVANA TOWN
10	QUINCY CITY
10	PORT ST JOE TOWN
10	WEWAHITCHKA CITY
10	WARD RIDGE CITY
10	AVON PARK CITY
10	PLANT CITY CITY
10	MONTICELLO CITY
10	MAYO TOWN
10	CLERMONT CITY
10	GROVELAND CITY
10	LADY LAKE TOWN
10	MASCOTTE CITY
10	MINNEOLA TOWN
10	BRISTOL CITY
10	GREENVILLE TOWN
10	LEE TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
10	MADISON CITY
10	KEY WEST CITY
10	CRESTVIEW CITY
10	EATONVILLE TOWN
10	OAKLAND TOWN
10	LAKE BUENA VISTA CITY
10	BELLE GLADE CITY
10	PAHOKEE CITY
10	ST LEO TOWN
10	SAN ANTONIO CITY
10	FROSTPROOF CITY
10	CRESCENT CITY CITY
10	INTERLACHEN TOWN
10	PALATKA CITY
10	POMONA PARK TOWN
10	HASTINGS TOWN
10	FORT PIERCE CITY
10	ST LUCIE VILLAGE
10	PERRY CITY
10	WASAU TOWN

STATE = 10: 66 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
11	ATKINSON COUNTY
11	BAKER COUNTY
11	BANKS COUNTY
11	BARROW COUNTY
11	BIBB COUNTY
11	BLECKLEY COUNTY
11	BRANTLEY COUNTY
11	BROOKS COUNTY
11	BRYAN COUNTY
11	BURKE COUNTY
11	CALHOUN COUNTY
11	CHATHAM COUNTY
11	CHATTAHOOCHEE COUNTY
11	CHATTOOGA COUNTY
11	CLAY COUNTY
11	CLINCH COUNTY
11	COLQUITT COUNTY
11	COOK COUNTY
11	COWETA COUNTY
11	CRAWFORD COUNTY
11	DAWSON COUNTY
11	DODGE COUNTY
11	DOOLY COUNTY
11	DOUGHERTY COUNTY
11	EARLY COUNTY
11	EFFINGHAM COUNTY
11	FANNIN COUNTY
11	FLOYD COUNTY
11	GLASCOCK COUNTY
11	GRADY COUNTY
11	GREENE COUNTY
11	HALL COUNTY
11	HANCOCK COUNTY
11	HART COUNTY
11	JEFFERSON COUNTY
11	JENKINS COUNTY
11	JONES COUNTY
11	LAURENS COUNTY
11	LONG COUNTY
11	MCINTOSH COUNTY
11	MACON COUNTY
11	MERIWETHER COUNTY
11	MITCHELL COUNTY
11	MONTGOMERY COUNTY
11	OGLETHORPE COUNTY
11	PIERCE COUNTY

05/23/78 AT 01:25

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
11	POLK COUNTY
11	PULASKI COUNTY
11	PUTNAM COUNTY
11	QUITMAN COUNTY
11	RANDOLPH COUNTY
11	SCHLEY COUNTY
11	STEWART COUNTY
11	SUMTER COUNTY
11	TALBOT COUNTY
11	TALIAFERRO COUNTY
11	TELFAIR COUNTY
11	TERRELL COUNTY
11	TREUTLEN COUNTY
11	TROUP COUNTY
11	TURNER COUNTY
11	TWIGGS COUNTY
11	UPSON COUNTY
11	WARE COUNTY
11	WAYNE COUNTY
11	WHEELER COUNTY
11	WILCOX COUNTY
11	WILKES COUNTY
11	PEARSON CITY
11	WILLACOOCHEE TOWN
11	NEWTON CITY
11	HOMER TOWN
11	AUBURN TOWN
11	BETHLEHEM TOWN
11	CARL TOWN
11	RUSSELL CITY
11	STATHAM TOWN
11	WINDER CITY
11	EMERSON CITY
11	WHITE TOWN
11	FITZGERALD CITY
11	NASHVILLE CITY
11	MACON CITY
11	PAYNE CITY
11	COCHRAN CITY
11	HOBOKEN CITY
11	MORVEN TOWN
11	QUITMAN CITY
11	PEMBROKE CITY
11	GIRARD VILLAGE
11	MIDVILLE CITY
11	SARDIS TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
11	WAYNESBORO CITY
11	LEARY TOWN
11	MORGAN CITY
11	GARDEN CITY TOWN
11	SAVANNAH CITY
11	THUNDERBOLT TOWN
11	CUSSETA TOWN
11	LYERLY TOWN
11	MENLO TOWN
11	SUMMERVILLE CITY
11	TRION TOWN
11	BLUFFTON TOWN
11	FORT GAINES CITY
11	DU PONT TOWN
11	DOUGLAS CITY
11	NICHOLLS CITY
11	DOERUN CITY
11	ELLENTON TOWN
11	FUNSTON TOWN
11	MOULTRIE CITY
11	NORMAN PARK TOWN
11	GROVETOWN CITY
11	ADEL CITY
11	CECIL TOWN
11	LENOX TOWN
11	SPARKS TOWN
11	GRANTVILLE CITY
11	HARALSON TOWN
11	MORELAND TOWN
11	NEWNAN CITY
11	SENOIA CITY
11	SHARPSBURG TOWN
11	TURIN TOWN
11	ROBERTA CITY
11	ARABI TOWN
11	CORDELE CITY
11	DAWSONVILLE TOWN
11	CHAUNCEY TOWN
11	CHESTER TOWN
11	UMADILLA TOWN
11	ALBANY CITY
11	BLAKELY CITY
11	DAMASCUS TOWN
11	GUYTON CITY
11	RINCON TOWN
11	NUNEZ TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
11	STILLMORE TOWN
11	SWAINSBORO CITY
11	SUMMERTOWN CITY
11	MCCAYSVILLE CITY
11	MORGANTON TOWN
11	CAVE SPRING CITY
11	ROME CITY
11	LAVONIA CITY
11	ATLANTA CITY
11	MITCHELL TOWN
11	FAIRMOUNT CITY
11	CAIRO CITY
11	WHIGHAM CITY
11	GREENSBORO CITY
11	UNION POINT TOWN
11	CORNELIA CITY
11	CLERMONT TOWN
11	SPARTA CITY
11	TALLAPOOSA CITY
11	BOWERSVILLE TOWN
11	HARTWELL CITY
11	PERRY CITY
11	OCILLA CITY
11	COMMERCE CITY
11	JEFFERSON CITY
11	NICHOLSON TOWN
11	AVERA TOWN
11	BARTOW TOWN
11	LOUISVILLE CITY
11	STAPLETON TOWN
11	WADLEY TOWN
11	WRENS TOWN
11	MILLEN CITY
11	GRAY CITY
11	ALDORA TOWN
11	BARNESVILLE CITY
11	CADWELL TOWN
11	DUBLIN CITY
11	MONTROSE TOWN
11	RENTZ TOWN
11	RICEBORO CITY
11	LUDOWICI CITY
11	DAHLONEGA CITY
11	DARIEN CITY
11	IDEAL TOWN
11	MARSHALLVILLE CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
11	MONTEZUMA CITY
11	OGLETHORPE CITY
11	GAY TOWN
11	GREENVILLE CITY
11	LONE OAK CITY
11	LUTHERSVILLE TOWN
11	WARM SPRINGS CITY
11	WOODBURY CITY
11	BACONTON CITY
11	CAMILLA CITY
11	PELHAM CITY
11	SALE CITY CITY
11	ALSTON TOWN
11	MOUNT VERNON CITY
11	TARRYTOWN TOWN
11	HIGGSTON CITY
11	BIBB CITY TOWN
11	COLUMBUS CITY
11	BISHOP TOWN
11	NORTH HIGH SHOALS TOWN
11	WATKINSVILLE TOWN
11	LEXINGTON CITY
11	MAXEYS TOWN
11	ARNOLDSVILLE TOWN
11	BLACKSHEAR CITY
11	PATTERSON TOWN
11	ROCKMART CITY
11	CEDARTOWN CITY
11	ARAGON CITY
11	VAN WERT TOWN
11	HAWKINSVILLE CITY
11	EATONTON CITY
11	GEORGETOWN TOWN
11	CLAYTON CITY
11	MOUNTAIN CITY TOWN
11	TIGER TOWN
11	CUTHBERT CITY
11	SHELLMAN CITY
11	ELLAVILLE CITY
11	GRIFFIN CITY
11	MARTIN TOWN
11	TOCCOA CITY
11	LUMPKIN CITY
11	RICHLAND CITY
11	OMAHA CITY
11	AMERICUS CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
11	ANDERSONVILLE CITY
11	DE SOTO VILLAGE
11	LESLIE VILLAGE
11	PLAINS TOWN
11	GENEVA TOWN
11	JUNCTION CITY TOWN
11	TALBOTTON CITY
11	WOODLAND CITY
11	CRAWFORDVILLE CITY
11	SHARON CITY
11	HELENA TOWN
11	JACKSONVILLE TOWN
11	LUMBER CITY
11	MCRAE CITY
11	BRONWOOD TOWN
11	DAWSON CITY
11	PARROTT TOWN
11	THOMASVILLE CITY
11	LYONS CITY
11	SOPERTON CITY
11	HOGANSVILLE CITY
11	LA GRANGE CITY
11	ASHBURN CITY
11	REBECCA TOWN
11	SYCAMORE CITY
11	JEFFERSONVILLE CITY
11	THE ROCK TOWN
11	YATESVILLE TOWN
11	WAYCROSS CITY
11	JESUP CITY
11	ODUM TOWN
11	SCREVEN CITY
11	GLENWOOD CITY
11	HELEN TOWN
11	ABBEVILLE CITY
11	PINEVIEW TOWN
11	PITTS CITY
11	ROCHELLE CITY
11	TIGNALL TOWN
11	RAYLE CITY

STATE = 11: 270 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
13	CLEARWATER COUNTY
13	FRANKLIN COUNTY
13	GEM COUNTY
13	ONEIDA COUNTY
13	SHOSHONE COUNTY
13	BLOOMINGTON VILLAGE
13	PARIS CITY
13	ST CHARLES VILLAGE
13	PLACERVILLE CITY
13	SANDPOINT CITY
13	MCYIE SPRINGS CITY
13	SPENCER VILLAGE
13	ELK RIVER VILLAGE
13	OROFINO CITY
13	PIERCE CITY
13	WEIPPE CITY
13	LOST RIVER VILLAGE
13	CLAYTON VILLAGE
13	CLIFTON VILLAGE
13	DAYTON VILLAGE
13	FRANKLIN CITY
13	OXFORD VILLAGE
13	PRESTON CITY
13	EMMETT CITY
13	KOOSKIA CITY
13	STITES VILLAGE
13	WHITE BIRD CITY
13	ROBERTS VILLAGE
13	DIETRICH VILLAGE
13	SHOSHONE CITY
13	MALAD CITY
13	KELLOGG CITY
13	MULLAN CITY
13	OSBURN CITY
13	SMELTERVILLE CITY
13	WALLACE CITY
13	WARDNER CITY
13	PINEHURST CITY

STATE = 13: 38 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	ALEXANDER COUNTY
14	BOND COUNTY
14	CALHOUN COUNTY
14	CARROLL COUNTY
14	CASS COUNTY
14	CLAY COUNTY
14	FAYETTE COUNTY
14	FORD COUNTY
14	FULTON COUNTY
14	GALLATIN COUNTY
14	GREENE COUNTY
14	HAMILTON COUNTY
14	HARDIN COUNTY
14	IROQUOIS COUNTY
14	JERSEY COUNTY
14	JO DAVIESS COUNTY
14	KANKAKEE COUNTY
14	KNOX COUNTY
14	LA SALLE COUNTY
14	LOGAN COUNTY
14	MADISON COUNTY
14	MASSAC COUNTY
14	MONROE COUNTY
14	MONTGOMERY COUNTY
14	PERRY COUNTY
14	PIKE COUNTY
14	POPE COUNTY
14	PULASKI COUNTY
14	RICHLAND COUNTY
14	ST CLAIR COUNTY
14	SHELBY COUNTY
14	UNION COUNTY
14	VERMILION COUNTY
14	WARREN COUNTY
14	WAYNE COUNTY
14	WHITE COUNTY
14	WILLIAMSON COUNTY
14	WINNEBAGO COUNTY
14	LA PRAIRIE VILLAGE
14	LIMA VILLAGE
14	QUINCY CITY
14	CAIRO CITY
14	TAMMS VILLAGE
14	THEBES VILLAGE
14	EAST CAPE GIRARDEAU VILLAGE
14	GREENVILLE CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	MULBERRY GROVE VILLAGE
14	OLD RIPLEY VILLAGE
14	POCAHONTAS VILLAGE
14	SMITHBORO VILLAGE
14	SORENTO VILLAGE
14	CAPRON VILLAGE
14	POPLAR GROVE VILLAGE
14	RIPLEY VILLAGE
14	BUDA VILLAGE
14	DEPUE VILLAGE
14	BATCHTOWN VILLAGE
14	BRUSSELS VILLAGE
14	HAMBURG VILLAGE
14	HARDIN VILLAGE
14	KAMPSVILLE VILLAGE
14	LANARK CITY
14	MT CARROLL CITY
14	SAVANNA CITY
14	SHANNON VILLAGE
14	ARENZVILLE VILLAGE
14	ASHLAND VILLAGE
14	BEARDSTOWN CITY
14	CHANDLERVILLE VILLAGE
14	VIRGINIA CITY
14	RANTOUL VILLAGE
14	URBANA CITY
14	TOVEY VILLAGE
14	PANA CITY
14	CLAY CITY VILLAGE
14	FLORA CITY
14	IOLA VILLAGE
14	LOUISVILLE VILLAGE
14	SAILOR SPRINGS VILLAGE
14	XENIA VILLAGE
14	BARTELSO VILLAGE
14	BECKEMEYER VILLAGE
14	DAMIANSVILLE VILLAGE
14	BELLWOOD VILLAGE
14	BRIDGEVIEW VILLAGE
14	BROADVIEW VILLAGE
14	CHICAGO CITY
14	CHICAGO HGHTS CITY
14	CICERO TOWN
14	HARVEY CITY
14	LEMONT VILLAGE
14	MCCOOK VILLAGE

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	MARKHAM CITY
14	MAYWOOD VILLAGE
14	MELROSE PARK VILLAGE
14	MIDLOTHIAN VILLAGE
14	ROBBINS VILLAGE
14	ROSEMONT VILLAGE
14	SCHILLER PARK VILLAGE
14	SOUTH CHICAGO HGHTS VILL
14	STONE PARK VILLAGE
14	SUMMIT VILLAGE
14	BURBANK CITY
14	PALESTINE VILLAGE
14	DE KALB CITY
14	MALTA VILLAGE
14	GARRETT VILLAGE
14	HINDSBORO VILLAGE
14	BINGHAM VILLAGE
14	BROWNSTOWN VILLAGE
14	FARINA VILLAGE
14	RAMSEY VILLAGE
14	ST ELMO CITY
14	ST PETER VILLAGE
14	VANDALIA CITY
14	BUCKNER VILLAGE
14	HANAFORD VILLAGE
14	NORTH CITY VILLAGE
14	ORIENT CITY
14	SESSER CITY
14	VALIER VILLAGE
14	WEST FRANKFORT CITY
14	ZEIGLER CITY
14	ASTORIA TOWN
14	AVON VILLAGE
14	BANNER VILLAGE
14	BRYANT VILLAGE
14	CANTON CITY
14	CUBA CITY
14	DUNFERMLINE VILLAGE
14	ELLISVILLE VILLAGE
14	FARMINGTON CITY
14	IPAVA VILLAGE
14	LEWISTOWN CITY
14	LONDON MILLS VILLAGE
14	MARIETTA VILLAGE
14	NORRIS VILLAGE
14	ST DAVID VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	TABLE GROVE VILLAGE
14	VERMONT VILLAGE
14	EQUALITY VILLAGE
14	JUNCTION VILLAGE
14	NEW HAVEN VILLAGE
14	OLD SHAWNEETOWN VILLAGE
14	OMAHA VILLAGE
14	RIDGWAY VILLAGE
14	SHAWNEETOWN CITY
14	CARROLLTON CITY
14	ELDRED VILLAGE
14	GREENFIELD CITY
14	HILLVIEW VILLAGE
14	KANE VILLAGE
14	WILMINGTON VILLAGE
14	ROCKBRIDGE VILLAGE
14	ROODHOUSE CITY
14	WHITE HALL CITY
14	BRACEVILLE VILLAGE
14	CARBON HILL VILLAGE
14	SO WILMINGTON VILLAGE
14	BELLE PRAIRIE CITY TOWN
14	BROUGHTON VILLAGE
14	MACEDONIA VILLAGE
14	MCLEANSBORO CITY
14	BASCO VILLAGE
14	BENTLY TOWN
14	PONTOOSUC VILLAGE
14	CAVE IN ROCK VILLAGE
14	ELIZABETHTOWN VILLAGE
14	ROSICLARE CITY
14	LOMAX VILLAGE
14	PAPINEAU VILLAGE
14	WOODLAWN VILLAGE
14	FIDELITY VILLAGE
14	GRAFTON CITY
14	JERSEYVILLE CITY
14	OTTERVILLE TOWN
14	APPLE RIVER VILLAGE
14	ELIZABETH VILLAGE
14	HANOVER VILLAGE
14	NORA VILLAGE
14	STOCKTON VILLAGE
14	BELKNAP VILLAGE
14	CYPRESS VILLAGE
14	SIMPSON VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	NORTH AURORA VILLAGE
14	PINGREE GROVE VILLAGE
14	AROMA PARK VILLAGE
14	BOURBONNAIS VILLAGE
14	BRADLEY VILLAGE
14	ESSEX VILLAGE
14	GRANT PARK VILLAGE
14	IRWIN VILLAGE
14	KANKAKEE CITY
14	MANTENO VILLAGE
14	MOMENCE CITY
14	ST ANNE VILLAGE
14	UNION HILL VILLAGE
14	PEMBROKE VILLAGE
14	ALTONA VILLAGE
14	E GALESBURG VILLAGE
14	GALESBURG CITY
14	MAQUON VILLAGE
14	ST AUGUSTINE VILLAGE
14	VICTORIA VILLAGE
14	WILLIAMSFIELD VILLAGE
14	YATES CITY VILLAGE
14	DANA VILLAGE
14	EARLVILLE CITY
14	GRAND RIDGE VILLAGE
14	KANGLEY VILLAGE
14	LA SALLE CITY
14	LELAND VILLAGE
14	LEONORE VILLAGE
14	LOSTANT VILLAGE
14	MARSEILLES CITY
14	MENDOTA CITY
14	NAPLATE VILLAGE
14	OGLESBY CITY
14	OTTAWA CITY
14	PERU CITY
14	RANSOM VILLAGE
14	RUTLAND VILLAGE
14	TONICA VILLAGE
14	TROY GROVE VILLAGE
14	DIXON CITY
14	SAUNEMIN VILLAGE
14	ATLANTA CITY
14	BROADWELL VILLAGE
14	ELK HART CITY TOWN
14	EMDEN VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	HARTSBURG VILLAGE
14	LATHAM VILLAGE
14	LINCOLN CITY
14	MIDDLETOWN VILLAGE
14	MT PULASKI CITY
14	NEW HOLLAND VILLAGE
14	COLCHESTER CITY
14	SCIOTA VILLAGE
14	TENNESSEE VILLAGE
14	DECATUR CITY
14	OREANA VILLAGE
14	BENLD CITY
14	EAGERVILLE VILLAGE
14	HETTICK VILLAGE
14	MOUNT OLIVE CITY
14	NILWOOD VILLAGE
14	SCOTTVILLE VILLAGE
14	STANDARD CITY VILLAGE
14	WHITE CITY VILLAGE
14	WILSONVILLE VILLAGE
14	ALHAMBRA VILLAGE
14	ALTON CITY
14	BETHALTO VILLAGE
14	EAST ALTON VILLAGE
14	GRANITE CITY
14	GRANTFORK VILLAGE
14	HAMEL VILLAGE
14	HARTFORD VILLAGE
14	HIGHLAND CITY
14	LIVINGSTON VILLAGE
14	MADISON CITY
14	MARINE VILLAGE
14	NEW DOUGLAS VILLAGE
14	ROXANA VILLAGE
14	TROY CITY
14	VENICE CITY
14	WILLIAMSON VILLAGE
14	WOOD RIVER CITY
14	WORDEN VILLAGE
14	PONTOON BEACH VILLAGE
14	SOUTH ROXANA VILLAGE
14	JUNCTION CITY VILLAGE
14	KELL VILLAGE
14	ODIN VILLAGE
14	WALNUT HILL VILLAGE
14	BROOKPORT CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	JOPPA VILLAGE
14	METROPOLIS CITY
14	COLUMBIA CITY
14	FULTS VILLAGE
14	MAEYSTOWN VILLAGE
14	WATERLOO CITY
14	BUTLER VILLAGE
14	COALTON VILLAGE
14	DONNELLSON VILLAGE
14	FARMERSVILLE VILLAGE
14	FILLMORE VILLAGE
14	HILLSBORO CITY
14	IRVING VILLAGE
14	LITCHFIELD CITY
14	NOKOMIS CITY
14	RAYMOND VILLAGE
14	SCHRAM CITY VILLAGE
14	TAYLOR SPRINGS VILLAGE
14	WAGGONER VILLAGE
14	WITT CITY
14	OHLMAN VILLAGE
14	JACKSONVILLE CITY
14	WOODSON VILLAGE
14	ADELINE VILLAGE
14	CRESTON VILLAGE
14	BARTONVILLE VILLAGE
14	BRIMFIELD VILLAGE
14	CUTLER VILLAGE
14	DU QUOIN CITY
14	PINCKNEYVILLE CITY
14	ST JOHNS VILLAGE
14	TAMAROA VILLAGE
14	BAYLIS VILLAGE
14	DETROIT VILLAGE
14	EL DARA VILLAGE
14	FLORENCE VILLAGE
14	GRIGGSVILLE CITY
14	HULL VILLAGE
14	KINDERHOOK VILLAGE
14	MILTON VILLAGE
14	NEBO VILLAGE
14	NEW CANTON TOWN
14	NEW SALEM TOWN
14	PEARL VILLAGE
14	PERRY VILLAGE
14	PITTSFIELD CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	PLEASANT HILL VILLAGE
14	TIME VILLAGE
14	VALLEY CITY VILLAGE
14	EDDYVILLE VILLAGE
14	GOLCONDA CITY
14	HAMLETSBURG VILLAGE
14	NEW GRAND CHAIN VILLAGE
14	KARNAK VILLAGE
14	MOUND CITY CITY
14	MOUND CITY
14	OLMSTEAD VILLAGE
14	PULASKI VILLAGE
14	ULLIN VILLAGE
14	MAGNOLIA TOWN
14	CALHOUN VILLAGE
14	CLAREMONT VILLAGE
14	NOBLE VILLAGE
14	OLNEY CITY
14	PARKERSBURG VILLAGE
14	BROOKLYN VILLAGE
14	EAST ST LOUIS CITY
14	FAIRMONT CITY VILLAGE
14	FAYETTEVILLE VILLAGE
14	LEBANON CITY
14	NATIONAL CITY VILLAGE
14	ST LIBORY VILLAGE
14	SWANSEA VILLAGE
14	WASHINGTON PARK VILLAGE
14	FAIRVIEW HEIGHTS CITY
14	CARRIER MILLS VILLAGE
14	ELDORADO CITY
14	HARRISBURG CITY
14	EXETER VILLAGE
14	COWDEN VILLAGE
14	FINDLAY VILLAGE
14	HERRICK VILLAGE
14	MCWEAQUA VILLAGE
14	OCONEE VILLAGE
14	SHELBYVILLE CITY
14	SIGEL TOWN
14	STEWARDSON VILLAGE
14	STRASBURG VILLAGE
14	TOWER HILL VILLAGE
14	RIDOTT VILLAGE
14	WINSLOW VILLAGE
14	ALTO PASS VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	ANNA CITY
14	COBDEN VILLAGE
14	DONGOLA VILLAGE
14	JONESBORO CITY
14	MILL CREEK VILLAGE
14	ALLERTON VILLAGE
14	BELGIUM VILLAGE
14	DANVILLE CITY
14	FITHIAN VILLAGE
14	GEORGETOWN CITY
14	HOOPESTON CITY
14	INDIANOLA VILLAGE
14	MUNCIE VILLAGE
14	POTOMAC VILLAGE
14	RANKIN VILLAGE
14	ROSSVILLE VILLAGE
14	SIDELL VILLAGE
14	TILTON VILLAGE
14	WESTVILLE VILLAGE
14	LITTLE YORK VILLAGE
14	MONMOUTH CITY
14	ROSEVILLE VILLAGE
14	RADOM VILLAGE
14	CISNE VILLAGE
14	FAIRFIELD CITY
14	JEFFERSONVILLE VILLAGE
14	JOHNSONVILLE VILLAGE
14	MT ERIE VILLAGE
14	SIMS VILLAGE
14	WAYNE CITY VILLAGE
14	KEENES VILLAGE
14	BURNT PRAIRIE VILLAGE
14	CARMI CITY
14	CROSSVILLE VILLAGE
14	ENFIELD VILLAGE
14	MAUNIE VILLAGE
14	MILL SHOALS VILLAGE
14	SPRINGERTON VILLAGE
14	PHILLIPSTOWN VILLAGE
14	LYNDON VILLAGE
14	BUSH VILLAGE
14	CAMBRIA VILLAGE
14	CARTERVILLE CITY
14	COLP VILLAGE
14	CRAINVILLE VILLAGE
14	CREAL SPRINGS CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	ENERGY VILLAGE
14	HERRIN CITY
14	HURST CITY
14	JOHNSTON CITY CITY
14	MARION CITY
14	PITTSBURG VILLAGE
14	SPILLERTOWN VILLAGE
14	WHITEASH VILLAGE
14	LOVES PARK CITY
14	ROCKFORD CITY
14	SOUTH BELOIT CITY
14	WINNEBAGO VILLAGE
14	BEVERLY TOWNSHIP
14	HOUSTON TOWNSHIP
14	LIBERTY TOWNSHIP
14	QUINCY TOWNSHIP
14	BURGESS TOWNSHIP
14	CENTRAL TOWNSHIP
14	LAGRANGE TOWNSHIP
14	MULBERRY GROVE TOWNSHIP
14	OLD RIPLEY TOWNSHIP
14	SHOAL CREEK TOWNSHIP
14	TAMALCO TOWNSHIP
14	BONUS TOWNSHIP
14	BOONE TOWNSHIP
14	FLORA TOWNSHIP
14	LEROY TOWNSHIP
14	MANCHESTER TOWNSHIP
14	POPLAR GROVE TOWNSHIP
14	SPRING TOWNSHIP
14	RIPLEY TOWNSHIP

STATE = 14: 445 RECORDS

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	CHERRY GROVE TOWNSHIP

STATE = 14: 1 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	ELKHORN GROVE TOWNSHIP
14	FAIRHAVEN TOWNSHIP
14	LIMA TOWNSHIP
14	MT CARROLL TOWNSHIP
14	ROCK CREEK TOWNSHIP
14	SALEM TOWNSHIP
14	SAVANNA TOWNSHIP
14	WOODLAND TOWNSHIP
14	ARENZVILLE TOWNSHIP
14	ASHLAND TOWNSHIP
14	BEARDSTOWN TOWNSHIP
14	CHANDLERVILLE TOWNSHIP
14	HAGENER TOWNSHIP
14	NEWMANSVILLE TOWNSHIP
14	PANTHER CREEK TOWNSHIP
14	PHILADELPHIA TOWNSHIP
14	SANGAMON VALLEY TOWNSHIP
14	VIRGINIA TOWNSHIP
14	COLFAX TOWNSHIP
14	CUNNINGHAM TOWNSHIP
14	KERR TOWNSHIP
14	LUDLOW TOWNSHIP
14	RANTOUL TOWNSHIP
14	URBANA TOWNSHIP
14	DARWIN TOWNSHIP
14	DOUGLAS TOWNSHIP
14	BIBLE GROVE TOWNSHIP
14	BLAIR TOWNSHIP
14	CLAY CITY TOWNSHIP
14	HARTER TOWNSHIP
14	HOOSIER TOWNSHIP
14	LOUISVILLE TOWNSHIP
14	OSKALOOSA TOWNSHIP
14	PIXLEY TOWNSHIP
14	XENIA TOWNSHIP
14	BROOKSIDE TOWNSHIP
14	CLEMENT TOWNSHIP
14	LOOKING GLASS TOWNSHIP
14	PLEASANT GROVE TOWNSHIP
14	CALUMET TOWNSHIP
14	LEMONT TOWNSHIP
14	STICKNEY TOWNSHIP
14	MALTA TOWNSHIP
14	TEXAS TOWNSHIP
14	AVENA TOWNSHIP
14	BEAR GROVE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	BOWLING GREEN TOWNSHIP
14	CARSON TOWNSHIP
14	HURRICANE TOWNSHIP
14	KASKASKIA TOWNSHIP
14	LA CLEDE TOWNSHIP
14	LONE GROVE TOWNSHIP
14	LOUDON TOWNSHIP
14	OTEGO TOWNSHIP
14	POPE TOWNSHIP
14	RAMSEY TOWNSHIP
14	SEFTON TOWNSHIP
14	SHARON TOWNSHIP
14	SOUTH HURRICANE TOWNSHIP
14	VANDALIA TOWNSHIP
14	WILBERTON TOWNSHIP
14	FRANKFORT TOWNSHIP
14	NORTHERN TOWNSHIP
14	SIX MILE TOWNSHIP
14	ASTORIA TOWNSHIP
14	BUCKHEART TOWNSHIP
14	CANTON TOWNSHIP
14	CASS TOWNSHIP
14	DEERFIELD TOWNSHIP
14	FARMERS TOWNSHIP
14	FARMINGTON TOWNSHIP
14	HARRIS TOWNSHIP
14	ISABEL TOWNSHIP
14	LEE TOWNSHIP
14	LEWISTOWN TOWNSHIP
14	PLEASANT TOWNSHIP
14	PUTMAN TOWNSHIP
14	UNION TOWNSHIP
14	VERMONT TOWNSHIP
14	WATERFORD TOWNSHIP
14	WOODLAND TOWNSHIP
14	ASBURY TOWNSHIP
14	BOWLESVILLE TOWNSHIP
14	EAGLE CREEK TOWNSHIP
14	EQUALITY TOWNSHIP
14	GOLD HILL TOWNSHIP
14	NEW HAVEN TOWNSHIP
14	NORTH FORK TOWNSHIP
14	OMAHA TOWNSHIP
14	RIDGWAY TOWNSHIP
14	SHAWNEE TOWNSHIP
14	CARROLLTON TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	KANE TOWNSHIP
14	LINDER TOWNSHIP
14	ROCKBRIDGE TOWNSHIP
14	ROODHOUSE TOWN
14	RUBICON TOWNSHIP
14	WALKERVILLE TOWNSHIP
14	WHITE HALL TOWNSHIP
14	WOODVILLE TOWNSHIP
14	BRACEVILLE TOWNSHIP
14	ERIENNA TOWNSHIP
14	BEAVER CREEK TOWNSHIP
14	CROOK TOWNSHIP
14	CROUCH TOWNSHIP
14	KNIGHT PRAIRIE TOWNSHIP
14	MCLEANSBORO TOWNSHIP
14	MAYBERRY TOWNSHIP
14	SOUTH CROUCH TOWNSHIP
14	SOUTH FLANNIGAN TOWNSHIP
14	SOUTH TWIGG TOWNSHIP
14	TWIGG TOWNSHIP
14	WILCOX TOWNSHIP
14	LOMAX TOWNSHIP
14	MARTINTON TOWNSHIP
14	MILKS GROVE TOWNSHIP
14	CARBONDALE TOWNSHIP
14	JERSEY TOWNSHIP
14	MISSISSIPPI TOWNSHIP
14	OTTER CREEK TOWNSHIP
14	QUARRY TOWNSHIP
14	RICHWOOD TOWNSHIP
14	ROSEDALE TOWNSHIP
14	RUYLE TOWNSHIP
14	APPLE RIVER TOWNSHIP
14	BERREMAN TOWNSHIP
14	COUNCIL HILL TOWNSHIP
14	DERINDA TOWNSHIP
14	ELIZABETH TOWNSHIP
14	GUILFORD TOWNSHIP
14	HANOVER TOWNSHIP
14	NORA TOWNSHIP
14	PLEASANT VALLEY TOWNSHIP
14	RICE TOWNSHIP
14	RUSH TOWNSHIP
14	STOCKTON TOWNSHIP
14	THOMPSON TOWNSHIP
14	VINEGAR HILL TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	WOODBINE TOWNSHIP
14	AROMA TOWNSHIP
14	BOURBONNAIS TOWNSHIP
14	ESSEX TOWNSHIP
14	GANEER TOWNSHIP
14	KANKAKEE TOWNSHIP
14	LIMESTONE TOWNSHIP
14	MANTENO TOWNSHIP
14	MOMENCE TOWNSHIP
14	OTTO TOWNSHIP
14	PEMBROKE TOWNSHIP
14	ROCKVILLE TOWNSHIP
14	ST ANNE TOWNSHIP
14	SALINA TOWNSHIP
14	YELLOWHEAD TOWNSHIP
14	CEDAR TOWNSHIP
14	CHESTNUT TOWNSHIP
14	COPLEY TOWNSHIP
14	ELBA TOWNSHIP
14	GALESBURG TOWNSHIP
14	HAW CREEK TOWNSHIP
14	LYNN TOWNSHIP
14	MAQUON TOWNSHIP
14	RIC TOWNSHIP
14	SALEM TOWNSHIP
14	TRURO TOWNSHIP
14	VICTORIA TOWNSHIP
14	WALNUT GROVE TOWNSHIP
14	GALESBURG CITY TOWNSHIP
14	ADAMS TOWNSHIP
14	ALLEN TOWNSHIP
14	BROOKFIELD TOWNSHIP
14	BRUCE TOWNSHIP
14	DEER PARK TOWNSHIP
14	DIMMICK TOWNSHIP
14	EAGLE TOWNSHIP
14	EARL TOWNSHIP
14	EDEN TOWNSHIP
14	FARM RIDGE TOWNSHIP
14	FREEDOM TOWNSHIP
14	GROVELAND TOWNSHIP
14	HOPE TOWNSHIP
14	LA SALLE TOWNSHIP
14	MANLIUS TOWNSHIP
14	MENDOTA TOWNSHIP
14	MERIDEN TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	OPHIR TOWNSHIP
14	OSAGE TOWNSHIP
14	OTTAWA TOWNSHIP
14	OTTER CREEK TOWNSHIP
14	PERU TOWNSHIP
14	RICHLAND TOWNSHIP
14	RUTLAND TOWNSHIP
14	SERENA TOWNSHIP
14	SOUTH OTTAWA TOWNSHIP
14	TROY GROVE TOWNSHIP
14	VERMILION TOWNSHIP
14	WALLACE TOWNSHIP
14	WALTHAM TOWNSHIP
14	AETNA TOWNSHIP
14	ATLANTA TOWNSHIP
14	BROADWELL TOWNSHIP
14	CHESTER TOWNSHIP
14	CORWIN TOWNSHIP
14	EAST LINCOLN TOWNSHIP
14	ELKHART TOWN
14	EMINENCE TOWNSHIP
14	HURLBUT TOWNSHIP
14	LAENNA TOWNSHIP
14	LAKE FORK TOWNSHIP
14	MT PULASKI TOWNSHIP
14	ORAN TOWNSHIP
14	ORVIL TOWNSHIP
14	SHERIDAN TOWNSHIP
14	WEST LINCOLN TOWNSHIP
14	BETHEL TOWNSHIP
14	CHALMERS TOWNSHIP
14	COLCHESTER TOWNSHIP
14	ELDORADO TOWNSHIP
14	EMMET TOWNSHIP
14	LAMOINE TWP
14	MACOMB TOWNSHIP
14	TENNESSEE TOWNSHIP
14	HARRISTOWN TOWNSHIP
14	BARR TOWNSHIP
14	CAHOKIA TOWNSHIP
14	ALTON TOWNSHIP
14	CHOUTEAU TOWNSHIP
14	COLLINSVILLE TOWNSHIP
14	FORT RUSSELL TOWNSHIP
14	GODFREY TOWNSHIP
14	GRANITE CITY TOWNSHIP

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	HELVETIA TOWNSHIP
14	JARVIS TOWNSHIP
14	MORO TOWNSHIP
14	NAMEOKI TOWNSHIP
14	NEW DOUGLAS TOWNSHIP
14	OLIVE TOWNSHIP
14	OMPHGHENT TOWNSHIP
14	PIN OAK TOWNSHIP
14	SALINE TOWNSHIP
14	VENICE TOWNSHIP
14	WOOD RIVER TOWNSHIP
14	FOSTER TOWNSHIP
14	MEACHAM TOWNSHIP
14	ODIN TOWNSHIP
14	SANDOVAL TOWNSHIP
14	STEVENSON TOWNSHIP
14	AUDUBON TOWNSHIP
14	BOIS D ARC TOWNSHIP
14	BUTLER GROVE TOWNSHIP
14	EAST FORK TOWNSHIP
14	FILLMORE TOWNSHIP
14	GRISHAM TOWNSHIP
14	HARVEL TOWNSHIP
14	HILLSBORO TOWNSHIP
14	IRVING TOWNSHIP
14	NOKOMIS TOWNSHIP
14	N LITCHFIELD TOWNSHIP
14	PITMAN TOWNSHIP
14	RAYMOND TOWNSHIP
14	ROUNTREE TOWNSHIP
14	SC LITCHFIELD TOWNSHIP
14	WITT TOWNSHIP
14	DEMENT TOWNSHIP
14	EAGLE POINT TOWNSHIP
14	LINCOLN TOWNSHIP
14	MT MORRIS TOWNSHIP
14	WHITE ROCK TOWNSHIP
14	ATLAS TOWNSHIP
14	CHAMBERSBURG TOWNSHIP
14	CINCINNATI TOWNSHIP
14	DERRY TOWNSHIP
14	FAIRMOUNT TOWNSHIP
14	FLINT TOWNSHIP
14	GRIGGSVILLE TOWNSHIP
14	HADLEY TOWNSHIP
14	HARDIN TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	KINDERHOOK TOWNSHIP
14	LEVEE TOWNSHIP
14	MARTINSBURG TOWNSHIP
14	MONTESUMA TOWNSHIP
14	NEWBURG TOWNSHIP
14	NEW SALEM TOWNSHIP
14	PEARL TOWNSHIP
14	PERRY TOWNSHIP
14	PITTSFIELD TOWNSHIP
14	PLEASANT HILL TOWNSHIP
14	PLEASANT VALE TOWNSHIP
14	ROSS TOWNSHIP
14	SPRING CREEK TOWNSHIP
14	BONPAS TOWNSHIP
14	DENVER TOWNSHIP
14	GERMAN TOWNSHIP
14	MADISON TOWNSHIP
14	NOBLE TOWNSHIP
14	OLNEY TOWNSHIP
14	CANTEEN TOWNSHIP
14	CASEYVILLE TOWNSHIP
14	CENTREVILLE TOWNSHIP
14	EAST ST LOUIS TOWNSHIP
14	PRAIRIE DU LONG TOWNSHIP
14	STITES TOWNSHIP
14	SUGAR LOAF TOWNSHIP
14	EAST ELDORADO TOWNSHIP
14	LONG BRANCH TOWNSHIP
14	MOUNTAIN TOWNSHIP
14	RECTOR TOWNSHIP
14	ASH GROVE TOWNSHIP
14	DRY POINT TOWNSHIP
14	HERRICK TOWNSHIP
14	HOLLAND TOWNSHIP
14	LAKEWOOD TOWNSHIP
14	MCWEAQUA TOWNSHIP
14	OCONEE TOWNSHIP
14	OKAW TOWNSHIP
14	PENN TOWNSHIP
14	PICKAWAY TOWNSHIP
14	PRAIRIE TOWNSHIP
14	RICHLAND TOWNSHIP
14	RIDGE TOWNSHIP
14	ROSE TOWNSHIP
14	RURAL TOWNSHIP
14	SHELBYVILLE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	SIGEL TOWNSHIP
14	TOWER HILL TOWNSHIP
14	WINDSOR TOWNSHIP
14	JEFFERSON TOWNSHIP
14	LANCASTER TOWNSHIP
14	ONECO TOWNSHIP
14	RIDOTT TOWNSHIP
14	ROCK GROVE TOWNSHIP
14	BLOUNT TOWNSHIP
14	BUTLER TOWNSHIP
14	CARROLL TOWNSHIP
14	CATLIN TOWNSHIP
14	DANVILLE TOWNSHIP
14	ELWOOD TOWNSHIP
14	GEORGETOWN TOWNSHIP
14	GRANT TOWNSHIP
14	JAMAICA TOWNSHIP
14	LOVE TOWNSHIP
14	MCKENDREE TOWNSHIP
14	MIDDLEFORK TOWNSHIP
14	NEWELL TOWNSHIP
14	PILOT TOWNSHIP
14	ROSS TOWNSHIP
14	SIDELL TOWNSHIP
14	COLDBROOK TOWNSHIP
14	ELLISON TOWNSHIP
14	FLOYD TOWNSHIP
14	HALE TOWNSHIP
14	KELLY TOWNSHIP
14	MONMOUTH TOWNSHIP
14	POINT PLEASANT TOWNSHIP
14	ROSEVILLE TOWNSHIP
14	SUMNER TOWNSHIP
14	SWAN TOWNSHIP
14	DU BOIS TOWNSHIP
14	ARRINGTON TOWNSHIP
14	BARNHILL TOWNSHIP
14	BEDFORD TOWNSHIP
14	BERRY TOWNSHIP
14	BIG MOUND TOWNSHIP
14	ELM RIVER TOWNSHIP
14	GARDEN HILL TOWNSHIP
14	GROVER TOWNSHIP
14	HICKORY HILL TOWNSHIP
14	INDIAN PRAIRIE TOWNSHIP
14	KEITH TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
14	LAMARD TOWNSHIP
14	MT ERIE TOWNSHIP
14	ORCHARD TOWNSHIP
14	OREL TOWNSHIP
14	BURNT PRAIRIE TOWNSHIP
14	CARMI TOWNSHIP
14	EMMA TOWNSHIP
14	ENFIELD TOWNSHIP
14	GRAY TOWNSHIP
14	HAWTHORNE TOWNSHIP
14	HERALDS PRAIRIE TOWNSHIP
14	INDIAN CREEK TOWNSHIP
14	MILL SHOALS TOWNSHIP
14	PHILLIPS TOWNSHIP
14	LYNDON TOWNSHIP
14	USTICK TOWNSHIP
14	BURRITT TOWNSHIP
14	HARRISON TOWNSHIP
14	ROCKFORD TOWNSHIP
14	WINNEBAGO TOWNSHIP

STATE = 14: 388 RECORDS

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	BLACKFORD COUNTY
15	CRAWFORD COUNTY
15	DAVIESS COUNTY
15	DEARBORN COUNTY
15	DELAWARE COUNTY
15	ELKHART COUNTY
15	FAYETTE COUNTY
15	FOUNTAIN COUNTY
15	FRANKLIN COUNTY
15	GREENE COUNTY
15	JAY COUNTY
15	JEFFERSON COUNTY
15	LAWRENCE COUNTY
15	MARTIN COUNTY
15	MIAMI COUNTY
15	NOBLE COUNTY
15	OHIO COUNTY
15	ORANGE COUNTY
15	OWEN COUNTY
15	PARKE COUNTY
15	PERRY COUNTY
15	PUTNAM COUNTY
15	RANDOLPH COUNTY
15	RIPLEY COUNTY
15	RUSH COUNTY
15	ST JOSEPH COUNTY
15	SCOTT COUNTY
15	SHELBY COUNTY
15	VERMILLION COUNTY
15	VIGO COUNTY
15	WAYNE COUNTY
15	FORT WAYNE CITY
15	HARTFORD CITY
15	MONTPELIER CITY
15	LOGANSPORT CITY
15	ROYAL CENTER TOWN
15	CHARLESTOWN CITY
15	NEW PROVIDENCE TOWN
15	COLFAX TOWN
15	KIRKLIN TOWN
15	MULBERRY TOWN
15	ALTON TOWN
15	ENGLISH TOWN
15	LEAVENWORTH TOWN
15	MARENGO TOWN
15	ALFORDSVILLE TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	CANNELBURG TOWN
15	ELNORA TOWN
15	MONTGOMERY TOWN
15	ODON TOWN
15	PLAINVILLE TOWN
15	WASHINGTON CITY
15	AURORA CITY
15	DILLSBORO TOWN
15	GREENDALE TOWN
15	LAWRENCEBURG CITY
15	MOORES HILL TOWN
15	ST LEON TOWN
15	WEST HARRISON TOWN
15	ALBANY TOWN
15	EATON TOWN
15	MUNCIE CITY
15	ELKHART CITY
15	CONNERSVILLE CITY
15	NEW ALBANY CITY
15	ATTICA CITY
15	KINGMAN TOWN
15	WALLACE TOWN
15	BROOKVILLE TOWN
15	CEDAR GROVE TOWN
15	LAUREL TOWN
15	MOUNT CARMEL TOWN
15	OLDENBURG TOWN
15	GAS CITY CITY
15	MARION CITY
15	MATTHEWS TOWN
15	BLOOMFIELD TOWN
15	JASONVILLE CITY
15	LINTON CITY
15	LYONS TOWN
15	NEWBERRY TOWN
15	SWITZ CITY TOWN
15	WORTHINGTON TOWN
15	CORYDON TOWN
15	LACONIA CORP
15	MAUCKPORT TOWN
15	NEW AMSTERDAM TOWN
15	NEW MIDDLETOWN TOWN
15	BLOUNTSVILLE TOWN
15	KNIGHTSTOWN TOWN
15	MOORELAND TOWN
15	NEW CASTLE CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	HUNTINGTON CITY
15	MOUNT ETNA TOWN
15	CROTHERSVILLE TOWN
15	MEDORA TOWN
15	SEYMOUR CITY
15	BRYANT TOWN
15	PENNVILLE TOWN
15	REDKEY TOWN
15	SALAMONIA TOWN
15	BROOKSBURG TOWN
15	HANOVER TOWN
15	MADISON CITY
15	DUPONT TOWN
15	BICKNELL CITY
15	DECKER TOWN
15	EDWARDSPORT TOWN
15	OAKTOWN TOWN
15	VINCENNES CITY
15	WHEATLAND TOWN
15	BRUCEVILLE TOWN
15	SHIPSHEWANA TOWN
15	TOPEKA TOWN
15	EAST CHICAGO CITY
15	LAKE STATION CITY
15	GARY CITY
15	CEDAR LAKE TOWN
15	KINGSBURY TOWN
15	WESTVILLE TOWN
15	BEDFORD CITY
15	MITCHELL CITY
15	OOLITIC TOWN
15	ALEXANDRIA CITY
15	ANDERSON CITY
15	ELWOOD CITY
15	INGALLS TOWN
15	LAPEL TOWN
15	ORESTES TOWN
15	INDIANAPOLIS CITY
15	LYNHURST TOWN
15	LOGOOTEE CITY
15	SHOALS TOWN
15	CRANE TOWN
15	DENVER TOWN
15	NORTH GROVE TOWN
15	PERU CITY
15	BLOOMINGTON CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	STINESVILLE TOWN
15	ALAMO TOWN
15	WAVELAND TOWN
15	ALBION TOWN
15	CROMWELL TOWN
15	KENDALLVILLE CITY
15	LIGONIER CITY
15	ROME CITY TOWN
15	RISING SUN CITY
15	FRENCH LICK TOWN
15	ORLEANS TOWN
15	PAOLI TOWN
15	WEST BADEN TOWN
15	GOSPORT TOWN
15	SPENCER TOWN
15	BLOOMINGDALE TOWN
15	JUDSON TOWN
15	MARSHALL TOWN
15	MONTEZUMA TOWN
15	ROCKVILLE TOWN
15	ROSEDALE TOWN
15	MECCA TOWN
15	CANNELTON CITY
15	TELL CITY CITY
15	TROY TOWN
15	BAINBRIDGE TOWN
15	CLOVERDALE TOWN
15	GREENCASTLE CITY
15	ROACHDALE TOWN
15	RUSSELLVILLE TOWN
15	LYNN TOWN
15	RIDGEVILLE TOWN
15	SARATOGA TOWN
15	UNION CITY CITY
15	WINCHESTER CITY
15	LOSANTVILLE TOWN
15	MILAN TOWN
15	OSGOOD TOWN
15	SUNMAN CIVIL TOWN
15	NAPOLEON TOWN
15	HOLTON TOWN
15	CARTHAGE TOWN
15	RUSHVILLE CITY
15	LAKEVILLE TOWN
15	NORTH LIBERTY TOWN
15	SOUTH BEND CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	WALKERTON TOWN
15	SCOTTSBURG CITY
15	AUSTIN TOWN
15	SHELBYVILLE CITY
15	NORTH JUDSON TOWN
15	PATRIOT TOWN
15	CAYUGA TOWN
15	CLINTON CITY
15	DANA TOWN
15	FAIRVIEW PARK TOWN
15	NEWPORT TOWN
15	PERRYSVILLE TOWN
15	RILEY TOWN
15	SEELYVILLE CIVIL TOWN
15	TERRE HAUTE CITY
15	WEST TERRE HAUTE CITY
15	LAGRO TOWN
15	NORTH MANCHESTER TOWN
15	ROANN TOWN
15	WABASH CITY
15	CAMBRIDGE CITY TOWN
15	CENTERVILLE TOWN
15	DUBLIN TOWN
15	ECONOMY TOWN
15	FOUNTAIN CITY TOWN
15	HAGERSTOWN TOWN
15	MILTON TOWN
15	MOUNT AUBURN TOWN
15	RICHMOND CITY
15	BLUFFTON CITY
15	PONETO TOWN
15	VERA CRUZ TOWN
15	BURNETTSVILLE TOWN
15	MILAN TOWN
15	SPRINGFIELD TOWNSHIP
15	WAYNE TOWNSHIP
15	WASHINGTON TOWNSHIP
15	ADAMS TOWNSHIP
15	CLINTON TOWNSHIP
15	EEL TOWNSHIP
15	JEFFERSON TOWNSHIP
15	NOBLE TOWNSHIP
15	CHARLESTOWN TOWNSHIP
15	OREGON TOWNSHIP
15	WASHINGTON TOWNSHIP
15	MADISON TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	BOONE TOWNSHIP
15	JENNINGS TOWNSHIP
15	JOHNSON TOWNSHIP
15	LIBERTY TOWNSHIP
15	OHIO TOWNSHIP
15	PATOKA TOWNSHIP
15	STERLING TOWNSHIP
15	UNION TOWNSHIP
15	WHISKEY RUN TOWNSHIP
15	BARR TOWNSHIP
15	BOGARD TOWNSHIP
15	ELMORE TOWNSHIP
15	HARRISON TOWNSHIP
15	MADISON TOWNSHIP
15	REEVE TOWNSHIP
15	STEELE TOWNSHIP
15	VANBUREN TOWNSHIP
15	VEALE TOWNSHIP
15	WASHINGTON TOWNSHIP
15	CAESAR CREEK TOWNSHIP
15	CENTER TOWNSHIP
15	CLAY TOWNSHIP
15	HARRISON TOWNSHIP
15	HOGAN TOWNSHIP
15	JACKSON TOWNSHIP
15	KELSO TOWNSHIP
15	LAWRENCEBURG TOWNSHIP
15	LOGAN TOWNSHIP
15	MANCHESTER TOWNSHIP
15	MILLER TOWNSHIP
15	SPARTA TOWNSHIP
15	WASHINGTON TOWNSHIP
15	YORK TOWNSHIP
15	CENTER TOWNSHIP
15	DELAWARE TOWNSHIP
15	UNION TOWNSHIP
15	BAUGO TOWNSHIP
15	CONCORD TOWNSHIP
15	HARRISON TOWNSHIP
15	COLUMBIA TOWNSHIP
15	CONNERSVILLE TOWNSHIP
15	HARRISON TOWNSHIP
15	JACKSON TOWNSHIP
15	WATERLOO TOWNSHIP
15	DAVIS TOWNSHIP
15	LOGAN TOWNSHIP

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	MILLCREEK TOWNSHIP
15	BATH TOWNSHIP
15	BLOOMING GROVE TOWNSHIP
15	BROOKVILLE TOWNSHIP
15	FAIRFIELD TOWNSHIP
15	HIGHLAND TOWNSHIP
15	LAUREL TOWNSHIP
15	METAMORA TOWNSHIP
15	POSEY TOWNSHIP
15	RAY TOWNSHIP
15	SALT CREEK TOWNSHIP
15	SPRINGFIELD TOWNSHIP
15	WHITEWATER TOWNSHIP
15	CENTER TOWNSHIP
15	FRANKLIN TOWNSHIP
15	JEFFERSON TOWNSHIP
15	MILL TOWNSHIP
15	RICHLAND TOWNSHIP
15	BEECH CREEK TOWNSHIP
15	CASS TOWNSHIP
15	CENTER TOWNSHIP
15	FAIRPLAY TOWNSHIP
15	GRANT TOWNSHIP
15	HIGHLAND TOWNSHIP
15	JACKSON TOWNSHIP
15	JEFFERSON TOWNSHIP
15	RICHLAND TOWNSHIP
15	STOCKTON TOWNSHIP
15	TAYLOR TOWNSHIP
15	WASHINGTON TOWNSHIP
15	WRIGHT TOWNSHIP
15	BOONE TOWNSHIP
15	HARRISON TOWNSHIP
15	WEBSTER TOWNSHIP
15	BLUE RIVER TOWNSHIP
15	HOWARD TOWNSHIP
15	DALLAS TOWNSHIP
15	HUNTINGTON TOWNSHIP
15	UNION TOWNSHIP
15	WARREN TOWNSHIP
15	CARR TOWNSHIP
15	JACKSON TOWNSHIP
15	PERSHING TOWNSHIP
15	VERNON TOWNSHIP
15	BEAR CREEK TOWNSHIP
15	JEFFERSON TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	PENN TOWNSHIP
15	RICHLAND TOWNSHIP
15	WABASH TOWNSHIP
15	GRAHAM TOWNSHIP
15	HANOVER TOWNSHIP
15	LANCASTER TOWNSHIP
15	MADISON TOWNSHIP
15	MILTON TOWNSHIP
15	MONROE TOWNSHIP
15	SALUDA TOWNSHIP
15	SHELBY TOWNSHIP
15	SMYRNA TOWNSHIP
15	DECKER TOWNSHIP
15	VIGO TOWNSHIP
15	WASHINGTON TOWNSHIP
15	BLOOMFIELD TOWNSHIP
15	CALUMET TOWNSHIP
15	GALENA TOWNSHIP
15	HUDSON TOWNSHIP
15	KANKAKEE TOWNSHIP
15	NEW DURHAM TOWNSHIP
15	WASHINGTON TOWNSHIP
15	BOND TOWNSHIP
15	GUTHRIE TOWNSHIP
15	INDIAN CREEK TOWNSHIP
15	MARION TOWNSHIP
15	MARSHALL TOWNSHIP
15	PERRY TOWNSHIP
15	PLEASANT RUN TOWNSHIP
15	SHAWSWICK TOWNSHIP
15	SPICE VALLEY TOWNSHIP
15	ANDERSON TOWNSHIP
15	FALL CREEK TOWNSHIP
15	LAFAYETTE TOWNSHIP
15	PIPE CREEK TOWNSHIP
15	UNION TOWNSHIP
15	CENTER TOWNSHIP
15	WARREN TOWNSHIP
15	CENTER TOWNSHIP
15	HALBERT TOWNSHIP
15	LOST RIVER TOWNSHIP
15	MITCHELTREE TOWNSHIP
15	PERRY TOWNSHIP
15	RUTHERFORD TOWNSHIP
15	BUTLER TOWNSHIP
15	PERRY TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	PERU TOWNSHIP
15	PIPE CREEK TOWNSHIP
15	PERRY TOWNSHIP
15	BROWN TOWNSHIP
15	CLARK TOWNSHIP
15	ALBION TOWNSHIP
15	ELKHART TOWNSHIP
15	ORANGE TOWNSHIP
15	PERRY TOWNSHIP
15	CASS TOWNSHIP
15	PIKE TOWNSHIP
15	UNION TOWNSHIP
15	FRENCH LICK TOWNSHIP
15	GREENFIELD TOWNSHIP
15	JACKSON TOWNSHIP
15	NORTHEAST TOWNSHIP
15	NORTHWEST TOWNSHIP
15	ORANGEVILLE TOWNSHIP
15	ORLEANS TOWNSHIP
15	PAOLI TOWNSHIP
15	SOUTHEAST TOWNSHIP
15	STAMPERS CREEK TOWNSHIP
15	CLAY TOWNSHIP
15	FRANKLIN TOWNSHIP
15	HARRISON TOWNSHIP
15	JACKSON TOWNSHIP
15	JEFFERSON TOWNSHIP
15	JENNINGS TOWNSHIP
15	LAFAYETTETOWNSHIP
15	MARION TOWNSHIP
15	MONTGOMERY TOWNSHIP
15	MORGAN TOWNSHIP
15	TAYLOR TOWNSHIP
15	WASHINGTON TOWNSHIP
15	WAYNE TOWNSHIP
15	ADAMS TOWNSHIP
15	FLORDIA TOWNSHIP
15	HOWARD TOWNSHIP
15	JACKSON TOWNSHIP
15	LIBERTY TOWNSHIP
15	PENN TOWNSHIP
15	RACCOON TOWNSHIP
15	RESERVE TOWNSHIP SCHOOL
15	SUGAR CREEK TOWNSHIP
15	UNION TOWNSHIP
15	WABASH TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	WASHINGTON TOWNSHIP
15	ANDERSON TOWNSHIP
15	CLARK TOWNSHIP
15	LEOPOLD TOWNSHIP
15	OIL TOWNSHIP
15	TOBIN TOWNSHIP
15	TROY TOWNSHIP
15	UNION TOWNSHIP
15	RICH GROVE TOWNSHIP
15	TIPPECANOE TOWNSHIP
15	CLINTON TOWNSHIP
15	CLOVERDALE TOWNSHIP
15	FRANKLIN TOWNSHIP
15	GREENCASTLE TOWNSHIP
15	JEFFERSON TOWNSHIP
15	MADISON TOWNSHIP
15	MARION TOWNSHIP
15	MONROE TOWNSHIP
15	RUSSELL TOWNSHIP
15	WARREN TOWNSHIP
15	WASHINGTON TOWNSHIP
15	FRANKLIN TOWNSHIP
15	GREENSFORK TOWNSHIP
15	JACKSON TOWNSHIP
15	WARD TOWNSHIP
15	WAYNE TOWNSHIP
15	WHITE RIVER TOWNSHIP
15	ADAMS TOWNSHIP
15	BROWN TOWNSHIP
15	CENTER TOWNSHIP
15	DELAWARE TOWNSHIP
15	FRANKLIN TOWNSHIP
15	JACKSON TOWNSHIP
15	LAUGHERY TOWNSHIP
15	OTTER CREEK TOWNSHIP
15	SHELBY TOWNSHIP
15	ANDERSON TOWNSHIP
15	CENTER TOWNSHIP
15	JACKSON TOWNSHIP
15	NOBLE TOWNSHIP
15	ORANGE TOWNSHIP
15	POSEY TOWNSHIP
15	RICHLAND TOWNSHIP
15	RIPLEY TOWNSHIP
15	RUSHVILLE TOWNSHIP
15	UNION TOWNSHIP

05/23/78 AT 01:25

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
15	WALKER TOWNSHIP
15	WASHINGTON TOWNSHIP
15	GREENE TOWNSHIP
15	LINCOLN TOWNSHIP
15	PENN TOWNSHIP
15	PORTAGE TOWNSHIP
15	FINLEY TOWNSHIP
15	JENNINGS TOWNSHIP
15	JOHNSON TOWNSHIP
15	LEXINGTON TOWNSHIP
15	ADDISON TOWNSHIP
15	BRANDYWINE CIVIL TWP
15	LIBERTY TOWNSHIP
15	DAVIS TOWNSHIP
15	RAILROAD TOWNSHIP
15	WAYNE TOWNSHIP
15	BROWNSVILLE TOWNSHIP
15	UNION TOWNSHIP
15	CLINTON TOWNSHIP
15	EUGENE TOWNSHIP
15	HELT TOWNSHIP
15	HARRISON TOWNSHIP
15	PRAIRIETON TOWNSHIP
15	RILEY TOWNSHIP
15	SUGAR CREEK TOWNSHIP
15	CHESTER TOWNSHIP
15	NOBLE TOWNSHIP
15	PLEASANT TOWNSHIP
15	PINE TOWNSHIP
15	STEUBEN TOWNSHIP
15	WARREN TOWNSHIP
15	DALTON TOWNSHIP
15	FRANKLIN TOWNSHIP
15	GREENE TOWNSHIP
15	JACKSON TOWNSHIP
15	JEFFERSON TOWNSHIP
15	NEW GARDEN TOWNSHIP
15	WASHINGTON TOWNSHIP
15	WAYNE TOWNSHIP
15	JACKSON TOWNSHIP
15	WEST POINT TOWNSHIP

STATE = 15: 501 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
16	ADAMS COUNTY
16	APPANOOSE COUNTY
16	AUDUBON COUNTY
16	DECATUR COUNTY
16	RINGGOLD COUNTY
16	TAYLOR COUNTY
16	WAYNE COUNTY
16	ORIENT TOWN
16	CARBON TOWN
16	NODAWAY TOWN
16	PRESCOTT TOWN
16	CENTERVILLE CITY
16	CINCINNATI TOWN
16	EXLINE TOWN
16	MORAVIA TOWN
16	MOULTON TOWN
16	MYSTIC CITY
16	NUMA TOWN
16	PLANO TOWN
16	RATHBUN TOWN
16	UDELL TOWN
16	UNIONVILLE TOWN
16	BRAYTON TOWN
16	GRAY TOWN
16	LUTHER TOWN
16	JOLLEY TOWN
16	DELMAR TOWN
16	DAVIS CITY TOWN
16	DECATUR CITY TOWN
16	GARDEN GROVE TOWN
16	GRAND RIVER TOWN
16	LAMONI CITY
16	LEON CITY
16	LE ROY TOWN
16	PLEASANTON TOWN
16	WELDON TOWN
16	CASEY TOWN
16	DUNLAP TOWN
16	MAGNOLIA TOWN
16	HURSTVILLE TOWN
16	MONMOUTH CITY
16	COLFAX CITY
16	DELTA TOWN
16	HARPER TOWN
16	KESWICK TOWN
16	KEOKUK CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
16	DERBY TOWN
16	LUCAS TOWN
16	WILLIAMSON TOWN
16	BEVINGTON TOWN
16	BARNES CITY TOWN
16	BEACON TOWN
16	NEW SHARON TOWN
16	ROSE HILL TOWN
16	UNIVERSITY PARK TOWN
16	KEOMAH CITY
16	MITCHELL TOWN
16	BLANCHARD TOWN
16	CLARINDA CITY
16	DIAGONAL TOWN
16	KELLERTON TOWN
16	MALOY TOWN
16	REDDING TOWN
16	TINGLEY TOWN
16	EARLING TOWN
16	WESTPHALIA TOWN
16	ATHELSTAN TOWN
16	BLOCKTON TOWN
16	CONWAY TOWN
16	SHARPSBURG TOWN
16	FARMINGTON TOWN
16	MILTON TOWN
16	MOUNT STERLING TOWN
16	ELDON TOWN
16	HUMESTON TOWN
16	MILLERTON TOWN
16	SEYMOUR TOWN

STATE = 16: 77 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
17	ANDERSON COUNTY
17	ATCHISON COUNTY
17	CHASE COUNTY
17	CHAUTAUQUA COUNTY
17	CHEROKEE COUNTY
17	CRAWFORD COUNTY
17	ELK COUNTY
17	LABETTE COUNTY
17	WYANDOTTE COUNTY
17	COLONY CITY
17	GREELEY CITY
17	LONE ELM CITY
17	WESTPHALIA CITY
17	ATCHISON CITY
17	LANCASTER CITY
17	MAPLETON CITY
17	FAIRVIEW CITY
17	HORTON CITY
17	MORRILL CITY
17	ROBINSON CITY
17	WILLIS CITY
17	CEDAR POINT CITY
17	COTTONWOOD FALLS CITY
17	ELMDALE CITY
17	CHAUTAUQUA CITY
17	ELGIN CITY
17	PERU CITY
17	SEDAN CITY
17	BAXTER SPRINGS CITY
17	COLUMBUS CITY
17	GALENA CITY
17	TREECE CITY
17	WEIR CITY
17	ROSELAND CITY
17	GRIDLEY CITY
17	WAVERLY CITY
17	CAMBRIDGE CITY
17	UDALL CITY
17	ARCADIA CITY
17	ARMA CITY
17	CHEROKEE CITY
17	GIRARD CITY
17	HEPLER CITY
17	MCCUNE CITY
17	MULBERRY CITY
17	PITTSBURG CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
17	WALNUT CITY
17	ENTERPRISE CITY
17	HOPE CITY
17	MANCHESTER CITY
17	ELK FALLS CITY
17	HOWARD CITY
17	LONGTON CITY
17	MCLINE CITY
17	FALL RIVER CITY
17	SEVERY CITY
17	VIRGIL CITY
17	COOLIDGE CITY
17	BLUFF CITY CITY
17	DANVILLE CITY
17	PENALOSA CITY
17	ALTAMONT CITY
17	CHETOPA CITY
17	EDNA CITY
17	LABETTE CITY
17	MOUND VALLEY CITY
17	OSWEGO CITY
17	PARSONS CITY
17	LANSING CITY
17	BURNS CITY
17	LINCOLNVILLE CITY
17	RAMONA CITY
17	TAMPA CITY
17	AXTELL CITY CITY
17	BLUE RAPIDS CITY
17	SUMMERFIELD CITY
17	LATIMER CITY
17	WHITE CITY CITY
17	CENTRALIA CITY
17	CORNING CITY
17	GOFF CITY
17	ONEIDA CITY
17	WETMORE CITY
17	BAZINE CITY
17	TESCOTT CITY
17	ALDEN CITY
17	DAMAR CITY
17	LIEBENTHAL CITY
17	RUSH CENTER CITY
17	PARADISE CITY
17	CEDAR CITY
17	CONWAY SPRINGS CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
17	ALMA CITY
17	ESKRIDGE CITY
17	MCFARLAND CITY
17	PAXICO CITY
17	ALTOONA CITY
17	BUFFALO CITY
17	COYVILLE CITY
17	NEW ALBANY CITY
17	NEOSHO FALLS CITY
17	TORONTO CITY
17	EDWARDSVILLE CITY
17	KANSAS CITY CITY
17	INDIAN CREEK TOWNSHIP
17	LINCOLN TOWNSHIP
17	LONE ELM TOWNSHIP
17	OZARK TOWNSHIP
17	PUTNAM TOWNSHIP
17	REEDER TOWNSHIP
17	UNION TOWNSHIP
17	WALKER TOWNSHIP
17	WASHINGTON TOWNSHIP
17	WESTPHALIA TOWNSHIP
17	CENTER TOWNSHIP
17	FRANKLIN TOWNSHIP
17	MILL CREEK TOWNSHIP
17	WALNUT TOWNSHIP
17	MISSION TOWNSHIP
17	CEDAR TOWNSHIP
17	COTTONWOOD TOWNSHIP
17	DIAMOND CREEK TOWNSHIP
17	FALLS TOWNSHIP
17	MATFIELD TOWNSHIP
17	BELLEVILLE TOWNSHIP
17	CANEYVILLE TOWNSHIP
17	HARRISON TOWNSHIP
17	HENDRICKS TOWNSHIP
17	SALT CREEK TOWNSHIP
17	SEDAN TOWNSHIP
17	SUMMIT TOWNSHIP
17	WASHINGTON TOWNSHIP
17	CHEROKEE TOWNSHIP
17	CRAWFORD TOWNSHIP
17	LYON TOWNSHIP
17	MINERAL TOWNSHIP
17	NEOSHO TOWNSHIP
17	PLEASANT VIEW TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
17	ROSS TOWNSHIP
17	SALAMANCA TOWNSHIP
17	AVON TOWNSHIP
17	LIBERTY TOWNSHIP
17	ROCK CREEK TOWNSHIP
17	STAR TOWNSHIP
17	CEDAR TOWNSHIP
17	GRANT TOWNSHIP
17	OMNIA TOWNSHIP
17	RICHLAND TOWNSHIP
17	WINDSOR TOWNSHIP
17	LINCOLN TOWNSHIP
17	SHERIDAN TOWNSHIP
17	SHERMAN TOWNSHIP
17	WALNUT TOWNSHIP
17	UNION TOWNSHIP
17	ELK FALLS TOWNSHIP
17	HOWARD TOWNSHIP
17	LIBERTY TOWNSHIP
17	OAK VALLEY TOWNSHIP
17	UNION CENTER TOWNSHIP
17	OTTER CREEK TOWNSHIP
17	SALEM TOWNSHIP
17	CANADA TOWNSHIP
17	FAIRVIEW TOWNSHIP
17	HACKBERRY TOWNSHIP
17	HOWARD TOWNSHIP
17	LABETTE TOWNSHIP
17	LIBERTY TOWNSHIP
17	MONTANA TOWNSHIP
17	MOUND VALLEY TOWNSHIP
17	NEOSHO TOWNSHIP
17	OSAGE TOWNSHIP
17	OSWEGO TOWNSHIP
17	RICHLAND TOWNSHIP
17	RENO TOWNSHIP
17	PAXTON TOWNSHIP
17	FAIRPLAY TOWNSHIP
17	OKETO TOWNSHIP
17	TOWNSHIP NO 9
17	TOWNSHIP NO 5
17	ADAMS TOWNSHIP
17	CAPIOMA TOWNSHIP
17	CENTER TOWNSHIP
17	CLEAR CREEK TOWNSHIP
17	GILMAN TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
17	GRANADA TOWNSHIP
17	HARRISON TOWNSHIP
17	HOME TOWNSHIP
17	ILLINOIS TOWNSHIP
17	MARION TOWNSHIP
17	NEUCHATEL TOWNSHIP
17	REILLY TOWNSHIP
17	RICHMOND TOWNSHIP
17	ROCK CREEK TOWNSHIP
17	WETMORE TOWNSHIP
17	HIGHPOINT TOWNSHIP
17	JACKSON TOWNSHIP
17	HENRY TOWNSHIP
17	VALVERDE TOWNSHIP
17	ALMA TOWNSHIP
17	KAW TOWNSHIP
17	CLIFTON TOWNSHIP
17	DUCK CREEK TOWNSHIP
17	FALL RIVER TOWNSHIP
17	LIBERTY TOWNSHIP
17	TORONTO TOWNSHIP

STATE = 17: 205 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
18	BRACKEN COUNTY
18	BUTLER COUNTY
18	CALDWELL COUNTY
18	CAMPBELL COUNTY
18	CARLISLE COUNTY
18	FLEMING COUNTY
18	FULTON COUNTY
18	GALLATIN COUNTY
18	GARRARD COUNTY
18	GREEN COUNTY
18	JACKSON COUNTY
18	LEE COUNTY
18	LEWIS COUNTY
18	LINCOLN COUNTY
18	LOGAN COUNTY
18	MARION COUNTY
18	MARSHALL COUNTY
18	MONROE COUNTY
18	MORGAN COUNTY
18	NELSON COUNTY
18	OWSLEY COUNTY
18	ROBERTSON COUNTY
18	SPENCER COUNTY
18	WASHINGTON COUNTY
18	AUGUSTA CITY
18	BROOKSVILLE CITY
18	FOSTER CITY
18	MORGANTOWN CITY
18	FREDONIA CITY
18	PRINCETON CITY
18	BELLEVUE CITY
18	CALIFORNIA CITY
18	CRESTVIEW CITY
18	DAYTON CITY
18	HIGHLAND HEIGHTS CITY
18	NEWPORT CITY
18	SILVER GROVE CITY
18	SOUTHGATE CITY
18	WILDER CITY
18	MELBOURNE CITY
18	ARLINGTON CITY
18	BARDWELL CITY
18	FULTON CITY
18	HICKMAN CITY
18	WARSAW CITY
18	GLENCOE CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
18	LANCASTER CITY
18	CAMPBELLSBURG CITY
18	EMINENCE CITY
18	SMITHFIELD CITY
18	COLUMBUS CITY
18	MC KEE CITY
18	BROMLEY CITY
18	COVINGTON CITY
18	LUDLOW CITY
18	VANCEBURG CITY
18	TOLLESBORO CITY
18	CRAB ORCHARD CITY
18	HUSTONVILLE CITY
18	STANFORD CITY
18	AUBURN CITY
18	RUSSELLVILLE CITY
18	BRADFORDSVILLE CITY
18	LORETTO CITY
18	BENTON CITY
18	HARDIN CITY
18	CALVERT CITY
18	TOMPKINSVILLE CITY
18	GAMALIEL CITY
18	BLOOMFIELD CITY
18	NEW HAVEN CITY
18	FAIRFIELD CITY
18	CLAY CITY CITY
18	MOUNT OLIVET CITY
18	JAMESTOWN CITY
18	RUSSELL SPRINGS CITY
18	TAYLORSVILLE CITY
18	MACKVILLE CITY
18	WILLISBURG CITY

STATE = 18: 79 RECORDS

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
19	ALLEN PARISH
19	AVOYELLES PARISH
19	BIENVILLE PARISH
19	CADDO PARISH
19	CALCASIEU PARISH
19	CATAHOULA PARISH
19	CLAIBORNE PARISH
19	CONCORDIA PARISH
19	DE SOTO PARISH
19	EAST CARROLL PARISH
19	EAST FELICIANA PARISH
19	EVANGELINE PARISH
19	FRANKLIN PARISH
19	IBERVILLE PARISH POLICE JURY
19	JACKSON PARISH POLICE JURY
19	JEFFERSON DAVIS PARISH
19	MADISON PARISH POLICE JURY
19	MOREHOUSE PARISH
19	NATCHITOCHES PARISH
19	POINTE COUPEE PARISH
19	RAPIDES PARISH
19	RED RIVER PARISH
19	RICHLAND PARISH
19	ST JAMES PARISH
19	ST LANDRY PARISH
19	TANGIPAHOA PARISH
19	TENSAS PARISH
19	VERNON PARISH
19	WASHINGTON PARISH
19	WEBSTER PARISH
19	WEST CARROLL PARISH
19	WEST FELICIANA PARISH
19	WINN PARISH
19	KINDER TOWN
19	OAKDALE CITY
19	OBERLIN CITY
19	REEVES VILLAGE
19	ELIZABETH TOWN
19	DONALDSONVILLE CITY
19	SORRENTO VILLAGE
19	BUNKIE TOWN
19	HESSMER VILLAGE
19	MARKSVILLE TOWN
19	MOREAUVILLE VILLAGE
19	PLAUCHEVILLE VILLAGE
19	SIMMESPORT TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
19	ARCADIA TOWN
19	BIENVILLE VILLAGE
19	GIBSLAND TOWN
19	RINGGOLD TOWN
19	SALINE VILLAGE
19	BRYCELAND VILLAGE
19	CASTOR VILLAGE
19	MOUNT LEBANON TOWN
19	JAMESTOWN VILLAGE
19	LUCKY VILLAGE
19	MOORINGSPORT TOWN
19	OIL CITY TOWN
19	SHREVEPORT CITY
19	VIVIAN TOWN
19	BLANCHARD VILLAGE
19	BELCHER VILLAGE
19	GILLIAM TOWN
19	HOSSTON TOWN
19	IDA TOWN
19	RODESSA TOWN
19	DE QUINCY CITY
19	LAKE CHARLES CITY
19	VINTON TOWN
19	WESTLAKE TOWN
19	CLARKS VILLAGE
19	HARRISONBURG VILLAGE
19	JONESVILLE TOWN
19	SICILY ISLAND VILLAGE
19	ATHENS VILLAGE
19	HAYNESVILLE TOWN
19	HOMER TOWN
19	LISBON VILLAGE
19	CLAYTON VILLAGE
19	FERRIDAY TOWN
19	VIDALIA TOWN
19	RIDGECREST TOWN
19	LOGANSPORT TOWN
19	MANSFIELD CITY
19	SOUTH MANSFIELD VILLAGE
19	STANLEY VILLAGE
19	STONEWALL VILLAGE
19	LAKE PROVIDENCE TOWN
19	CLINTON TOWN
19	JACKSON TOWN
19	NORWOOD VILLAGE
19	WILSON VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
19	BASILE TOWN
19	MAMOU TOWN
19	VILLE PLATTE TOWN
19	TURKEY CREEK VILLAGE
19	PINE PRAIRIE VILLAGE
19	CHATAIGNIER VILLAGE
19	GILBERT VILLAGE
19	WINNSBORO TOWN
19	WISNER TOWN
19	BASKIN VILLAGE
19	COLFAX TOWN
19	DRY PRONG VILLAGE
19	GEORGETOWN VILLAGE
19	MONTGOMERY TOWN
19	POLLOCK TOWN
19	MARINGOUIN TOWN
19	PLAQUEMINE TOWN
19	CHATHMAN TOWN
19	HODGE VILLAGE
19	JONESBORO TOWN
19	NORTH HODGE VILLAGE
19	EAST HODGE TOWN
19	ELTON TOWN
19	FENTON VILLAGE
19	JENNINGS CITY
19	LAKE ARTHUR TOWN
19	WELSH TOWN
19	LIVINGSTON VILLAGE
19	WALKER TOWN
19	FRENCH SETTLEMENT VILLAGE
19	DELTA VILLAGE
19	MOUND VILLAGE
19	TALLULAH VILLAGE
19	RICHMOND VILLAGE
19	BASTROP CITY
19	BONITA VILLAGE
19	COLLINSTON VILLAGE
19	MER ROUGE VILLAGE
19	OAK RIDGE VILLAGE
19	CAMPTI VILLAGE
19	CLARENCE VILLAGE
19	GOLDONNA VILLAGE
19	NATCHITOCHES CITY
19	PROVENCAL VILLAGE
19	ROBELINE VILLAGE
19	ASHLAND TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
19	POWHATAN TOWN

STATE = 19: 139 RECORDS

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
19	NATCHEZ VILLAGE

STATE = 19: 1 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
19	NEW ORLEANS CITY
19	NEW ROADS TOWN
19	FORDOCHE VILLAGE
19	ALEXANDRIA CITY
19	BOYCE TOWN
19	CHENEYVILLE TOWN
19	FOREST HILL VILLAGE
19	GLENMORA TOWN
19	LECOMPTE TOWN
19	WOODWORTH VILLAGE
19	COUSHATTA TOWN
19	EDGEFIELD VILLAGE
19	MARTIN VILLAGE
19	DELHI TOWN
19	MANGHAM TOWN
19	RAYVILLE TOWN
19	GRAMERCY TOWN
19	LUTCHER TOWN
19	GRAND COTEAU TOWN
19	KROTZ SPRINGS VILLAGE
19	LEONVILLE VILLAGE
19	MELVILLE TOWN
19	OPELOUSAS CITY
19	PALMETTO VILLAGE
19	PORT BARRE TOWN
19	SUNSET TOWN
19	WASHINGTON TOWN
19	CANKTON VILLAGE
19	MADISONVILLE TOWN
19	SUN VILLAGE
19	AMITE CITY TOWN
19	HAMMOND CITY
19	INDEPENDENCE TOWN
19	KENTWOOD TOWN
19	PONCHATOULA TOWN
19	ROSELAND TOWN
19	TICKFAW VILLAGE
19	TANGIPAHOA VILLAGE
19	WOODHAVEN VILLAGE
19	NEWELLTON TOWN
19	ST JOSEPH TOWN
19	WATERPROOF TOWN
19	HORNBECK TOWN
19	LEESVILLE TOWN
19	NEWLLANO VILLAGE
19	ROSEPINE VILLAGE

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
19	SIMPSON VILLAGE
19	ANGIE VILLAGE
19	BOGALUSA CITY
19	FRANKLINTON TOWN
19	VARNADO VILLAGE
19	COTTON VALLEY TOWN
19	CULLEN TOWN
19	HEFLIN VILLAGE
19	MINDEN CITY
19	SAREPTA VILLAGE
19	SPRINGHILL CITY
19	DIXIE INN VILLAGE
19	SHONGALOO VILLAGE
19	EPPS VILLAGE
19	KILBOURNE VILLAGE
19	OAK GROVE TOWN
19	PIONEER VILLAGE
19	FOREST VILLAGE
19	ST FRANCISVILLE TOWN
19	DODSON VILLAGE
19	SIKES VILLAGE
19	WINNFIELD CITY

STATE = 19: 68 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
20	ANDROSCOGGIN COUNTY
20	AROOSTOOK COUNTY
20	KENNEBEC COUNTY
20	LINCOLN COUNTY
20	OXFORD COUNTY
20	PENOBSCOT COUNTY
20	PISCATAQUIS COUNTY
20	SAGADAHOC COUNTY
20	SOMERSET COUNTY
20	WALDO COUNTY
20	AUBURN CITY
20	LEWISTON CITY
20	PRESQUE ISLE CITY
20	CARIBOU CITY
20	PORTLAND CITY
20	SOUTH PORTLAND CITY
20	WESTBROOK CITY
20	AUGUSTA CITY
20	GARDINER CITY
20	HALLOWELL CITY
20	WATERVILLE CITY
20	ROCKLAND CITY
20	BANGOR CITY
20	BREWER CITY
20	OLD TOWN CITY
20	BATH CITY
20	BELFAST CITY
20	CALAIS CITY
20	EASTPORT CITY
20	BIDDEFORD CITY
20	DURHAM TOWN
20	GREENE TOWN
20	LEEDS TOWN
20	LISBON TOWN
20	LIVERMORE TOWN
20	LIVERMORE FALLS TOWN
20	TURNER TOWNSHIP
20	WALES TOWN
20	SABATTUS TOWN
20	ALLAGASH PLANTATION
20	AMITY TOWN
20	ASHLAND TOWN
20	BANCROFT TOWN
20	BLAINE TOWN
20	BRIDGEWATER TOWN
20	CARY PLANTATION

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
20	CASTLE HILL TOWN
20	CASWELL PLANTATION
20	CHAPMAN TOWN
20	CRYSTAL TOWN
20	CYR PLANTATION
20	DYER BROOK TOWN
20	E PLANTATION
20	EAGLE LAKE TOWN
20	EASTON TOWN
20	FORT FAIRFIELD TOWN
20	FORT KENT TOWN
20	FRENCHVILLE TOWN
20	GARFIELD PLANTATION
20	GLENWOOD PLANTATION
20	GRAND ISLE TOWN
20	HAMLIN TOWN
20	HAMMOND PLANTATION
20	HAYNESVILLE TOWN
20	HODGDON TOWN
20	HOULTON TOWN
20	LIMESTONE TOWN
20	LINNEUS TOWN
20	LITTLETON TOWN
20	LUDLOW TOWN
20	MACWAHOC PLANTATION
20	MADAWASKA TOWN
20	MARS HILL TOWN
20	MASARDIS TOWN
20	MONTICELLO TOWN
20	MORO PLANTATION
20	NEW CANADA PLANTATION
20	NEW LIMERICK TOWN
20	NEW SWEDEN TOWN
20	OAKFIELD TOWN
20	ORIENT TOWN
20	OXBOW PLANTATION
20	PERHAM TOWN
20	REED PLANTATION
20	ST AGATHA TOWN
20	ST FRANCIS TOWN
20	ST JOHN PLANTATION
20	STOCKHOLM TOWN
20	VAN BUREN TOWN
20	WADE TOWN
20	WALLAGRASS PLANTATION
20	WASHBURN TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
20	WESTFIELD TOWN
20	WESTMANLAND PLANTATION
20	WESTON TOWN
20	WINTERVILLE PLANTATION
20	WOODLAND TOWN
20	BRUNSWICK TOWN
20	CAPE ELIZABETH TOWN
20	HARPSWELL TOWN
20	EUSTIS TOWN
20	INDUSTRY TOWN
20	MADRID TOWN
20	RANGELEY PLANTATION
20	RANGELEY TOWN
20	STRONG TOWN
20	WILTON TOWN
20	CARRABASSETT VALLEY TOWN
20	AMHERST TOWN
20	BAR HARBOR TOWN
20	ORLAND TOWN
20	GREAT POND PLANTATION
20	STONINGTON TOWN
20	SULLIVAN TOWN
20	BENTON TOWN
20	CHELSEA TOWN
20	FARMINGDALE TOWN
20	FAYETTE TOWN
20	LITCHFIELD TOWN
20	MONMOUTH TOWN
20	PITTSTON TOWN
20	RANDOLPH TOWN
20	WAYNE TOWN
20	WEST GARDINER TOWN
20	WINDSOR TOWN
20	ALNA TOWNSHIP
20	BOOTHBAY TOWN
20	BOOTHBAY HARBOR TOWN
20	BREMEN TOWN
20	DRESDEN TOWN
20	EDGECOMB TOWN
20	NEWCASTLE TOWN
20	NOBLEBOROUGH TOWN
20	SOMERVILLE TOWN
20	SOUTH BRISTOL TOWN
20	SOUTHPORT TOWN
20	WESTPORT ISLAND TOWN
20	WHITEFIELD TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
20	WISCASSET TOWN
20	ANDOVER TOWN
20	BETHEL TOWN
20	BROWNFIELD TOWN
20	BUCKFIELD TOWN
20	BYRON TOWN
20	CANTON TOWN
20	DENMARK TOWN
20	DIXFIELD TOWN
20	FRYEBURG TOWN
20	GILEAD TOWN
20	GREENWOOD TOWN
20	HANOVER TOWN
20	HARTFORD TOWN
20	HEBRON TOWN
20	HIRAM TOWN
20	LINCOLN PLANTATION
20	LOVELL TOWN
20	MAGALLOWAY PLANTATION
20	MEXICO TOWN
20	NEWRY TOWN
20	NORWAY TOWN
20	OXFORD TOWN
20	PARIS TOWN
20	PERU TOWN
20	PORTER TOWN
20	ROXBURY TOWN
20	RUMFORD TOWN
20	STONEHAM TOWN
20	STOW TOWN
20	SUMNER TOWN
20	SWEDEN TOWN
20	UPTON TOWN
20	WATERFORD TOWN
20	WOODSTOCK TOWN
20	WEST PARIS TOWN
20	BRADFORD TOWN
20	BURLINGTON TOWN
20	CARMEL TOWN
20	CHARLESTON TOWN
20	CHESTER TOWN
20	CORINNA TOWN
20	CORINTH TOWN
20	DEXTER TOWN
20	DIXMONT TOWN
20	DREW PLANTATION

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
20	EDDINGTON TOWN
20	ENFIELD TOWN
20	ETNA TOWN
20	EXETER TOWN
20	GARLAND TOWN
20	GLENBURN TOWN
20	GRAND FALLS PLANTATION
20	HERMON TOWN
20	HOLDEN TOWN
20	HOWLAND TOWN
20	HUDSON TOWN
20	KENDUSKEAG TOWN
20	LAKEVILLE PLANTATION
20	LEE TOWN
20	LEVANT TOWN
20	LINCOLN TOWN
20	LOWELL TOWN
20	MATTAWAMKEAG TOWN
20	MAXFIELD TOWN
20	NEWBURGH TOWN
20	NEWPORT TOWN
20	ORONO TOWN
20	ORRINGTON TOWN
20	PASSADUMKEAG TOWN
20	PATTEN TOWN
20	PLYMOUTH TOWN
20	PRENTISS PLANTATION
20	SEBOEIS PLANTATION
20	SPRINGFIELD TOWN
20	STETSON TOWN
20	VEAZIE TOWN
20	WEBSTER PLANTATION
20	WINN TOWN
20	WOODVILLE TOWN
20	CARROLL PLANTATION
20	ABBOT TOWN
20	ATKINSON TOWN
20	BARNARD PLANTATION
20	BLANCHARD PLANTATION
20	BOWERBANK TOWN
20	BROWNVILLE TOWN
20	DOVER FOXCROFT TOWN
20	ELLIOTTSVILLE PLANTATION
20	GREENVILLE TOWN
20	GUILFORD TOWN
20	KINGSBURY PLANTATION

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
20	LAKE VIEW PLANTATION
20	MILO TOWN
20	MONSON TOWN
20	PARKMAN TOWN
20	SANGERVILLE TOWN
20	SEBEC TOWN
20	SHIRLEY TOWN
20	WELLINGTON TOWN
20	WILLMANTIC TOWN
20	MEDFORD TOWN
20	BEAVER COVE PLANTATION
20	ARROWSIC TOWN
20	BOWDOIN TOWN
20	BOWDOINHAM TOWN
20	GEORGETOWN
20	PHIPPSBURG TOWN
20	RICHMOND TOWN
20	TOPSHAM TOWN
20	WEST BATH TOWN
20	WOOLWICH TOWN
20	ANSON TOWN
20	ATHENS TOWN
20	BINGHAM TOWN
20	BRIGHTON PLANTATION
20	CAMBRIDGE TOWN
20	CANAAN TOWN
20	CARATUNK PLANTATION
20	CORNVILLE TOWN
20	DENNISTOWN PLANTATION
20	DETROIT TOWN
20	EMBDEN TOWN
20	FAIRFIELD TOWN
20	HARMONY TOWN
20	HARTLAND TOWN
20	HIGHLAND PLANTATION
20	JACKMAN TOWN
20	MADISON TOWN
20	MOOSE RIVER TOWN
20	NEW PORTLAND TOWN
20	NORRIDGEWOCK TOWN
20	PALMYRA TOWN
20	PITTSFIELD TOWN
20	PLEASANT RIDGE PL
20	MERCER TOWN
20	RIPLEY TOWN
20	ST ALBANS TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
20	SKOWHEGAN TOWN
20	SMITHFIELD TOWN
20	SOLON TOWN
20	STARKS TOWN
20	THE FORKS PLANTATION
20	WEST FORKS PLANTATION
20	BELMONT TOWN
20	BROOKS TOWN
20	BURNHAM TOWN
20	FRANKFORT TOWN
20	FREEDOM TOWN
20	ISLESBORO TOWN
20	JACKSON TOWN
20	KNOX TOWN
20	LIBERTY TOWN
20	LINCOLNVILLE TOWN
20	MONROE TOWN
20	MONTVILLE TOWN
20	MORRILL TOWN
20	NORTHPORT TOWN
20	PALERMO TOWN
20	PROSPECT TOWN
20	SEARSMONT TOWN
20	SEARSPORT TOWN
20	STOCKTON SPRINGS TOWN
20	SWANVILLE TOWN
20	THORNDIKE TOWN
20	TROY TOWN
20	UNITY-TOWN
20	WALDO TOWN
20	WINTERPORT TOWN
20	CODYVILLE PLANTATION
20	CRAWFORD TOWN
20	CUTLER TOWN
20	LUBEC TOWN
20	MACHIASPORT TOWN
20	MILBRIDGE TOWN
20	NORTHFIELD TOWN
20	TALMADGE TOWN
20	WHITING TOWN
20	WHITNEYVILLE TOWN
20	ACTON TOWN
20	ALFRED TOWN
20	BUXTON TOWN
20	CORNISH TOWN
20	DAYTON TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
20	HOLLIS TOWN
20	KENNEBUNKPORT TOWN
20	LEBANON TOWN
20	LIMERICK TOWN
20	LIMINGTON TOWN
20	LYMAN TOWN
20	NEWFIELD TOWN
20	NORTH BERWICK TOWN
20	ARUNDEL TOWN
20	OLD ORCHARD BEACH TOWN
20	PARSONSFIELD TOWN
20	SANFORD TOWN
20	SHAPLEIGH TOWN
20	WATERBORO TOWN

STATE = 20: 336 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
21	ALLEGANY COUNTY
21	CAROLINE COUNTY
21	CECIL COUNTY
21	DORCHESTER COUNTY
21	KENT COUNTY
21	SOMERSET COUNTY
21	WASHINGTON COUNTY
21	BARTON TOWN
21	CUMBERLAND CITY
21	FROSTBURG CITY
21	LONACONING TOWN
21	LUKE TOWN
21	MIDLAND TOWN
21	WESTERNPORT TOWN
21	BALTIMORE CITY
21	FEDERALSBURG TOWN
21	GOLDSBORO TOWN
21	GREENSBORO TOWN
21	HENDERSON TOWN
21	HILLSBORO TOWN
21	MARYDEL TOWN
21	RIDGELY TOWN
21	TANEYTOWN CITY
21	CECILTON TOWN
21	CHARLESTOWN TOWN
21	CHESAPEAKE CITY TOWN
21	ELKTON TOWN
21	NORTH EAST TOWN
21	PERRYVILLE TOWN
21	PORT DEPOSIT TOWN
21	BROOKVIEW TOWN
21	CAMBRIDGE CITY
21	EAST NEW MARKET TOWN
21	ELDORADO TOWN
21	GALESTOWN TOWN
21	HURLOCK TOWN
21	SECRETARY TOWN
21	VIENNA TOWN
21	BURKITTSVILLE TOWN
21	DEER PARK TOWN
21	FRIENDSVILLE TOWN
21	KITZMILLERVILLE TOWN
21	OAKLAND TOWN
21	BETTERTON TOWN
21	CHESTERTOWN TOWN
21	GALENA TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
21	ROCK HALL TOWN
21	BARCLAY TOWN
21	CENTREVILLE TOWN
21	CHURCH HILL TOWN
21	QUEENSTOWN TOWN
21	SUDLERSVILLE TOWN
21	TEMPLEVILLE TOWN
21	CRISFIELD CITY
21	PRINCESS ANNE TOWN
21	CLEAR SPRING TOWN
21	FUNKSTOWN TOWN
21	HAGERSTOWN CITY
21	HANCOCK TOWN
21	SHARPSBURG TOWN
21	SMITHSBURG TOWN
21	WILLIAMSPORT TOWN
21	DELMAR TOWN
21	FRUITLAND TOWN
21	HEBRON TOWN
21	MARDELA SPRINGS TOWN
21	PITTSVILLE TOWN
21	SALISBURY CITY
21	SHARPTOWN TOWN
21	BERLIN TOWN
21	POCOMOKE CITY
21	SNOW HILL TOWN

STATE = 21: 72 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
22	BERKSHIRE COUNTY
22	BRISTOL COUNTY
22	ESSEX COUNTY
22	FRANKLIN COUNTY
22	HAMPDEN COUNTY
22	MIDDLESEX COUNTY
22	WORCESTER COUNTY
22	NORTH ADAMS CITY
22	PITTSFIELD CITY
22	ATTLEBORO CITY
22	FALL RIVER CITY
22	NEW BEDFORD CITY
22	TAUNTON CITY
22	BEVERLY CITY
22	GLOUCESTER CITY
22	HAVERHILL CITY
22	LAWRENCE CITY
22	LYNN CITY
22	NEWBURYPORT CITY
22	PEABODY CITY
22	SALEM CITY
22	CHICOPEE CITY
22	HOLYOKE CITY
22	SPRINGFIELD CITY
22	NORTHAMPTON CITY
22	CAMBRIDGE CITY
22	EVERETT CITY
22	LOWELL CITY
22	MALDEN CITY
22	MEDFORD CITY
22	MELROSE CITY
22	SOMERVILLE CITY
22	WALTHAM CITY
22	WOBURN CITY
22	QUINCY CITY
22	BOSTON CITY
22	CHELSEA CITY
22	REVERE CITY
22	FITCHBURG CITY
22	GARDNER CITY
22	WORCESTER CITY
22	BOURNE TOWN
22	ADAMS TOWN
22	CLARKSBURG TOWN
22	LEE TOWN
22	LENOX TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
22	ACUSHNET TOWN
22	BERKLEY TOWN
22	DARTMOUTH TOWN
22	DIGHTON TOWN
22	FAIRHAVEN TOWN
22	FREETOWN TOWN
22	NORTH ATTLEBOROUGH TOWN
22	NORTON TOWN
22	RAYNHAM TOWN
22	REHOBOTH TOWN
22	SEEKONK TOWN
22	SOMERSET TOWN
22	WESTPORT TOWN
22	AMESBURY TOWN
22	DANVERS TOWN
22	GROVELAND TOWN
22	MERRIMAC TOWN
22	METHUEN TOWN
22	MIDDLETON TOWN
22	NAHANT TOWN
22	NORTH ANDOVER TOWN
22	SALISBURY TOWN
22	SAUGUS TOWN
22	ASHFIELD TOWN
22	BUCKLAND TOWN
22	COLRAIN TOWN
22	ERVING TOWN
22	GREENFIELD TOWN
22	LEVERETT TOWN
22	LEYDEN TOWN
22	MONROE TOWN
22	MONTAGUE TOWN
22	NORTHFIELD TOWN
22	ORANGE TOWN
22	WENDELL TOWN
22	AGAWAM TOWN
22	BRIMFIELD TOWN
22	EAST LONGMEADOW TOWN
22	GRANVILLE TOWN
22	HAMPDEN TOWN
22	HOLLAND TOWN
22	LUDLOW TOWN
22	MONSON TOWN
22	PALMER TOWN
22	WEST SPRINGFIELD TOWN
22	GRANBY TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
22	SOUTH HADLEY TOWN
22	WARE TOWN
22	WILLIAMSBURG TOWN
22	ASHBY TOWNSHIP
22	ASHLAND TOWN
22	AYER TOWN
22	SHIRLEY TOWN
22	STONEHAM TOWN
22	WAKEFIELD TOWN
22	WATERTOWN TOWN
22	WILMINGTON TOWN
22	AVON TOWN
22	BELLINGHAM TOWN
22	DEDHAM TOWN
22	FOXBOROUGH TOWN
22	FRANKLIN TOWN
22	HOLBROOK TOWN
22	MEDWAY TOWN
22	WALPOLE TOWN
22	WEYMOUTH TOWN
22	WRENTHAM TOWN
22	HANOVER TOWN
22	HANSON TOWN
22	HULL TOWN
22	KINGSTON TOWN
22	LAKEVILLE TOWN
22	MARION TOWN
22	MARSHFIELD TOWN
22	MATTAPOISETT TOWN
22	MIDDLEBOROUGH TOWN
22	PEMBROKE TOWN
22	ROCHESTER TOWN
22	ROCKLAND TOWN
22	SCITUATE TOWN
22	WINTHROP TOWN
22	ASHBURNHAM TOWN
22	ATHOL TOWN
22	BARRE TOWN
22	BLACKSTONE TOWN
22	CLINTON TOWN
22	DUDLEY TOWN
22	HARDWICK TOWN
22	HARVARD TOWN
22	HOPEDALE TOWN
22	LANCASTER TOWN
22	LUNENBURG TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
22	MILLVILLE TOWN
22	NORTHBRIDGE TOWN
22	PHILLIPSTON TOWN
22	ROYALSTON TOWN
22	SOUTHBRIDGE TOWN
22	TEMPLETON TOWN
22	UXBRIDGE TOWN
22	WARREN TOWN
22	WEBSTER TOWN
22	WINCHENDON TOWN

STATE = 22: 148 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	ALGER COUNTY
23	ALLEGAN COUNTY
23	BARAGA COUNTY
23	BARRY COUNTY
23	BAY COUNTY
23	BERRIEN COUNTY
23	BRANCH COUNTY
23	CALHOUN COUNTY
23	CASS COUNTY
23	GENESEE COUNTY
23	GLADWIN COUNTY
23	GOGEBIC COUNTY
23	GRATIOT COUNTY
23	HOUGHTON COUNTY
23	HURON COUNTY
23	INGHAM COUNTY
23	IONIA COUNTY
23	IRON COUNTY
23	JACKSON COUNTY
23	KEWEENAW COUNTY
23	LAPEER COUNTY
23	LENAWEE COUNTY
23	LUCE COUNTY
23	MANISTEE COUNTY
23	MENOMINEE COUNTY
23	MIDLAND COUNTY
23	MONTCALM COUNTY
23	MUSKEGON COUNTY
23	OCEANA COUNTY
23	ONTONAGON COUNTY
23	PRESQUE ISLE COUNTY
23	ST CLAIR COUNTY
23	ST JOSEPH COUNTY
23	SCHOOLCRAFT COUNTY
23	SHIAWASSEE COUNTY
23	WAYNE COUNTY
23	MUNISING CITY
23	ALLEGAN CITY
23	DOUGLAS VILLAGE
23	FENNVILLE CITY
23	HOPKINS VILLAGE
23	MARTIN VILLAGE
23	PLAINWELL CITY
23	SAUGATUCK VILLAGE
23	WAYLAND CITY
23	CENTRAL LAKE VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	BARAGA VILLAGE
23	LANSE VILLAGE
23	FREEPORT VILLAGE
23	HASTINGS CITY
23	MIDDLEVILLE VILLAGE
23	NASHVILLE VILLAGE
23	WOODLAND VILLAGE
23	BAY CITY
23	ELBERTA VILLAGE
23	THOMPSONVILLE VILLAGE
23	BENTON HARBOR CITY
23	BERRIEN SPRINGS VILLAGE
23	BRIDGMAN CITY
23	BUCHANAN CITY
23	COLOMA CITY
23	EAU CLAIRE VILLAGE
23	GALIEN VILLAGE
23	MICHIANA VILLAGE
23	NEW BUFFALO CITY
23	NILES CITY
23	ST JOSEPH CITY
23	STEVENSVILLE VILLAGE
23	THREE OAKS VILLAGE
23	WATERVLIET CITY
23	BRONSON CITY
23	COLDWATER CITY
23	ALBION CITY
23	ATHENS VILLAGE
23	BATTLE CREEK CITY
23	BURLINGTON VILLAGE
23	HOMER VILLAGE
23	MARSHALL CITY
23	SPRINGFIELD CITY
23	TEKONSHA VILLAGE
23	CASSOPOLIS VILLAGE
23	DOWAGIAC CITY
23	MARCELLUS VILLAGE
23	BOYNE FALLS VILLAGE
23	CHARLEVOIX CITY
23	CHEBOYGAN CITY
23	SAULT SAINTE MARIE CITY
23	GRAYLING CITY
23	ESCANABA CITY
23	GLADSTONE CITY
23	NORWAY CITY
23	PETOSKEY CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	CLIO CITY
23	DAVISON CITY
23	FENTON CITY
23	FLINT CITY
23	FLUSHING CITY
23	MONTROSE VILLAGE
23	MOUNT MORRIS CITY
23	OTISVILLE VILLAGE
23	SWARTZ CREEK CITY
23	BURTON CITY
23	BEAVERTON CITY
23	GLADWIN CITY
23	BESSEMER CITY
23	IRONWOOD CITY
23	WAKEFIELD CITY
23	ALMA CITY
23	ASHLEY VILLAGE
23	PERRINTON VILLAGE
23	ST LOUIS CITY
23	ALLEN VILLAGE
23	HILLSDALE CITY
23	WALDRON VILLAGE
23	CALUMET VILLAGE
23	COPPER CITY VILLAGE
23	HANCOCK CITY
23	HOUGHTON CITY
23	LAKE LINDEN VILLAGE
23	LAURIUM VILLAGE
23	SOUTH RANGE VILLAGE
23	BAD AXE CITY
23	CASEVILLE VILLAGE
23	ELKTON VILLAGE
23	HARBOR BEACH CITY
23	KINDE VILLAGE
23	PIGEON VILLAGE
23	PORT AUSTIN VILLAGE
23	PORT HOPE VILLAGE
23	SEBEWAING VILLAGE
23	UBLY VILLAGE
23	LANSING CITY
23	CLARKSVILLE VILLAGE
23	HUBBARDSTON VILLAGE
23	IONIA CITY
23	MUIR VILLAGE
23	PEWAMO VILLAGE
23	ALPHA VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	CASPIAN CITY
23	CRYSTAL FALLS CITY
23	GAASTRA CITY
23	IRON RIVER CITY
23	STAMBAUGH CITY
23	BROOKLYN VILLAGE
23	CONCORD VILLAGE
23	GRASS LAKE VILLAGE
23	HANOVER VILLAGE
23	JACKSON CITY
23	PARMA VILLAGE
23	SPRINGPORT VILLAGE
23	KALAMAZOO CITY
23	AHMEEK VILLAGE
23	ALMONT VILLAGE
23	CLIFFORD VILLAGE
23	COLUMBIAVILLE VILLAGE
23	DRYDEN VILLAGE
23	IMLAY CITY
23	LAPEER CITY
23	METAMORA VILLAGE
23	NORTH BRANCH VILLAGE
23	OTTER LAKE VILLAGE
23	ADRIAN CITY
23	CLAYTON VILLAGE
23	HUDSON CITY
23	MORENCI CITY
23	ONSTED VILLAGE
23	TECUMSEH CITY
23	NEWBERRY VILLAGE
23	ST IGNACE CITY
23	ARMADA VILLAGE
23	CENTER LINE CITY
23	FRASER CITY
23	NEW BALTIMORE CITY
23	NEW HAVEN VILLAGE
23	RICHMOND VILLAGE
23	ROSEVILLE CITY
23	WARREN CITY
23	BEAR LAKE VILLAGE
23	COPEMISH VILLAGE
23	EAST LAKE VILLAGE
23	KALEVA VILLAGE
23	MANISTEE CITY
23	ONEKAMA VILLAGE
23	MARQUETTE CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	NEGAUNEE CITY
23	LUDINGTON CITY
23	MORLEY VILLAGE
23	MENOMINEE CITY
23	POWERS VILLAGE
23	STEPHENSON CITY
23	COLEMAN CITY
23	SANFORD VILLAGE
23	LUNA PIER CITY
23	CARSON CITY
23	EDMORE VILLAGE
23	GREENVILLE CITY
23	HOWARD CITY VILLAGE
23	LAKEVIEW VILLAGE
23	MCBRIDE VILLAGE
23	PIERSON VILLAGE
23	SHERIDAN VILLAGE
23	STANTON CITY
23	FRUITPORT VILLAGE
23	MONTAGUE CITY
23	MUSKEGON CITY
23	MUSKEGON HEIGHTS CITY
23	NORTH MUSKEGON CITY
23	RAVENNA VILLAGE
23	ROOSEVELT PARK CITY
23	WHITEHALL CITY
23	LAKEWOOD CLUB VILLAGE
23	NORTON SHORES CITY
23	BERKLEY CITY
23	BINGHAM FARMS VILLAGE
23	BIRMINGHAM CITY
23	CLAWSON CITY
23	FERNDALE CITY
23	HAZEL PARK CITY
23	HOLLY VILLAGE
23	HUNTINGTON WOODS CITY
23	KEEGO HARBOR CITY
23	LAKE ORION VILLAGE
23	LEONARD VILLAGE
23	MADISON HEIGHTS CITY
23	MILFORD VILLAGE
23	ORTONVILLE VILLAGE
23	OXFORD VILLAGE
23	PLEASANT RIDGE CITY
23	PONTIAC CITY
23	SOUTH LYON CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	SYLVAN LAKE CITY
23	WALLED LAKE CITY
23	WOLVERINE LAKE VILLAGE
23	BEVERLY HILLS VILLAGE
23	FRANKLIN VILLAGE
23	HART CITY
23	PENTWATER VILLAGE
23	SHELBY VILLAGE
23	WALKERVILLE VILLAGE
23	ROTHBURY VILLAGE
23	ONTONAGON VILLAGE
23	VANDERBILT VILLAGE
23	MILLERSBURG VILLAGE
23	ONAWAY CITY
23	POSEN VILLAGE
23	ROGERS CITY CITY
23	SAGINAW CITY
23	ALGONAC CITY
23	CAPAC VILLAGE
23	EMMETT VILLAGE
23	MARINE CITY
23	MARYSVILLE CITY
23	PORT HURON CITY
23	ST CLAIR CITY
23	YALE CITY
23	BURR OAK VILLAGE
23	CENTREVILLE VILLAGE
23	COLON VILLAGE
23	CONSTANTINE VILLAGE
23	MENDON VILLAGE
23	STURGIS CITY
23	THREE RIVERS CITY
23	WHITE PIGEON VILLAGE
23	CARSONVILLE VILLAGE
23	MINDEN CITY VILLAGE
23	PECK VILLAGE
23	MANISTIQUE CITY
23	BANCROFT VILLAGE
23	BYRON VILLAGE
23	CORUNNA CITY
23	DURAND CITY
23	LAINGSBURG CITY
23	MORRICE VILLAGE
23	NEW LOTHROP VILLAGE
23	OWOSSO CITY
23	PERRY CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	VERNON VILLAGE
23	GAGETOWN VILLAGE
23	BLOOMINGDALE VILLAGE
23	BREEDSVILLE VILLAGE
23	DECATUR VILLAGE
23	HARTFORD CITY
23	PAW PAW VILLAGE
23	SOUTH HAVEN CITY
23	YPSILANTI CITY
23	DETROIT CITY
23	ECORSE CITY
23	GARDEN CITY CITY
23	HAMTRAMCK CITY
23	HIGHLAND PARK CITY
23	INKSTER CITY
23	RIVER ROUGE CITY
23	WAYNE CITY
23	WYANDOTTE CITY
23	TAYLOR CITY
23	ROMULUS CITY
23	HARRIETTA VILLAGE
23	HARRISVILLE TOWNSHIP
23	HAYNES TOWNSHIP
23	LIMESTONE TOWNSHIP
23	MATHIAS TOWNSHIP
23	ALLEGAN TOWNSHIP
23	CASCO TOWNSHIP
23	CHESHIRE TOWNSHIP
23	CLYDE TOWNSHIP
23	DORR TOWNSHIP
23	FILLMORE TOWNSHIP
23	GANGES TOWNSHIP
23	GUNPLAIN TOWNSHIP
23	HOPKINS TOWNSHIP
23	LEE TOWNSHIP
23	LEIGHTON TOWNSHIP
23	MANLIUS TOWNSHIP
23	MARTIN TOWNSHIP
23	MONTEREY TOWNSHIP
23	OTSEGO TOWNSHIP
23	OVERISEL TOWNSHIP
23	SALEM TOWNSHIP
23	SAUGATUCK TOWNSHIP
23	TROWBRIDGE TOWNSHIP
23	VALLEY TOWNSHIP
23	WATSON TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	WAYLAND TOWNSHIP
23	ALPENA TOWNSHIP
23	MAPLE RIDGE TOWNSHIP
23	WILSON TOWNSHIP
23	KEARNEY TOWNSHIP
23	ADAMS TOWNSHIP
23	MASON TOWNSHIP
23	WHITNEY TOWNSHIP
23	ARVON TOWNSHIP
23	BARAGA TOWNSHIP
23	COVINGTON TOWNSHIP
23	LANSE TOWNSHIP
23	SPURR TOWNSHIP
23	ASSYRIA TOWNSHIP
23	BALTIMORE TOWNSHIP
23	BARRY TOWNSHIP
23	CARLTON TOWNSHIP
23	CASTLETON TOWNSHIP
23	HASTINGS TOWNSHIP
23	HOPE TOWNSHIP
23	IRVING TOWNSHIP
23	JOHNSTOWN TOWNSHIP
23	MAPLE GROVE TOWNSHIP
23	ORANGEVILLE TOWNSHIP
23	PRAIREVILLE TWP
23	RUTLAND TOWNSHIP
23	THORNAPPLE TOWNSHIP
23	WOODLAND TOWNSHIP
23	YANKEE SPRINGS TOWNSHIP
23	BANGOR TOWNSHIP
23	BEAVER TOWNSHIP
23	GARFIELD TOWNSHIP
23	MOUNT FOREST TOWNSHIP
23	PORTSMOUTH TOWNSHIP
23	WILLIAMS TOWNSHIP
23	CRYSTAL LAKE TOWNSHIP
23	GILMORE TOWNSHIP
23	HOMESTEAD TOWNSHIP
23	JOYFIELD TOWNSHIP
23	WELDON TOWNSHIP
23	BAINBRIDGE TOWNSHIP
23	BENTON TOWNSHIP
23	BERRIEN TOWNSHIP
23	BERTRAND TOWNSHIP
23	CHIKAMING TOWNSHIP
23	COLOMA TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	GALIEN TOWNSHIP
23	HAGAR TOWNSHIP
23	LAKE TOWNSHIP
23	LINCOLN TOWNSHIP
23	NEW BUFFALO TOWNSHIP
23	NILES TOWNSHIP
23	ORONOKO TOWNSHIP
23	PIPESTONE TOWNSHIP
23	ST JOSEPH TOWNSHIP
23	SODUS TOWNSHIP
23	THREE OAKS TOWNSHIP
23	WATERVLIET TOWNSHIP
23	WEESAW TOWNSHIP
23	ALGANSEE TOWNSHIP
23	BETHEL TOWNSHIP
23	BRONSON TOWNSHIP
23	BUTLER TOWNSHIP
23	CALIFORNIA TOWNSHIP
23	GILEAD TOWNSHIP
23	KINDERHOOK TOWNSHIP
23	MATTESON TOWNSHIP
23	UNION TOWNSHIP
23	ALBION TOWNSHIP
23	ATHENS TOWNSHIP
23	BATTLE CREEK TOWNSHIP
23	BEDFORD TOWNSHIP
23	BURLINGTON TOWNSHIP
23	CLARENCE TOWNSHIP
23	CLARENDON TOWNSHIP
23	CONVIS TOWNSHIP
23	ECKFORD TOWNSHIP
23	EMMETT TOWNSHIP
23	FREDONIA TOWNSHIP
23	HOMER TOWNSHIP
23	LEE TOWNSHIP
23	LE ROY TOWNSHIP
23	MARENGO TOWNSHIP
23	MARSHALL TOWNSHIP
23	NEWTON TOWNSHIP
23	PENNFIELD TOWNSHIP
23	SHERIDAN TOWNSHIP
23	TEKONSHA TOWNSHIP
23	HOWARD TOWNSHIP
23	LA GRANGE TOWNSHIP
23	MILTON TOWNSHIP
23	NEWBERG TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	POKAGON TOWNSHIP
23	BOYNE VALLEY TOWNSHIP
23	MELROSE TOWNSHIP
23	PEAINE TOWNSHIP
23	CHIPPEWA TOWNSHIP
23	HULBERT TOWNSHIP
23	PICKFORD TOWNSHIP
23	REDDING TOWNSHIP
23	WINTERFIELD TOWNSHIP
23	BREEN TOWNSHIP
23	WEST BRANCH TOWNSHIP
23	ARGENTINE TOWNSHIP
23	ATLAS TOWNSHIP
23	CLAYTON TOWNSHIP
23	DAVISON TOWNSHIP
23	FLINT TOWNSHIP
23	FOREST TOWNSHIP
23	GAINES TOWNSHIP
23	GENESEE TOWNSHIP
23	MCNTROSE TOWNSHIP
23	MCUNT MORRIS TOWNSHIP
23	MUNDY TOWNSHIP
23	RICHFIELD TOWNSHIP
23	THETFORD TOWNSHIP
23	VIENNA TOWNSHIP
23	BEAVERTON TOWNSHIP
23	BENTLEY TOWNSHIP
23	BILLING TOWNSHIP
23	BOURRETT TOWNSHIP
23	BUCKEYE TOWNSHIP
23	BUTMAN TOWNSHIP
23	CLEMENT TOWNSHIP
23	GLADWIN TOWNSHIP
23	GRIM TOWNSHIP
23	GROUT TOWNSHIP
23	HAY TOWNSHIP
23	SAGE TOWNSHIP
23	SECORD TOWNSHIP
23	SHERMAN TOWNSHIP
23	TOBACCO TOWNSHIP
23	BESSEMER TOWNSHIP
23	ERWIN TOWNSHIP
23	IRONWOOD TOWNSHIP
23	MARENISCO TOWNSHIP
23	WAKEFIELD TOWNSHIP
23	WATERSMEET TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	LONG LAKE TOWNSHIP
23	ARCADA TOWNSHIP
23	BETHANY TOWNSHIP
23	ELBA TOWNSHIP
23	EMERSON TOWNSHIP
23	FULTON TOWNSHIP
23	HAMILTON TOWNSHIP
23	NEWARK TOWNSHIP
23	NEW HAVEN TOWNSHIP
23	NORTH SHADE TOWNSHIP
23	NORTH STAR TOWNSHIP
23	PINE RIVER TOWNSHIP
23	SEVILLE TOWNSHIP
23	SUMNER TOWNSHIP
23	WASHINGTON TOWNSHIP
23	WHEELER TOWNSHIP
23	ADAMS TOWNSHIP
23	ALLEN TOWNSHIP
23	CAMBRIA TOWNSHIP
23	HILLSDALE TOWNSHIP
23	LITCHFIELD TOWNSHIP
23	RANSOM TOWNSHIP
23	WOODBRIDGE TOWNSHIP
23	WRIGHT TOWNSHIP
23	ADAMS TOWNSHIP
23	CALUMET TOWNSHIP
23	CHASSELL TOWNSHIP
23	DUNCAN TOWNSHIP
23	ELM RIVER TOWNSHIP
23	FRANKLIN TOWNSHIP
23	HANCOCK TOWNSHIP
23	LAIRD TOWNSHIP
23	OSCEOLA TOWNSHIP
23	PORTAGE TOWNSHIP
23	QUINCY TOWNSHIP
23	SCHOOLCRAFT TOWNSHIP
23	STANTON TOWNSHIP
23	TORCH LAKE TOWNSHIP
23	BINGHAM TOWNSHIP
23	BLOOMFIELD TOWNSHIP
23	BROOKFIELD TOWNSHIP
23	CHANDLER TOWNSHIP
23	COLFAX TOWNSHIP
23	DWIGHT TOWNSHIP
23	FAIRHAVEN TOWNSHIP
23	GORE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	GRANT TOWNSHIP
23	HUME TOWNSHIP
23	HURON TOWNSHIP
23	LINCOLN TOWNSHIP
23	MCKINLEY TOWNSHIP
23	MEADE TOWNSHIP
23	PARIS TOWNSHIP
23	PCINTE AUX BARQUES TWP
23	PORT AUSTIN TOWNSHIP
23	RUBICON TOWNSHIP
23	SAND BEACH TOWNSHIP
23	SEBEWAING TOWNSHIP
23	SHERIDAN TOWNSHIP
23	SHERMAN TOWNSHIP
23	SIGEL TOWNSHIP
23	VERONA TOWNSHIP
23	WINSOR TOWNSHIP
23	ALAIEDON TOWNSHIP
23	AURELIUS TOWNSHIP
23	BERLIN TOWNSHIP
23	EASTON TOWNSHIP
23	ICNIA TOWNSHIP
23	KEENE TOWNSHIP
23	NORTH PLAINS TOWNSHIP
23	ORANGE TOWNSHIP
23	OTISCO TOWNSHIP
23	ALABASTER TOWNSHIP
23	AU SABLE TOWNSHIP
23	OSCODA TOWNSHIP
23	RENO TOWNSHIP
23	BATES TOWNSHIP
23	HEMATITE TOWNSHIP
23	IRON RIVER TOWNSHIP
23	DENVER TOWNSHIP
23	FREMONT TOWNSHIP
23	GILMORE TOWNSHIP
23	LINCOLN TOWNSHIP
23	VERNON TOWNSHIP
23	WISE TOWNSHIP
23	BLACKMAN TOWNSHIP
23	CCLUMBIA TOWNSHIP
23	CONCORD TOWNSHIP
23	GRASS LAKE TOWNSHIP
23	HANOVER TOWNSHIP
23	HENRIETTA TOWNSHIP
23	LEONI TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	NAPOLEON TOWNSHIP
23	NORVELL TOWNSHIP
23	PARMA TOWNSHIP
23	PULASKI TOWNSHIP
23	RIVES TOWNSHIP
23	SANDSTONE TOWNSHIP
23	SPRING ARBOR TOWNSHIP
23	SPRINGPORT TOWNSHIP
23	SUMMIT TOWNSHIP
23	TOMPKINS TOWNSHIP
23	WATERLOO TOWNSHIP
23	ALLOUEZ TOWNSHIP
23	EAGLE HARBOR TOWNSHIP
23	GRANT TOWNSHIP
23	HOUGHTON TOWNSHIP
23	SHERMAN TOWNSHIP
23	ELK TOWNSHIP
23	ALMONT TOWNSHIP
23	ARCADIA TOWNSHIP
23	ATTICA TOWNSHIP
23	BURLINGTON TOWNSHIP
23	BURNSIDE TOWNSHIP
23	DEERFIELD TOWNSHIP
23	DRYDEN TOWNSHIP
23	ELBA TOWNSHIP
23	GOODLAND TOWNSHIP
23	HADLEY TOWNSHIP
23	IMLAY TOWNSHIP
23	LAPEER TOWNSHIP
23	MARATHON TOWNSHIP
23	MAYFIELD TOWNSHIP
23	METAMORA TOWNSHIP
23	NORTH BRANCH TOWNSHIP
23	OREGON TOWNSHIP
23	RICH TOWNSHIP
23	EMPIRE TOWNSHIP
23	SOLON TOWNSHIP
23	ADRIAN TOWNSHIP
23	CAMBRIDGE TOWNSHIP
23	CLINTON TOWNSHIP
23	DEERFIELD TOWNSHIP
23	DOVER TOWNSHIP
23	FAIRFIELD TOWNSHIP
23	FRANKLIN TOWNSHIP
23	HUDSON TOWNSHIP
23	MACON TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	MADISON TOWNSHIP
23	MEDINA TOWNSHIP
23	OGDEN TOWNSHIP
23	PALMYRA TOWNSHIP
23	RAISIN TOWNSHIP
23	RIGA TOWNSHIP
23	ROLLIN TOWNSHIP
23	ROME TOWNSHIP
23	SENECA TOWNSHIP
23	TECUMSEH TOWNSHIP
23	WOODSTOCK TOWNSHIP
23	CONWAY TOWNSHIP
23	PENTLAND TOWNSHIP
23	HENDRICKS TOWNSHIP
23	HUDSON TOWNSHIP
23	MARQUETTE TOWNSHIP
23	MORAN TOWNSHIP
23	ARMADA TOWNSHIP
23	CHESTERFIELD TOWNSHIP
23	LENOX TOWNSHIP
23	MACOMB TOWNSHIP
23	RICHMOND TOWNSHIP
23	ARCADIA TOWNSHIP
23	BEAR LAKE TOWNSHIP
23	BROWN TOWNSHIP
23	CLEON TOWNSHIP
23	DICKSON TOWNSHIP
23	FILER TOWNSHIP
23	MANISTEE TOWNSHIP
23	MAPLE GROVE TOWNSHIP
23	MARILLA TOWNSHIP
23	NORMAN TOWNSHIP
23	ONEKAMA TOWNSHIP
23	PLEASANTON TOWNSHIP
23	SPRINGDALE TOWNSHIP
23	STRONACH TOWNSHIP
23	EWING TOWNSHIP
23	HUMBOLDT TOWNSHIP
23	REPUBLIC TOWNSHIP
23	SANDS TOWNSHIP
23	AMBER TOWNSHIP
23	EDEN TOWNSHIP
23	PERE MARQUETTE TOWNSHIP
23	SHERIDAN TOWNSHIP
23	AETNA TOWNSHIP
23	CHIPPEWA TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	FAITHORN TOWNSHIP
23	HOLMES TOWNSHIP
23	INGALLSTON TOWNSHIP
23	LAKE TOWNSHIP
23	MEYER TOWNSHIP
23	NADEAU TOWNSHIP
23	SPALDING TOWNSHIP
23	EDENVILLE TOWNSHIP
23	GENEVA TOWNSHIP
23	GREENDALE TOWNSHIP
23	HOMER TOWNSHIP
23	HOPE TOWNSHIP
23	JASPER TOWNSHIP
23	JEROME TOWNSHIP
23	LARKIN TOWNSHIP
23	LEE TOWNSHIP
23	LINCOLN TOWNSHIP
23	MIDLAND TOWNSHIP
23	MILLS TOWNSHIP
23	MOUNT HALEY TOWNSHIP
23	PORTER TOWNSHIP
23	WARREN TOWNSHIP
23	AETNA TOWNSHIP
23	ENTERPRISE TOWNSHIP
23	RICHLAND TOWNSHIP
23	ERIE TOWNSHIP
23	EXETER TOWNSHIP
23	MONROE TOWNSHIP
23	BELVIDERE TOWNSHIP
23	BLOOMER TOWNSHIP
23	BUSHNELL TOWNSHIP
23	CATO TOWNSHIP
23	CRYSTAL TOWNSHIP
23	DAY TOWNSHIP
23	DOUGLASS TOWNSHIP
23	EUREKA TOWNSHIP
23	EVERGREEN TOWNSHIP
23	FAIRPLAIN TOWNSHIP
23	FERRIS TOWNSHIP
23	HOME TOWNSHIP
23	MAPLE VALLEY TOWNSHIP
23	MONTCALM TOWNSHIP
23	PIERSON TOWNSHIP
23	PINE TOWNSHIP
23	REYNOLDS TOWNSHIP
23	RICHLAND TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	SIDNEY TOWNSHIP
23	WINFIELD TOWNSHIP
23	BLUE LAKE TOWNSHIP
23	CASNOVIA TOWNSHIP
23	CEDAR CREEK TOWNSHIP
23	DALTON TOWNSHIP
23	EGELSTON TOWNSHIP
23	FRUITLAND TOWNSHIP
23	FRUITPORT TOWNSHIP
23	HOLTON TOWNSHIP
23	LAKETON TOWNSHIP
23	MONTAGUE TOWNSHIP
23	MOORLAND TOWNSHIP
23	MUSKEGON TOWNSHIP
23	RAVENNA TOWNSHIP
23	SULLIVAN TOWNSHIP
23	WHITEHALL TOWNSHIP
23	WHITE RIVER TOWNSHIP
23	ASHLAND TOWNSHIP
23	BRIDGETON TOWNSHIP
23	DAYTON TOWNSHIP
23	DENVER TOWNSHIP
23	GOODWELL TOWNSHIP
23	MERRILL TOWNSHIP
23	NORWICH TOWNSHIP
23	SHERIDAN TOWNSHIP
23	SHERMAN TOWNSHIP
23	ADDISON TOWNSHIP
23	BRANDON TOWNSHIP
23	COMMERCE TOWNSHIP
23	GROVELAND TOWNSHIP
23	HIGHLAND TOWNSHIP
23	HOLLY TOWNSHIP
23	INDEPENDENCE TOWNSHIP
23	MILFORD TOWNSHIP
23	ORION TOWNSHIP
23	OXFORD TOWNSHIP
23	ROSE TOWNSHIP
23	SOUTHFIELD TOWNSHIP
23	SPRINGFIELD TOWNSHIP
23	WATERFORD TOWNSHIP
23	WHITE LAKE TOWNSHIP
23	BENONA TOWNSHIP
23	CLAYBANKS TOWNSHIP
23	COLFAX TOWNSHIP
23	CRYSTAL TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	ELGRIDGE TOWNSHIP
23	FERRY TOWNSHIP
23	GOLDEN TOWNSHIP
23	GRANT TOWNSHIP
23	GREENWOOD TOWNSHIP
23	HART TOWNSHIP
23	LEAVITT TOWNSHIP
23	NEWFIELD TOWNSHIP
23	OTTO TOWNSHIP
23	PENTWATER TOWNSHIP
23	SHELBY TOWNSHIP
23	WEARE TOWNSHIP
23	BERGLAND TOWNSHIP
23	BOHEMIA TOWNSHIP
23	CARP LAKE TOWNSHIP
23	GREENLAND TOWNSHIP
23	HAIGHT TOWNSHIP
23	INTERIOR TOWNSHIP
23	MCMILLAN TOWNSHIP
23	MATCHWOOD TOWNSHIP
23	ONTONAGON TOWNSHIP
23	ROCKLAND TOWNSHIP
23	STANNARD TOWNSHIP
23	HIGHLAND TOWNSHIP
23	SYLVAN TOWNSHIP
23	ALLIS TOWNSHIP
23	BEARINGER TOWNSHIP
23	BELKNAP TOWNSHIP
23	BISMARCK TOWNSHIP
23	CASE TOWNSHIP
23	KRAKOW TOWNSHIP
23	METZ TOWNSHIP
23	MOLTKE TOWNSHIP
23	NORTH ALLIS TOWNSHIP
23	OCQUEOC TOWNSHIP
23	POSEN TOWNSHIP
23	PRESQUE ISLE TOWNSHIP
23	PULAWSKI TOWNSHIP
23	ROGERS TOWNSHIP
23	BERLIN TOWNSHIP
23	BROCKWAY TOWNSHIP
23	BURTCHVILLE TOWNSHIP
23	CASCO TOWNSHIP
23	CHINA TOWNSHIP
23	CLAY TOWNSHIP
23	CLYDE TOWNSHIP

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	COTTRELLVILLE TOWNSHIP
23	EAST CHINA TOWNSHIP
23	EMMETT TOWNSHIP
23	FORT GRATIOT TOWNSHIP
23	GRANT TOWNSHIP
23	GREENWOOD TOWNSHIP
23	IRA TOWNSHIP
23	KENOCKEE TOWNSHIP
23	KIMBALL TOWNSHIP
23	LYNN TOWNSHIP
23	MUSSEY TOWNSHIP
23	PORT HURON TOWNSHIP
23	RILEY TOWNSHIP
23	ST CLAIR TOWNSHIP
23	WALES TOWNSHIP
23	BURR OAK TOWNSHIP
23	COLON TOWNSHIP
23	CONSTANTINE TOWNSHIP
23	FABIUS TOWNSHIP
23	FAWN RIVER TOWNSHIP
23	FLORENCE TOWNSHIP
23	FLOWERFIELD TOWNSHIP
23	LEONIDAS TOWNSHIP
23	LOCKPORT TOWNSHIP
23	MENDON TOWNSHIP
23	MOTTVILLE TOWNSHIP
23	NOTTAWA TOWNSHIP
23	STURGIS TOWNSHIP
23	WHITE PIGEON TOWNSHIP
23	ARGYLE TOWNSHIP
23	AUSTIN TOWNSHIP
23	DELAWARE TOWNSHIP
23	ELK TOWNSHIP
23	ELMER TOWNSHIP
23	FLYNN TOWNSHIP
23	GREENLEAF TOWNSHIP
23	MARION TOWNSHIP
23	MINDEN TOWNSHIP
23	MOORE TOWNSHIP
23	WHEATLAND TOWNSHIP
23	MUELLER TOWNSHIP
23	ANTRIM TOWNSHIP
23	BENNINGTON TOWNSHIP
23	BURNS TOWNSHIP
23	CALEDONIA TOWNSHIP
23	FAIRFIELD TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
23	HAZELTON TOWNSHIP
23	MIDDLEBURY TOWNSHIP
23	NEW HAVEN TOWNSHIP
23	OWOSSO TOWNSHIP
23	PERRY TOWNSHIP
23	RUSH TOWNSHIP
23	SCIOTA TOWNSHIP
23	SHIAWASSEE TOWNSHIP
23	VENICE TOWNSHIP
23	VERNON TOWNSHIP
23	WOODHULL TOWNSHIP
23	AKRON TOWNSHIP
23	ALMER TOWNSHIP
23	ELMWOOD TOWNSHIP
23	INDIANFIELDS TOWNSHIP
23	TUSCOLA TOWNSHIP
23	WATERTOWN TOWNSHIP
23	WELLS TOWNSHIP
23	BLOOMINGDALE TOWNSHIP
23	COVERT TOWNSHIP
23	ANTIOCH TOWNSHIP
23	BOON TOWNSHIP
23	CLAM LAKE TOWNSHIP
23	HARING TOWNSHIP
23	HENDERSON TOWNSHIP
23	SLAGLE TOWNSHIP
23	SOUTH BRANCH TOWNSHIP

STATE = 23: 855 RECORDS

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
24	CARLTON COUNTY
24	CLEARWATER COUNTY
24	KANABEC COUNTY
24	KOOCHICHING COUNTY
24	LAKE OF THE WOODS COUNTY
24	MORRISON COUNTY
24	ROSEAU COUNTY
24	ST LOUIS COUNTY
24	TODD COUNTY
24	WINONA COUNTY
24	AITKIN VILLAGE
24	TAMARACK VILLAGE
24	CALLAWAY VILLAGE
24	OGEMA VILLAGE
24	WOLF LAKE VILLAGE
24	BEMIDJI CITY
24	FUNKLEY VILLAGE
24	KELLIHER VILLAGE
24	TURTLE RIVER VILLAGE
24	BARNUM VILLAGE
24	CARLTON VILLAGE
24	CLOQUET CITY
24	CROMWELL VILLAGE
24	KETTLE RIVER VILLAGE
24	MOOSE LAKE VILLAGE
24	SCANLON VILLAGE
24	THOMSON VILLAGE
24	WRENSHALL CITY
24	WRIGHT VILLAGE
24	BACKUS VILLAGE
24	BOY RIVER VILLAGE
24	CASS LAKE VILLAGE
24	PILLAGER VILLAGE
24	BAGLEY VILLAGE
24	CLEARBROOK VILLAGE
24	GONVICK VILLAGE
24	LEONARD VILLAGE
24	SHEVLIN VILLAGE
24	CROSBY VILLAGE
24	FIFTY LAKES VILLAGE
24	AKELEY VILLAGE
24	PARK RAPIDS VILLAGE
24	BOVEY VILLAGE
24	CALUMET VILLAGE
24	COLERAINE VILLAGE
24	NASHWAUK VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
24	ZEMPLE VILLAGE
24	GRASSTON VILLAGE
24	MORA VILLAGE
24	OGILVIE VILLAGE
24	QUAMBA VILLAGE
24	BIG FALLS VILLAGE
24	MIZPAH VILLAGE
24	NORTHOME VILLAGE
24	BAUDETTE VILLAGE
24	BUCKMAN VILLAGE
24	ELMDALE VILLAGE
24	FLENSBURG VILLAGE
24	HARDING VILLAGE
24	HILLMAN VILLAGE
24	LASTRUP VILLAGE
24	RANDALL VILLAGE
24	SOBIESKI VILLAGE
24	ASKOV VILLAGE
24	DENHAM VILLAGE
24	FINLAYSON VILLAGE
24	HENRIETTE VILLAGE
24	KERRICK VILLAGE
24	PINE CITY VILLAGE
24	SANDSTONE VILLAGE
24	STURGEON LAKE VILLAGE
24	WILLOW RIVER VILLAGE
24	HATFIELD VILLAGE
24	MORRISTOWN VILLAGE
24	BADGER VILLAGE
24	STRATHCONA VILLAGE
24	AURORA VILLAGE
24	BABBITT VILLAGE
24	BIWABIK CITY
24	BROOKSTON VILLAGE
24	BUHL VILLAGE
24	CHISHOLM CITY
24	COOK VILLAGE
24	ELY CITY
24	EVELETH CITY
24	FLOODWOOD VILLAGE
24	FRANKLIN VILLAGE
24	GILBERT CITY
24	HIBBING VILLAGE
24	HOYT LAKES VILLAGE
24	IRON JUNCTION VILLAGE
24	KINNEY VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
24	LEONIDAS CITY
24	MCKINLEY VILLAGE
24	MEADOWLANDS VILLAGE
24	PROCTOR VILLAGE
24	TOWER CITY
24	VIRGINIA
24	WINTON VILLAGE
24	FREEPORT VILLAGE
24	HOLDINGFORD VILLAGE
24	NEW MUNICH VILLAGE
24	RICHMOND VILLAGE
24	ROSCOE VILLAGE
24	ST ANTHONY VILLAGE
24	ST CLOUD CITY
24	ST ROSA VILLAGE
24	SAUK CENTRE CITY
24	BROWERVILLE CITY
24	ALTURA VILLAGE
24	MINNESOTA CITY VILLAGE
24	ROLLINGSTONE VILLAGE
24	STOCKTON VILLAGE
24	UTICA VILLAGE
24	WINONA CITY
24	WAVERLY VILLAGE
24	BALL BLUFF TOWNSHIP
24	CORNISH TOWNSHIP
24	FLEMING TOWNSHIP
24	IDUN TOWNSHIP
24	KIMBERLY TOWNSHIP
24	LAKESIDE TOWNSHIP
24	LEE TOWNSHIP
24	LOGAN TOWNSHIP
24	MACVILLE TOWNSHIP
24	MALMO TOWNSHIP
24	PLINY TOWNSHIP
24	RICE RIVER TOWNSHIP
24	SALO TOWNSHIP
24	SEAVEY TOWNSHIP
24	SPENCER TOWNSHIP
24	TURNER TOWNSHIP
24	VERDON TOWNSHIP
24	WHITE PINE TOWNSHIP
24	WILLIAMS TOWNSHIP
24	CALLAWAY TOWNSHIP
24	MAPLE GROVE TOWNSHIP
24	OSAGE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
24	PINE POINT TOWNSHIP
24	RICEVILLE TOWNSHIP
24	ROUND LAKE TOWNSHIP
24	SHELL LAKE TOWNSHIP
24	SPRING CREEK TOWNSHIP
24	BENVILLE TOWNSHIP
24	BUZZLE TOWNSHIP
24	CORMANT TOWNSHIP
24	HAGALI TOWNSHIP
24	HAMRE TOWNSHIP
24	MINNIE TOWNSHIP
24	NEBISH TOWNSHIP
24	PORT HOPE TOWNSHIP
24	ROOSEVELT TOWNSHIP
24	SHOTLEY TOWNSHIP
24	TAYLOR TWP
24	ATKINSON TOWNSHIP
24	AUTOMBA TOWNSHIP
24	BARNUM TOWNSHIP
24	BESEMAN TOWNSHIP
24	BLACKHOOF TOWNSHIP
24	HOLYOKE TOWNSHIP
24	KALEVALA TOWNSHIP
24	LAKEVIEW TOWNSHIP
24	MAHTOWA TOWNSHIP
24	MOOSE LAKE TOWNSHIP
24	SILVER TOWNSHIP
24	SKELTON TOWNSHIP
24	SPLIT ROCK TOWNSHIP
24	THOMPSON TOWNSHIP
24	TWIN LAKES TOWNSHIP
24	WRENSHALL TOWNSHIP
24	PERCH LAKE TWP
24	BEULAH TOWNSHIP
24	BOY LAKE TOWNSHIP
24	DEERFIELD TOWNSHIP
24	GOULD TOWNSHIP
24	INGUADONA TOWNSHIP
24	LEECH LAKE TOWNSHIP
24	MCKINLEY TOWNSHIP
24	MEADOW BROOK TOWNSHIP
24	PINE LAKE TOWNSHIP
24	POPLAR TOWNSHIP
24	REMER TOWNSHIP
24	ROGERS TOWNSHIP
24	SHINGOBEE TOWNSHIP

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
24	THUNDER LAKE TOWNSHIP
24	BEAR CREEK TOWNSHIP
24	CLOVER TOWNSHIP
24	COPLEY TOWNSHIP
24	DUDLEY TOWNSHIP
24	EDDY TOWNSHIP
24	FALK TOWNSHIP
24	GREENWOOD TOWNSHIP
24	HANGAARD TOWNSHIP
24	HOLST TOWNSHIP
24	ITASCA TOWNSHIP
24	LA PRAIRIE TOWNSHIP
24	LEON TOWNSHIP
24	MINERVA TOWNSHIP
24	MOOSE CREEK TOWNSHIP
24	NORA TOWNSHIP
24	PINE LAKE TOWNSHIP
24	POPPLE TOWNSHIP
24	RICE TOWNSHIP
24	SHEVLIN TOWNSHIP
24	SINCLAIR TOWNSHIP
24	WINSOR TOWNSHIP
24	DEAN LAKE TOWNSHIP
24	LITTLE PINE TOWNSHIP
24	OAK LAWN TOWNSHIP
24	ROSS LAKE TOWNSHIP
24	TIMOTHY TOWNSHIP
24	BELVIDERE TOWNSHIP
24	GOODHUE TOWNSHIP
24	BADOURA TOWNSHIP
24	CROW WING LAKE TWP
24	LAKE ALICE TOWNSHIP
24	LAKE EMMA TOWNSHIP
24	LAKE GEORGE TOWNSHIP
24	MANTRAP TOWNSHIP
24	ARDENHURST TOWNSHIP
24	BEARVILLE TOWNSHIP
24	BIGFORK TOWNSHIP
24	BLACKBERRY TOWNSHIP
24	FEELEY TOWNSHIP
24	GOOD HOPE TOWNSHIP
24	GOODLAND TOWNSHIP
24	KINGHURST TOWNSHIP
24	MAX TOWNSHIP
24	NORE TOWNSHIP
24	SAND LAKE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
24	SPANG TOWNSHIP
24	STOKES TOWNSHIP
24	THIRD RIVER TOWNSHIP
24	ANN LAKE TOWNSHIP
24	ARTHUR TOWNSHIP
24	BRUNSWICK TOWNSHIP
24	COMFORT TOWNSHIP
24	FORD TOWNSHIP
24	GRASS LAKE TOWNSHIP
24	HAY BROOK TOWNSHIP
24	HILLMAN TOWNSHIP
24	KANABEC TOWNSHIP
24	KNIFE LAKE TOWNSHIP
24	KROSCHEL TOWNSHIP
24	PEACE TOWNSHIP
24	POMROY TOWNSHIP
24	SOUTH FORK TOWNSHIP
24	BEJOU TOWNSHIP
24	GREGORY TOWNSHIP
24	HEIER TOWNSHIP
24	LAKE GROVE TOWNSHIP
24	OAKLAND TOWNSHIP
24	AUGSBURG TOWNSHIP
24	GRAND PLAIN TOWNSHIP
24	MOYLAN TOWNSHIP
24	VALLEY TOWNSHIP
24	BUCKMAN TOWNSHIP
24	BUH TOWNSHIP
24	CLOUGH TOWNSHIP
24	CULDRUM TOWNSHIP
24	CUSHING TOWNSHIP
24	HILLMAN TOWNSHIP
24	LAKIN TOWNSHIP
24	LEIGH TOWNSHIP
24	RAIL PRAIRIE TOWNSHIP
24	RICHARDSON TOWNSHIP
24	SWANVILLE TOWNSHIP
24	ADAMS TOWNSHIP
24	BENNINGTON TOWNSHIP
24	CLAYTON TOWNSHIP
24	FRANKFORD TOWNSHIP
24	GRAND MEADOW TOWNSHIP
24	LODI TOWNSHIP
24	MARSHALL TOWNSHIP
24	PLEASANT VALLEY TWP
24	CLOVER LEAF TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
24	GOODRIDGE TOWNSHIP
24	HIGHLANDING TOWNSHIP
24	SILVERTON TOWNSHIP
24	BROOK PARK TOWNSHIP
24	DANFORTH TOWNSHIP
24	HINCKLEY TOWNSHIP
24	KERRICK TOWNSHIP
24	MISSION CREEK TOWNSHIP
24	NEW DOSEY TOWNSHIP
24	NICKERSON TOWNSHIP
24	NORMAN TOWNSHIP
24	STURGEON LAKE TOWNSHIP
24	AETNA TOWNSHIP
24	ALTONA TOWNSHIP
24	ELMER TOWNSHIP
24	ROCK TOWNSHIP
24	GERVAIS TOWNSHIP
24	LAMBERT TOWNSHIP
24	LOUISVILLE TOWNSHIP
24	WYLIE TOWNSHIP
24	MORRISTOWN TOWNSHIP
24	NORTHFIELD TOWNSHIP
24	SHIELDSVILLE TOWNSHIP
24	BARNETT TOWNSHIP
24	BARTO TOWNSHIP
24	DIETER TOWNSHIP
24	ENSTROM TOWNSHIP
24	HEREIM TOWNSHIP
24	LIND TOWNSHIP
24	MICKINOCK TOWNSHIP
24	MOOSE TOWNSHIP
24	POPLAR GROVE TOWNSHIP
24	REINE TOWNSHIP
24	SKAGEN TOWNSHIP
24	STAFFORD TOWNSHIP
24	STOKES TOWNSHIP
24	ALANGO TOWNSHIP
24	ALBORN TOWNSHIP
24	ALDEN TOWNSHIP
24	ANGORA TOWNSHIP
24	ARROWHEAD TOWNSHIP
24	AULT TOWNSHIP
24	BASSETT TOWNSHIP
24	BIWABIK TOWNSHIP
24	BREITUNG TOWNSHIP
24	BREVATOR TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
24	CANOSIA TOWNSHIP
24	CEDAR VALLEY TOWNSHIP
24	CHERRY TOWNSHIP
24	CELVIN TOWNSHIP
24	COTTON TOWNSHIP
24	CULVER TOWNSHIP
24	DULUTH TOWNSHIP
24	ELLSBURG TOWNSHIP
24	ELMER TOWNSHIP
24	EMBARRASS TOWNSHIP
24	FAIRBANKS TOWNSHIP
24	FIELD TOWNSHIP
24	FINE LAKES TOWNSHIP
24	FLOODWOCD TOWNSHIP
24	GNESEN TOWNSHIP
24	HALDEN TOWNSHIP
24	INDUSTRIAL TOWNSHIP
24	KELSEY TOWNSHIP
24	KUGLER TOWNSHIP
24	LAKEWOOD TOWNSHIP
24	LAVELL TOWNSHIP
24	LINDEN GROVE TOWNSHIP
24	MCDAVITT TOWNSHIP
24	MEADOWLANDS TOWNSHIP
24	MIDWAY TOWNSHIP
24	MISSABE MOUNTAIN TWP
24	MORCOM TOWNSHIP
24	MORSE TOWNSHIP
24	NESS TOWNSHIP
24	NEW INDEPENDENCE TWP
24	NORMANNA TOWNSHIP
24	NORTHLAND TOWNSHIP
24	OWENS TOWNSHIP
24	PAYNE TOWNSHIP
24	PIKE TOWNSHIP
24	PORTAGE TOWNSHIP
24	PRAIRIE LAKE TOWNSHIP
24	RICE LAKE TOWNSHIP
24	SANDY TOWNSHIP
24	SOLWAY TOWNSHIP
24	STONEY BROOK TOWNSHIP
24	STUNTZ TOWN
24	STURGEON TOWNSHIP
24	TOIVOLA TOWNSHIP
24	VAN BUREN TOWNSHIP
24	VERMILION LAKE TOWNSHIP

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
24	WAASA TOWNSHIP
24	WHITE TOWNSHIP
24	WILLOW VALLEY TOWNSHIP
24	ASHLEY TOWNSHIP
24	CROW LAKE TOWNSHIP
24	KRAIN TOWNSHIP
24	ROCKVILLE TOWNSHIP
24	BERTHA TOWNSHIP
24	BIRCHDALE TOWNSHIP
24	BRUCE TOWNSHIP
24	EAGLE VALLEY TOWNSHIP
24	FAWN LAKE TOWNSHIP
24	GERMANIA TOWNSHIP
24	LESLIE TOWNSHIP
24	MORAN TOWNSHIP
24	REYNOLDS TOWNSHIP
24	DRESBACH TOWNSHIP
24	ELBA TOWNSHIP
24	FREMONT TOWNSHIP
24	HART TOWNSHIP
24	HILLSDALE TOWNSHIP
24	MOUNT VERNON TOWNSHIP
24	PLEASANT HILL TOWNSHIP
24	ROLLINGSTONE TOWNSHIP
24	ST CHARLES TOWNSHIP
24	SARATOGA TOWNSHIP
24	UTICA TOWNSHIP
24	WISCOY TOWNSHIP

STATE = 24: 396 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
25	ADAMS COUNTY
25	ALCORN COUNTY
25	AMITE COUNTY
25	ATTALA COUNTY
25	BENTON COUNTY
25	BOLIVAR COUNTY
25	CALHOUN COUNTY
25	CARROLL COUNTY
25	CHICKASAW COUNTY
25	CHOCTAW COUNTY
25	COAHOMA COUNTY
25	COPIAH COUNTY
25	FRANKLIN COUNTY
25	GEORGE COUNTY
25	GREENE COUNTY
25	GRENADA COUNTY
25	HOLMES COUNTY
25	HUMPHREYS COUNTY
25	JASPER COUNTY
25	JEFFERSON COUNTY
25	JEFFERSON DAVIS COUNTY
25	JONES COUNTY
25	KEMPER COUNTY
25	LAUDERDALE COUNTY
25	LAWRENCE COUNTY
25	LEFLORE COUNTY
25	LINCOLN COUNTY
25	MADISON COUNTY
25	MARION COUNTY
25	MONROE COUNTY
25	MONTGOMERY COUNTY
25	NEWTON COUNTY
25	NOXUBEE COUNTY
25	PANOLA COUNTY
25	PEARL RIVER COUNTY
25	PIKE COUNTY
25	QUITMAN COUNTY
25	SHARKEY COUNTY
25	SIMPSON COUNTY
25	SUNFLOWER COUNTY
25	TALLAHATCHIE COUNTY
25	TATE COUNTY
25	TISHOMINGO COUNTY
25	TUNICA COUNTY
25	WALTHALL COUNTY
25	WARREN COUNTY

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
25	WASHINGTON COUNTY
25	WAYNE COUNTY
25	WILKINSON COUNTY
25	WINSTON COUNTY
25	YALOBUSHA COUNTY
25	YAZOO COUNTY
25	NATCHEZ CITY
25	CORINTH CITY
25	KOSSUTH VILLAGE
25	RIENZI TOWN
25	GLOSTER TOWN
25	LIBERTY TOWN
25	ETHEL TOWN
25	KOSCIUSKO CITY
25	MCCOOL TOWN
25	SALLIS TOWN
25	ASHLAND TOWN
25	HICKORY FLAT VILLAGE
25	ALLIGATOR TOWN
25	BENOIT TOWN
25	BEULAH TOWN
25	BOYLE TOWN
25	CLEVELAND CITY
25	DUNCAN TOWN
25	GUNNISON TOWN
25	MERIGOLD TOWN
25	MOUND BAYOU TOWN
25	PACE TOWN
25	ROSEDALE CITY
25	SHAW TOWN
25	SHELBY CITY
25	WINSTONVILLE TOWN
25	BIG CREEK VILLAGE
25	BRUCE TOWN
25	CALHOUN CITY TOWN
25	DERMA TOWN
25	SLATE SPRINGS VILLAGE
25	VARDAMAN TOWN
25	HOULKA TOWN
25	HOUSTON CITY
25	OKOLONA CITY
25	WOODLAND VILLAGE
25	ACKERMAN TOWN
25	WEIR TOWN
25	CLARKSDALE CITY
25	FRIARS POINT TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
25	JONESTOWN TOWN
25	LULA TOWN
25	LYON TOWN
25	BEAUREGARD VILLAGE
25	CRYSTAL SPRINGS CITY
25	GEORGETOWN TOWN
25	HAZLEHURST CITY
25	WESSON TOWN
25	BUDE TOWN
25	ROXIE TOWN
25	LUCEDALE TOWN
25	LEAKESVILLE TOWN
25	MCLAIN TOWN
25	GRENADA CITY
25	BAY ST LOUIS CITY
25	BILOXI CITY
25	CRUGER TOWN
25	DURANT TOWN
25	GOODMAN TOWN
25	LEXINGTON CITY
25	PICKENS TOWN
25	TCHULA TOWN
25	WEST TOWN
25	BELZONI CITY
25	LOUISE TOWN
25	SILVER CITY TOWN
25	BAY SPRINGS TOWN
25	HEIDELBERG TOWN
25	LOUIN TOWN
25	MONTROSE TOWN
25	FAYETTE TOWN
25	BASSFIELD TOWN
25	PRENTISS TOWN
25	SOSO TOWN
25	DE KALB TOWN
25	SCOOBA TOWN
25	MERIDIAN CITY
25	MARION CITY
25	NEWHEBRON VILLAGE
25	GUNTOWN TOWN
25	GREENWOOD CITY
25	ITTA BENA TOWN
25	SIDON TOWN
25	MORGAN CITY TOWN
25	SCHLATER TOWN
25	BROOKHAVEN CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
25	CANTON CITY
25	FLORA TOWN
25	COLUMBIA CITY
25	HOLLY SPRINGS CITY
25	ABERDEEN CITY
25	AMORY CITY
25	GATTMAN VILLAGE
25	SMITHVILLE TOWN
25	DUCK HILL TOWN
25	KILMICHAEL TOWN
25	WINONA CITY
25	DECATUR TOWN
25	HICKORY TOWN
25	NEWTON CITY
25	BROOKSVILLE TOWN
25	MACON CITY
25	SHUQUALAK TOWN
25	BATESVILLE CITY
25	COURTLAND VILLAGE
25	POPE VILLAGE
25	SARDIS TOWN
25	PICAYUNE CITY
25	POPLARVILLE CITY
25	MCCOMB CITY
25	MAGNOLIA CITY
25	OSYKA TOWN
25	SUMMIT TOWN
25	LAMBERT TOWN
25	MARKS CITY
25	SLEDGE TOWN
25	FALCON TOWN
25	ANGUILLA TOWN
25	CARY TOWN
25	ROLLING FORK TOWN
25	BRAXTON VILLAGE
25	OLO TOWN
25	DODDSVILLE TOWN
25	DREW CITY
25	INDIANOLA CITY
25	INVERNESS TOWN
25	MOORHEAD TOWN
25	RULEVILLE TOWN
25	SUNFLOWER TOWN
25	CHARLESTON CITY
25	GLENDORA VILLAGE
25	SUMNER TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
25	TUTWILER TOWN
25	WEBB TOWN
25	COLDWATER TOWN
25	SENATOBIA CITY
25	IUKA CITY
25	PADEN VILLAGE
25	GOLDEN VILLAGE
25	TUNICA TOWN
25	MYRTLE TOWN
25	NEW ALBANY CITY
25	VICKSBURG CITY
25	ARCOLA TOWN
25	GREENVILLE CITY
25	HOLLANDALE CITY
25	LELAND CITY
25	WAYNESBORO CITY
25	WOODVILLE TOWN
25	LOUISVILLE CITY
25	NOXAPATER TOWN
25	COFFEEVILLE TOWN
25	WATER VALLEY CITY
25	TILLATOBA VILLAGE
25	BENTONIA TOWN
25	EDEN VILLAGE
25	SATARTIA VILLAGE
25	YAZOO CITY CITY

STATE = 25: 210 RECORDS

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	ATCHISON COUNTY
26	BARTON COUNTY
26	BUCHANAN COUNTY
26	CARROLL COUNTY
26	CLARK COUNTY
26	COOPER COUNTY
26	DAVIESS COUNTY
26	DOUGLAS COUNTY
26	GRUNDY COUNTY
26	HENRY COUNTY
26	HOWARD COUNTY
26	JACKSON COUNTY
26	JASPER COUNTY
26	JOHNSON COUNTY
26	KNOX COUNTY
26	LACLEDE COUNTY
26	LINN COUNTY
26	LIVINGSTON COUNTY
26	MACON COUNTY
26	MADISON COUNTY
26	MARIES COUNTY
26	MARION COUNTY
26	MERCER COUNTY
26	MISSISSIPPI COUNTY
26	MONITEAU COUNTY
26	MONROE COUNTY
26	OREGON COUNTY
26	PEMISCOT COUNTY
26	PETTIS COUNTY
26	PIKE COUNTY
26	PULASKI COUNTY
26	RANDOLPH COUNTY
26	RIPLEY COUNTY
26	ST FRANCOIS COUNTY
26	SCHUYLER COUNTY
26	SHANNON COUNTY
26	SULLIVAN COUNTY
26	TEXAS COUNTY
26	WASHINGTON COUNTY
26	ROCKPORT CITY
26	TARKIO CITY
26	WATSON TOWN
26	WESTBORO TOWN
26	FARBER CITY
26	BURGESS TOWN
26	GOLDEN CITY CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	LIBERAL CITY
26	MINDENMINES CITY
26	AMORET CITY
26	FOSTER TOWN
26	HUME TOWN
26	MERWIN TOWN
26	PASSAIC TOWN
26	LUTESVILLE CITY
26	SEDGEWICKVILLE TOWN
26	ZALMA TOWN
26	AGENCY VILLAGE
26	DE KALB TOWN
26	RUSHVILLE TOWN
26	ST JOSEPH CITY
26	NEELYVILLE TOWN
26	POPLAR BLUFF CITY
26	BOGARD TOWN
26	BOSWORTH CITY
26	CARROLLTON TOWN
26	WAKENDA TOWN
26	ELLSINORE TOWN
26	ELDORADO SPRINGS CITY
26	BRUNSWICK CITY
26	DALTON TOWN
26	ROTHVILLE TOWN
26	ALEXANDRIA TOWN
26	KAHOKA CITY
26	LURAY TOWN
26	WAYLAND CITY
26	WYACONDA CITY
26	BOONVILLE CITY
26	BUNCETON CITY
26	OTTERVILLE CITY
26	PILOT GROVE CITY
26	WOOLDRIDGE TOWN
26	ALTAMONT TOWN
26	COFFEY CITY
26	JAMESON TOWN
26	LOCK SPRING VILLAGE
26	PATTONSBURG CITY
26	AVA CITY
26	CAMPBELL CITY
26	HORNERSVILLE CITY
26	KENNETT CITY
26	SENATH CITY
26	BERGER CITY

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	NEW HAVEN CITY
26	WASHINGTON CITY
26	BLAND CITY
26	GASCONADE CITY
26	OWENSVILLE CITY
26	ROSEBUD CITY
26	BRIMSON TOWN
26	GALT CITY
26	SPICKARDSVILLE CITY
26	TINDALL TOWN
26	TRENTON CITY
26	CALHOUN CITY
26	WINDSOR CITY
26	ARMSTRONG CITY
26	FAYETTE CITY
26	FRANKLIN TOWN
26	KANSAS CITY
26	SUGAR CREEK CITY
26	SIBLEY TOWN
26	TARSNEY LAKES TOWN
26	LONEJACK TOWN
26	ASBURY TOWN
26	AVILLE TOWN
26	CARTHAGE CITY
26	JASPER CITY
26	JOPLIN CITY
26	ORONOGO CITY
26	PURCELL CITY
26	WACO TOWN
26	WEBB CITY CITY
26	DUENWEG CITY
26	DUQUESNE VILLAGE
26	BROOKLYN HEIGHTS VILLAGE
26	FIDELITY TOWN
26	CENTERVIEW TOWN
26	HOLDEN CITY
26	KINGSVILLE TOWN
26	KNOB NOSTER CITY
26	LA TOUR TOWN
26	LEETON CITY
26	WARRENSBURG CITY
26	BARING TOWN
26	KNOX CITY CITY
26	NEWARK TOWN
26	NOVELTY TOWN
26	CONWAY CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	LEBANON CITY
26	PHILLIPSBURG TOWN
26	FREISTATT TOWN
26	MILLER CITY
26	PIERCE CITY CITY
26	VERONA TOWN
26	HALLTOWN VILLAGE
26	HOBERG VILLAGE
26	CANTON CITY
26	LA BELLE CITY
26	LA GRANGE CITY
26	BROOKFIELD CITY
26	BUCKLIN CITY
26	LACLEDE CITY
26	LINNEUS CITY
26	MARCELINE CITY
26	PURDIN TOWN
26	CHULA CITY
26	LUDLOW TOWN
26	ANDERSON CITY
26	SOUTH WEST CITY TOWN
26	ATLANTA CITY
26	BEVIER CITY
26	CALLAO CITY
26	ELMER TOWN
26	MACON CITY
26	NEW CAMBRIA TOWN
26	SOUTH GIFFORD TOWN
26	FREDERICKTOWN CITY
26	MARQUAND TOWN
26	COBALT CITY VILLAGE
26	JUNCTION CITY VILLAGE
26	VIENNA TOWN
26	PRINCETON CITY
26	CHARLESTON CITY
26	EAST PRAIRIE CITY
26	WYATT CITY
26	..LSON CITY TOWN
26	ANNISTON TOWN
26	CALIFORNIA CITY
26	CLARKSBURG CITY
26	JAMESTOWN CITY
26	LUPUS TOWN
26	TIPTON CITY
26	MADISON CITY
26	STOUTSVILLE TOWN

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	SYRACUSE TOWN
26	VERSAILLES CITY
26	ARKOE TOWN
26	BURLINGTON JUNCTION CITY
26	CLEARMONT TOWN
26	CLYDE TOWN
26	CONCEPTION JUNCTION TOWN
26	ELMO TOWN
26	GUILFORD TOWN
26	HOPKINS CITY
26	PARNELL CITY
26	PICKERING TOWN
26	QUITMAN TOWN
26	RAVENWOOD CITY
26	SKIDMORE CITY
26	ALTON CITY
26	KOSHKONONG CITY
26	THAYER CITY
26	CHAMOIS CITY
26	META CITY
26	CARUTHERSVILLE CITY
26	HAYTI CITY
26	HOLLAND TOWN
26	STEELE CITY
26	WARDELL TOWN
26	COOTER TOWN
26	HOMESTOWN CITY
26	BRAGG CITY TOWN
26	HAYTI HEIGHTS CITY
26	PASCOLA TOWN
26	NORTH WARDELL VILLAGE
26	GREEN RIDGE TOWN
26	HOUSTONIA CITY
26	LA MONTE CITY
26	SEDALIA CITY
26	SMITHTON CITY
26	HUGHESVILLE VILLAGE
26	BOWLING GREEN CITY
26	CURRYVILLE TOWN
26	FRANKFORD CITY
26	LOUISIANA CITY
26	ANNADA TOWN
26	EOLIA VILLAGE

STATE = 26: 227 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	PAYNESVILLE TOWN

STATE = 26: 1 RECORDS

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	CROCKER CITY
26	RICHLAND CITY
26	ST ROBERT CITY
26	CLIFTON HILL TOWN
26	HUNTSVILLE CITY
26	JACKSONVILLE TOWN
26	RENICK TOWN
26	DONIPHAN CITY
26	NAYLOR CITY
26	BISMARCK CITY
26	BONNE TERRE CITY
26	DESLOGE CITY
26	ELVINS CITY
26	ESTHER CITY
26	FAIRVIEW ACRES VILLAGE
26	FARMINGTON CITY
26	FLAT RIVER CITY
26	HIGHLEY HEIGHTS VILLAGE
26	RIVERMINES TOWN
26	LEADINGTON VILLAGE
26	LEADWOOD CITY
26	BELLA VILLA CITY
26	BEL RIDGE VILLAGE
26	BERKELEY CITY
26	BRECKENRIDGE HILLS VILL
26	BRIDGETON TERRACE CITY
26	COOL VALLEY VILLAGE
26	DELLWOOD CITY
26	EDMUNDSON VILLAGE
26	ELLISVILLE CITY
26	FERGUSON CITY
26	HANLEY HILLS VILLAGE
26	HAZELWOOD CITY
26	HILLSDALE VILLAGE
26	JENNINGS CITY
26	KINLOCH CITY
26	MAPLEWOOD CITY
26	NORMANDY TOWN
26	OVERLAND CITY
26	PAGEDALE CITY
26	PINE LAWN CITY
26	RIVERVIEW VILLAGE
26	ROCK HILL CITY
26	ST ANN CITY
26	ST JOHN CITY
26	SCHUERMANN HEIGHTS VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	TIMES BEACH CITY
26	VALLEY PARK CITY
26	VELDA VILLAGE
26	VINITA PARK CITY
26	WELLSTON CITY
26	WINCHESTER CITY
26	WOODSON TERRACE CITY
26	ST LOUIS CITY
26	GRAND PASS TOWN
26	MARSHALL CITY
26	MOUNT LEONARD TOWN
26	SWEET SPRINGS CITY
26	DOWNING CITY
26	GLENWOOD VILLAGE
26	LANCASTER CITY
26	QUEEN CITY CITY
26	BIRCH TREE CITY
26	EMINENCE CITY
26	WINONA CITY
26	CLARENCE CITY
26	GREENCASTLE CITY
26	GREEN CITY CITY
26	HARRIS TOWN
26	HUMPHREYS TOWN
26	MILAN CITY
26	NEWTOWN TOWN
26	OSGOOD TOWN
26	HOUSTON CITY
26	LICKING CITY
26	RAYMONDVILLE TOWN
26	CALEDONIA TOWN
26	IRONDALE CITY
26	MINERAL POINT TOWN
26	POTOSI CITY
26	PIEDMONT CITY
26	MILL SPRING VILLAGE
26	SEYMOUR CITY
26	ALLENDALE TOWN
26	DENVER TOWN
26	GRANT CITY
26	WORTH TOWN
26	GOLDEN CITY TOWNSHIP
26	NASHVILLE TOWNSHIP
26	NEWPORT TOWNSHIP
26	OZARK TOWNSHIP
26	CARROLLTON TOWNSHIP

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	COMBS TOWNSHIP
26	EGYPT TOWNSHIP
26	EUGENE TOWNSHIP
26	HILL TOWNSHIP
26	HURRICANE TOWNSHIP
26	MIAMI TOWNSHIP
26	RIDGE TOWNSHIP
26	RCCKFORD TOWNSHIP
26	STOKES MOUND TOWNSHIP
26	SUGARTREE TOWNSHIP
26	TROTTER TOWNSHIP
26	VAN HORN TOWNSHIP
26	WAKENDA TOWNSHIP
26	BEE BRANCH TOWNSHIP
26	BRUNSWICK TOWNSHIP
26	CLARK TOWNSHIP
26	COCKRELL TOWNSHIP
26	MISSOURI TOWNSHIP
26	BENTON TOWNSHIP
26	HARRISON TOWNSHIP
26	JACKSON TOWNSHIP
26	JEFFERSON TOWNSHIP
26	LIBERTY TOWNSHIP
26	LINCOLN TOWNSHIP
26	MARION TOWNSHIP
26	SALEM TOWNSHIP
26	SHERIDAN TOWNSHIP
26	WASHINGTON TOWNSHIP
26	CLAY TOWNSHIP
26	FREEBORN TOWNSHIP
26	INDEPENDENCE TOWNSHIP
26	SALEM TOWNSHIP
26	FRANKLIN TOWNSHIP
26	JEFFERSON TOWNSHIP
26	LIBERTY TOWNSHIP
26	LINCOLN TOWNSHIP
26	MARION TOWNSHIP
26	MYERS TOWNSHIP
26	TAYLOR TOWNSHIP
26	TRENTON TOWNSHIP
26	BIG CREEK TOWNSHIP
26	OSAGE TOWNSHIP
26	SHAWNEE TOWNSHIP
26	TEBO TOWNSHIP
26	WHITE OAK TOWNSHIP
26	WINDSOR TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	BENTON TOWNSHIP
26	BROOKFIELD TOWNSHIP
26	ENTERPRISE TOWNSHIP
26	GRANTSVILLE TOWNSHIP
26	JACKSON TOWNSHIP
26	JEFFERSON TOWNSHIP
26	LOCUST CREEK TOWNSHIP
26	MARCELINE TOWNSHIP
26	BLUE MOUND TOWNSHIP
26	CREAM RIDGE TOWNSHIP
26	GRAND RIVER TOWNSHIP
26	JACKSON TOWNSHIP
26	MEDICINE TOWNSHIP
26	MONROE TOWNSHIP
26	HARRISON TOWNSHIP
26	MADISON TOWNSHIP
26	MARION TOWNSHIP
26	MEDICINE TOWNSHIP
26	MORGAN TOWNSHIP
26	SOMERSET TOWNSHIP
26	ATCHISON TOWNSHIP
26	GRANT TOWNSHIP
26	GREEN TOWNSHIP
26	HOPKINS TOWNSHIP
26	INDEPENDENCE TOWNSHIP
26	JACKSON TOWNSHIP
26	JEFFERSON TOWNSHIP
26	MONROE TOWNSHIP
26	UNION TOWNSHIP
26	WASHINGTON TOWNSHIP
26	BOWMAN TOWNSHIP
26	BUCHANAN TOWNSHIP
26	CLAY TOWNSHIP
26	JACKSON TOWNSHIP
26	LIBERTY TOWNSHIP
26	MORRIS TOWNSHIP
26	PENN TOWNSHIP
26	PLEASANT HILL TOWNSHIP
26	POLK TOWNSHIP
26	TAYLOR TOWNSHIP
26	UNION TOWNSHIP
26	BOONE TOWNSHIP
26	BURDINE TOWNSHIP
26	CARROLL TOWNSHIP
26	CASS TOWNSHIP
26	CLINTON TOWNSHIP

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
26	CURRENT TOWNSHIP
26	DATE TOWNSHIP
26	JACKSON TOWNSHIP
26	LYNCH TOWNSHIP
26	MORRIS TOWNSHIP
26	OZARK TOWNSHIP
26	PIERCE TOWNSHIP
26	PINEY TOWNSHIP
26	ROUBIDOUX TOWNSHIP
26	SARGENT TOWNSHIP
26	SHERRILL TOWNSHIP
26	UPTON TOWNSHIP

STATE = 26: 196 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
27	CARTER COUNTY
27	DEER LODGE COUNTY
27	GARFIELD COUNTY
27	GLACIER COUNTY
27	GRANITE COUNTY
27	LINCOLN COUNTY
27	MEAGHER COUNTY
27	PETROLEUM COUNTY
27	RAVALLI COUNTY
27	SILVER BOW COUNTY
27	EKALAKA TOWN
27	ANACONDA CITY
27	DRUMMOND TOWN
27	PHILIPSBURG CITY
27	BOULDER TOWN
27	ST IGNATIUS TOWN
27	EUREKA TOWN
27	LIBBY CITY
27	TROY TOWN
27	REXFORD TOWN
27	ENNIS TOWN
27	WHITE SULPHUR SPRGS CITY
27	WINNETT TOWN
27	BROADUS TOWN
27	DARBY TOWN
27	HAMILTON CITY
27	STEVENSVILLE TOWN
27	HOT SPRINGS TOWN
27	BUTTE CITY
27	WALKERVILLE CITY
27	JUDITH GAP CITY

STATE = 27: 31 RECORDS

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
28	BLAINE COUNTY
28	BCONE COUNTY
28	BURT COUNTY
28	CHERRY COUNTY
28	GRANT COUNTY
28	GREELEY COUNTY
28	JOHNSON COUNTY
28	KEYA PAHA COUNTY
28	KNOX COUNTY
28	MCPHERSON COUNTY
28	RICHARDSON COUNTY
28	SIOUX COUNTY
28	THURSTON COUNTY
28	WAYNE COUNTY
28	WHEELER COUNTY
28	PROSSER VILLAGE
28	BREWSTER VILLAGE
28	DUNNING VILLAGE
28	PETERSBURG VILLAGE
28	PRIMROSE VILLAGE
28	CRAIG VILLAGE
28	OAKLAND CITY
28	GARRISON VILLAGE
28	OCTAVIA VILLAGE
28	SURPRISE VILLAGE
28	ALVO VILLAGE
28	AVOCA VILLAGE
28	GREENWOOD VILLAGE
28	OBERT VILLAGE
28	CODY VILLAGE
28	KILGORE VILLAGE
28	MERRIMAN VILLAGE
28	WOOD LAKE VILLAGE
28	ANSLEY VILLAGE
28	DIXON VILLAGE
28	BLUE SPRINGS VILLAGE
28	GREELEY CENTER VILLAGE
28	SCOTIA VILLAGE
28	SPALDING VILLAGE
28	CAIRO VILLAGE
28	CUSHING VILLAGE
28	DILLER VILLAGE
28	HARBINE VILLAGE
28	STEELE CITY VILLAGE
28	CRAB ORCHARD VILLAGE
28	BURTON VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
28	CROFTON VILLAGE
28	VERDIGRE VILLAGE
28	GANDY VILLAGE
28	BROADWATER CITY
28	GENOA CITY
28	BROCK VILLAGE
28	BROWNVILLE VILLAGE
28	JULIAN VILLAGE
28	NEMAHA VILLAGE
28	PERU CITY
28	DUBOIS VILLAGE
28	STEINAUER VILLAGE
28	ATLANTA VILLAGE
28	HADAR VILLAGE
28	MCLEAN VILLAGE
28	PIERCE CITY
28	BARADA VILLAGE
28	PRESTON VILLAGE
28	RULO CITY
28	SALEM VILLAGE
28	SHUBERT VILLAGE
28	STELLA VILLAGE
28	VALPARAISO VILLAGE
28	BEE VILLAGE
28	TAMORA VILLAGE
28	HARRISON VILLAGE
28	PENDER VILLAGE
28	ROSALIE VILLAGE
28	THURSTON VILLAGE
28	WALTHILL VILLAGE
28	WINNEBAGO VILLAGE
28	ARCADIA VILLAGE
28	ELYRIA VILLAGE
28	NORTH LOUP VILLAGE
28	HOSKINS VILLAGE
28	WAYNE CITY
28	GUIDE ROCK VILLAGE
28	BARTLETT VILLAGE
28	ERICSON VILLAGE
28	ARIZONA TOWNSHIP
28	CRAIG TOWNSHIP
28	DECATUR TOWNSHIP
28	LOGAN TOWNSHIP
28	OAKLAND TOWNSHIP
28	PERSHING TOWNSHIP
28	RIVERSIDE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
28	SILVER CREEK TOWNSHIP
28	LINWOOD TOWNSHIP
28	OAK CREEK TOWNSHIP
28	PLUM CREEK TOWNSHIP
28	BISMARK TOWNSHIP
28	BLAINE TOWNSHIP
28	CUMING TOWNSHIP
28	ELKHORN TOWNSHIP
28	GARFIELD TOWNSHIP
28	GRANT TOWNSHIP
28	LOGAN TOWNSHIP
28	MONTEREY TOWNSHIP
28	NELIGH TOWNSHIP
28	SHERMAN TOWNSHIP
28	ALGERNON TOWNSHIP
28	ANSLEY TOWNSHIP
28	CLIFF TOWNSHIP
28	COMSTOCK TOWNSHIP
28	DELIGHT TOWNSHIP
28	DOUGLAS GROVE TOWNSHIP
28	EAST CUSTER TOWNSHIP
28	LILLIAN TOWNSHIP
28	LOUP TOWNSHIP
28	RYNO TOWNSHIP
28	SPRING CREEK TOWNSHIP
28	VICTORIA TOWNSHIP
28	WESTERVILLE TOWNSHIP
28	CONCORD TOWNSHIP
28	LOGAN TOWNSHIP
28	BLUE SPRINGS TOWNSHIP
28	HOOKER TOWNSHIP
28	ISLAND GROVE TOWNSHIP
28	MIDLAND TOWNSHIP
28	RIVERSIDE TOWNSHIP
28	HARRISON TOWNSHIP
28	LAKE TOWNSHIP
28	MARTIN TOWNSHIP
28	MAYFIELD TOWNSHIP
28	CHAMBERS TOWNSHIP
28	COLEMAN TOWNSHIP
28	FRANCIS TOWNSHIP
28	GREEN VALLEY TOWNSHIP
28	HOLT CREEK TOWNSHIP
28	STUART TOWNSHIP
28	ADDISON TOWNSHIP
28	BOHEMIA TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
28	CREIGHTON TOWNSHIP
28	DOLPHIN TOWNSHIP
28	DOWLING TOWNSHIP
28	EASTERN TOWNSHIP
28	FRANKFORT TOWNSHIP
28	HERRICK TOWNSHIP
28	HILL TOWNSHIP
28	JEFFERSON TOWNSHIP
28	LOGAN TOWNSHIP
28	PEORIA TOWNSHIP
28	RAYMOND TOWNSHIP
28	SPADE TOWNSHIP
28	SPARTA TOWNSHIP
28	VALLEY TOWNSHIP
28	VERDIGRE TOWNSHIP
28	WALNUT GROVE TOWNSHIP
28	WASHINGTON TOWNSHIP
28	WESTERN TOWNSHIP
28	GENOA TOWNSHIP
28	CHESTER TOWNSHIP
28	ANDERSON TOWNSHIP
28	BLACKBIRD TOWNSHIP
28	BRYAN TOWNSHIP
28	DAWES TOWNSHIP
28	FLOURNOY TOWNSHIP
28	MERRY TOWNSHIP
28	OMAHA TOWNSHIP
28	PENDER TOWNSHIP
28	PERRY TOWNSHIP
28	THAYER TOWNSHIP
28	WINNEBAGO TOWNSHIP
28	ARCADIA TOWNSHIP
28	NORTH LOUP TOWNSHIP
28	GERANIUM TOWNSHIP

STATE = 28: 172 RECORDS

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
29	NYE COUNTY
29	WHITE PINE COUNTY
29	NORTH LAS VEGAS CITY
29	YERINGTON CITY
29	GABBS CITY
29	LOVELOCK CITY
29	ELY CITY

STATE = 29: 7 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
30	COOS COUNTY
30	BERLIN CITY
30	MANCHESTER CITY
30	NASHUA CITY
30	CHATHAM TOWN
30	CLARKSVILLE TOWN
30	COLEBROOK TOWN
30	DUMMER TOWN
30	ERROL TOWN
30	GORHAM TOWN
30	LANCASTER TOWN
30	NORTHUMBERLAND TOWN
30	STRATFORD TOWN
30	EASTON TOWN
30	LINCOLN TOWN
30	LISBON TOWN
30	LITTLETON TOWN
30	ORFORD TOWN
30	WOODSTOCK TOWN
30	SUGAR HILL TOWN

STATE = 30: 20 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
31	ATLANTIC COUNTY
31	BERGEN COUNTY
31	CAMDEN COUNTY
31	CUMBERLAND COUNTY
31	ESSEX COUNTY
31	GLOUCESTER COUNTY
31	HUDSON COUNTY
31	MIDDLESEX COUNTY
31	MORRIS COUNTY
31	PASSAIC COUNTY
31	SALEM COUNTY
31	UNION COUNTY
31	WARREN COUNTY
31	ABSECON CITY
31	ATLANTIC CITY CITY
31	BRIGANTINE CITY
31	BUENA BOROUGH
31	CORBIN CITY CITY
31	EGG HARBOR CITY
31	ESTELL MANOR CITY
31	FOLSOM BOROUGH
31	HAMMONTON TOWN
31	MARGATE CITY
31	NORTHFIELD CITY
31	PLEASANTVILLE CITY
31	ALLENDALE BOROUGH
31	BERGENFIELD BOROUGH
31	BOGOTA BOROUGH
31	CARLSTADT BOROUGH
31	CLOSTER BOROUGH
31	CRESSKILL BOROUGH
31	DEMAREST BOROUGH
31	DUMONT BOROUGH
31	ELMWOOD PARK BOROUGH
31	EAST RUTHERFORD BOROUGH
31	EDGEWATER BOROUGH
31	EMERSON BOROUGH
31	ENGLEWOOD CITY
31	FAIR LAWN BOROUGH
31	FAIRVIEW BOROUGH
31	FRANKLIN LAKES BOROUGH
31	GARFIELD CITY
31	GLEN ROCK BOROUGH
31	HACKENSACK CITY
31	HARRINGTON PARK BOROUGH
31	HASBROUCK HEIGHTS BORO

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
31	HAWORTH BOROUGH
31	HILLSDALE BOROUGH
31	HO-HO-KUS BORO
31	LEONIA BOROUGH
31	LITTLE FERRY BOROUGH
31	LODI BOROUGH
31	MAYWOOD BOROUGH
31	MIDLAND PARK BOROUGH
31	MONTVALE BOROUGH
31	MOONACHIE BOROUGH
31	NEW MILFORD BOROUGH
31	NORTH ARLINGTON BOROUGH
31	NORTHVALE BOROUGH
31	NORWOOD BOROUGH
31	OAKLAND BOROUGH
31	ORADELL BOROUGH
31	PALISADES PARK BOROUGH
31	PARAMUS BOROUGH
31	RAMSEY BOROUGH
31	RIDGEFIELD BOROUGH
31	RIDGEFIELD PARK VILLAGE
31	RIDGEWOOD VILLAGE
31	RIVER EDGE BOROUGH
31	ROCKLEIGH BOROUGH
31	RUTHERFORD BOROUGH
31	TENAFLY BOROUGH
31	TETERBORO BOROUGH
31	WALDWICK BOROUGH
31	WALLINGTON BOROUGH
31	WESTWOOD BOROUGH
31	WOOD RIDGE BOROUGH
31	BEVERLY CITY
31	BURLINGTON CITY
31	FIELDSBORO BOROUGH
31	PALMYRA BOROUGH
31	PEMBERTON BOROUGH
31	RIVERTON BOROUGH
31	WRIGHTSTOWN BOROUGH
31	AUDUBON BOROUGH
31	AUDUBON PARK BOROUGH
31	BARRINGTON BOROUGH
31	BELLMAWR BOROUGH
31	BERLIN BOROUGH
31	BROOKLAWN BOROUGH
31	CAMDEN CITY
31	CHESILHURST BOROUGH

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
31	COLLINGSWOOD BOROUGH
31	GIBBSBORO BOROUGH
31	GLOUCESTER CITY CITY
31	HADDONFIELD BOROUGH
31	HADDON HEIGHTS BOROUGH
31	HI-NELLA BOROUGH
31	LAWNSIDE BOROUGH
31	MAGNOLIA BOROUGH
31	MERCHANTVILLE BOROUGH
31	MOUNT EPHRAIM BOROUGH
31	OAKLYN BOROUGH
31	PINE VALLEY BOROUGH
31	RUNNEMEDE BOROUGH
31	STRATFORD BOROUGH
31	TAVISTOCK BOROUGH
31	WOOD LYNNE BOROUGH
31	CAPE MAY CITY
31	WILDWOOD CITY
31	WOODBINE BOROUGH
31	BRIDGETON CITY
31	MILLVILLE CITY
31	SHILOH BOROUGH
31	VINELAND CITY
31	BELLEVILLE TOWN
31	BLOOMFIELD TOWN
31	EAST ORANGE CITY
31	IRVINGTON TOWN
31	MONTCLAIR TOWN
31	NEWARK CITY
31	ORANGE CITY
31	CLAYTON BOROUGH
31	GLASSBORO BOROUGH
31	NATIONAL PARK BOROUGH
31	NEWFIELD BOROUGH
31	PAULSBORO BOROUGH
31	PITMAN BOROUGH
31	SWEDESBORO BOROUGH
31	WENONAH BOROUGH
31	WESTVILLE BOROUGH
31	WOODBURY CITY
31	WOODBURY HEIGHTS BOROUGH
31	BAYONNE CITY
31	EAST NEWARK BOROUGH
31	GUTTENBERG TOWN
31	HARRISON TOWN
31	HOBOKEN CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
31	JERSEY CITY CITY
31	SECAUCUS TOWN
31	UNION CITY CITY
31	WEST NEW YORK TOWN
31	GLEN GARDNER BOROUGH
31	LAMBERTVILLE CITY
31	TRENTON CITY
31	CARTERET BOROUGH
31	DUNELLEN BOROUGH
31	HELMETTA BOROUGH
31	HIGHLAND PARK BOROUGH
31	METUCHEN BOROUGH
31	MIDDLESEX BOROUGH
31	NEW BRUNSWICK CITY
31	PERTH AMBOY CITY
31	SAYREVILLE BOROUGH
31	SOUTH AMBOY CITY
31	SOUTH PLAINFIELD BOROUGH
31	SOUTH RIVER BOROUGH
31	ASBURY PARK CITY
31	EATONTOWN BOROUGH
31	KEYPORT BOROUGH
31	UNION BEACH BOROUGH
31	BOONTON TOWN
31	BUTLER BOROUGH
31	CHATHAM BOROUGH
31	CHESTER BOROUGH
31	DOVER TOWN
31	FLORHAM PARK BOROUGH
31	LINCOLN PARK BOROUGH
31	MADISON BOROUGH
31	MORRIS PLAINS BOROUGH
31	MORRISTOWN TOWN
31	MOUNTAIN LAKES BOROUGH
31	MOUNT ARLINGTON BOROUGH
31	NETCONG BOROUGH
31	RIVERDALE BOROUGH
31	ROCKAWAY BOROUGH
31	VICTORY GARDENS BOROUGH
31	WHARTON BOROUGH
31	SOUTH TOMS RIVER BOROUGH
31	CLIFTON CITY
31	HALEDON BOROUGH
31	HAWTHORNE BOROUGH
31	PASSAIC CITY
31	PATERSON CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
31	POMPTON LAKES BOROUGH
31	PROSPECT PARK BOROUGH
31	TOTOWA BOROUGH
31	WANAQUE BOROUGH
31	WEST PATERSON BOROUGH
31	ELMER BOROUGH
31	PENNS GROVE BOROUGH
31	SALEM CITY
31	WOODSTOWN BOROUGH
31	PEAPACK GLADSTONE BOROUGH
31	FRANKLIN BOROUGH
31	ELIZABETH CITY
31	FANWOOD BOROUGH
31	GARWOOD BOROUGH
31	KENILWORTH BOROUGH
31	LINDEN CITY
31	MOUNTAINSIDE BOROUGH
31	NEW PROVIDENCE BOROUGH
31	PLAINFIELD CITY
31	RAHWAY CITY
31	ROSELLE BOROUGH
31	ROSELLE PARK BOROUGH
31	SUMMIT CITY
31	ALPHA BOROUGH
31	PHILLIPSBURG TOWN
31	BUENA VISTA TOWNSHIP
31	EGG HARBOR TOWNSHIP
31	GALLOWAY TOWNSHIP
31	HAMILTON TOWNSHIP
31	MULLICA TOWNSHIP
31	WEYMOUTH TOWNSHIP
31	LYNDHURST TOWNSHIP
31	ROCHELLE PARK TOWNSHIP
31	SADDLE BROOK TOWNSHIP
31	SO HACKENSACK TOWNSHIP
31	WASHINGTON TOWNSHIP
31	WYCKOFF TOWNSHIP
31	BASS RIVER TOWNSHIP
31	BURLINGTON TOWNSHIP
31	CHESTERFIELD TOWNSHIP
31	DELANCO TOWNSHIP
31	FLORENCE TOWNSHIP
31	HAINESPORT TOWNSHIP
31	MOORESTOWN TOWNSHIP
31	NEW HANOVER TOWNSHIP
31	NORTH HANOVER TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
31	RIVERSIDE TOWNSHIP
31	SPRINGFIELD TOWNSHIP
31	WASHINGTON TOWNSHIP
31	WESTAMPTON TOWNSHIP
31	WILLINGBORO TOWNSHIP
31	WOODLAND TOWNSHIP
31	BERLIN TOWNSHIP
31	GLOUCESTER TOWNSHIP
31	HADDON TOWNSHIP
31	PENNSAUKEN TOWNSHIP
31	WINSLOW TOWNSHIP
31	COMMERCIAL TOWNSHIP
31	DEERFIELD TOWNSHIP
31	DOWNE TOWNSHIP
31	FAIRFIELD TOWNSHIP
31	HOPEWELL TOWNSHIP
31	LAWRENCE TOWNSHIP
31	MAURICE RIVER TOWNSHIP
31	UPPER DEERFIELD TOWNSHIP
31	DEPTFORD TOWNSHIP
31	ELK TOWNSHIP
31	FRANKLIN TOWNSHIP
31	GREENWICH TOWNSHIP
31	HARRISON TOWNSHIP
31	LOGAN TOWNSHIP
31	MANTUA TOWNSHIP
31	MONROE TOWNSHIP
31	SOUTH HARRISON TOWNSHIP
31	WASHINGTON TOWNSHIP
31	WOOLWICH TOWNSHIP
31	NORTH BERGEN TOWNSHIP
31	WEEHAWKEN TOWNSHIP
31	OLD BRIDGE TWP
31	MONROE TOWNSHIP
31	PISCATAWAY TOWNSHIP
31	EDISON TOWNSHIP
31	WOODBRIDGE TOWNSHIP
31	NEPTUNE TOWNSHIP
31	HAZLET TOWNSHIP
31	BOONTON TOWNSHIP
31	CHATHAM TOWNSHIP
31	DENVILLE TOWNSHIP
31	HARDING TOWNSHIP
31	MINE HILL TOWNSHIP
31	MORRIS TOWNSHIP
31	PASSAIC TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
31	PEQUANNOCK TOWNSHIP
31	ROCKAWAY TOWNSHIP
31	ROXBURY TOWNSHIP
31	LITTLE FALLS TOWNSHIP
31	WEST MILFORD TOWNSHIP
31	ALLOWAY TOWNSHIP
31	ELSINBORO TOWNSHIP
31	LOWER ALLOWAYS CREEK TWP
31	PENNSVILLE TOWNSHIP
31	OLDMANS TOWNSHIP
31	PITTSGROVE TOWNSHIP
31	CARNEYS POINT TWP
31	UPPER PITTSGROVE TWP
31	FRANKLIN TOWNSHIP
31	BERKELEY HEIGHTS TOWNSHIP
31	CLARK TOWNSHIP
31	HILLSIDE TOWNSHIP
31	SCOTCH PLAINS TOWNSHIP
31	SPRINGFIELD TOWNSHIP
31	UNION TOWNSHIP
31	WINFIELD TOWNSHIP
31	BLAIRSTOWN TOWNSHIP
31	FRANKLIN TOWNSHIP
31	GREENWICH TOWNSHIP
31	HARDWICK TOWNSHIP
31	HOPE TOWNSHIP
31	INDEPENDENCE TOWNSHIP
31	KNOWLTON TOWNSHIP
31	MANSFIELD TOWNSHIP
31	OXFORD TOWNSHIP
31	PAHAQUARRY TOWNSHIP
31	POHATCONG TOWNSHIP

STATE = 31: 308 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
32	CATRON COUNTY
32	DE BACA COUNTY
32	GUADALUPE COUNTY
32	MORA COUNTY
32	OTERO COUNTY
32	QUAY COUNTY
32	ROOSEVELT COUNTY
32	SAN MIGUEL COUNTY
32	SOCORRO COUNTY
32	RESERVE VILLAGE
32	CIMARRON VILLAGE
32	MAXWELL VILLAGE
32	SPRINGER TOWN
32	FORT SUMNER VILLAGE
32	HATCH VILLAGE
32	LAS CRUCES CITY
32	BAYARD VILLAGE
32	CENTRAL VILLAGE
32	SANTA ROSA CITY
32	VAUGHN TOWN
32	COLUMBUS VILLAGE
32	WAGON MOUND VILLAGE
32	ALAMOGORDO CITY
32	CLOUDCROFT VILLAGE
32	TULAROSA VILLAGE
32	SAN JON VILLAGE
32	TUCUMCARI CITY
32	ELIDA TOWN
32	PORTALES CITY
32	DORA VILLAGE
32	FLOYD VILLAGE
32	LAS VEGAS CITY
32	PECOS VILLAGE
32	MAGDALENA VILLAGE
32	SOCORRO CITY
32	ENCINO VILLAGE
32	MOUNTAINAIR TOWN
32	GRANTS TOWN
32	MILAN VILLAGE

STATE = 32: 39 RECORDS

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	ALBANY COUNTY
33	ALLEGANY COUNTY
33	BROOME COUNTY
33	CATTARAUGUS COUNTY
33	CAYUGA COUNTY
33	CHAUTAUQUA COUNTY
33	CHEMUNG COUNTY
33	CHENANGO COUNTY
33	COLUMBIA COUNTY
33	CORTLAND COUNTY
33	DELAWARE COUNTY
33	ERIE COUNTY
33	ESSEX COUNTY
33	FRANKLIN COUNTY
33	FULTON COUNTY
33	GENESEE COUNTY
33	HERKIMER COUNTY
33	JEFFERSON COUNTY
33	LEWIS COUNTY
33	MONROE COUNTY
33	MONTGOMERY COUNTY
33	NASSAU COUNTY
33	NIAGARA COUNTY
33	ONEIDA COUNTY
33	ONONDAGA COUNTY
33	ORANGE COUNTY
33	ORLEANS COUNTY
33	OTSEGO COUNTY
33	RENSSELAER COUNTY
33	ST LAWRENCE COUNTY
33	SCHENECTADY COUNTY
33	SCHOHARIE COUNTY
33	SCHUYLER COUNTY
33	SENECA COUNTY
33	STEUBEN COUNTY
33	SULLIVAN COUNTY
33	ULSTER COUNTY
33	WARREN COUNTY
33	WASHINGTON COUNTY
33	WAYNE COUNTY
33	WYOMING COUNTY
33	YATES COUNTY
33	ALBANY CITY
33	COHOES CITY
33	COLONIE VILLAGE
33	GREEN ISLAND VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	WATERVLIET CITY
33	ALFRED VILLAGE
33	ALMOND VILLAGE
33	ANDOVER VILLAGE
33	ANGELICA VILLAGE
33	BELMONT VILLAGE
33	BOLIVAR VILLAGE
33	CANASERAGA VILLAGE
33	CUBA VILLAGE
33	FILLMORE VILLAGE
33	RICHBURG VILLAGE
33	WELLSVILLE VILLAGE
33	BINGHAMTON CITY
33	ENDICOTT VILLAGE
33	JOHNSON CITY VILLAGE
33	LISLE VILLAGE
33	PORT DICKINSON VILLAGE
33	WINDSOR VILLAGE
33	ALLEGANY VILLAGE
33	CATTARAUGUS VILLAGE
33	DELEVAN VILLAGE
33	EAST RANDOLPH VILLAGE
33	ELLICOTTVILLE VILLAGE
33	FRANKLINVILLE VILLAGE
33	LIMESTONE VILLAGE
33	LITTLE VALLEY VILLAGE
33	OLEAN CITY
33	PORTVILLE VILLAGE
33	SALAMANCA CITY
33	SOUTH DAYTON VILLAGE
33	AUBURN CITY
33	AURORA VILLAGE
33	CATO VILLAGE
33	CAYUGA VILLAGE
33	FAIR HAVEN VILLAGE
33	MERIDIAN VILLAGE
33	MORAVIA VILLAGE
33	PORT BYRON VILLAGE
33	UNION SPRINGS VILLAGE
33	WEEDSPORT VILLAGE
33	BEMUS POINT VILLAGE
33	BROCTON VILLAGE
33	CASSADAGA VILLAGE
33	CELORON VILLAGE
33	CHERRY CREEK VILLAGE
33	DUNKIRK CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	FALCONER VILLAGE
33	FREDONIA VILLAGE
33	JAMESTOWN CITY
33	LAKEWOOD VILLAGE
33	MAYVILLE VILLAGE
33	PANAMA VILLAGE
33	SHERMAN VILLAGE
33	SILVER CREEK VILLAGE
33	SINCLAIRVILLE VILLAGE
33	WESTFIELD VILLAGE
33	ELMIRA CITY
33	ELMIRA HEIGHTS VILLAGE
33	HORSEHEADS VILLAGE
33	MILLPORT VILLAGE
33	VAN ETTEN VILLAGE
33	WELLSBURG VILLAGE
33	AFTON VILLAGE
33	BAINBRIDGE VILLAGE
33	GREENE VILLAGE
33	NEW BERLIN VILLAGE
33	NORWICH CITY
33	OXFORD VILLAGE
33	SHERBURNE VILLAGE
33	SMYRNA VILLAGE
33	DANNEMORA VILLAGE
33	CHATHAM VILLAGE
33	HUDSON CITY
33	KINDERHOOK VILLAGE
33	PHILMONT VILLAGE
33	VALATIE VILLAGE
33	CORTLAND CITY
33	HOMER VILLAGE
33	MCGRAW VILLAGE
33	MARATHON VILLAGE
33	ANDES VILLAGE
33	DELHI VILLAGE
33	FLEISCHMANNS VILLAGE
33	FRANKLIN VILLAGE
33	HANCOCK VILLAGE
33	HOBART VILLAGE
33	MARGARETVILLE VILLAGE
33	SIDNEY VILLAGE
33	STAMFORD VILLAGE
33	WALTON VILLAGE
33	BEACON CITY
33	POUGHKEEPSIE CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	AKRON VILLAGE
33	ALDEN VILLAGE
33	ANGOLA VILLAGE
33	BLASDELL VILLAGE
33	BUFFALO CITY
33	FARNHAM VILLAGE
33	KENMORE VILLAGE
33	LACKAWANNA CITY
33	LANCASTER VILLAGE
33	NORTH COLLINS VILLAGE
33	SLOAN VILLAGE
33	SPRINGVILLE VILLAGE
33	TONAWANDA CITY
33	BLOOMINGDALE VILLAGE
33	ELIZABETHTOWN VILLAGE
33	LAKE PLACID VILLAGE
33	PORT HENRY VILLAGE
33	TICONDEROGA VILLAGE
33	BRUSHTON VILLAGE
33	BURKE VILLAGE
33	CHATEAUGAY VILLAGE
33	MALONE VILLAGE
33	TUPPER LAKE VILLAGE
33	GLOVERSVILLE CITY
33	JOHNSTOWN CITY
33	MAYFIELD VILLAGE
33	NORTHVILLE VILLAGE
33	ALEXANDER VILLAGE
33	BATAVIA CITY
33	BERGEN VILLAGE
33	CORFU VILLAGE
33	ELBA VILLAGE
33	LE ROY VILLAGE
33	OAKFIELD VILLAGE
33	CATSKILL VILLAGE
33	COXSACKIE VILLAGE
33	TANNERSVILLE VILLAGE
33	COLD BROOK VILLAGE
33	FRANKFORT VILLAGE
33	HERKIMER VILLAGE
33	ILION VILLAGE
33	LITTLE FALLS CITY
33	MIDDLEVILLE VILLAGE
33	MOHAWK VILLAGE
33	NEWPORT VILLAGE
33	POLAND VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	WEST WINFIELD VILLAGE
33	ADAMS VILLAGE
33	ALEXANDRIA BAY VILLAGE
33	ANTWERP VILLAGE
33	BLACK RIVER VILLAGE
33	BROWNVILLE VILLAGE
33	CAPE VINCENT VILLAGE
33	CARTHAGE VILLAGE
33	CHAUMONT VILLAGE
33	CLAYTON VILLAGE
33	DEFERIET VILLAGE
33	DEXTER VILLAGE
33	ELLISBURG VILLAGE
33	GLEN PARK VILLAGE
33	HERRINGS VILLAGE
33	MANNSVILLE VILLAGE
33	PHILADELPHIA VILLAGE
33	SACKETS HARBOR VILLAGE
33	THERESA VILLAGE
33	WATERTOWN CITY
33	WEST CARTHAGE VILLAGE
33	EVANS MILLS VILLAGE
33	CASTORLAND VILLAGE
33	CONSTABLEVILLE VILLAGE
33	COPENHAGEN VILLAGE
33	CROGHAN VILLAGE
33	HARRISVILLE VILLAGE
33	LOWVILLE VILLAGE
33	LYONS FALLS VILLAGE
33	PORT LEYDEN VILLAGE
33	TURIN VILLAGE
33	AVON VILLAGE
33	DANSVILLE VILLAGE
33	LEICESTER VILLAGE
33	MOUNT MORRIS VILLAGE
33	CANASTOTA VILLAGE
33	HAMILTON VILLAGE
33	MADISON VILLAGE
33	ONEIDA CITY
33	EAST ROCHESTER VILLAGE
33	ROCHESTER CITY
33	AMES VILLAGE
33	AMSTERDAM CITY
33	CANAJOHARIE VILLAGE
33	FONDA VILLAGE
33	FORT JOHNSON VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	FORT PLAIN VILLAGE
33	FULTONVILLE VILLAGE
33	HAGAMAN VILLAGE
33	NELLISTON VILLAGE
33	PALATINE BRIDGE VILLAGE
33	ST JOHNSVILLE VILLAGE
33	BAXTER ESTATES VILLAGE
33	BELLEROSE VILLAGE
33	BROOKVILLE VILLAGE
33	CEDARHURST VILLAGE
33	CENTRE ISLAND VILLAGE
33	COVE NECK VILLAGE
33	EAST HILLS VILLAGE
33	EAST ROCKAWAY VILLAGE
33	EAST WILLISTON VILLAGE
33	FARMINGDALE VILLAGE
33	FLORAL PK VILLAGE
33	FLOWER HILL VILLAGE
33	FREEPORT VILLAGE
33	GLEN COVE CITY
33	GREAT NECK VILLAGE
33	GREAT NECK ESTATES VILLAGE
33	GREAT NECK PLAZA VILLAGE
33	HEMPSTEAD VILLAGE
33	HEWLETT BAY PARK VILLAGE
33	HEWLETT NECK VILLAGE
33	ISLAND PARK VILLAGE
33	KENSINGTON VILLAGE
33	LAKE SUCCESS VILLAGE
33	LATTINGTOWN VILLAGE
33	LAUREL HOLLOW VILLAGE
33	LAWRENCE VILLAGE
33	LONG BEACH CITY
33	LYNBROOK VILLAGE
33	MALVERNE VILLAGE
33	MANORHAVEN VILLAGE
33	MASSAPEQUA PARK VILLAGE
33	MATINECOCK VILLAGE
33	MILL NECK VILLAGE
33	MINEOLA VILLAGE
33	MUTTONTOWN VILLAGE
33	NEW HYDE PARK VILLAGE
33	NORTH HILLS VILLAGE
33	OLD WESTBURY VILLAGE
33	OYSTER BAY COVE VILLAGE
33	PLANDOME VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	PLANDOME HEIGHTS VILLAGE
33	PLANDOME MANOR VILLAGE
33	PORT WASHINGTON N VILLAGE
33	ROCKVILLE CENTRE VILLAGE
33	ROSLYN VILLAGE
33	ROSLYN HARBOR VILLAGE
33	RUSSELL GARDENS VILLAGE
33	SADDLE ROCK VILLAGE
33	SEA CLIFF VILLAGE
33	SOUTH FLORAL PARK VILLAGE
33	STEWART MANOR VILLAGE
33	THOMASTON VILLAGE
33	UPPER BROCKVILLE VILLAGE
33	VALLEY STREAM VILLAGE
33	WESTBURY VILLAGE
33	WILLISTON PARK VILLAGE
33	WOODSBURGH VILLAGE
33	ATLANTIC BEACH
33	NEW YORK CITY
33	BARKER VILLAGE
33	LEWISTON VILLAGE
33	LOCKPORT CITY
33	MIDDLEPORT VILLAGE
33	NIAGARA FALLS CITY
33	NORTH TONAWANDA CITY
33	WILSON VILLAGE
33	YOUNGSTOWN VILLAGE
33	BOONVILLE VILLAGE
33	BRIDGEWATER VILLAGE
33	CAMDEN VILLAGE
33	CLAYVILLE VILLAGE
33	CLINTON VILLAGE
33	HOLLAND PATENT VILLAGE
33	NEW HARTFORD VILLAGE
33	NEW YORK MILLS VILLAGE
33	ONEIDA CASTLE VILLAGE
33	ORISKANY VILLAGE
33	ORISKANY FALLS VILLAGE
33	PROSPECT VILLAGE
33	REMSEN VILLAGE
33	ROME CITY
33	SHERRILL CITY
33	BARNEVELD VILLAGE
33	UTICA CITY
33	VERNON VILLAGE
33	WATERVILLE VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	WHITESBORO VILLAGE
33	YORKVILLE VILLAGE
33	SYLVAN BEACH VILLAGE
33	BALDWINSVILLE VILLAGE
33	CAMILLUS VILLAGE
33	EAST SYRACUSE VILLAGE
33	ELBRIDGE VILLAGE
33	FABIUS VILLAGE
33	FAYETTEVILLE VILLAGE
33	JORDAN VILLAGE
33	LIVERPOOL VILLAGE
33	MARCELLUS VILLAGE
33	MINOA VILLAGE
33	NORTH SYRACUSE VILLAGE
33	SOLVAY VILLAGE
33	SYRACUSE CITY
33	TULLY VILLAGE
33	CLIFTON SPRINGS VILLAGE
33	EAST BLOOMFIELD VILLAGE
33	GENEVA CITY
33	PHELPS VILLAGE
33	CHESTER VILLAGE
33	CORNWALL VILLAGE
33	GREENWOOD LAKE VILLAGE
33	HARRIMAN VILLAGE
33	HIGHLAND FALLS VILLAGE
33	MAYBROOK VILLAGE
33	MIDDLETOWN CITY
33	MONROE VILLAGE
33	MONTGOMERY VILLAGE
33	NEWBURGH CITY
33	PORT JERVIS CITY
33	TUXEDO PARK VILLAGE
33	UNIONVILLE VILLAGE
33	WALDEN VILLAGE
33	WASHINGTONVILLE VILLAGE
33	KIRYAS JOEL VILLAGE
33	FULTON CITY
33	PHOENIX VILLAGE
33	CHERRY VALLEY VILLAGE
33	COOPERSTOWN VILLAGE
33	GILBERTSVILLE VILLAGE
33	LAURENS VILLAGE
33	MILFORD VILLAGE
33	MORRIS VILLAGE
33	ONEONTA CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	OTEGO VILLAGE
33	RICHFIELD SPRINGS VILLAGE
33	SCHENEVUS VILLAGE
33	UNADILLA VILLAGE
33	COLD SPRING VILLAGE
33	CASTLETON ON HUDSON VILL
33	HOOSICK FALLS VILLAGE
33	NASSAU VILLAGE
33	RENSSELAER CITY
33	SCHAGHTICOKE VILLAGE
33	TROY CITY
33	VALLEY FALLS VILLAGE
33	HILLBURN VILLAGE
33	NYACK VILLAGE
33	CANTON VILLAGE
33	EDWARDS VILLAGE
33	GOUVERNEUR VILLAGE
33	HAMMOND VILLAGE
33	HERMON VILLAGE
33	HEUVELTON VILLAGE
33	MASSENA VILLAGE
33	MORRISTOWN VILLAGE
33	NORWOOD VILLAGE
33	OGDENSBURG CITY
33	POTSDAM VILLAGE
33	RENSSELAER FALLS VILLAGE
33	RICHVILLE VILLAGE
33	WADDINGTON VILLAGE
33	CORINTH VILLAGE
33	MECHANICVILLE CITY
33	SCHUYLERVILLE VILLAGE
33	SOUTH GLENS FALLS VILLAGE
33	VICTORY TOWN
33	WATERFORD VILLAGE
33	ROUND LAKE VILLAGE
33	DELANSON VILLAGE
33	SCHENECTADY CITY
33	SCOTIA VILLAGE
33	COBLESKILL VILLAGE
33	ESPERANCE VILLAGE
33	MIDDLEBURGH VILLAGE
33	RICHMONDVILLE VILLAGE
33	SCHOHARIE VILLAGE
33	SHARON SPRINGS VILLAGE
33	BURDETT VILLAGE
33	MONTOUR FALLS VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	WATKINS GLEN VILLAGE
33	INTERLAKEN VILLAGE
33	LODI VILLAGE
33	OVID VILLAGE
33	SENECA FALLS VILLAGE
33	WATERLOO VILLAGE
33	ADDISON VILLAGE
33	ARKPORT VILLAGE
33	AVOCA VILLAGE
33	BATH VILLAGE
33	CANISTEO VILLAGE
33	CORNING CITY
33	HAMMONDSPORT VILLAGE
33	HORNELL CITY
33	NORTH HORNELL VILLAGE
33	PAINTED POST VILLAGE
33	RIVERSIDE VILLAGE
33	SAVONA VILLAGE
33	SOUTH CORNING VILLAGE
33	WAYLAND VILLAGE
33	WOODHULL VILLAGE
33	GREENPORT VILLAGE
33	PATCHOGUE VILLAGE
33	BLOOMINGBURGH VILLAGE
33	JEFFERSONVILLE VILLAGE
33	LIBERTY VILLAGE
33	MONTICELLO VILLAGE
33	WOODRIDGE VILLAGE
33	WURTSBORO VILLAGE
33	FREEVILLE VILLAGE
33	ITHACA CITY
33	TRUMANSBURG VILLAGE
33	ELLENVILLE VILLAGE
33	KINGSTON CITY
33	NEW PALTZ VILLAGE
33	PINE HILL VILLAGE
33	ROSENDALE VILLAGE
33	SAUGERTIES VILLAGE
33	GLENS FALLS
33	ARGYLE VILLAGE
33	CAMBRIDGE VILLAGE
33	FORT ANN VILLAGE
33	FORT EDWARD VILLAGE
33	GRANVILLE VILLAGE
33	GREENWICH VILLAGE
33	HUDSON FALLS VILLAGE

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	SALEM VILLAGE
33	WHITEHALL VILLAGE
33	CLYDE VILLAGE
33	LYONS VILLAGE
33	NEWARK VILLAGE
33	PALMYRA VILLAGE
33	RED CREEK VILLAGE
33	SAVANNAH VILLAGE
33	SODUS VILLAGE
33	WOLCOTT VILLAGE
33	ELMSFORD VILLAGE
33	MOUNT KISCO VILLAGE
33	MOUNT VERNON CITY
33	NEW ROCHELLE CITY
33	NORTH TARRYTOWN VILLAGE
33	OSSINING VILLAGE
33	PORT CHESTER VILLAGE
33	YONKERS CITY
33	ATTICA VILLAGE
33	CASTILE VILLAGE
33	PIKE VILLAGE
33	DRESDEN VILLAGE
33	DUNDEE VILLAGE
33	PENN YAN VILLAGE
33	COLONIE TOWN
33	GREEN ISLAND TOWN
33	ALFRED TOWN
33	ALLEN TOWN
33	ALMA TOWN
33	ALMOND TOWN
33	AMITY TOWN
33	ANDOVER TOWN
33	ANGELICA TOWN
33	BELFAST TOWN
33	BIRDSALL TOWN
33	BOLIVAR TOWN
33	BURNS TOWN
33	CANEADEA TOWN
33	CENTERVILLE TOWN
33	CLARKSVILLE TOWN
33	CUBA TOWN
33	FRIENDSHIP TOWN
33	GENESEE TOWN
33	GRANGER TOWN
33	GROVE TOWN
33	HUME TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	INDEPENDENCE TOWN
33	NEW HUDSON TOWN
33	RUSHFORD TOWN
33	SCIO TOWN
33	WARD TOWN
33	WELLSVILLE TOWN
33	WEST ALMOND TOWN
33	WILLING TOWN
33	WIRT TOWN
33	BARKER TOWN
33	BINGHAMTON TOWN
33	CHENANGO TOWN
33	DICKINSON TOWN
33	KIRKWOOD TOWN
33	MAINE TOWN
33	SANFORD TOWN
33	UNION TOWN
33	WINDSOR TOWN
33	ALLEGANY TOWN
33	ASHFORD TOWN
33	CARROLLTON TOWN
33	COLDSPRING TOWN
33	CONEWANGO TOWN
33	DAYTON TOWN
33	EAST OTTO TOWN
33	ELLICOTTVILLE TOWN
33	FARMERSVILLE TOWN
33	FRANKLINVILLE TOWN
33	FREEDOM TOWN
33	GREAT VALLEY TOWN
33	HINSDALE TOWN
33	HUMPHREY TOWN
33	ISCHUA TOWN
33	LEON TOWN
33	LITTLE VALLEY TOWN
33	LYNDON TOWN
33	MACHIAS TOWN
33	MANSFIELD TOWN
33	NAPOLI TOWN
33	NEW ALBION TOWN
33	OLEAN TOWN
33	OTTO TOWN
33	PERRYSBURG TOWN
33	PERSIA TOWN
33	PORTVILLE TOWN
33	RANDOLPH TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	RED HOUSE TOWN
33	SALAMANCA TOWN
33	SOUTH VALLEY TOWN
33	YORKSHIRE TOWN
33	AURELIUS TOWN
33	BRUTUS TOWN
33	CATO TOWN
33	CONQUEST TOWN
33	FLEMING TOWN
33	GENOA TOWN
33	IRA TOWN
33	LEDYARD TOWN
33	LOCKE TOWN
33	MENTZ TOWN
33	MONTEZUMA TOWN
33	MORAVIA TOWN
33	NILES TOWN
33	OWASCO TOWN
33	SCIPIO TOWN
33	SEMPRONIUS TOWN
33	SENNETT TOWN
33	SPRINGPORT TOWN
33	STERLING TOWN
33	SUMMERHILL TOWN
33	THROOP TOWN
33	VENICE TOWN
33	VICTORY TOWN
33	ARKWRIGHT TOWN
33	BUSTI TOWN
33	CARROLL TOWN
33	CHARLOTTE TOWN
33	CHAUTAUQUA TOWN
33	CHERRY CREEK TOWN
33	CLYMER TOWN
33	DUNKIRK TOWN
33	ELLERY TOWN
33	ELLICOTT TOWN
33	ELLINGTON TOWN
33	FRENCH CREEK TOWN
33	GERRY TOWN
33	HANOVER TOWN
33	HARMONY TOWN
33	KIANTONE TOWN
33	MINA TOWN
33	NORTH HARMONY TOWN
33	POLAND TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	POMFRET TOWN
33	PORTLAND TOWN
33	RIPLEY TOWN
33	SHERIDAN TOWN
33	SHERMAN TOWN
33	STOCKTON TOWN
33	VILLENOVA TOWN
33	WESTFIELD TOWN
33	ASHLAND TOWN
33	BALDWIN TOWN
33	CATLIN TOWN
33	CHEMUNG TOWN
33	ELMIRA TOWN
33	ERIN TOWN
33	HORSEHEADS TOWN
33	SOUTHPORT TOWN
33	VAN ETTEN TOWN
33	VETERAN TOWN
33	AFTON TOWN
33	BAINBRIDGE TOWN
33	COLUMBUS TOWN
33	COVENTRY TOWN
33	GERMAN TOWN
33	GREENE TOWN
33	GUILFORD TOWN
33	LINCKLAEN TOWN
33	MCDONOUGH TOWN
33	NEW BERLIN TOWN
33	NORTH NORWICH TOWN
33	NORWICH TOWN
33	OTSELIC TOWN
33	OXFORD TOWN
33	PHARSALIA TOWN
33	PITCHER TOWN
33	PLYMOUTH TOWN
33	PRESTON TOWN
33	SHERBURNE TOWN
33	SMITHVILLE TOWN
33	SMYRNA TOWN
33	ALTONA TOWN
33	BLACK BROOK TOWN
33	CLINTON TOWN
33	DANNEMORA TOWN
33	ELLENBURG TOWN
33	ANCRAM TOWN
33	AUSTERLITZ TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	CANAAN TOWN
33	CHATHAM TOWN
33	CLAVERACK TOWN
33	CLERMONT TOWN
33	COPAKE TOWN
33	GERMANTOWN TOWN
33	GHENT TOWN
33	GREENPORT TOWN
33	HILLSDALE TOWN
33	KINDERHOOK TOWN
33	LIVINGSTON TOWN
33	NEW LEBANON TOWN
33	STOCKPORT TOWN
33	STUYVESANT TOWN
33	TAGHKANIC TOWN
33	CINCINNATUS TOWN
33	CORTLANDVILLE TOWN
33	CUYLER TOWN
33	FREETOWN TOWN
33	HARFORD TOWN
33	HOMER TOWN
33	LAPEER TOWN
33	MARATHON TOWN
33	PREBLE TOWN
33	SCOTT TOWN
33	SOLON TOWN
33	TAYLOR TOWN
33	TRUXTON TOWN
33	VIRGIL TOWN
33	WILLET TOWN
33	ANDES TOWN
33	BOVINA TOWN
33	COLCHESTER TOWN
33	DAVENPORT TOWN
33	DELHI TOWN
33	DEPOSIT TOWN
33	FRANKLIN TOWN
33	HAMDEN TOWN
33	HANCOCK TOWN
33	HARPERSFIELD TOWN
33	KORTRIGHT TOWN
33	MASONVILLE TOWN
33	MEREDITH TOWN
33	MIDDLETOWN TOWN
33	ROXBURY TOWN
33	SIDNEY TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	STAMFORD TOWN
33	TOMPKINS TOWN
33	WALTON TOWN
33	AMENIA TOWN
33	DOVER TOWN
33	POUGHKEEPSIE TOWN
33	ALDEN TOWN
33	AURORA TOWN
33	BOSTON TOWN
33	BRANT TOWN
33	CHEEKTOWAGA TOWN
33	CLARENCE TOWN
33	COLDEN TOWN
33	COLLINS TOWN
33	CONCORD TOWN
33	EDEN TOWN
33	ELMA TOWN
33	EVANS TOWN
33	GRAND ISLAND TOWN
33	HAMBURG TOWN
33	HOLLAND TOWN
33	LANCASTER TOWN
33	MARILLA TOWN
33	NEWSTEAD TOWN
33	NORTH COLLINS TOWN
33	SARDINIA TOWN
33	TONAWANDA TOWN
33	WALES TOWN
33	WEST SENECA TOWN
33	CHESTERFIELD TOWN
33	CROWN POINT TOWN
33	ELIZABETHTOWN TOWN
33	ESSEX TOWN
33	JAY TOWN
33	KEENE TOWN
33	LEWIS TOWN
33	MINERVA TOWN
33	MORIAH TOWN
33	NEWCOMB TOWN
33	NORTH ELBA TOWN
33	NORTH HUDSON TOWN
33	ST ARMAND TOWN
33	SCHROON TOWN
33	TICONDEROGA TOWN
33	WESTPORT TOWN
33	WILLSBORO TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	WILMINGTON TOWN
33	ALTAMONT TOWN
33	BANGOR TOWN
33	BELLMONT TOWN
33	BOMBAY TOWN
33	BRANDON TOWN
33	BRIGHTON TOWN
33	BURKE TOWN
33	CHATEAUGAY TOWN
33	CONSTABLE TOWN
33	DICKINSON TOWN
33	DUANE TOWN
33	FORT COVINGTON TOWN
33	FRANKLIN TOWN
33	HARRIETSTOWN TOWN
33	MALONE TOWN
33	MOIRA TOWN
33	SANTA CLARA TOWN
33	WAVERLY TOWN
33	WESTVILLE TOWN
33	BLEECKER TOWN
33	BROADALBIN TOWN
33	CAROGA TOWN
33	EPHRATAH TOWN
33	JOHNSTOWN TOWN
33	MAYFIELD TOWN
33	NORTHAMPTON TOWN
33	OPPENHEIM TOWN
33	PERTH TOWN
33	STRATFORD TOWN
33	ALABAMA TOWN
33	ALEXANDER TOWN
33	BATAVIA TOWN
33	BERGEN TOWN
33	BETHANY TOWN
33	BYRON TOWN
33	DARIEN TOWN
33	ELBA TOWN
33	LE ROY TOWN
33	OAKFIELD TOWN
33	PAVILION TOWN
33	PEMBROKE TOWN
33	STAFFORD TOWN
33	WINDHAM TOWN
33	BENSON TOWN
33	LONG LAKE TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	MOREHOUSE TOWN
33	WELLS TOWN
33	COLUMBIA TOWN
33	DANUBE TOWN
33	FAIRFIELD TOWN
33	FRANKFORT TOWN
33	GERMAN FLATTS TOWN
33	HERKIMER TOWN
33	LITCHFIELD TOWN
33	LITTLE FALLS TOWN
33	MANHEIM TOWN
33	NEWPORT TOWN
33	NORWAY TOWN
33	OHIO TOWN
33	RUSSIA TOWN
33	SALISBURY TOWN
33	SCHUYLER TOWN
33	STARK TOWN
33	WARREN TOWN
33	WEBB TOWN
33	WINFIELD TOWN
33	ADAMS TOWN
33	ALEXANDRIA TOWN
33	ANTWERP TOWN
33	BROWNVILLE TOWN
33	CAPE VINCENT TOWN
33	CHAMPION TOWN
33	CLAYTON TOWN
33	ELLISBURG TOWN
33	HENDERSON TOWN
33	HOUNSFIELD TOWN
33	LE RAY TOWN
33	LORRAINE TOWN
33	LYME TOWN
33	ORLEANS TOWN
33	PAMELIA TOWN
33	PHILADELPHIA TOWN
33	RODMAN TOWN
33	RUTLAND TOWN
33	THERESA TOWN
33	WATERTOWN TOWN
33	WILNA TOWN
33	WORTH TOWN
33	CROGHAN TOWN
33	DENMARK TOWN
33	DIANA TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	GREIG TOWN
33	HARRISBURG TOWN
33	LEWIS TOWN
33	LEYDEN TOWN
33	LOWVILLE TOWN
33	LYONSDALE TOWN
33	MARTINSBURG TOWN
33	MONTAGUE TOWN
33	NEW BREHEM TOWN
33	OSCEOLA TOWN
33	PINCKNEY TOWN
33	TURIN TOWN
33	WATSON TOWN
33	WEST TURIN TOWN
33	CALEDONIA TOWN
33	GROVELAND TOWN
33	LEICESTER TOWN
33	MOUNT MORRIS TOWN
33	NORTH DANSVILLE TOWN
33	OSSIAN TOWN
33	WEST SPARTA TOWN
33	YORK TOWN
33	BROOKFIELD TOWN
33	DE RUYTER TOWN
33	FENNER TOWN
33	GEORGETOWN TOWN
33	HAMILTON TOWN
33	LENOX TOWN
33	NELSON TOWN
33	SMITHFIELD TOWN
33	CLARKSON TOWN
33	RUSH TOWN
33	AMSTERDAM TOWN
33	CANAJOHARIE TOWN
33	CHARLESTON TOWN
33	FLORIDA TOWN
33	GLEN TOWN
33	MINDEN TOWN
33	MOHAWK TOWN
33	PALATINE TOWN
33	ROOT TOWN
33	ST JOHNSVILLE TOWN
33	HEMPSTEAD TOWN
33	NORTH HEMPSTEAD TOWN
33	OYSTER BAY TOWN
33	CAMBRIA TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	HARTLAND TOWN
33	LEWISTON TOWN
33	LOCKPORT TOWN
33	NEWFANE TOWN
33	NIAGARA TOWN
33	PENDLETON TOWN
33	PORTER TOWN
33	ROYALTON TOWN
33	SOMERSET TOWN
33	WHEATFIELD TOWN
33	WILSON TOWN
33	ANNSVILLE TOWN
33	AUGUSTA TOWN
33	AVA TOWN
33	BOONVILLE TOWN
33	BRIDGEWATER TOWN
33	CAMDEN TOWN
33	DEERFIELD TOWN
33	FLORENCE TOWN
33	FLOYD TOWN
33	FORESTPORT TOWN
33	KIRKLAND TOWN
33	LEE TOWN
33	MARCY TOWN
33	MARSHALL TOWN
33	NEW HARTFORD TOWN
33	PARIS TOWN
33	REMSEN TOWN
33	SANGERFIELD TOWN
33	STEUBEN TOWN
33	TRENTON TOWN
33	VERNON TOWN
33	VERONA TOWN
33	VIENNA TOWN
33	WESTERN TOWN
33	WESTMORELAND TOWN
33	WHITESTOWN TOWN
33	CAMILLUS TOWN
33	CICERO TOWN
33	DE WITT TOWN
33	ELBRIDGE TOWN
33	FABIUS TOWN
33	GEDDES TOWN
33	LAFAYETTE TOWN
33	LYSANDER TOWN
33	MARCELLUS TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	ONONDAGA TOWN
33	OTISCO TOWN
33	POMPEY TOWN
33	SALINA TOWN
33	SKANEATELES TOWN
33	SPAFFORD TOWN
33	TULLY TOWN
33	VAN BUREN TOWN
33	GORHAM TOWN
33	HOPEWELL TOWN
33	BLOOMING GROVE TOWN
33	CHESTER TOWN
33	CORNWALL TOWN
33	CRAWFORD TOWN
33	DEERPARK TOWN
33	GREENVILLE TOWN
33	HIGHLANDS TOWN
33	MONROE TOWN
33	MONTGOMERY TOWN
33	MOUNT HOPE TOWN
33	NEWBURGH TOWN
33	NEW WINDSOR TOWN
33	TUXEDO TOWN
33	WALLKILL TOWN
33	WAWAYANDATOWN
33	BARRE TOWN
33	CARLTON TOWN
33	CLARENDON TOWN
33	GAINES TOWN
33	MURRAY TOWN
33	RIDGEWAY TOWN
33	SHELBY TOWN
33	BOYLSTON TOWN
33	NEW HAVEN TOWN
33	BURLINGTON TOWN
33	BUTTERNUTS TOWN
33	CHERRY VALLEY TOWN
33	DECATUR TOWN
33	EDMESTON TOWN
33	EXETER TOWN
33	HARTWICK TOWN
33	LAURENS TOWN
33	MARYLAND TOWN
33	MIDDLEFIELD TOWN
33	MILFORD TOWN
33	MORRIS TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	NEW LISBON TOWN
33	ONEONTA TOWN
33	OTEGO TOWN
33	OTSEGO TOWN
33	PITTSFIELD TOWN
33	PLAINFIELD TOWN
33	RICHFIEL) TOWN
33	RCSEBOOM TOWN
33	SPRINGFIELD TOWN
33	UNADILLA TOWN
33	WESTFORD TOWN
33	WCRCESTER TOWN
33	BERLIN TOWN
33	BRUNSWICK TOWN
33	GRAFTON TOWN
33	HOOSICK TOWN
33	NASSAU TOWN
33	NCRTH GREENBUSH TOWN
33	PETERSBRUG TOWN
33	PITTSTOWN TOWN
33	POESTENKILL TOWN
33	SAND LAKE
33	SCHAGHTICOKE TOWN
33	SCHCDACK TOWN
33	STEPHENTOWN TOWN
33	BRASHER TOWN
33	CANTON TOWN
33	CLARE TOWN
33	CLIFTON TCWN
33	COLTON TOWN
33	DE KALB TOWN
33	DE PEYSTER TOWN
33	EDWARDS TOWN
33	FINE TOWN
33	FOWLER TOWN
33	GCUVERNEUR TOWN
33	HAMMOND TOWN
33	HERMON TOWN
33	HOPKINTON TOWN
33	LAWRENCE TOWN
33	LISBON TOWN
33	LCUISVILLE TOWN
33	MACOMB TOWN
33	MADRID TOWN
33	MASSENA TOWN
33	MORRISTOWN TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	NORFOLK TOWN
33	OSWEGATCHIE TOWN
33	PARISHVILLE TOWN
33	PIERCEFIELD TOWN
33	PIERREPONT TOWN
33	PITCAIRN TOWN
33	POTSDAM TOWN
33	ROSSIE TOWN
33	RUSSELL TOWN
33	STOCKHOLM TOWN
33	WADDINGTON TOWN
33	CORINTH TOWN
33	ROTTERDAM TOWN
33	BLENHEIM TOWN
33	BROOME TOWN
33	CARLISLE TOWN
33	COBLESKILL TOWN
33	CONESVILLE TOWN
33	ESPERANCE TOWN
33	FULTON TOWN
33	GILBOA TOWN
33	JEFFERSON TOWN
33	MIDDLEBURGH TOWN
33	RICHMONDVILLE TOWN
33	SCHOHARIE TOWN
33	SEWARD TOWN
33	SHARON TOWN
33	SUMMIT TOWN
33	WRIGHT TOWN
33	CATHARINE TOWN
33	CAYUTA TOWN
33	DIX TOWN
33	HECTOR TOWN
33	MONTOUR TOWN
33	ORANGE TOWN
33	READING TOWN
33	TYRONE TOWN
33	COVERT TOWN
33	FAYETTE TOWN
33	JUNIUS TOWN
33	LODI TOWN
33	OVID TOWN
33	ROMULUS TOWN
33	SENECA FALLS TOWN
33	TYRE TOWN
33	VARICK TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	WATERLOO TOWN
33	ADDISON TOWN
33	AVOCA TOWN
33	BATH TOWN
33	BRADFORD TOWN
33	CAMERON TOWN
33	CAMPBELL TOWN
33	CANISTEO TOWN
33	CATON TOWN
33	CORNING TOWN
33	DANSVILLE TOWN
33	ERWIN TOWN
33	FREMONT TOWN
33	GREENWOOD TOWN
33	HARTSVILLE TOWN
33	HORNBY TOWN
33	HORNELLSVILLE TOWN
33	HOWARD TOWN
33	JASPER TOWN
33	LINDLEY TOWN
33	PRATTSBURG TOWN
33	PULTENEY TOWN
33	RATHBONE TOWN
33	THURSTON TOWN
33	TROUPSBURG TOWN
33	TUSCARORA TOWN
33	URBANA TOWN
33	WAYLAND TOWN
33	WAYNE TOWN
33	WEST UNION TOWN
33	WHEELER TOWN
33	WOODHULL TOWN
33	BABYLON TOWN
33	BETHEL TOWN
33	CALLICOON TOWN
33	COCHECTON TOWN
33	DELAWARE TOWN
33	FALLSBURG TOWN
33	FORESTBURGH TOWN
33	FREMONT TOWN
33	HIGHLAND TOWN
33	LIBERTY TOWN
33	MAMAKATING TOWN
33	NEVERSINK TOWN
33	ROCKLAND TOWN
33	THOMPSON TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	DANBY TOWN
33	ENFIELD TOWN
33	GROTON TOWN
33	ITHACA TOWN
33	ULYSSES TOWN
33	DENNING TOWN
33	ESOPUS TOWN
33	GARDINER TOWN
33	HARDENBERGH TOWN
33	HURLEY TOWN
33	KINGSTON TOWN
33	LLOYD TOWN
33	MARBLETOWN TOWN
33	MARLBOROUGH TOWN
33	NEW PALTZ TOWN
33	OLIVE TOWN
33	PLATTEKILL TOWN
33	ROCHESTER TOWN
33	ROSENDALE TOWN
33	SAUGERTIES TOWN
33	SHANDAKEN TOWN
33	SHAWANGUNK TOWN
33	ULSTER TOWN
33	WAWARSING TOWN
33	WOODSTOCK TOWN
33	BOLTON TOWN
33	LAKE GEORGE TOWN
33	CHESTER TOWN
33	HAGUE TOWN
33	HORICON TOWN
33	JOHNSBURG TOWN
33	LAKE LUZERNE TOWN
33	QUEENSBURY TOWN
33	STONY CREEK TOWN
33	THURMAN TOWN
33	WARRENSBURG TOWN
33	ARGYLE TOWN
33	CAMBRIDGE TOWN
33	DRESDEN TOWN
33	EASTON TOWN
33	FORT ANN TOWN
33	FORT EDWARD TOWN
33	GRANVILLE TOWN
33	GREENWICH TOWN
33	HAMPTON TOWN
33	HARTFORD TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
33	HEBRON TOWN
33	JACKSON TOWN
33	KINGSBURY TOWN
33	PUTNAM TOWN
33	SALEM TOWN
33	WHITE CREEK TOWN
33	WHITEHALL TOWN
33	ARCADIA TOWN
33	GALEN TOWN
33	HURON TOWN
33	LYONS TOWN
33	PALMYRA TOWN
33	WILLIAMSON TOWN
33	WOLCOTT TOWN
33	OSSINING TOWN
33	RYE TOWN
33	ATTICA TOWN
33	BENNINGTON TOWN
33	CASTILE TOWN
33	COVINGTON TOWN
33	GAINESVILLE TOWN
33	PERRY TOWN
33	PIKE TOWN
33	SHELDON TOWN
33	WARSAW TOWN
33	WETHERSFIELD TOWN
33	BARRINGTON TOWN
33	BENTON TOWN
33	ITALY TOWN
33	JERUSALEM TOWN
33	MIDDLESEX TOWN
33	MILO TOWN
33	POTTER TOWN
33	STARKEY TOWN
33	TORREY TOWN

STATE = 33: 1185 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
34	ALAMANCE COUNTY
34	ASHE COUNTY
34	AVERY COUNTY
34	BERTIE COUNTY
34	BLADEN COUNTY
34	CABARRUS COUNTY
34	CALDWELL COUNTY
34	CASWELL COUNTY
34	CHATHAM COUNTY
34	CHEROKEE COUNTY
34	CHOWAN COUNTY
34	DUPLIN COUNTY
34	EDGECOMBE COUNTY
34	FRANKLIN COUNTY
34	GATES COUNTY
34	GRAHAM COUNTY
34	GRANVILLE COUNTY
34	GREENE COUNTY
34	HALIFAX COUNTY
34	HAYWOOD COUNTY
34	HERTFORD COUNTY
34	HOKE COUNTY
34	JOHNSTON COUNTY
34	JONES COUNTY
34	MARTIN COUNTY
34	MITCHELL COUNTY
34	MONTGOMERY COUNTY
34	NORTHAMPTON COUNTY
34	PAMLICO COUNTY
34	PENDER COUNTY
34	PERQUIMANS COUNTY
34	PERSON COUNTY
34	RICHMOND COUNTY
34	ROBESON COUNTY
34	RUTHERFORD COUNTY
34	STANLY COUNTY
34	TYRRELL COUNTY
34	VANCE COUNTY
34	WARREN COUNTY
34	BURLINGTON CITY
34	ELON COLLEGE TOWN
34	GRAHAM CITY
34	JEFFERSON TOWN
34	LANSING TOWN
34	BANNER ELK TOWN
34	CROSSNORE TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
34	ELK PARK TOWN
34	NEWLAND TOWN
34	KELFORD TOWN
34	WOODVILLE TOWN
34	BLADENBORO TOWN
34	WHITE LAKE TOWN
34	EAST ARCADIA TOWN
34	GLEN ALPINE TOWN
34	CONCORD CITY
34	GRANITE FALLS TOWN
34	MILTON TOWN
34	BROOKFORD TOWN
34	ANDREWS TOWN
34	MURPHY TOWN
34	EDENTON TOWN
34	LATTIMORE TOWN
34	BOLTON TOWN
34	CHADBOURN TOWN
34	FAIR BLUFF TOWN
34	TABOR CITY TOWN
34	FALCON TOWN
34	LEXINGTON CITY
34	THOMASVILLE CITY
34	CALYPSO TOWN
34	FAISON TOWN
34	MAGNOLIA TOWN
34	ROSE HILL TOWN
34	TEACHEY TOWN
34	WALLACE TOWN
34	WARSAW TOWN
34	GREENEVERS TOWN
34	PINETOPS TOWN
34	LEGGETT TOWN
34	BUNN TOWN
34	FRANKLINTON TOWN
34	LOUISBURG TOWN
34	CENTERVILLE TOWN
34	CREEDMOOR CITY
34	OXFORD CITY
34	STEM TOWN
34	STOVALL TOWN
34	HOOKERTON TOWN
34	SNOW HILL TOWN
34	WALSTONBURG TOWN
34	ENFIELD TOWN
34	HALIFAX TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
34	HOBGOOD TOWN
34	ROANOKE RAPIDS CITY
34	SCOTLAND NECK TOWN
34	WELDON TOWN
34	LITTLETON TOWN
34	AHOSKIE TOWN
34	WINTON TOWN
34	COFIELD TOWN
34	COMO TOWN
34	HARMONY TOWN
34	BENSON TOWN
34	KENLY TOWN
34	SELMA TOWN
34	MAYSVILLE TOWN
34	LINCOLNTON TOWN
34	HASSELL TOWN
34	JAMESVILLE TOWN
34	OAK CITY TOWN
34	PARMELE TOWN
34	ROBERSONVILLE TOWN
34	WILLIAMSTON TOWN
34	BEARGRASS TOWN
34	MOUNT GILEAD TOWN
34	STAR TOWN
34	CONWAY TOWN
34	GARYSBURG TOWN
34	GASTON TOWN
34	LASKER TOWN
34	RICH SQUARE TOWN
34	SEABOARD TOWN
34	SEVERN TOWN
34	WOODLAND TOWN
34	RICHLANDS TOWN
34	SWANSBORO TOWN
34	BAYBORO TOWN
34	ORIENTAL TOWN
34	VANDEMERE TOWN
34	ALLIANCE TOWN
34	ARAPAHOE TOWN
34	MESIC TOWN
34	MINNESOTT BEACH TOWN
34	STONEWALL TOWN
34	ELIZABETH CITY
34	ATKINSON TOWN
34	WATHA TOWN
34	TOP SAIL BEACH TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
34	RANDLEMAN TOWN
34	SEAGROVE TOWN
34	STALEY TOWN
34	ELLERBE TOWN
34	HAMLET CITY
34	ROCKINGHAM TOWN
34	HOFFMAN TOWN
34	NORMAN TOWN
34	FAIRMONT TOWN
34	LUMBERTON CITY
34	ORRUM TOWN
34	PARKTON TOWN
34	PEMBROKE TOWN
34	PROCTORVILLE TOWN
34	RED SPRINGS TOWN
34	ROWLAND TOWN
34	ST PAULS TOWN
34	MCDONALD TOWN
34	RAYNHAM TOWN
34	MAYODAN TOWN
34	EDEN CITY
34	CLEVELAND TOWN
34	EAST SPENCER TOWN
34	FAITH TOWN
34	FOREST CITY TOWN
34	SPINDALE TOWN
34	EAST LAURINBURG TOWN
34	GIBSON TOWN
34	LAURINBURG CITY
34	WAGRAM TOWN
34	ALBEMARLE CITY
34	NORWOOD TOWN
34	COLUMBIA TOWN
34	HENDERSON CITY
34	MIDDLEBURG TOWN
34	WARRENTON TOWN
34	GOLDSBORO CITY
34	BURNSVILLE TOWN

STATE = 34: 176 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
35	KIDDER COUNTY
35	MCHENRY COUNTY
35	WING CITY
35	DAWSON VILLAGE
35	PETTIBONE VILLAGE
35	ROBINSON CITY
35	STEELE CITY
35	TAPPEN CITY
35	TUTTLE VILLAGE
35	ANAMOOSE CITY
35	BALFOUR CITY
35	BERGEN VILLAGE
35	BERWICK CITY
35	DEERING VILLAGE
35	DRAKE CITY
35	GRANVILLE CITY
35	KARLSRUHE CITY
35	KIEF VILLAGE
35	UPHAM CITY
35	VELVA CITY
35	CLEAR LAKE TOWNSHIP
35	CROFTE TOWNSHIP
35	DRISCOLL TOWNSHIP
35	ECKLUND TOWNSHIP
35	ESTHERVILLE TOWNSHIP
35	FLORENCE LAKE TWP
35	GLENVIEW TOWNSHIP
35	HARRIETT TOWNSHIP
35	HAZEL GROVE TOWNSHIP
35	LEIN TOWNSHIP
35	MORTON TOWNSHIP
35	SIBLEY BUTTE TOWNSHIP
35	STEIBER TOWNSHIP
35	SCHRUNK TOWNSHIP
35	TAFT TOWNSHIP
35	WILSON TOWNSHIP
35	HARDING TOWNSHIP
35	MCCULLEY TOWNSHIP
35	LARK TOWNSHIP
35	ALLEN TOWNSHIP
35	ATWOOD TOWNSHIP
35	BAKER TOWNSHIP
35	BUCKEYE TOWNSHIP
35	BUNKER TOWNSHIP
35	CHESTINA TOWNSHIP
35	CLEAR LAKE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
35	CROWN HILL TOWNSHIP
35	CRYSTAL SPRINGS TOWNSHIP
35	EXCELSIOR TOWNSHIP
35	FRETTIM TOWNSHIP
35	GRAF TOWNSHIP
35	HAYNES TOWNSHIP
35	LAKE WILLIAMS TOWNSHIP
35	MANNING TOWNSHIP
35	PEACE TOWNSHIP
35	PETERSVILLE TOWNSHIP
35	PETTIBONE TOWNSHIP
35	REXINE TWP
35	SIBLEY TOWNSHIP
35	STEWART TOWNSHIP
35	TANNER TOWNSHIP
35	TUTTLE TOWNSHIP
35	VALLEY TOWNSHIP
35	WEISER TOWNSHIP
35	WESTFORD TOWNSHIP
35	WILLIAMS TOWNSHIP
35	QUINBY TOWNSHIP
35	MERKEL TOWNSHIP
35	NORTHWEST TOWNSHIP
35	ANAMOOSE TOWNSHIP
35	BALFOUR TOWNSHIP
35	BANTRY TOWNSHIP
35	BERWICK TOWNSHIP
35	BJORNSON TOWNSHIP
35	BROWN TOWNSHIP
35	COTTONWOOD LAKE TWP
35	DEEP RIVER TOWNSHIP
35	DEERING TOWNSHIP
35	EGG CREEK TOWNSHIP
35	FALSEN TOWNSHIP
35	GILMORE TOWNSHIP
35	HENDRICKSON TOWNSHIP
35	KARLSRUHE TOWNSHIP
35	KOTTKE VALLEY TOWNSHIP
35	LAKE GEORGE TOWNSHIP
35	LAKE HESTER TOWNSHIP
35	LAND TOWNSHIP
35	LAYTON TOWNSHIP
35	LEBANON TOWNSHIP
35	LITTLE DEEP TOWNSHIP
35	MOUSE RIVER TOWNSHIP
35	NEWPORT TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
35	NORMAL TOWNSHIP
35	ODIN TOWNSHIP
35	PRATT TOWNSHIP
35	RIGA TOWNSHIP
35	ROUND LAKE TOWNSHIP
35	SALINE TOWNSHIP
35	SCHILLER TOWNSHIP
35	VELVA TOWNSHIP
35	VILLARD TOWNSHIP
35	FAIRVIEW TOWNSHIP
35	SLOPE CENTER TWP

STATE = 35: 103 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	ADAMS COUNTY
36	ALLEN COUNTY
36	ASHLAND COUNTY
36	ASHTABULA COUNTY
36	ATHENS COUNTY
36	BELMONT COUNTY
36	BUTLER COUNTY
36	CLARK COUNTY
36	COLUMBIANA COUNTY
36	COSHOCTON COUNTY
36	CRAWFORD COUNTY
36	CUYAHOGA COUNTY
36	DEFIANCE COUNTY
36	ERIE COUNTY
36	FAYETTE COUNTY
36	FULTON COUNTY
36	GREENE COUNTY
36	GUERNSEY COUNTY
36	HAMILTON COUNTY
36	HARDIN COUNTY
36	HOCKING COUNTY
36	HURON COUNTY
36	JACKSON COUNTY
36	KNOX COUNTY
36	LICKING COUNTY
36	LUCAS COUNTY
36	MAHONING COUNTY
36	MARION COUNTY
36	MIAMI COUNTY
36	MONROE COUNTY
36	MONTGOMERY COUNTY
36	MUSKINGUM COUNTY
36	NOBLE COUNTY
36	OTTAWA COUNTY
36	PAULDING COUNTY
36	PORTAGE COUNTY
36	PREBLE COUNTY
36	PUTNAM COUNTY
36	RICHLAND COUNTY
36	ROSS COUNTY
36	SANDUSKY COUNTY
36	SCIOTO COUNTY
36	SENECA COUNTY
36	STARK COUNTY
36	SUMMIT COUNTY
36	TRUMBULL COUNTY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	TUSCARAWAS COUNTY
36	VAN WERT COUNTY
36	WARREN COUNTY
36	WAYNE COUNTY
36	WILLIAMS COUNTY
36	CHERRY FORK VILLAGE
36	MANCHESTER VILLAGE
36	PEEBLES VILLAGE
36	ROME VILLAGE
36	SEAMAN VILLAGE
36	WEST UNION VILLAGE
36	WINCHESTER VILLAGE
36	BEAVERDAM VILLAGE
36	BLUFFTON VILLAGE
36	CAIRO VILLAGE
36	HARROD VILLAGE
36	LAFAYETTE VILLAGE
36	LIMA CITY
36	SPENCERVILLE VILLAGE
36	FORT SHAWNEE VILLAGE
36	ASHLAND CITY
36	JEROMESVILLE VILLAGE
36	MIFFLIN VILLAGE
36	PERRYSVILLE VILLAGE
36	SAVANNAH VILLAGE
36	ASHTABULA CITY
36	CONNEAUT CITY
36	JEFFERSON VILLAGE
36	ROCK CREEK VILLAGE
36	ALBANY VILLAGE
36	AMESVILLE VILLAGE
36	ATHENS CITY
36	BUCHTEL VILLAGE
36	CHAUNCEY VILLAGE
36	COOLVILLE VILLAGE
36	GLOUSTER VILLAGE
36	JACKSONVILLE VILLAGE
36	NELSONVILLE CITY
36	TRIMBLE VILLAGE
36	BUCKLAND VILLAGE
36	MINSTER VILLAGE
36	NEW KNOXVILLE VILLAGE
36	ST MARYS CITY
36	UNIOPOLIS VILLAGE
36	WAYNESFIELD VILLAGE
36	BARNESVILLE VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	BELLAIRE CITY
36	BELMONT VILLAGE
36	BRIDGEPORT VILLAGE
36	BROOKSIDE VILLAGE
36	FLUSHING VILLAGE
36	HOLLOWAY VILLAGE
36	MARTINS FERRY CITY
36	POWHATAN POINT VILLAGE
36	SHADYSIDE CITY
36	FAYETTEVILLE VILLAGE
36	MOUNT ORAB VILLAGE
36	RIPLEY VILLAGE
36	RUSSELLVILLE VILLAGE
36	HAMILTON CITY
36	JACKSONBURG VILLAGE
36	MIDDLETOWN CITY
36	MILLVILLE VILLAGE
36	NEW MIAMI VILLAGE
36	OXFORD VILLAGE
36	SEVEN MILE VILLAGE
36	SOMERVILLE VILLAGE
36	TRENTON CITY
36	DELLROY VILLAGE
36	LEESVILLE VILLAGE
36	SHERRODSVILLE VILLAGE
36	CHRISTIANSBURG VILLAGE
36	WOODSTOCK VILLAGE
36	CATAWBA VILLAGE
36	DONNELSVILLE VILLAGE
36	NORTH HAMPTON VILLAGE
36	SPRINGFIELD CITY
36	TREMONT CITY VILLAGE
36	COLUMBIANA VILLAGE
36	EAST LIVERPOOL CITY
36	EAST PALESTINE CITY
36	LEETONIA VILLAGE
36	LISBON VILLAGE
36	NEW WATERFORD VILLAGE
36	ROGERS VILLAGE
36	SALINEVILLE VILLAGE
36	SUMMITVILLE VILLAGE
36	WELLSVILLE CITY
36	NELLIE VILLAGE
36	BUCYRUS CITY
36	CHATFIELD VILLAGE
36	CRESTLINE CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	GALION CITY
36	NEW WASHINGTON VILLAGE
36	TIRO VILLAGE
36	BEDFORD CITY
36	BEREA CITY
36	BROOK PARK CITY
36	CLEVELAND CITY
36	CUYAHOGA HGHTS VILLAGE
36	EAST CLEVELAND CITY
36	GARFIELD HGHTS CITY
36	LINNDALE VILLAGE
36	MAPLE HGHTS CITY
36	NEWBURGH HEIGHTS VILLAGE
36	SHAKER HGHTS CITY
36	SOUTH EUCLID CITY
36	VALLEY VIEW VILLAGE
36	WARRENSVILLE HGTS CITY
36	DEFIANCE CITY
36	HICKSVILLE VILLAGE
36	NEY VILLAGE
36	SHERWOOD VILLAGE
36	KELLEYS ISLAND VILLAGE
36	SANDUSKY CITY
36	MILLEDGEVILLE VILLAGE
36	OCTA VILLAGE
36	WASHINGTON CITY
36	ARCHBOLD VILLAGE
36	DELTA VILLAGE
36	FAYETTE VILLAGE
36	LYONS VILLAGE
36	METAMORA VILLAGE
36	SWANTON VILLAGE
36	WAUSEON VILLAGE
36	BURTON VILLAGE
36	BELLBROOK CITY
36	BOWERSVILLE VILLAGE
36	CEDARVILLE VILLAGE
36	CLIFTON VILLAGE
36	SPRING VALLEY VILLAGE
36	YELLOW SPRINGS VILLAGE
36	BYESVILLE VILLAGE
36	CAMBRIDGE CITY
36	CUMBERLAND VILLAGE
36	FAIRVIEW VILLAGE
36	KIMBOLTON VILLAGE
36	LORE CITY VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	PLEASANT CITY VILLAGE
36	QUAKER CITY VILLAGE
36	SALESVILLE VILLAGE
36	SENECAVILLE VILLAGE
36	OLD WASHINGTON VILLAGE
36	ARLINGTON HGTS VILLAGE
36	CHEVICT CITY
36	CINCINNATI CITY
36	DEER PARK CITY
36	FAIRFAX VILLAGE
36	GOLF MANOR VILLAGE
36	GREENHILLS CITY
36	LOCKLAND CITY
36	MADEIRA CITY
36	MOUNT HEALTHY CITY
36	NORTH COLLEGE HILL CITY
36	NORWOOD CITY
36	READING CITY
36	ST BERNARD CITY
36	SILVERTON CITY

STATE = 36: 204 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	TERRACE PARK VILLAGE

STATE = 36: 1 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	WOODLAWN VILLAGE
36	SPRINGDALE CITY
36	BENTON RIDGE VILLAGE
36	JENERA VILLAGE
36	MOUNT BLANCHARD VILLAGE
36	MOUNT CORY VILLAGE
36	VANLUE VILLAGE
36	ALGER VILLAGE
36	DUNKIRK VILLAGE
36	FOREST VILLAGE
36	KENTON CITY
36	MCGUFFEY VILLAGE
36	PATTERSON VILLAGE
36	DESHLER VILLAGE
36	HOLGATE VILLAGE
36	MCCLURE VILLAGE
36	NAPOLEON CITY
36	NEW BAVARIA VILLAGE
36	LAURELVILLE VILLAGE
36	LOGAN CITY
36	MURRAY CITY VILLAGE
36	GREENWICH VILLAGE
36	MONROEVILLE VILLAGE
36	NEW LONDON VILLAGE
36	NORTH FAIRFIELD VILLAGE
36	NORWALK CITY
36	WILLARD CITY
36	COALTON VILLAGE
36	JACKSON CITY
36	OAK HILL VILLAGE
36	WELLSTON CITY
36	AMSTERDAM VILLAGE
36	BLOOMINGDALE VILLAGE
36	BRILLIANT VILLAGE
36	DILLONVALE VILLAGE
36	IRONDALE VILLAGE
36	NEW ALEXANDRIA VILLAGE
36	STRATTON VILLAGE
36	GANN VILLAGE
36	CENTERBURG VILLAGE
36	DANVILLE VILLAGE
36	FREDERICKTOWN VILLAGE
36	GAMBIER VILLAGE
36	MARTINSBURG VILLAGE
36	MOUNT VERNON CITY
36	GRAND RIVER VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	NORTH PERRY VILLAGE
36	WICKLIFFE CITY
36	CHESAPEAKE VILLAGE
36	COAL GROVE VILLAGE
36	IRONTON CITY
36	KIRKERSVILLE VILLAGE
36	NEWARK CITY
36	ST LOUISVILLE VILLAGE
36	UTICA VILLAGE
36	BERKEY VILLAGE
36	TOLEDO CITY
36	MIDWAY VILLAGE
36	SOUTH SOLON VILLAGE
36	BELOIT VILLAGE

STATE = 36: 60 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	CAMPBELL CITY

STATE = 36: 1 RECORDS

05/23/78 AT 01:25

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	CRAIG BEACH VILLAGE
36	LOWELLVILLE VILLAGE
36	POLAND VILLAGE
36	SEBRING VILLAGE
36	STRUTHERS CITY
36	YOUNGSTOWN CITY
36	GREEN CAMP VILLAGE
36	MARION CITY
36	MORRAL VILLAGE
36	CASSTOWN VILLAGE
36	COVINGTON VILLAGE
36	LUDLOW FALLS VILLAGE
36	PIQUA CITY
36	POTSDAM VILLAGE
36	ANTIOCH VILLAGE
36	BEALLSVILLE VILLAGE
36	CLARINGTON VILLAGE
36	GRAYSVILLE VILLAGE
36	JERUSALEM VILLAGE
36	LEWISVILLE VILLAGE
36	MILTONSBURG VILLAGE
36	STAFFORD VILLAGE
36	WOODSFIELD VILLAGE
36	CLAYTON VILLAGE
36	DAYTON CITY
36	FARMERSVILLE VILLAGE
36	KETTERING CITY
36	MIAMISBURG CITY
36	RIVERSIDE VILLAGE
36	VANDALIA CITY
36	MORAINE CITY
36	CHESTERVILLE VILLAGE
36	EDISON VILLAGE
36	SPARTA VILLAGE
36	ADAMSVILLE VILLAGE
36	FRAZEYSBURG VILLAGE
36	NEW CONCORD VILLAGE
36	NORWICH VILLAGE
36	PHILO VILLAGE
36	FULTONHAM VILLAGE
36	ZANESVILLE CITY
36	BATESVILLE VILLAGE
36	BELLE VALLEY VILLAGE
36	CALDWELL VILLAGE
36	DEXTER CITY VILLAGE
36	SARAHSVILLE VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	SUMMERFIELD VILLAGE
36	CLAY CENTER VILLAGE
36	ELMORE VILLAGE
36	GENOA VILLAGE
36	MARBLEHEAD VILLAGE
36	PORT CLINTON CITY
36	PUT IN BAY VILLAGE
36	ROCKY RIDGE VILLAGE
36	ANTWERP VILLAGE
36	BROUGHTON VILLAGE
36	HAVILAND VILLAGE
36	MELROSE VILLAGE
36	OAKWOOD VILLAGE
36	PAULDING VILLAGE
36	PAYNE VILLAGE
36	CORNING VILLAGE
36	HEMLOCK VILLAGE
36	SHAWNEE VILLAGE
36	BEAVER VILLAGE
36	BRADY LAKE VILLAGE
36	HIRAM VILLAGE
36	KENT CITY
36	MANTUA VILLAGE
36	RAVENNA CITY
36	WINDHAM VILLAGE
36	STREETSBORO CITY
36	EATON CITY
36	LEWISBURG VILLAGE
36	NEW PARIS VILLAGE
36	WEST ELKTON VILLAGE
36	WEST MANCHESTER VILLAGE
36	BELMORE VILLAGE
36	CLOVERDALE VILLAGE
36	COLUMBUS GROVE VILLAGE
36	DUPONT VILLAGE
36	GLANDORF VILLAGE
36	LEIPSIC VILLAGE
36	MILLER CITY VILLAGE
36	OTTOVILLE VILLAGE
36	WEST LEIPSIC VILLAGE
36	BELLVILLE VILLAGE
36	BUTLER VILLAGE
36	LUCAS VILLAGE
36	MANSFIELD CITY
36	SHILOH VILLAGE
36	ONTARIO VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	ADELPHI VILLAGE
36	BAINBRIDGE VILLAGE
36	CHILLICOTHE CITY
36	CLARKSBURG VILLAGE
36	FRANKFORT VILLAGE
36	KINGSTON VILLAGE
36	SOUTH SALEM VILLAGE
36	BURGOON VILLAGE
36	CLYDE VILLAGE
36	FREMONT CITY
36	GIBSONBURG VILLAGE
36	HELENA VILLAGE
36	NEW BOSTON VILLAGE
36	OTWAY VILLAGE
36	PORTSMOUTH CITY
36	RARDEN VILLAGE
36	SOUTH WEBSTER VILLAGE
36	ATTICA VILLAGE
36	NEW RIEGEL VILLAGE
36	TIFFIN CITY
36	LOCKINGTON CORPORATION
36	PORT JEFFERSON VILLAGE
36	SIDNEY CITY
36	RUSSIA VILLAGE
36	ALLIANCE CITY
36	CANTON CITY
36	LIMAVILLE VILLAGE
36	MASSILLON CITY
36	MEYERS LAKE VILLAGE
36	WAYNESBURG VILLAGE
36	AKRON CITY
36	BARBERTON CITY
36	LAKEMORE VILLAGE
36	NORTHFIELD VILLAGE
36	MACEDONIA CITY
36	RICHFIELD VILLAGE
36	GIRARD CITY
36	NEWTON FALLS CITY

STATE = 36: 130 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	WARREN CITY

STATE = 36: 1 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	YANKEE LAKE VILLAGE
36	BALTIC VILLAGE
36	BARNHILL VILLAGE
36	DENNISON VILLAGE
36	DOVER CITY
36	GNADENHUTTEN VILLAGE
36	MIDVALE VILLAGE
36	MINERAL CITY VILLAGE
36	NEWCOMERSTOWN VILLAGE
36	NEW PHILADELPHIA CITY
36	PORT WASHINGTON VILLAGE
36	ROSWELL VILLAGE
36	STONE CREEK VILLAGE
36	STRASBURG VILLAGE
36	SUGARCREEK VILLAGE
36	TUSCARAWAS VILLAGE
36	UHRICHSVILLE CITY
36	ZOAR VILLAGE
36	MILFORD CENTER VILLAGE
36	ELGIN VILLAGE
36	MIDDLEPOINT VILLAGE
36	OHIO CITY VILLAGE
36	VAN WERT CITY
36	VENEDOCIA VILLAGE
36	WILLSHIRE VILLAGE
36	WREN VILLAGE
36	HAMDEN VILLAGE
36	WILKESVILLE VILLAGE
36	ZALESKI VILLAGE
36	BUTLERVILLE VILLAGE
36	HARVEYSBURG VILLAGE
36	MAINEVILLE VILLAGE
36	PLEASANT PLAIN VILLAGE
36	SOUTH LEBANON VILLAGE
36	WAYNESVILLE VILLAGE
36	BELPRE CITY
36	LOWELL VILLAGE
36	LOWER SALEM VILLAGE
36	MARIETTA CITY
36	BURBANK VILLAGE
36	CRESTON VILLAGE
36	FREDERICKSBURG VILLAGE
36	MOUNT EATON VILLAGE
36	ORRVILLE CITY
36	WEST SALEM VILLAGE
36	ALVORDTON VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	BLAKESLEE VILLAGE
36	BRYAN CITY
36	EDGERTON VILLAGE
36	STRYKER VILLAGE
36	CUSTAR VILLAGE
36	HOYTVILLE VILLAGE
36	MILTON CENTER VILLAGE
36	NORTH BALTIMORE VILLAGE
36	PORTAGE VILLAGE
36	TONTOGANY VILLAGE
36	WEST MILLGROVE VILLAGE
36	BRATTON TOWNSHIP
36	BRUSH CREEK TOWNSHIP
36	FRANKLIN TOWNSHIP
36	GREEN TOWNSHIP
36	JEFFERSON TOWNSHIP
36	LIBERTY TOWNSHIP
36	MANCHESTER TOWNSHIP
36	MEIGS TOWNSHIP
36	MONROE TOWNSHIP
36	OLIVER TOWNSHIP
36	SCOTT TOWNSHIP
36	SPRIGG TOWNSHIP
36	TIFFIN TOWNSHIP
36	WAYNE TOWNSHIP
36	WINCHESTER TOWNSHIP
36	AMANDA TOWNSHIP
36	AUGLAIZE TOWNSHIP
36	BATH TOWNSHIP
36	JACKSON TOWNSHIP
36	MONROE TOWNSHIP
36	PERRY TOWNSHIP
36	RICHLAND TOWNSHIP
36	SPENCER TOWNSHIP
36	SUGAR CREEK TOWNSHIP
36	CLEAR CREEK TOWNSHIP
36	VERMILLION TWP
36	ASHTABULA TOWNSHIP
36	AUSTINBURG TOWNSHIP
36	CHERRY VALLEY TOWNSHIP
36	COLEBROOK TOWNSHIP
36	DENMARK TOWNSHIP
36	JEFFERSON TOWNSHIP
36	LENOX TOWNSHIP
36	MONROE TOWNSHIP
36	MORGAN TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	PLYMOUTH TOWNSHIP
36	SAYBROOK TOWNSHIP
36	SHEFFIELD TOWNSHIP
36	WINDSOR TOWNSHIP
36	ALEXANDER TOWNSHIP
36	AMES TOWNSHIP
36	ATHENS TOWNSHIP
36	BERN TOWNSHIP
36	CANAAN TOWNSHIP
36	CARTHAGE TOWNSHIP
36	DOVER TOWNSHIP
36	LEE TOWNSHIP
36	LODI TOWNSHIP
36	ROME TOWNSHIP
36	TRIMBLE TOWNSHIP
36	TROY TOWNSHIP
36	WATERLOO TOWNSHIP
36	YORK TOWNSHIP
36	GOSHEN TOWNSHIP
36	LOGAN TOWNSHIP
36	NOBLE TOWNSHIP
36	ST MARYS TOWNSHIP
36	SALEM TOWNSHIP
36	COLERAIN TOWNSHIP
36	FLUSHING TOWNSHIP
36	GOSHEN TOWNSHIP
36	KIRKWOOD TOWNSHIP
36	MEAD TOWNSHIP
36	PEASE TOWNSHIP
36	PULTNEY TOWNSHIP
36	SMITH TOWNSHIP
36	SOMERSET TOWNSHIP
36	UNION TOWNSHIP
36	WARREN TOWNSHIP
36	WASHINGTON TOWNSHIP
36	WHEELING TOWNSHIP
36	YORK TOWNSHIP
36	PIKE TOWNSHIP
36	PLEASANT TOWNSHIP
36	UNION TOWNSHIP
36	WASHINGTON TOWNSHIP
36	HANOVER TOWNSHIP
36	LEMON TOWNSHIP
36	LIBERTY TOWNSHIP
36	MADISON TOWNSHIP
36	MILFORD TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	MORGAN TOWNSHIP
36	OXFORD TOWNSHIP
36	REILY TOWNSHIP
36	ROSS TOWNSHIP
36	ST CLAIR TOWNSHIP
36	UNION TOWNSHIP
36	WAYNE TOWNSHIP
36	EAST TOWNSHIP
36	FOX TOWNSHIP
36	HARRISON TOWNSHIP
36	LEE TOWNSHIP
36	MONROE TOWNSHIP
36	ORANGE TOWNSHIP
36	ROSE TOWNSHIP
36	UNION TOWNSHIP
36	ADAMS TOWNSHIP
36	CONCORD TOWNSHIP
36	JACKSON TOWNSHIP
36	MAD RIVER TOWNSHIP
36	SALEM TOWNSHIP
36	UNION TOWNSHIP
36	BETHEL TOWNSHIP
36	MAD RIVER TOWNSHIP
36	PIKE TOWNSHIP
36	SPRINGFIELD TOWNSHIP
36	JACKSON TOWNSHIP
36	MONROE TOWNSHIP
36	WAYNE TOWNSHIP
36	BUTLER TOWNSHIP
36	CENTER TOWNSHIP
36	ELKRUN TOWNSHIP
36	FAIRFIELD TOWNSHIP
36	FRANKLIN TOWNSHIP
36	HANOVER TOWNSHIP
36	KNOX TOWNSHIP
36	LIVERPOOL TOWNSHIP
36	MADISON TOWNSHIP
36	MIDDLETON TOWNSHIP
36	ST CLAIR TOWNSHIP
36	SALEM TOWNSHIP
36	UNITY TOWNSHIP
36	WASHINGTON TOWNSHIP
36	WAYNE TOWNSHIP
36	WEST TOWNSHIP
36	YELLOW CREEK TOWNSHIP
36	BEDFORD TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	CLARK TOWNSHIP
36	NEWCASTLE TOWNSHIP
36	PERRY TOWNSHIP
36	TIVERTON TOWNSHIP
36	TUSCARAWAS TOWNSHIP
36	VIRGINIA TOWNSHIP
36	AUBURN TOWNSHIP
36	BUCYRUS TOWNSHIP
36	CHATFIELD TOWNSHIP
36	CRANBERRY TOWNSHIP
36	DALLAS TOWNSHIP
36	HOLMES TOWNSHIP
36	JACKSON TOWNSHIP
36	LYKENS TOWNSHIP
36	POLK TOWNSHIP
36	SANDUSKY TOWNSHIP
36	TEXAS TOWNSHIP
36	TOD TOWNSHIP
36	VERNON TOWNSHIP
36	WHETSTONE TOWNSHIP
36	DEFIANCE TOWNSHIP
36	DELAWARE TOWNSHIP
36	HICKSVILLE TOWNSHIP
36	MARK TOWNSHIP
36	BERLIN TOWNSHIP
36	OXFORD TOWNSHIP
36	PERKINS TOWNSHIP
36	CONCORD TOWNSHIP
36	GREEN TOWNSHIP
36	JASPER TOWNSHIP
36	MADISON TOWNSHIP
36	PAINT TOWNSHIP
36	PERRY TOWNSHIP
36	UNION TOWNSHIP
36	WAYNE TOWNSHIP
36	AMBOY TOWNSHIP
36	CHESTERFIELD TOWNSHIP
36	CLINTON TOWNSHIP
36	DOVER TOWNSHIP
36	FRANKLIN TOWNSHIP
36	FULTON TOWNSHIP
36	GERMAN TOWNSHIP
36	GORHAM TOWNSHIP
36	PIKE TOWNSHIP
36	ROYALTON TOWNSHIP
36	SWAN CREEK TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	YORK TOWNSHIP
36	PARKMAN TOWNSHIP
36	TROY TOWNSHIP
36	BATH TOWNSHIP
36	BEAVER CREEK TOWNSHIP
36	CAESARS CREEK TWP
36	CEDARVILLE TOWNSHIP
36	JEFFERSON TOWNSHIP
36	MIAMI TOWNSHIP
36	ROSS TOWNSHIP
36	SPRING VALLEY TOWNSHIP
36	SUGAR CREEK TOWNSHIP
36	XENIA TOWNSHIP
36	CAMBRIDGE TOWNSHIP
36	CENTER TOWNSHIP
36	JACKSON TOWNSHIP
36	JEFFERSON TOWNSHIP
36	KNOX TOWNSHIP
36	LIBERTY TOWNSHIP
36	LONDONDERRY TOWNSHIP
36	MADISON TOWNSHIP
36	MILLWOOD TOWNSHIP
36	MONROE TOWNSHIP
36	OXFORD TOWNSHIP
36	RICHLAND TOWNSHIP
36	SPENCER TOWNSHIP
36	VALLEY TOWNSHIP
36	WASHINGTON TOWNSHIP
36	WESTLAND TOWNSHIP
36	WHEELING TOWNSHIP
36	WILLS TOWNSHIP
36	COLUMBIA TOWNSHIP
36	GREEN TOWNSHIP
36	WHITEWATER TOWNSHIP
36	BLANCHARD TOWNSHIP
36	MADISON TOWNSHIP
36	BLANCHARD TOWNSHIP
36	BUCK TOWNSHIP
36	CESSNA TOWNSHIP
36	JACKSON TOWNSHIP
36	MARION TOWNSHIP
36	WASHINGTON TOWNSHIP
36	NAPOLEON TOWNSHIP
36	PLEASANT TOWNSHIP
36	BENTON TOWNSHIP
36	FALLS TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	GOOD HOPE TOWNSHIP
36	GREEN TOWNSHIP
36	LAUREL TOWNSHIP
36	MARION TOWNSHIP
36	PERRY TOWNSHIP
36	SALT CREEK TOWNSHIP
36	STARR TOWNSHIP
36	WARD TOWNSHIP
36	WASHINGTON TOWNSHIP
36	BRONSON TOWNSHIP
36	CLARKSFIELD TOWNSHIP
36	FITCHVILLE TOWNSHIP
36	GREENFIELD TOWNSHIP
36	GREENWICH TOWNSHIP
36	HARTLAND TOWNSHIP
36	NEW LONDON TOWNSHIP
36	NORWALK TOWNSHIP
36	NORWICH TOWNSHIP
36	PERU TOWNSHIP
36	RICHMOND TOWNSHIP
36	RIPLEY TOWNSHIP
36	SHERMAN TOWNSHIP
36	TOWNSEND TOWNSHIP
36	BLOOMFIELD TOWNSHIP
36	COAL TOWNSHIP
36	FRANKLIN TOWNSHIP
36	HAMILTON TOWNSHIP
36	JACKSON TOWNSHIP
36	JEFFERSON TOWNSHIP
36	LIBERTY TOWNSHIP
36	LICK TOWNSHIP
36	MADISON TOWNSHIP
36	MILTON TOWNSHIP
36	SCIOTO TOWNSHIP
36	WASHINGTON TOWNSHIP
36	ROSS TOWNSHIP
36	SALINE TOWNSHIP
36	BERLIN TOWNSHIP
36	BROWN TOWNSHIP
36	BUTLER TOWNSHIP
36	CLAY TOWNSHIP
36	CLINTON TOWNSHIP
36	COLLEGE TOWNSHIP
36	HARRISON TOWNSHIP
36	HILLIAR TOWNSHIP
36	HOWARD TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	JACKSON TOWNSHIP
36	JEFFERSON TOWNSHIP
36	LIBERTY TOWNSHIP
36	MIDDLEBURY TOWNSHIP
36	MILFORD TOWNSHIP
36	MILLER TOWNSHIP
36	MONROE TOWNSHIP
36	MORGAN TOWNSHIP
36	MORRIS TOWNSHIP
36	PIKE TOWNSHIP
36	PLEASANT TOWNSHIP
36	UNION TOWNSHIP
36	WAYNE TOWNSHIP
36	LEROY TOWNSHIP
36	PAINESVILLE TOWNSHIP
36	PERRY TOWNSHIP
36	HAMILTON TOWNSHIP
36	SYMMES TOWNSHIP
36	UPPER TOWNSHIP
36	BOWLING GREEN TOWNSHIP
36	HARRISON TOWNSHIP
36	LICKING TOWNSHIP
36	MCKEAN TOWNSHIP
36	UNION TOWNSHIP
36	WASHINGTON TOWNSHIP
36	HARDING TOWNSHIP
36	PROVIDENCE TOWNSHIP
36	RICHFIELD TOWNSHIP
36	SPENCER TOWNSHIP
36	DEER CREEK TOWNSHIP
36	FAIRFIELD TOWNSHIP
36	MONROE TOWNSHIP
36	OAK RUN TOWNSHIP
36	PAINT TOWNSHIP
36	RANGE TOWNSHIP
36	SOMERFORD TOWNSHIP
36	STOKES TOWNSHIP
36	UNION TOWNSHIP
36	AUSTINTOWN TOWNSHIP
36	BEAVER TOWNSHIP
36	BERLIN TOWNSHIP
36	COITSVILLE TOWNSHIP
36	ELLSWORTH TOWNSHIP
36	GOSHEN TOWNSHIP
36	GREEN TOWNSHIP
36	JACKSON TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	MILTON TOWNSHIP
36	POLAND TOWNSHIP
36	SMITH TOWNSHIP
36	BIG ISLAND TOWNSHIP
36	BOWLING GREEN TOWNSHIP
36	GREEN CAMP TOWNSHIP
36	MARION TOWNSHIP
36	PLEASANT TOWNSHIP
36	SALT ROCK TOWNSHIP
36	LAFAYETTE TOWNSHIP
36	BETHEL TOWNSHIP
36	BROWN TOWNSHIP
36	ELIZABETH TOWNSHIP
36	NEWBERRY TOWNSHIP
36	NEWTON TOWNSHIP
36	SPRING CREEK TOWNSHIP
36	STAUNTON TOWNSHIP
36	WASHINGTON TOWNSHIP
36	ADAMS TOWNSHIP
36	BENTON TOWNSHIP
36	BETHEL TOWNSHIP
36	CENTER TOWNSHIP
36	FRANKLIN TOWNSHIP
36	GREEN TOWNSHIP
36	JACKSON TOWNSHIP
36	LEE TOWNSHIP
36	MALAGA TOWNSHIP
36	OHIO TOWNSHIP
36	PERRY TOWNSHIP
36	SALEM TOWNSHIP
36	SUMMIT TOWNSHIP
36	SUNSBURY TOWNSHIP
36	WASHINGTON TOWNSHIP
36	WAYNE TOWNSHIP
36	BUTLER TOWNSHIP
36	JACKSON TOWNSHIP
36	JEFFERSON TOWNSHIP
36	MADISON TOWNSHIP
36	MAD RIVER TOWNSHIP
36	MIAMI TOWNSHIP
36	ADAMS TOWNSHIP
36	BLUE ROCK TOWNSHIP
36	BRUSH CREEK TOWNSHIP
36	CLAY TOWNSHIP
36	HARRISON TOWNSHIP
36	HOPEWELL TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	JACKSON TOWNSHIP
36	MADISON TOWNSHIP
36	MEIGS TOWNSHIP
36	NEWTON TOWNSHIP
36	SALEM TOWNSHIP
36	SALT CREEK TOWNSHIP
36	SPRINGFIELD TOWNSHIP
36	UNION TOWNSHIP
36	WASHINGTON TOWNSHIP
36	WAYNE TOWNSHIP
36	BEAVER TOWNSHIP
36	BROOKFIELD TOWNSHIP
36	BUFFALO TOWNSHIP
36	CENTER TOWNSHIP
36	ELK TOWNSHIP
36	ENOCH TOWNSHIP
36	JACKSON TOWNSHIP
36	JEFFERSON TOWNSHIP
36	MARION TOWNSHIP
36	NOBLE TOWNSHIP
36	OLIVE TOWNSHIP
36	SENECA TOWNSHIP
36	SHARON TOWNSHIP
36	STOCK TOWNSHIP
36	ALLEN TOWNSHIP
36	BAY TOWNSHIP
36	BENTON TOWNSHIP
36	CARROLL TOWNSHIP
36	CATAWBA ISLAND TOWNSHIP
36	CLAY TOWNSHIP
36	DANBURY TOWNSHIP
36	ERIE TOWNSHIP
36	HARRIS TOWNSHIP
36	PORTAGE TOWNSHIP
36	PUT IN BAY TOWNSHIP
36	SALEM TOWNSHIP
36	BROWN TOWNSHIP
36	CRANE TOWNSHIP
36	PAULDING TOWNSHIP
36	WASHINGTON TOWNSHIP
36	MONROE TOWNSHIP
36	JACKSON TOWNSHIP
36	PEE PEE TOWNSHIP
36	PERRY TOWNSHIP
36	SCIOTO TOWNSHIP
36	ATWATER TOWNSHIP

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	BRIMFIELD TOWNSHIP
36	CHARLESTOWN TOWNSHIP
36	DEERFIELD TOWNSHIP
36	EDINBURG TOWNSHIP
36	FRANKLIN TOWNSHIP
36	FREEDOM TOWNSHIP
36	HIRAM TOWNSHIP
36	MANTUA TOWNSHIP
36	NELSON TOWNSHIP
36	PALMYRA TOWNSHIP
36	PARIS TOWNSHIP
36	RANDOLPH TOWNSHIP
36	RAVENNA TOWNSHIP
36	ROOTSTOWN TOWNSHIP
36	SHALERSVILLE TOWNSHIP
36	SUFFIELD TOWNSHIP
36	WINDHAM TOWNSHIP
36	HARRISON TOWNSHIP
36	JEFFERSON TOWNSHIP
36	LANIER TOWNSHIP
36	TWIN TOWNSHIP
36	JENNINGS TOWNSHIP
36	MONTEREY TOWNSHIP
36	OTTAWA TOWNSHIP
36	PALMER TOWNSHIP
36	PERRY TOWNSHIP
36	PLEASANT TOWNSHIP
36	VAN BUREN TOWNSHIP
36	CASS TOWNSHIP
36	FRANKLIN TOWNSHIP
36	MADISON TOWNSHIP
36	SANDUSKY TOWNSHIP
36	SHARON TOWNSHIP
36	SPRINGFIELD TOWNSHIP
36	BUCKSKIN TOWNSHIP
36	COLERAIN TOWNSHIP
36	CONCORD TOWNSHIP
36	DEERFIELD TOWNSHIP
36	FRANKLIN TOWNSHIP
36	GREEN TOWNSHIP
36	HARRISON TOWNSHIP
36	HUNTINGTON TOWNSHIP
36	JEFFERSON TOWNSHIP
36	LIBERTY TOWNSHIP
36	PAINT TOWNSHIP
36	PAXTON TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	SCIOTO TOWNSHIP
36	SPRINGFIELD TOWNSHIP
36	TWIN TOWNSHIP
36	UNION TOWNSHIP
36	BALLVILLE TOWNSHIP
36	GREEN CREEK TOWNSHIP
36	JACKSON TOWNSHIP
36	MADISON TOWNSHIP
36	RICE TOWNSHIP
36	RILEY TOWNSHIP
36	SANDUSKY TOWNSHIP
36	TOWSEND TOWNSHIP
36	WASHINGTON TOWNSHIP
36	YORK TOWNSHIP
36	BLOOM TOWNSHIP
36	BRUSH CREEK TOWNSHIP
36	CLAY TOWNSHIP
36	GREEN TOWNSHIP
36	HARRISON TOWNSHIP
36	JEFFERSON TOWNSHIP
36	MADISON TOWNSHIP
36	MORGAN TOWNSHIP
36	NILE TOWNSHIP
36	PORTER TOWNSHIP
36	RARDEN TOWNSHIP
36	RUSH TOWNSHIP
36	UNION TOWNSHIP
36	VALLEY TOWNSHIP
36	VERNON TOWNSHIP
36	WASHINGTON TOWNSHIP
36	ADAMS TOWNSHIP
36	BIG SPRING TOWNSHIP
36	REED TOWNSHIP
36	SENECA TOWNSHIP
36	CLINTON TOWNSHIP
36	LORAMIE TOWNSHIP
36	PERRY TOWNSHIP
36	WASHINGTON TOWNSHIP
36	CANTON TOWNSHIP
36	LEXINGTON TOWNSHIP
36	MARLBORO TOWNSHIP
36	COVENTRY TOWNSHIP
36	FRANKLIN TOWNSHIP
36	RICHFIELD TOWNSHIP
36	SPRINGFIELD TOWNSHIP
36	BLOOMFIELD TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	BRACEVILLE TOWNSHIP
36	CHAMPION TOWNSHIP
36	GREENE TOWNSHIP
36	HOWLAND TOWNSHIP
36	MESOPOTAMIA TOWNSHIP
36	NEWTON TOWNSHIP
36	WARREN TOWNSHIP
36	WEATHERSFIELD TOWNSHIP
36	AUBURN TOWNSHIP
36	BUCKS TOWNSHIP
36	CLAY TOWNSHIP
36	DOVER TOWNSHIP
36	FAIRFIELD TOWNSHIP
36	FRANKLIN TOWNSHIP
36	GOSHEN TOWNSHIP
36	JEFFERSON TOWNSHIP
36	MILL TOWNSHIP
36	OXFORD TOWNSHIP
36	PERRY TOWNSHIP
36	RUSH TOWNSHIP
36	SALEM TOWNSHIP
36	SANDY TOWNSHIP
36	SUGAR CREEK TOWNSHIP
36	UNION TOWNSHIP
36	WARREN TOWNSHIP
36	WARWICK TOWNSHIP
36	WASHINGTON TOWNSHIP
36	WAYNE TOWNSHIP
36	HARRISON TOWNSHIP
36	JACKSON TOWNSHIP
36	JENNINGS TOWNSHIP
36	LIBERTY TOWNSHIP
36	PLEASANT TOWNSHIP
36	WASHINGTON TOWNSHIP
36	WILLSHIRE TOWNSHIP
36	YORK TOWNSHIP
36	BROWN TOWNSHIP
36	CLINTON TOWNSHIP
36	EAGLE TOWNSHIP
36	MADISON TOWNSHIP
36	WILKESVILLE TOWNSHIP
36	HAMILTON TWP
36	HARLAN TOWNSHIP
36	MASSIE TOWNSHIP
36	TURTLE CREEK TOWNSHIP
36	UNION TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
36	ADAMS TOWNSHIP
36	GRANDVIEW TOWNSHIP
36	INDEPENDENCE TOWNSHIP
36	LIBERTY TOWNSHIP
36	LUDLOW TOWNSHIP
36	SALEM TOWNSHIP
36	WATERTOWN TOWNSHIP
36	CANAAN TOWNSHIP
36	CLINTON TOWNSHIP
36	CONGRESS TOWNSHIP
36	EAST UNION TOWNSHIP
36	MILTON TOWNSHIP
36	PAINT TOWNSHIP
36	SALT CREEK TOWNSHIP
36	JEFFERSON TOWNSHIP
36	MILL CREEK TOWNSHIP
36	NORTHWEST TOWNSHIP
36	ST JOSEPH TOWNSHIP
36	SPRINGFIELD TOWNSHIP
36	SUPERIOR TOWNSHIP
36	MILTON TOWNSHIP
36	WEBSTER TOWNSHIP

STATE = 36: 620 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
37	ATOKA COUNTY
37	CHOCTAW COUNTY
37	COAL COUNTY
37	CRAIG COUNTY
37	GREER COUNTY
37	HARMON COUNTY
37	HASKELL COUNTY
37	HUGHES COUNTY
37	JACKSON COUNTY
37	KIOWA COUNTY
37	LATIMER COUNTY
37	MURRAY COUNTY
37	OKFUSKEE COUNTY
37	OKMULGEE COUNTY
37	OTTAWA COUNTY
37	PITTSBURG COUNTY
37	PUSHMATAHA COUNTY
37	ATOKA CITY
37	CANEY TOWN
37	STRINGTOWN TOWN
37	TUSHKA TOWN
37	ANADARKO CITY
37	BRIDGEPORT CITY
37	CARNEGIE TOWN
37	CEMENT TOWN
37	CYRIL TOWN
37	HEALDTON TOWN
37	WILSON CITY
37	TATUMS TOWN
37	TAHLEQUAH CITY
37	BOSWELL TOWN
37	FORT TOWSON TOWN
37	HUGO CITY
37	SOPER TOWN
37	CENTRAHOMA CITY
37	COALGATE CITY
37	LEHIGH CITY
37	PHILLIPS TOWN
37	TUPELO CITY
37	DEVOL CITY
37	BLUEJACKET TOWN
37	ELMORE CITY TOWN
37	MAYSVILLE TOWN
37	WYNNEWOOD CITY
37	GRANITE CITY
37	WILLOW TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
37	GOULD TOWN
37	BUFFALO TOWN
37	LAVERNE TOWN
37	MAY TOWN
37	KINTA TOWN
37	MCCURTAIN TOWN
37	STIGLER CITY
37	TAMAHA TOWN
37	CALVIN TOWN
37	DUSTIN TOWN
37	GERTY TOWN
37	LAMAR TOWN
37	STUART TOWN
37	WETUMKA CITY
37	YEAGER TOWN
37	BLAIR TOWN
37	DUKE TOWN
37	ELMER TOWN
37	OLUSTEE TOWN
37	RYAN CITY
37	TERRAL TOWN
37	KILDARE TOWN
37	NARDIN TOWN
37	NEWKIRK CITY
37	GOTEBO TOWN
37	HOBART CITY
37	LONE WOLF TOWN
37	MOUNTAINVIEW
37	ROOSEVELT TOWN
37	SNYDER TOWN
37	RED OAK TOWN
37	GARVIN TOWN
37	HAWORTH TOWN
37	CHECOTAH CITY
37	EUFAULA CITY
37	HANNA TOWN
37	MADILL CITY
37	DOUGHERTY TOWN
37	SULPHUR CITY
37	HICKORY TOWN
37	DELAWARE TOWN
37	LENAPAH TOWN
37	BOLEY TOWN
37	CASTLE TOWN
37	OKEMAH CITY
37	PADEN TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
37	WELEETKA CITY
37	MIDWEST CITY CITY
37	BEGGS CITY
37	BRYANT TOWN
37	DEWAR CITY
37	HENRYETTA CITY
37	HOFFMAN TOWN
37	MORRIS CITY
37	OKMULGEE CITY
37	GRAYSON TOWN
37	COMMERCE CITY
37	PICHER CITY
37	QUAPAW TOWN
37	WYANDOTTE TOWN
37	PEORIA TOWN
37	BLACKBURN TOWN
37	MARAMEC TOWN
37	SKEDEE TOWN
37	ALDERSON TOWN
37	ASHLAND TOWN
37	CANADIAN TOWN
37	CROWDER TOWN
37	HAILEYVILLE CITY
37	HARTSHORNE CITY
37	INDIANOLA TOWN
37	KIOWA TOWN
37	KREBS CITY
37	MCALESTER CITY
37	PITTSBURG TOWN
37	QUINTON TOWN
37	SAVANNA TOWN
37	BYNG TOWN
37	ALBION TOWN
37	ANTLERS TOWN
37	CLAYTON TOWN

STATE = 37: 127 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
37	RATTAN TOWN

STATE = 37: 1 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
37	KONAWA TOWN
37	SASAKWA TOWN
37	WEWOKA CITY
37	MARBLE CITY TOWN
37	MCFFETT TOWN
37	PARADISE HILL TOWN
37	TEXHOMA TOWN
37	GRANDFIELD CITY
37	HOLLISTER TOWN

STATE = 37: 9 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
38	BAKER COUNTY
38	CLATSOP COUNTY
38	COOS COUNTY
38	GRANT COUNTY
38	LAKE COUNTY
38	WASCO COUNTY
38	WHEELER COUNTY
38	BAKER CITY
38	HAINES TOWN
38	HALFWAY TOWN
38	RICHLAND TOWN
38	SUMPTER CITY
38	UNITY CITY
38	GREENHORN CITY
38	ASTORIA CITY
38	GEARHART CITY
38	HAMMOND TOWN
38	SEASIDE CITY
38	BANDON CITY
38	COOS BAY CITY
38	COQUILLE CITY
38	EASTSIDE CITY
38	MYRTLE POINT CITY
38	POWERS CITY
38	LAKESIDE CITY
38	PORT ORFORD CITY
38	DAYVILLE TOWN
38	LONG CREEK TOWN
38	SENECA CITY
38	LAKEVIEW TOWN
38	PAISLEY TOWN
38	NYSSA CITY
38	JORDAN VALLEY TOWN
38	GARIBALDI CITY
38	NEHALEM TOWN
38	ANTELOPE CITY
38	MAUPIN TOWN
38	THE DALLES CITY
38	FOSSIL TOWN
38	MITCHELL TOWN
38	SPRAY TOWN

STATE = 38: 41 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	ADAMS COUNTY
39	ARMSTRONG COUNTY
39	BEDFORD COUNTY
39	BERKS COUNTY
39	BLAIR COUNTY
39	BRADFORD COUNTY
39	BUTLER COUNTY
39	CAMBRIA COUNTY
39	CAMERON COUNTY
39	CARBON COUNTY
39	CLEARFIELD COUNTY
39	CLINTON COUNTY
39	COLUMBIA COUNTY
39	CRAWFORD COUNTY
39	DELAWARE COUNTY
39	ELK COUNTY
39	ERIE COUNTY
39	FAYETTE COUNTY
39	FOREST COUNTY
39	FRANKLIN COUNTY
39	FULTON COUNTY
39	GREENE COUNTY
39	HUNTINGDON COUNTY
39	JUNIATA COUNTY
39	LACKAWANNA COUNTY
39	LAWRENCE COUNTY
39	LUZERNE COUNTY
39	LYCOMING COUNTY
39	MCKEAN COUNTY
39	MERCER COUNTY
39	MIFFLIN COUNTY
39	MONROE COUNTY
39	MONTGOMERY COUNTY
39	MONTOUR COUNTY
39	NORTHUMBERLAND COUNTY
39	POTTERCOUNTY
39	SCHUYLKILL COUNTY
39	SOMERSET COUNTY
39	SULLIVAN COUNTY
39	TIOGA COUNTY
39	VENANGO COUNTY
39	WARREN COUNTY
39	WASHINGTON COUNTY
39	WAYNE COUNTY
39	WESTMORELAND COUNTY
39	WYOMING COUNTY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	ABBOTTSTOWN BOROUGH
39	BENDERSVILLE BOROUGH
39	BIGLERVILLE BOROUGH
39	EAST BERLIN BOROUGH
39	FAIRFIELD BOROUGH
39	GETTYSBURG BOROUGH
39	LITTLESTOWN BOROUGH
39	MCSHERRYSTOWN BOROUGH
39	NEW OXFORD BOROUGH
39	YORK SPRINGS BOROUGH
39	BONNEAUVILLE BOROUGH
39	CARROLL VALLEY BORO
39	AVALON BOROUGH
39	BALDWIN BOROUGH
39	BLAWNOX BOROUGH
39	BRACKENRIDGE BOROUGH
39	BRADDOCK BOROUGH
39	BRADDOCK HILLS BOROUGH
39	CASTLE SHANNON BOROUGH
39	CORAOPOLIS BOROUGH
39	CRAFTON BOROUGH
39	DORMONT BOROUGH
39	E PITTSBURGH BOROUGH
39	ELIZABETH BOROUGH
39	EMSWORTH BOROUGH
39	ETNA BOROUGH
39	HOMESTEAD BOROUGH
39	INGRAM BOROUGH
39	MCKEESPORT CITY
39	MCKEES ROCKS BOROUGH
39	MILLVALE BOROUGH
39	MOUNT OLIVER BOROUGH
39	NORTH BRADDOCK BOROUGH
39	PITCAIRN BOROUGH
39	PITTSBURGH CITY
39	RANKIN BOROUGH
39	SHARPSBURG BOROUGH
39	SPRINGDALE BOROUGH
39	SWISSVALE BOROUGH
39	TARENTUM BOROUGH
39	VERONA BOROUGH
39	VERSAILLES BOROUGH
39	WEST VIEW BOROUGH
39	WHITAKER BOROUGH
39	WILMERDING BOROUGH
39	LINCOLN BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	SEWICKLEY HILLS BOROUGH
39	HAYSVILLE BOROUGH
39	APOLLO BOROUGH
39	APPLEWOLD BOROUGH
39	DAYTON BOROUGH
39	ELDERTON BOROUGH
39	FORD CITY BOROUGH
39	FORD CLIFF BOROUGH
39	KITTANNING BOROUGH
39	LEECHBURG BOROUGH
39	MANORVILLE BOROUGH
39	NORTH APOLLO BOROUGH
39	PARKER CITY
39	RURAL VALLEY BOROUGH
39	SOUTH BETHLEHEM BOROUGH
39	WEST KITTANNING BOROUGH
39	WORTHINGTON BOROUGH
39	BEAVER FALLS CITY
39	BRIDGEWATER BOROUGH
39	EAST ROCHESTER BOROUGH
39	FALLSTON BOROUGH
39	HOMEWOOD BOROUGH
39	KOPPEL BOROUGH
39	NEW BRIGHTON BOROUGH
39	SHIPPINGPORT BOROUGH
39	BIG BEAVER BOROUGH
39	BEDFORD BOROUGH
39	COALDALE BOROUGH
39	EVERETT BOROUGH
39	HOPEWELL BOROUGH
39	HYNDMAN BOROUGH
39	MANNS CHOICE BOROUGH
39	NEW PARIS BOROUGH
39	PLEASANTVILLE BOROUGH
39	RAINSBURG BOROUGH
39	ST CLAIRSVILLE BOROUGH
39	SAXTON BOROUGH
39	SCHELLSBURG BOROUGH
39	WOODBURY BOROUGH
39	CENTERPORT BOROUGH
39	LAURELDALE BOROUGH
39	LENHARTSVILLE BOROUGH
39	LYONS BOROUGH
39	MOHNTON BOROUGH
39	READING CITY
39	ST LAWRENCE BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	SHOEMAKERSVILLE BOROUGH
39	STRAUSSTOWN BOROUGH
39	ALTOONA CITY
39	BELLWOOD BOROUGH
39	DUNCANSVILLE BOROUGH
39	HOLLIDAYSBURG BOROUGH
39	MARTINSBURG BOROUGH
39	NEWRY BOROUGH
39	ROARING SPRING BOROUGH
39	TYRONE BOROUGH
39	WILLIAMSBURG BOROUGH
39	ALBA BOROUGH
39	ATHENS BOROUGH
39	BURLINGTON BOROUGH
39	CANTON BOROUGH
39	LE RAYSVILLE BOROUGH
39	MONROE BOROUGH
39	NEW ALBANY BOROUGH
39	ROME BOROUGH
39	SAYRE BOROUGH
39	SOUTH WAVERLY BOROUGH
39	SYLVANIA BOROUGH
39	TOWANDA BOROUGH
39	TROY BOROUGH
39	WYALUSING BOROUGH
39	BRISTOL BOROUGH
39	MORRISVILLE BOROUGH
39	PENNDEL BOROUGH
39	RICHLANDTOWN BOROUGH
39	TRUMBAUERSVILLE BOROUGH
39	BRUIN BOROUGH
39	BUTLER CITY
39	CALLERY BOROUGH
39	CHERRY VALLEY BOROUGH
39	CONNOQUENESSING BOROUGH
39	EAST BUTLER BOROUGH
39	EAU CLAIRE BOROUGH
39	EVANS CITY BOROUGH
39	FAIRVIEW BOROUGH
39	HARMONY BOROUGH
39	HARRISVILLE BOROUGH
39	KARNS CITY BOROUGH
39	MARS BOROUGH
39	PETROLIA BOROUGH
39	PORTERSVILLE BOROUGH
39	PROSPECT BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	SLIPPERY ROCK BOROUGH
39	VALENCIA BOROUGH
39	WEST LIBERTY BOROUGH
39	WEST SUNBURY BOROUGH
39	ZELIENOPLE BOROUGH
39	CHICORA BOROUGH
39	ASHVILLE BOROUGH
39	BARNESBORO BOROUGH
39	BROWNSTOWN BOROUGH
39	CARROLLTOWN BOROUGH
39	CASSANDRA BOROUGH
39	CHEST SPRINGS BOROUGH
39	CRESSON BOROUGH
39	DAISYTOWN BOROUGH
39	DALE BOROUGH
39	EAST CONEMAUGH BOROUGH
39	EBENSBURG BOROUGH
39	FERNDALE BOROUGH
39	GALLITZIN BOROUGH
39	GEISTOWN BOROUGH
39	HASTINGS BOROUGH
39	JOHNSTOWN CITY
39	LILLY BOROUGH
39	LORAIN BOROUGH
39	LORETTO BOROUGH
39	NANTY GLO BOROUGH
39	PATTON BOROUGH
39	PORTAGE BOROUGH
39	SANKERTOWN BOROUGH
39	SCALP LEVEL BOROUGH
39	SOUTH FORK BOROUGH
39	SOUTHMONT BOROUGH
39	SPANGLER BOROUGH
39	SUMMERHILL BOROUGH
39	TUNNELHILL BOROUGH
39	VINTONDALE BOROUGH
39	WESTMONT BOROUGH
39	WILMORE BOROUGH
39	EHRENFELD BOROUGH
39	DRIFTWOOD BOROUGH
39	EMPORIUM BOROUGH
39	BEAVER MEADOWS BOROUGH
39	JIM THORPE BOROUGH
39	LANSFORD BOROUGH
39	LEHIGHTON BOROUGH
39	PALMERTON BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	PARRYVILLE BOROUGH
39	SUMMIT HILL BOROUGH
39	WEISSPORT BOROUGH
39	NESQUEHONING BOROUGH
39	BELLEFONTE BOROUGH
39	HOWARD BOROUGH
39	MILESBURG BOROUGH
39	MILLHEIM BOROUGH
39	PHILIPSBURG BOROUGH
39	PORT MATILDA BOROUGH
39	SNOW SHOE BOROUGH
39	S PHILIPSBURG BOROUGH
39	UNIONVILLE BOROUGH
39	AVONDALE BOROUGH
39	COATESVILLE CITY
39	MODENA BOROUGH
39	OXFORD BOROUGH
39	BRISBIN BOROUGH
39	CHESTER HILL BOROUGH
39	CLEARFIELD BOROUGH
39	COALPORT BOROUGH
39	CURWENSVILLE BOROUGH
39	DU BOIS CITY
39	GLEN HOPE BOROUGH
39	GRAMPIAN BOROUGH
39	HOUTZDALE BOROUGH
39	IRVONA BOROUGH
39	MAHAFFEY BOROUGH
39	NEWBURG BOROUGH
39	NEW WASHINGTON BOROUGH
39	OSCEOLA BOROUGH
39	RAMEY BOROUGH
39	TROUTVILLE BOROUGH
39	WALLACETON BOROUGH
39	WESTOVER BOROUGH
39	AVIS BOROUGH
39	BEECH CREEK BOROUGH
39	FLEMINGTON BOROUGH
39	LOCK HAVEN CITY
39	LOGANTON BOROUGH
39	MILL HALL BOROUGH
39	RENOVO BOROUGH
39	SOUTH RENOVO BOROUGH
39	BENTON BOROUGH
39	BERWICK BOROUGH
39	BLOOMSBURG TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	BRIAR CREEK BOROUGH
39	CATAWISSA BOROUGH
39	CENTRALIA BOROUGH
39	MILLVILLE BOROUGH
39	ORANGEVILLE BOROUGH
39	STILLWATER BOROUGH
39	BLOOMING VALLEY BOROUGH
39	CAMBRIDGE SPRGS BOROUGH
39	CENTERVILLE BOROUGH
39	COCHRANTON BOROUGH
39	CONNEAUT LAKE BOROUGH
39	CONNEAUTVILLE BOROUGH
39	HYDETOWN BOROUGH
39	LINESVILLE BOROUGH
39	MEADVILLE CITY
39	SAEGERTOWN BOROUGH
39	SPARTANSBURG BOROUGH
39	SPRINGBORO BOROUGH
39	TITUSVILLE CITY
39	TOWNVILLE BOROUGH
39	VENANGO BOROUGH
39	WOODCOCK BOROUGH
39	BERRYSBURG BOROUGH
39	ELIZABETHVILLE BOROUGH
39	HALIFAX BOROUGH
39	HARRISBURG CITY
39	LYKENS BOROUGH
39	MILLERSBURG BOROUGH
39	WILLIAMSTOWN BOROUGH
39	BROOKHAVEN BOROUGH
39	CHESTER CITY
39	CLIFTON HEIGHTS BOROUGH
39	COLLINGDALE BOROUGH
39	COLWYN BOROUGH
39	DARBY BOROUGH
39	EAST LANSDOWNE BOROUGH
39	EDDYSTONE BOROUGH
39	FOLCROFT BOROUGH
39	GLENOLDEN BOROUGH
39	LANSDOWNE BOROUGH
39	MARCUS HOOK BOROUGH
39	MEDIA BOROUGH
39	MILLBOURNE BOROUGH
39	MORTON BOROUGH
39	NORWOOD BOROUGH
39	PARKSIDE BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	PROSPECT PARK BOROUGH
39	RIDLEY PARK BOROUGH
39	ROSE VALLEY BOROUGH
39	RUTLEDGE BOROUGH
39	SHARON HILL BOROUGH
39	TRAINER BOROUGH
39	UPLAND BOROUGH
39	YEADON BOROUGH
39	JOHNSONBURG BOROUGH
39	RIDGWAY BOROUGH
39	ST MARYS BOROUGH
39	ALBION BOROUGH
39	CORRY CITY
39	EAST SPRINGFIELD BOROUGH
39	EDINBORO BOROUGH
39	ELGIN BOROUGH
39	ERIE CITY
39	FAIRVIEW BOROUGH
39	MC KEAN BORO
39	MILL VILLAGE BORO
39	NORTH EAST BOROUGH
39	PLATEA BOROUGH
39	UNION CITY BOROUGH
39	WATERFORD BOROUGH
39	WATTSBURG BOROUGH
39	WESLEYVILLE BOROUGH
39	BELLE VERNON BOROUGH
39	CONNELLSVILLE CITY
39	DAWSON BOROUGH
39	DUNBAR BOROUGH
39	EVERSON BOROUGH
39	FAIRCHANCE BOROUGH
39	FAYETTE CITY BOROUGH
39	MARKLEYSBURG BOROUGH
39	MASONTOWN BOROUGH
39	NEWELL BOROUGH
39	OHIOPYLE BOROUGH
39	PERRYOPOLIS BOROUGH
39	POINT MARION BOROUGH
39	S CONNELLSVILLE BOROUGH
39	UNIONTOWN CITY
39	VANDERBILT BOROUGH
39	TIONESTA BOROUGH
39	CHAMBERSBURG BOROUGH
39	MONT ALTO BOROUGH
39	ORRSTOWN BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	WAYNESBORO BOROUGH
39	MC CONNELLSBURG BOROUGH
39	CLARKSVILLE BOROUGH
39	GREENSBORO BOROUGH
39	JEFFERSON BOROUGH
39	RICES LANDING BOROUGH
39	WAYNESBURG BOROUGH
39	ALEXANDRIA BOROUGH
39	BIRMINGHAM BOROUGH
39	BROAD TOP CITY BOROUGH
39	CASSVILLE BOROUGH
39	COALMONT BOROUGH
39	DUDLEY BOROUGH
39	HUNTINGDON BOROUGH
39	MAPLETON BOROUGH
39	MARKLESBURG BOROUGH
39	MILL CREEK BOROUGH
39	MOUNT UNION BOROUGH
39	ORBISONIA BOROUGH
39	PETERSBURG BOROUGH
39	ROCKHILL BOROUGH
39	SALTILLO BOROUGH
39	SHADE GAP BOROUGH
39	SHIRLEYBURG BOROUGH
39	THREE SPRINGS BOROUGH
39	MIFFLIN BOROUGH
39	MIFFLINTOWN BOROUGH
39	PORT ROYAL BOROUGH
39	THOMPSONTOWN BOROUGH
39	ARCHBALD BOROUGH
39	BLAKELY BOROUGH
39	CARBONDALE CITY
39	CLARKS SUMMIT BOROUGH
39	DICKSON CITY BOROUGH
39	DUNMORE BOROUGH
39	JERMYN BOROUGH
39	MAYFIELD BOROUGH
39	MCOSIC BOROUGH
39	MOSCOW BOROUGH
39	OLD FORGE BOROUGH
39	OLYPHANT BOROUGH
39	SCRANTON CITY
39	TAYLOR BOROUGH
39	THROOP BOROUGH
39	VANDLING BOROUGH
39	JESSUP BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	ADAMSTOWN BOROUGH
39	LANCASTER CITY
39	MARIETTA BOROUGH
39	TERRE HILL BOROUGH
39	BESSEMER BOROUGH
39	ELLPORT BOROUGH
39	ENON VALLEY BOROUGH
39	NEW CASTLE CITY
39	NEW WILMINGTON BOROUGH
39	SOUTH NEW CASTLE BOROUGH
39	VOLANT BOROUGH
39	WAMPUM BOROUGH
39	LEBANON CITY
39	ALENTOWN CITY
39	ASHLEY BOROUGH
39	AVOCA BOROUGH
39	COURTDALE BOROUGH
39	DALLAS BOROUGH
39	DUPONT BOROUGH
39	DURYEA BOROUGH
39	EDWARDSVILLE BOROUGH
39	EXETER BOROUGH
39	FORTY FORT BOROUGH
39	FREELAND BOROUGH
39	HAZLETON CITY
39	HUGHESTOWN BOROUGH
39	JEDDO BOROUGH
39	KINGSTON BOROUGH
39	LAFLIN BOROUGH
39	LARKSVILLE BOROUGH
39	LAUREL RUN BOROUGH
39	LUZERNE BOROUGH
39	NANTICOKE CITY
39	NESCOPECK BOROUGH
39	NEW COLUMBUS BOROUGH
39	PITTSTON CITY
39	PLYMOUTH BOROUGH
39	PRINGLE BOROUGH
39	SHICKSHINNY BOROUGH
39	SUGAR NOTCH BOROUGH
39	SWOYERSVILLE BOROUGH
39	WARRIOR RUN BOROUGH
39	WEST HAZLETON BOROUGH
39	WEST PITTSTON BOROUGH
39	WEST WYOMING BOROUGH
39	WHITE HAVEN BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	WILKES BARRE CITY
39	WYOMING BOROUGH
39	YATESVILLE BOROUGH
39	HARVEYS LAKE BOROUGH
39	PENN LAKE PARK BORO
39	DUBOISTOWN BOROUGH
39	HUGHESVILLE BOROUGH
39	JERSEY SHORE BOROUGH
39	MONTGOMERY BOROUGH
39	MONTOURSVILLE BOROUGH
39	MUNCY BOROUGH
39	PICTURE ROCKS BOROUGH
39	SALLADASBURG BOROUGH
39	S WILLIAMSPORT BOROUGH
39	WILLIAMSPORT CITY
39	BRADFORD CITY
39	ELDRED BOROUGH
39	KANE BOROUGH
39	LEWIS RUN BOROUGH
39	MOUNT JEWETT BOROUGH
39	PORT ALLEGANY BOROUGH
39	SMETHPORT BOROUGH
39	CLARK BOROUGH
39	FARRELL CITY
39	FREDONIA BOROUGH
39	GREENVILLE BOROUGH
39	GROVE CITY BOROUGH
39	JACKSON CENTER BOROUGH
39	JAMESTOWN BOROUGH
39	MERCER BOROUGH
39	NEW LEBANON BOROUGH
39	SANDY LAKE BOROUGH
39	SHARON CITY
39	SHARPSVILLE BOROUGH
39	SHEAKLEYVILLE BOROUGH
39	STONEBORO BORO
39	WHEATLAND BOROUGH
39	BURNHAM BOROUGH
39	KISTLER BOROUGH
39	LEWISTOWN BOROUGH
39	MCVEYTOWN BOROUGH
39	NEWTON HAMILTON BOROUGH
39	JUNIATA TERRACE BORO
39	E STROUDSBURG BOROUGH
39	MOUNT POCONO BOROUGH
39	STROUDSBURG BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	AMBLER BOROUGH
39	BRIDGEPORT BORDUGH
39	BRYN ATHYN BORDUGH
39	CONSHOHOCKEN BOROUGH
39	E GREENVILLE BOROUGH
39	GREENLANE BOROUGH
39	HATBORO BOROUGH
39	HATFIELD BORDUGH
39	JENKINTOWN BOROUGH
39	NARBERTH BOROUGH
39	NORRISTOWN BOROUGH
39	NORTH WALES BOROUGH
39	PENNSBURG BOROUGH
39	POTTSTOWN BOROUGH
39	RED HILL BOROUGH
39	ROCKLEDGE BOROUGH
39	ROYERSFORD BOROUGH
39	SCHWENKSVILLE BOROUGH
39	SCUDERTON BOROUGH
39	W CONSHOHOCKEN BOROUGH
39	DANVILLE BOROUGH
39	BANGOR BOROUGH
39	EASTON CITY
39	FREEMANSBURG BOROUGH
39	N CATASAUQUA BOROUGH
39	ROSETO BOROUGH
39	TATAMY BOROUGH
39	WILSON BOROUGH
39	KULPMONT BOROUGH
39	MC EWENSVILLE BOROUGH
39	MARION HEIGHTS BOROUGH
39	MILTON BOROUGH
39	MOUNT CARMEL BOROUGH
39	NORTHUMBERLAND BOROUGH
39	RIVERSIDE BOROUGH
39	SHAMOKIN CITY
39	SNYDERTOWN BOROUGH
39	SUNBURY CITY
39	WATSONTOWN BOROUGH
39	PHILADELPHIA CITY
39	MATAMORAS BOROUGH
39	AUSTIN BOROUGH
39	COUDERSPORT BOROUGH
39	GALETON BOROUGH
39	ULYSSES BOROUGH
39	OSWAYO BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	SHINGLEHOUSE BOROUGH
39	ASHLAND BOROUGH
39	AUBURN BOROUGH
39	COALDALE BOROUGH
39	CRESSONA BOROUGH
39	DEER LAKE BOROUGH
39	FRACKVILLE BOROUGH
39	GILBERTON BOROUGH
39	GIRARDVILLE BOROUGH
39	GORDON BOROUGH
39	LANDINGVILLE BOROUGH
39	MC ADOO BOROUGH
39	MAHANOY CITY BOROUGH
39	MECHANICSVILLE BOROUGH
39	MIDDLEPORT BOROUGH
39	MINERSVILLE BOROUGH
39	MOUNT CARBON BOROUGH
39	NEW PHILA BOROUGH
39	NEW RINGGOLD BOROUGH
39	PALO ALTO BOROUGH
39	PINE GROVE BOROUGH
39	PORT CARBON BOROUGH
39	PORT CLINTON BOROUGH
39	POTTSVILLE CITY
39	RINGTOWN BOROUGH
39	ST CLAIR BOROUGH
39	SCHUYLKILL HAVEN BOROUGH
39	SHENANDOAH BOROUGH
39	TAMAQUA BOROUGH
39	TOWER CITY BOROUGH
39	TREMONT BOROUGH
39	BEAVERTOWN BOROUGH
39	FREEBURG BOROUGH
39	SELINSGROVE BOROUGH
39	MC CLURE BOROUGH
39	ADDISON BOROUGH
39	BERLIN BOROUGH
39	BOSWELL BOROUGH
39	CASSELMAN BOROUGH
39	CENTRAL CITY BOROUGH
39	CONFLUENCE BOROUGH
39	GARRETT BOROUGH
39	HOOVERSVILLE BOROUGH
39	JENNERTOWN BOROUGH
39	MEYERSDALE BOROUGH
39	NEW BALTIMORE BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	NEW CENTERVILLE BOROUGH
39	PAINT BOROUGH
39	ROCKWOOD BOROUGH
39	SALISBURY BOROUGH
39	SHANKSVILLE BOROUGH
39	SOMERSET BOROUGH
39	STOYSTOWN BOROUGH
39	URSINA BOROUGH
39	WELLERSBURG BOROUGH
39	WINDBER BOROUGH
39	CALLIMONT BOROUGH
39	SEVEN SPRINGS BOROUGH
39	DUSHORE BOROUGH
39	EAGLES MERE BOROUGH
39	FORKSVILLE BOROUGH
39	LAPORTE BOROUGH
39	BLOSSBURG BOROUGH
39	ELKLAND BOROUGH
39	KNOXVILLE BOROUGH
39	LAWRENCEVILLE BOROUGH
39	LIBERTY BOROUGH
39	MANSFIELD BOROUGH
39	ROSEVILLE BOROUGH
39	TIOGA BOROUGH
39	WELLSBORO BOROUGH
39	WESTFIELD BOROUGH
39	HARTLETON BOROUGH
39	LEWISBURG BOROUGH
39	CLINTONVILLE BOROUGH
39	COOPERSTOWN BOROUGH
39	EMLENTON BOROUGH
39	FRANKLIN CITY
39	OIL CITY
39	PLEASANTVILLE BOROUGH
39	POLK BOROUGH
39	ROUSEVILLE BOROUGH
39	UTICA BOROUGH
39	BARKEYVILLE BOROUGH
39	SUGARCREEK BOROUGH
39	BEAR LAKE BOROUGH
39	CLARENDON BORO
39	TIDIOUTE BOROUGH
39	YOUNGSVILLE BOROUGH
39	CALIFORNIA BORDUGH
39	CANONSBURG BOROUGH
39	CENTREVILLE BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	COKEBURG BOROUGH
39	DONORA BOROUGH
39	ELCO BOROUGH
39	FINLEYVILLE BOROUGH
39	HOUSTON BOROUGH
39	MARIANNA BOROUGH
39	MIDWAY BOROUGH
39	MONONGAHELA CITY
39	NORTH CHARLEROI BOROUGH
39	ROSCOE BOROUGH
39	SPEERS BOROUGH
39	TWILIGHT BOROUGH
39	WASHINGTON CITY
39	WEST ALEXANDER BOROUGH
39	BETHANY BOROUGH
39	HAWLEY BOROUGH
39	HONESDALE BOROUGH
39	PROMPTON BOROUGH
39	STARRUCCA BOROUGH
39	WAYMART BOROUGH
39	ARNOLD CITY
39	ARONA BOROUGH
39	AVONMORE BOROUGH
39	BOLIVAR BOROUGH
39	DERRY BOROUGH
39	DONEGAL BOROUGH
39	EAST VANDERGRIFT BORO
39	EXPORT BOROUGH
39	GREENSBURG CITY
39	HUNKER BOROUGH
39	HYDE PARK BOROUGH
39	IRWIN BOROUGH
39	JEANNETTE CITY
39	LATROBE BOROUGH
39	LIGONIER BOROUGH
39	MANOR BOROUGH
39	MONESSEN CITY
39	MOUNT PLEASANT BOROUGH
39	NEW ALEXANDRIA BOROUGH
39	NEW FLORENCE BOROUGH
39	NEW KENSINGTON CITY
39	N BELLE VERNON BORO
39	NORTH IRWIN BOROUGH
39	OKLAHOMA BOROUGH
39	PENN BOROUGH
39	SCOTTDALE BOROUGH

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	SEWARD BOROUGH
39	SMITHTON BOROUGH
39	SOUTH GREENSBURG BOROUGH
39	S W GREENSBURG BORO
39	VANDERGRIFT BOROUGH
39	WEST LEECHBURG BOROUGH
39	WEST NEWTON BOROUGH
39	YOUNGSTOWN BOROUGH
39	YOUNGWOOD BOROUGH
39	LOWER BURRELL CITY
39	NEW STANTON BOROUGH
39	FACTORYVILLE BOROUGH
39	LACEYVILLE BOROUGH
39	MESHOPPEN BOROUGH
39	NICHOLSON BOROUGH
39	TUNKHANNOCK BOROUGH
39	DELTA BOROUGH
39	EAST PROSPECT BOROUGH
39	FAWN GROVE BOROUGH
39	FRANKLINTOWN BOROUGH
39	HALLAM BOROUGH
39	HANOVER BOROUGH
39	NORTH YORK BOROUGH
39	RAILROAD BOROUGH
39	RED LION BOROUGH
39	WEST YORK BOROUGH
39	WRIGHTSVILLE BOROUGH
39	YORK CITY
39	YORKANA BOROUGH
39	BERWICK TOWNSHIP
39	BUTLER TOWNSHIP
39	CONEWAGO TOWNSHIP
39	CUMBERLAND TOWNSHIP
39	FRANKLIN TOWNSHIP
39	FREEDOM TOWNSHIP
39	GERMANY TOWNSHIP
39	HAMILTONBAN TOWNSHIP
39	HIGHLAND TOWNSHIP
39	HUNTINGTON TOWNSHIP
39	LATIMORE TOWNSHIP
39	MENALLEN TOWNSHIP
39	MT JOY TOWNSHIP
39	MOUNT PLEASANT TOWNSHIP
39	OXFORD TOWNSHIP
39	READING TOWNSHIP
39	STRABAN TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	TYRONE TOWNSHIP
39	UNION TOWNSHIP
39	COLLIER TOWNSHIP
39	CRESCENT TOWNSHIP
39	EAST DEER TOWNSHIP
39	FAWN TOWNSHIP
39	INDIANA TOWNSHIP
39	KILBUCK TOWNSHIP
39	PENN HILLS TOWNSHIP
39	RESERVE TOWNSHIP
39	S FAYETTE TOWNSHIP
39	S VERSAILLES TOWNSHIP
39	SPRINGDALE TOWNSHIP
39	STOWE TOWNSHIP
39	WEST DEER TOWNSHIP
39	BETHEL TOWNSHIP
39	BOGGS TOWNSHIP
39	BRADYS BEND TOWNSHIP
39	BURRELL TOWNSHIP
39	CADOGAN TOWNSHIP
39	COWANSHANNOCK TOWNSHIP
39	EAST FRANKLIN TOWNSHIP
39	GILPIN TOWNSHIP
39	HOVEY TOWNSHIP
39	KISKIMINETAS TOWNSHIP
39	KITTANNING TOWNSHIP
39	MADISON TOWNSHIP
39	MAHONING TOWNSHIP
39	MANOR TOWNSHIP
39	NORTH BUFFALO TOWNSHIP
39	PARKS TOWNSHIP
39	PERRY TOWNSHIP
39	PINE TOWNSHIP
39	PLUMCREEK TOWNSHIP
39	RAYBURN TOWNSHIP
39	REDBANK TOWNSHIP
39	SOUTH BEND TOWNSHIP
39	SOUTH BUFFALO TOWNSHIP
39	SUGARCREEK TOWNSHIP
39	VALLEY TOWNSHIP
39	WEST FRANKLIN TOWNSHIP
39	MARION TOWNSHIP
39	N SEWICKLEY TOWNSHIP
39	PULASKI TOWNSHIP
39	BEDFORD TOWNSHIP
39	BLOOMFIELD TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	BROAD TOP TOWNSHIP
39	COLERAIN TOWNSHIP
39	CUMBERLAND VALLEY TWP
39	E PROVIDENCE TOWNSHIP
39	E ST CLAIR TOWNSHIP
39	HARRISON TOWNSHIP
39	HOPEWELL TOWNSHIP
39	JUNIATA TOWNSHIP
39	KIMMELL TOWNSHIP
39	KING TOWNSHIP
39	LIBERTY TOWNSHIP
39	LINCOLN TOWNSHIP
39	LONDONDERRY TOWNSHIP
39	MANN TOWNSHIP
39	MONROE TOWNSHIP
39	NAPIER TOWNSHIP
39	SNAKE SPRG VALLEY TWP
39	SOUTHAMPTON TOWNSHIP
39	SOUTH WOODBURY TOWNSHIP
39	UNION TOWNSHIP
39	W PROVIDENCE TOWNSHIP
39	W ST CLAIR TOWNSHIP
39	BERN TOWNSHIP
39	EARL TOWNSHIP
39	EXETER TOWNSHIP
39	LONGSWAMP TOWNSHIP
39	MAIDENCREEK TOWNSHIP
39	MARION TOWNSHIP
39	N HEIDELBERG TOWNSHIP
39	ONTELAUNEE TOWNSHIP
39	S HEIDELBERG TOWNSHIP
39	TULPEHOCKEN TOWNSHIP
39	UNION TOWNSHIP
39	ALLEGHENY TOWNSHIP
39	ANTIS TOWNSHIP
39	BLAIR TOWNSHIP
39	CATHARINE TOWNSHIP
39	FREEDOM TOWNSHIP
39	GREENFIELD TOWNSHIP
39	HUSTON TOWNSHIP
39	JUNIATA TOWNSHIP
39	LOGAN TOWNSHIP
39	NORTH WOODBURY TOWNSHIP
39	SNYDER TOWNSHIP
39	TAYLOR TOWNSHIP
39	TYRONE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	WOODBURY TOWNSHIP
39	ARMENIA TOWNSHIP
39	ASYLUM TOWNSHIP
39	ATHENS TOWNSHIP
39	BURLINGTON TOWNSHIP
39	CANTON TOWNSHIP
39	COLUMBIA TOWNSHIP
39	FRANKLIN TOWNSHIP
39	GRANVILLE TOWNSHIP
39	HERRICK TOWNSHIP
39	LEROY TOWNSHIP
39	LITCHFIELD TOWNSHIP
39	MONROE TOWNSHIP
39	N TOWANDA TOWNSHIP
39	ORWELL TOWNSHIP
39	OVERTON TOWNSHIP
39	PIKE TOWNSHIP
39	RIDGEBURY TOWNSHIP
39	ROME TOWNSHIP
39	SHESHEQUIN TOWNSHIP
39	SMITHFIELD TOWNSHIP
39	S CREEK TOWNSHIP
39	SPRINGFIELD TOWNSHIP
39	STANDING STONE TOWNSHIP
39	STEVENS TOWNSHIP
39	TERRY TOWNSHIP
39	TOWANDA TOWNSHIP
39	TROY TOWNSHIP
39	TUSCARORA TOWNSHIP
39	ULSTER TOWNSHIP
39	WARREN TOWNSHIP
39	WELLS TOWNSHIP
39	W BURLINGTON TOWNSHIP
39	WILMOT TOWNSHIP
39	WINDHAM TOWNSHIP
39	WYALUSING TOWNSHIP
39	BRISTOL TOWNSHIP
39	FALLS TOWNSHIP
39	LOWER SOUTHAMPTON TWP
39	MIDDLETOWN TOWNSHIP
39	ADAMS TOWNSHIP
39	ALLEGHENY TOWNSHIP
39	BRADY TOWNSHIP
39	BUTLER TOWNSHIP
39	CENTER TOWNSHIP
39	CHERRY TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	CLAY TOWNSHIP
39	CLEARFIELD TOWNSHIP
39	CLINTON TOWNSHIP
39	CONCORD TOWNSHIP
39	CONNOQUENESSING TWP
39	CRANBERRY TOWNSHIP
39	FAIRVIEW TOWNSHIP
39	FORWARD TOWNSHIP
39	FRANKLIN TOWNSHIP
39	JEFFERSON TOWNSHIP
39	LANCASTER TOWNSHIP
39	MARION TOWNSHIP
39	MERCER TOWNSHIP
39	MIDDLESEX TOWNSHIP
39	MUDDYCREEK TOWNSHIP
39	OAKLAND TOWNSHIP
39	PARKER TOWNSHIP
39	PENN TOWNSHIP
39	SUMMIT TOWNSHIP
39	VENANGO TOWNSHIP
39	WASHINGTON TOWNSHIP
39	WINFIELD TOWNSHIP
39	WORTH TOWNSHIP
39	ADAMS TOWNSHIP
39	ALLEGHENY TOWNSHIP
39	BARR TOWNSHIP
39	CAMBRIA TOWNSHIP
39	CLEARFIELD TOWNSHIP
39	CONEMAUGH TOWNSHIP
39	CRESSON TOWNSHIP
39	CROYLE TOWNSHIP
39	DEAN TOWNSHIP
39	EAST CARROLL TOWNSHIP
39	EAST TAYLOR TWONSHIP
39	ELDER TOWNSHIP
39	GALLITZIN TOWNSHIP
39	LOWER YODER TOWNSHIP
39	MIDDLE TAYLOR TOWNSHIP
39	MUNSTER TOWNSHIP
39	PORTAGE TOWNSHIP
39	STONYCREEK TOWNSHIP
39	SUMMERHILL TOWNSHIP
39	SUSQUEHANNA TOWNSHIP
39	UPPER YODER TOWNSHIP
39	WASHINGTON TOWNSHIP
39	WEST CARROLL TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	WEST TAYLOR TOWNSHIP
39	WHITE TOWNSHIP
39	GIBSON TOWNSHIP
39	GROVE TOWNSHIP
39	LUMBER TOWNSHIP
39	PORTAGE TOWNSHIP
39	SHIPPEN TOWNSHIP
39	BANKS TOWNSHIP
39	LAUSANNE TOWNSHIP
39	LEHIGH TOWNSHIP
39	COLLEGE TOWNSHIP
39	HAINES TOWNSHIP
39	LIBERTY TOWNSHIP
39	PENN TOWNSHIP
39	RUSH TOWNSHIP
39	SNOW SHOE TOWNSHIP
39	SPRING TOWNSHIP
39	WORTH TOWNSHIP
39	EAST BRANDYWINE TOWNSHIP
39	EAST VINCENT TOWNSHIP
39	EAST WHITELAND TOWNSHIP
39	NEWLIN TOWNSHIP
39	PCCOPSON TOWNSHIP
39	UPPER OXFORD TOWNSHIP
39	WEST NANTMEAL TOWNSHIP
39	WEST SADSBURY TOWNSHIP
39	BECCARIA TOWNSHIP
39	BELL TOWNSHIP
39	BIGLER TOWNSHIP
39	BOGGS TOWNSHIP
39	BRADFORD TOWNSHIP
39	BRADY TOWNSHIP
39	BURNSIDE TOWNSHIP
39	CHEST TOWNSHIP
39	COOPER TOWNSHIP
39	DECATUR TOWNSHIP
39	FERGUSON TOWNSHIP
39	GIRARD TOWNSHIP
39	GOSHEN TOWNSHIP
39	GRAHAM TOWNSHIP
39	GREENWOOD TOWNSHIP
39	GULICH TOWNSHIP
39	JORDAN TOWNSHIP
39	KARTHAUS TOWNSHIP
39	KNOX TOWNSHIP
39	LAWRENCE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	MORRIS TOWNSHIP
39	PENN TOWNSHIP
39	PIKE TOWNSHIP
39	SANDY TOWNSHIP
39	UNION TOWNSHIP
39	WOODWARD TOWNSHIP
39	PINE TOWNSHIP
39	ALLISON TOWNSHIP
39	BALD EAGLE TOWNSHIP
39	BEECH CREEK TOWNSHIP
39	CASTANEA TOWNSHIP
39	CHAPMAN TOWNSHIP
39	COLEBROOK TOWNSHIP
39	CRAWFORD TOWNSHIP
39	DUNNSTABLE TOWNSHIP
39	EAST KEATING TOWNSHIP
39	GALLAGHER TOWNSHIP
39	GREENE TOWNSHIP
39	GRUGAN TOWNSHIP
39	LAMAR TOWNSHIP
39	LEIDY TOWNSHIP
39	LOGAN TOWNSHIP
39	NOYES TOWNSHIP
39	PINE CREEK TOWNSHIP
39	PORTER TOWNSHIP
39	WAYNE TOWNSHIP
39	WEST KEATING TOWNSHIP
39	WOODWARD TOWNSHIP
39	BEAVER TOWNSHIP
39	BENTON TOWNSHIP
39	BRIAR CREEK TOWNSHIP
39	CATAWISSA TOWNSHIP
39	CLEVELAND TOWNSHIP
39	CONYNGHAM TOWNSHIP
39	FISHING CREEK TWP
39	FRANKLIN TOWNSHIP
39	GREENWOOD TOWNSHIP
39	HEMLOCK TOWNSHIP
39	JACKSON TOWNSHIP
39	LOCUST TOWNSHIP
39	MADISON TOWNSHIP
39	MAIN TOWNSHIP
39	MIFFLIN TOWNSHIP
39	MOUNT PLEASANT TOWNSHIP
39	ORANGE TOWNSHIP
39	PINE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	ROARINGCREEK TOWNSHIP
39	SCOTT TOWNSHIP
39	SUGARLOAF TOWNSHIP
39	NORTH CENTER TOWNSHIP
39	SOUTH CENTER TOWNSHIP
39	ATHENS TOWNSHIP
39	BEAVER TOWNSHIP
39	BLOOMFIELD TOWNSHIP
39	CAMBRIDGE TOWNSHIP
39	CONNEAUT TOWNSHIP
39	CUSSEWAGO TOWNSHIP
39	EAST FAIRFIELD TOWNSHIP
39	EAST FALLOWFIELD TWP
39	EAST MEAD TOWNSHIP
39	FAIRFIELD TOWNSHIP
39	GREENWOOD TOWNSHIP
39	HAYFIELD TOWNSHIP
39	NORTH SHENANGO TWP
39	OIL CREEK TOWNSHIP
39	PINE TOWNSHIP
39	RANDOLPH TOWNSHIP
39	RICHMOND TOWNSHIP
39	ROME TOWNSHIP
39	SADSBURY TOWNSHIP
39	SPARTA TOWNSHIP
39	SPRING TOWNSHIP
39	STEUBEN TOWNSHIP
39	SUMMERHILL TOWNSHIP
39	SUMMIT TOWNSHIP
39	TROY TOWNSHIP
39	UNION TOWNSHIP
39	VENANGO TOWNSHIP
39	VERNON TOWNSHIP
39	WAYNE TOWNSHIP
39	WEST FALLOWFIELD TWP
39	WEST MEAD TOWNSHIP
39	WEST SHENANGO TOWNSHIP
39	WOODCOCK TOWNSHIP
39	MIFFLIN TOWNSHIP
39	RUSH TOWNSHIP
39	WICONISCO TOWNSHIP
39	WILLIAMS TOWNSHIP
39	ASTON TOWNSHIP
39	CHESTER TOWNSHIP
39	DARBY TOWNSHIP
39	LOWER CHICHESTER TWP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	MARPLE TOWNSHIP
39	MIDDLETOWN TOWNSHIP
39	NEWTOWN TOWNSHIP
39	RIDLEY TOWNSHIP
39	TINICUM TOWNSHIP
39	UPPER CHICHESTER TWP
39	UPPER DARBY TOWNSHIP
39	BENEZETTE TOWNSHIP
39	BENZINGER TOWNSHIP
39	FOX TOWNSHIP
39	HIGHLAND TOWNSHIP
39	HORTON TOWNSHIP
39	JAY TOWNSHIP
39	JONES TOWNSHIP
39	MILLSTONE TOWNSHIP
39	RIDGWAY TOWNSHIP
39	SPRING CREEK TOWNSHIP
39	AMITY TOWNSHIP
39	CONCORD TOWNSHIP
39	CONNEAUT TOWNSHIP
39	ELK CREEK TOWNSHIP
39	GIRARD TOWNSHIP
39	GREENE TOWNSHIP
39	GREENFIELD TOWNSHIP
39	LAWRENCE PARK TOWNSHIP
39	LE BOEUF TOWNSHIP
39	MCKEAN TOWNSHIP
39	NORTH EAST TOWNSHIP
39	SPRINGFIELD TOWNSHIP
39	SUMMIT TOWNSHIP
39	UNION TOWNSHIP
39	VENANGO TOWNSHIP
39	WASHINGTON TOWNSHIP
39	WATERFORD TOWNSHIP
39	WAYNE TOWNSHIP
39	BROWNSVILLE TOWNSHIP
39	BULLSKIN TOWNSHIP
39	CONNELLSVILLE TOWNSHIP
39	DUNBAR TOWNSHIP
39	FRANKLIN TOWNSHIP
39	GEORGES TOWNSHIP
39	GERMAN TOWNSHIP
39	HENRY CLAY TOWNSHIP
39	JEFFERSON TOWNSHIP
39	LOWER TYRONE TOWNSHIP
39	LUZERNE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	MENALLEN TOWNSHIP
39	NICHOLSON TOWNSHIP
39	NORTH UNION TOWNSHIP
39	PERRY TOWNSHIP
39	REDSTONE TOWNSHIP
39	SALTLICK TOWNSHIP
39	SOUTH UNION TOWNSHIP
39	SPRINGFIELD TOWNSHIP
39	SPRINGHILL TOWNSHIP
39	STEWART TOWNSHIP
39	UPPER TYRONE TOWNSHIP
39	WASHINGTON TOWNSHIP
39	WHARTON TOWNSHIP
39	GREEN TOWNSHIP
39	HARMONY TOWNSHIP
39	HOWE TOWNSHIP
39	JENKS TOWNSHIP
39	KINGSLEY TOWNSHIP
39	TIONESTA TOWNSHIP
39	QUINCY TOWNSHIP
39	WARREN TOWNSHIP
39	AYR TOWNSHIP
39	BELFAST TOWNSHIP
39	BETHEL TOWNSHIP
39	BRUSH CREEK TOWNSHIP
39	DUBLIN TOWNSHIP
39	LICKING CREEK TOWNSHIP
39	TAYLOR TOWNSHIP
39	THOMPSON TOWNSHIP
39	TODD TOWNSHIP
39	WELLS TOWNSHIP
39	ALEPPO TOWNSHIP
39	CENTER TOWNSHIP
39	CUMBERLAND TOWNSHIP
39	DUNKARD TOWNSHIP
39	FRANKLIN TOWNSHIP
39	FREEPORT TOWNSHIP
39	GILMORE TOWNSHIP
39	GRAY TOWNSHIP
39	GREENE TOWNSHIP
39	JACKSON TOWNSHIP
39	JEFFERSON TOWNSHIP
39	MONONGAHELA TOWNSHIP
39	MORGAN TOWNSHIP
39	MORRIS TOWNSHIP
39	PERRY TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	RICHHILL TOWNSHIP
39	SPRINGHILL TOWNSHIP
39	WASHINGTON TOWNSHIP
39	WAYNE TOWNSHIP
39	WHITELEY TOWNSHIP
39	BARREE TOWNSHIP
39	BRADY TOWNSHIP
39	CARBON TOWNSHIP
39	CASS TOWNSHIP
39	CLAY TOWNSHIP
39	CROMWELL TOWNSHIP
39	DUBLIN TOWNSHIP
39	FRANKLIN TOWNSHIP
39	HENDERSON TOWNSHIP
39	HOPEWELL TOWNSHIP
39	JACKSON TOWNSHIP
39	JUNIATA TOWNSHIP
39	LINCOLN TOWNSHIP
39	LOGAN TOWNSHIP
39	MILLER TOWNSHIP
39	MORRIS TOWNSHIP
39	ONEIDA TOWNSHIP
39	PENN TOWNSHIP
39	PORTER TOWNSHIP
39	SHIRLEY TOWNSHIP
39	SMITHFIELD TOWNSHIP
39	SPRINGFIELD TOWNSHIP
39	SPRUCE CREEK TOWNSHIP
39	TELL TOWNSHIP
39	TOD TOWNSHIP
39	UNION TOWNSHIP
39	WALKER TOWNSHIP
39	WARRIORS MARK TWP
39	WEST TOWNSHIP
39	WOOD TOWNSHIP
39	BEALE TOWNSHIP
39	DELAWARE TOWNSHIP
39	FAYETTE TOWNSHIP
39	FERMANAGH TOWNSHIP
39	GREENWOOD TOWNSHIP
39	LACK TOWNSHIP
39	MILFORD TOWNSHIP
39	MONROE TOWNSHIP
39	SPRUCE HILL TOWNSHIP
39	SUSQUEHANNA TOWNSHIP
39	TURBETT TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	TUSCARORA TOWNSHIP
39	WALKER TOWNSHIP
39	ABINGTON TOWNSHIP
39	BENTON TOWNSHIP
39	CARBONDALE TOWNSHIP
39	CLIFTON TOWNSHIP
39	COVINGTON TOWNSHIP
39	ELMHURST TOWNSHIP
39	FELL TOWNSHIP
39	GLENBURN TOWNSHIP
39	GREENFIELD TOWNSHIP
39	JEFFERSON TOWNSHIP
39	LA PLUME TOWNSHIP
39	LEHIGH TOWNSHIP
39	MADISON TOWNSHIP
39	NEWTON TOWNSHIP
39	NORTH ABINGTON TOWNSHIP
39	RANSOM TOWNSHIP
39	ROARING BROOK TOWNSHIP
39	SCOTT TOWNSHIP
39	SOUTH ABINGTON TOWNSHIP
39	SPRING BROOK TOWNSHIP
39	WEST ABINGTON TOWNSHIP
39	EARL TOWNSHIP
39	EPHRATA TOWNSHIP
39	LEACOCK TOWNSHIP
39	MANOR TOWNSHIP
39	PARADISE TOWNSHIP
39	PENN TOWNSHIP
39	WEST EARL TOWNSHIP
39	WEST HEMPFIELD TOWNSHIP
39	WEST LAMPETER TOWNSHIP
39	HICKORY TOWNSHIP
39	LITTLE BEAVER TOWNSHIP
39	MAHONING TOWNSHIP
39	NESHANNOCK TOWNSHIP
39	PERRY TOWNSHIP
39	PLAIN GROVE TOWNSHIP
39	PULASKI TOWNSHIP
39	SCOTT TOWNSHIP
39	SHENANGO TOWNSHIP
39	SLIPPERY ROCK TOWNSHIP
39	TAYLOR TOWNSHIP
39	UNION TOWNSHIP
39	WASHINGTON TOWNSHIP
39	WAYNE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	WILMINGTON TOWNSHIP
39	BLACK CREEK TOWNSHIP
39	BUTLER TOWNSHIP
39	CONYNGHAM TOWNSHIP
39	DENNISON TOWNSHIP
39	DORRANCE TOWNSHIP
39	EXETER TOWNSHIP
39	FAIRMONT TOWNSHIP
39	FAIRVIEW TOWNSHIP
39	FOSTER TOWNSHIP
39	FRANKLIN TOWNSHIP
39	HANOVER TOWNSHIP
39	HAZLE TOWNSHIP
39	HOLLENBACK TOWNSHIP
39	HUNTINGTON TOWNSHIP
39	JACKSON TOWNSHIP
39	JENKINS TOWNSHIP
39	KINGSTON TOWNSHIP
39	LAKE TOWNSHIP
39	NESCOPECK TOWNSHIP
39	NEWPORT TOWNSHIP
39	PITTSTON TOWNSHIP
39	PLAINS TOWNSHIP
39	PLYMOUTH TOWNSHIP
39	ROSS TOWNSHIP
39	SLOCUM TOWNSHIP
39	UNION TOWNSHIP
39	WILKES BARRE TOWNSHIP
39	WRIGHT TOWNSHIP
39	ANTHONY TOWNSHIP
39	ARMSTRONG TOWNSHIP
39	BASTRESS TOWNSHIP
39	BRADY TOWNSHIP
39	BROWN TOWNSHIP
39	CASADE TOWNSHIP
39	CLINTON TOWNSHIP
39	COGAN HOUSE TOWNSHIP
39	CUMMINGS TOWNSHIP
39	ELDRED TOWNSHIP
39	FRANKLIN TOWNSHIP
39	GAMBLE TOWNSHIP
39	HEPBURN TOWNSHIP
39	JACKSON TOWNSHIP
39	JORDAN TOWNSHIP
39	LEWIS TOWNSHIP
39	LIMESTONE TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	LOYALSOCK TOWNSHIP
39	LYCOMING TOWNSHIP
39	MCHENRY TOWNSHIP
39	MCINTYRE TOWNSHIP
39	MCNETT TOWNSHIP
39	MIFFLIN TOWNSHIP
39	MILL CREEK TOWNSHIP
39	MORELAND TOWNSHIP
39	MUNCY CREEK TOWNSHIP
39	NIPPENOSE TOWNSHIP
39	OLD LYCOMING TOWNSHIP
39	PENN TOWNSHIP
39	PIATT TOWNSHIP
39	PINE TOWNSHIP
39	PLUNKETTS CREEK TOWNSHIP
39	PORTER TOWNSHIP
39	SHREWSBURY TOWNSHIP
39	SUSQUEHANNA TOWNSHIP
39	UPPER FAIRFIELD TOWNSHIP
39	WASHINGTON TOWNSHIP
39	WATSON TOWNSHIP
39	WOLF TOWNSHIP
39	WOODWARD TOWNSHIP
39	ANNIN TOWNSHIP
39	BRADFORD TOWNSHIP
39	CERES TOWNSHIP
39	CORYDON TOWNSHIP
39	ELDRED TOWNSHIP
39	FOSTER TOWNSHIP
39	HAMILTON TOWNSHIP
39	HAMLIN TOWNSHIP
39	KEATING TOWNSHIP
39	LAFAYETTE TOWNSHIP
39	LIBERTY TOWNSHIP
39	NORWICH TOWNSHIP
39	OTTO TOWNSHIP
39	SERGEANT TOWNSHIP
39	WETMORE TOWNSHIP
39	COOLSPRING TOWNSHIP
39	DEER CREEK TOWNSHIP
39	DELAWARE TOWNSHIP
39	FAIRVIEW TOWNSHIP
39	FINDLEY TOWNSHIP
39	FRENCH CREEK TOWNSHIP
39	GREENE TOWNSHIP
39	HEMPFIELD TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	HERMITAGE TWP
39	JACKSON TOWNSHIP
39	JEFFERSON TOWNSHIP
39	LACKAWANNOCK TOWNSHIP
39	LAKE TOWNSHIP
39	MILL CREEK TOWNSHIP
39	NEW VERNON TOWNSHIP
39	OTTER CREEK TOWNSHIP
39	PERRY TOWNSHIP
39	PINE TOWNSHIP
39	PYMATUNING TOWNSHIP
39	SALEM TOWNSHIP
39	SANDY CREEK TOWNSHIP
39	SANDY LAKE TOWNSHIP
39	SHENANGO TOWNSHIP
39	SOUTH PYMATUNING TWP
39	SPRINGFIELD TOWNSHIP
39	SUGAR GROVE TOWNSHIP
39	WEST SALEM TOWNSHIP
39	WILMINGTON TOWNSHIP
39	WOLF CREEK TOWNSHIP
39	WORTH TOWNSHIP
39	ARMAGH TOWNSHIP
39	BRATTON TOWNSHIP
39	BROWN TOWNSHIP
39	DECATUR TOWNSHIP
39	DERRY TOWNSHIP
39	GRANVILLE TOWNSHIP
39	MENNO TOWNSHIP
39	OLIVER TOWNSHIP
39	UNION TOWNSHIP
39	WAYNE TOWNSHIP
39	BARRETT TOWNSHIP
39	CHESTNUTHILL TOWNSHIP
39	COOLBAUGH TOWNSHIP
39	ELDRED TOWNSHIP
39	HAMILTON TOWNSHIP
39	JACKSON TOWNSHIP
39	MIDDLE SMITHFIELD TWP
39	PARADISE TOWNSHIP
39	POCONO TOWNSHIP
39	POLK TOWNSHIP
39	PRICE TOWNSHIP
39	ROSS TOWNSHIP
39	SMITHFIELD TOWNSHIP
39	STROUD TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	TOBYHANNA TOWNSHIP
39	TUNKHANNOCK TOWNSHIP
39	ABINGTON TOWNSHIP
39	EAST NORRITON TOWNSHIP
39	FRANCONIA TOWNSHIP
39	HATFIELD TOWNSHIP
39	LIMERICK TOWNSHIP
39	LOWER FREDERICK TWP
39	MONTGOMERY TOWNSHIP
39	NEW HANOVER TOWNSHIP
39	PERKIOMEN TOWNSHIP
39	PLYMOUTH TOWNSHIP
39	SALFORD TOWNSHIP
39	SKIPPACK TOWNSHIP
39	SPRINGFIELD TOWNSHIP
39	TOWAMENCIN TOWNSHIP
39	UPPER DUBLIN TOWNSHIP
39	UPPER FREDERICK TWP
39	UPPER GWYNEDD TOWNSHIP
39	UPPER HANOVER TOWNSHIP
39	UPPER MORELAND TOWNSHIP
39	UPPER POTTSGROVE TWP
39	UPPER PROVIDENCE TWP
39	UPPER SALFORD TOWNSHIP
39	WEST NORRITON TOWNSHIP
39	WEST POTTSGROVE TWP
39	WHITEMARSH TOWNSHIP
39	WORCESTER TOWNSHIP
39	MAHONING TOWNSHIP
39	LOWER MT BETHEL TWP
39	PLAINFIELD TOWNSHIP
39	WILLIAMS TOWNSHIP
39	COAL TOWNSHIP
39	DELAWARE TOWNSHIP
39	EAST CAMERON TOWNSHIP
39	JACKSON TOWNSHIP
39	JORDAN TOWNSHIP
39	LEWIS TOWNSHIP
39	LITTLE MAHANOY TOWNSHIP
39	LOWER AUGUSTA TOWNSHIP
39	LOWER MAHANOY TOWNSHIP
39	MOUNT CARMEL TOWNSHIP
39	POINT TOWNSHIP
39	RALPHO TOWNSHIP
39	ROCKEFELLER TOWNSHIP
39	RUSH TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	SHAMOKIN TOWNSHIP
39	TURBUT TOWNSHIP
39	UPPER AUGUSTA TOWNSHIP
39	UPPER MAHANOY TOWNSHIP
39	WASHINGTON TOWNSHIP
39	WEST CAMERON TOWNSHIP
39	WEST CHILLISQUAQUE TWP
39	ZERBE TOWNSHIP
39	LEHMAN TOWNSHIP
39	ABBOTT TOWNSHIP
39	ALLEGANY TOWNSHIP
39	BINGHAM TOWNSHIP
39	CLARA TOWNSHIP
39	EULALIA TOWNSHIP
39	GENESEE TOWNSHIP
39	HARRISON TOWNSHIP
39	HEBRON TOWNSHIP
39	HECTOR TOWNSHIP
39	HOMER TOWNSHIP
39	KEATING TOWNSHIP
39	OSWAYO TOWNSHIP
39	PIKE TOWNSHIP
39	PLEASANT VALLEY TOWNSHIP
39	PORTAGE TOWNSHIP
39	ROULETTE TOWNSHIP
39	SHARON TOWNSHIP
39	STEWARDSON TOWNSHIP
39	SUMMIT TOWNSHIP
39	SWEDEN TOWNSHIP
39	SYLVANIA TOWNSHIP
39	ULYSSES TOWNSHIP
39	WEST BRANCH TOWNSHIP
39	WHARTON TOWNSHIP
39	BARRY TOWNSHIP
39	BLYTHE TOWNSHIP
39	BRANCH TOWNSHIP
39	BUTLER TOWNSHIP
39	CASS TOWNSHIP
39	DELANO TOWNSHIP
39	EAST BRUNSWICK TOWNSHIP
39	EAST NORWEGIAN TOWNSHIP
39	EAST UNION TOWNSHIP
39	ELDRED TOWNSHIP
39	FOSTER TOWNSHIP
39	FRAILEY TOWNSHIP
39	HEGINS TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	HUBLEY TOWNSHIP
39	KLINE TOWNSHIP
39	MAHANOY TOWNSHIP
39	NEW CASTLE TOWNSHIP
39	NORTH MANHEIM TOWNSHIP
39	NORTH UNION TOWNSHIP
39	NORWEGIAN TOWNSHIP
39	PINE GROVE TWP
39	PORTER TOWNSHIP
39	REILLY TOWNSHIP
39	RYAN TOWNSHIP
39	SCHUYLKILL TOWNSHIP
39	TREMONT TOWNSHIP
39	UNION TOWNSHIP
39	UPPER MAHANTONGO TOWNSHIP
39	WASHINGTON TOWNSHIP
39	WAYNE TOWNSHIP
39	WEST BRUNSWICK TOWNSHIP
39	WEST MAHANOY TOWNSHIP
39	WEST PENN TOWNSHIP
39	BEAVER TOWNSHIP
39	JACKSON TOWNSHIP
39	PENN TOWNSHIP
39	ADDISON TOWNSHIP
39	ALLEGHENY TOWNSHIP
39	BROTHERSVALLEY TOWNSHIP
39	CONEMAUGH TOWNSHIP
39	ELK LICK TOWNSHIP
39	FAIRHOPE TOWNSHIP
39	GREENVILLE TOWNSHIP
39	JEFFERSON TOWNSHIP
39	JENNER TOWNSHIP
39	LARIMER TOWNSHIP
39	LOWER TURKEYFOOT TWP
39	NORTHAMPTON TOWNSHIP
39	PAINT TOWNSHIP
39	SHADE TOWNSHIP
39	SOMERSET TOWNSHIP
39	SOUTHAMPTON TOWNSHIP
39	SUMMIT TOWNSHIP
39	CHERRY TOWNSHIP
39	COLLEY TOWNSHIP
39	DAVIDSON TOWNSHIP
39	ELKLAND TOWNSHIP
39	FORKS TOWNSHIP
39	FOX TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	HILLSGROVE TOWNSHIP
39	LAPORTE TOWNSHIP
39	SHREWSBURY TOWNSHIP
39	BLOSS TOWNSHIP
39	BROOKFIELD TOWNSHIP
39	CHARLESTON TOWNSHIP
39	CHATHAM TOWNSHIP
39	CLYMER TOWNSHIP
39	COVINGTON TOWNSHIP
39	DEERFIELD TOWNSHIP
39	DELMAR TOWNSHIP
39	DUNCAN TOWNSHIP
39	ELK TOWNSHIP
39	ELKLAND TOWNSHIP
39	FARMINGTON TOWNSHIP
39	GAINES TOWNSHIP
39	HAMILTON TOWNSHIP
39	JACKSON TOWNSHIP
39	LAWRENCE TOWNSHIP
39	LIBERTY TOWNSHIP
39	MIDDLEBURY TOWNSHIP
39	MORRIS TOWNSHIP
39	NELSON TOWNSHIP
39	OSCEOLA TOWNSHIP
39	PUTNAM TOWNSHIP
39	RICHMOND TOWNSHIP
39	RUTLAND TOWNSHIP
39	SHIPPEN TOWNSHIP
39	SULLIVAN TOWNSHIP
39	TIOGA TOWNSHIP
39	UNION TOWNSHIP
39	WARD TOWNSHIP
39	WESTFIELD TOWNSHIP
39	KELLY TOWNSHIP
39	CANAL TOWNSHIP
39	CHERRYTREE TOWNSHIP
39	CLINTON TOWNSHIP
39	CORNPLANTER TOWNSHIP
39	CRANBERRY TOWNSHIP
39	IRWIN TOWNSHIP
39	JACKSON TOWNSHIP
39	MINERAL TOWNSHIP
39	OILCREEK TOWNSHIP
39	PINEGROVE TOWNSHIP
39	PLUM TOWNSHIP
39	PRESIDENT TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	RICHLAND TOWNSHIP
39	ROCKLAND TOWNSHIP
39	VICTORY TOWNSHIP
39	CHERRY GROVE TOWNSHIP
39	COLUMBUS TOWNSHIP
39	CONEWANGO TOWNSHIP
39	ELK TOWNSHIP
39	GLADE TOWNSHIP
39	MEAD TOWNSHIP
39	PLEASANT TOWNSHIP
39	SHEFFIELD TOWNSHIP
39	SOUTHWEST TOWNSHIP
39	SPRING CREEK TOWNSHIP
39	SUGAR GROVE TOWNSHIP
39	TRIUMPH TOWNSHIP
39	WATSON TOWNSHIP
39	CANTON TOWNSHIP
39	CECIL TOWNSHIP
39	CROSS CREEK TOWNSHIP
39	EAST BETHLEHEM TOWNSHIP
39	EAST FINLEY TOWNSHIP
39	FALLOWFIELD TOWNSHIP
39	INDEPENDENCE TOWNSHIP
39	MOUNT PLEASANT TOWNSHIP
39	NORTH FRANKLIN TOWNSHIP
39	SMITH TOWNSHIP
39	BERLIN TOWNSHIP
39	BUCKINGHAM TOWNSHIP
39	CANAAN TOWNSHIP
39	CHERRY RIDGE TOWNSHIP
39	CLINTON TOWNSHIP
39	DAMASCUS TOWNSHIP
39	DREHER TOWNSHIP
39	DYBERRY TOWNSHIP
39	LAKE TOWNSHIP
39	LEBANON TOWNSHIP
39	MANCHESTER TOWNSHIP
39	MOUNT PLEASANT TOWNSHIP
39	PAUPACK TOWNSHIP
39	PRESTON TOWNSHIP
39	SALEM TOWNSHIP
39	SCOTT TOWNSHIP
39	SOUTH CANAAN TOWNSHIP
39	STERLING TOWNSHIP
39	TEXAS TOWNSHIP
39	ALLEGHENY TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	BELL TOWNSHIP
39	COOK TOWNSHIP
39	DERRY TOWNSHIP
39	DONEGAL TOWNSHIP
39	EAST HUNTINGDON TOWNSHIP
39	FAIRFIELD TOWNSHIP
39	LIGONIER TOWNSHIP
39	LOYALHANNA TOWNSHIP
39	MOUNT PLEASANT TOWNSHIP
39	PENN TOWNSHIP
39	ROSTRAVER TOWNSHIP
39	ST CLAIR TOWNSHIP
39	SALEM TOWNSHIP
39	SEWICKLEY TOWNSHIP
39	SOUTH HUNTINGDON TWP
39	UNITY TOWNSHIP
39	UPPER BURRELL TOWNSHIP
39	WASHINGTON TOWNSHIP
39	BRAINTRIM TOWNSHIP
39	CLINTON TOWNSHIP
39	EATON TOWNSHIP
39	EXETER TOWNSHIP
39	FALLS TOWNSHIP
39	FORKSTON TOWNSHIP
39	LEMON TOWNSHIP
39	MEHOOPANY TOWNSHIP
39	MESHOPPEN TOWNSHIP
39	MONROE TOWNSHIP
39	NICHOLSON TOWNSHIP
39	NORTH BRANCH TOWNSHIP
39	NORTHMORELAND TOWNSHIP
39	NOXEN TOWNSHIP
39	OVERFIELD TOWNSHIP
39	TUNKHANNOCK TOWNSHIP
39	WASHINGTON TOWNSHIP
39	WINDHAM TOWNSHIP
39	CONEWAGO TOWNSHIP
39	EAST HOPEWELL TOWNSHIP
39	WEST MANCHESTER TOWNSHIP

STATE = 39: 1649 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
40	WARWICK CITY
40	CENTRAL FALLS CITY
40	CRANSTON CITY
40	PAWTUCKET CITY
40	PROVIDENCE CITY
40	WCONSOCKET CITY
40	EAST PROVIDENCE CITY
40	BARRINGTON TOWN
40	BRISTOL TOWN
40	WARREN TOWN
40	COVENTRY TOWN
40	WEST GREENWICH TOWN
40	WEST WARWICK TOWN
40	BURRILLVILLE TOWN
40	CUMBERLAND TOWN
40	GLOCESTER TOWN
40	JOHNSTON TOWN
40	NORTH PROVIDENCE TOWN
40	NORTH SMITHFIELD TOWN
40	SMITHFIELD TOWN
40	EXETER TOWN
40	NORTH KINGSTOWN TOWN
40	SOUTH KINGSTOWN TOWN
40	NEW SHOREHAM TOWN

STATE = 40: 24 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
41	ABBEVILLE COUNTY
41	ALLENDALE COUNTY
41	BAMBERG COUNTY
41	BARNWELL COUNTY
41	CHESTER COUNTY
41	CHESTERFIELD COUNTY
41	CLARENDON COUNTY
41	COLLETON COUNTY
41	DARLINGTON COUNTY
41	DILLON COUNTY
41	FAIRFIELD COUNTY
41	GEORGETOWN COUNTY
41	JASPER COUNTY
41	KERSHAW COUNTY
41	LANCASTER COUNTY
41	LAURENS COUNTY
41	LEE COUNTY
41	MCCORMICK COUNTY
41	MARLBORO COUNTY
41	NEWBERRY COUNTY
41	OCONEE COUNTY
41	SALUDA COUNTY
41	SUMTER COUNTY
41	UNION COUNTY
41	ABBEVILLE CITY
41	CALHOUN FALLS TOWN
41	DONALDS TOWN
41	DUE WEST TOWN
41	LOWNDESVILLE TOWN
41	NEW ELLENTON TOWN
41	WAGENER TOWN
41	ALLENDALE TOWN
41	FAIRFAX TOWN
41	SYCAMORE TOWN
41	ULMER TOWN
41	ANDERSON CITY
41	BELTON CITY
41	IVA TOWN
41	WEST PELZER TOWN
41	BAMBERG TOWN
41	DENMARK CITY
41	GOVAN TOWN
41	OLAR TOWN
41	BLACKVILLE TOWN
41	ELKO TOWN
41	HILDA TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
41	KLINE TOWN
41	SNELLING TOWN
41	ST STEPHEN TOWN
41	JAMESTOWN TOWN
41	CHESTER CITY
41	FORT LAWN TOWN
41	LOWRYS TOWN
41	RICHBURG TOWN
41	GREAT FALLS TOWN
41	CHERAW TOWN
41	CHESTERFIELD TOWN
41	JEFFERSON TOWN
41	MCBEE TOWN
41	MOUNT CROGHAN TOWN
41	PAGELAND TOWN
41	PATRICK TOWN
41	RUBY TOWN
41	COTTAGEVILLE TOWN
41	LODGE TOWN
41	SMOAKS TOWN
41	WALTERBORO TOWN
41	WILLIAMS TOWN
41	EDISTO BEACH TOWN
41	DARLINGTON CITY
41	HARTSVILLE CITY
41	LAMAR CITY
41	SOCIETY HILL TOWN
41	DILLON CITY
41	LAKEVIEW TOWN
41	LATTA TOWN
41	RIDGEWAY TOWN
41	WINNSBORO TOWN
41	LAKE CITY TOWN
41	TIMMONSVILLE TOWN
41	FURMAN TOWN
41	LURAY TOWN
41	YEMASSEE TOWN
41	GIFFORD TOWN
41	RIDGELAND TOWN
41	BETHUNE TOWN
41	CAMDEN CITY
41	HEATH SPRINGS TOWN
41	CLINTON CITY
41	CROSS HILL TOWN
41	GRAY COURT TOWN
41	LAURENS CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
41	WATERLOO TOWN
41	BISHOPVILLE TOWN
41	LYNCHBURG TOWN
41	MCCORMICK TOWN
41	MOUNT CARMEL TOWN
41	PARKSVILLE TOWN
41	PLUM BRANCH TOWN
41	BENNETTSVILLE CITY
41	BLENHEIM TOWN
41	CLIO TOWN
41	MCCOLL TOWN
41	TATUM TOWN
41	LITTLE MOUNTAIN TOWN
41	PEAK TOWN
41	POMARIA TOWN
41	SENECA TOWN
41	WALHALLA TOWN
41	WESTMINSTER TOWN
41	WEST UNION TOWN
41	BRANCHVILLE TOWN
41	NORWAY TOWN
41	ROWESVILLE TOWN
41	SANTEE TOWN
41	RIDGE SPRING TOWN
41	SALUDA TOWN
41	WARDS TOWN
41	MAYESVILLE TOWN
41	PINEWOOD TOWN
41	CARLISLE TOWN
41	UNION CITY
41	ROCK HILL CITY
41	YORK TOWN

STATE = 41: 124 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
42	BUTTE COUNTY
42	CORSON COUNTY
42	HARDING COUNTY
42	HYDE COUNTY
42	WALWORTH COUNTY
42	WASHABAUGH COUNTY
42	ZIEBACH COUNTY
42	VIRGIL TOWN
42	FRUITDALE TOWN
42	NISLAND TOWN
42	MOUND CITY TOWN
42	POLLOCK TOWN
42	HENRY TOWN
42	WALLACE TOWN
42	MCINTOSH CITY
42	MCLAUGHLIN CITY
42	MORRISTOWN TOWN
42	GRENVILLE TOWN
42	LOYALTON TOWN
42	ONAKA TOWN
42	ORIENT TOWN

STATE = 42: 21 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
42	BUFFALO TOWN

STATE = 42: 1 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
42	BELVIDERE TOWN
42	HILLSVIEW TOWN
42	WETONKA TOWN
42	EGAN CITY
42	WARD TOWN
42	WHITE ROCK TOWN
42	AGAR TOWN
42	GLENHAM TOWN
42	JAVA CITY
42	LOWRY TOWN
42	MOBRIDGE CITY
42	LESTERVILLE TOWN
42	DUPREE TOWN
42	BRISTOL TOWNSHIP
42	CRYSTAL LAKE TOWNSHIP
42	EUREKA TOWNSHIP
42	PALATINE TOWNSHIP
42	PLEASANT VALLEY TOWNSHIP
42	BELLE PRAIRIE TOWNSHIP
42	BONILLA TOWNSHIP
42	BROADLAND TOWNSHIP
42	CARLYLE TOWNSHIP
42	FOSTER TOWNSHIP
42	IOWA TOWNSHIP
42	LIBERTY TOWNSHIP
42	LOGAN TOWNSHIP
42	NANCE TOWNSHIP
42	SAND CREEK TOWNSHIP
42	EAGLE TOWNSHIP
42	HIGHLAND TOWNSHIP
42	OLA TOWNSHIP
42	PLEASANT GROVE TOWNSHIP
42	RICHLAND TOWNSHIP
42	SMITH TOWNSHIP
42	WILBUR TOWNSHIP
42	ELVIRA TOWNSHIP
42	COTTONWOOD TOWNSHIP
42	HOWARD TOWNSHIP
42	LAWRENCE TOWNSHIP
42	MOORE TOWNSHIP
42	PLAIN CENTER TOWNSHIP
42	REE TOWNSHIP
42	EDEN TOWNSHIP
42	GRACELAND TOWNSHIP
42	WAVERLY TOWNSHIP
42	DELANEY TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
42	FAIRVIEW TOWNSHIP
42	GRAND VALLEY TOWNSHIP
42	LAKE TOWNSHIP
42	LINCOLN TOWNSHIP
42	MCLAUGHLIN TOWNSHIP
42	MAHTO TOWNSHIP
42	PIONEER TOWNSHIP
42	PLEASANT RIDGE TOWNSHIP
42	PRAIRIE VIEW TOWNSHIP
42	RIDGELAND TOWNSHIP
42	RIVERSIDE TOWNSHIP
42	ROLLING GREEN TOWNSHIP
42	SHERMAN TOWNSHIP
42	THUNDER HAWK TOWNSHIP
42	TWIN BUTTE TOWNSHIP
42	WAKPALA TOWNSHIP
42	WALKER TOWNSHIP
42	WATAUGA TOWNSHIP
42	MISSION TOWNSHIP
42	FARMINGTON TOWNSHIP
42	GRENVILLE TOWNSHIP
42	HIGHLAND TOWNSHIP
42	NUTLEY TOWNSHIP
42	OAK GULCH TOWNSHIP
42	RACINE TOWNSHIP
42	VALLEY TOWNSHIP
42	HOLLAND TOWNSHIP
42	CLEVELAND TOWNSHIP
42	CLOYD VALLEY TOWNSHIP
42	COTTONWOOD LAKE TOWNSHIP
42	GLOVER TOWNSHIP
42	HOSMER TOWNSHIP
42	NORTH BRYANT TOWNSHIP
42	ODESSA TOWNSHIP
42	POWELL TOWNSHIP
42	COTTONWOOD TOWNSHIP
42	PROVO TOWNSHIP
42	ARCADE TOWNSHIP
42	CENTERVILLE TOWNSHIP
42	ENTERPRISE TOWNSHIP
42	FAIRVIEW TOWNSHIP
42	ZELL TOWNSHIP
42	ELLSTON TOWNSHIP
42	FAIRFAX CIVIL TOWNSHIP
42	LANDING CREEK TOWNSHIP
42	PLEASANT VALLEY TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
42	STAR VALLEY TOWNSHIP
42	ALDEN TOWNSHIP
42	FAIRVIEW TOWNSHIP
42	FLORENCE TOWNSHIP
42	HOWELL TOWNSHIP
42	LOGAN TOWNSHIP
42	MONDAMIN TOWNSHIP
42	ONTARIO TOWNSHIP
42	PARK TOWNSHIP
42	ROSE HILL TOWNSHIP
42	SPRING TOWNSHIP
42	SPRING HILL TOWNSHIP
42	CROSS PLAINS TOWNSHIP
42	FAIR TOWNSHIP
42	LIBERTY TOWNSHIP
42	MILLTOWN TOWNSHIP
42	WITTENBERG TOWNSHIP
42	LINCOLN TOWNSHIP
42	VALLEY TOWNSHIP
42	WASHINGTON TOWNSHIP
42	WP HAMILTON TOWNSHIP
42	LITTLE BUFFALO TOWNSHIP
42	ANINA TOWNSHIP
42	BLAINE TOWNSHIP
42	CROW TOWNSHIP
42	FRANKLIN TOWNSHIP
42	MARLAR TOWNSHIP
42	PLEASANT TOWNSHIP
42	CLARNO TOWNSHIP
42	BROOKFIELD TOWNSHIP
42	JEFFERSON TOWNSHIP
42	UNION TOWNSHIP
42	LINCOLN TOWNSHIP
42	WACKER TOWNSHIP
42	BUFFALO TOWNSHIP
42	DUMARCE TOWNSHIP
42	EDEN TOWNSHIP
42	FORT TOWNSHIP
42	PLEASANT VALLEY TOWNSHIP
42	SISSETON TOWNSHIP
42	CORN CREEK TOWNSHIP
42	MOSHER TOWNSHIP
42	NORRIS TOWNSHIP
42	GRAFTON TOWNSHIP
42	MINER TOWNSHIP
42	ROCK CREEK TOWNSHIP

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
42	ANDERSON TOWNSHIP
42	FLAT CREEK TOWNSHIP
42	STROOL TOWNSHIP
42	VROOMAN TOWNSHIP
42	DRY WOOD LAKE TWP
42	LAKE TOWNSHIP
42	LEE TOWNSHIP
42	AFTON TOWNSHIP
42	BENEDICT TOWNSHIP
42	JACKSON TOWNSHIP
42	LETCHER TOWNSHIP
42	LOGAN TOWNSHIP
42	ONEIDA TOWNSHIP
42	GARFIELD TOWNSHIP
42	STAR PRAIRIE TOWNSHIP
42	DOLTON TOWNSHIP
42	HURLEY TOWNSHIP
42	MARINDAHL TOWNSHIP
42	UTICA TOWNSHIP

STATE = 42: 157 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
43	BEDFORD COUNTY
43	CAMPBELL COUNTY
43	CARROLL COUNTY
43	COFFEE COUNTY
43	CROCKETT COUNTY
43	CUMBERLAND COUNTY
43	DECATUR COUNTY
43	DYER COUNTY
43	FAYETTE COUNTY
43	FENTRESS COUNTY
43	FRANKLIN COUNTY
43	GIBSON COUNTY
43	GILES COUNTY
43	GRAINGER COUNTY
43	GREENE COUNTY
43	GRUNDY COUNTY
43	HAMBLEN COUNTY
43	HAMILTON COUNTY
43	HANCOCK COUNTY
43	HARDEMAN COUNTY
43	HAYWOOD COUNTY
43	JACKSON COUNTY
43	LAKE COUNTY
43	LINCOLN COUNTY
43	LOUDON COUNTY
43	MCMINN COUNTY
43	MARSHALL COUNTY
43	MAURY COUNTY
43	MEIGS COUNTY
43	MONROE COUNTY
43	MOORE COUNTY
43	MORGAN COUNTY
43	OVERTON COUNTY
43	PICKETT COUNTY
43	POLK COUNTY
43	PUTNAM COUNTY
43	ROANE COUNTY
43	SCOTT COUNTY
43	STEWART COUNTY
43	VAN BUREN COUNTY
43	WAYNE COUNTY
43	WHITE COUNTY
43	LAKE CITY TOWN
43	SHELBYVILLE TOWN
43	WARTRACE TOWN
43	CLEVELAND CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
43	JELLICO CITY
43	LA FOLLETTE CITY
43	CARYVILLE TOWN
43	JACKSBORO TOWN
43	AUBURNTOWN TOWN
43	ATWOOD CITY
43	BRUCETON TOWN
43	HOLLOW ROCK TOWN
43	HUNTINGDON TOWN
43	MCKENZIE CITY
43	MCLEMORESVILLE TOWN
43	TREZEVANT TOWN
43	CLARKSBURG TOWN
43	ELIZABETHTON CITY
43	WATAUGA CITY
43	NEWPORT TOWN
43	PARROTTSVILLE TOWN
43	MANCHESTER CITY
43	ALAMO TOWN
43	BELLS TOWN
43	MAURY CITY TOWN
43	CROSSVILLE CITY
43	PLEASANT HILL TOWN
43	CRAB ORCHARD CITY
43	DECATURVILLE TOWN
43	PARSONS TOWN
43	ALEXANDRIA TOWN
43	DOWELLTOWN TOWN
43	LIBERTY TOWN
43	TRIMBLE TOWN
43	LA GRANGE TOWN
43	MOSCOW TOWN
43	OAKLAND TOWN
43	ROSSVILLE TOWN
43	SOMERVILLE TOWN
43	GALLAWAY CITY
43	WILLISTON CITY
43	BRADEN TOWN
43	JAMESTOWN TOWN
43	ALLARDT TOWN
43	COWAN TOWN
43	DECHERD TOWN
43	HUNTLAND TOWN
43	WINCHESTER CITY
43	BRADFORD TOWN
43	DYER CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
43	GIBSON TOWN
43	HUMBOLDT CITY
43	MEDINA TOWN
43	MILAN CITY
43	RUTHERFORD TOWN
43	TRENTON CITY
43	YORKVILLE TOWN
43	ARDMORE CITY
43	ELKTON TOWN
43	LYNNVILLE TOWN
43	PULASKI CITY
43	MINOR HILL CITY
43	RUTLEDGE CITY
43	BAILEYTON
43	GREENEVILLE TOWN
43	TUSCULUM CITY
43	MCSHEIM TOWN
43	ALTAMONT TOWN
43	PALMER TOWN
43	TRACY CITY TOWN
43	COALMONT TOWN
43	BEERSHEBA SPRINGS TOWN
43	MORRISTOWN TOWN
43	CHATTANOOGA CITY
43	LAKESITE CITY
43	SNEEDVILLE TOWN
43	BOLIVAR CITY
43	HICKORY VALLEY TOWN
43	HORNSBY TOWN
43	MIDDLETON TOWN
43	SILERTON TOWN
43	TOONE TOWN
43	WHITEVILLE TOWN
43	SALTILLO CITY
43	SAVANNAH TOWN
43	BROWNSVILLE TOWN
43	STANTON CITY
43	SARDIS TOWN
43	GAINESBORO TOWN
43	JEFFERSON CITY TOWN
43	WHITE PINE TOWN
43	RIDGELY TOWN
43	TIPTONVILLE CITY
43	GATES TOWN
43	HENNING TOWN
43	IRON CITY TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
43	FAYETTEVILLE CITY
43	LENOIR CITY CITY
43	LOUDON TOWN
43	GREENBACK CITY
43	PHILADELPHIA CITY
43	ATHENS CITY
43	ENGLEWOOD TOWN
43	ETOWAH TOWN
43	NIOTA CITY
43	CALHOUN CITY
43	RAMER CITY
43	MICHIE TOWN
43	STANTONVILLE TOWN
43	FINGER TOWN
43	DENMARK TOWN
43	CORNERSVILLE TOWN
43	LEWISBURG TOWN
43	MOUNT PLEASANT TOWN
43	DECATUR TOWN
43	MADISONVILLE TOWN
43	SWEETWATER CITY
43	TELLICO PLAINS TOWN
43	VONORE TOWN
43	LYNCHBURG TOWN
43	OAKDALE TOWN
43	LIVINGSTON TOWN
43	BYRDSTOWN TOWN
43	BENTON CITY
43	DUCKTOWN CITY
43	ALGOOD TOWN
43	BAXTER TOWN
43	MONTEREY TOWN
43	DAYTON CITY
43	HARRIMAN CITY
43	KINGSTON CITY
43	ROCKWOOD CITY
43	ONEIDA CITY
43	HUNTSVILLE TOWN
43	CUMBERLAND CITY TOWN
43	DOVER TOWN
43	SPENCER TOWN
43	MCMINNVILLE CITY
43	VIOLA TOWN
43	CLIFTON CITY TOWN
43	COLLINWOOD CITY
43	WAYNESBORO CITY

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
43	SPARTA CITY
43	DOYLE TOWN

STATE = 43: 186 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
44	BEE COUNTY
44	BOWIE COUNTY
44	BREWSTER COUNTY
44	BROOKS COUNTY
44	BURLESON COUNTY
44	CALDWELL COUNTY
44	CAMP COUNTY
44	COLEMAN COUNTY
44	COLLINGSWORTH COUNTY
44	COMAL COUNTY
44	COMANCHE COUNTY
44	CONCHO COUNTY
44	CULBERSON COUNTY
44	DELTA COUNTY
44	DE WITT COUNTY
44	DICKENS COUNTY
44	DUVAL COUNTY
44	EASTLAND COUNTY
44	EDWARDS COUNTY
44	FANNIN COUNTY
44	FAYETTE COUNTY
44	GLASSCOCK COUNTY
44	GOLIAD COUNTY
44	GONZALES COUNTY
44	GRAYSON COUNTY
44	HAMILTON COUNTY
44	HILL COUNTY
44	HOPKINS COUNTY
44	HOUSTON COUNTY
44	HUNT COUNTY
44	IRION COUNTY
44	JEFF DAVIS COUNTY
44	JIM HOGG COUNTY
44	JIM WELLS COUNTY
44	KENEDY COUNTY
44	KINNEY COUNTY
44	KLEBERG COUNTY
44	LAMAR COUNTY
44	LA SALLE COUNTY
44	LIVE OAK COUNTY
44	MCCULLOCH COUNTY
44	MCMULLEN COUNTY
44	MARION COUNTY
44	MASON COUNTY
44	MENARD COUNTY
44	MILAM COUNTY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
44	MILLS COUNTY
44	MOTLEY COUNTY
44	NEWTON COUNTY
44	NOLAN COUNTY
44	PALO PINTO COUNTY
44	PRESIDIO COUNTY
44	REAL COUNTY
44	RED RIVER COUNTY
44	REEVES COUNTY
44	ROBERTSON COUNTY
44	RUNNELS COUNTY
44	SABINE COUNTY
44	SAN AUGUSTINE COUNTY
44	SAN SABA COUNTY
44	SHELBY COUNTY
44	TRINITY COUNTY
44	VAL VERDE COUNTY
44	WASHINGTON COUNTY
44	WILLACY COUNTY
44	ZAVALA COUNTY
44	BURKE CITY
44	HUDSON CITY
44	SAN FELIPE TOWN
44	BASTROP CITY
44	ELGIN CITY
44	BEEVILLE CITY
44	MERICIAN CITY
44	MORGAN CITY
44	WALNUT SPRINGS CITY
44	DE KALB TOWN
44	HOOKS CITY
44	NEW BOSTON TOWN
44	TEXARKANA CITY
44	LEARY CITY
44	ALPINE TOWN
44	FALFURRIAS CITY
44	CALDWELL CITY
44	SNOOK CITY
44	LULING CITY
44	BLOOMBURG TOWN
44	HUGHES SPRINGS TOWN
44	MARIETTA TOWN
44	NOVICE CITY
44	SANTA ANNA TOWN
44	DODSON TOWN
44	WELLINGTON CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
44	NEW BRAUNFELS CITY
44	COMANCHE CITY
44	DE LEON CITY
44	GUSTINE TOWN
44	EDEN CITY
44	VAN HORN TOWN
44	TEXLINE TOWN
44	HEREFORD CITY
44	COOPER CITY
44	PECAN GAP CITY
44	CUERO CITY
44	DICKENS CITY
44	SPUR CITY
44	HEDLEY TOWN
44	BENAVIDES CITY
44	CARBON TOWN
44	CISCO CITY
44	EASTLAND CITY
44	GORMAN CITY
44	RANGER CITY
44	RISING STAR TOWN
44	ROCKSPRINGS TOWN
44	BAILEY CITY
44	BONHAM CITY
44	DODD CITY TOWN
44	ECTOR TOWN
44	HONEY GROVE CITY
44	LADONIA TOWN
44	LEONARD CITY
44	SAVOY TOWN
44	TRENTON TOWN
44	WINDOM TOWN
44	FAYETTEVILLE TOWN
44	SCHULENBURG CITY
44	CARMINE CITY
44	STREETMAN TOWN
44	WORTHAM TOWN
44	SEAGRAVES CITY
44	GALVESTON CITY
44	GONZALES CITY
44	NIXON CITY
44	WAELDER CITY
44	MCLEAN CITY
44	BELLS TOWN
44	COLLINSVILLE TOWN
44	DENISON CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
44	GUNTER TOWN
44	HOWE TOWN
44	POTTSBORO TOWN
44	TIOGA TOWN
44	VAN ALSTYNE TOWN
44	WHITESBORO TOWN
44	WHITEWRIGHT TOWN
44	TOM BEAN TOWN
44	SOUTHMAYD TOWN
44	DORCHESTER TOWN
44	SADLER CITY
44	HAMILTON CITY
44	CHILLICOTHE CITY
44	CHANNING TOWN
44	OBRIEN CITY
44	ABBOTT TOWN
44	HILLSBORO CITY
44	ITASCA CITY
44	MOUNT CALM TOWN
44	PENELOPE TOWN
44	COMO TOWN
44	CUMBY CITY
44	CROCKETT CITY
44	KENNARD TOWN
44	CADDO MILLS CITY
44	CELESTE TOWN
44	COMMERCE CITY
44	GREENVILLE CITY
44	QUINLAN CITY
44	WOLFE CITY CITY
44	WEST TAWAKONI TOWN
44	NEYLANDVILLE TOWN
44	CAMPBELL TOWN
44	BRYSON CITY
44	VALENTINE TOWN
44	PORT ARTHUR CITY
44	ALICE CITY
44	PREMONT CITY
44	BRACKETTVILLE CITY
44	SPOFFORD CITY
44	KINGSVILLE CITY
44	BENJAMIN CITY
44	GOREE CITY
44	PARIS CITY
44	TOCO TOWN
44	LOMETA TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
44	COTULLA CITY
44	GEORGE WEST CITY
44	THREE RIVERS CITY
44	MELVIN TOWN
44	JEFFERSON CITY
44	MENARD TOWN
44	CAMERON CITY
44	ROCKDALE CITY
44	BUCKHOLTS CITY

STATE = 44: 193 RECORDS

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
44	MILANO TOWN

STATE = 44: 1 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
44	GOLDTHWAITE CITY
44	MATADOR TOWN
44	CUSHING TOWN
44	GARRISON TOWN
44	CHIRENO CITY
44	DAWSON CITY
44	KERENS TOWN
44	BARRY CITY
44	EMHOUSE TOWN
44	RICHLAND CITY
44	NEWTON CITY
44	BLACKWELL TOWN
44	SWEETWATER CITY
44	AGUA DULCE CITY
44	DRISCOLL CITY
44	ROBSTOWN CITY
44	GORDON TOWN
44	GRAFORD TOWN
44	MINGUS CITY
44	STRAWN CITY
44	MARFA CITY
44	CAMP WOOD CITY
44	LEAKEY CITY
44	ANNONA TOWN
44	AVERY TOWN
44	BOGATA TOWN
44	CLARKSVILLE CITY
44	PECOS CITY
44	BALMORHEA CITY
44	WOODSBORO CITY
44	BREMOND CITY
44	CALVERT CITY
44	HEARNE CITY
44	WINTERS CITY
44	HEMPHILL CITY
44	PINELAND CITY
44	BRONSON CITY
44	SAN AUGUSTINE CITY
44	BROADDUS TOWN
44	SAN SABA CITY
44	CENTER CITY
44	JOAQUIN TOWN
44	TIMPSON CITY
44	HUXLEY CITY
44	MEADOW TOWN

STATE = 44: 45 RECORDS

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U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
44	WELLMAN TOWN

STATE = 44: 1 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
44	THROCKMORTON CITY
44	GROVETON CITY
44	TRINITY CITY
44	WOODVILLE TOWN
44	COLMESNEIL TOWN
44	DEL RIO CITY
44	GRAND SALINE CITY
44	VAN CITY
44	EDOM CITY
44	BARSTOW TOWN
44	GRANDFALLS TOWN
44	WHARTON CITY
44	VERNON CITY
44	LYFORD TOWN
44	RAYMONDVILLE CITY
44	STOCKDALE CITY
44	PLAINS TOWN
44	CRYSTAL CITY CITY

STATE = 44: 18 RECORDS

05/23/78 AT 01:25
U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
45	GARFIELD COUNTY
45	PIUTE COUNTY
45	RICH COUNTY
45	SANPETE COUNTY
45	MINERSVILLE TOWN
45	DEWEYVILLE TOWN
45	GARLAND CITY
45	MANTUA TOWN
45	PLYMOUTH TOWN
45	SNOWVILLE TOWN
45	ESCALANTE TOWN
45	HATCH TOWN
45	EUREKA CITY
45	NEPHI CITY
45	HOLDEN TOWN
45	KANOSH TOWN
45	LEAMINGTON TOWN
45	LYNNDYL TOWN
45	MEADOW TOWN
45	SCIPIO TOWN
45	CIRCLEVILLE TOWN
45	JUNCTION TOWN
45	KINGSTON TOWN
45	MARYSVALE TOWN
45	LAKETOWN TOWN
45	RANDOLPH TOWN
45	WOODRUFF TOWN
45	CENTERFIELD TOWN
45	EPHRAIM CITY
45	FAIRVIEW CITY
45	FAYETTE TOWN
45	FOUNTAIN GREEN CITY
45	GUNNISON CITY
45	MANTI CITY
45	MAYFIELD TOWN
45	MORONI CITY
45	MOUNT PLEASANT CITY
45	SPRING CITY
45	STERLING TOWN
45	WALES TOWN
45	HENEFER TOWN
45	SOLDIER SUMMIT TOWN
45	BICKNELL TOWN
45	OGDEN CITY
45	UINTAH TOWN
45	HARRISVILLE CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE TITLE

STATE = 45: 46 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
46	BENNINGTON COUNTY
46	FRANKLIN COUNTY
46	GRAND ISLE COUNTY
46	RUTLAND COUNTY
46	WINDHAM COUNTY
46	WINDSOR COUNTY
46	MANCHESTER VILLAGE
46	NORTH BENNINGTON VILLAGE
46	OLD BENNINGTON VILLAGE
46	READSBORO VILLAGE
46	ENOSBURG FALLS VILLAGE
46	RICHFORD VILLAGE
46	ST ALBANS CITY
46	ALBURG VILLAGE
46	ALBANY VILLAGE
46	BARTON VILLAGE
46	DERBY CENTER VILLAGE
46	DERBY LINE VILLAGE
46	NEWPORT CITY
46	ORLEANS VILLAGE
46	POULTNEY VILLAGE
46	RUTLAND CITY
46	BELLOWS FALLS VILLAGE
46	NEWFANE VILLAGE
46	N WESTMINSTER VILLAGE
46	SAXTONS RIVER VILLAGE
46	WESTMINSTER VILLAGE
46	LUDLOW VILLAGE
46	PERKINSVILLE VILLAGE
46	PROCTORSVILLE VILLAGE
46	ARLINGTON TOWN
46	BENNINGTON TOWN
46	DORSET TOWN
46	LANDGROVE TOWN
46	MANCHESTER TOWN
46	PERU TOWN
46	POWNAL TOWN
46	READSBORO TOWN
46	RUPERT TOWN
46	SANDGATE TOWN
46	SEARSBURG TOWN
46	SHAFTSBURY TOWN
46	STAMFORD TOWN
46	SUNDERLAND TOWN
46	WINHALL TOWN
46	WOODFORD TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
46	BARNET TOWN
46	HARDWICK TOWN
46	ST JOHNSBURY TOWN
46	BLOOMFIELD TOWN
46	CANAAN TOWN
46	GUILDHALL TOWN
46	LEMINGTON TOWN
46	BAKERSFIELD TOWN
46	BERKSHIRE TOWN
46	ENOSBURG TOWN
46	FAIRFAX TOWN
46	FAIRFIELD TOWN
46	FLETCHER TOWN
46	FRANKLIN TOWN
46	GEORGIA TOWN
46	HIGHGATE TOWN
46	MONTGOMERY TOWN
46	RICHFORD TOWN
46	ST ALBANS TOWN
46	SHELDON TOWN
46	ALBURG TOWN
46	ISLE LA MOTTE TOWN
46	NORTH HERO TOWN
46	BARTON TOWN
46	BROWNINGTON TOWN
46	JAY TOWN
46	TROY TOWN
46	BENSON TOWN
46	BRANDON TOWN
46	CASTLETON TOWN
46	CHITTENDEN TOWN
46	CLARENDON TOWN
46	DANBY TOWN
46	FAIR HAVEN TOWN
46	HUBBARDTON TOWN
46	IRA TOWN
46	MENDON TOWN
46	MIDDLETOWN SPRINGS TOWN
46	MOUNT HOLLY TOWN
46	PAWLET TOWN
46	PITTSFIELD TOWN
46	POULTNEY TOWN
46	PROCTOR TOWN
46	SHERBURNE TOWN
46	SHREWSBURY TOWN
46	SUDBURY TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
46	TINMOUTH TOWN
46	WALLINGFORD TOWN
46	WELLS TOWN
46	WEST HAVEN TOWN
46	WEST RUTLAND TOWN
46	ATHENS TOWN
46	BRATTLEBORO TOWN
46	GRAFTON TOWN
46	LONDONDERRY TOWN
46	NEWFANE TOWN
46	PUTNEY TOWN
46	ROCKINGHAM TOWN
46	WESTMINSTER TOWN
46	WINDHAM TOWN
46	BALTIMORE TOWN
46	CAVENDISH TOWN
46	CHESTER TOWN
46	LUDLOW TOWN
46	READING TOWN
46	SPRINGFIELD TOWN
46	WEATHERSFIELD TOWN
46	WESTON TOWN
46	WEST WINDSOR TOWN
46	WINDSOR TOWN

STATE = 46: 116 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
47	ALLEGHANY COUNTY
47	BATH COUNTY
47	BLAND COUNTY
47	BRUNSWICK COUNTY
47	BUCKINGHAM COUNTY
47	CARROLL COUNTY
47	CHARLOTTE COUNTY
47	FLOYD COUNTY
47	GILES COUNTY
47	GREENSVILLE COUNTY
47	HIGHLAND COUNTY
47	KING AND QUEEN COUNTY
47	LUNENBURG COUNTY
47	NORTHAMPTON COUNTY
47	NORTHUMBERLAND COUNTY
47	NOTTOWAY COUNTY
47	PATRICK COUNTY
47	RICHMOND COUNTY
47	ROCKBRIDGE COUNTY
47	SHENANDOAH COUNTY
47	SMYTH COUNTY
47	SURRY COUNTY
47	SUSSEX COUNTY
47	IRON GATE TOWN
47	ALBERTA TOWN
47	LAWRENCEVILLE TOWN
47	CHARLOTTE TOWN
47	DRAKES BRANCH TOWN
47	KEYSVILLE TOWN
47	PHOENIX TOWN
47	BOYCE TOWN
47	FLOYD TOWN
47	GLEN LYN TOWN
47	NARROWS TOWN
47	PEARISBURG TOWN
47	PEMBROKE TOWN
47	RICH CREEK TOWN
47	IRVINGTON TOWN
47	KENBRIDGE TOWN
47	VICTORIA TOWN
47	CAPE CHARLES TOWN
47	CHERITON TOWN
47	NASSAWADDX TOWN
47	BLACKSTONE TOWN
47	BURKEVILLE TOWN
47	GORDONSVILLE TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
47	STANLEY TOWN
47	WARSAW TOWN
47	GLASGOW TOWN
47	GOSHEN TOWN
47	EDINBURG TOWN
47	MOUNT JACKSON TOWN
47	NEW MARKET TOWN
47	TOMS BROOK TOWN
47	WOODSTOCK TOWN
47	CHILHOWIE TOWN
47	MARION TOWN
47	CLAREMONT TOWN
47	DENDRON TOWN
47	SURRY TOWN
47	STONY CREEK TOWN
47	WAKEFIELD TOWN
47	WAVERLY TOWN
47	MONTROSS TOWN
47	BUENA VISTA CITY
47	COVINGTON CITY
47	DANVILLE CITY
47	LEXINGTON CITY
47	PETERSBURG CITY
47	RADFORD CITY
47	SOUTH BOSTON CITY
47	WAYNESBORO CITY

STATE = 47: 72 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
48	COLUMBIA COUNTY
48	COWLITZ COUNTY
48	GARFIELD COUNTY
48	GRAYS HARBOR COUNTY
48	JEFFERSON COUNTY
48	KING COUNTY
48	KITTITAS COUNTY
48	PACIFIC COUNTY
48	PIERCE COUNTY
48	SNOHOMISH COUNTY
48	WALLA WALLA COUNTY
48	LIND TOWN
48	RITZVILLE CITY
48	WASHTUCNA TOWN
48	LEAVENWORTH CITY
48	DAYTON CITY
48	STARBUCK CITY
48	KALAMA TOWN
48	KELSO CITY
48	LONGVIEW CITY
48	POMEROY CITY
48	COULEE CITY TOWN
48	ELECTRIC CITY
48	EPHRATA CITY
48	HARTLINE TOWN
48	MOSES LAKE CITY
48	QUINCY TOWN
48	WILSON CREEK TOWN
48	MATTAWA TOWN
48	GEORGE CITY
48	ABERDEEN CITY
48	COSMOPOLIS TOWN
48	HOQUIAM CITY
48	MC CLEARY TOWN
48	OAKVILLE TOWN
48	WESTPORT CITY
48	PORT TOWNSEND CITY
48	ALGONA CITY
48	AUBURN CITY
48	BEAUX ARTS VILLAGE
48	BOTHELL CITY
48	CARNATION TOWN
48	CLYDE HILL TOWN
48	DUVALL TOWN
48	ENUMCLAW CITY
48	HUNTS POINT TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
48	ISSAQUAH CITY
48	KENT CITY
48	MEDINA CITY
48	PACIFIC TOWN
48	RENTON CITY
48	SEATTLE CITY
48	SKYKOMISH TOWN
48	SNOQUALMIE TOWN
48	TUKWILA CITY
48	BLACK DIAMOND TOWN
48	DES MOINES CITY
48	YARROW POINT TOWN
48	MERCER ISLAND CITY
48	LAKE FOREST PARK CITY
48	BREMERTON CITY
48	PORT ORCHARD CITY
48	CLE ELUM CITY
48	ELLENSBURG CITY
48	KITTITAS TOWN
48	ROSLYN CITY
48	BINGEN TOWN
48	WHITE SALMON TOWN
48	TOLEDO TOWN
48	OROVILLE TOWN
48	TWISP TOWN
48	RAYMOND CITY
48	SOUTH BEND CITY
48	ICNE TOWN
48	BONNEY LAKE TOWN
48	BUCKLEY CITY
48	CARBONADO TOWN
48	DUPONT CITY
48	GIG HARBOR TOWN
48	ORTING TOWN
48	PUYALLUP CITY
48	ROY CITY
48	SOUTH PRAIRIE TOWN
48	SUMNER CITY
48	TACOMA CITY
48	WILKESON TOWN
48	FIFE TOWN
48	LA CONNER TOWN
48	LYMAN TOWN
48	NORTH BONNEVILLE TOWN
48	ARLINGTON CITY
48	DARRINGTON TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
48	EDMONDS CITY
48	EVERETT CITY
48	GOLD BAR TOWN
48	GRANITE FALLS TOWN
48	INDEX TOWN
48	MARYSVILLE CITY
48	MONROE CITY
48	MOUNTLAKE TERRACE CITY
48	MUKILTEO CITY
48	SNOHOMISH CITY
48	STANWOOD CITY
48	SULTAN TOWN
48	WOODWAY TOWN
48	LYNNWOOD CITY
48	LAKE STEVENS TOWN
48	BRIER CITY
48	CHENEY CITY
48	MEDICAL LAKE TOWN
48	SPOKANE CITY
48	NORTHPORT CITY
48	COLLEGE PLACE TOWN
48	WALLA WALLA CITY
48	GRANGER CITY
48	TOPPENISH CITY
48	YAKIMA CITY

STATE = 48: 117 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
49	BERKELEY COUNTY
49	BRAXTON COUNTY
49	CABELL COUNTY
49	CALHOUN COUNTY
49	CLAY COUNTY
49	DODDRIDGE COUNTY
49	FAYETTE COUNTY
49	GILMER COUNTY
49	GRANT COUNTY
49	GREENBRIER COUNTY
49	HARRISON COUNTY
49	JACKSON COUNTY
49	LEWIS COUNTY
49	LINCOLN COUNTY
49	MARION COUNTY
49	MARSHALL COUNTY
49	MASON COUNTY
49	MINGO COUNTY
49	MONONGALIA COUNTY
49	MONROE COUNTY
49	MORGAN COUNTY
49	COUNTY OF OHIO
49	PENDLETON COUNTY
49	POCAHONTAS COUNTY
49	PRESTON COUNTY
49	RANDOLPH COUNTY
49	RITCHIE COUNTY
49	ROANE COUNTY
49	SUMMERS COUNTY
49	TAYLOR COUNTY
49	TUCKER COUNTY
49	TYLER COUNTY
49	WAYNE COUNTY
49	WEBSTER COUNTY
49	WETZEL COUNTY
49	WIRT COUNTY
49	WOOD COUNTY
49	HEDGESVILLE TOWN
49	MARTINSBURG CITY
49	BURNSVILLE TOWN
49	FLATWOODS TOWN
49	GASSAWAY TOWN
49	SUTTON TOWN
49	HUNTINGTON CITY
49	CLAY TOWN
49	WEST UNION TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
49	ANSTED TOWN
49	FAYETTEVILLE TOWN
49	MEADOW BRIDGE TOWN
49	MOUNT HOPE CITY
49	PAX TOWN
49	THURMOND TOWN
49	GLENVILLE TOWN
49	LAYOPOLIS TOWN
49	FALLING SPRINGS TOWN
49	QUINWOOD TOWN
49	RAINELLE TOWN
49	RONCEVERTE CITY
49	CLARKSBURG CITY
49	LOST CREEK TOWN
49	LUMBERPORT TOWN
49	NUTTER FORT TOWN
49	SALEM CITY
49	STONEWOOD TOWN
49	ANMOORE TOWN
49	RAVENSWOOD TOWN
49	RIPLEY CITY
49	JANE LEW TOWN
49	WESTON CITY
49	HAMLIN TOWN
49	ANAWALT TOWN
49	FAIRMONT CITY
49	FAIRVIEW TOWN
49	FARMINGTON TOWN
49	GRANT TOWN TOWN
49	MANNINGTON CITY
49	MONONGAH TOWN
49	RIVESVILLE TOWN
49	WORTHINGTON TOWN
49	BARRACKVILLE TOWN
49	BENWOOD CITY
49	CAMERON CITY
49	MCMECHEN CITY
49	MOUNDSVILLE CITY
49	HARTFORD TOWN
49	HENDERSON TOWN
49	LEON VILLAGE
49	MASON TOWN
49	NEW HAVEN TOWN
49	POINT PLEASANT CITY
49	BRAMWELL TOWN
49	MATOAKA TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
39	OAKVALE TOWN
39	PIEDMONT CITY
39	RIDGELEY TOWN
39	GILBERT TOWN
39	MATEWAN TOWN
39	WILLIAMSON CITY
39	MORGANTOWN CITY
39	OSAGE TOWN
39	PETERSTOWN TOWN
39	UNION TOWN
39	BATH TOWN
39	PAW PAW TOWN
39	RICHWOOD CITY
39	CASS TOWN
39	DURBIN TOWN
39	HILLSBORO VILLAGE
39	MARLINTON TOWN
39	ALBRIGHT TOWN
39	BRANDONVILLE CORPORATION
39	NEWBURG TOWN
39	ROWLESBURG TOWN
39	TUNNELTON TOWN
39	BEVERLY TOWN
39	ELKINS CITY
39	TOWN HARMAN
39	HUTTONSVILLE TOWN
39	MILL CREEK TOWN
39	MONTROSE CORPORATION
39	WOMELSDORFF TOWN
39	AUBURN TOWN
39	CAIRO TOWN
39	ELLENBORO TOWN
39	HARRISVILLE TOWN
39	PENNSBORO CITY
39	PULLMAN TOWN
39	REEDY TOWN
39	SPENCER CITY
39	HINTON CITY
39	FLEMINGTON TOWN
39	GRAFTON CITY
39	DAVIS TOWN
39	HAMBLETON TOWN
39	HENDRICKS TOWN
39	PARSONS CITY
39	THOMAS TOWN
39	FRIENDLY TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
49	MIDDLEBOURNE TOWN
49	CEREDO TOWN
49	FORT GAY TOWN
49	KENOVA CITY
49	WAYNE TOWN
49	ADDISON TOWN
49	CAMDEN ON GAULEY TOWN
49	COWEN TOWN
49	HUNDRED TOWN
49	LITTLETON TOWN
49	NEW MARTINSVILLE CITY
49	PINE GROVE TOWN
49	SMITHFIELD TOWN
49	ELIZABETH TOWN

STATE = 49: 152 RECORDS

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	ASHLAND COUNTY
50	BAYFIELD COUNTY
50	BUFFALO COUNTY
50	CHIPPEWA COUNTY
50	COLUMBIA COUNTY
50	CRAWFORD COUNTY
50	DOUGLAS COUNTY
50	FLORENCE COUNTY
50	FOREST COUNTY
50	GREEN LAKE COUNTY
50	IOWA COUNTY
50	IRON COUNTY
50	KEWAUNEE COUNTY
50	LAFAYETTE COUNTY
50	MARQUETTE COUNTY
50	MONROE COUNTY
50	RICHLAND COUNTY
50	RUSK COUNTY
50	SAUK COUNTY
50	SHAWANO COUNTY
50	VERNON COUNTY
50	WASHBURN COUNTY
50	ASHLAND CITY
50	BUTTERNUT VILLAGE
50	MELLEN CITY
50	BAYFIELD CITY
50	CABLE VILLAGE
50	MASON VILLAGE
50	WASHBURN CITY
50	FOUNTAIN CITY CITY
50	MONDOVI CITY
50	BLOOMER CITY
50	CADOTT VILLAGE
50	CHIPPEWA FALLS CITY
50	CORNELL CITY
50	STANLEY CITY
50	CAMBRIA VILLAGE
50	COLUMBUS CITY
50	DOYLESTOWN VILLAGE
50	FALL RIVER VILLAGE
50	FRIESLAND VILLAGE
50	LODI CITY
50	PORTAGE CITY
50	POYNETTE VILLAGE
50	RIO VILLAGE
50	WYOCENA VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	BELL CENTER VILLAGE
50	EASTMAN VILLAGE
50	GAYS MILLS VILLAGE
50	LYNXVILLE VILLAGE
50	PRAIRIE DU CHIEN CITY
50	SOLDIERS GROVE VILLAGE
50	STEUBEN VILLAGE
50	WAUZEKA VILLAGE
50	FOX LAKE CITY
50	KEKOSKEE VILLAGE
50	OLIVER VILLAGE
50	SUPERIOR CITY
50	BRANDON VILLAGE
50	RIPON CITY
50	MT CALVARY VILLAGE
50	CRANDON CITY
50	KINGSTON VILLAGE
50	PRINCETON CITY
50	AVOCA VILLAGE
50	DODGEVILLE CITY
50	LINDEN VILLAGE
50	REWEY VILLAGE
50	RIDGEWAY VILLAGE
50	HURLEY CITY
50	MONTREAL CITY
50	MERRILLAN VILLAGE
50	ALGOMA CITY
50	CASCO VILLAGE
50	KEWAUNEE CITY
50	ARGYLE VILLAGE
50	BENTON VILLAGE
50	DARLINGTON CITY
50	GRATIOT VILLAGE
50	SHULLSBURG CITY
50	MERRILL CITY
50	TWO RIVERS CITY
50	BROKAW VILLAGE
50	ELDERON VILLAGE
50	FENWOOD VILLAGE
50	STRATFORD VILLAGE
50	ENDEAVOR VILLAGE
50	MONTELLO CITY
50	OXFORD VILLAGE
50	WESTFIELD VILLAGE
50	MILWAUKEE CITY
50	KENDALL VILLAGE

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	MELVINA VILLAGE
50	WILTON VILLAGE
50	WYEVILLE VILLAGE
50	WARRENS VILLAGE
50	GILLETT CITY
50	LENA VILLAGE
50	OCONTO CITY
50	OCONTO FALLS CITY
50	CENTURIA VILLAGE
50	LUCK VILLAGE
50	YUBA VILLAGE
50	BELOIT CITY
50	FOOTVILLE VILLAGE
50	BRUCE VILLAGE
50	CONRATH VILLAGE
50	GLEN FLORA VILLAGE
50	HAWKINS VILLAGE
50	INGRAM VILLAGE
50	LADYSMITH CITY
50	TONY VILLAGE
50	WEYERHAEUSER VILLAGE
50	BARABOO CITY
50	IRONTON VILLAGE
50	LAKE DELTON VILLAGE
50	LA VALLE VILLAGE
50	LIME RIDGE VILLAGE
50	LOGANVILLE VILLAGE
50	MERRIMAC VILLAGE
50	NORTH FREEDOM VILLAGE
50	PLAIN VILLAGE
50	REEDSBURG CITY
50	ROCK SPRINGS VILLAGE
50	SAUK CITY VILLAGE
50	SPRING GREEN VILLAGE
50	COUDERAY VILLAGE
50	MATTOON VILLAGE
50	SHAWANO CITY
50	TIGERTON VILLAGE
50	CASCADE VILLAGE
50	GLENBEULAH VILLAGE
50	LUBLIN VILLAGE
50	GENOA VILLAGE
50	LA FARGE VILLAGE
50	ONTARIO VILLAGE
50	READSTOWN VILLAGE
50	VIROQUA CITY

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	WESTBY CITY
50	EAGLE RIVER CITY
50	DELAVAN CITY
50	SHARON VILLAGE
50	WILLIAMS BAY VILLAGE
50	BIRCHWOOD VILLAGE
50	MINONG VILLAGE
50	SHELL LAKE CITY
50	SPOONER CITY
50	BIG FALLS VILLAGE
50	CLINTONVILLE CITY
50	OGDENSBURG VILLAGE
50	HANCOCK VILLAGE
50	LOHRVILLE VILLAGE
50	PLAINFIELD VILLAGE
50	WAUTOMA CITY
50	AGENDA TOWN
50	ASHLAND TOWN
50	CHIPPEWA TOWN
50	GINGLES TOWN
50	GORDON TOWN
50	JACOBS TOWN
50	LA POINTE TOWN
50	MARENGO TOWN
50	MORSE TOWN
50	PEEKSVILLE TOWN
50	SANBORN TOWN
50	SHANAGOLDEN TOWN
50	WHITE RIVER TOWN
50	BARKSDALE TOWN
50	BARNES TOWN
50	BAYFIELD TOWN
50	BAYVIEW TOWN
50	BELL TOWN
50	CABLE TOWN
50	CLOVER TOWN
50	DELTA TOWN
50	DRUMMOND TOWN
50	EILEEN TOWN
50	HUGHES TOWN
50	IRON RIVER TOWN
50	KELLY TOWN
50	KEYSTONE TOWN
50	LINCOLN TOWN
50	MASON TOWN
50	NAMAKAGON TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	ORIENTA TOWN
50	OULU TOWN
50	PILSEN TOWN
50	PORT WING TOWN
50	GRANDVIEW TOWN
50	RUSSELL TOWN
50	TRIPP TOWN
50	WASHBURN TOWN
50	ALMA TOWN
50	BELVIDERE TOWN
50	CANTON TOWN
50	CROSS TOWN
50	DOVER TOWN
50	GILMANTON TOWN
50	LINCOLN TOWN
50	MAXVILLE TOWN
50	MILTON TOWN
50	MODENA TOWN
50	MONTANA TOWN
50	WAUMANDEE TOWN
50	ANDERSON TOWN
50	BLAINE TOWN
50	GRANTSBURG TOWN
50	LA FOLLETTE TOWN
50	LINCOLN TOWN
50	ROOSEVELT TOWN
50	WOOD RIVER TOWN
50	ARTHUR TOWN
50	AUBURN TOWN
50	COOKS VALLEY TOWN
50	DELMAR TOWN
50	EDSON TOWN
50	ESTELLA TOWN
50	GOETZ TOWN
50	RUBY TOWN
50	WOODMOHR TOWN
50	ARLINGTON TOWN
50	CALEDONIA TOWN
50	COLUMBUS TOWN
50	COURTLAND TOWN
50	DEKORRA TOWN
50	FORT WINNEBAGO TOWN
50	FOUNTAIN PRAIRIE TOWN
50	HAMPDEN TOWN
50	LEEDS TOWN
50	LEWISTON TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	LOWVILLE TOWN
50	MARCELLON TOWN
50	NEWPORT TOWN
50	OTSEGO TOWN
50	PACIFIC TOWN
50	RANDOLPH TOWN
50	SCOTT TOWN
50	WYOCENA TOWN
50	CLAYTON TOWN
50	FREEMAN TOWN
50	SCOTT TOWN
50	UTICA TOWN
50	WAUZEKA TOWN
50	CLYMAN TOWN
50	ELBA TOWN
50	EMMET TOWN
50	FOX LAKE TOWN
50	LEBANON TOWN
50	LEROY TOWN
50	PORTLAND TOWN
50	SHIELDS TOWN
50	THERESA TOWN
50	PARKLAND TOWN
50	AURORA TOWN
50	COMMONWEALTH TOWN
50	FENCE TOWN
50	FERN TOWN
50	HOMESTEAD TOWN
50	TIPLER TOWN
50	ASHFORD TOWN
50	ELDORADO TOWN
50	EMPIRE TOWN
50	SPRINGVALE TOWN
50	WAUPUN TOWN
50	ALVIN TOWN
50	ARGONNE TOWN
50	ARMSTRONG CREEK
50	BLACKWELL TOWN
50	CASWELL TOWN
50	CRANDON TOWN
50	FREEDOM TOWN
50	HILES TOWN
50	LAONA TOWN
50	LINCOLN TOWN
50	NASHVILLE TOWN
50	POPPLE RIVER TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	ROSS TOWN
50	WABENO TOWN
50	GREEN LAKE TOWN
50	MACKFORD TOWN
50	MARQUETTE TOWN
50	ST MARIE TOWN
50	SENECA TOWN
50	ARENA TOWN
50	BRIGHAM TOWN
50	CLYDE TOWN
50	DODGEVILLE TOWN
50	HIGHLAND TOWN
50	LINDEN TOWN
50	MIFFLIN TOWN
50	MINERAL POINT TOWN
50	MOSCOW TOWN
50	PULASKI TOWN
50	WALDWICK TOWN
50	ANDERSON TOWN
50	CAREY TOWN
50	GURNEY TOWN
50	KIMBALL TOWN
50	KNIGHT TOWN
50	PENCE TOWN
50	SAXON TOWN
50	AHNAPEE TOWN
50	CARLTON TOWN
50	CASCO TOWN
50	FRANKLIN TOWN
50	LINCOLN TOWN
50	LUXEMBURG TOWN
50	RED RIVER TOWN
50	WEST KEWAUNEE TOWN
50	ARGYLE TOWN
50	BENTON TOWN
50	DARLINGTON TOWN
50	ELK GROVE TOWN
50	FAYETTE TOWN
50	KENDALL TOWN
50	LAMONT TOWN
50	NEW DIGGINGS TOWN
50	SEYMOUR TOWN
50	SHULLSBURG TOWNSHIP
50	WAYNE TOWN
50	WHITE OAK SPRINGS TOWN
50	WILLOW SPRINGS TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	WIOTA TOWN
50	NEVA TOWN
50	NORWOOD TOWN
50	PECK TOWN
50	VILAS TOWN
50	HARDING TOWN
50	RUSSELL TOWN
50	SOMO TOWN
50	CATO TOWN
50	KOSSUTH TOWN
50	LIBERTY TOWN
50	MANITOWOC TOWN
50	MISHICOT TOWN
50	TWO CREEKS TOWN
50	TWO RIVERS TOWN
50	BERLIN TOWN
50	BRIGHTON TOWN
50	CASSEL TOWN
50	CLEVELAND TOWN
50	DAY TOWN
50	EASTON TOWN
50	EAU PLEINE TOWN
50	EMMET TOWN
50	FRANZEN TOWN
50	GREEN VALLEY TOWN
50	HALSEY TOWN
50	HEWITT TOWN
50	HOLTON TOWN
50	HULL TOWN
50	JOHNSON TOWN
50	MAINE TOWN
50	MARATHON TOWN
50	RIB FALLS TOWN
50	REITBROCK TOWN
50	SPENCER TOWN
50	WAUSAU TOWN
50	WIEN TOWN
50	BUFFALO TOWN
50	CRYSTAL LAKE TOWN
50	DOUGLAS TOWN
50	HARRIS TOWN
50	NESHKORO TOWN
50	NEWTON TOWN
50	OXFORD TOWN
50	PACKWAUKEE TOWN
50	SHIELDS TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	SPRINGFIELD TOWN
50	ANGELO TOWN
50	CLIFTON TOWN
50	GLENDALE TOWN
50	GRANT TOWN
50	GREENFIELD TOWN
50	JEFFERSON TOWN
50	LAFAYETTE TOWN
50	NEW LYME TOWN
50	PORTLAND TOWN
50	RIDGEVILLE TOWN
50	SCOTT TOWN
50	SHELDON TOWN
50	SPARTA TOWN
50	WELLINGTON TOWN
50	WELLS TOWN
50	WILTON TOWN
50	BAGLEY TOWN
50	BRAZEAU TOWN
50	LENA TOWN
50	LITTLE RIVER TOWN
50	MAPLE VALLEY TOWN
50	OCONTO FALLS TOWN
50	SPRUCE TOWN
50	STILES TOWN
50	UNDERHILL TOWN
50	CLAM FALLS TOWN
50	CLEAR LAKE TOWN
50	FARMINGTON TOWN
50	MCKINLEY TOWN
50	AKAN TOWN
50	BLOOM TOWN
50	BUENA VISTA TOWN
50	DAYTON TOWN
50	EAGLE TOWN
50	FOREST TOWN
50	HENRIETTA TOWN
50	ITHACA TOWN
50	MARSHALL TOWN
50	RICHWOOD TOWN
50	ROCKBRIDGE TOWN
50	SYLVAN TOWN
50	WESTFORD TOWN
50	AVON TOWN
50	CENTER TOWN
50	JANESVILLE TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	JOHNSTOWN TOWN
50	LIMA TOWN
50	NEWARK TOWN
50	PORTER TOWN
50	ROCK TOWN
50	SPRING VALLEY TOWN
50	ATLANTA TOWN
50	BIG BEND TOWN
50	BIG FALLS TOWN
50	CEDAR RAPIDS TOWN
50	DEWEY TOWN
50	FLAMBEAU TOWN
50	GRANT TOWN
50	GROW TOWN
50	HAWKINS TOWN
50	HUBBARD TOWN
50	LAWRENCE TOWN
50	MURRY TOWN
50	RICHLAND TOWN
50	RUSK TOWN
50	SOUTH FORK TOWN
50	STRICKLAND TOWN
50	STUBBS TOWN
50	THORNAPPLE TOWN
50	TRUE TOWN
50	WASHINGTON TOWN
50	WILKINSON TOWN
50	WILLARD TOWN
50	WILSON TOWN
50	BARABOO TOWN
50	BEAR CREEK TOWN
50	DELLONA TOWN
50	DELTON TOWN
50	EXCELSIOR TOWN
50	FAIRFIELD TOWN
50	FRANKLIN TOWN
50	FREEDOM TOWN
50	GREENFIELD TOWN
50	HONEY CREEK TOWN
50	IRONTON TOWN
50	LA VALLE TOWN
50	MERRIMAC TOWN
50	SPRING GREEN TOWN
50	SUMPTER TOWN
50	TROY TOWN
50	WASHINGTON TOWN

05/23/78 AT 01:25

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEIST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	WESTFIELD TOWN
50	WINFIELD TOWN
50	WOODLAND TOWN
50	RADISSON TOWN
50	WEIRGOR TOWN
50	BELLE PLAINE TOWN
50	FAIRBANKS TOWN
50	GRANT TOWN
50	GREEN VALLEY TOWN
50	HERMAN TOWN
50	MORRIS TOWN
50	NAVARINO TOWN
50	PELLA TOWN
50	RED SPRING TOWN
50	SENECA TOWN
50	WAUKECHON TOWN
50	HUTCHINS TOWN
50	GREENBUSH TOWN
50	LIMA TOWN
50	MOSEL TOWN
50	AURORA TOWN
50	CLEVELAND TOWN
50	GOODRICH TOWN
50	GROVER TOWN
50	HOLWAY TOWN
50	MCKINLEY TOWN
50	MAPLEHURST TOWN
50	MOLITOR TOWN
50	TAFT TOWN
50	CLINTON TOWN
50	COON TOWN
50	FOREST TOWN
50	GENOA TOWN
50	JEFFERSON TOWN
50	LIBERTY TOWN
50	STARK TOWN
50	STERLING TOWN
50	UNION TOWN
50	VIROQUA TOWN
50	WHEATLAND TOWN
50	WHITESTOWN TOWN
50	LAC DU FLAMBEAU TOWN
50	PHELPS TOWN
50	WASHINGTON TOWN
50	DARIEN TOWN
50	DELAVAN TOWN

U.S. DEPARTMENT OF THE TREASURY

DISTRESSED AREA ELIGIBILITY TEST

(ELIGIBLE GOVERNMENTS)

STATE	TITLE
50	GENEVA TOWN
50	SHARON TOWN
50	BARRONETT TOWN
50	BASHAW TOWN
50	BASS LAKE TOWN
50	BEAVER BROOK TOWN
50	BIRCHWOOD TOWN
50	BROOKLYN TOWN
50	CASEY TOWN
50	CHILOG TOWN
50	CRYSTAL TOWN
50	EVERGREEN TOWN
50	FROG CREEK TOWN
50	GULL LAKE TOWN
50	LONG LAKE TOWN
50	MINONG TOWN
50	SARONA TOWN
50	SPOONER TOWN
50	SPRINGBROOK TOWN
50	STINNETT TOWN
50	STONE LAKE TOWN
50	BEAR CREEK TOWN
50	DUPONT TOWN
50	LARRABEE TOWN
50	LITTLE WOLF TOWN
50	MATTESON TOWN
50	UNION TOWN
50	WEYAUWEGA TOWN
50	WYOMING TOWN
50	AURORA TOWN
50	BLOOMFIELD TOWN
50	COLOMA TOWN
50	DEERFIELD TOWN
50	LEON TOWN
50	OASIS TOWN
50	POYSIPPI TOWN
50	ROSE TOWN
50	WARREN TOWN

STATE = 50: 544 RECORDS

FINAL TOTALS: 12142 RECORDS

U. S. GOVERNMENT PRINTING OFFICE : 1978 O - 266-274

artment of the TREASURY NEWS
INGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
May 26, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY ACTS ON ANTIDUMPING CASES INVOLVING IMPORTS OF STEEL WIRE STRAND FROM JAPAN AND INDIA

The Treasury Department said today that it has tentatively determined that steel wire strand for prestressed concrete from Japan is being sold in the United States at less than fair value.

In another action, the Treasury Department announced that it has made a final determination that steel wire strand for prestressed concrete from India is being sold here at less than fair value.

Appraisement is being withheld on imports from both countries. Under the Antidumping Act, the Secretary of the Treasury is required to withhold appraisement whenever he has reasonable cause to believe or suspect that "sales at less than fair value" are taking place. Sales at less than fair value, as defined by the Antidumping Act, generally occur when imported merchandise is sold in the United States for less than in the home market or in third countries.

Withholding of appraisement means that the valuation for customs duty purposes of the goods is suspended until completion of the investigation, thus allowing any dumping duties that are ultimately imposed to be levied on those imports.

The Indian case is being referred to the U. S. International Trade Commission (ITC), which must decide within 90 days whether a U. S. industry is being, or is likely to be, injured by these sales. If the ITC finds that one is, dumping duties will be assessed.

A final Treasury decision in the Japanese case must be made by August 31, 1978.

Notice of these actions will appear in the Federal Register of May 31, 1978.

Imports of steel wire strand for prestressed concrete from Japan amounted to $19.6 million during the period June-November 1977. Imports of this merchandise from India were valued at $249,000 during the period January-June 1977.

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HINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE
TUESDAY, MAY 30, 1978
AMs

STATEMENT BY SECRETARY OF THE TREASURY
W. MICHAEL BLUMENTHAL

The Appropriations Committee of the House of Representatives this past week reported the Foreign Assistance and Related Programs Appropriations Bill, including $2,628 million for the international financial institutions -- the World Bank family, the Inter-American Development Bank, the Asian Development Bank and the African Development Fund.

This figure is $876 million less than the Administration's request. We believe that the Committee's recommendation is the absolute minimum amount which is consistent with the interests of the United States in the developing world, and with our desire to bring about constructive policy changes in the international financial institutions. We will urge the House of Representatives to resist any additional reductions which may be proposed on the floor.

The Administration strongly supports the international financial institutions. We believe that these organizations effectively serve a broad range of U.S. political, security, economic and humanitarian interests because:

-- they are extremely effective channels of development assistance to the poorest countries in the world;

-- they assure burden-sharing among donor countries; others put up $3 for every $1 contributed by the United States;

-- they spend $2 in the United States for every $1 we pay into them.

We have therefore urged the Congress, both in formal testimony and in informal discussions with

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SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
May 26, 1978

Contact: Alvin M. Hattal
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-- they spend $2 in the United States for every $1 we pay into them.

We have therefore urged the Congress, both in formal testimony and in informal discussions with

many individual members, to support a level of appropriations as close as possible to the Administration's request of $3,505 million.

In its report, the Appropriations Committee also decided not to recommend any legislative restrictions on the use of U.S. funds by the international financial institutions. Under provisions of their charters, the banks cannot accept restricted funds. Passage of legislation with such restrictions would have the effect of taking the United States out of the development banks. This, in turn, could remove the banks from the international development process.

The Committee's decision in this respect was particularly significant, and is gratifying because of the high priority the Administration places on continued U.S. participation and support for the international financial institutions.

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epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 6[illegible]041

Contact: Carolyn M. Johnston
(202) 634-5377

FOR IMMEDIATE RELEASE May 23, 1978

SELLARS REAPPOINTED CHAIRMAN OF SAVINGS BONDS COUNCIL

Richard B. Sellars, Chairman of the Finance Committee of the Board, Johnson & Johnson, New Brunswick, N.J., has accepted reappointment as the National Chairman of the Savings Bonds Volunteer State Chairmen's Council through December 31, 1979. The appointment was made by Secretary of the Treasury W. Michael Blumenthal.

Mr. Sellars first became National Chairman of the Savings Bonds Council on January 1, 1977. On reappointing Mr. Sellars, Secretary Blumenthal said, "Encouraging millions of Americans to save for themselves through the U.S. Savings Bonds program is as important today as ever to help reduce the inflationary pressures in our economy. I thank you for your outstanding leadership and support in this vital effort."

The 51-member Savings Bonds Volunteer State Chairmen's Council consists of leading businessmen who head the volunteer program for the sale and retention of Savings Bonds in their state. They are appointed to two-year terms by the Secretary of the Treasury.

Sellars, a 39-year veteran of Johnson & Johnson, has been President of Johnson & Johnson Worldwide and Chairman of the Board and Chief Executive Officer, Johnson & Johnson. In addition to his present business activity, he is active in many civic and professional groups.

B-949

epartment of the TREASURY NEWS

SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. May 30, 1978

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $5,600 million, to be issued June 8, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of $5,600 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately $2,200 million, representing an additional amount of bills dated March 9, 1978, and to mature September 7, 1978 (CUSIP No. 912793 T2 2), originally issued in the amount of $3,407 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $3,400 million to be dated June 8, 1978, and to mature December 7, 1978 (CUSIP No. 912793 U7 9).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing June 8, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,909 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive tenders.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Daylight Saving time, Monday, June 5, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $500,000 or less without stated price from any one bidder will be accepted in full at the weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on June 8, 1978, in cash or other immediately available funds or in Treasury bills maturing June 8, 1978. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which these bills are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of these bills (other than life insurance companies) must include in his or her Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, No. 418 (current revision), Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

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epartment of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
Tuesday, May 30, 1978

Contact: Alvin Hattal
566-8381

TREASURY ANNOUNCES PRELIMINARY COUNTERVAILING DUTY ACTIONS AGAINST CERTAIN TEXTILE PRODUCTS FROM EIGHT COUNTRIES

The Treasury Department today announced its preliminary determination that seven countries are subsidizing their exports of textile mill products and men's and boys' apparel. Those countries are Argentina, Brazil, Colombia, India, Republic of China, Philippines and Uruguay.

The Treasury Department investigation was undertaken as a result of a petition filed by the Amalgamated Clothing and Textile Workers' Union in November 1977.

Under the Countervailing Duty Law, the Treasury Secretary is required to assess an additional Customs duty that equals the amount of a "bounty or grant" (subsidy) that has been found to be paid on imported merchandise.

Treasury's preliminary investigation found a variety of subsidies subject to countervailing duties, ranging from export subsidies to regional aids, preferential export financing, and special income tax benefits for export enterprises. Some tentative determinations were made without the detailed information necessary from the foreign government concerned to make a definitive decision on whether the programs providing a subsidy are being used by that country's textile industry. The Treasury must make a final determination no later than November 7, 1978.

The Republic of Korea was also found to be subsidizing its textile exports but the amounts received are so inconsequential that the assessment of countervailing duties would not be warranted.

Notice of this action will appear in the Federal Register of June 1, 1978.

Import volume by value is not available at this time but is estimated to be approximately $700 million in 1977.

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B-951

epartment of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
May 27, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY DEPARTMENT DENIES IT HAS WITHDRAWN PROPOSED FIREARMS REGULATIONS

The Treasury Department today denied reports that it has withdrawn its proposals for firearms regulations to make it easier to trace firearms used in crimes and to identify those selling guns to the criminal market.

Assistant Secretary of the Treasury Richard J. Davis said, "The Treasury Department has not withdrawn or revised the proposed regulations it published on March 21. Because of great public interest in the issue and because of the widespread incorrect information about the nature of these proposals that has been generated by some groups, we have extended the comment period on them until June 30.

Davis repeated what he said in his May 4 testimony before the House Judiciary Subcommittee on Crime: that no funds to implement these regulations were included in the fiscal year 1979 Administration budget and that any decision to implement them would require seeking funds from Congress to do so.

This position was also communicated to Senator Lawton Chiles (D-Fla.), Chairman of the Treasury Appropriations Subcommittee by Treasury Deputy Secretary Robert Carswell when, in a May 23, 1978, letter, he wrote: "If a decision is made to implement any of [these regulations], it would be necessary to seek either a supplementary appropriation for 1979 or include a request for such funds in our 1980 submission. We will not implement these proposals without securing from Congress the funds to do so."

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B-952

Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE May 31, 1978

RESULTS OF AUCTION OF 4-YEAR 1-MONTH TREASURY NOTES

The Department of the Treasury has accepted $2,257 million of $5,026 million of tenders received from the public for the 4-year 1-month notes, Series H-1982, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	8.24%1/
Highest yield	8.28%
Average yield	8.27%

The interest rate on the notes will be 8-1/4%. At the 8-1/4% rate, the above yields result in the following prices:

Low-yield price	100.013
High-yield price	99.877
Average-yield price	99.911

The $2,257 million of accepted tenders includes $ 508 million of noncompetitive tenders and $1,749 million of competitive tenders from private investors, including 9 % of the amount of notes bid for at the high yield.

In addition to the $2,257 million of tenders accepted in the auction process, $300 million of tenders were accepted at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash.

1/ Excepting 6 tenders totaling $3,560,000

B-953

epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 566-2041

Contact: Carolyn Johnston
(202) 634-5377

FOR IMMEDIATE RELEASE JUNE 1, 1978

TREASURY SECRETARY BLUMENTHAL NAMES ROGER W. MULLIN, JR. SAVINGS BONDS CHAIRMAN FOR PENNSYLVANIA

Roger W. Mullin, Jr., Chairman of the Board, Mack Trucks, Inc., Allentown, has been appointed Volunteer State Chairman for the Savings Bonds Program by Secretary of the Treasury W. Michael Blumenthal, effective immediately.

He succeeds Henry J. Nave, former Chairman of the Board, Mack Trucks, Inc., Allentown.

Mr. Mullin will head a committee of business, labor, financial, media, and governmental leaders who -- in co-operation with the Savings Bonds Division -- assist in promoting the sale of Savings Bonds.

Mr. Mullin received an L.L.B. Degree from Fordham University Law School, and an L.L.M. Degree from George Washington University Law School. During World War II, he was with the U.S. Army Military Intelligence Service, and later joined several New York law firms.

Mr. Mullin joined Mack Trucks, Inc. in 1961 as Executive Assistant to the President. He was elected Vice President, Secretary, and General Counsel in 1962, and joined the Mack Board of Directors in 1967. He became Vice Chairman in August 1974, and assumed his present position in August 1976.

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B-954

Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE June 1, 1978

RESULTS OF TREASURY'S 20-DAY BILL AUCTION

Tenders for $6,005 million of 20-day Treasury bills to be issued on June 2, 1978, and to mature June 22, 1978, were accepted at the Federal Reserve Banks today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Price	Discount Rate	Investment Rate (Equivalent Coupon-Issue Yield)
High -	99.609	7.038%	7.16%
Low -	99.604	7.128%	7.26%
Average -	99.605	7.110%	7.24%

Tenders at the low price were allotted 80%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS:

Location	Received	Accepted
Boston	$ 91,000,000	$ 85,800,000
New York	9,647,000,000	4,764,200,000
Philadelphia	---	---
Cleveland	69,000,000	47,000,000
Richmond	219,000,000	101,000,000
Atlanta	15,000,000	4,000,000
Chicago	1,076,000,000	229,800,000
St. Louis	40,000,000	27,000,000
Minneapolis	35,000,000	35,000,000
Kansas City	32,000,000	27,000,000
Dallas	---	---
San Francisco	1,061,000,000	684,000,000
TOTAL	$12,285,000,000	$6,004,800,000

epartment of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 2, 1978

Contact: Robert E. Nipp
202/566-5328

TREASURY ANNOUNCES EXTENSION OF DUMPING INVESTIGATION

The Treasury announced today that it was extending for three months its investigation of alleged dumping of certain steel mill products from six European countries. A petition filed in December 1977 by National Steel Corporation claimed that cold rolled and galvanized sheet was being imported into the United States at less than "fair value" within the meaning of the Antidumping Act from Belgium, Holland, Germany, Italy, France and the United Kingdom. More than 30 companies are involved in the sales of this merchandise and the added time will be needed to analyze the volumnious data being developed.

The announcement also notes that on May 31, 1978, National Steel withdrew, without prejudice to possible later reinstatement, its claims that the products under investigation were being sold at less than their cost of production.

A copy of the Antidumping Notice of Extension of Investigatory Period is attached.

DEPARTMENT OF THE TREASURY
OFFICE OF THE SECRETARY

COLD ROLLED AND GALVANIZED CARBON STEEL SHEETS FROM THE UNITED KINGDOM, WEST GERMANY, FRANCE, ITALY, THE NETHERLANDS AND BELGIUM

ANTIDUMPING
NOTICE OF EXTENSION OF INVESTIGATORY PERIOD

AGENCY: U.S. Treasury Department

ACTION: Extension of Antidumping Investigatory Period

SUMMARY:

This notice is to advise the public that the Secretary of the Treasury has determined that a tentative determination as to whether sales at less than fair value of cold rolled and galvanized carbon steel sheet from the United Kingdom, West Germany, France, Italy, the Netherlands and Belgium have occurred cannot reasonably be made in six months. This decision will be made in not longer than nine months from the date of the initiation of the investigation.

EFFECTIVE DATE: (Date of publication in the FEDERAL REGISTER)

FOR FURTHER INFORMATION CONTACT:

Mr. David P. Mueller, U.S. Customs Service, Office of Operations, Duty Assessment Division, Technical Branch, 1301 Constitution Avenue, NW., Washington, D.C. 20229, telephone 202 (566-5492).

SUPPLEMENTARY INFORMATION:

On October 25, 1977, information was received in proper form pursuant to sections 153.26 and 153.27, Customs Regulations (19 CFR 153.26 and 153.27) from counsel on behalf of National Steel Corporation indicating that cold rolled and galvanized carbon steel sheets from Italy, Belgium, France, West Germany, the Netherlands and the United Kingdom are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921 as amended (19 U.S.C. 160 et. seq.) (hereinafter referred to as "the Act"). On the basis of this information and subsequent preliminary investigation by the Customs Service, an "Antidumping Proceeding Notice" was published in the FEDERAL REGISTER of December 2, 1977. That notice stated that:

> "If, during the course of the investigation being initiated it is found that actual home market, or if appropriate, third country transactions, have been at prices below the Davignon Plan or list prices for these products, a comparison of these lower prices will be made with the cost of production. If below cost sales have occurred in substantial quantities and over an extended period of time at prices not permitting the recovery of all costs within a reasonable period of time, then a cost of production investigation would be deemed appropriate and would be initiated. The Customs Service will, accordingly, be directed to solicit information relevant to these considerations as promptly as possible from all interested persons."

Petitioner thereafter filed supplemental information supporting its claims of sales below cost. On May 31, 1978, petitioner submitted a letter withdrawing the cost of production (but

not the pricing) allegations made in its petition and in supplemental information filed on January 16, 1978, without prejudice to a subsequent filing of these claims.

For purposes of this notice, the term "cold rolled and galvanized carbon steel sheets" means those items provided for in item number 608.87, 608.94, and 608.95 of the Tariff Schedules of the United States.

The merchandise in question is made and sold in a large number of sizes and forms in numerous individual transactions by 30 separate companies in the European countries involved and in the United States. Further, a variety of claims for adjustments have been made with respect to many of the transactions to be compared. Additional time is needed to analyze this data.

Accordingly pursuant to section 201(b)(2) of the Act (19 U.S.C. 160(b)(2)), notice is hereby given that the determination provided for in section 201(b)(1) of the Act (19 U.S.C. 160(b)(1)) cannot reasonably be made within six months. The determination under section 201(b)(1) of the Act (19 U.S.C. 160(b)(1)) will therefore be made within no more than nine months.

This notice is published pursuant to section 201(b)(2) of the Act (19 U.S.C. 160(b)(2)).

General Counsel of the Treasury

JUN 2 1978

epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 2, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY EXTENDS RECORD-KEEPING DEADLINE FOR CERTIFICATES OF DEPOSIT

The Treasury Department today announced that it is delaying until June 19 enforcement of its regulations requiring banks and other financial institutions to maintain records of certificates of deposit. Enforcement had been scheduled to start June 1.

Under Secretary Bette B. Anderson said the delay was granted after a number of banks indicated they would need additional time to change their record-keeping procedures. Several thousand banks and savings and loan associations will be affected.

The new provisions are intended to discourage the use of certificates of deposit, including so-called "honor" bonds, for illegal purposes.

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[4810-25]

TITLE 31 - MONEY AND

FINANCE: TREASURY

Chapter 1 - Monetary Offices,

Department of the Treasury

Part 103 - FINANCIAL RECORDKEEPING AND REPORTING OF CURRENCY AND FOREIGN TRANSACTIONS

NOTICE

The Treasury Department announced today that the enforcement of those provisions in the May 9, 1978, amendment to 31 CFR 103.34, which require a financial institution selling or redeeming certificates of deposit to maintain additional records of the transactions beginning June 1, 1978, will not be enforced with respect to transactions completed prior to June 19.

This policy announcement was made in response to requests made on behalf of a number of banks which have indicated that the publication of the amendment in the May 19 Federal Register did not allow them enough time to make necessary procedural changes before June 1. The delay is intended to provide relief for those financial institutions, as well as others that have been unable to meet the June 1 effective date.

Date: [illegible]78

Bette B. Anderson
Under Secretary of the Treasury

epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 2, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY ANNOUNCES TWO PRELIMINARY COUNTERVAILING DUTY ACTIONS ON CERTAIN CHEMICAL PRODUCTS FROM ISRAEL

The Treasury Department today announced its preliminary determination that the Government of Israel is subsidizing its exports of diuron and bromine and brominated compounds.

The action regarding diuron was taken pursuant to a petition filed by E. I. du Pont de Nemours in June 1977. The action regarding bromine and brominated compounds was taken pursuant to a petition filed by Velsicol Chemical Corporation in July 1977.

Under the Countervailing Duty Law, the Secretary of the Treasury is required to assess an additional Customs duty that equals the amount of a "bounty or grant" (subsidy) found to have been paid on imported merchandise.

Under the law, Treasury must make a final decision in the diuron case no later than June 13, 1978, and in the bromine case no later than July 11, 1978.

Treasury's preliminary investigation revealed subsidies that appear at this stage to be subject to countervailing duties including certain property tax rebates on export and regional aids.

Notice of these actions will appear in the Federal Register of June 5, 1978.

Imports of bromine and brominated compounds from Israel were valued at approximately $150,000 in 1976.

Imports of diuron from Israel was valued at approximately $500,000 in 1976.

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B-958

epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE ON DELIVERY
EXPECTED AT 9:30 A.M., EST
MONDAY, JUNE 5, 1978

REMARKS BY THE HONORABLE C. FRED BERGSTEN
ASSISTANT SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE
THE CONFERENCE BOARD
NEW YORK, NEW YORK

THE U.S. TRADE BALANCE AND AMERICAN COMPETITIVENESS IN THE WORLD ECONOMY

The U.S. trade balance was in deficit by $31 billion in 1977. In the first quarter of 1978, imports exceeded exports by $11.2 billion -- placing the trade deficit at an annual rate of $45 billion. Despite the fact that our huge earnings from international services transactions produce a much smaller deficit on current account, the size of the trade deficit and its persistency have raised serious concerns about the ability of U.S. industry to compete in world markets and I will focus on this basic question today.

One of my conclusions will be that U.S. exporters, as of this date, have not suffered any noticeable loss in price competitiveness against other industrial country suppliers. The dollar depreciation of late 1977-early 1978 has offset the decline in U.S. competitiveness which was engendered by the dollar appreciation and relatively poor U.S. price performance of 1974-1975, and which has been adversely affecting U.S. trade performance during the past couple of years.

However, price competitiveness is only one of a number of factors in a country's export performance. Several other important developments in the world economy -- notably those related to energy and to relative growth rates among the industrial countries -- have adversely affected the U.S. trade balance. In addition, a number of dynamic advanced developing countries (ADCs) have been sharply increasing their

international competitive position, cutting into the world market shares of the United States (and most other industrial countries as well). In any event, the sharp increase in our payments for imported oil means that we will have to export a larger share of our gross national product in the future in order to produce a sustainable position in our external accounts.

Thus there is a great need for the United States to undertake major efforts to improve its export performance, to take full advantage of the competitive opportunities which seem to be available at this point in time. The President indicated on April 11 that such an effort will be undertaken. It is now in the final stages of planning and will be announced over the next few weeks. As background for that program, and because of the great importance of the trade balance both to the U.S. economy and to international economic stability, I would like to share with you in some detail our analysis of its recent evolution.

Recent Trends in the Merchandise Trade Balance

Since the recession of 1974-75 -- and the resultant $9 billion trade surplus in 1975 -- the U.S. trade balance has deteriorated sharply and continuously.

In 1976, the balance shifted by about $18 billion to a deficit of $9 billion. This sharp swing was primarily the result of strong growth in the U.S. domestic economy. Coming out of the recession trough of early 1975, the economy grew by a strong 6 percent in GNP terms during 1976 while overall industrial production expanded 10 percent and production in manufacturing industries jumped 11 percent. Capacity utilization rates during 1976 improved significantly -- up 7 percentage points (to 80 percent) according to the Federal Reserve series, and also up 7 points (to 87 1/2 percent) on the Wharton series. This solid growth in 1976 was accompanied by a sharp 26.5 percent rise in nominal imports. Only 3 percent of the rise resulted from price increases, while import volume surged 23 percent. An important part of this abnormally sharp growth was caused by inventory rebuilding following the destocking which occurred during the recession.

By contrast, export growth was weak. Volume expanded about 3 1/2 percent while prices rose by a similar amount. This nominal export rise of 7 percent was considerably slower than the 10 percent global growth in world trade (excluding oil). Non-agricultural exports rose only 1 1/2 percent in volume terms between 1975 and 1976.

The U.S. merchandise trade balance continued along these trends in 1977. Imports posted strong growth of 22 1/2 percent in value terms, 13 percent by volume. Non-petroleum imports surged 19 percent by volume. Export performance was again lack-luster. Total nominal exports grew only 5 percent, export volume less than 1 percent. Non-agricultural exports were virtually unchanged in volume terms. The combined effect was to produce the record trade deficit of $31 billion.

The deficit again jumped sharply in the first quarter of 1978, hitting an annual rate of $45 billion. It featured an extraordinary surge in non-petroleum imports, however, which we believe represented a temporary aberration. This surge reflected J-curve effects, as non-petroleum import prices rose over 6 percent. In addition, import shipments appear to have accelerated as a result of last fall's anticipation of continuing dollar depreciation and fears of new U.S. import restrictions (including the February imposition of reference prices for steel imports), foreign country export constraints, the possibility of a West Coast dock strike this summer, and a prospective ocean freight rate increase. We believe that the first quarter deficit reflected a number of temporary factors, all of which tended to worsen the picture, and that the fourth quarter of last year and the first quarter of 1978 represent the peak deficits which the United States is likely to experience.

The moderate pickup of exports in March and April and the accompanying 10 percent decline in the trade deficit were a modestly encouraging sign. For the near future, our current projections assume that foreign growth will accelerate in the second half of 1978 and edge higher in 1979. In addition, the effects on U.S. exports of the dollar depreciation in 1977 and the first quarter of 1978 are expected to grow as the year proceeds -- rising by the end of 1979 to an annual rate gain of about $7-8 billion. Export performance will also benefit from improved conditions in specific foreign markets important to the United States -- particularly in the developing countries such as Mexico, our fifth largest market. All of these developments must be placed in the longer run context of underlying international trends, however, to discern even tentative answers to the key questions surrounding the competitiveness of the United States in the world economy.

Causes of the Trade Balance Decline

Why has the trade balance deteriorated so badly? Will it continue to do so? What should American industry and the Government do about the decline? These are all

questions of fundamental importance, which deserve answers as straightforward as are analytically possible. Last May, I addressed many of these same questions and outlined some tentative conclusions on them. More recent data and our continued analysis of the trade situation have produced some additional insights, while generally confirming the earlier analysis.

One of the major factors in the deteriorating trade balance which I noted last year was of course the sharp growth in U.S. oil imports, which expanded by $18 billion from 1975 to 1977. To be sure, some increase in oil imports (and perhaps oil prices) inevitably accompanies economic growth. And increased U.S. exports to oil-producing countries have reduced the net impact of our oil imports on the trade balance. But energy imports are a discrete element which account for almost one-half of the deterioration in the U.S. trade balance during the past two years.

A second major factor was the differing pace of economic recovery among the major industrial countries. This sharp divergence of recovery trends continued during 1977. Real GNP in the U.S. rose by nearly 5 percent, the second straight year of U.S. growth considerably in excess of our long-run potential. We closed the gap of excess capacity during the year and created three million additional jobs.

By contrast, growth in our major markets was far less robust. Total GNP growth in the OECD area, excluding the United States, rose only 2.7 percent in 1977 -- down sharply from the 4.7 percent growth rate of 1976 which itself was less than U.S. growth. In the past two years, the U.S. economy has expanded at an average rate of 5.6 percent while the rest of the OECD grew at an average rate of only 3 3/4 percent. Only in the United States, in fact, has there been any significant reduction in the rate of unemployment from the trough of the 1974-1975 recession among the larger OECD countries.

This is a sharp reversal of historical patterns. During the 1960's and early 1970's, the United States experienced average growth of 4.2 percent (vs. 5.6 percent recently) while the rest of the OECD area grew at 6 1/2 percent (vs. 3.75 percent more recently). This swing alone has had a major adverse impact on the U.S. trade balance, explaining perhaps $10-15 billion of the total swing of $40 billion from 1975 through 1977.

Not only has the growth rate abroad slowed down, but its composition seems to be changing with further effects on the composition of demand for imports of these countries. Investment is not playing its traditional role

in the growth of GNP and domestic demand abroad. Partly as a cause and partly as a result, industrial production has grown particularly slowly. In the 18 months ending December 1977, industrial production in 13 other major OECD countries grew only 3.2 percent while their total GNP expanded 7.6 percent. In the 12 months ending December 1977, industrial production abroad did not grow at all while U.S. industry increased its output by about 5 percent. With no industrial production growth in our major markets, it is not very surprising that U.S. non-agricultural exports -- which are comprised primarily of industrial supplies and capital equipment -- were essentially flat last year. Clearly the relative performance of economies at home and abroad has been a major factor in the deteriorating U.S. trade balance since 1975.

This factor should become less important in the months ahead. Growth in the United States is decelerating somewhat from the very strong pace of 1976 and 1977, while growth abroad is picking up somewhat this year and should do so especially in the second half. As a result, we are now expecting some convergence of growth rates among countries. While it is not yet clear what the medium-term relationship will be, I do not expect that U.S. growth rates will continue to be considerably faster than average rates abroad. In turn, this should lead to a pickup in the growth of our export volume relative to our import volume, with favorable effects on the U.S. trade balance -- particularly over time, as this convergence in growth rates cumulatively produces higher levels of demand abroad relative to those at home.

Another major factor determining a country's performance in world markets is its relative price competitiveness. In the sixties, with fixed exchange rates, relative prices provided quick and easy guides to the price competitiveness of a country's exports compared to some particular group of other countries. With today's more flexible exchange rate system, movements in relative domestic prices must be adjusted for exchange rate changes to discern changes in "real" exchange rates and changes in a country's price position. Such calculations are in no sense precise or absolute measures of competitiveness, but they are important indicators of trend developments.

These changes in price competitiveness are not immediately reflected in trade flows. Empirical studies suggest that trade flows exhibit a lagged response to price movements of anywhere from one to five years. In our judgment, the lag usually runs from eighteen months to three years.

If this is so, trade flows in 1977 basically reflected changes in U.S. competitiveness dating from 1974-1975 -- a

period during which the U.S. competitive position experienced a serious decline. In the wake of the oil crisis, U.S. inflation accelerated rapidly and outpaced that of our competitors from early 1974 to early 1975. At the same time, the U.S. dollar was appreciating by some 8 percent on a trade-weighted basis, apparently because observers felt that the United States would weather the energy crisis better than other countries. This double whammy -- appreciation coupled with poor price performance -- produced a sharp loss of something like 10 percent in the trade competitiveness of U.S. suppliers during the 1974-1975 period. Given the time lags involved, this exerted a major impact on 1977 trade flows. It may have been responsible for somewhere like $5-10 billion of the deterioration which occurred by that year.

U.S. Export Performance

In analyzing developments in the U.S. trade balance, it is important to distinguish between export performance and export competitiveness. Export performance is frequently measured by changes in export market shares -- in a country's share of global exports. But market shares of today's world exports are actually the result of prior changes in export competitiveness. As already noted, trade flows tend to reflect changes in competitiveness fully only after a lag of two or three years. Thus today's U.S. export performance reflects changes in U.S. export competitiveness of as much as two or three years ago.

A year ago, I noted that the U.S. share of world export markets had increased in 1973-75 from the historic lows of 1972. I observed that the 1976 position was somewhat below 1975, but that I did not believe we were experiencing a serious loss in market shares. Data for the first three quarters of 1977 tend to confirm that belief as the U.S. share of manufactured exports by industrial countries was essentially unchanged during 1977 from the 1976 position:

-- The U.S. share of total manufactured exports by 15 industrial countries hit its low point of 19.2 percent in 1972, and rose to 21.1 percent in 1975. The share then fell slightly, to 20.5 percent in 1976 and 20.4 percent in the third quarter of 1977 (the most recent period for which comparable data are available).

-- The U.S. share of chemical exports from these countries rose steadily from 18.7 percent in 1972 to 20.6 percent in 1976, and jumped again to 22.6 percent in the third quarter of 1977.

-- Our non-electrical machinery share rose from the 1971 low of 25.1 percent to 26.8 percent in 1976, but declined to 25.2 percent in the third quarter of last year.

-- Electrical machinery climbed steadily from its 1972 low of 20.9 percent to 23.3 percent in 1976, and to 23.4 percent in the third quarter of 1977.

-- Basic manufactures rose from a 1972 low of 10.6 percent to 11.9 percent in 1976, and dropped slightly to 11.7 percent in 1977 III.

-- Only in transport equipment is the U.S. share lower today than in 1972, having fallen from 26.4 percent in 1972 to about 25.1 percent in 1976 and to 24.9 percent in 1977 III.

In citing these data, it is essential to repeat that export performance measures such as shares of manufactured exports are not necessarily good measures of current trends or expected developments in the trade balance. Most importantly, they do not pick up recent changes in a country's competitive position. Indeed, the 1976-77 market shares just cited reflect the deterioration in U.S. price competitiveness dating from 1974-75 which I have already described.

For the future, the price competitiveness of U.S. exports has experienced significant improvement. The exchange rate movements of the third quarter of 1977 and first quarter of 1978 reversed the earlier losses in our relative position resulting from the 8 percent dollar appreciation of 1974-75. Our competitiveness, as measured by price-adjusted exchange rates, is now about where it was compared to other major industrial countries in early 1973. This improvement should begin to be felt in our trade flows -- both exports and imports -- during the latter part of 1978 and into the next year or so.

Developments Outside the Industrial Countries

The available measures of market share typically compare the United States only to other industrial countries. One of the most important and impressive developments in the world economy in the last few years has been the emergence of a group of advanced developing countries (ADCs), most notably Brazil, Korea, Hong Kong, Mexico, Singapore and Taiwan. Their export volume growth has remained in double digit levels for three straight years, and is growing more strongly than it did even during the 1968-72 global boom period.

Several important structural changes in the global economy are being generated by this spectacular growth. First, the locus of production is shifting. Between 1960 and 1973, world wide industrial production growth averaged 6.8 percent. Industrial countries grew at 6 percent, LDCs were a bit more rapid at 6.8 percent and the non-market economies grew at a strong 9 percent average rate. The recession and its aftermath cut global production growth to 2.6 percent between 1973 and 1976, but growth in the LDCs and non-market economies barely slowed down from the torrid pace of the sixties. During 1973-76, LDC production increased 6.1 percent, while growth in the non-market economies continued at an impressive 8.4 percent rate.

These growth rates have fostered changes in shares of global industrial production. In 1963, the six key ADCs -- Brazil, Hong Kong, Korea, Mexico, Singapore, and Taiwan -- together accounted for about 2.4 percent of world industrial production. All non-oil LDCs together produced about 10.4 percent of global output. By 1976, these ADCs had roughly doubled their combined share of global output to 4.7 percent and the total LDC share of global production had increased 3 percentage points, reaching a total of about 13 1/2 percent.

Over the same period, Japan and the less industrialized OECD economies (Spain, Portugal, Turkey, Greece and Yugoslavia) increased their combined share of global production by 5 percentage points. In 1976, these countries accounted for some 13 percent of global production.

The net effect of these developments was to reduce the share of global industrial production accounted for by Europe and North America by roughly 8 percentage points. This is a very sharp change in the locus of productive capacity for such a short time span.

Not surprisingly, this increased productive capacity is being felt in global export market shares. In 1963, the six ADCs accounted for 1.5 percent of global manufactured exports. By 1976, their share had jumped 3 1/2 percentage points to 5 percent. This is an impressive increase. It represents successful development strategies in the ADCs, something that the United States and all of the other industrial countries have aimed for in their assistance programs and overall North-South policies. The manufactured exports are in a wide variety of product categories: steel, cameras and optical equipment, radios and television sets as well as the familiar shoes and textiles.

Naturally U.S. exports to the non-OPEC LDCs have also grown as these countries progress along the path of industrialization. Total U.S. exports to these nations rose

from $20 1/4 billion in 1970-72 to $27 3/4 billion in 1977. These countries now account for about one-quarter of our exports of manufactured goods. Indeed they are more important to our export trade than the entire European community.

The growth in our exports to the non-oil LDCs has not, however, kept pace with the rise of imports. There was an adverse swing in our trade balance with this area of $5 billion. Eight developing nations suppliers (Brazil, Mexico, Taiwan, Hong Kong, Singapore, Phillipines, South Korea, and Malaysia) now account for $11 billion of the total $13 billion of U.S. manufactured imports from LDCs. Total U.S. imports from the non-oil LDCs grew from about $16 billion in 1972 to $38.5 billion in 1977 -- an average annual growth rate of close to 25 percent. They have clearly become important factors in the world economy, and offer increased competition for the United Stated (and all other industrial countries) which we must consider carefully in assessing our own competitive position now and in the future.

Conclusions

This discussion of the adverse swing in the U.S. trade balance has focused on three factors: oil imports, relative growth rates and price competitiveness. In all three areas, we are making progress:

-- The energy bill is finally coming close to passage.

-- Relative growth rates are converging, as our major markets abroad pick up their growth while we slow down a bit.

-- U.S. price competitiveness has improved significantly over the last quarter of 1977 and the first quarter of 1978.

-- And the President's determination to control inflation will help to preserve our trade competitiveness.

Nevertheless, more must be done to achieve the needed improvement in our external accounts and thereby assure continued stability for the dollar. We must continue and strengthen our determination to restrain inflationary pressures. We must meet the trade challenge with aggressive sales efforts by U.S. firms both at home and in third markets, supported as necessary by the policies and programs of our government. It is clear that the competitive ADCs

present a new challenge as well as a great opportunity, and we must insure that they are brought more fully into the global adjustment process.

These changes will show up in the trade numbers only over time. We will not see dramatic changes immediately. But fundamental improvements are under way, and we intend to support them wherever we can do so effectively.

A strong export performance is essential for our own economy and for the international position of the United States. It is a major policy objective which will be pursued vigorously by the administration, based on our analysis of the underlying strength and competitiveness of the U.S. economy as outlined today. It is an effort which -- with hard work by both the private sector and Washington -- we are confident can succeed.

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epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE June 5, 1978

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,203 million of 13-week Treasury bills and for $3,401 million of 26-week Treasury bills, both series to be issued on June 8, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing September 7, 1978			26-week bills maturing December 7, 1978		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.331a/	6.603%	6.81%	96.421	7.079%	7.44%
Low	98.324	6.630%	6.84%	96.409	7.103%	7.47%
Average	98.325	6.626%	6.83%	96.413	7.095%	7.46%

a/ Excepting 1 tender of $80,000.

Tenders at the low price for the 13-week bills were allotted 80%.
Tenders at the low price for the 26-week bills were allotted 74%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 98,595,000	$ 52,595,000	$ 39,460,000	$ 19,460,000
New York	3,666,515,000	1,717,015,000	4,985,985,000	2,591,485,000
Philadelphia	21,385,000	21,385,000	103,335,000	13,335,000
Cleveland	101,960,000	31,370,000	62,215,000	32,215,000
Richmond	51,560,000	47,560,000	18,205,000	11,205,000
Atlanta	23,765,000	22,765,000	24,200,000	24,200,000
Chicago	224,080,000	71,800,000	716,680,000	483,360,000
St. Louis	45,250,000	18,250,000	43,535,000	16,275,000
Minneapolis	25,155,000	22,155,000	25,175,000	24,135,000
Kansas City	22,665,000	20,640,000	22,000,000	21,650,000
Dallas	18,415,000	17,815,000	7,285,000	7,025,000
San Francisco	334,915,000	150,110,000	330,250,000	150,630,000
Treasury	9,125,000	9,125,000	5,895,000	5,895,000
TOTALS	$4,643,385,000	$2,202,585,000b/	$6,384,220,000	$3,400,870,000c/

b/Includes $364,120,000 noncompetitive tenders from the public.
c/Includes $213,505,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. June 6, 1978

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $5,700 million, to be issued June 15, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of $5,713 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately $2,300 million, representing an additional amount of bills dated March 16, 1978, and to mature September 14, 1978 (CUSIP No. 912793 T3 0), originally issued in the amount of $3,402 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $3,400 million to be dated June 15, 1978, and to mature December 14, 1978 (CUSIP No. 912793 U8 7).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing June 15, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $3,070 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive tenders.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Daylight Saving time, Monday, June 12, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $500,000 or less without stated price from any one bidder will be accepted in full at the weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on June 15, 1978, in cash or other immediately available funds or in Treasury bills maturing June 15, 1978. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which these bills are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of these bills (other than life insurance companies) must include in his or her Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, No. 418 (current revision), Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

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SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE UPON DELIVERY
Expected at 3:00 p.m.
June 7, 1978

STATEMENT OF THE HONORABLE W. MICHAEL BLUMENTHAL
SECRETARY OF THE TREASURY
BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS

Mr. Chairman and members of this distinguished Committee:

I appear before you to present the Administration's recommendations on the future Federal relationship to the financing of New York City. My testimony will cover three major areas: first, the events of the past two and a half years which underlie our discussions here today; second, New York City's budget and financing plans covering the 1979-1982 period; and third, the Administration's recommendations on financing assistance for the City during that period.

Mr. Chairman, four important principles underlie the conclusions which I will present today.

-- Preserving New York City's Solvency: This Administration believes that the effects of a bankruptcy on the residents of the City and State, the market for all municipal securities and foreign confidence in the United States would be very serious. A concerted effort must be made to prevent bankruptcy.

-- Maximum Budget and Financing Efforts by the Local Parties: Primary responsibility for New York City's financing rests with the local elected officials and the relevant private parties at the City level. Beyond that, the City is the responsibility of New York State. Any Federal financing assistance should be provided only under extraordinary circumstances and should be limited to a residual and transitional one.

-- A Truly Balanced City Budget is a Prerequisite to Ending this Crisis: New York City lost access to

conventional borrowing sources because it incurred large budget deficits and otherwise lost control of its finances. These deficits have been reduced, but not eliminated, and they remain the primary obstacle to restoring the City's access to the credit markets. Any post-June 30, 1978 financing plan, therefore, must be conditioned upon achievement over the plan period of a budget which is balanced in accordance with generally accepted accounting principles.

-- The New York City Financing Crisis Should be Resolved Once and For All: The only acceptable plan for future financing of the City is one which will restore permanently New York's ability to finance itself.

Mr. Chairman, let me now begin a detailed discussion of the past and present situation and our legislative recommendations for the future.

I. Review of the 1975-1978 Period

During the early 1970's, New York City's fiscal condition was weakened by the migration of jobs and related tax revenues from the City, the 1974-1975 national recession as well as unsound budget and borrowing practices.

The consequences of these became clear in early 1975, when the municipal bond market closed to New York City, and the City teetered on the edge of bankruptcy. The City's then budget of approximately $13 billion -- by far the largest municipal budget in this country -- was estimated to be $2.0 billion in deficit, and its accounting and financial control systems were archaic and unreliable.

Not only did the public markets close to New York City, but even massive efforts in 1975 by the State of New York were insufficient to solve the entire City financing problem. The State created a Municipal Assistance Corporation (MAC), with authority to issue its own bonds, and to use the proceeds for making direct loans to the City and refinancing of City notes. The State also advanced $800 million of additional funds directly to the City. Yet, MAC was unable to borrow sufficient amounts in relation to the City's needs. Indeed, in the fall of 1975, the municipal bond market also closed to MAC, and the State was forced to take further action. It installed an Emergency Financial Control Board (EFCB) to exercise substantial control over the City's finances.

These drastic steps were still insufficent, however, and imminent bankruptcy threatened. In that context the Congress passed the 1975 New York City Seasonal Financing Act. This legislation authorized the U.S. Treasury to provide short-term loans to the City to meet cash flow imbalances occurring within the City's fiscal year. These loans were purely seasonal --they were extended and matured within the City's fiscal year -- and were limited to $2.3 billion in any one year. This Federal lending program, which expires at the end of this month, has supplied New York City's short-term borrowing requirements since late 1975.

From 1975 through June 30, 1978, the City's employee pension funds have purchased or are obligated to purchase $2.65 billion of long-term City and MAC debt, bringing their total holdings of such debt to 35 percent of their total assets. Such purchases have satisfied New York's long-term borrowing needs during this emergency period.

The 1976-1978 Period

Mr. Chairman, both the 1975 emergency State legislation and the Seasonal Financing Act required New York City to adhere to the three-year financial plan developed in 1975 and to take a series of other steps to improve its fiscal condition. These were designed to restore the City's access to conventional borrowing sources.

A crucial aspect of today's discussion, then, concerns these steps -- whether they have been taken and whether they were sufficient. As to the first point, Mr. Chairman, it is clear that New York City has done what it pledged to do in 1975. Let me quickly review the major steps taken, particularly because many here in Washington and elsewhere may be under the misapprehension that the fiscal condition of New York City has not improved since 1975.

The City responded to the crisis by developing a three-year financial plan to reduce expenditures in real terms while increasing revenues, so that by 1978 its budget would be "balanced" as that term is defined under New York State law. We expect this objective to have been met at the end of the City's current fiscal year. Taking into account all expense items still included in the capital budget, and the accrued pension liability, the City has reduced its deficit from approximately $2.0 billion in fiscal year 1975 to approximately $750 million estimated for fiscal year 1978. Table 1 presents summary budget data for these years.

The City has achieved this improvement by reducing the City-funded work force by 60,000; by charging tuition for all students at City University for the first time; by sharply limiting wage increases for municipal employees through June 1978 and reducing employee fringe benefits; by withdrawing from mortgage financing of low- and middle-income housing projects; by reducing the number of beds in City operated hospitals; by raising the transit fare from 35 cents to 50 cents; and by reducing social services through closing 77 day-care centers and limiting reimbursement rates at other centers. The City also reduced its share of contributions to municipal union pension funds by requiring greater employee contributions, while the City increased the absolute amount of its contributions to increase the actuarial soundness of the funds.

At the same time as it took these budgetary actions, the City also moved to reform its accounting and internal financial control systems. The City has begun phasing current expense items out of its capital budget and is now accelerating that phase-out for completion by the end of 1981. It has installed an integrated financial management system at a cost of $16 million. Furthermore, a consortium of independent certified public accountants is conducting an independent audit of the results of the City's current fiscal year and will do so in the future years.

The State of New York also has taken important steps to restore the fiscal integrity of the City. It established the Emergency Financial Control Board with the Governor as Chairman to oversee implementation of the City's three-year plan. As I noted earlier, it created a State agency, the Municipal Assistance Corporation (MAC), to provide financing for the City. More than $3 billion of short-term City notes, which were outstanding in mid-1975, were converted into long-term MAC bonds. The State has continued to advance $800 million of aid each year to help meet the City's financing needs. The State has also undertaken greater responsibility in funding City services including assuming a larger role in funding City University and assuming financial responsibility for City courts.

Currently the State has continued to assist the City. The Governor has provided needed leadership in guiding the bill through the legislature to extend the powers of the EFCB and enlarge MAC's borrowing authority. I should like to point out that by increasing the amount of debt which MAC is authorized to issue by $3 billion the State is really putting itself on the line for the City because the MAC bonds are backed by the

so-called moral obligations of the State. In effect, therefore, the State wil be at least morally responsible for $8.8 billion of MAC debt issued on behalf of the City. I think this refutes any argument that the State has not supported or acted on behalf of the City.

City Seasonal Borrowings From the Treasury

The City has complied with all key provisions of the Federal seasonal loan program. Furthermore, the program has not cost the U.S. taxpayer anything. Table 2 provides a schedule of our total loans under the program.

During fiscal year 1976, New York borrowed $1.26 billion and repaid it with interest, either on time or ahead of schedule. In fiscal 1977, $2.1 billion was borrowed and again repaid punctually. During this current year, the City has borrowed $1.875 billion, and already repaid $1.2 billion ahead of schedule. I anticipate timely repayment of the remaining amount.

Under the law, Treasury is required to charge the City one percent more than the rate on outstanding U.S. Government obligations of comparable maturity. As a result, this year's seasonal loan program will yield a net surplus of approximately $13 million. This amount will be returned, of course, to Treasury's general fund. The aggregate amount of interest received by the Treasury during the past two and one-half year period, over and above our borrowing costs, will be $30 million.

II. New York City's Continuing Lack of Access to Conventional Lending Sources

Although New York City has taken the important steps I have outlined, the municipal credit markets have not re-opened to the City. At the moment, its notes and bonds remain unsaleable in the public markets. A primary purpose of the Seasonal Financing Act -- to restore New York's access to conventional lending sources -- has not been achieved.

I am satisfied that New York has made every effort to test the public markets for its notes, as required by its Credit Agreement with the Treasury. Thus in November, 1977, after three months of preparation, New York attempted a $200-$300 million public note offering. Unfortunately, the notes received a discouragingly low credit rating, and buyers could not be found for them.

There are at least two reasons for this lack of market access. The first concerns continuing budget deficits. To

the extent that budget deficits originally caused the City's loss of market access, New York's smaller but continuing deficits remain a primary obstacle to regaining it.

The second reason for New York's continuing lack of market access might be described as traditional investor skepticism. Once a major borrower - municipal or corporate - loses his credit standing and is nearly insolvent, the rating agencies and the public markets require a period of years before they are convinced that corrective steps have worked and that creditworthiness has been restored. This is a natural lag, and there are numerous examples of it in modern finance. The public financing difficulties of our airline industry, after its loss years of the early 1970's, are a representative example.

It is not altogether surprising, therefore, that the credit markets did not re-open this past year to New York City. It is less than three years since the height of its fiscal crisis and its near bankruptcy. Market access generally is not regained that fast. The traditional skepticism of public markets is such that New York needs more time before it can rely on those markets for the full amounts of its borrowing needs.

III. The City's Four-Year Budget Outlook

Most informed observers believe -- and I concur in their conclusion -- that if the obstacle of budget deficits could be eliminated, then investor caution would tend to dissipate. Accordingly, I asked City officials in November to prepare a four-year financial plan, covering budgets and financing, and aimed at achieving budget balance in accordance with generally accepted accounting principles at the end of the plan period.

Treasury received this financial plan on January 20 and reviewed it intensively, together with our consultants -- Arthur Andersen & Co. Our conclusions regarding this plan were central to the development of our proposed financing legislation as presented to Congress on March 2 and embodied in S. 2892. On April 27, 1978 the City presented its formal 1979 budget and an up-dated and revised four-year budget plan to the City Council and Board of Estimate. We have also studied this latest version carefully. I will now discuss the City's current condition, and then this most recent budget plan and our assessment of it.

Parameters of The City's Budget

New York does not have a conventional budget and cannot eliminate its deficits in one year. Let me explain why.

New York City's budget is virtually unique in terms of its size and composition. At approximately $13.5 billion today, it is by far the largest municipal budget in the United States. Indeed, New York has the third largest overall governmental budget in this country -- behind the Federal government and the State of California, but considerably larger than that of New York State. This enormous City budget reflects New York's huge population (7.5 million) and the large number of services for which the City, instead of a larger county or State, pays.

Specifically, the City administers a wide range of State and national welfare programs, for which it must pay a large share of the costs. The City pays for 25 percent of the welfare and medicaid benefits provided to its residents. These alone involve $1.2 billion each year. New York is the only major U.S. city responsible for paying this high proportion of welfare and medicaid. Indeed, only 12 States require their localities to share any substantial amount of the costs of Federal welfare programs.

In addition, the City funds a series of other services which, in other cities, are paid for by larger governmental units -- a county or the State. This is partially because New York is so large, both in territory and population. It also reflects the historical division of financial responsibility between the City and the State whereby the City pays most of the costs of the municipal courts, hospitals, and public schools.

New York City -- A Reflection of America's Urban Problems

Consistent with this general fiscal situation, of course, New York suffers from a series of ills which afflict many other urban centers. The City's economy has declined sharply during the past decade, as have those of numerous other Northeast and Midwest cities. New York has lost approximately 510,000 jobs from 1969 through 1975, an amount which alone exceeds more than the total public and private employment of all but a handful of other cities. Moreover, the City faces a serious revenue/expenditure gap with revenues growing more slowly than inflation-driven expenditures.

These problems are not unique to New York. They are common to a number of our larger American cities. The underlying cause is largely one of secular economic decline. Current trends include population loss, declining private sector employment and slower per capita income growth.

Hence, the ability of the City to balance its budget over the four-year period is substantially impacted by the local and national economies. A declining local economy yields the equally unattractive choices of either raising taxes or cutting services. Each of these steps accelerates the deterioration of its economy. The only way to break the downward spiral is to rebuild the private sector base.

Cognizant of these problems, the Administration already has taken steps to assist declining cities.

On March 27, 1978, the President announced his urban policy package which provides a framework to guide Federal policy decisions in all areas and to focus Federal resources on urban problems in the years to come. Included are a variety of specific administrative and legislative initiatives. Let me highlight three major ones.

The President recommends replacing the expiring counter-cyclical program with a $1 billion Supplementary Fiscal Assistance program to aid fiscally distressed local governments. He is proposing the establishment of a National Development Bank to encourage the private sector to remain, expand and locate in distressed areas. His third major initiative is the proposed Labor Intensive Soft Public Works program, involving $1 billion per year over 3 years to rehabilitate and renovate public facilities.

These are a few examples of a diverse set of programs, each designed to ameliorate one aspect of the multi-faceted problems facing our cities. The package totals approximately $8 billion in budgetary authority, guarantee authority and tax expenditures during the first year. It augments other significant Presidential proposals, such as the extension of the Comprehensive Employment and Training Act and the welfare reform program, which are under Congressional consideration now.

The City's Four-Year Budget Plan

The revised City four-year plan (the "Plan") is summarized in Table 3. Please note that this is a "plan", not a four-year budget. No city or governmental unit, be it New York City

or the U.S. Government, can formulate a detailed budget today, for 1980, let alone 1981 or 1982.

In drawing up the revised Plan, City officials extrapolated trends in revenues and expenditures which are reflected in its FY 1979 budget. At my request this initial forecast also assumed that the practice of funding operating expenses through the capital budget be eliminated before the start of the last year of the Plan. I also insisted that the budget be balanced in accordance with generally accepted accounting principles.

The revised New York City Plan projects a balanced budget for the City's next fiscal year. Over the 1980-1982 period, however, it forecasts annual deficits growing to a little more than $700 million by the end of the Plan period, $362 million in FY 1980, $593 million in FY 1981, and $702 million in FY 1982. The primary reason for these deficits is the phasing out of the practice of funding operating expenses with monies from the capital budget and the adjustment of the City's contribution to its pension funds to conform with generally accepted accounting principles. Looking at the budget plan on the basis of generally accepted accounting principles, the budget gap would be approximately $600 million for FY 1979 and would grow slightly, to the $702 million figure for FY 1982 mentioned above.

The 1979 Budget

On April 27, Mayor Koch presented his FY 1979 budget to the Board of Estimate and City Council. This budget projects a balance between revenues and expenditures in contrast to the January 20 estimate of a $457 million deficit. This balance was achieved through a variety of means, including the use of new expenditure and revenue baselines, the adoption of certain actions by the City to close the gap, and the passage of an aid package for the City by the State legislature.

The January 20 Plan was based on revenue and expenditure patterns through September 1977. In drawing up the FY 1979 budget and the revised Plan the City relied on updated information reflecting the January-March period. In particular, tax revenues, especially sales and personal income tax receipts, were running somewhat higher than forecast and thus are now estimated to be somewhat greater over the Plan period. In addition, the City actuary determined that pension fund costs were overestimated in the January 20 Plan, as were estimates of the City's interest expense.

The 1979 deficit reduction actions which the City is initiating will produce $174 million in budgetary savings

(shown in Table 4). The principal action involves attrition of 3 percent of the labor force over the next year, which will lower so-called personal service costs by $76 million. The other major actions involve a plan to sharply limit growth in expenditures for materials and supplies and to reduce costs of the Department of Social Services through reduced welfare eligibility, improved job placement of those on welfare and a reduction in medicaid expenditure.

Included in the FY 1979 budget are $250 million of additional State aid over and above the amounts shown in the January 20 version of the Plan and I commend Governor Carey and the State legislature for taking these actions. These State actions, shown in Table 5, are composed primarily of increases in State revenue sharing ($76 million), State education aid ($60 million), and the State assumption of costs to the localities of the Supplemental Security Income program ($60 million). The remaining amounts of additional aid come from increased taxes on real property of Conrail and Amtrak passed through to the City ($12 million) and a tightening of procedures for the administration of several public assistance programs ($43 million).

The Emergency Financial Control Board (the "EFCB") and the Special Deputy State Comptroller have identified approximately $100 million of potential revenue shortfalls or underestimates of expenditures in the FY 1979 budget. For the most part, these "soft" areas reflect uncertainty over certain State actions and over passage of the Administration's Supplementary Fiscal Assistance program. Reflecting its statutory responsibilities, the EFCB has asked Mayor Koch to identify $100 million of contingent deficit reduction steps to be taken in FY 1979 if the City's projections are not met. I concurred in this EFCB analysis and asked the Mayor to present the contingent FY 1979 budget actions to me before this testimony.

The Mayor's stand-by deficit program for FY 1979 consists of possible actions to be taken in four principal areas. First, the City has identified 32 separate expenditure reduction steps in its agencies which would produce total savings of about $23 million. These reductions largely involve further attrition in each agency. Second, the maximum increase in the City's procurement budget would be held to an even lower level than contemplated in the January Plan -- below 3 percent -- to produce savings of $20 million. A third area consists of delays in hiring new workers during the 1979 fiscal year, yielding another $20 million of budgetary relief. The fourth step concerns the re-estimation of certain revenues and the resolution of certain accounting issues affecting them. The net revenue increase approximated $40 million. These actions are summarized in Table 6.

Let me emphasize that the deficit reduction process reflected in this 1979 budget is the same approach which has been taken successfully by the City over each of the last three years. Working with the EFCB the City has budgeted for its operations in such a way as to produce a balance according to State law. In general, the operating results for the last three years have been better than expected, thus validating the City budget process.

The FY 1980 - FY 1982 Part of the Plan

Regarding the remaining three years of the Plan, you will note on Table 7 that several of its 1979 reduction steps will produce recurring and growing savings in the later years. In addition, the City plans to take additional actions in those years to narrow the projected gaps. Specifically, further attrition is planned for the 1980-1982 period, together with continued actions to contain other than personal service costs and management improvements. The total budgetary relief amounts to $125 million in FY 1980 and would rise to $422 million in FY 1982. When applied against the forecasted deficits for those years the gaps narrow to the amounts shown in the middle of Table 7.

The City Plan forecasts that the remaining gap will be closed by a combination of Federal and State actions. The amount of such needed actions is smaller than the City is expecting from the State and Federal Governments for its 1979 budget.

The City, as it has in the past, is continuing to work with State and Federal officials to identify specific programs that could be begun, modified, or expanded to close these gaps.

IV. Treasury's Assessment of the Four-Year Plan

We have studied this Plan thoroughly together with our consultants, Arthur Andersen & Co. We are satisfied that the FY 1979 revenue and expenditure forecasts are reasonable, and that next year's budget thus will be balanced. Of course, "budget balance" in this case reflects the permitted four year phase-out of those operating expenses which are funded through the capital budget.

Turning to the FY 1980-FY 1982 part of the Plan, it is our assessment that City's revenue estimates for that period are conservative -- they involve little growth. Such estimates over the past three years have been quite accurate and an examination of the assumption underlying the forecast for the Plan period confirm that the City continues to project conservatively.

Expenditure estimates for the FY 1980 through FY 1982 period also appear to be generally reasonable, although we have identified a few areas of uncertainty. One uncertainty is, of course, the cost of labor contracts over this full four-year period. I will have more to say about this issue later.

Regarding 1980, specifically, I have asked Mayor Koch, and he has agreed, to identify contingent deficit reduction steps to save $300 million in that year. We are not projecting a deficit of that magnitude but there are uncertainties in the City's Plan for that year and a supplemental budget plan should be available for implementation if needed.

In response to my request Mayor Koch has identified $300 million of additional measures to close any potential budget gap for 1980. Since the January 20 Plan, the Administration has sent its proposed Supplementary Fiscal Assistance program to Congress and the City now estimates that it would receive $84 million more in 1980 than it earlier planned. Similarly, Governor Carey has indicated that the City may plan on $116 million more of 1980 State aid than is contained in its April 27 budget plan. Finally, many of the contingent actions outlined by the City for FY 1979 could be repeated in FY 1980, to produce an overall total of $300 million in gap-closing actions for that year. Together with the 1979 contingent plan, we think that such 1980 actions can ensure that the City achieves budget balance, as defined, during the next two years.

Turning now to the 1981-1982 period, our judgment is that the City's budget can move into budget balance according to generally accepted accounting principles by FY 1982. This judgment reflects several factors. First, the City plans to take additional deficit reduction actions in those years to produce savings in the amounts shown in Table 7 (as I mentioned earlier). These will have the remaining gap of between $230 million and $330 million to be filled by additional State and Federal actions or through more City actions in those years.

State actions potentially could close almost all of the prospective gaps in the two final years. As shown at the bottom of Table 7, the revised plan carries $250 million of increased State aid in FY 1979, but only $174 million of this is projected to recur in subsequent years. I met with Governor Carey and the State legislative leaders and emphasized the need for aid to the City to increase and to be of a recurring nature. The Governor provided me with estimates showing the amount of aid increasing up to $450 million by 1982.

The difference between the $450 million promised by the Governor and the $174 million included in the revised plan is $276 million -- about the size of the projected FY 1982 remaining gap.

I recognize that the State legislature cannot commit in advance to specific amounts in future budgets. Yet, it is also clear that increased State aid beyond 1979 is a prerequisite to achieving true budget balance for the City. Our position is that amounts of at least this magnitude must be provided.

The City's Plan for closing the budget gap also assumes moderate amounts of additional Federal fiscal assistance. Our general view is that the City has primary responsibility for its budget, and beyond that, the State has the principal responsibility. Nevertheless, the City's needs are such that some Federal residual budget assistance is clearly justified.

Table 8 summarizes the history of Federal aid to the City in recent years and illustrates that New York has received growing amounts of Federal aid in these years. I do not believe it is unreasonable to assume that New York together with other cities will receive increases in Federal aid over the 1979-1982 period as the President's urban initiatives are implemented.

Finally, I believe that the combination of Mayor Koch's commitment to attain the balance, the EFCB's statutory responsibilities in that area, and the terms of S. 2892 - which would require the attainment of true budget balance by 1982, will mean that New York will attain its four year budget goals. In my judgment, the City will take whatever fiscal steps are necessary in 1981 and 1982 to reach budget balance.

The City's New Labor Contracts

The City and its unions announced an agreement two days ago concerning new labor contracts for the 1979-1980 period. Treasury took no direct part in the negotiations -- believing this to be an inherently local issue -- but consistently stressed to the City that the budget effects of the final settlement would be of critical importance to the integrity of the City budget Plan. Specifically, we have consistently taken the position that the City must fully offset any increased labor costs with recurring revenues or true savings in other areas.

The proposed settlement would cost the City budget approximately $757 million over those two years. Base wages would increase 4 percent beginning October 1978 and another 4 percent beginning October 1979, and "bonuses" (cost-of-living adjustments) of $750 per worker would be paid in each of the two years. These latter payments actually would be somewhat smaller than the cost of living adjustments paid during the past two years.

The City's April 26 budget Plan proposed to finance any settlement with: (a) $69 million already budgeted in each year for cost-of-living adjustments; (b) the use of $170 million of its FY 1978 ending cash balance; and (c) the use of a contingency reserve established in the revised Plan amounting to $193 million in FY 1979 and $116 million in FY 1980. These items total $617 million.

We think that the City's proposed financing of this settlement is sound with two exceptions. First, to state the obvious, the new agreement would cost $140 million more than the $617 million carried in the April Plan. Off-setting deficit reduction steps in this amount will be required, and the City's recently submitted 1979 and 1980 contingent budget plans should be sufficient in this regard. Second, the budget plan for FY 1981 and FY 1982 assumes the bonuses or costof-living adjustments will not be continued in those years, and this appears unrealistic.

In general, this labor agreement appears fair. On the one hand, it is unreasonable to ask City workers to accept no increases for the next two years. On the other hand, the effective wage increase over the two years of approximately 6 percent (the 8 percent does not take full effect until FY 1981) is reasonably restrained in the context of other recent public and private sector labor settlements. All things considered, I conclude that this potential agreement is a responsible one.

I am disappointed, however, that the labor agreement has not addressed the issue of obtaining increased productivity from the City work force. More specifically, the settlement does not include any provisions to bring about needed modifications in work rules, fringe and pension benefits, and unnecessarily rigid civil service rules. To an outsider, it seems clear that progress in those areas is essential to the ultimate recovery of the City. As I understand it, New York City's present work rules and benefits are considerably more generous than those that exist in typical cities across the country. It is difficult to see how they can be justified when the City faces the kind of financial difficulties that your Committee has been reviewing. The Congress may wish to consider whether it should take any action to facilitate progress in this area.

V. New York City's Financing Outlook

Let me now discuss New York's borrowing needs.

Why New York Borrows Large Amounts Each Year

Each year New York borrows large amounts through the issuance of both short- and long-term notes. During this current year, for example it has borrowed $1.875 billion on a seasonal basis and will have borrowed $1 billion on a 15-year basis.

Seasonal needs arise because City expenditures are spread fairly evenly over the year while certain revenues, particularly State aid, are concentrated in the final months of the City's fiscal year. The City thus borrows during the first months of its fiscal year, in anticipation of revenues to be received during the final months of its fiscal year.

New York, like all other municipalities, also must finance its capital budget. The City's capital budget includes expenditures for long-term assets, e.g. schools, roads, etc., that are traditionally financed with long-term debt. During each of the past two years, the City has sold $1 billion of long-term bonds to cover both traditional capital spending and operating expenses carried in the capital budget.

Recent Financing History and Current Problems

Since 1975, substantially all of the City's new borrowing needs have been satisfied from two sources. Treasury has provided short-term loans under the Seasonal Financing Act, and the City employee pension funds will have lent or are obligated to lend $2.65 billion during the intervening two and a half years.

Both the Federal seasonal loan program and the City pension fund loan program expire on June 30, 1978. The City thus must develop new financing arrangements for both its short- and long-term needs.

For this reason, I asked the City last November to develop an overall financing plan, to accompany its budget Plan. This also was submitted to me on January 20, and Treasury has been evaluating it since then.

The City's Four-Year Financing Plan

Regarding long-term financing, the City Plan projects $5.1 billion of financing, as set forth in Table 9.

The crux of New York's long-term borrowing plan is a $2.025 billion program of Federal and State loan guarantees on a 90 percent - 10 percent basis for City bonds sold to the City and State pension funds. The City anticipates that the guarantee protection would last for at least ten years, although the City bonds would carry 20 or 25 year maturities. Its proposed guarantee automatically would lapse, however, if the pension funds resold the bonds.

The City's Seasonal Financing Plan

The City projects seasonal borrowings of $1.4 billion next year, declining to $1 billion in 1982. This reduction would be accomplished by selling MAC bonds to fund the $800 million advance that the State extends annually to the City.

New York proposes an extended Federal seasonal loan program pursuant to which it would borrow $1.2 billion next year, $800 million in 1980, and $400 million in 1981. The remainder of its seasonal needs would be covered by a $600 million line of credit from the New York Clearing House Banks.

Summary of City Financing Plan

City officials believe that these financing arrangements will permit New York both to meet its full borrowing needs over the 1979-1982 period and to regain full access to conventional markets at the end of that period. Indeed, it projects selling $1 billion of City bonds to the public in 1983, as compared to only $250 million during the final year of the Plan period.

Recent Developments in New York City and State

Local Financing Negotiations

The Municipal Assistance Corporation has been negotiating with local financial institutions to obtain unguaranteed, long-term lending commitments to the City for the 1979-1982 period. Recently, it obtained commitments to buy MAC bonds over those four years in amounts of $500 million from the Clearing House

banks, $250 million from a consortium of insurance companies and $250 million from a consortium of savings banks.

Our view is that this $1 billion commitment represents a good first step toward assembling the necessary package of unguaranteed private lending commitments and planned public offerings. I believe that the Clearing House banks, in particular, should consider a larger commitment than the $500 million which they have pledged. They have the capacity to do so, and still keep the proportions of their investment portfolios invested in City or MAC securities well below 1976 and 1977 levels.

The Municipal Assistance Corporation also has held discussions with representatives of City and State employee pension funds, concerning long-term lending commitments from them.

Substantive negotiations with those entities have not yet begun, but we anticipate that they will commence shortly. Our position concerning the City pension funds is that they must commit to buy unguaranteed City or MAC securities over the next four years, just as the financial institutions have done. I realize that the City funds have supplied all of New York's long-term borrowing needs since late 1975, and commend them for having done so. I obviously do not expect them to continue as sole lender, nor to increase the overall percentage of their assets invested in City and MAC securities. But, I should point out that if for the next four years, they simply reinvest the principal of maturing City obligations that they presently hold, the percentage of City's obligations that they hold will go down from 35 percent to 24 percent. This is the case because their total assets are projected to grow by approximately 34 percent over the next four years.

New State Legislation

Let me now review several recent developments in New York which relate to the conditions under which we would issue guarantees. The New York State legislature has enacted two bills that essentially meet the conditions regarding State legislation which underlie our proposed legislation. First, the State has enacted legislation to extend the life of the EFCB and to alter some of its powers. This legislation generally satisfies our requirement that the fiscal control and monitoring entity have powers no less extensive than the existing EFCB.

The life of the EFCB has been extended for a period which could run 30 years. While a sunrise-sunset provision has been added, that provision is inapplicable so long as any Federal guarantees remain outstanding. Under this legislation, so long as Federal guarantees are outstanding, the EFCB has the power to:

1. Approve, disapprove, and in some cases formulate and adopt, the financial plan and any modifications thereto. The financial plan is now a rolling four-year plan which must be reviewed and approved each year. Revenue estimates presented by the City may be revised by the EFCB. Subject to certain narrow exceptions which will be discussed below, budgets must be balanced in accordance with GAAP for fiscal years beginning after June 30, 1981 and annual audits are required by independent public accountants.

2. Approve or disapprove contracts (including collective bargaining agreements of the City and the covered organization) and any proposed long-term or short-term borrowings. In this regard, new strict limitations on the issuance of short-term debt have been incorporated into the statute for the first time.

3. Maintain a separate fund through which the cash resources of the City and the covered organizations may be controlled in appropriate circumstances. In addition, a separate debt service fund has been created in the possession of the New York State Comptroller into which all real estate tax revenues and certain other revenues will be deposited and applied to the repayment of outstanding bonds and notes.

In a related measure, MAC has been authorized to issue an additional $3 billion of its bonds which are backed by the moral obligation of New York State as well as $500 million in short-term notes maturing on June 30, 1978 which are not backed by the moral obligation of New York State but are secured by New York State aid payments. It is anticipated that these notes will be sold to the City pension funds to bridge their obligation to invest $683 million in long-term City bonds.

The EFCB legislation provides two narrow exceptions to the requirement that budgets be balanced in accordance with GAAP. Changes in GAAP or changes in the rules of application of GAAP may be phased in with the approval of the EFCB if immediate application thereof would result in a substantial adverse impact on the delivery of essential services.

Similarly, the EFCB may relieve the City from the requirement that its budget be balanced in accordance with GAAP if, after the beginning of a year in which a balanced budget has been adopted, an event occurs which would require so drastic a modification to the budget to achieve balance at year-end that a material adverse impact on the delivery of essential services would result. In the case of fiscal years ending after June 30, 1982, the amount of any deficit which results must be repaid in the next fiscal year. We believe both of these limited exceptions are appropriate given the long-term nature of the EFCB, and we would support an amendment to S. 2892 to accommodate them.

The $683 million Long-term Pension Fund Loan Scheduled by June 30, 1978

At this point, I should comment on the matter of the remaining $683 million investment obligation of the City pension funds. In 1975, the pension funds agreed, in the Amended and Restated Agreement, to provide long-term financing for the City during the period ending June 30, 1978. That agreement was part of a package of arrangements among the several interested parties, including the United States, that met the City's financial crisis. Although a number of appropriate conditions were included in the Agreement, none of them related to the prospects for Federal financing assistance after June 1978. Yet certain pension fund trustees have recently indicated that they do not feel obligated to invest the $683 million because of uncertainties over the post-June 1978 period.

Mr. Chairman, as you know, Congress relied upon the long-term financing commitments of the pension funds in authorizing Federal seasonal financing assistance. Treasury, in making individual loans under the Seasonal Financing Act, has relied upon the timely fulfillment of those commitments in order to provide needed funds for the City. I might note, parenthetically, that our proposal for guarantee authority over the next four years is premised upon the making and fulfillment of new lending commitments by the local parties, including the City pension funds. Treasury's General Counsel has advised me that the outstanding commitments of the pension funds are firm, binding contractual obligations, and I expect them to be fulfilled. We would, of course, not proceed with the program that has been proposed if this commitment is not kept.

VI. The Administration's Financing Proposal

Background

Our evaluation of the City's financing plan is that it is well-conceived and should achieve its objective. We have, however, two reservations: First, our analysis of the Plan leads us to conclude that the City can adequately provide for its capital requirements by selling somewhat less -- perhaps $4-1/2 billion -- than the $5.1 billion in long-term securities during the years 1979-1982, which the Plan projects. Second, we believe that this reduced level of long-term financing can be assured with more modest Federal assistance.

I want to emphasize, however, that we have concluded that the City's solvency would not be assured in the absence of any Federal lending assistance beyond June 30, 1978. In this regard, therefore, we disagree with the conclusions of the Report recently issued by this Committee on New York City. While it is conceivable that if every contingency is favorably resolved, no additional Federal lending assistance to the City will be required, we do not believe it would be responsible to risk bankruptcy should events prove this judgment wrong. New York City in bankruptcy will prove far more expensive to this nation -- both in expense and personal sacrifice -- than any modest form of assistance.

Let me now outline the reasons why I believe there must be some Federal long-term lending assistance. Any long-term financing plan for New York must rely on the sale to the public of large amounts of MAC bonds and City bonds. The City's own plan projects $1.85 billion of such public sales and your Committee Report forecasts only modestly lower amounts.

The receptivity of public markets to those sales, however, is far from assured. Today there is no market for City bonds at all. Moreover, the market for MAC offerings in recent months has been quite limited, and last December's $250 million MAC offering was barely completed. It is entirely possible, therefore, that the public markets will not supply the amounts of long-term capital which New York needs to meet even its minimal capital needs. Unless there is a Federal backstop, to assure that these amounts can be obtained, the City's solvency simply cannot be assured.

We believe local private parties primarily the City pension funds and the local financial institutions, can supply a large portion of the long-term needs of the City, but we cannot be certain that they will be able to supply all of such needs.

It also has been proposed that Congress simply extend the seasonal loan program, on a reduced and self-liquidating basis. We do not think that this is the best approach. It does not assure that New York's long-term needs are met and that the financing crisis thus will finally end.

Specific Proposal

We proposed on March 2 that Congress (i) authorize the Secretary of the Treasury in the four years ending June 30, 1982, to guarantee up to $2 billion in aggregate principal amount of taxable New York City or MAC securities, such guarantees not to exceed 15 years, with a minimum annual guarantee fee of 1/2 percent per annum payable on any outstanding guaranteed securities; and (ii) amend PL 94-236 to permit the City and State employee pension funds to purchase City or MAC securities during the 1979-1982 period.

On March 2, I testified that guarantees authorized by the Congress would be issued only under a set of detailed conditions. The current status of those conditions, and what has been done to satisfy them, is as follows:

-- For fiscal year 1979, I stipulated that the City would be required to adopt a four-year budget plan that by 1982 produces a budget balanced in accordance with Generally Accepted Accounting Principles (GAAP), and would continue to adopt and adhere to rolling four-year budget plans that for 1982 and thereafter are balanced in accordance with GAAP. The City periodically would submit to the Secretary financial statements as required. Our assessment of the City's recently revised four-year budget plan already has been described.

-- New York State recently has enacted the necessary legislation to ensure the existence of a fiscal control and monitoring entity with powers no less extensive than the current Emergency Financial Control Board (EFCB). This entity would be in existence for at least the life of the Federal guarantees. I expect that this legislation will be modified in a few areas described below.

-- New York State also has enacted appropriate legislation to facilitate the public sale of MAC long-term securities, and to provide appropriate security and legal authority for such securities. Our position,

-- however, is that the State also must enact legislation to expand the City's bonding authority as required for the four-year financing plan and to permit pension fund trustees to invest in City and MAC securities.

-- Federal guarantees will be appropriately secured by Federal transfer payments to New York City and by such payments to New York State.

-- The recently passed State legislation extending the EFCB will be modified to include a requirement that the City demonstrate that it has achieved market access for its securities before the emergency period can end and before the sunset provisions of the EFCB legislation are applicable. We understand that this modification is acceptable to all parties.

-- The City will engage independent bond counsel of national reputation to pass upon the validity of the State legislation and any guarantee agreement entered into with the Federal Government. All parties recognize that this may require certain technical amendments to the legislation.

In my earlier testimony, I indicated that Federal guarantees will be appropriately secured by Federal payments to the City and a State funded debt reserve account or the pledge of an appropriate amount of Federal transfer payments of the State. The bill before your Committee provides that the Secretary shall withhold first City and then State transfer payments in the event the Federal Government makes payment under the guarantees. Furthermore, upon payment under any guarantee, the Federal Government will be entitled to the security provided by the City on the guaranteed bonds and to a first priority on distributions from the fund controlled by the EFCB. Since we believe this security to be adequate, we have not required the creation of a State funded debt reserve fund.

Role of the Guarantees in the City's 1979-1982 Long-term Financing Plan.

A long-term financing plan for New York cannot work without the cooperation of the relevant local parties -- the City and State pension funds, the Clearing House banks and other local financial institutions, and others. The

exact division of lending commitments among these parties is a matter for detailed negotiation over the near-term future in light of the prevailing conditions. It is clear, however, that each of these key parties must make a major lending contribution.

In general, I think that up to $2 billion of MAC and City bonds can and should be sold to the public during the next four years on an unguaranteed basis and additional amounts to private lenders. Federal guarantees will be issued only to the extent that the public markets and private lenders do not provide the necessary funds on an unguaranteed basis. However, it would not be my intention to issue Federal guarantees unless other lenders to New York City make significant long-term lending commitments on an unguaranteed basis. The timing of the issuance of Federal guarantees and the size of purchases of non-guaranteed MAC or New York City long-term obligations by lenders will have to be worked out as part of an overall financing package.

The precise form and coverage of the guarantees require further negotiation. Among other things, however, the guarantee would lapse if the guaranteed securities were sold by the original purchasers.

It is clear to me, however, that Federal guarantees, on the order of $500 million, must be issued during the first year of the City's financing plan. This will be necessary to demonstrate a Federal commitment to New York's future. It will set the financial control mechanism in place and provide the impetus to obtain the necessary commitments from private lenders and the pension funds to purchase significant amounts of unguaranteed bonds from the City or MAC.

It will be my intention, in the negotiations that will take place with potential lenders, to keep the length of Federal guarantees as short as feasible. Similarly, since we require that a "best efforts test" be met before any guarantees would be issued, we hope to avoid issuance of guarantees in the later years of the Plan when hopefully the City will regain access to the markets.

Seasonal Financing

My judgment is that New York can satisfy its own short-term borrowing needs, provided that Federal guarantee authority as outlined above is available concerning its long-term financing. Before Congress enacts guarantee

legislation, however, New York should prepare a seasonal financing plan satisfactory to the Treasury. I have asked Mayor Koch to do so.

If my judgment changes over the near-term future on New York's ability to meet its own short-term needs, I will report accordingly to Congress.

Conclusion

We look forward to working with Committee staff on the details of our proposed legislation. I also will be happy to answer now any questions you might have.

oOo

SUMMARY OF THE NEW YORK CITY BUDGET[1/]
FY 1975 THROUGH FY 1978 (ESTIMATED)
($ In Millions)

	FY 1975	FY 1976	FY 1977	FY 1978
REVENUES				
General Sources				
Sales Tax	$ 791	$ 828	$ 867	$ 901
Personal Income Tax	466	615	742	756
General Corporation Tax	268	443	519	504
Water & Sewer Charges	238	218	206	231
Stock Transfer Tax	185	270	279	250
Financial Corporation Tax	114	202	149	168
Other	1,555	1,128	1,205	1,242
TOTAL GENERAL SOURCES	$ 3,617	$ 3,704	$ 3,967	$ 4,052
Real Estate Tax	2,896	2,966	3,236	3,168
Federal & State Aid	5,452	5,339	5,435	6,083
TOTAL REVENUES	$11,965	$12,009	$12,638	$13,303
EXPENSES				
Social Services	3,482	$ 3,746	$ 3,774	$ 3,906
Education	2,345	3,010	2,481	2,564
Health & Sanitation	1,187	1,377	1,325	1,346
Police	654	652	669	661
Fire	282	285	292	297
Debt Service (2)	1,827	1,847	1,747	1,607
MAC Debt service	---	462	597	402
Pensions (2)	987	1,137	1,209	1,188
Other	1,269	461	873	1,332
TOTAL EXPENSES	$12,033	$12,977	$12,967	$13,303
DEFICIT	$ 68	$ 968	$ 329	$ ---
Estimated Adjusted Deficit Based on Treasury Estimates Using GAAP	$ 2,100	$ 2,000	$ 1,200	$ 750

TABLE 1

TABLE 2

NEW YORK CITY SEASONAL LOAN PROGRAM
BORROWING AND REPAYMENT SCHEDULE
CITY FISCAL YEARS 1976 - 1978

1976

Borrowing Date	Repayment Date	Amount (Millions)	Interest Rate (%)	Interest Due (Millions)
12/18/75	4/20/76 [1]	$ 130	6.92	2.958
12/31/75	5/20/76 [2]	240	6.68	6.105
1/15/76	4/20/76 [1]	140	6.13	2.163
2/11/76	6/20/76 [2]	250	6.29	5.514
2/17/76	6/25/76	80	6.26	1.770
2/17/76	6/30/76 [2]	100	6.26	2.298
3/01/76	6/30/76 [2]	250	6.39	5.077
3/15/76	6/30/76 [2]	70	6.33	1.238
		$1,260	6.43	27.122

1977

7/01/76	4/20/77 [3]	$ 500	7.37	29.076
7/16/76	4/20/77 [1]	150	7.02	7.876
7/16/76	5/20/77 [1]	200	7.10	.827
8/04/76	5/20/77 [1]	225	7.04	.368
12/01/76	6/20/77 [1]	200	5.85	.315
12/08/76	6/20/77 [1]	200	5.83	.670
12/22/76	6/20/77 [4]	200	5.73	.526
12/30/76	6/30/77 [4]	170	5.75	4.874
3/14/77	6/30/77 [4]	255	5.92	4.466
		$2,100	6.53	88.398

1978

7/05/77	4/20/78 [1]	$ 300	6.65	15.796
7/18/77	4/20/78 [1]	100	6.80	5.142
7/18/77	5/20/78 [1]	150	6.85	8.670
7/29/77	4/20/78 [1]	200	6.93	10.063
8/16/77	4/20/78 [1]	50	7.36	2.490
8/16/77	5/05/78 [5]	100	7.38	5.297
9/19/77	5/20/78 [5]	250	7.46	12.518
10/04/77	5/20/78 [5]	50	7.54	2.376
10/04/77	6/20/78	275	7.58	14.791
12/05/77	6/20/78	150	7.75	6.274
12/28/77	6/20/78	50	7.73	1.842
12/28/77	6/30/78	200	7.75	7.814
		$ 1,875	7.26	93.075

1) Repaid four days early.
2) Repaid two days early.
3) Repaid five days early.
4) Repaid one day early.
5) Repaid six days early.

TABLE 3

New York City's Four-Year Financial Plan
As Revised
($ In Millions)

	Fiscal Year			
	1979	1980	1981	1982
REVENUES				
General Property Taxes	$ 3,189	$ 3,137	$ 3,126	$ 3,156
Other Taxes	3,150	3,209	3,325	3,466
Miscellaneous Revenues	886	815	834	856
Unrestricted Federal & State Aid	1,187	977	923	973
Federal Grant: Categorical	2,429	2,014	1,985	1,990
State Grants: Categorical	2,191	1,970	1,994	2,021
Less: Provision for Disallowances	(100)	(100)	(100)	(100)
Capital	529	379	251	109
Intra-City Revenues	417	426	435	443
TOTAL REVENUES	$13,878	$12,827	$12,773	$12,914
EXPENSES				
Personal Service	5,762	5,643	5,744	5,828
Other Than Personal Service	6,038	5,556	5,704	5,885
Debt Service	1,516	1,416	1,321	1,248
MAC Debt Service Funding	462	474	497	555
General Reserve	100	100	100	100
TOTAL EXPENSES	$13,878	$13,189	$13,366	$13,616
Gap To Be Closed	---	$ (362)	$ (593)	$ (702)
ACTIONS TO CLOSE GAP				
Federal & State Actions		237	321	280
City Actions		125	272	422
TOTAL ACTIONS TO CLOSE GAP		$ 362	$ 593	$ 702

NEW YORK CITY PROPOSED ACTIONS

TO CLOSE FY 1979 BUDGET GAP

	Revenue Increases	Reductions of Expenditures (City Funds)	Total
	($ In Millions)		
Savings From Attrition:			
Salaries	$ --	$ 72.6	$ 72.6
Fringe Benefits	--	3.6	3.6
Sub-Total	$ --	$ 76.2	$ 76.2
Other Savings & Revenues:			
Board of Education	$ --	$ 15.7	$ 15.7
Dept. of Social Service	--	24.0	24.0
Debt Service	--	15.0	15.0
Indirect Cost Reimbursements on Fed. Grants	11.0	--	11.0
OTPS Cost Containment	--	23.0	23.0
Improved Billing & Licensing Procedures	6.0	--	6.0
Other Actions	2.3	1.5	3.8
Sub-Total Other Savings & Revenues	$19.3	$ 79.2	$ 98.5
Total Savings & Revenues	$19.3	$155.4	$174.7

NEW YORK STATE ACTIONS
TO CLOSE FY 1979 BUDGET GAP

	Amount ($ in Millions)
Revenue Adjustments	
State Revenue Sharing	$ 43.0
NYS Countercyclical Aid	33.0
Real Property Tax (Conrail and Amtrak)	12.0
Additional Social Service Review	22.0
	$110.0
Expense Adjustments	
State Education Aid	$ 60.0
SSI Cost Assumption	60.0
Wage Reporting Matchup	1.5
Audits of Voluntary Hospitals	10.0
Additional MMIS Savings	6.0
Drug Abuse Program Assumption	3.5
	$141.0
Total	$251.0

TABLE 6

CITY FY 1979 CONTINGENT GAP-CLOSING ACTIONS (IN MILLIONS OF DOLLARS)

Specific Agency Expenditure Reductions	$ 23
Further City-wide Cost Containment of General Procurement Expenditures	20
Hiring Lag	20
Reestimation of Revenues and Expenditures (net, to be included in the General Reserve)	37
TOTAL	$100

Summary of Federal, State, and City Actions to Close Budget Gaps in Revised Plan ($ In Millions)

	Fiscal Year			
	1979	1980	1981	1982
Gap to Be Closed	---	362	593	702
City Actions Planned to Close Gap				
Work Force Reduction		62	172	285
Other Than Personal Service Cost Containment		22	46	71
Management Improvements		41	54	66
TOTAL		125	272	422
Remaining Gap to Be Closed	---	[237	321	280]
State Actions Already in Revised Plan	250	174	174	174
Federal Actions Already in Revised Plan	83	6	6	6
TOTAL	333	180	180	180

To be eliminated through Federal & State Actions beyond those included in revised plan.

FEDERAL AID TO NEW YORK CITY

CITY FISCAL YEARS 1973 - 1978

($ Millions)

TYPE OF AID	1973	1974	1975	1976	1977	1978
Categorical Aid	$1,790	$1,783	$2,217	$2,262	$2,421	$2,808
Revenue Sharing (including ARFA)	259	267	257	263	290	479
Total	$2,049	$2,050	$2,474	$2,525	$2,711	$3,287

Source: Temporary Commission on City Finances and City Comptroller Reports

TABLE 8

CITY FINANCING PLAN
USES OF FUNDS

Item	Amount
True Capital Spending	$2.590
Funding of Operating Expenses	.900
MAC Restructuring	.560
MAC Capital Reserve	.250
Bonding of State Advance	.800
	$5.100

SOURCES OF BORROWINGS

City & State Pension Funds (USG Guaranteed)	$2.25 *
MAC Private Placement: local financial institutions	1.000
MAC sales to public	1.510
City bonds to public	.340
	$5.100

* 90% USG guaranteed - $2.025

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

June 2, 1978

Dear

The government is making every effort to reduce the inflationary impulses of our economy. We recently pared back and delayed our proposed tax cut; we are fighting hard to reduce future budget deficits; we have taken steps to reduce inflation-creating regulations; we have directed our agencies to observe the principle of deceleration in all new or renegotiated Federal contracts. And we have initiated politically difficult and painful wage deceleration guidelines for Federal workers. On April 11, President Carter announced that he would order a freeze on the salaries of all Executive employees and seek to limit increases in Federal white collar salaries to 5.5% this year. The Congress is now considering imposing similar restraints in high level pay on itself and on the Judiciary.

To be sure, we have much more to do. But government cannot do the job alone. We must ask the private sector -- labor and business -- to contribute to this critical effort if we are to begin turning back the tide of inflation.

I am writing to ask you to implement within your own institution the principle of wage and salary deceleration that we are applying to Federal employees. In the past few weeks, General Motors, Ford and AT&T have announced their intention to put tight constraints on executive salaries and other salaries over which they have control. Other business firms have followed suit. We would like to hear a similar pledge from your organization.

We ask that you help us meet our objective of reducing the economy-wide average increase in total compensation -- wages and benefits (excluding legally mandated items such as Social Security taxes) -- by at least a percentage point per year. In particular, we seek to realize greater deceleration

in wages on the part of those workers who have experienced the greatest gains in recent years. If we can pull down the rate of growth in these wages while preventing an acceleration in the wage gains of others, we will be able to reduce the average wage increase nationwide. I enclose a memo from the Council on Wage and Price Stability indicating how this can be accomplished within an institution such as yours.

Please give this matter serious thought and notify me soon whether you will cooperate in this critical endeavor.

I realize that this letter will hardly endear me to your fellow executives. Most industries can think of one or another reason for exempting themselves from this exercise. And individually, no one wants a salary freeze or a reduction in pay increases which they have become accustomed to. Yet everyone must contribute to the fight against inflation if we are collectively to maintain healthy profits, a vigorous economy and a strong dollar.

Sincerely,

W. Michael Blumenthal

IMPLEMENTATION OF WAGE DECELERATION

In order to reduce the average wage and salary increases nationwide it will be necessary to achieve substantial deceleration in the rate of increase in wages and salaries for groups of workers who have achieved gains in recent years that substantially exceed the economy-wide average. We have no rigid guideline, and the wage deceleration effort should be characterized by a flexibility that reflects the widely-varying recent wage and salary trends of various groups of workers.

Furthermore, while some of the details of the program are specified below, its actual implementation will necessarily take slightly different forms in different industries, depending upon the institutional peculiarities involved in the wage determination process in each industry. For example, in industries such as banking and insurance, the focus of the deceleration effort should be on annual salaries since most workers are paid on that basis.

Our objective is to hold increases in total compensation -- wages or salaries and benefits (excluding legally mandated items such as Social Security taxes) -- significantly below their average annual increase during the base period. For example, a firm with a total quarterly payroll cost for workers of $3.0 million would first deduct the cost of such items as Social Security taxes, Unemployment Insurance, and Workmen's Compensation. If, in this hypothetical example, these items totalled $200,000, the difference -- $2.8 million -- would represent the relevant total compensation expenditures for this employee unit, including both salaries and payments for private fringe benefits such as health insurance and pension plans.

Total quarterly payroll cost	$3.0m
Less employment taxes (e.g., Social Security)	0.2m
Total compensation	$2.8m

The firm would then examine its records and ascertain how much this total compensation figure had grown over the 1976-77 period. For nonunion workers the compound average annual rate of increase over the two-year period would then be the basis against which 1978 performance would be compared. Suppose this compound annual average growth rate in compensation were 7.2 percent. In this case compliance with the deceleration objective would be achieved if in 1978 the increase in compensation were held to 6.2 percent.

In situations where compensation is determined under the terms of a collective bargaining agreement, the base period is the life of the contract rather than the calendar year 1976-77 period, and the relevant measure is the average annual increase in compensation over that contract term. The rate of increase should be figured separately for appropriate groups of recognized workers -- recognized bargaining units where there is collective bargaining and traditional units of similar kinds of workers where there is no bargaining.

In the case of executive salaries we are asking that the rate of increase during 1978 be held to 5 percent or less.

June 6, 1978
[In response to inquiries concerning the report by the House Committee on Government Operations on "Foreign Tax Credits Claimed by U.S. Petroleum Companies"]

The question of whether U.S. oil producers operating overseas could claim U.S. foreign tax credits for levies paid to foreign governments had been under consideration for many years before the Carter Administration assumed office, with no decision having been reached. A fresh review of the issue was immediately commenced and in January 1978 the 1955 ruling that permitted such credits to be taken was revoked. In view of the complexities of the question, the length of time taken to complete the review was not unreasonable. The decision was made exclusively on the basis of tax law considerations in the Internal Revenue Service and the Treasury Department and after a review by the Secretary of the Treasury who has the statutory responsibility for all tax matters.

When an Internal Revenue Service ruling is revoked, the Service's normal practice, which is explicitly sanctioned in the Internal Revenue Code, is not to make the revocation retroactive but rather to give taxpayers a reasonable time to adjust their affairs in the light of the revocation. This was the principle followed in this case.

epartment of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 566-2041

ADVANCE FOR RELEASE SUNDAY MORNING
June 11, 1978

TREASURY SECRETARY W. MICHAEL BLUMENTHAL ON ECONOMIC POLICY

Following is the transcript of an interview with Secretary of the Treasury W. Michael Blumenthal by Alfred H. Kingdon, Editor-in-Chief of Financial World magazine on May 17.

The interview appears in the current issue of Financial World reaching subscribers tomorrow.

* * * * *

MR. KINGON: Mr. Secretary, for some reason this Administration hasn't won the full confidence of investors and businessmen. To what do you attribute this? What has gone wrong?

MR. BLUMENTHAL: In the first place there is increasing evidence of a shift and of increasing confidence by the business and financial community that the Administration is following sound, sensible economic policies that are consistent and easily understandable. The commitment to maintain a reasonable growth rate, the commitment to put a tight lid on Government spending, the identification in the April 11th speech by the President of inflation as public enemy no. 1, the recent decision to trim the size of the tax package in order to reduce the budget, the continuing commitment to bring the deficit down and move it toward balance -- all of these are things that I think are creating greater business confidence.

Obviously, also the fact that we not only had a good year in 1977, but all indications are that we will have a good one in 1978 and that the prospects for '79 look good...all of that is helpful. I think the fact that the stock market has been moving up and that the exchange markets have stabilized and the dollar has strengthened all contribute to that. So I think we are in a slightly different situation now than we were.

In the past, I think there were a number of factors. One of them was simply the lack of familiarity with a new President and a new Administration. Secondly, no doubt the fact that many leaders in the business and financial community belong to a different party and did not support this President when he was a candidate, naturally caused some hesitation on their part and a kind of wait and see attitude. And finally, I think the lack of confidence has been a reflection of some real factors, the real factors being that we had a fairly long period when we experienced high levels of inflation, high levels of unemployment, uncertainty in international markets, and a kind of a sense by the business community that we no longer are masters of our own economic fate in quite the way we used to be. That may at times get put in terms of a particular Administration, but it is really a general problem, and I remember as a member of the business community having the same sense during the Nixon and Ford Administrations. So I understand it very well. That kind of uncertainty obviously is a fact of life, but I think the prices as such are more clearly understood and the situation is improving.

MR. KINGON: Sir, to get specific for a moment -- the President, you, others in the Administration have stressed lately the tremendous need for capital formation and incentives for investment. And yet when such a move, a direct move, emanates from Congress, and of course I am referring to the Steiger Amendment, the President has you running up to the Hill in essence crying foul and threatening veto. Why?

MR. BLUMENTHAL: It is important to stress that this Administration is vitally concerned with the problem of capital formation. That's been said repeatedly: I did it most clearly in the speech to the Financial Analysts in Bal Harbour a week ago. So it is not a question of whether, but how.

The tax bill that is before the Congress reflects a major effort to increase the profitability of-business, to increase cash flow for business. It is profitability of business and cash flow that will cause more investment and hence greater capital formation. The decision to try to achieve that by an across-the-board reduction in the corporate tax rate of a significant amount was not taken lightly: it was not taken in a vacuum. It was based on literally hundreds of people with whom I personally consulted, large business and small business, in the financial world and in the business world. And while there are many ways of providing more resources to business, all of them agreed that the highest priority was to bring the corporate tax rate down.

What I have been saying, and also in the recent letter that I sent to the Congress on the Steiger Amendment, was that in the first place we don't have unlimited resources available to us. If we were to give up more than $2 billion of revenue for the Steiger Amendment, we would not have it available for reducing the corporate tax rate. And we think the corporate tax rate -- and business felt that way -- is a better way of doing that.

Secondly, the Steiger Amendment is a "fat-cat" amendment. The Steiger Amendment is an amendment that benefits more than 80 percent of those taxpayer groups who make more than $100,000 a year. In fact it is a very regressive way of changing the tax system because it actually reduces the effective tax rate for those above $200,000 as compared to those who earn less. You actually begin to pay less in taxes when you reach $200,000 than you do at an earlier rate.

That is not the way to get capital formation: that is certainly not the best way to get it. Which does not mean that the question of the double taxation of dividends, the distinction between earned and unearned income taxation and capital gains taxation should not be reviewed at some point in the future. But not at the cost of taking away the revenue for across-the-board reduction in the corporate rate.

MR. KINGON: You referred to that in your response and said the Steiger Amendment "would steal much of the revenue" earmarked for corporate tax reduction. But is it not fair to say that it could not equally steal from some other reforms that aren't regarded by the business and investment community as so important? I am sure you've seen the S. I. A. study, and Chase put out a study. Econometrics also and unless the Treasury economists are different, everyone seems to be concluding that the effect of reducing capital gains taxes would be increasing revenues.

MR. BLUMENTHAL: If that were true, I would lead the parade of those who would call for a drastic reduction in the tax treatment of capital gains, because then we could in one fell swoop achieve capital formation and balance the budget at the same time. Unfortunately, reality is somewhat different.

The S.I.A. study achieves its result in a very simple way by making certain assumptions, assumptions which are not supported by either fact or logic and that are quite unrealistic. As you well know, what you get out of a computer depends very much on what you put into the computer. They assume that the effect of the Steiger Amendment would be: one to increase by 10 percent. I believe it is, the price of all stocks -- an assumption which is off the wall. And two, they assume that those increases in stock values would be realized, which means that everybody would rush out to sell to realize those gains. That also is an assumption that is not based on fact. In fact in a previous study, which the same organization made but for a different client, they had very different assumptions. So unfortunately there is no basis that we know of for concluding, and the Treasury does have different views therefore, that by a reduction of capital gains taxes to the levels of pre-1969 we would gain more than we would give up in revenue.

MR. KINGON: Can you tell me why the President and the Administration seemingly abandoned the program for sweeping away what Mr. Carter called "a disgrace to the human race," the personal income tax code, and substituted for it a whole series of reforms that are growing increasingly modest as a result of Congressional intransigence? Why did that happen? Was it a result of the conflict within the Administration?

MR. BLUMENTHAL: The President remains committed to substantial reform of the tax system and I certainly agree with him wholeheartedly that this kind of reform is a highly desirable thing. We began the survey of what could be done when he first came into office by looking at all elements of the tax system that theoretically could be reformed. We selected from that list and that was a very long list -- Congress being an incremental place and not an institution that easily, in one bill if you will, totally scraps a tax system and substitutes another one -- clearly that whole long list could not be implemented in one fell swoop. What the President selected from that, in view of the fact that he felt that a tax bill was essential (and he still feels that way in this year of 1978), was a package of reforms, involving about $9 billion of gained revenue -- that and some losses of revenue -- that he felt was achievable in one year. This does not mean that at some point in the future you might not come back to attempting suggestions of additional reforms.

That package has not changed. The Administration continues to feel that that is a sensible package and is continuing to fight to get it implemented. What has changed is the fact that there are many members of Congress who think that even that is

too much; that the President's efforts to make a beginning on reducing the degree of disgrace to the human race inherent in the tax system is being too ambitious. And so the discussion at the moment between ourselves and the Congress is whether all, or if not what portion, of those reforms he is recommending can be adopted. But we have not scaled back.

MR. KINGON: This brings to mind a larger question. Earlier this week I came across a corporate executive who was now thoroughly confused because of the reaction to the Steiger Amendment as to whether the Administration really is for tax incentives to stimulate investment now. I want to ask you why there have been so many confusing signals in the history of this Administration sent out to business and the investment community -- and I am think of the capital gains tax thing and I'm thinking of the initial tax reform program when it seemed to change before the program was promulgated. There was a great deal of confusion about the Administration's attitude toward the dollar when it was declining, and the energy program as well. It seems to many that there is a great deal more confusion than in past administrations. I wonder if you could address yourself to that.

MR. BLUMENTHAL: I most certainly can. And I would have to do so by taking issue with you that the Administration has changed the signals on the basic policies in the economic field that it wishes to follow. We never suggested that there should be a reduction in the capital gains tax treatment, so there's no change in signals. At no time did we ever suggest that that should be done. We did consider whether or not it would be possible this year to make a major move toward the elimination of the double taxation of dividends and to bring the marginal tax rates down substantially below 70 percent ideally down to the same level of 50 percent -- and in thinking of the capital gains tax thing and I'm thinking of the initial tax reform that context eliminate preference for capital gains. We never suggested or even internally discussed that capital gains treatment should be reduced. Those three things, if they could be done together, would do a great deal to stimulate capital formation. So that it's not fair to say that we changed signals. Mr. Steiger sent up a signal, but we didn't. That's point number one.

Secondly, on the energy legislation I am not aware of the fact that the Administration ever changed its view on the need for such legislation, on the nature of that legislation -- that legislation was put forward last year in April. The Administration has been fighting as hard as possible to get it accepted by the Congress in a form as close as possible to what was suggested and we've been having great difficulty. But that has not been for lack of trying. I remain confident that with three pieces approved, the fourth already virtually agreed to and the fifth in the works, we will be able to achieve it.

You mentioned a third point -- the dollar. I think the key characteristic of our exchange rate policy has been its steadfastness. We have never changed signals on it. We said all along that in a world of floating exchange rates we cannot and will not step in to support a particular rate or a particular range within which the dollar should trade in relation to certain other currencies. We have never wavered in that regard and we always explained why supporting a particular rate was not a sensible. And we continued to follow that policy. We always said that we would obviously collaborate closely with other countries and other finance ministries and central banks to seek to eliminate disorderly movements in the exchange markets. That we have done. That we have continued to do. We always said that we were interested in a strong and stable dollar; we never said anything different. The perception in a nervous market where the dollar was declining for a variety of reasons may have been different, but not because of anything that we have said.

Finally, what is important and what needs to be emphasized, and I hope you will do so, is the fact that from the beginning, although people didn't believe it and I hope they believe it now, the President said that he's going to do his darndest to balance that budget by the end of the first term. From the beginning he said, and he identified it very clearly again in the January economic message, that he is going to put a tight rein on Federal spending, which he is doing. He's said as recently as April 11th that he is going to veto any spending legislation outside of what he had proposed. From the beginning he said he is going to get Federal expenditures down to the traditional level of 21 percent of GNP, that he is going to keep taxation as a percentage of personal income down to moderate levels and that he is going to rely on the private sector to provide the jobs. Those are the basic things that we have always said and that we are doing.

MR. KINGON: I suppose my question is not to the substantive merits of what you're saying but about certain changes that were made. For example, I believe at one time you were quoted about the double taxation of dividends. The Administration tax plan was going to do away with them. And when the final bill came out it seemingly disappeared, and now you're promising to reconsider it again. That's what I am referring to -- changes as you go along to implement these programs after announcements to the contrary.

MR. BLUMENTHAL: Well, I have never been associated with an organization in which you do not study a range of problems, consider various alternatives and make your selection based along certain general policy lines you have laid out for yourself as to how to achieve it. There will always be various alternatives and the newspapers and media will always be busy ferreting out information on what is being considered. As long as the basic line doesn't change these things are there.

Now the reason why we did not choose to go forward with the double taxation of dividends is because it was always clear that that, together with the bringing down the high marginal rates and having the same rate of taxation for capital gains treatment, was a package. It has to be a package. These can't be handled in isolation. And it became clear that that was a sufficiently complicated thing to do in one year since there was a lot of different opposition to different pieces of it, that it would take too much time to do it. So we took a more limited thing and we followed the advice of the business community, which is to go for a deep cut across-the-board.

MR. KINGON: I presume what you are saying to me is that you still have every reason to expect the budget to be balanced by the 1981 budget; that you will at some point introduce the idea of doing away with the double taxation of dividends and I gather you are heading toward wiping out the distinction between earned and unearnned income.

MR. BLUMENTHAL: I think you are overstating what I was saying, so let me be very specific. The President's commitment to work to achieve budget balance by the end of his first term remains strong -- as strong as it has always been. In my judgment, the opportunity to move substantially toward that goal or to achieve it in an economy of our size -- whether it's $5 billion of $10 billion either way doesn't really matter, but to get close to it -- I think the opportunity to do that by fiscal '81, which is the end of his first term, remains good and I am optimistic that we can get quite close to it if not achieve it.

I certainly personally believe that when this tax bill is finished, when this year is finished, the job of improving the tax system is not finished. We will have to review it, this Administration and future Administrations, in order to continue to make progress on it. I cannot tell you exactly what will be proposed the next time. I personally happen to believe that the double taxation of dividends, the high marginal rates on unearned income and the question of capital gains remains an issue, and I would like to see action on it at some future date. I know that the President feels the same way. Whether that will actually happen or not I cannot tell you and I hope you won't write that we're sending mixed signals again.

MR. KINGON: Your colleague Mr. Strauss is reported again in the press to have said that he will need about eight months to see if this voluntary program, jawboning if you will, will, against a wage and price increase will work. Frankly, what possible evidence does he or you or the Administration have that a six-month jawboning program will make a dent in a two-generation inflationary consciousness?

MR. BLUMENTHAL: I don't think anyone can pretend or has suggested that in six or eight months the deeply embedded problem of inflation in the United States economy will have been licked. I haven't seen the precise quote to which you refer, but I would be very dubious that Bob Strauss really said it in quite that way. I think what is a possibility is that within a period of time, such as six or eight or ten months, one can begin to see how much progress we are making, whether we are making any progress at all and I presume that's what he was referring to. think that in the course of this year, given the fact that the President has taken some very specific steps to show that the Government is going to do its part to deal with the inflation problem and we have a large responsibility in that area, the general promises of support that we have received from the buisness community and from labor will be translated into the specific decisions that have to be made in various labor negotiations and into price decisions on the part of the business community.

MR. KINGON: Let me ask a more general question. Given the anticipated budget deficit for this year, approximately $50-plus billion, and the early indications of next year and last year's, is there really any possibility of gaining control over the inflationary forces without a much sterner fiscal policy?

MR. BLUMENTHAL: I believe that we need a very stern fiscal policy. The President is committed to one. The recent action to reduce the size of the tax cut and the statement that he made in that regard clearly indicates his commitment to a very tough fiscal policy. I think that tough fiscal policy will reflect itself in steadily decreasing budget deficits in '80 and '81. And I think that that will be a significant contribution to dealing with the inflation problem, but it will not be the only thing that needs to be done. And I think there's a commitment to do that.

MR. KINGON: Recently, Mr. Eizenstat criticized Mr. Miller and the Federal Reserve by noting that the steps taken to allow for interest rate rises and I am quoting here "aren't the ones we asked for" and "aren't the ones we have applauded." Do you share that feeling?

MR. BLUMENTHAL: I think Mr. Eizenstat probably got a bum rap here; I don't think that he meant to criticize. Taken at its face value I agree with the statement. We did not ask for it and we did not applaud it. I have followed the policy of not commenting either positively or negatively on actions which the Federal Reserve takes. I followed that policy when Arthur Burns was the chairman and I intend to and have followed it with Bill Miller and intend to continue to follow it. I don't either condemn it or applaud it. Nor do I ask for either a higher of a lower Federal funds rate.

I understand what the Federal Reserve did and I understand the reasons for it and I am hopeful that as the fiscal policy of the Administration is increasingly tight, as it is going to be, the need for an every-tighter monetary policy will abate for those two things are part of different ways of dealing with the same problem. But I don't really think that Mr. Eizenstat was seeking to criticize the Federal Reserve. If he was, you will have to talk to him. As far as I am concerned. I don't criticize them. I don't applaud them. I don't ask for particular action. They have their responsibility; they carry it out. I have enough responsibilities here that I am struggling with.

MR. KINGON: Mr. Strauss made a speech in which he was quoted in part as excoriating the country's "I'll grab mine and run" psychology. What interested me was that he praised General Motors and Chrysler for promising to hold their price boosts to less than the average of the last two years. And this raises a question in my mind. Is this going to be a standard practice of the Administration, and more to the point if, say in response to free market conditions or added costs companies raise prices more than in recent history, will they be singled out for abuse?

MR. BLUMENTHAL: I would certainly hope that the Administration abuses no one. That would be inappropriate. I would hope that no senior official in the Administration will ever be abusive. I do believe that the deceleration standard, which is a voluntary standard and which clearly has to be applied on a flexible basis depending on the circumstances of each individual price and wage decision, is a reasonable standard. I believe what Bob Strauss was saying was to indicate the appreciation of the Administration for the commitment by General Motors and Chrysler to try to live with this standard. I think you can expect that any company or union that makes that commitment or that lives by that standard can certainly count on the approval and approbation of the Administration similarly.

I would think that those who could do so but fail to do so probably if it's a serious case will be criticized -- not abused -- but they will be criticized. And I think they should be criticized, for the fight against inflation is one that we must wage together. It is just not acceptable for labor and business to say it's all the fault of the Government, just as it would be quite inappropriate for us to say it's all the fault of big business or it's all the fault of some of those large unions. We are all in it together. We all have a role to play. I think it is the responsibility of the Government to approve of those who do their part and to voice concern about those who do not.

MR. KINGON: Turning to the international area, are you satisfied now that the dollar has been effectively stabilized and quite apart from the obvious fact that it is trading where it ought to be by the very nature of the market, are you satisfied that it is fairly valued?

MR. BLUMENTHAL: I am not in a position to indicate where I think the dollar ought to be and whether it is fairly valued or not. I have learned that the Secretary of the Treasury cannot be in that position. I am satisfied that the disorder which characterized exchange markets in the early part of the year, around January, seems to have been eliminated, seems to have abated. I think we have enough resources and a good enough system of cooperation and contact with the Germans and the Japanese and others to prevent that from happening in the future. I am obviously encouraged by the fact that the dollar has strengthened in relation to certain other currencies, which seems to indicate that the market judges the situation to be more positive and our policies to be reasonable. I see nothing in the future that is likely to change that, and I am encouraged by that. But I am not in a position to indicate that this level is the right or the wrong level.

MR. KINGON: Even at this date the media reported that a lot of our allies abroad seem to be unhappy and distressed over American international economic policy -- so-called pressures for them to reflate -- and our lack of, for want of a better term, leadership among our friends. Do you think this criticism is fair? How would you assess the relationship now between the United States and its principal allies?

MR. BLUMENTHAL: I think the relationship between ourselves and our principal allies is good. I think there is a large measure of agreement on what the problems are and how we must approach them together. It has to be understood that there are many strains and stresses which work on individual Governments, and that there is to some extent a sense of concern amongst all of us that individually or collectively it is very difficult to deal with these problems in the short run. Under those circumstances it is perhaps not surprising that some individuals in some of those countries tend to, with a certain sense of frustration, look to us as the largest economic power in the world and say to us: "why don't you do something?"

But basically amongst the leaders of the world and the responsible officials, my counterparts -- the ministers of finance -- there is a considerable amount of agreement on what the problems are and what we ought to do about them. That was again reflected in the meeting of the ministers of finance at the IMF meetings in Mexico. I think you will again see it reflected in the summit meeting that will take place at Bonn in July.

It relates to the absolute necessity of bringing the trade negotiations to a successful conclusion this year, which is certainly something in which the leadership of the United States is widely acknowledged.

It relates to the need to maintain a strong and stable dollar and to work together to prevent disorderly conditions in the exchange markets; that certainly is something that we are all agreed on and doing quite well together. It relates to the need to work on the fundamentals, each in our own country. We agree with our allies and friends that we need to bring inflation under control. We need to get that energy legislation passed. We need to get the budget into balance. Everybody tells us that. We agree with it. There is no problem there. The Japanese certainly agree that they need to get their surplus in their trade and current accounts down. Mr. Fukuda was here to see the President and strongly emphasized the point that he was doing all he could. And the Germans and we and others agree that they need a proper level of growth in order to play their part in Europe and in the world to bring the rest of the world out of the recession.

The fact that this year the growth rate in Europe and in Germany will be faster than it was last year, and therefore the differential in growth rates between ourselves and the European countries is narrowing, is an indication that we are, broadly speaking, moving in the same direction and that we are following roughly analagous policies. It is understandable that at various times people who are not close to this -- bankers or businessmen who get nervous when the dollar goes down too far -- tend to say things which get reported in the media as being indications of great concern or lack of leadership. It is easier to call for leadership than to be specific about what is meant by it.

MR. KINGON: If I had the opportunity to sit with you a year from today, what would you like to see changed in the American economic equation?

MR. BLUMENTHAL: I would like to see the rate of inflation below 6 percent. I would like to see some further progress in reducing unemployment in the hard-core pockets where it is still very high -- amongst the blacks in the inner city, other minorities, the very young people starting out. I would like to see the energy legislation enacted and active consideration being given to the next stage of energy legislation that will promote production of additional energy in this country. I would like to see a trade negotiation successfully completed so as to hold back the pressures for protectionism, and a relatively stable international exchange market. I would hope that a year from now we could anticipate another year of record corporate profits as we have had in '77 and likely to have in '78, look forward to one in '79 and look with some equanimity at 1980 being another good year.

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Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE ON DELIVERY
EXPECTED AT 9:00 A.M., MST
THURSDAY, JUNE 8, 1978

REMARKS BY H. DAVID ROSENBLOOM
INTERNATIONAL TAX COUNSEL
BEFORE
MULTISTATE TAX COMMISSION
DENVER, COLORADO

FEDERAL INITIATIVES AND STATE TAX POLICIES

I appreciate this opportunity to discuss federal initiatives and state tax policies. Since I am directly concerned with one particular aspect of this subject -- Article 9(4) of the proposed income tax treaty with the United Kingdom -- I have taken the liberty of limiting my remarks to that highly controversial matter. I do not expect these observations to quell the controversy, but perhaps a fresh examination of the issues may dispel some misunderstandings and thereby prove useful.

Description of Article 9(4)

The best place to begin, I think, is with a summary of Article 9(4).

As you know, that provision is intended to limit the application of the so-called "unitary" method of determining the income subject to a state's taxation. The limitation applies where an enterprise doing business in a state is either: (1) a resident of the United Kingdom (i.e., a branch of a U.K. company) or (2) controlled directly or indirectly

by a U.K. resident (i.e., a U.S. subsidiary of a U.K. company). In either case, Article 9(4) declares that, except as otherwise provided in Article 9, a state seeking to determine the income of the enterprise may not take into account any income or expenses of related companies which are residents of the United Kingdom or of a third country.

Article 9(4) does not preclude application of the unitary method to a single enterprise doing business in more than one state, and to any related U.S. company. Moreover, if the enterprise doing business in the state is a U.S. corporation, Article 9(4) does not prevent application of the unitary method to any related company to the extent that its capital is owned by that U.S. corporation. Finally, it should be clear that Article 9(4) does not apply at all if the enterprise doing business in a state is ultimately controlled by a resident of any country other than the United Kingdom.

There are two other interesting aspects of this provision. First, Article 9(4) uses a "doing business" standard as the threshold for state taxation. This standard is very broad -- much broader than the "permanent establishment" test required for federal taxation of British business income. The permanent establishment standard is, of course, the one currently employed in tax treaties throughout the world.

Second, Article 9(4) begins with the words "except as specifically provided in this Article." Article 9(4) is, therefore, subject to the other specific provisions of Article 9, including Article 9(1), which reads as follows:

> "Where an enterprise of a Contracting State is related to another enterprise and conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would have been made between independent enterprises, then any income, deduction, receipts, or outgoings which would, but for those conditions, have been attributed to one of the enterprises but by reason of those conditions have not been so attributed, may be taken into account in computing the profits or losses of that enterprise and taxed accordingly."

This is, of course, a restatement of the arm's length standard that appears in slightly different terms in section 482 of the Internal Revenue Code. It seems reasonably clear that, as long as a state is seeking to reach an arm's length result, and as long as a taxpayer is permitted to submit independent proof addressed to that point, formulas designed to approximate arm's length conditions are permissible within the contemplation of the Article.

Background of the Treaty Provision

For several years now, a number of capital exporting countries have questioned the application of the unitary method to international businesses based in their countries. They have argued that tax treaties generally provide that one Contracting State may not tax the business profits of an enterprise of the other Contracting State unless the income is attributable to a permanent establishment in the first Contracting State. They perceive the unitary system applied in the international context as reaching profits which not only may not be attributable to a permanent establishment located in the taxing state but which may have nothing whatever to do with the taxing state. Although existing U.S. treaties apply generally only with respect to the Federal income tax, foreign countries have suggested that some state practices violate the spirit of our agreements.

In addition, foreign governments have noted the administrative burdens which compliance with unitary systems can impose in the international context. They have pointed out that the records of their worldwide business groups may not be maintained in dollars, or kept in English, that they may have only bare voting control of some subsidiaries, and that they may not have the personnel to keep pace with state requirements.

As a result of such complaints, the Treasury sought for several years to achieve an informal resolution of the matter on a basis that would be satisfactory both to other countries and to states. We were not successful, however, and consideration was then given to a treaty resolution. The British made a strong case for Article 9(4), and they made major concessions in the proposed treaty concerning the treatment of dividends and recognition of the U.S. rules for allocating deductions. It was thus considered reasonable to include a limited provision dealing with the unitary method in the proposed treaty with the United Kingdom.

The Debate

As a consequence, the past two years have witnessed an unparalleled debate over the proposed treaty -- and specifically over Article 9(4). In my view this is a good and a healthy thing. This treaty, and specifically Article 9(4), raises major questions of tax policy and federal-state relations, and a rational discussion of these questions can only be beneficial.

The issues raised by Article 9(4) can be stated in the form of two broad questions. First, whether as a matter of principle any federal involvement in state taxation practices is warranted. And second, assuming that some federal involvement is warranted, whether the specific provisions of Article 9(4) are reasonable and appropriate.

On the first of these questions, the principle of federal involvement, I do not believe there is much room for doubt. State tax practices are not wholly immune from federal involvement. The principle of such involvement derives from a sound constitutional base and was clearly articulated in 1959 when Congress passed Public Law 86-272 (15 U.S.C. 381), establishing minimum jurisdictional standards for state taxation of multistate business. The principle of federal involvement with state tax practices through exercise of the treaty power was established even earlier--when the present treaty with the United Kingdom was ratified by the Senate in 1946. That treaty and many others since have prohibited states and municipalities from using their tax systems to discriminate against nationals or residents of the treaty partner.

Article 9(4) does not establish the precedent for federal involvement in state tax practices -- that precedent exists already. What, then, concerns states so much in Article 9(4)? Perhaps it is the fear that Article 9(4) signals an era of ever more expansive federal involvement in their affairs.

Although I cannot speak for Congress on this point, I assure you that the Treasury views Article 9(4) as a narrow response to a particular problem of international tax relations, and not as the opening shot in an ever widening campaign to restrict state tax policies. As Secretary Blumenthal has written to every state governor, "the Treasury has no intention of amplifying the provisions of Article 9(4) in treaties. We intend no broader limitation on state taxing

powers. Specifically, we have no intention of supporting limitations on the unitary method with respect to U.S. controlled multinational groups or with respect to income from purely domestic commerce." The Treasury stands by that commitment.

We do intend, in appropriate cases, to negotiate other treaties with a provision similar to Article 9(4). In no event, however, will the provision be any broader than Article 9(4) itself. Moreover, I assure you that there will be ample public notice of all future treaty negotiations and I invite you now and in the future to work with us to refine and perfect the approach to be taken in any future treaty provision dealing with the unitary tax issue.

I do not believe that we at the Treasury and you in state tax administration should be eternally at odds on this subject. Article 9(4) is not symbolic of anything more profound than what it purports to be: a narrow and reasonable response to a real problem. It is true that the problem involves state tax practices, but it also involves international relations -- an area where, I believe, the legitimacy of federal action cannot be questioned. So I say to you: let us work together on this matter. If Article 9(4) can be improved, we are certainly open to your suggestions.

I have indicated several times that I think Article 9(4) is both reasonable and appropriate. Let me now explain why I have come to that conclusion. I realize that some of these considerations have been articulated in the past, but it may nevertheless be helpful to consider them again in the present context.

First, the arm's length standard, not the unitary method, is the internationally accepted method of dealing with the misallocation of income among related companies. This standard is reflected in the OECD Model treaty as well as in all of the income tax treaties to which the United States is a party. In fact, in the OECD Model treaty the rule is intended to apply to subsidiary levels of government, although U.S. treaties have not previously adopted the rule at the state and local level.

Since most countries in the world use an arm's length standard to determine the income of an entity in a corporate group, they find it confusing when our states insist on a different standard. Furthermore, the use of a different method by one jurisdiction raises a real possibility of international double taxation. Other countries ask this

question, which I as a treaty negotiator find difficult to answer: If the United States as a nation finds it possible to accept the international standard, why is it so unreasonable to ask the fifty states to tailor their internationally sensitive tax practices accordingly?

Second, the particular complaints which foreign countries have raised--and which I have previously summarized--in regard to the international implications of the unitary method seem, at least in some cases, to be justified. The unitary method does assume that profit rates in different units of a corporate family will be more or less the same. This assumption is convenient, but it is also arbitrary and in the international area it does not seem justified. Application of the unitary method to multinational corporate groups does entail burdensome record-keeping and reporting requirements. Particularly when there is no transactional nexus between related corporate entities, the burden appears unnecessary.

Since the complaining party with respect to these problems is a foreign country concerned about the treatment of its residents in the United States, a treaty solution is appropriate. Moreover, dealing with such a problem in the treaty context has definite advantages. It permits the United States to obtain concessions in return for concessions that it makes, and it permits the achievement of reciprocal protection for our citizens and residents. Furthermore, a treaty solution demonstrates to the world what the United States thinks appropriate in the area of international taxation -- a particularly important point when we consider the arbitrary tax formulas that some countries have sought to apply to U.S. citizens and residents.

In addition to the seeming reasonableness of the British position in regard to the unitary method, and the appropriateness of a treaty provision to deal with this issue, it is worth emphasizing that the proposed treaty with the United Kingdom is, on the whole, highly advantageous to the United States--and by the "United States" I mean U.S. investors, the Treasury, and the states. One of its most important provisions obligates the United Kingdom to make substantial refunds of taxes to American investors in United Kingdom corporations. A transfer of these substantial sums--hundreds of millions of dollars--has the effect of lowering effective corporate rates in the United Kingdom and thereby generating far fewer excess foreign tax credits than

would otherwise be the case. Moreover, as Secretary Blumenthal has pointed out, large transfers from a foreign Treasury to the United States economy should help both our balance of payments and the value of the dollar in foreign currency markets.

From the standpoint of international tax relations, the proposed treaty is equally significant. It is the first treaty ever to reconcile successfully a classical system of corporate taxation such as ours with the type of integrated system currently in place in many developed countries. Without such a reconciliation, United States investors encounter discriminatory taxation in countries having such integrated systems. We are hopeful that this aspect of the proposed treaty will serve as a model in our current treaty negotiations with France, Germany, Canada, and other countries that have integrated systems similar to that of the United Kingdom.

Despite the limited scope of Article 9(4), despite the fact that it is addressed to a real problem, and in spite of the benefits of the treaty as a whole, many objections continue to be raised. Let us examine them.

Most commonly heard is the point that states restricted by Article 9(4) will be unable to prevent tax avoidance by artificial pricing. It must be remembered, however, that Article 9(4) restricts the use of the unitary method only in limited situations. And in those instances where the limitation applies, the proposed treaty makes it clear that states may use the arm's length method for taxing foreign enterprises doing business within their borders. Not only is the arm's length method the one universally accepted in the international community and the one used by the federal government; I am under the impression that it is also the one used, with respect to international business income, by most of the states.

Treasury recognizes that the administrative resources available to state governments may not permit them to make the same kind of intensive transfer price investigations that Federal tax authorities are able to undertake. For this reason we have repeatedly assured states that they will have access to data derived from federal tax audits. Furthermore, it seems reasonable to read the treaty in such a fashion that the United States competent authority can obtain information from the United Kingdom in order to ensure that Article 9(4) will not be abused. Thus, I do not believe the limitation in Article 9(4) materially impairs a state's tax audit ability.

It has also been argued that Article 9(4) will lead to a substantial loss of state tax revenues. This contention calls for some careful analysis. The information available to us indicates that the effect of the provision on state revenues has been overestimated. Some California authorities, for example, have estimated the effect in California to be $15-$20 million per year. Since the California corporate tax rate is 9 percent, and since Article 9 permits the states to tax the income taxed by the federal government, an estimate of a yearly $15-$20 million revenue loss implies that between $166 million and $222 million of income from United Kingdom investment in California is escaping all taxation in the United States every year. That does not seem correct.

It may be added, parenthetically, that Article 9(4) does not have any negative revenue impact on most states because the great majority of states do not use the unitary method in a way that Article 9(4) limits.

Finally, it has recently been alleged that Article 9(4) will stimulate foreign investment in U.S. farmland. We at Treasury do not understand this concern. The proposed treaty does not in any way create a tax preference for foreign ownership of U.S. farmland. The proposed treaty contains no provisions specifically addressed to the taxation of farmland. The treaty does provide in Article 6 that U.S. real property income is taxable in the United States under normal Federal tax rules. This would include income derived from farmland. Thus, the treaty most certainly would not prevent the states from taxing farm income.

Nor can it plausibly be contended that Article 9(4) would erect a substantial impediment to such taxation. The wide market for agricultural products and the ready availability of arm's length prices for agricultural commodities preclude the artificial shifting of farm profits. In fact, farm income is surely one of the types for which application of the arm's length standard is easiest.

In closing, let me express a personal view. I think a reservation on Article 9(4) would raise the substantial possibility of a large loss of benefits to the United States. A reservation would invite the British to review the new balance of concessions. I do not believe they will be eager to endorse, without change, a treaty in which Article 9(4) is missing.

This treaty is good and necessary for the United States. It has flaws -- what complex document does not -- but it represents an international agreement that our country should be happy to accept. Given the Treasury's assurance that Article 9(4) does not portend any greater federal initiative in state tax policies, given our willingness to assist you in seeing that Article 9(4) does not lead to abuses, given the commitment of our British colleagues that after ratification the treaty will be subject to continuing review, analysis, and--if necessary--correction, I submit that the proposed treaty is worthy of support as it stands.

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epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 7, 1978

Contact: Alvin M. Hattal
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TREASURY DEPARTMENT STATEMENT

Comment on the proposed firearms regulations ends on June 30. The Treasury intends to review all the materials received in order to determine whether or what revisions to these proposals are appropriate. The Treasury Department will continue to consult fully with Congress as it does so. If it is decided by the Treasury to promulgate these regulations or revised regulations, the Treasury would then request the necessary funds from Congress.

The vote today on the rider to the Treasury's appropriations bill does not change this schedule. The rider, which prohibits the use of funds by the Treasury to implement the proposed regulations, was opposed by the Treasury.

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Attached is a June 2 letter from Treasury Deputy Secretary Carswell to Representative Tom Steed, Chairman of the Treasury, Postal Service and General Government Subcommittee of the House Appropriations Committee.

B-965

THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

JUN 2 1978

Dear Mr. Chairman:

Last week the Senate Subcommittee on Appropriations decided to approve the budget of the Bureau of Alcohol, Tobacco and Firearms, substantially at the level requested by the President. Prior to the Senate Subcommittee's decision and in response to their request, we provided written assurances concerning the Treasury Department's plans regarding certain proposed firearms regulations. These assurances were consistent with those given in testimony by Assistant Secretary Richard J. Davis to the House Judiciary Committee. Specifically the proposed Fiscal Year 1979 budget contains no funds to implement certain proposed firearms regulations. Therefore, if a decision is made to implement any of these regulations, it would be necessary for the Department to seek either a supplemental appropriation for 1979 or include a request for such funds in our 1980 submission. In either event we cannot implement these proposals without receiving from Congress the funds to do so. I make these same assurances to you and to the committee.

I would hope that in the coming weeks you and other members of the House Appropriations Committee would decide to restore the $4.2 million. Otherwise, there will have to be a serious curtailment of ATF's activities, both regulatory and enforcement.

If there are any questions, please feel free to contact me.

Sincerely,

Robert Carswell

Robert Carswell

The Honorable
Tom Steed, Chairman
Subcommittee on Treasury,
Postal Service, and General
Government
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 9, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY DEPARTMENT EXTENDS PERIOD OF INVESTIGATION OF STEEL WIRE ROPE FROM KOREA

The Treasury Department today said it will extend its antidumping investigation of steel wire rope from the Republic of Korea for an additional period not to exceed 60 days. Treasury said it needed more time to analyze and verify the data provided to determine whether the product is being sold in the United States at less than fair value.

As defined by the Antidumping Act, "sales at less than fair value" generally occur when imported merchandise is sold here for less than in the home market or to third countries. If Treasury determines "sales at less than fair value" occur, the case is referred to the U. S. International Trade Commission to determine whether they are hurting a U. S. industry. An affirmative ITC decision would require dumping duties.

Notice of this action appeared in the Federal Register of June 8, 1978.

Imports of steel wire rope from the Republic of Korea were valued at approximately $13 million during calendar year 1976.

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B-966

epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 9, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY SAYS PRELIMINARY INVESTIGATION INDICATES CANADA IS SUBSIDIZING OPTIC-LIQUID LEVEL-SENSING SYSTEMS

The Treasury Department today announced its preliminary determination that the Government of Canada is subsidizing exports to the United States of optic-liquid level-sensing systems manufactured by Honeywell Ltd. This product is designed to prevent the overfilling of oil storage tanks and oil delivery trucks.

The action results from a petition filed by Scully Electronics System, Inc., in November 1977. Under the law, Treasury must make a final decision by November 14, 1978.

The Countervailing Duty Law requires the Treasury to assess an additional Customs duty equal to the amount of a "bounty or grant" (subsidy) paid on imported merchandise.

Treasury's preliminary investigation revealed that payments were made by the Canadian Government to partially defray costs incurred by Honeywell Ltd. in the commercial introduction of this product and that at this stage these payments appear to be subject to countervailing duties.

Notice of this action will appear in the Federal Register of June 12, 1978.

No public statistics regarding the value of imports of optic-liquid level-sensing systems manufactured by Honeywell Ltd. are available.

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epartment of the TREASURY NEWS

SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 9, 1978

Contact: James Parker
202/376-0872

ONE-CENT MELTING BAN REVOKED

The Treasury Department announced today that the regulations prohibiting the exportation, melting or treating of one-cent pieces have been revoked.

The ban on the exportation, melting or treating of one-cent coins was imposed by the Secretary of the Treasury in April 1974. The restrictions were placed into effect primarily because high copper prices at the time made it potentially profitable to melt one-cent coins for their metal content or to export them. Violations of the regulations carried a statutory penalty of up to $10,000 and/or 5 years imprisonment.

Because of changed economic conditions, including stabilized copper prices and the large inventory of one-cent coins maintained by the Government, the Department has determined that the prohibitions are no longer necessary. The revocation became effective on June 7, 1978.

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B-968

epartment of the TREASURY NEWS

SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 9, 1978

Press Contact: Robert E. Nipp
202/566-5328
Non-Press Contact: 202/566-8235
566-8651
566-5286

STEEL TRIGGER PRICE HEARING ON GREAT LAKES DIVERSION CLAIMS

The Treasury Department today announced the schedule for the hearing Monday, June 12 on steel mill imports in the Great Lakes region. The hearing will consider allegations that a secondary effect of the trigger price mechanism has been to divert steel imports from Great Lakes to East, West, and Gulf coast ports. Testimony will also be heard on a Treasury proposal to adjust the Great Lakes freight rates used to calculate trigger prices for steel plate and cold and hot rolled sheets. In addition, other proposals will be considered to correct the claimed diversionary effect.

The hearing begins at 9:30 a.m. in Room 4121, Main Treasury Building. General Counsel Robert Mundheim and Deputy Assistant Secretary for Tariff Affairs Peter Ehrenhaft will preside. The hearing is open to the public.

The tentative schedule of testimony is:

9:30 Welcome and Introduction
Mr. Mundheim and Mr. Ehrenhaft

9:45 First Panel: (Each panelist to make 10 minute presentation and be available for questioning by hearing officers.)

1. Robert J. Lewis, Assistant Administrator for Development, St. Lawrence Seaway Development Corp.

2. Robert D. McBride, President, National Steel Corp.

3. Leonard S. Baness, President,
   Wire Sales Co.

4. Raymond N. Carlen, Vice Chairman,
   Inland Steel

5. A. R. Hudson, Great Lakes Task Force

11:00 Second Panel

1. R. G. Criss and J. D. Heckerman,
   Republic Steel

2. Larry Williams, Director of Kurt Orban Co.,
   American Institute for Imported Steel

3. W. V. Murphy, Vice President, McLouth
   Steel Corp.

4. Jim Fish, Great Lakes Commission

5. Thomas A. Cleary, Executive Vice President,
   Youngstown Sheet and Tube

6. Mike Moran, Director, Chicago Maritime
   Council

Other testimony will be scheduled as time permits. Transcript of the hearing may be ordered from the Miller-Columbian Reporting Service at (202)347-0224. All written submissions will be kept in a public reading file in the Treasury Department Library, Room 5030.

The period for written comments has been extended to Monday, June 19.

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eral financing bank NEWS
WASHINGTON, D.C. 20220
Press inquiries: 202-566-2615

FOR IMMEDIATE RELEASE June 9, 1978

SUMMARY OF FEDERAL FINANCING BANK ACTIVITY

May 1-May 31, 1978

Federal Financing Bank activity for the month of May, 1978, was announced as follows by Roland H. Cook, Secretary:

On May 1, the Federal Financing Bank (FFB) purchased Note #15 from the National Railroad Passenger Corporation (Amtrak) in the amount of $100 million. The note matures on October 1, 1978, and is guaranteed by the Department of Transportation (DOT). Amtrak made drawdowns against the note in the following amounts:

Date	Amount	Interest Rate
5/1	$69,684,000	7.145%
5/4	5,000,000	7.195%
5/9	3,000,000	7.275%
5/12	2,500,000	7.285%
5/15	5,000,000	7.275%
5/17	4,500,000	7.245%
5/26	2,000,000	7.255%

On May 1, the FFB advanced $121,196 to the Trustee of Chicago, Rock Island and Pacific Railroad at a rate of 8.475%. The Trustee's certificate under which the advance was made is guaranteed by DOT and will mature on June 21, 1991.

On May 1, the FFB advanced $1,900,216 to the Chicago and North Western Transportation Company at a rate of 8.523% on an annual basis. The note under which the advance was made matures on March 1, 1989 and is guaranteed by DOT.

The U.S. Railway Association made the following drawdowns under notes guaranteed by DOT:

Date	Note #	Amount	Maturity	Interest Rate
5/5	8	$3,142,000	4/30/79	7.803%
5/9	13	250,000	12/26/90	8.125%
5/31	8	326,500	4/30/79	7.648%

On May 3, the FFB completed its original commitment to DOT to lend up to $12 million to the Missouri-Kansas-Texas Railroad (MKT) by advancing $45,515 to that railroad at an interest rate of 8.418%. On May 26, DOT and FFB agreed to increase the amount of the MKT loan by $4.5 million. The initial $12 million is payable in quarterly installments to 1997, and the additional $4.5 million will be repaid in 1997. This new loan is guaranteed by DOT pursuant to Section 511 of the Railroad Revitalization and Regulatory Reform Act of 1976.

The FFB purchased the following notes from the Student Loan Marketing Association. The notes are guaranteed by the Department of Health, Education and Welfare.

Date	Note #	Amount	Maturity	Interest Rate
5/2	142	$60,000,000	8/1/78	6.784%
5/9	143	60,000,000	8/8/78	6.788%
5/16	144	70,000,000	8/15/78	6.635%
5/23	145	60,000,000	8/22/78	6.800%
5/31	146	40,000,000	8/29/78	6.991%

The above borrowings represent $210 million in rollovers of maturing SLMA notes and $80 million in new cash.

On May 15, SLMA and FFB completed arrangements, subject to the guarantee of HEW, for SLMA to borrow up to $1 billion outstanding under a variable rate master note maturing on March 15, 1993. The interest rate on the note will vary each week based on the average of the most recent 91-day Treasury bill auction.

The FFB advanced the following amounts to the Western Union Space Communications against a $687 million master note maturing on October 1, 1989. The repayment of the note is secured by the National Aeronautics and Space Administration's obligations to Western Union under a tracking and procurement contract.

Date	Amount	Interest Rate
5/1	$23,350,000	8.526%
5/22	1,135,000	8.666%

Interest payments on the above advances are made on an annual basis.

The FFB pruchased participation certificates from the General Services Administration in the following amounts:

Date	Series	Amount	Maturity	Interest Rate
5/1	K	$2,745,559.47	7/15/04	8.556%
5/9	M	6,484,716.10	7/31/03	8.617%
5/10	L	189,688.00	11/15/04	8.610%
5/15	L	3,239,360.11	11/15/04	8.596%
5/31	K	1,836,266.19	7/15/04	8.682%

The Federal Financing Bank advanced the following amounts to rural utility companies under notes guaranteed by the Rural Electrification Administration:

Date	Borrower	Amount	Maturity	Interest Rate
5/1	United Power Assn.	9,200,000	12/31/12	8.464%
5/1	Allied Tele. Co. of Arkansas	457,000	12/31/12	8.464%
5/1	Oglethorpe Elect. Membership	4,266,000	12/31/12	8.464%
5/1	Eastern Iowa Light & Power	500,000	5/1/80	8.005%
5/4	Tri-State Gen. & Trans. Assn.	25,192,000	6/30/80	8.025%
5/5	Wolverine Elect. Coop.	601,000	5/14/80	8.005%
5/8	Gulf Telephone Co.	164,000	12/31/12	8.527%
5/9	North Florida Telephone Co.	2,315,000	12/31/12	8.528%
5/9	Basin Elect. Pwr. Coop.	71,452,000	5/9/80	8.074%
5/9	Wabash Valley Power Assn.	1,798,000	12/31/12	8.528%
5/10	Allegheny Elect. Coop.	1,662,000	12/31/12	8.527%
5/12	Arizona Elect. Pwr. Coop.	1,451,000	12/31/12	8.505%
5/12	Colorado-Ute Elect. Assn.	6,457,000	12/31/12	8.505%
5/15	Arizona Elect. Pwr. Coop.	3,380,000	12/31/12	8.523%
5/15	Western Farmers Elect. Coop.	1,500,000	5/15/80	8.093%
5/19	Tri-State Gen. & Trans. Assn.	200,000	6/30/80	8.132%
5/19	Big River Elect. Corp.	4,232,000	12/31/12	8.526%
5/23	South Mississippi Elect.	1,152,000	5/26/80	8.162%
5/25	East Kentucky Power Coop.	5,897,000	12/31/12	8.541%
5/26	Southern Illinois Power Coop.	1,400,000	5/26/80	8.191%
5/31	Arkansas Elect. Coop.	5,026,000	12/31/12	8.581%
5/31	Tri-State Gen. & Trans. Assn.	9,075,000	7/31/80	8.201%
5/31	Basin Elect. Power Coop.	17,106,000	5/31/80	8.191%
5/31	Central Iowa Power Coop.	776,000	12/31/12	8.581%

Interest payments on the above advances are made on a quarterly basis.

The FFB purchased the following Certificates of Beneficial Ownership (CBO's) from the Farmers Home Administration:

Date	Amount	Maturity	Interest Rate
5/9	$795,000,000	5/9/83	8.52%
5/26	175,000,000	5/26/83	8.61%

Interest on the above CBO's is paid on an annual basis.

The Tennessee Valley Authority sold notes to the FFB in the following amounts:

Date	Note #	Amount	Maturity	Interest Rate
5/15	75	$ 45,000,000	8/31/78	6.962%
5/31	76	460,000,000	8/31/78	6.994%

On May 24, the FFB purchased debentures from small business investment companies in the aggregate amount of $8,050,000, bearing interest at a rate of 8.545% and a maturity of May 1, 1988.

The FFB made the following advances under loans guaranteed by the Department of Defense:

Borrower	Date of Promissory Note	Date of Advance	Amount	Maturity	Interest Rate
Argentina	6/30/76	5/16	$ 1,741.93	6/30/83	8.235%
	6/30/76	5/22	9,705,982.16	6/30/83	8.296%
China	6/30/77	5/11	582,000.00	7/1/85	8.300%
Columbia	6/10/76	5/11	575,867.19	6/30/83	8.227%
Costa Rica	9/30/77	5/2	492,110.00	4/10/83	8.163%
Ecuador	7/28/76	5/2	943,385.00	6/30/83	8.163%
	9/15/77	5/5	498,755.00	8/25/84	8.183%
Greece	5/23/78	5/31	5,272,549.55	5/3/88	8.490%
Honduras	9/30/77	5/11	80,567.00	10/7/82	8.194%
	9/30/77	5/22	7,750.00	10/7/82	8.237%
Indonesia	9/30/77	5/3	100,322.00	9/20/86	8.280%
	7/1/76	5/16	645,398.33	6/30/83	8.235%
	9/30/77	5/31	1,603,782.02	9/20/86	8.452%
Israel	2/15/78	5/23	25,170,417.92	1/12/08	8.624%
Jordan	5/26/76	5/25	98,652.47	11/26/85	8.402%
Malaysia	9/30/77	5/19	260,099.00	3/20/84	8.296%
	9/30/77	5/31	3,367,000.00	3/20/84	8.362%
Morocco	9/28/77	5/5	222,535.23	9/10/85	8.210%
Thailand	9/29/76	5/5	13,354.67	6/30/83	8.14%
Tunisia	9/29/76	5/11	3,355.69	10/1/84	8.277%
	9/29/77	5/11	1,239.63	10/1/85	8.254%

Federal Financing Bank holdings on May 31, 1978 totalled $43.9 billion.

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Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE June 12, 1978

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,304 million of 13-week Treasury bills and for $3,407 million of 26-week Treasury bills, both series to be issued on June 15, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing September 14, 1978			26-week bills maturing December 14, 1978		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.330	6.607%	6.81%	96.403	7.115%	7.48%
Low	98.326	6.622%	6.83%	96.399	7.123%	7.49%
Average	98.327	6.618%	6.82%	96.400	7.121%	7.49%

Tenders at the low price for the 13-week bills were allotted 19%.
Tenders at the low price for the 26-week bills were allotted 60%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 29,040,000	$ 18,960,000	$ 9,155,000	$ 9,155,000
New York	3,849,420,000	2,022,650,000	5,076,590,000	2,743,390,000
Philadelphia	18,705,000	18,690,000	7,390,000	7,390,000
Cleveland	53,345,000	28,435,000	55,955,000	15,960,000
Richmond	25,600,000	17,490,000	23,670,000	9,670,000
Atlanta	27,805,000	27,685,000	20,125,000	19,565,000
Chicago	368,645,000	44,545,000	599,770,000	123,070,000
St. Louis	48,765,000	21,765,000	45,400,000	11,400,000
Minneapolis	30,505,000	11,645,000	26,895,000	14,695,000
Kansas City	33,630,000	31,305,000	17,055,000	16,685,000
Dallas	12,770,000	12,770,000	10,395,000	9,895,000
San Francisco	226,410,000	40,110,000	616,440,000	420,115,000
Treasury	7,965,000	7,965,000	5,760,000	5,760,000
TOTALS	$4,732,605,000	$2,304,015,000a/	$6,514,600,000	$3,406,750,000b/

a/Includes $348,520,000 noncompetitive tenders from the public.
b/Includes $199,670,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

B-971

epartment of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 566-2041

Contact: Alvin Hattal
566-8381
June 12, 1978

FOR IMMEDIATE RELEASE

TREASURY DEPARTMENT ANNOUNCES START OF ANTIDUMPING INVESTIGATION OF METHYL ALCOHOL FROM CANADA

The Treasury Department said today that it will begin an antidumping investigation of methyl alcohol (methanol) from Canada.

Treasury's announcement followed a summary investigation conducted by the U.S. Customs Service after receipt of a petition filed by the E.I. du Pont de Nemours & Company, alleging that this product is being dumped in the United States.

The petition alleges that methyl alcohol is being exported from Canada at prices below those in the home market and cites Alberta Gas Chemicals, Ltd., Medicine Hat, Alberta, as the principal Canadian supplier.

This case is simultaneously being referred to the U.S. International Trade Commission (ITC). Should the ITC find (within 30 days) that there is no reasonable indication of injury or likelihood of injury to a domestic industry, the investigation will be terminated. Otherwise, the Treasury will continue

its investigation into the question of sales at less than fair value (Dumping occurs when there are both sales at less than fair value and injury to a U.S. industry).

Notice of this action will be published in the Federal Register of June 14, 1978.

Imports of methyl alcohol from Canada were valued at approximately $14 million during calendar year 1977.

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epartment of the TREASURY NEWS

SHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 13, 1978

Contact: George G. Ross
202/566-2356

TREASURY ANNOUNCES PUBLIC MEETING TO DISCUSS
USA-ITALY TAX TREATY ISSUES, ON JULY 21, 1978

The Treasury Department today announced that it will hold a public meeting on July 21, 1978, to solicit the views of interested persons regarding issues being considered during negotiations to develop a new income tax treaty between the United States and Italy.

The public meeting will be held at the Treasury Department, at 2:00 p.m., in room 4121. Persons interested in attending are requested to give notice in writing, by July 17, 1978, of their intention to attend. Notices should be addressed to H. David Rosenbloom, International Tax Counsel, Department of the Treasury, Washington, D. C. 20220.

Today's announcement of the July public meeting follows the recent conclusion of a further round of negotiations between representatives of the United States and Italy to develop a new income tax treaty for the avoidance of double taxation and the prevention of tax evasion. The income tax treaty presently in effect dates from 1955.

In the course of the recent negotiations, many subjects of mutual concern were identified and discussed. Among the major issues being considered are: taxation of charitable and educational organizations; taxation of social security payments; taxation of corporations organized in one country but managed or controlled in the other country; taxation of partnerships; taxation of dividends, interest, and royalties; taxation of rentals of tangible personal property; the rules relating to permanent establishments; the taxes to be covered; and the taxation of directors' fees.

The Treasury seeks the views of interested persons in regard to these issues, as well as other matters that may have relevance in the context of an income tax treaty between the United States and Italy. The July 21 public meeting is being held to provide an opportunity for an exchange of views, as well as for the purpose of discussing the United States position in regard to the issues presented in the negotiations.

B-973 o 0 o

Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. June 13, 1978

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $5,600 million, to be issued June 22, 1978. This offering will result in a pay-down for the Treasury of about $6,010 million as the maturing bills are outstanding in the amount of $11,610 million ($6,005 million of which represents 20-day bills issued June 2, 1978). The two series offered are as follows:

91-day bills (to maturity date) for approximately $2,200 million, representing an additional amount of bills dated March 23, 1978, and to mature September 21, 1978 (CUSIP No. 912793 T4 8), originally issued in the amount of $3,402 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $3,400 million to be dated June 22, 1978, and to mature December 21, 1978 (CUSIP No. 912793 U9 5).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing June 22, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $3,597 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive tenders.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Daylight Saving time, Monday, June 19, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $500,000 or less without stated price from any one bidder will be accepted in full at the weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on June 22, 1978, in cash or other immediately available funds or in Treasury bills maturing June 22, 1978. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which these bills are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of these bills (other than life insurance companies) must include in his or her Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, No. 418 (current revision), Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

Department of the TREASURY NEWS

ASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 13, 1978

Contact: Mr. Robert Nipp
202/566-5328

TREASURY WAIVES DUTIES ON FISH SUBSIDIES BEING PAID BY THE CANADIAN GOVERNMENT

The Treasury Department today announced a final determination that the Canadian Government has been subsidizing exports of fish to the United States, but waived the imposition of countervailing duties because of Canadian action to "substantially reduce" and by October 1 "almost entirely eliminate" the subsidies.

The waiver applies to dutiable fish which would have been subject immediately to countervailing duties. Duties would be imposed on duty-free fish only if the U.S. International Trade Commission, to which the matter has been referred, finds injury or the threat of injury to a domestic industry. However, if that finding were made, the waiver would be extended to duty-free fish as well.

The Treasury Department found subsidies by the Government of Canada and provincial governments consisting of cash payments to Canadian fishermen and fish processors on their fish catches, cash payments to fishermen for financing the construction of fishing vessels, grants for various facilities required in the fishing industry and loans for vessel construction and processing facilities. The amount of the subsidy on dutiable fish was estimated at 5 percent of the fob price for export to the United States.

However, the Treasury Department also found that the Canadian government had reduced its subsidies by 68 percent as of March 31, 1978 and would achieve a 92 percent reduction by October 1, 1978. In addition, the Treasury Department found that imposition of duties would seriously jeopardize the achievement of trade agreements that would reduce or eliminate trade barriers and distortions.

The Countervailing Duty Act requires the imposition of a duty equal to any bounty or grant (subsidy) paid on exports to the United States. The Statue also authorizes the Secretary of the Treasury to waive the duty if he determines that adequate steps

have been taken to reduce substantially or eliminate the adverse effect of the subsidy and that imposition of the duty would jeopardize reasonable prospects for successful trade agreements to reduce or eliminate barriers and distortions to international trade.

The waiver will expire as of January 4, 1979.

Notice of the final determination and waiver will appear in the Federal Register of June 10, 1978.

The types of fish covered by the investigation include cod, sole, haddock, and flounder. Canadian fish exports to the United States were valued at $200 million in 1977.

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partment of the TREASURY NEWS
HINGTON, D.C. 20220 TELEPHONE 566-2041

For Release Upon Delivery
Expected at 10:00 a.m.

STATEMENT OF
DANIEL I. HALPERIN, TAX LEGISLATIVE COUNSEL
DEPARTMENT OF THE TREASURY, OFFICE OF TAX POLICY
BEFORE THE
SUBCOMMITTEE ON MISCELLANEOUS REVENUE MEASURES
OF THE COMMITTEE ON WAYS AND MEANS
June 14, 1978

Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to present the views of the Treasury Department on the eleven miscellaneous bills under current consideration by the Subcommittee. The Treasury Department position on each of these bills is summarized in Exhibit A to this statement.

This Subcommittee performs an important function in the tax legislative process. It provides a forum for the examination of legislative proposals important to one or more of the diverse sectors of society affected by our tax laws; proposals that might otherwise not receive adequate attention from the Congress. It also encourages continuous review of the application of the tax laws and thereby promotes an atmosphere in which necessary corrective changes may be identified and enacted expeditiously. A recent example of this aspect of the Subcommittee's work is provided by H.R. 12578, which contains noncontroversial technical recommendations of the Treasury, the American Bar Association and the American Institute of Certified Public Accountants.

The Treasury believes that the following bills under current consideration fit into a similar category:

H.R. 6897 (deficiency dividend procedure for certain regulated investment companies): The Treasury Department supports the bill and supports extension of the deficiency dividend procedure to all regulated investment companies.

However, the deficiency dividend procedure should be conformed to that provided for real estate investment trusts by the Tax Reform Act of 1976 (see §§1601(b)-(f) of P.L. 94-455).

H.R. 9192 (tax treatment of banks for cooperatives): The Treasury Department does not oppose the portion of the bill which grants to banks for cooperatives ordinary income treatment for gains and losses arising from the sale or exchange of bonds or other evidence of indebtedness.

H.R. 10653 (tax treatment of transfer railroads under the Conrail reorganization): The Treasury Department does not oppose this bill which would permit extended net operating losses to be used against income realized by one member of an affiliated group from "certificates of value" issued as a result of the Conrail reorganization to another member of the group.

H.R. 12200 (election to treat qualified stock options as nonqualified stock options): The Treasury Department does not oppose this bill which would permit taxpayers owning qualified stock options to elect to treat the options as nonqualified. However, in order to prevent windfall benefits to employers, we recommend the bill specifically provide that the employer's deduction, if any, is to be determined under the rules applicable to qualified stock options (section 421(b)).

H.R. 12606 (tax deferred annuities for employees of Uniformed Services of the Health Sciences): Although the Treasury Department does not believe that section 403(b) represents sound tax policy, in the context of present law it does not oppose this bill which would extend section 403(b) treatment to civilian employees of the Uniformed Services University of the Health Sciences.

In each of the foregoing cases, the process of technical and substantive review revealed a deficiency which ought to be corrected. Treasury believes it important that the Subcommittee address these types of issues. On the other hand, we continue to urge extreme caution in the use of the Subcommittee as a vehicle through which special exceptions to generally applicable rules are created for particular taxpayers. Legislative provisions of general applicability often require specific taxpayers to modify their activities in order to comply with the law. When this occurs, the affected taxpayers may seek legislative relief,

on the ground either that such relief is equitable or that the activity in question does not present an abuse situation. Either claim must be carefully examined and reasonable people may reach opposite conclusions on the merits. However, we must all recognize that ad hoc solutions inevitably increase the complexity of the Code, invite other taxpayers to seek similar relief and, unless scrupulously drafted, may create new potentials for abuse. We do not believe that taxpayers should be encouraged to view the legislative process as a forum of first, rather than last, resort.

H.R. 12592 is an example of this issue. That bill would exempt the Hormel Foundation of Minnesota from the self-dealing rules regarding certain trustee services furnished to private foundations.

The Hormel Foundation serves as trustee of 21 irrevocable trusts in which it has remainder interests. Some or all of the trusts are "disqualified persons" with respect to the foundation. All of the trusts were irrevocable by 1954, and the trust instruments designate the foundation as trustee. To date, the foundation has not charged a trustee's fee against the trusts, although the trusts have reimbursed the foundation for expenses incurred in their administration.

Pursuant to the Tax Reform Act of 1969, the furnishing of services by a foundation to a disqualified person is considered an act of self-dealing unless the services are functionally related to the foundation's exempt purposes and are furnished on a basis no more favorable than that on which such services are made available to the general public. State law prevents the Hormel Foundation from rendering trustee services to the general public. Moreover, even if the Foundation were capable of rendering such services, they would not be considered functionally related to the Foundation's exempt purposes. Consequently, the Internal Revenue Service issued a private ruling in July 1977 holding that the furnishing of trustee services by the Foundation is an act of self-dealing.

The Hormel Foundation is presently in a situation that it could not have anticipated when it began acting as trustee. However, it is also true that the effective date of the provisions to which it will become subject were intentionally deferred for 10 years from the date of enactment for the specific purpose of enabling an orderly

transition. The obvious nonlegislative solution to the problem is a petition for the appointment of a new trustee, a proceeding that is routine in most jurisdictions.

We do not believe this Subcommittee should consider legislative relief until this course has been pursued. In the absence of a demonstration that judicial relief is unavailable, there is little merit to the legislation. The rendering of trustee services by the Hormel Foundation is not functionally related to the Foundation's exempt purpose and there is nothing unique about trustee services which requires that they be performed by the Foundation. As a result, we recommend that the Subcommittee defer consideration of H.R. 12592 until the Foundation has pursued its judicial remedies.

A number of the bills presently before the Committee seek to extend a limited benefit (or special exception) to other taxpayers who are, or claim to be, in situations similar to the beneficiaries of present law. In many cases, only limited relief was provided initially because Congress was concerned that the policy underlying the exception might not be correct. An attempt to extend limited benefits or exceptions provides the Subcommittee with an opportunity to review the fundamental Congressional decision. The Subcommittee may decide that the underlying policy does not justify the special relief or if it does that the present case is sufficiently different so as not to warrant extension. In other cases, the Subcommittee may decide that the policy is valid but that the present rules require adjustment for it to be fully realized. The Treasury believes that the bills under consideration today illustrate all three situations.

For example, H.R. 6989 would extend to two additional entities, the Maryland Savings-Share Insurance Corporation and the North Carolina Savings Guaranty Corporation, the exemption from income taxation currently granted to certain state-chartered mutual deposit guaranty organizations organized before September 1, 1957. Rather than further extend the present exemption, Treasury recommends its repeal.

As originally enacted, section 501(c)(14)(B) granted tax exemption to certain mutual deposit guaranty organizations because they provided services to tax-exempt financial institutions. The financial institutions served by these organizations became taxable in 1951. However, the tax exemption for mutual deposit guaranty organizations continued and, indeed, was once extended to cover a similar organization founded in Ohio.

The rationale for granting tax exemption to these institutions disappeared when the institutions they served became taxable. Moreover, if the exemption were extended as proposed in this bill, there is reason to believe that additional organizations will be chartered and demand identical tax treatment. The proliferation of state chartered insurers, some of which may not exact the rigorous standards of Federal account insurance, could be expected to have an adverse impact upon the financial stability and credibility of the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation. In this context it is clear that granting tax exemption to various state-chartered insurance plans for financial institutions may not serve the public interest. The most even-handed way to deal with the problem is to repeal the present exemption.

H.R. 11741, which would make contributions in aid of construction to regulated electric energy or gas public utilities eligible for treatment as nontaxable contributions to capital under section 118(b), raises a similar issue. While framed in the context of extension of the present law treatment accorded water or sewerage disposal facilities, the bill invites examination of the rationale for present law.

Section 118(b), added by the Tax Reform Act of 1976, provides that amounts received after January 31, 1976 as contributions in aid of construction by a water or sewerage disposal utility which are used for qualified expenditures and which are not included in the rate base for ratemaking purposes are treated as nontaxable contributions to capital of the utility.

In testimony before the Senate Finance Committee on July 20, 1976, the Administration opposed section 118(b) on the ground that it "would establish a precedent for similar designations of all manner of payments to telephone companies and electric and gas utilities. . . ." Indeed, an amendment to extend section 118(b) treatment to electric and gas utilities was offered on the Senate floor and defeated. The relief was limited to water and sewerage utilities because it was felt that they were more significantly affected than were other utilities. Moreover, the revenue loss, measured from a base which treated contributions as taxable income, was manageable if confined to water and sewerage facilities but could be as high as $200 million if gas and electric utilities were included.

The issue posed by H.R. 11741 is the appropriate tax treatment of contributions in aid of construction in general. The further question of what taxpayers other than water and sewerage disposal utilities should receive section 118(b) treatment must be dealt with as a separate issue only if it is decided that section 118(b) is correct as a general matter.

Treasury believes that section 118(b) is incorrect. Contributions in aid of construction represent a present payment for services. As such, they constitute gross income to the recipient.

Nontaxable treatment of such contributions can be justified on the theory that the contributor has made a loan of the contributed amount to the utility which is to be repaid through reduced charges for the services provided by the utility.* The loan analogy, of course, is not precise because the utility is not under a contractual obligation to return the contributor's capital plus interest through reduced charges over a finite time period.

However, even if the loan analogy were precise, it is not a justification for the tax treatment sought. If the contribution is viewed as a loan, the contributor's return, the "interest" on the "loan", should be subject to income tax; but it is not because it is realized in the form of a rate reduction. It is as if the telephone company said to a consumer, "Pay me $1,000 and I will extend my telephone lines to your neighborhood. In addition, I will reduce your rates by an amount sufficient to give you an adequate return on your $1,000."

It is obvious that it is virtually impossible to measure precisely the amount of income in this example. But it is equally obvious that the consumer is receiving income which under present law is not subject to tax. Unless this income is subject to tax, the present treatment accorded contributions in aid of construction under section 118(b), even if rationalized

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* It may also be argued that the utility has sold property to the contributor. This analogy is not precise because title remains with the utility. Moreover, if there is a sale, there would be a profit element which should be taxed. Section 118(b) by excluding the receipt, eliminates the tax on the income. If section 118(b) were repealed as we recommend and the sale analogy is accepted, consideration could be given to an allowance for the cost of the property "sold".

on the loan theory, results in an unjustified aggregate revenue loss. Consequently, Treasury opposes the extension of section 118(b) to gas and electric utilities and would favor its repeal.

H.R. 7207 and H.R. 12828 are also amendments expanding the scope of existing tax exemptions. While we do not suggest that the existing exemptions be eliminated, we oppose their expansion in these circumstances. I will first discuss H.R. 7207.

Under current law, only two categories of organizations that provide services to exempt organizations are exempt from tax; common investment funds of educational organizations (Section 501(f)), and organizations that provide hospital-related services to exempt hospitals, but only if the organization is operated cooperatively and distributes all net earnings for each taxable year to its patrons on the basis of the services performed for each patron during the taxable year (Section 501(e)).

H.R. 7207 would create a new class of exempt organizations, those organized to provide data processing services or fiscal management services to participating social service organizations that are exempt under Section 501(c)(3) and affiliated with religious organizations exempt under Section 501(c)(3). While an eligible entity must be controlled by two or more of the organizations for which services are performed, not all purchasers of services need be members. Services are to be provided at "cost", defined to mean amounts (1) determined on the basis of use of services by each organization and (2) that do not "significantly exceed the actual cost (including straight line depreciation)" of services provided to each.

The Treasury Department opposes H.R. 7207. Unlike hospital service organizations described in section 501(e) or educational collective investment funds described in section 501(f), the service organizations exempted by this legislation need not be cooperative. Moreover, the organizations would be exempt from tax even though services were provided to customers for charges in excess of actual cost. Thus, H.R. 7207 would permit qualifying organizations to derive a tax exempt profit from the provision of services.

The substantive equivalent of federal tax exemption under section 501 can be achieved by the organizations covered by H.R. 7207 if they were organized and operated as member cooperatives under Subchapter T of the Code. The only remaining advantage to being exempt under section 501 would be that, in some states, it might simplify obtaining a state tax exemption. Securing a state tax exemption is not an appropriate reason to grant an otherwise unnecessary Federal income tax exemption and thereby complicate the Code.

H.R. 12828 involves section 513(d) of the Code added by the Tax Reform Act of 1976. That section, among other things, exempts from the unrelated business income tax the income derived by "qualifying" section 501(c)(5) or section 501(c)(6) organizations from "convention and trade show activity" carried out in conjunction with a "qualified" convention. The Treasury's analysis of this bill is set forth in Exhibit B.

To summarize, current law (section 513(d)) may not represent ideal tax policy. However, the distinctions it makes are at least arguably consistent with the purposes for which business leagues and trade associations are granted tax exemption, namely "to promote" the "common business interest" of the association members, and "not to engage in a regular business of a kind ordinarily carried on for profit". Regulations section 1.501(c)(6)-1. This consistency is implemented by restricting the trade show exemption to situations where one of the exempt purposes of the organization, and one of the organization's purposes in carrying on the show in question, is to stimulate interest and demand for the products of the organization's members.

Since this rationale does not exist in the case of suppliers' shows carried on either by organizations described in section 501(c)(5) or 501(c)(6) or by organizations described in section 501(c)(3), the Treasury opposes H.R. 12828.

The portion of H.R. 9192 which would extend to banks for cooperatives the section 595 nonrecognition treatment accorded certain thrift institutions upon foreclosure raises an entirely different concern namely, whether the provision whose extension is sought actually provides the desired result.

A foreclosure results in immediate recognition of gain or loss for most taxpayers, but section 595 permits the specified thrift institutions to defer recognition of gain or loss until the disposition of the property. Therefore, under the law currently applicable to banks for cooperatives and taxpayers generally, property acquired at foreclosure must be valued at the time of foreclosure, whereas under section 595 there need not be any valuation until the property is sold. The banks for cooperatives have stated they need deferred recognition of foreclosure gains and losses to avoid the complexities of valuing items such as farm equipment before they are sold and to make certain that their losses on foreclosure will be ordinary rather than capital. These are worthwhile objectives and we could support the bill if this were clearly the result.

In fact, however, it is not clear that section 595 treatment would simplify the taxation of banks for cooperatives. Section 595 and its regulations permit thrift institutions to deduct currently the difference between the outstanding debt amount and the fair market value of the acquired property as a worthless debt. If the losses are deducted currently, the property must be valued without a sale, resulting in the complexity which banks for cooperatives state they want to avoid.

The Treasury Department would not object to extending the foreclosure treatment of section 595 to banks for cooperatives if this anomalous treatment in the current Code provision were remedied. That is, institutions (including thrift institutions) would be eligible for section 595 treatment only if they had not previously claimed a bad debt deduction with respect to the property acquired through foreclosure. Furthermore, once foreclosure took place the institutions would be prohibited from taking a bad debt loss on the property until it was sold. In addition to simplifying the operation of section 595, this amendment would eliminate the opportunity available under current law to whipsaw the Internal Revenue Service by claiming a current bad debt deduction and deferring recognition of gain until sale.

I have attached as Exhibit C a memorandum stating the Treasury position with respect to H.R. 12352.

I thank the members of the Subcommittee for your attention. I would be pleased to answer any questions you may have concerning our recommendations and comments.

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Summary of Treasury Positions

H.R. 6877 (small business regulated investment companies) -- Supports with technical changes and supports extension to all regulated investment companies.

H.R. 6989 (mutual deposit guaranty organizations) -- Opposed.

H.R. 7207 (exempt computer and fiscal management services) -- Opposed.

H.R. 9192 (banks for cooperatives) -- Not opposed to ordinary income treatment for sales of notes, etc.; opposed to thrift institution foreclosure treatment unless section 595 is modified.

H.R. 10653 (net operating losses in Conrail reorganization) -- Not opposed.

H.R. 11741 (contributions in aid of construction) -- Opposed.

H.R. 12200 (election to treat qualified stock options as nonqualified) -- Not opposed with modifications.

H.R. 12352 (source rules for railroad rolling stock) -- Opposed at this time.

H.R. 12592 (exception from self-dealing rules) -- Opposed at this time.

H.R. 12606 (extension of section 403(b) to employees of Uniformed Services University of the Health Sciences) -- Not opposed.

H.R. 12828 (unrelated business tax exemption for certain trade shows) -- Opposed.

Treasury Position on H.R. 12828

The Tax Reform Act of 1976 added section 513(d), which among other things exempts from the unrelated business income tax the income derived by "qualifying" section 501(c)(5) or section 501(c)(6) organizations from "convention and trade show activity" carried out in conjunction with a "qualified" convention.

A "qualifying" section 501(c)(5) or (6) organization is one which "regularly conducts as one of its substantial exempt purposes a show which stimulates interest in, and demand for, products of a particular industry or segment of such industry." A "qualified" convention and trade show activity is an activity carried out in connection with a "convention, annual meeting, or show . . . if one of the purposes of such organization in sponsoring the activity is the promotion and stimulation of interest in, and demand for, the products and services of that industry in general." However, the term "convention and trade show activity" is defined somewhat more broadly, and arguably permits the lease or exhibition space not only to association members but also to suppliers of goods and services to the industry (so-called "suppliers" exhibits) even if the suppliers conduct sales activity.

Thus, if a section 501(c)(5) or (6) organization regularly conducts a show designed to stimulate interest in and demand for the industry's products, and if the convention or trade show in question has as one of its purposes the promotion of interest in and demand for industry products, then income from the lease of display space to members of the organization, and to suppliers to the industry is exempt from the unrelated business income tax even if taking orders or making sales is permitted. However, tax exemption is accorded income from the lease of suppliers' exhibits only as an incident to a "qualifying" convention.

H.R. 12828 would expand current law in three particulars. First, it would add organizations described in section 501(c)(3) to the list of qualifying organizations. Second, it would broaden the limitation on qualifying organizations to include those that regularly conduct as a substantial exempt purpose a "suppliers' show", that is, a show "which educates persons engaged in the industry in the development of new products and services or new rules and regulations affecting the industry." Finally, it would add that same language to the definition of a qualified convention and trade show activity.

Thus, the bill would permit section 501(c)(3) organizations -- which are not typically regarded as carrying on shows or meetings to stimulate interest in and demand for the products of their members -- to derive tax-free income from the lease of exhibition space to suppliers in connection with an annual meeting. It would also make the trade show exemption available to section 501(c)(5) organizations that do not presently meet the definition of qualifying organizations. Finally, the bill would permit trade associations to derive tax-free income from the lease of exhibition space in connection with a trade show, even where the show was not conducted to promote the common business interests of the association members by stimulating interest in and demand for their products.

Current law may not represent ideal tax policy. However, the distinctions it makes are at least arguably consistent with the purposes for which business leagues and trade associations are granted tax exemption, namely "to promote" the "common business interest" of the assocation members, and "not to engage in a regular business of a kind ordinarily carried on for profit". Regulations section 1.501(c)(6)-1. This consistency is implemented by restricting the trade show exemption to situations where one of the exempt purposes of the organization, and one of the organization's purposes in carrying on the show in question, is to stimulate interest and demand for the products of the organization's members.

This rationale does not exist in the case of suppliers' shows carried on either by organizations described in section 501(c)(5) or 501(c)(6) or by organizations described in section 501(c)(3). To take a typical example, the proposed legislation would exempt income derived by a professional organization of physicians, which, in connection with its annual meeting, leased space to manufacturers of medical equipment and pharmaceuticals where the exhibitors were permitted to take orders and make sales.

It may be argued that the lease of space under such circumstances promotes the exempt purposes of the professional organization by educating its members with respect to medical equipment and pharmaceuticals currently available. However, that is not the issue raised by this legislation. The professional association, under current law, may lease exhibition space to such manufacturers. This legislation

would go further and would specifically permit the lessees of exhibition space to engage in active solicitation of orders and sales. Such sales activity is not substantially related to the exempt purpose of the physicians' association, but rather permits the organization to derive income from operation of a convenient shopping forum for its members. Such income properly should be taxed. Therefore, Treasury opposes H.R. 12828.

Treasury Position on H.R. 12352

Under present law, income and loss from the rental of railroad rolling stock is treated as from United States sources to the extent that the rolling stock is used within the United States, and from sources outside the United States to the extent that the rolling stock is used outside the United States. Gain and loss from the sale of rolling stock purchased in the United States and sold outside the United States is generally from sources outside the United States.

H.R. 12352 would change these source rules. It would provide, specifically, that income or loss from the rental of rolling stock, and gain or loss from the sale or other disposition of rolling stock, would be treated entirely as from sources within the United States, provided that the rolling stock is leased to a United States person and is not expected to be used outside the United States in excess of 90 days in any taxable year. The effect of this provision is to increase the availability of foreign tax credits to lessors of rolling stock. These are generally banks and other lenders who, unlike many railroads, are in a profit position and can use the investment tax credit associated with ownership of rolling stock. Leases of rolling stock typically generate tax losses to the lessor, at least in the early years. If these losses are treated as having a foreign source, the lessor's foreign source taxable income, and hence its foreign tax credit, is reduced. H.R. 12352 will prevent dilution of the lessor's foreign tax credit by treating the losses from leases and sales of rolling stock as having a United States source.

Although the use and sale of rolling stock in Mexico is covered by H.R. 12352, it is our impression that the main issue presented is essentially a bilateral one between the United States and Canada. Since the issue basically involves only one foreign country, and since we have on going tax treaty negotiations with that country and this issue has been dealt with in the context of those negotiations, the Treasury prefers that this issue be resolved in the context of the tax treaty.

The result achieved by H.R. 12352 is in the interests of both Canada and United States lessors. The result is in the interests of United States lessors because it makes it easier to route rolling stock to Canada. The result is in Canada's interest because it ensures that Canadian

foreign taxes on other Canadian income are allowed in full as a credit in the United States without dilution for losses attributable to leases and sales of rolling stock. Since the result achieved here is in Canada's interest, and since our tax treaty negotiations with Canada are fairly advanced, we are reluctant to give up any leverage that such an issue may have in those negotiations. For this reason, Treasury opposes the unilateral statutory resolution of the issue proposed in H.R. 12352 at this time.

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WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 14, 1978

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TREASURY DEPARTMENT FINDS SORBATES FROM JAPAN SOLD HERE AT LESS THAN FAIR VALUE

The Treasury Department announced today that it has determined that sorbates imported from Japan are being sold in the United States at "less than fair value" as defined by the Antidumping Act.

This affirmative determination affects only one of the four Japanese manufacturers investigated, Nippon Synthetic Chemical Industry Company. With respect to the other three companies investigated, Chisso Corporation and Daicel Ltd. are excluded from the determination on the basis of de minimis, or insignificant margins; and Ueno Fine Chemical Industries Ltd. is being given a discontinuance based upon minimal margins and assurances that all future sales will not be at less than fair value.

The case is being referred to the U. S. International Trade Commission, which must decide, within 90 days, whether a U. S. industry is being, or is likely to be, injured by these sales. If the ITC's decision is affirmative, dumping duties will be collected on those sales found to be at "less than fair value."

Sales at less than fair value generally occur when the prices of the merchandise sold for export to the United States are less than the prices of the same merchandise sold in the home market. Interested persons were offered the opportunity to present oral and written views prior to this determination.

Notice of this action will be published in the Federal Register of June 16, 1978.

Imports of sorbates from Japan were valued at $12 million during Calendar Year 1977.

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Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

RELEASE FOR THURSDAY PMs
JUNE 15, 1978

REMARKS OF
THE HONORABLE W. MICHAEL BLUMENTHAL
SECRETARY OF THE TREASURY OF THE UNITED STATES
AT THE MINISTERIAL MEETING OF OECD
PARIS, FRANCE
JUNE 15, 1978

Mr. Chairman:

Ministers of Finance and Economics find themselves meeting in one international forum or another every few weeks. Their advisors gather even more frequently; their heads of state confer with increasing frequency. We are intensively engaged in international cooperation in all aspects of economic policy. In this economically interdependent world it is essential that this consultation process continue.

Our consultations brought us to an increasing awareness of the complexity of today's economic problems. We are well informed about developments and policies in each other's economies which affect our own economic performance and the effectiveness of our own international policies. We know we share common problems:

-- In nearly all our economies, unemployment is too high, especially among our youth, with all that this means in terms of wasted economic and human resources.

-- Inflation is too high in nearly all our countries, distorting savings and investment decisions and exacerbating domestic social tensions.

-- Most of our countries are experiencing rates of private investment so low as to have adverse implications for the rate of increase in employment and output for the longer run, as well as for the near-term prospect for self-sustaining growth.

-- Despite strong resistance by all our governments, protectionist pressures are unabated and continue to take new forms as political pressures mount to save jobs in sensitive industries or sectors. Our governments are tempted to act in ways which reduce the opportunities for foreign competition in domestic markets or give inappropriate aid to domestic firms to maintain or expand markets abroad. The financing of civil aircraft exports is an example of the type of practice which violates OECD sanctioned standards of conduct.

-- There is a strong temptation to export our problems, rather than taking steps to deal with them at home. It is always easier to postpone painful decisions. But in an increasing number of situations we have allowed supposedly temporary measures to prop up ailing industries or support employment in particular markets or sectors of the economy to become permanent features of our economies.

-- Our economies are still struggling to achieve the basic structural changes made necessary by the very abrupt disruptive move from cheap energy to relatively high cost energy. Our economies also face the need to adjust to the rapid expansion of production of manufactured goods in advanced developing countries. These developments in basic economics -- divergent growth, high and diverse rates of inflation, protectionist moves and difficulties in achieving structural adjustment -- have led to imbalances in international payments patterns, to substantial shifts in nominal exchange rates and at times of quite disorderly conditions in exchange markets. Erratic fluctuations of rates have in turn tended to discourage investment and deter growth.

Our understanding of these common problems has helped us in formulating and implementing policies to alleviate them. We should not underestimate the progress we have made. But much more can be done.

Growth

In the sphere of economic growth, we believe that a number of the countries represented here could expand internal demand over the next year or two at a more rapid rate than they achieved in 1977 without significantly increasing the risk of inflation or

materially affecting the rate at which inflation is being reduced. The scope for such action varies from country to country but each of these nations is in position to take some action as befits the structure and traditions of its economy.

There are a number of other countries among us which could accept the higher domestic growth rates that might result from an expansion of world markets leading to relaxation of a balance of payments constraint. Still others, however, must give priority to the strengthening of stabilization policies, since their primary constraint is domestic inflationary pressures.

My own country falls in this last category. For more than three years the average rate of economic growth in the United States has been well in excess of the rate of increase in our potential output. We have added 9.7 million persons to our employment rolls in 38 months and our unemployment rate has dropped from a peak of 9.1 percent in May 1975 to 6.1 percent in May of this year despite an increase in the labor force. The unemployment rate for male heads of households has been reduced to 2.8 percent. We expect only a small further reduction before the year is out. Increasingly, we shall have to rely heavily on matching labor skills and locations to economic needs to achieve further reductions in unemployment without adding to inflation.

The U.S. inflation rate, as measured by the consumer price index, dropped from 12.2 percent in 1974 to 6.8 percent last year. Recent rates have been even higher due to temporary factors. The underlying rate seems to be stuck between 6-1/2 and 7 percent. We are working hard to bring this so-called "underlying" rate down still further and are committed to doing so. But for all of 1978 it is likely that the inflation rate will be in the 7 percent range. Thus there are real limits to continued rapid expansion of U.S. domestic demand.

Energy

Energy is a problem. All of us know that if we are going to sustain growth over the medium and long-term, we must strengthen our programs to conserve energy and to develop new sources. No nation has a greater responsibility in this area than my own. We are making progress. Our new cars get better mileage. As a result of mandatory standards, the fuel economy of our 1985

automobile fleet will be roughly double, on average, its 1974 level. More and more Americans are insulating their homes and businesses, and installing fuel saving furnaces and thermostats. Such actions, together with corresponding efforts in the industrial sector, have reduced the energy required by our economy to produce a dollar of real output by more than 6 percent since 1973. Throughout the economy the trend is toward further energy-saving investments.

But the comprehensive energy legislation which President Carter put before the Congress fourteen months ago has not yet been enacted. We are deeply frustrated and embarrassed by this inability of the Congress to act. We have recently redoubled our efforts to assure passage of this critical legislation this year. Progress is being made. Should it fail, the President has made clear that he will take administrative action under existing laws.

Protectionism

Our consultations have also made it obvious that we must work to resist protectionist pressures and reduce governmental interference in the flow of international trade. We have agreed to renew the OECD Trade Pledge. But there is more that we should do. For one thing, we need to complete the MTN this year with an agreement that provides truly meaningful trade liberalization.

Moreover, we need to go forward -- if we are not to be forced backward -- in reducing and eliminating destructive competitive practices in official export financing activities. The recently concluded Export Credit Arrangement, while good in its way, goes only part way to meeting the need. The first few months' experience under it strongly suggests that it needs to be strengthened and expanded. And it must be enforced -- an agreement serves no purpose unless it is obeyed. The United States will join in the efforts, which should be undertaken immediantely, to improve the International Arrangement. But it should be understood that if there are no restraints agreed this year on predatory official export credit competition and such competition continues to escalate, there will be swift and effective U.S. reaction.

The spread of governmental influence on trade has become extremely serious. Our new IMF Articles -- Article IV -- contain a prohibition against action to manipulate exchange rates and the monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members. I believe we must now find equivalent means to insure that countries do not manipulate the international trading system, through governmental regulation or subsidy or other actions which have the same effect. In the present situation, with growth still too low and unemployment still too high, there has been an accelerating, destructive tendency to subsidize production in inefficient plants and industries. Though frequently introduced for laudable purposes -- maintaining employment and fostering longer term industrial development -- such measures have also become a common means of avoiding structural adjustment. In the process, trade flows are affected and trading patterns become distorted, just as with more traditional protectionist measures such as tariffs or quotas.

Thus I strongly support the proposals which have been developed for a policy stance favoring, rather than resisting, needed structural adjustment. We must actively promote the dynamic changes in our economies required by high energy costs, by the need for balance of payments adjustment, by technological change, and by world progress generally. Avoiding the short-term costs of structural change now merely multiplies the inevitable, eventual price we must pay.

We must, in addition, adjust our economies to the very rapid surge of production of manufactured goods in the more advanced developing nations. We have for years encouraged the cry for "trade, not aid." Quite a number of nations are ready to take us up. We must keep our markets open to these nations and adjust our own production to supply the goods these nations seek. At the same time these countries must come to a better understanding of their responsibilities in opening their markets and reducing and eliminating their export subsidies.

Many developing countries still have a need for resource inflows to support development programs which they are not in position to finance fully by borrowing from the private markets. In fact, the magnitudes required continue, to increase, even though the number of countries requiring such aid is diminishing.

Most of the members of this organization maintain bilateral aid programs and also provide funds to the international development lending institutions. Every effort should be made to increase the amount of these contributions. It is President Carter's objective to increase the size of U.S. official assistance to LDCs substantially. U.S. aid commitments for the current fiscal year are expected to be $6.8 billion, an increase of $1.2 billion from FY 1977. Congressional approval of our FY 1979 budget request would lead to a further increase in commitments to $7.6 billion next year.

Those nations among us who find their external payments positions in strong and persistent surplus should make a particular effort to expand their aid programs quickly and to untie their aid.

These areas -- non-inflationary growth, trade liberalization, positive adjustment, including export credit cooperation, energy, and aid -- constitute the basic elements of an action program which would gradually ease the problems which plague the economic policy makers.

Stability in Exchange Markets

Adequate progress in these areas will also bring with it stability in foreign exchange markets and greater stability in exchange rates. Stability in foreign exchange markets will feed back on investment and trade prospects and help us to achieve our growth targets. Maintaining this stability is important to us all -- as important to the United States as to any nation here.

Thus the United States is prepared to work for exchange market stability. Markets can become disorderly, subject to great uncertainty, dominated by psychological factors and speculation. We have made clear that we are fully prepared to intervene in the markets to counter such disorders. We have intervened, at times in large amounts, for that purpose. And we have taken other steps, such as interest rate moves by the Fed and announcement of gold sales by the Treasury, that appear to have been useful in strengthening the tone of the market. The resources at our disposal for intervention are very large and we are prepared to use them if and as required to counter market disorders.

But all of us know that the real key to reductions in the speed and extent of changes in foreign exchange rates and to stability in foreign exchange markets lies in better performance on the "fundamentals." The maldistribution of external payments balances has resulted from the simultaneous impact of widely divergent rates of inflation -- and even more important -- an unusually wide divergence in rates of growth and capacity utilization as well as the structural disruption of the oil price shock. When we collectively demonstrate to the financial community that growth will improve and that both the rate and the divergence in inflation rates among nations will diminish, there will be less movement of exchange rates and less risk of disorder in the foreign exchange markets. The IMF will be developing detailed procedures for implementing its new responsibilities for multilateral surveillance of the economic policies which provide the basis for exchange rate stability.

Development of Political Will

As finance or economic ministers, each of us has been seeking to put in place the policies which will best meet the problems of our respective countries. Each of us represents a sovereign nation, which of course makes its own decision within the framework of its own political system. Each must respond to the national self-interest, as perceived by his own electorate.

The message I hope Ministers have drawn from all our consultations and all the information about developments elsewhere is that, in the long run, the national self-interest of each nation is best served by policies which foster a healthy world economy -- a world economy of sustainable growth with reasonable price stability in the context of an open, liberal trade and payments system. Moreover, it requires that international implications be factored into the decision making in virtually all aspects of domestic economy policy -- even in a country like the United States where exports are only 7-1/2 percent of GNP.

What it also means is that when national economic policies are properly coordinated they will be mutually reinforcing. If we all move forward together, we will all move forward farther.

I hope that this meeting will lay the basis for what the Secretariat has called a program of concerted action, with each participant undertaking actions appropriate to his own situation but mutually reinforcing in the international context.

We all know what should be done. Our common task is to explain the need for action to our own peoples and to build the domestic political support which will enable us to carry out the policies required to succeed individually and collectively. Our destinies are inextricably linked. We must go forward together or not at all.

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epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 566-2041

Contact: Charles Arnold
566-2041

June 14, 1978

WILLIAM F. HAUSMAN, TREASURY OFFICIAL, DIES

William F. Hausman, age 64, Director of the Office of Operations for the Assistant Secretary of the Treasury for Enforcement and Operations, died in Bethesda Naval Hospital June 12 of a pulmonary ailment.

As a career United States Marine Corps officer, Mr. Hausman accumulated more than 4,000 flying hours as a military pilot before retiring as a colonel in 1963. He then joined the National Aeronautics and Space Administration as the Deputy Assistant Administrator for International Affairs. Later he joined the Commerce Department as Assistant Director, Division of Authorizations, Office of Foreign Direct Investment. He came to the Treasury Department in 1968 as an advisor on foreign assets control matters and liaison with other government agencies involving national security in relation to international financial matters. He assumed his operations responsibilities in the Treasury Department in 1969.

Born and reared in Indianapolis, Indiana, Mr. Hausman was graduated with distinction from DePauw University, Greencastle, Indiana, in 1934 with a degree in political science. He was a member of Beta Theta Pi social fraternity and the alpha chapter of Sigma Delta Chi, the journalism honorary society. Under the name of Sparks Hausman, he wrote for the Saturday Evening Post and Liberty Magazine in the late 1930's.

As a Marine Corps officer, Mr. Hausman was Chief of Staff of the Fleet Marine Force, Atlantic, during the Cuban missile crisis. He headed aviation base and jet aircraft groups, an academic department at the National War College, Washington, D.C., an attache office in the U.S. Embassy in Colombia, and the nationwide Marine Aviation Reserve.

In 1973 Mr. Hausman received the Treasury Department's Exceptional Service Award for his "outstanding contributions" for "the initiation and supervision of a number of critical programs and projects." He also received from the government of Colombia their highest award, The Crux Boyaca.

Services will be held at 2 p.m. Friday, June 16, at the Fort Myer Chapel with burial in Arlington National Cemetery. The family requests that expressions of sympathy be in the form of contributions to a favorite charity.

He is survived by his wife, Mary Jane; his brother, Robert, of Humble, Texas; a daughter, Karen P. Garver of Arlington, Virginia; two sons, Major W.F. Hausman, Jr., now stationed in Nuremberg, Germany, and Joseph Lee Hausman of Los Angeles, California, and six grandchildren, four in Arlington, and two in Germany.

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Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. June 14, 1978

TREASURY TO AUCTION $3,000 MILLION OF 2-YEAR NOTES

The Department of the Treasury will auction $3,000 million of 2-year notes to refund $2,537 million of notes maturing June 30, 1978, and to raise $463 million new cash. The $2,537 million of maturing notes are those held by the public, including $350 million currently held by Federal Reserve Banks as agents for foreign and international monetary authorities.

In addition to the public holdings, Government accounts and Federal Reserve Banks, for their own accounts, hold $794 million of the maturing securities that may be refunded by issuing additional amounts of the new notes at the average price of accepted competitive tenders. Additional amounts of the new securities may also be issued at the average price, for new cash only, to Federal Reserve Banks as agents for foreign and international monetary authorities.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

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Attachment

HIGHLIGHTS OF TREASURY
OFFERING TO THE PUBLIC
OF 2-YEAR NOTES
TO BE ISSUED JUNE 30, 1978

June 14, 1978

Amount Offered:	
To the public	$3,000 million
Description of Security:	
Term and type of security	2-year notes
Series and CUSIP designation	Series Q-1980 (CUSIP No. 912827 HV 7)
Maturity date	June 30, 1980
Call date	No provision
Interest coupon rate	To be determined based on the average of accepted bids
Investment yield	To be determined at auction
Premium or discount	To be determined after auction
Interest payment dates	December 31 and June 30
Minimum denomination available	$5,000
Terms of Sale:	
Method of sale	Yield auction
Accrued interest payable by investor	None
Preferred allotment	Noncompetitive bid for $1,000,000 or less
Deposit requirement	5% of face amount
Deposit guarantee by designated institutions	Acceptable
Key Dates:	
Deadline for receipt of tenders	Tuesday, June 20, 1978, by 1:30 p.m., EDST
Settlement date (final payment due)	
a) cash or Federal funds	Friday, June 30, 1978
b) check drawn on bank within FRB district where submitted	Wednesday, June 28, 1978
c) check drawn on bank outside FRB district where submitted	Monday, June 26, 1978
Delivery date for coupon securities	Friday, June 30, 1978

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE ON DELIVERY
EXPECTED AT 9:30 E.D.S.T.
JUNE 15, 1978

TESTIMONY BY GARY C. HUFBAUER
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL TRADE
OF THE
HOUSE COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

Mr. Chairman, I am pleased to join in support of the President's request to extend the emigration waiver authority for Romania and Hungary under Section 402 of the Trade Act. Both the Department of the Treasury, and the East-West Foreign Trade Board, chaired by Secretary Blumenthal, also strongly support the President's recent decision to renew the U.S.-Romanian Trade Agreement for another three years. We believe that the U.S.-Romanian Trade Agreement has promoted the economic and political interests of both our countries. Renewal of the Agreement will allow us to build upon the foundations laid in the last three years.

The recent visit of President Ceausescu to the United States underscores the importance which both of our nations attribute to strengthening U.S.-Romanian ties. We believe that it is in our interest to encourage Romania's independent policy orientation through further expansion of our bilateral relations. Renewal of the Trade Agreement is essential to this end.

Romania has fulfilled the two conditions necessary for renewal of the Trade Agreement. First, a satisfactory balance of concessions in trade and services has been maintained. Romania has given most-favored-nation tariff treatment to U.S. products, and has been responsive to requests to facilitate U.S. business activities in Romania. Secondly, we are also satisfied that Romania will reciprocate satisfactory U.S. reductions in tariffs and nontariff barriers in the Multilateral Trade Negotiations in Geneva. The exact amount of U.S. or Romanian concessions has not yet been established, but the Romanian government recently reaffirmed its Trade Agreement obligations to reciprocate U.S. concessions, taking into account its status as a developing nation.

The Trade Agreement has contributed significantly to the growth of U.S.-Romanian Trade. Two-way trade grew from $322 million in 1975, which was four times the value of trade in 1970, to $448 million in 1976, and reached a record $493 million in 1977. The U.S. has continued to maintain a positive trade balance over this period. The few instances of threatened market disruption from Romanian imports have been resolved with minimal difficulty. The further growth of U.S.-Romanian trade in such a favorable atmosphere depends on renewal of the Trade Agreement.

The Treasury also supports the President's determination that further extension of the emigration waiver authority for Romania will substantially promote the objectives of Section 402 of the Trade Act. This extension is essential for renewal of the Trade Agreement.

In order to earn hard currency, Romanian exports must have access to Western markets, including our own. The countries of Western Europe have granted most-favored-nation status to Romanian exports. If the United States does not continue to facilitate Romanian access to U.S. markets through MFN, it may lose potential exports to Romania as well. The President's emigration waiver will enable us to continue granting MFN to Romania thus improving Romania's ability to earn hard currency to pay for imports.

Extension of the waiver is also required for Romania to continue to utilize U.S. financing for its imports from the United States. Without the waiver, Eximbank would not be able to make loans or guarantees to Romania and U.S. exporters would be at a competitive disadvantage. Commodity Credit Corporation (CCC) credits, which have been instrumental in increasing U.S. agricultural exports to Romania, also cannot be extended without the waiver. Both forms of financing obviously benefit U.S. exporters.

Mr. Chairman, our experience with the U.S.-Romanian Trade Agreement has convinced us of its continued importance. The Agreement has served as a cornerstone for the growth of U.S.-Romanian relations both economically and politically. We are satisfied that Romania has fulfilled the conditions of the Agreement and that its renewal would continue to strengthen U.S.-Romanian ties.

We are aware of the concern expressed by several members of Congress regarding a Romanian decree which set arbitrary limits on compensation for confiscation of U.S. property in Romania. We share these concerns. We have raised this problem with the Romanian Government and will continue to press the Romanian authorities to live up to their repeated assurances to provide prompt, adequate and effective compensation in such cases. While not directly related to the renewal of the Trade Agreement or extension of MFN, the payment of prompt, adequate and effective compensation is a clear condition for Romania's continued enjoyment of GSP and we have made this link very clear to the Romanian government.

In conclusion, Mr. Chairman, I believe that a three-year renewal of the U.S.-Romanian Trade Agreement and a one-year extension of the Presidential waiver is in our national interest.

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Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. June 15, 1978

TREASURY'S 52-WEEK BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for $2,750 million, or thereabouts, of 364-day Treasury bills to be dated June 27, 1978, and to mature June 26, 1979 (CUSIP No. 912793 V9 4). The bills, with a limited exception, will be available in book-entry form only, and will be issued for cash and in exchange for Treasury bills maturing June 27, 1978.

This issue will provide $497 million new money for the Treasury as the maturing issue is outstanding in the amount of $2,253 million, of which $1,070 million is held by the public and $1,183 million is held by Government accounts and the Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities. Additional amounts of the bills may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities. Tenders from Government accounts and the Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities will be accepted at the average price of accepted tenders.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, this series of bills will be issued entirely in book-entry form on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Daylight Saving time, Wednesday, June 21, 1978. Form PD 4632-1 should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. In the case of competitive tenders, the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions with respect to Government securities and borrowings thereon may submit tenders for account of customers, provided the names of the customers are set forth in such tenders. Others will not be permitted to submit tenders except for their own account.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities, for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for definitive bills, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. Those submitting competitive tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for $500,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids.

Settlement for accepted tenders for bills to be maintained on the records of Federal Reserve Banks and Branches must be made or completed at the Federal Reserve Bank or Branch on June 27, 1978, in cash or other immediately available funds or in Treasury bills maturing June 27, 1978. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which bills issued hereunder are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of bills (other than life insurance companies) issued hereunder must

include in his Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on a subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

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Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

ADVANCE FOR RELEASE SUNDAY MORNING
JUNE 18, 1978

TREASURY UNDER SECRETARY FOR MONETARY AFFAIRS ANTHONY M. SOLOMON ON FLEXIBLE EXCHANGE RATES, INTERVENTION, THE U.S. DOLLAR, INTERNATIONAL MONETARY SYSTEM, AND OTHER POINTS

Following is the transcript of a filmed interview for the U.S. International Communication Agency, taped on Wednesday, June 6, with Under Secretary for Monetary Affairs, Anthony M. Solomon.

* * * *

Q. Mr. Secretary, does the United States feel that flexible exchange rates have been as favorable for world trade and economic growth as the old Bretton Woods system of fixed exchange rates?

UNDER SECRETARY SOLOMON: Exchange stability is more helpful to world trade than major fluctuations in exchange rates. There's no doubt about it. On the other hand, it is important that there be some flexibility in exchange rates, to adjust for, to compensate for differentials in national inflation rates. Otherwise trade relationships would get very much out of line.

Secondly, the events after the oil shock increase in 1973 resulted in large payments imbalances and started forcing structural readjustment which we still have not completed, which would have made Bretton Woods fixed exchange rates impossible and would have been very disruptive under the situation of these very unusual large payments imbalances. We needed the flexibility in the monetary system to cope with the special situation of the '70s.

Q. But there seems to be disillusionment with flexible exchange rates and considerable sentiment for going back to a system of fixed rates. Do you think a trend in that direction would be at all feasible or at all desirable?

UNDER SECRETARY SOLOMON: I do not believe that there is a feeling in governmental circles abroad that we should go back to fixed exchange rates. There is some disillusion with inordinately wide fluctuations in exchange rates. But the most that has been suggested in various circles has been that there be cooperative arrangements to limit the amount of movement, not return to Bretton Woods fixed exchange rates, and I know of no significant or highly prevalent attitudes among monetary officials to move to fixed exchange rates.

Q. Some people overseas feel that the United States is not interested in supporting the value of the dollar. Is this true? And then why hasn't the United States been prepared to

intervene in foreign exchange markets on a large scale when the value of the dollar was declining?

UNDER SECRETARY SOLOMON: Well, we certainly are concerned about the value of the dollar, and we have attempted to support it in the only meaningful way, long term meaningful way, namely by taking action on domestic policies which will tend to reduce our deficit. And that means working on our inflation rate, getting our excessive energy import dependence under control, and trying to eliminate the large differences in growth rates. We have run a very high growth rate here, while abroad there have been near recession levels of economic activity, and this has resulted in a very major part of our trade deficit.

Intervention is useful to a degree, but intervention, even on a massive scale, cannot cope with fundamental trends going in the wrong direction. We must take action on energy. We must take action, even though it will be gradual, on curbing our rate of inflation. We must promote exports. Other countries must achieve more satisfactory levels of growth for their own interests, as well as for the purposes of reducing imbalances in their payments positions. And therefore all this will make for stability in the monetary area. We will intervene, we have intervened, as we did in the first quarter of '78, when markets are disorderly, and our intervention was very large at times. But it is a mistake to think of intervention as the way of supporting the dollar.

Q. Are wide swings in exchange rates among the major currencies harmful, in your view, to developing countries?

UNDER SECRETARY SOLOMON: I think they cause some operating difficulties for developing countries, as well as for some other countries, industrialized countries. But without the flexibility of the exchange rate system that we saw in the '70s under these special circumstances, there would have been major trade restrictions which would have hurt the developing countries much more. The flexibility in the exchange rate system under the special circumstances of the '70s was absolutely essential to maintain an open trading system, and that is more important to the developing countries than the relatively modest operating difficulties they may have had from fluctuations in the rate.

Q. So what, in your view, can and should the United States and its industrialized trading partners do about this?

UNDER SECRETARY SOLOMON: Well, we are working on what I've called earlier fundamental policies which will reduce our deficit. In addition, we are intervening during periods that the markets are disorderly. As you know, the tone of the markets has improved recently and next year we expect to see, towards the end of next year, various factors which will make for a much healthier balance in the payments system. The trade deficit should begin trending down and in general I think we're on the right path. One has to view these exchange rate movements in perspective. The amount of the decline in the dollar since it came under pressure last year has been almost exactly the same amount on a trade weighted basis as the amount it appreciated in 1975, and in '76 it stayed stable. Now, even though some of the individual bilateral rate movements have been larger than that, one has to look at the extent to which they simply compensated for differences in inflation. If one looks at what we call the real exchange values of different key currencies, the movement has not been very significant. I think we're on the right policy, the right set of policies, the right path. We have to continue with persistence and we have to make much more clear, much more manifest, our determination to promote exports, get our current inflation rate down, and to curb excessive energy imports.

Q. Can we turn now to the international scene a little bit more? Under the new international monetary system that went into effect this year, how important do you believe is the IMF's surveillance role?

UNDER SECRETARY SOLOMON: There is a potential there for it to become the major force in promoting the global adjustement process. The IMF has both broad authority to promote the adjustment process under the new system, and it has specific authority to conduct surveillance of appropriate exchange rate policies by different countries.

If member countries will support -- and the United States, I pledge and commit ourselves to that support -- the Secretary of the Treasury said so in a public statement at the last interim committee meeting. If other major countries join with us in supporting the IMF really effectively using its new surveillance authority, we believe will play a very major force, and we have made some specific suggestions on how the IMF can develop much more clout in this field.

Q. In your view is the IMF now equipped to exert real leverage over members' exchange rate policies and domestic economic policies?

UNDER SECRETARY SOLOMON: To some extent it will be an evolutionary development of strength. But even at the beginning phases we believe that the IMF can have a significant influence, and over a period of time, as it uses its authority to initiate consultations with member countries, where they believe that there may be inappropriate exchange policies being followed contrary to the principles agreed on in the new Article 4, that authority to initiate specific consultations is very important. The authority to report to the board of the IMF when the consultation has not worked out satisfactorily puts tremendous pressure on countries to take adjustment actions. Therefore, even though I would expect that over the long run the authority and the ability of the IMF to effectively survey these exchange policies will increase, I would give as my considered opinion that even in the beginning stages there is a substantial basis on which the IMF can build and which will be very helpful.

Q. And in your view would the United States, and in some respect even Congress, be willing to see our own domestic policies come under the scrutiny or the surveillance of the IMF?

UNDER SECRETARY SOLOMON: We in the Executive Branch have already informed the Fund that we are prepared fully to have our policies come under their surveillance. We are prepared to give very serious consideration to their recommendations. The Congress has consistently supported the International Monetary Fund. The Congress has passed by a very wide margin the amended Articles of Agreement, in '76 actually, which created this new legal system and gave these surveillance authorities to the Fund. I would be very hopeful that the United States will be in the lead and will cooperate if other major countries do as well, with the Fund.

Q. Does the United States see the need for further reform of the international monetary system, to deal with the growth and the composition of reserves?

UNDER SECRETARY SOLOMON: That, I think, would distract attention from what are the fundamental policies needed to bring about a smoother global adjustment process. Two, mechanics.

I don't think what the world needs now is a new set of mechanics in the monetary system, because they will not solve the basic payments imbalance problem. That will be solved in the way I've indicated. To distract attention through tinkering with the mechanics would be inappropriate and inadvisable at this point, in my opinion. We have a new legal system. It just went into effect in April. We've got to make it work. And it goes right to the heart of the fundamentals of the adjustment process. To come up with new mechanical devices, whether crawling pegs or multilateral massive intervention swaps, or some other form of change in the mechanics in the system, does not go to the heart of the problem.

Q. One of the aims of the new articles of agreement of the IMF is to increase the importance of special drawing rights as an international reserve asset. As the use of SDRs increase, wouldn't the relative significance of the dollar as a reserve asset decrease?

UNDER SECRETARY SOLOMON: Well, we support the concept -- in fact, we initiated it -- of the special drawing right, in place of metallic gold as an international reserve asset. We encourage its evolution. It should be done on a cautious scale. And we're perfectly prepared to see, over the long run, a relative diminution of the role of the dollar as a reserve asset held by official institutions, central banks. I think that we have to move cautiously and see on the basis of practice, how we can enlarge the role of the special drawing right, so that it is more useful, more widely used. I do not see any major displacement of the dollar by the special drawing right. I think it would be a very useful additional reserve asset, and I would hope that we will have enough success in the evolution of the monetary system, as far as the special drawing right is concerned, that we can see that. But the United States has no particular objective in regard to either increasing or diminishing the role of the dollar as a reserve asset. Some people have argued that it is a burden for the United States. Other prople have argued that it is an advantage for the United States. Frankly, in the Treasury assessment, and we've done very careful analysis of this, we do not feel that it is either a significant special advantage nor a significant special burden. At times it puts us under more pressure. At times there are some advantages. We're perfectly prepared to see a change in the role of the dollar. The key thing is that it should, if it does come, be part of the evolution of a smooth and effective monetary system. And as I say, we'd be perfectly happy to continue with the dollar in its special role. If the ultimate evolution

of the system is one which diminishes the role of the dollar, we're perfectly prepared to live with that, as long as we have a smoothly functioning monetary system.

Q. Mr. Secretary, how does the United States view closer monetary ties among the European nations?

UNDER SECRETARY SOLOMON: Well, we've always supported, of course, the concept of fuller European economic integration, and I think it's a decision for the Europeans themselves. It's perfectly compatible with the broad international monetary system as we know it today, and if the Europeans make that decision, or if it evolves in a more gradual way, I would assume from everything I know about the way these things tend to operate, that it would be perfectly compatible and therefore we would have no problem with it.

Q. But what would happen if the creation of, say, a European currency could possibly rival the dollar internationally?

UNDER SECRETARY SOLOMON: Well, that brings us back to the earlier question, in a sense. If other countries, if other currencies should develop more acceptance as reserve currencies, that is again, if it develops smoothly, that is a perfectly appropriate evolution from our point of view. You must understand, though, that for other currencies to become meaningful reserve currencies, they have to open their capital markets the way the United States has, and they have been reluctant to do that to the degree that we have. There is no way of having a really important reserve function for a currency unless it has large capital markets to which the rest of the world can have access, can borrow. The United States has played that role. We could not have had the postwar economic expansion in the entire world and the prosperity we've had unless the United States had been willing to do that. If other countries are willing to do that, or the European community as a whole develops monetary union and a unit of account and is willing to do everything that is required to -- for that currency to develop that reserve currency role, then assuming that it is a smooth evolution, we would be perfectly happy with that. My own personal view is that there would be considerable reluctance to enter this role in any very rapid way, because I think the opening up of capital markets in Europe is something that most European governments would want to handle very, very cautiously.

Q. Some U.S. officials often suggest that surplus nations should boost their growth rates as a contribution to a better balance of payments adjustment. But greater economic stimulus is likely to mean more inflation. Is the United States in effect asking these countries to adjust their inflation rate upwards, toward the average for other industrial nations?

UNDER SECRETARY SOLOMON: Definitely not. But there are some countries, surplus countries, where there is such slack in their economy, such idle productive capacity, such substantial levels of unemployment, that it is perfectly possible for them to expand their levels of economic activity without inflationary stimulus. We would not want to see countries, whether the United States or any other country, expand its economic activity in an inflationary way. But certainly all economists agree that one cannot identify expansion of economic activity when there are very slack underutilization conditions with inflationary stimulus. That is not -- I thought that that belief was a 19th Century belief. Moving countries up from near recession levels, to more adequate levels of economic output and employment, does not introduce inflation in an economy.

Q. The last question, Mr. Secretary. When national governments make decisions on domestic economic policies, they naturally tend to give top priority to domestic needs and internal political situations. This being so, how can any attempt at international coordination of growth policies have any real effect on the economic decisions of individual governments?

UNDER SECRETARY SOLOMON: It's a very difficult question that you pose, and my own personal view is that the process that we are now engaged in of international consultation on what are basically perceived as domestic economic policy issues, is going to be an evolving one over a long period of time. If we're going to live in this increasingly interdependent world,we will increasingly recognize that what we have thought of in the past as domestic policy has a major impact, not only on other countries, but on the viability of trade and the international monetary system. And therefore, indirectly back on everybody's prosperity. Therefore, there must be coordination of global macro-economic policies and domestic macro-economic policies.

Now, it's a very difficult process, adjusting one's own national actions, given the domestic political setting in each country, to the need to play a role in the adjustment process in a way that helps others and thereby, when we all move in the right direction, even though it may not be the same direction, we are all helping each other nationally, and

domestically politically as well. This process of consultation has gone on and is going on at the OECD level, at ministerial meetings, at the summit. It will be a continuing process with the more we understand each other's situation and the relevance of policies to needs, the better job we will do on international coordination. I would not look for dramatic results overnight. I would look, however, for evolution towards more and more cooperation over the next few years.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
JUNE 15, 1978

STATEMENT BY SECRETARY OF THE
TREASURY W. MICHAEL BLUMENTHAL

I am delighted by this morning's 15-0 Senate Banking Committee vote to provide $1.5 billion of guarantee authority for New York City long-term debt. This unanimous vote for long-term financing assistance means that the Administration, the House of Representatives and the Senate Committee all agree on this concept. The vote and the discussion in Committee this morning also underscores the necessity that the various private parties in New York assume a high level of responsibility for the financing of New York's capital needs in the next four years.

The Committee will now be considering the more technical aspects of the bill, and we hope to work with them to insure that any conditions for the issuance of guarantee are consistent with the Administration's ultimate objective of assisting the City to regain access to the long-term capital markets.

# # #

Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

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TEXT OF

Press Conference with
Secretary of the Treasury W. Michael Blumenthal
and
Council of Economic Advisers Chairman Charles L. Schultze

The following press conference was held following the conclusion of the Organization for Economic Cooperation and Development Ministerial Meeting in Paris on June 15:

SECRETARY BLUMENTHAL:

-- "YES, I MIGHT SAY LADIES AND GENTLEMEN BY WAY OF INTRODUCTION THAT WE ARE SATISFIED WITH THE OUTCOME OF THIS MEETING AFTER TWO DAYS OF WIDE-RANGING DISCUSSIONS ON ALL OF THE FUNDAMENTAL INTERNATIONAL ECONOMIC ISSUES. AS YOU KNOW, WE ATTACH VERY GREAT IMPORTANCE AND HIGH VALUE TO THE OECD AS THE PRINCIPAL ORGANIZATION IN WHICH THE INDUSTRIALIZED DEMOCRACIES CONSULT AND COORDINATE THEIR ECONOMIC POLICIES. WE ARE IN A PERIOD IN WHICH THE COORDINATION OF THESE ECONOMIC ISSUES, INCLUDING WHAT TRADITIONALLY HAS BEEN THE DOMESTIC, PURELY DOMESTIC POLICIES, IS INCREASINGLY IMPORTANT IN AN INTERNATIONAL CONTEXT, AND MEETINGS SUCH AS THIS ONE HELP ALL OF THE PARTICIPATING COUNTRIES TO LEARN HOW TO CONDUCT AND PERFECT THIS PROCESS. AND THIS MEETING WAS A VERY IMPORTANT STEP ALONG THIS WAY OF IMPROVING UPON IT.

--"IT IS THEREFORE PART OF AN ON-GOING PROCESS OF MEETINGS AND WE DID AT THIS MEETING I THINK ACHEIVE A BROAD FOUNDATION OF POLICY AGREEMENTS AMONG ALL OF THE OECD NATIONS UPON WHICH MEETINGS NEXT MONTH OF THE EUROPEAN COUNCIL IN BREMEN AND THE BONN SUMMIT CAN BE BUILT.

--"MORE SPECIFICALLY, WE ARE SATISFIED THAT THE FOLLOWING ACHIEVEMENTS OCCURED AT THIS MEETING: FIRST, AN AGREEMENT ON THE BROAD ELEMENTS OF A PROGRAM TO DEAL WITH THE MUTUAL PROBLEMS OF GROWTH, INFLATION, UNEMPLOYMENT, PAYMENT IMBALANCES, AND THE DEPENDENCE ON THE FOREIGN ENERGY SOURCES. SECOND, THE RENEWAL FOR ANOTHER YEAR OF THE OECD TRADE PLEDGE, FIRST AGREED UPON IN 1974. THIRD, AN AGREEMENT ON CRITERIA WHICH WILL GUIDE MEMBER GOVERNMENTS IN FORMULATING POLICIES FOR ADJUSTMENT TO STRUCTURAL CHANGES. AND FOURTH, AGREEMENT ON THE IMPORTANCE

OF STRENGTHENING COOPERATION AMONG THE OECD MEMBERS IN THE DIALOGUE WITH THE DEVELOPING COUNTRIES INCLUDING SUCH KEY ELEMENTS AS A COMMITMENT TO AN OPEN MULTILATERAL TRADING SYSTEM, A READINESS TO ADJUST TO CHANGES IN THE PATTERN OF WORLD PRODUCTION AND TRADE, A DECISION TO EXAMINE THE USEFULNESS AND PRACTICALITY OF INCREASING INVESTMENT FLOWS TO THE DEVELOPING COUNTRIES AND A REAFFIRMED INTENTION TO INCREASE DEVELOPMENT AID FLOWS EFFECTIVELY AND SUBSTANTIALLY. ALSO, A REAFFIRMATION OF THE IMPORTANCE OF ALL MEMBER COUNTRIES, INCLUDING PARTICULARLY THE U.S., OF ADOPTING AND IMPLEMENTING SOUND ENERGY POLICIES, POLICIES WHICH WILL ENCOURAGE CONSERVATION AND THE DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY. AND FINALLY, AGREEMENT ON THE IMPORTANCE OF CONVENING A CONFERENCE AS SOON AS POSSIBLE TO NEGOTIATE AN AGREEMENT TO PREVENT ILLICIT PAYMENTS IN CONNECTION WITH INTERNATIONAL COMMERCIAL TRANSACTIONS.

--"WE ALSO DISCUSSED, THE U.S. POINTED OUT, THE NEED FOR IMPROVING UPON THE AGREEMENT WHICH WAS REACHED IN THE OECD LAST FEBRUARY WITH REGARD TO LIMITATIONS ON EXPORT CREDITS, AND ON THAT POINT WE MADE OUR PROPOSAL IN THIS REGARD AND, AS THE COMMUNIQUE INDICATES, OTHER NATIONS NOTED IT, AND IN VIEW OF THE SHORTNESS OF TIME WERE NOT ABLE TO RESPOND BUT WE LOOK FORWARD TO THESE DISCUSSIONS AS SOON AS POSSIBLE SO THAT HOPEFULLY SOME AGREEMENT ON FURTHER IMPROVEMENT CAN BE REACHED THIS YEAR.
--"I'LL BE HAPPY TO TAKE ANY QUESTIONS THAT YOU MAY HAVE, EITHER FOR ME OR FOR MR. SCHULTZE.

Q: CBS NEWS: CAN I ASK A QUESTION PREVIOUSLY ASKED AT THE OTHER PRESS CONFERENCE? WOULD THERE BE HOPE THAT THE RATHER VAGUE AND UNSPECIFIC PROMISES TO TAKE EXPANSIONARY ACTION WOULD BECOME MORE PRECISE IN THE BONN SUMMIT?

A: BLUMENTHAL: WELL, THEY WILL MOST CERTAINLY BE DISCUSSED AT THE BONN SUMMIT. AND I WOULD EXPECT THAT NATIONS WILL WISH TO EXPRESS THEMSELVES AS CLEARLY AS POSSIBLE AT THAT TIME. IT, OF COURSE, HAS A DIFFERENT MEMBERSHIP, LESS COUNTRIES ARE GOING TO BE THERE. AS I SAID EARLIER THIS MEETING IS A VERY USEFUL WAY STATION ON THE WAY TO BONN AND THESE CONSULTATIONS WILL HOPEFULLY BE HELPFUL TO ALL OF US IN DEFINING MORE PRECISELY OUR POSITIONS ON THIS QUESTION.

Q: CBS NEWS AGAIN: DEFINING MORE PRECISELY, WOULD YOU THINK OF QUANTITATIVE GOALS?

A: BLUMENTHAL: I DON'T THINK THERE WILL BE QUANTITATIVE GOALS. I THINK WHAT IS IMPORTANT IS THE RESULT THAT IS TO BE ACHIEVED RATHER THAN SPECIFIC QUANTITATIVE NUMBERS ONLY.

Q: LONDON TIMES: LAST YEAR, YOU DID AGREE ON QUANTITATIVE GOALS AT THE OECD. WHY SHOULD WE THIS YEAR TAKE MORE SERIOUSLY THE VAGUER TARGETS YOU SET THAN THE SPECIFIC TARGETS YOU GAVE LAST YEAR?

A: BLUMENTHAL: I THINK THE PROCESS OF CONSULTATION THAT HAS OCCURED IN VARIOUS FORUMS, IN THE IMF MEETING MOST RECENTLY AND THEN AGAIN HERE TODAY, AND THE EXPERIENCE THAT WE HAVE ALL HAD, AND THE NECESSITY TO ADJUST OUR VARIOUS DOMESTIC PROGRAMS, HAS TAUGHT US THE IMPORTANCE OF AGREEING ON THE GENERAL OBJECTIVES THAT WE WISH TO ACCOMPLISH, AND OF FOCUSING ON THAT, AND ON THE KINDS OF PROBLEMS THAT STAND IN THE WAY, ACTIONS THAT NEED TO BE TAKEN, RATHETHAN ON TRYING TO AGREE ON SPECIFIC NUMBERS. WE FEEL THAT IF WE SPEND OUR EFFORTS MORE IN DEFINING THESE PROBLEMS AND IN WORKING ON THEM, THAT WE WILL GO FURTHER THAN IN TRYING TO DEFINE SPECIFIC GOALS AND TARGETS.

A: SCHULTZE: MAY I ADD TO THAT THAT LAST YEAR MY RECOLLECTION WAS THAT THE TARGET WAS A NUMBER FOR, AN AGGREGATE NUMBER FOR A GROUP OF TWENTY-ODD NATIONS WHICH IN ITSELF MAY MEAN NOTHING IN TERMS OF SPECIFIC ACTIONS BY SPECIFIC NATIONS, WHEREAS IN THE COMMUNIQUE ISSUED TODAY THERE WAS AT LEAST SPECIFIC DIVISION AMONG NATIONS DOING ONE THING AND NATIONS DOING ANOTHER.

Q: COULD WE COME BACK TO THAT, BECAUSE YOU DO HIT EIGHT NATIONS--COULD WE ASK ANOTHER QUESTION THAT WAS ASKED IN THE PREVIOUS PRESS CONFERENCE .. . OF THOSE EIGHT COUNTRIES, COULD YOU TELL US IN WHICH COUNTRIES MEASURES ARE NECESSARY AND ALSO WHAT WERE THE APPROPRIATE MEASURES. IN OTHER WORDS, DID YOU DISCUSS DETAILED MEASURES FOR THESE COUNTRIES?

A: BLUMENTHAL: WE DID NOT DISCUSS DETAILED MEASURES FOR INDIVIDUAL COUNTRIES. WE DID POINT OUT THAT, IN COUNTRIES IN WHICH THERE HAS BEEN SLOW GROWTH, IN WHICH THERE IS A CAPACITY FOR FURTHER GROWTH THIS SHOULD BE TAKEN INTO ACCOUNT. AND THAT OTHER COUNTRIES, THE U.S. FOR EXAMPLE, WHICH HAS GROWN RATHER SUBSTANTIALLY OVER THE PAST TWO YEARS, AND IN WHICH THERE WERE INFLATIONARY PRESSURES, THE PROBLEM OF STABILIZATION WAS THE MORE PREDOMINANT PROBLEM. BUT WE DID NOT DEFINE AMONG THE VARIOUS OECD MEMBERS EXACTLY WHERE EACH INDIVIDUAL COUNTRY FITTED IN.

Q: FIGARO: MAY I ASK YOU ABOUT PARAGRAPH 3, NUMBER 12, PAGE 5. THERE SEEMS TO BE SOME ELEMENT OF CONFLICT IN THE UNITED STATES AND CANADA'S POSITION AND OTHER PARTICIPANTS REGARDING GUIDELINES FOR EXPORT CREDITS. OTHER PARTICIPANTS WERE, I BELIEVE, NOT QUITE READY TO START RENEGOTIATING SOMETHING WHICH HAD BEEN NEGOTIATED NOT LONG AGO AND WANTED TO SEE HOW IT WORKED. HOW DO YOU SEE THIS PROBLEM. AND DO YOU THINK THERE IS A SORT OF AGREEMENT ALREADY FOR ANOTHER CONFERENCE TOWARD THE END OF THE YEAR?

A: BLUMENTHAL: WELL, I THINK THIS PARTICULAR PARAGRAPH--SUBPARAGRAPH THREE OF PARAGRAPH TWELVE SPEAKS FOR ITSELF. AS FAR AS THE UNITED STATES IS CONCERNED WE FELT THAT THE AGREEMENT CONCLUDED IN FEBRUARY WAS FINE AS FAR AS IT WENT, BUT THAT THERE WAS ALREADY EVIDENCE THAT IT WOULD BE USEFUL TO ENTER INTO NEGOTIATIONS FOR FURTHER SUBSTANTIVE IMPROVEMENT OF THE EXISTING ARRANGEMENTS. OTHER PARTICIPANTS DID NOT DISPUTE THIS, BUT THEY DID NOT FEEL IN A POSITION TO AGREE TODAY THAT A SPECIFIC NEW NEGOTIATION BE STARTED. THIS INDICATES, THEY DID POINT OUT, THAT THERE IS A REGULAR REVIEW WHICH COMES UP IN THE AUTUMN. WE FELT WE OUGHT TO GET TOGETHER AS SOON AS POSSIBLE. WE FEEL THAT THIS AREA OF EXPORT CREDITS IS ONE THAT NEEDS TO BE REGULARIZED AS MUCH AS POSSIBLE FOR IT HAS THE POTENTIAL OF, POTENTIALLY DIVISIVE COMPETITION, AND WE THINK EVERYTHING NEEDS TO BE DONE TO AVOID THAT.

Q: MR. SECRETARY, IN THIS CONNECTION IN YOUR OPENING REMARKS YOU THREATENED SWIFT AND EFFECTIVE ACTION. COULD YOU ELABORATE ON THAT PLEASE?

A: BLUMENTHAL: WELL, I WAS REFERRING TO THE FACT THAT IN INSTANCES IN WHICH SOME COUNTRIES ENGAGE IN EXPORT CREDIT SUBSIDIZATION THAT GOES BEYOND THE EXISTING OECD GUIDELINES, OR THAT GOES AGAINST THE SPIRIT OF THOSE GUIDELINES, THE PRESSURE ON THE UNITED STATES THROUGH THE CONGRESS, AND ALSO BASED ON OUR OWN VIEWS IN THE EXECUTIVE BRANCH OF THE GOVERNMENT, TO INSURE THAT AMERICAN INDUSTRY IS NOT DISADVANTAGED BY THAT, IS SO SEVERE THAT I HAD TO TELL MY COLLEAGUES THAT WE WOULD HAVE TO MEET THOSE KINDS OF ADDITIONAL SUBSIDIZATIONS OF CREDIT TERMS WHERE THEY OCCUR. I, THEREFORE, FELT THAT RATHER THAN COUNTRIES INDIVIDUALLY ENGAGING IN THAT KIND OF COMPETITION, IT WAS BETTER FOR ALL OF US TO GET TOGETHER TO TRY TO ELABORATE ON THE ARRANGEMENT THAT HAS ALREADY BEEN NEGOTIATED.

Q: MR. SECRETARY, AS FAR AS THE FEDERAL REPUBLIC OF GERMAN IS CONCERNED, ARE YOU SATISFIED BY THE ATTITUDE SHOWN BY THE FEDERAL GOVERNMENT, AND THE PROMISES GIVEN BY THE FEDERAL GOVERNMENT AT THIS CONFERENCE?

A: BLUMENTHAL: WELL, THIS WAS NOT A CONFERENCE AT WHICH INDIVIDUAL NATIONS MADE INDIVIDUAL SPECIFIC PROMISES. I AM SATISFIED THAT ALL OF THE COUNTRIES, INCLUDING OUR GERMAN COLLEAGUES, SHOWED A REMARKABLE DEGREE OF AGREEMENT, IN COMPREHENSION ON THE REQUIREMENTS FOR JOINT ACTION, AND AN INDICATION OF A WILLINGNESS TO CONSIDER WHAT EACH OF THEM SPECIFICALLY WOULD BE ABLE TO DO. I THINK THAT DID VERY MUCH APPLY TO OUR GERMAN COLLEAGUES. WE WILL HAVE TO SEE SPECIFICALLY HOW THAT WORKS OUT IN EACH INDICIDUAL CASE.

Q: THE OECD STUDY ON CONCERTED ACTION STATES THAT IT IS UNLIKELY THAT OECD COUNTRIES CAN REACH FULL EMPLOYMENT BY 1980 AND THEY CAN ONLY REACH IT BY 1985 IF THEY DECIDE TO EXPAND THEIR GROWTH RATES IN 1979 AND THEY CAN ONLY KEEP UNEMPLOYMENT WHERE IT IS BY REACHING A FOUR PERCENT GROWTH RATE. IF THE BONN SUMMIT ISN'T GOING TO COME OUT WITH ANY QUANTITIATIVE TARGETS, WHAT KIND OF REASSURANCES ARE YOU GOING TO GIVE TO THE GROWING ARMIES OF THE UNEMPLOYED THAT THEY MAY GET SOME KIND OF JOB BEFORE 1990, FOR EXAMPLE?

A: SCHULTZE: IN THE FIRST PLACE, WHAT I THINK IS VERY IMPORTANT IS THAT AT THIS MEETING, THERE WAS ADOPTED A FRAMEWORK OF ACTION, NOT SPECIFIC TARGETS COUNTRY BY COUNTRY, BUT A FRAMEWORK OF ACTION IN WHICH ALL OF OUR COUNTRIES AGREED UPON THE NECESSITY OF TAKING THE ACTIONS NECESSARY TO BEGIN MOVING BACK TO FULL EMPLOYMENT. I THINK THE FACT THAT THIS WAS WIDELY RECOGNIZED, AGREED UPON WITHOUT A DISSENT, IS IN ITSELF VERY IMPORTANT, NOT ONLY TO THOSE OF US WHO DEAL IN ECONOMIC POLICY, BUT GENERALLY TO WORKERS AND OTHERS WHO EITHER ARE UNEMPLOYED OR THREATENED BY UNEMPLOYMENT. IT IS THAT AGREEMENT UPON THE PRINCIPLES OF ACTION, RATHER THAN SPECIFIC PROMISES COUNTRY BY COUNTRY, AS I BELIEVE THE SECRETARY GENERAL INDICATED EARLIER IN HIS RESPONSE TO A SIMILAR QUESTION, THAT WE ARE DEALING NOT JUST WITH CHANGES BETWEEN NOW AND THE END OF 1978 OR THE END OF 1979, BUT WE'RE MOVING ON A NUMBER OF FRONTS TO SEE THAT GROWTH CAN BE IMPROVED AND NOT ONLY IMPROVED IN THE SHORT RUN, BUT IMPROVED THORUGH A NUMBER OF POLICIES ON A

SUSTAINABLE BASIS. AND, AGAIN, FROM COUNTRIES WITH DIFFERENT INTERESTS AND DIFFERENT SITUATIONS THERE WAS REMARKABLE AGREEMENT ON THE KIND OF POLICIES THAT WE NEED. AND I THINK THAT WITHOUT TRANSLATING THAT INTO NUMEROLOGY, THIS ITSELF IS A VERY IMPORTANT DEVELOPMENT AND WILL, OVER TIME, BE TRANSLATED INTO SPECIFIC ACTIONS NEEDED TO MAKE IT WORK.

Q: COULD YOU EXPLAIN WHY THE UNITED STATES WAS DISCUSSED SEPARATELY AND AT WHOSE SUGGESTION THIS WAS DONE?

A: I DON'T THINK THAT THE UNITED STATES WAS DISCUSSED SEPARATELY PER SE. IT CLEARLY WAS DISCUSSED SEPARATELY AS REGARDS THE ENERGY QUESTION. THAT IS NOT AT ALL SURPRISING, FOR THE ENERGY LEGISLATION WHICH HAS BEEN PENDING IN THE CONGRESS FOR 14 MONTHS HAS ON MANY OCCASIONS, NOT ONLY IN THE UNITED STATES BY THE ADMINISTRATION, BUT ALSO BY MANY OF THE FOREIGN COUNTRIES, BEEN POINTED TO AS A VERY, VERY IMPORTANT FACTOR. AS YOU KNOW, THE OBJECTIVE OF THAT LEGISLATION IS TO REDUCE THE DEPENDENCE OF THE UNITED STATES ON IMPORTED ENERGY. THE ACHIEVEMENT OF THAT GOAL HAS AN IMPACT ON ALL COUNTRIES, AND, THEREFORE, THE INTERESTS OF OTHER COUNTRIES IN OUR PASSING OF THAT LEGISLATION AND THUS IN MOVING TOWARD ACHIEVING THAT GOAL IS OF GREAT IMPORTANCE. WE, ON OUR OWN, REPORTED ON THE PROGRESS THAT WE THINK IS BEING MADE IN THAT REGARD, AND WE KNEW BEFORE WE CAME HERE THAT WAS A MATTER WE WOULD BE QUESTIONED UPON AND ON WHICH WE WOULD HAVE TO COMMENT ON THE PART OF MANY COUNTRIES WHO WANTED TO PURSUE THIS.

Q: WAS THIS THE OUTSTANDING PROBLEM REGARDING THE UNITED STATES AT THIS CONFERENCE?

A: BLUMENTHAL: I DON'T THINK THAT'S THE OUTSTANDING PROBLEM. THE OTHER PROBLEM THAT ALSO WAS MENTIONED WAS THE RATE OF INFLATION IN THE UNITED STATES. AND, AGAIN, WE WERE ABLE TO POINT TO THE POLICIES WHICH HAVE BEEN PUT INTO EFFECT IN THE UNITED STATES AND WHICH ARE NOW BEING IMPLEMENTED TO INSURE THAT THE RATE OF INFLATION IS BROUGHT UNDER BETTER CONTROL AND THAT A DECELERATION IN THE RATE OF INCREASE OF PRICES OCCURS.

Q: WHAT SPECIFIC AREAS OR ACTIONS OR PROGRAMS IN THE U.S. HAS THE U.S. IDENTIFIED AS FALLING WITHIN THE RESTRICTED PROGRAMS THAT MIGHT BE DEALT WITH IN THE POSITIVE ADJUSTMENT POLICY? HAVE WE IN FACT GOT TO THE POINT OF SAYING THAT WE HAVE SOME THAT WE MIGHT BE ABLE TO TAKE CARE OF AS WELL AND IF SO, ARE THOSE THE SORT OF THINGS THAT CAN BE DONE

UNILATERALLY OR ARE BILATERAL OR MULTILATERAL NEGOTIATIONS REQUIRED FOR THAT?

A: BLUMENTHAL: IN THE CASE OF THE UNITED STATES, WE HAVE, FIRST OF ALL, THE MAJOR POLICIES THAT WE MUST FOLLOW ARE THOSE OF CONTAINING INFLATION AND DEALING WITH THE ENERGY PROBLEM. SECONDLY, WE HAVE IN PLACE A SERIES OF PROGRAMS, INCLUDING ADJUSTMENT ASSISTANCE, THE EXPANDED ADJUSTMENT ASSISTANCE, IN ORDER TO INSURE THAT WORKERS ARE RETRAINED WHO LOSE THEIR JOBS IN DECLINING INDUSTRIES AND THAT A PERIOD OF TRANSITION IS PROVIDED, SO THAT FOR INDUSTRIES THAT ARE IN DIFFICULTY, SO THAT INCREASING EFFICIENCY CAN BE ACHIEVED IN THESE INSTANCES IN THE UNITED STATES. AS FAR AS OUR COUNTRY IS CONCERNED, THESE ARE THE PRINCIPAL KINDS OF PROGRAMS THAT WE WOULD RESORT TO.

Q: (NBC NEWS):MR.BOSWORTH OF THE COUNCIL OF WAGE AND PRICE STABILITY FORECAST A RECESSION UNLESS SOMETHING IS DONE ABOUT INFLATION THIS YEAR. NOW I REALIZE THAT PEOPLE WHO HOLD THE JOB THAT HE DOES ARE INFAMOUS FOR HOLDING PESSIMISTIC VIEWS. BUT IN YOUR OWN VIEW, IS THERE ANY CHANCE OF A RECESSION IN THE NEAR FUTURE IF INFLATION IS UNIMPEDED?

A:(SCHULTZE):YES. THAT'S THE NICE SHORT ANSWER.LET ME ELABORATE A LITTLE BIT. IN THE FIRST FOUR MONTHS OF THIS YEAR, CONSUMER PRICES IN THE U.S. WERE RISING APPROXIMATELY, ALMOST TEN PER CENT A YEAR. FIRST, WE THINK IT IS VERY LIKELY THAT THAT RATE OF INFLATION WILL BE BROUGHT DOWN BECAUSE IT HAS A NUMBER OF TEMPORARY FACTORS IN IT. SECONDLY, IN THE LONGER RUN, LOOKING THEN BEYOND 1979 AND 1980 THAT UNLESS WE CONTROL THE RATE OF INFLATION, FIRST TO PREVENT IT FROM ACCELERATING, THAT IS TO GET THE ADVANTAGE OF THOSE TEMPORARY FACTORS COMING OFF WHICH WILL BRING US DOWN TO A LOWER RATE OF INFLATION, AND THEN PREVENT IT FROM ACCELERATING, IF WE DON'T DO THAT, I THINK THEN ONE MUST TAKE VERY SERIOUSLY THE POSSIBILITY OF RISING INTEREST RATES AND REDUCED CONFIDENCE TO THE POINT WHERE THE POSSIBILITY OF AT LEAST A GROWTH RECESSION BECOMES POSSIBLE, IF NOT SOMETHING EVEN MORE THAN THAT. SO I WOULD AGREE WITHOUT TRYING TO PUT NUMBERS ON IT THAT IT IS VERY, VERY IMPORTANT TO CONTROL INFLATION, NOT JUST FOR THE SAKE OF CONTROLLING INFLATION, BUT LITERALLY, TO AVOID THROUGH THE MONETARY SYSTEM AND THROUGH THE EFFECT ON CONFIDENCE, TO AVOID A GROWTH RECESSION AND EVEN WORSE. I THINK IT'S VERY IMPORTANT THAT WE DO THIS IN A WAY--AND WE THINK IT IS POSSIBLE TO DO IT IN A WAY--WHICH MAINTAINS MODERATE GROWTH, THAT KEEPS THE ECONOMY MOVING FORWARD BUT DOES IT RESPONSIBLY AND IN COORDINATION WITH POLICIES OF

GOVERNMENTAL ACTION AND VOLUNTARY DECELERATION. ELABORATING ON THAT SHORT ANSWER, YES, IT IS A PROBLEM WE HAVE TO WORRY ABOUT. IT IS VERY IMPORTANT TO BRING INFLATION DOWN. WE THINK WE HAVE A PROGRAM TO DO IT. WE HAVE BEGUN TO GET COOPERATION FROM A NUMBER OF FIRMS IN DECELERATING THEIR PRICES. QUITE FRANKLY, NEXT WE NEED TO MAKE SURE WE GET COOPERATION FROM LABOR IN THE MAJOR CONTRACTS WHICH WILL BE COMING UP LATER THIS YEAR, BUT PARTICULARLY IN L979 IN ORDER TO ACHIEVE THAT OBJECTIVE.

Q: WHAT TIME FRAME ARE YOU TALKING ABOUT? ARE YOU SAYING IT IS POSSIBLE BY THE END OF THE YEAR?

A:(SCHULTZE): NO, I'M NOT TRYING TO PUT IT INTO A TIME FRAME. I'M TRYING TO MAKE THE GENERAL POINT WITHOUT TRYING TO FORECAST THE SPECIFIC TIME. THERE IS A RELATIONSHIP BETWEEN CONTROLLING INFLATION AND KEEPING GROWTH GOING. BUT I CAN'T PUT A TIME ON IT. I THINK THERE'S NOT SOMETHING I'M TALKING ABOUT L98Ø OR L98L. I'M TALKING ABOUT CLOSER TO HOME THAN THAT. BUT I'M NOT TALKING NEXT MONTH OR NECESSARILY SEPTEMBER. BUT IT IS SOMETHING OVER THE MEDIUM TERM WE DO HAVE TO WORRY ABOUT. MY COLLEAGUES BOTH WARN ME I SHOULD MAKE IT CLEAR I AM NOT FORECASTING A RECESSION. I AM MAKING A CONDITIONAL POINT THAT IN ORDER TO KEEP GROWTH GOING IN THE U.S. IT IS NECESSARY TO CONTROL INFLATION.
Q: (NBC NEWS): WOULD YOU NOTE THAT THERE IS A POSSIBILITY OF RECESSION IF INFLATION CONTINUES?

A:(SCHULTZE):IF INFLATION IS NOT CONTROLLED.

Q: (L.A.TIMES): MAY I ASK A GENERAL FOLLOW-UP? IN VIEW OF THE DISCUSSION THE LAST FEW DAYS, WHAT KIND OF GENERAL ASSESSMENT ARE WE GOING TO HAVE OF THE ECONOMIC OUTLOOK FOR THE OECD AS A WHOLE BY THE TIME YOU MEET NEXT JUNE?

A:(BLUMENTHAL): I WOULD SAY THAT THE DEGREE OF CONSENSUS THAT HAS BEEN DEVELOPED THROUGH VARIOUS MEETINGS, AND SPECIFICALLY HIGHLIGHTED AT THIS MEETING, THAT CONCERTED, COORDINATED ACTION ON A VARIETY OF FRONTS IS NEEDED BY DIFFERENT COUNTRIES DEPENDING ON THEIR INDIVIDUAL CIRCUMSTANCES, IN SOME INSTANCES TO CONTROL INFLATION AND TO MAKE THAT A PRIORITY, IN OTHER INSTANCES TO INSURE ADEQUATE AND ACCELERATED GROWTH. AT THE SAME TIME, THE COMMITMENT WHICH HAS NOT BEEN MENTIONED HERE THIS EVENING BUT WHICH IS VERY IMPORTANT OF EVERYBODY --ALL OF THE OECD NATIONS, TO INSURE A SIGNIFICANT RESULT IN THE TRADE NEGOTIATIONS, SO AS TO COUNTERACT ANY TENDENCIES TOWARD PROTECTIONISM, AND TO PROMOTE INCREASING WORLD TRADE, THAT ALL OF THESE THINGS TOGETHER WOULD INDICATE THAT THE RECOVERY WHICH WE

HAVE SEEN SINCE THE LAST TIME WE MET, IN THE OECD COUNTRIES WILL CONTINUE AND WILL CONTINUE AT A FASTER RATE THAN WOULD BE THE CASE IN THE ABSENCE OF THIS KIND OF CONSENSUS AND THIS KIND OF CONCERTED ACTION. I THINK, THEREFORE, THAT ONE OF THE GENERAL POINTS THAT ONE COULD MAKE ABOUT THE RESULT OF THIS MEETING IS THAT THIS CONSENSUS GIVES ONE GOOD CONFIDENCE THAT THERE WILL BE A DEGREE OF ACCELERATED GROWTH, THAT THERE WILL BE COOPERATION IN CONTROLLING INFLATION AND IN CONTINUED, THEREFORE, STABILITY IN THE EXCHANGE MARKETS, AND IN THIS WAY, GENERAL ECONOMIC CONDITIONS HAVE A GOOD CHANCE OF IMPROVING.

Q: THANK YOU, MR. SECRETARY.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

For Release Upon Delivery
Expected at 9:00 a.m.

STATEMENT OF
DANIEL I. HALPERIN, TAX LEGISLATIVE COUNSEL
DEPARTMENT OF THE TREASURY, OFFICE OF TAX POLICY
BEFORE THE
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT
OF THE SENATE FINANCE COMMITTEE
June 19, 1978

Mr. Chairman and Members of the Subcommittee:

We welcome the opportunity to present the Treasury Department's views on the 12 miscellaneous bills to be considered by your Subcommittee. The most far-reaching and important of these bills is S. 3134 (the only one of the 12 which has not been passed by the House) and I want to devote the bulk of my statement to a discussion of the Departmental position on that bill. The Treasury's views on the other 11 bills are summarized at the end of my statement and fully described in the appendix.

However, before turning to S. 3134, I would like to comment briefly on what we see as the purpose to be served by consideration of these miscellaneous bills. It is extremely important to have a forum for the examination of legislative proposals that might bear on only one of the many sectors of our society; proposals that might otherwise not receive adequate attention from Congress. The existence of such a forum encourages continuous review of the law by both the Internal Revenue Service and groups in the private sector such as the American Bar Association and the American Institute of Certified Public Accountants. This continuous review promotes an atmosphere in which necessary corrective changes may be identified and enacted expeditiously.

On the other hand, we urge extreme caution in the use of the miscellaneous bill procedure to create special exceptions to generally applicable rules for particular taxpayers. Opinions may differ as to whether such relief is

equitable in the particular case involved. However, we should all recognize that special exceptions inevitably increase the complexity of the Code, invite other taxpayers to seek similar relief and, unless scrupulously drafted, may create new potential for abuse. As noted in the Appendix, the Treasury opposes H.R. 1920 and H.R. 2984 on their merits; but even if you disagree with us we urge the Subcommittee to consider these other factors -- complexity and potential for abuse -- before approving these proposals.

The guiding principle for the Treasury in our review of these miscellaneous bills is the continuing effort to further simplicity, as well as equity, in the tax law. Thus, while we continue not to raise any objections to H.R. 5103, we are disappointed in the industry reaction to our alternative suggestion that warranty adjustments for taxes be eliminated in favor of a reduction in the original tax on tires. I have read H.R. 5103 and the background material a number of times, and I will readily admit that I do not fully understand all its ramifications. If it is at all possible to eliminate a substantial administrative burden for both the IRS and the industry without an overall increase in tax, we should push as hard as we can to see if it is feasible.

Let me now turn to S. 3134. This bill would provide an exemption from Federal income taxes for years 1970-77 for statutory subsistence allowances received by certain State police officers. The bill is intended to reverse as to prior years, the result of the November 1977 Supreme Court decision in Kowalski holding that meal allowances paid by New Jersey to its State troopers are includible in income.

On the merits there is no justification for treating a portion of compensation as tax-free merely because it is designated as a subsistence allowance. Such a special tax exemption would be unfair to the overwhelming majority of American workers who must pay tax on the compensation out of which they buy their meals and meet their other subsistence needs.

S. 3134 would recognize this by not allowing tax exemption for the future. Further, it allows tax exemption for 1970-76* only to those police officers who claimed the

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* For 1977, the relief would be available to all State police who received subsistence allowances.

exclusion in a tax return filed prior to the Kowalski decision. The case for the bill must then rest on the supposed unfairness of applying the Kowalski decision for prior years to those who acted as if the subsistence allowance was tax exempt. In our opinion there is no support for this position.

First, it must be understood that the idea that State troopers' meal allowances are includible in income is not new. In 1954 Congress enacted an exemption for State and local police subsistence allowances of up to $5 a day. Within a few years, Congress found that amounts which constituted ordinary police salaries had been designated as subsistence allowances to obtain the benefits of the exemption. The Senate Finance Committee reported that a number of States and localities had altered, or were in the process of altering, the form of payment of compensation to their police officials in order to maximize utilization of the exemption.

In 1958 the Finance Committee concluded that there was "no reason to provide what in effect is likely eventually to amount to a $5 a day tax exclusion for police officials." The Committee believed that the exclusion was "inequitable because there are many other individual taxpayers whose duties also require them to incur subsistence expenditures regardless of the tax effect." Therefore, to "bring the tax treatment of subsistence allowances for police officials in line with the treatment of such allowances in the case of other taxpayers," the Committee recommended that the exclusion be repealed. Congress promptly followed this advice.

Second, the IRS has consistently taken the position that subsistence allowances were taxable. While it was not successful in several courts of appeal, the U.S. Court of Appeals for the First Circuit upheld the IRS position as long ago as 1969. Ever since 1970, the Internal Revenue Service has required States to withhold income taxes from State troopers' meal allowances and such taxes have been withheld.

State troopers who owe taxes based on the Kowalski decision owe such taxes only because they claimed refunds of taxes withheld on meal allowances. Those refunds were claimed in disregard of the Internal Revenue Service's long-standing position. Most of the refunds were claimed by State troopers in New Jersey even though New Jersey troopers were

aware that the IRS was contesting their position and were advised by their own association in 1974 to set aside additional money to pay income taxes that might be due. If the Supreme Court decision in Kowalski imposes hardship by requiring, in effect, that the refunds be repaid to the Federal Treasury, the risk of such hardship was voluntarily chosen.

Third and most important, S. 3134, if enacted, would set a precedent which has very serious implications for administration of the tax law. Providing a tax exemption for only those allowances received in 1970 through 1976 for which tax refunds were claimed would provide about $6 million, all of which would go to State troopers who chose not to follow the Internal Revenue Service's interpretation of the law and most of which would go to State troopers in New Jersey.* We cannot administer the tax system if taxpayers who unsuccessfully contest an IRS position are liable for taxes only for years following the court decision. This is unfair to those who do not contest the position and it encourages everyone to take aggressive positions on their returns since they have nothing to lose and everything to gain by doing so.

It should go without saying that we have sympathy for the plight of the New Jersey trooper but it is inequitable to expect taxpayers in the other 49 States to bail them out. As suggested in a New York Times editorial of May 18, 1978, "A fairer solution would be for New Jersey to grant the troopers bonuses or retroactive pay raises in the amount of their tax debts."

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* Providing a tax exemption for all allowances received in 1977, as S. 3134 would also do, would provide an additional $2 million to State troopers in about 16 States.

Summary of Treasury Department Positions

1. S. 3134 (police officer - subsistence allowances) -- Opposed.

2. H.R. 810 (foreign travel -- government officials) -- Not opposed in principle. Suggests limit to coach air fare.

3. H.R. 1337 (constructive sales prices - trucks) -- Supports. Suggests delay in effective date.

4. H.R. 1920 (repayment of liquor excise taxes) -- Opposed.

5. H.R. 2028 (home production of beer and wine) -- Not opposed.

6. H.R. 2852 (crop dusters) -- Supports refund to crop sprayer if farmer waives right in writing.

7. H.R. 2984 (trailers for farm use) -- Opposed.

8. H.R. 3050 (accounting for sale of magazines) -- Supports in principle but recommends modification in treatment of prior year's adjustment for magazines.

9. H.R. 5103 (tire warranty adjustments) -- Does not oppose.

10. H.R. 6635 (retirement bonds) -- No objection if certain modifications are made.

11. H.R. 8535 (child care payments to relatives) -- Not opposed.

12. H.R. 8811 (Tax Court judge) -- Supports.

Treasury Department Recommendations on 11 Bills
to be Considered by Subcommittee on
Taxation and Debt Management

2. H.R. 810.

The Tax Reform Act of 1969 added a provision to the Code (section 4941) which in general prohibits certain transactions between private foundations and certain "disqualified persons," by imposing a graduated series of excise taxes on the disqualified person (and in certain circumstances on the foundation manager). Government officials are "disqualified persons" for this purpose except for certain specifically set forth transactions including the payment of expenses of domestic travel. The bill would provide an additional exception for payment or reimbursement of foreign travel expenses of a government official by a private foundation.

The Treasury Department recommends that H.R. 810 be amended to limit the permitted amount of reimbursable transportation expenses to the cost of the lowest coach or economy air fare charged by a commercial airline.

The recommended change would make the reimbursable amounts under the bill consistent with the limitation on deductions for attending foreign conventions under the Administration's 1978 tax program. Treasury would not oppose H.R. 810 if this change were made.

3. H.R. 1337

Present law provides that for purposes of computing a manufacturer's excise tax on sales at retail of trucks, buses, and trailers the taxable price is the lower of (1) the price for which the article is sold or (2) the highest price at which competing articles are sold to wholesale distributors in the ordinary course of trade. If a manufacturer has an established practice of selling taxable articles in substantial quantities to wholesale distributors, the tax on his sales at retail ordinarily will be computed upon the highest price for which similar articles are sold by him to wholesale distributors. Where the manufacturer does not ordinarily sell trucks and trailers to wholesale distributors (and few do), the constructive price for sales at retail is 75% of the manufacturer's retail selling price. However, this constructive price cannot be less than the manufacturer's cost where the manufacturer has an established retail price, and cost plus 10% where (as in the case of custom work) he does not have an established retail price.

H.R. 1337 would eliminate the use of an individual manufacturer's costs (or cost plus 10%) in determining a constructive price in the situation where the 75% rule is now applied, i.e., sales at retail where the manufacturer does not sell such articles to wholesale distributors. In addition,

even if the manufacturer does sell such article to wholesale distributors, he would be required to adjust the price of his retail sales by the ratio generally prescribed for manufacturers who do not sell to wholesalers.

The Treasury Department supports H.R. 1337. The not less than cost rule produces uncertainty at the time of sale as to the amount of the manufacturer's excise tax liability. Computing "costs" is always complicated, especially the problem of allocating overhead costs. A straight percentage of retail price would greatly simplify matters for the trade and the Internal Revenue Service.

The Treasury Department recommends that the effective date of the bill be September 30, 1978 to eliminate the possible need to adjust taxes on sales made before enactment of the bill.

Even though the not less than cost rule is deleted, we recommend repetition of the explanation in the report on H.R. 1337 by the House Committee on Ways and Means (H.R. No. 95-976) that the rule may continue to be prescribed for constructing a taxable price where a person makes and uses a taxable item (sec. 4218 of the Internal Revenue Code). Such item may be a specialized unit which is never sold, so that no market price is available from which to construct a manufacturer's price. In this case, cost of production is the only realistic tax base.

4. H.R. 1920

The proposed bill would require the Treasury Department to repay the amount of internal revenue tax paid (or determined) and customs duty paid on distilled spirits, wine, rectified products, and beer, which, while being held for sale, are lost, rendered unmarketable, or condemned by duly authorized officials, by reason of fire, flood, casualty, or other disaster, or breakage, destruction, or other damage (excluding theft) resulting from vandalism or malicious mischief. No reimbursement would be made for tax losses of less than $250 per occurrence, or for losses covered by insurance.

Present law provides for similar payments for both alcoholic beverages and tobacco products (without the $250 minimum requirement), only in the case of a "major disaster" as declared by the President.

The Treasury Department is opposed to H.R. 1920. The dollar a business invests in inventory is a dollar of cost irrespective of the factors going to make up the cost, whether such factors be raw materials, wages, transportation, or taxes. Past Congressional policy as to casualty losses has recognized this fact and, as a consequence, losses by handlers of alcoholic beverages, except in the case of disasters of extraordinary severity, have been treated as ordinary business hazards to be borne by the holder of the beverages or his insurance company.

H.R. 1920 would provide an exception to this general policy by, in effect, having the Federal government provide free insurance to dealers in alcoholic beverages for the portion of their inventory reflecting internal revenue tax and customs duty. By so doing, the Federal government would be treating those holding alcoholic beverages for sale on a more favorable basis than other merchants selling products subject to excise taxes and all merchants selling products not subject to excise taxes.

H.R. 1920 would be difficult to administer. It would be quite difficult, often impossible, to make a factual determination as to the amount of loss by vandalism or malicious mischief as distinguished from theft or mishandling. And in the case of civil disorders, the circumstances often would make it virtually impossible to segregate the cause of losses.

The present "major disaster" provision also provides dealers in alcoholic beverages and tobacco with free insurance that is not given to dealers in other products, both products subject to excise taxes and those not taxed. Since there is no reason why dealer's losses of alcoholic beverages and tobacco products should be treated differently than losses of other products, repeal of the "major disaster" provision is indicated.

5. H.R. 2028

Under present law, the head of any family may, after registering, produce up to 200 gallons of wine a year for family use without payment of tax. An individual who is not the head of any family is not covered under this exemption. Existing law has no provision which authorizes the home production of beer.

H.R. 2028 would permit any adult (an individual 18 years of age or older) to produce specified amounts of wine and beer for personal or family use and not for sale without payment of tax. Individuals would have to register before producing tax free beer and could not have more than 30 gallons of beer on hand at any time. The exemption under Federal law would not serve to authorize the home production of beer contrary to State law.

The Treasury Department has no objection to the enactment of H.R. 2028. The deletion of the present law requirement for registration by producers of wine for personal or family use reflects the fact that registration has proven of little use to the Bureau of Alcohol, Tobacco and Firearms and is burdensome to the public. However, for enforcement and revenue protection purposes, registration and the inventory limitation are necessary in the case of home brew, since the process entails the production of a mash fit for distillation.

6. H.R. 2852

Under present law, when gasoline or special fuels are used on a farm for farming purposes by a custom operator, credit or refund of the tax on the fuel so used can be claimed only by the owner, tenant or operator of the farm. The bill would revise the law to provide that an aerial applicator (crop duster, etc.) would be entitled to the credit or refund of gasoline and special fuels excise taxes used in aerial applications on a farm.

The restriction of the farm fuel tax refund to the owner, tenant or operator of a farm was intended by the Congress to assure that the farmer received the benefit of the refund. It was felt that if the refund were given directly to the custom operator, the farmer would not benefit through a lower price for the custom work. Over the years since the enactment of the credit or refund provision, it has been argued that the farmer hasn't gotten the benefit of the refund for custom work because the custom operator doesn't give him the information as to gallons used so that he (the farmer) can claim the refund. The instant bill would meet this argument by permitting an aerial applicator doing custom work to apply for the farm fuel refund without any consent from or notification to the farmer. This would not be consistent with the original intent of the Congress of making sure that the farmer received the benefit of the credit or refund of the tax on fuel used by the custom operator.

The Treasury Department would support H.R. 2852 if it were amended so that the farmer would have to waive in writing to the aerial applicator his right to a refund. This would put the farmer on notice as to the existence of the credit or refund provision and permit him to obtain the benefit of the credit or refund indirectly through a reduction in the fee paid to the aerial applicator or to apply himself for the credit or refund. The waiver provision was in a bill ordered reported out by the Ways and Means Committee in the mid-1960's. That bill, although supported by Treasury and the Department of Agriculture, was never enacted.

The Treasury Department also suggests that H.R. 2852 be extended to cover all custom work, not just aerial application, since plowing and harvesting is done by custom operators.

7. H.R. 2984

The bill would exempt from the 10% manufacturer's excise tax on trucks, truck trailers, and buses, those trailers or semitrailers which are suitable for use with a towing vehicle having a gross vehicle weight of 10,000 pounds or less and which are designed to be used for farming purposes or for transporting horses or livestock. Provision also is made for refund of the tax to dealers holding tax-paid trailers exempted by the bill which they hold for sale on the day after the date of enactment of the bill.

The Revenue Act of 1971 (Public Law 92-178) exempted from the manufacturer's excise tax trucks with a gross vehicle weight of 10,000 pounds or less and trailers and semitrailers with a gross vehicle weight of 10,000 pounds or less if suitable for use with a vehicle having a gross vehicle weight of 10,000 pounds or less. The proposed bill would remove the present 10,000 pound limit for the exemption of trailers and semitrailers provided they were designed to be used for farming purposes or for transporting horses and other animals.

Because the trailers proposed to be exempted would have a gross vehicle weight in excess of 10,000 pounds, the exemption would be accorded to trailers with a gross vehicle weight at which single unit trucks are taxable. The proposed exemption for trailers thus would constitute an obvious discrimination against single unit trucks in the 10,000 to 20,000 pound class.

The bill also would create a dual standard for trailers over 10,000 pounds gross vehicle weight which are suitable for use with pickup trucks. Those designed for farming purposes or the hauling of animals would be exempt, while trailers of the same capacity designed for hauling general merchandise, or supplies and equipment for mechanics, would continue to be taxable.

The Treasury opposes H.R. 2984 because the bill would discriminate against single unit trucks and non-farm trailers and semitrailers of the same carrying capacity. It could also be expected that there would be problems in differentiating trailers and semitrailers "designed to be used for farming purposes" from similar vehicles designed for the carriage of general cargo.

8. H.R. 3050

To ensure that retail outlets have an adequate number of copies of magazines, paperback books and records, publishers and distributors often distribute more copies of a magazine, book or record than it is anticipated the retailer can sell. When the retailer has sold as many of the particular items as will be likely, he returns the unsold merchandise to the publisher or distributor. The Internal Revenue Service has taken the position that accrual basis publishers and distributors must include the sale of the magazines, paperback books, and records in income when they are shipped to the retailers and may exclude from income the returns only when the merchandise is actually returned by the retailer during the taxable year.

The bill would allow accrual basis publishers and distributors of magazines, paperbacks and records to elect to exclude from income amounts attributable to merchandise returned within a specified period of time after the close of the taxable year in which the publisher or distributor shipped the merchandise to retailers.

The bill requires publishers and distributors of paperbacks and records who elect the new method to establish a suspense account to avoid a double deduction for the initial year under

the new method. In the case of returns of magazines, the bill permits taxpayers to amortize the deduction attributable to actual returns from prior years sales in the year the new method is elected over a five-year period.

The Treasury Department believes that the special relief provided by the bill should be allowed only to those taxpayers who, in the year they elect the new method of accounting, establish a suspense account. The suspense account procedure essentially allows the new method of accounting for the future while delaying the deduction for the additional amount the taxpayer would have deducted for all past years under the new method as opposed to the old until there is a termination or decline in business. If this approach is not taken there would be an additional revenue loss ($86 million for books and records if the entire deduction were allowed in the year of change) which could prevent the adoption of what we believe are sound accounting procedures for those industries and others which may have similar problems. Current allowance of deductions denied in prior years may well provide a windfall gain to current owners since the tax burden may well have been borne by customers or prior owners. However, in the case of an election to account for magazine returns under the bill, if the Subcommittee believes amortization of the transitional adjustment is preferable to the

establishment of a suspense account, the Treasury Department recommends that the normal ten-year amortization period for such an adjustment be used instead of the special five-year amortization period provided by H.R. 3050. The Treasury Department would oppose amortization of the transitional adjustment for publishers and distributors of paperback books and records who elect the new method of accounting.

9. H.R. 5103

The bill would provide credit or refund to the manufacturer or importer of the excise tax on tread rubber destroyed or scrapped in the retreading or recapping process or used in retreading or recapping a tire which is used or sold for purposes for which new tires may be used or sold tax free. Provision is made for credit or refund to the manufacturer or importer of the taxes on tread rubber or on new tires where the sales price of the recapped or new tire is later adjusted pursuant to a warranty or guarantee. In addition, the bill modifies the statute of limitations so that claim for a credit or refund of the tread rubber or new tire taxes can be filed for a period of one year after the warranty or guarantee adjustment is made. Finally, the bill imposes the tax on tread rubber used in a foreign country to recap or retread tires which have been exported from the United States and then reimported into the United States.

The Treasury Department has no objection to the enactment of H.R. 5103.

The credit or refund provisions for tread rubber are intended to make the tax treatment of this product equivalent to the tax treatment of new tires. Because the tread rubber loses its identity when attached to a tire, it has not been possible under present law to grant credit or refund of tread rubber tax when the retreaded tire has been exported, sold to a

State or local government, or sold in any other transaction for which a new tire may be sold tax free.

A tire which has been taxed in the United States can be exported and reimported into the United States without payment of the tire tax. If the tire has been retreaded, the tread rubber tax is not due because the tread rubber is considered to have lost its identity when attached to the retreaded tire. United States retreaders located near Canada or Mexico have complained that some United States dealers are shipping domestical used tires to Canada or Mexico for retreading to take advantage of this tax treatment. The bill would rectify this competitive inequity.

The section granting a credit or refund of tax when the price of a new tire is readjusted pursuant to a warranty or guaranty is intended to codify procedures which have been permitted for a number of years even though present law limits the credit or refund of tax for warranty adjustments of products subject to manufacturers excise taxes to cases where the tax is an ad valorem tax. The bill would grant a credit or refund of tax proportionate to the price adjustment made with the ultimate consumer where the manufacturer's guarantee runs to the ultimate consumer; and proportionate to the price adjustment made with the immediate vendee where the manufacturer's guarantee runs only to his immediate vendee. In addition, a new approach is included in the bill whereby provision is made for the granting of a credit or refund for warranty adjustments of an average

amount per tire based on some overall method (e.g., a sampling method) rather than computation on a tire-by-tire basis. The Ways and Means Committee report (H. Rep. No. 95-916) notes that this procedure would not permit an adjustment in the excise tax prior to the time the warranty or guarantee adjustment is made (or deemed to have been made) to the ultimate consumer.

The extension of a credit or refund of the tread rubber tax to cases where the retreaded tires are adjusted pursuant to a warranty is consistent with the treatment of new tires.

Since the guarantee on a tire may last for the life of the tire, a manufacturer could be prevented from obtaining refund or credit of tax for a warranty adjustment by the fact that section 6511 of the Code requires claims for overpayment of tax to be filed within 3-years from the time the returns were filed or 2-years from the time the tax was paid, whichever expires the later. Accordingly, the bill proposes to modify the statute of limitations as indicated above as to allowance for claims for refund or credit or overpayment of tire or tread rubber taxes in the case of warranties.

Some private brand dealers have requested that where the manufacturer's warranty or guarantee is extended only to his immediate vendee there be deleted the requirement in the bill that the prior granting of an adjustment to the ultimate consumer is a prerequisite to the allowance of a credit or refund of tax to the manufacturer or importer. Rulings under

present law have held that where the tire warranty runs only from the manufacturer to his immediate vendee, the adjustment by the manufacturer need only be made with his immediate vendee. This interpretation is based on the general rule for price readjustments in section 6416(b)(1) of the Code which requires the manufacturer, or importer, to make an adjustment with his immediate vendee to obtain a proportionate credit or refund of tax.

One way of retaining the general principle set forth in the bill of requiring adjustment of tax to the ultimate consumer before the manufacturer can claim credit or refund would be to state in your committee report that where the private dealer's warranty to the ultimate purchaser is as good or better than the manufacturer's warranty to the dealer, it then will be assumed that the required adjustment has been made to the ultimate consumer when the immediate vendee makes his request for credit or refund from the manufacturer.

The effective date specified in the bill is April 1, 1978. This is the effective date of Part 1 of Revenue Ruling 76-423. Part 1 of this ruling specifies that the credit or refund of tax to the tire manufacturer for a warranty adjustment is to be proportional to the reduction in the price of the replacement tire that the manufacturer sells to his immediate vendee.

The tire industry's practice where the tire warranty runs from the manufacturer to the ultimate consumer has been to take credit or refund of tax based on the proportionate reduction by the dealer in the price of the replacement tire to the ultimate consumer even though the manufacturer may reduce the price (exclusive of tax) of the replacement tire to the dealer by less than the proportionate reduction to the consumer, or perhaps not even reduce the price to the dealer at all. The bill would give statutory sanction to this practice and the April 1, 1978 effective date would insure that Part 1 of Rev. Rul. 76-423 would not be effective for the period of time between April 1, 1978 and the enactment of the bill.

10. H.R. 6635

The bill would amend the Second Liberty Bond Act to allow the Secretary of the Treasury, with the approval of the President, to increase the investment yield on outstanding United States retirement plan bonds and individual retirement bonds for each interest accrual period beginning after September 30, 1977, so that the investment yield on such bonds is consistent with the investment yield on Series E savings bonds.

Treasury would support H.R. 6635 if it is amended (1) to permit the interest rate on already issued retirement bonds to be changed to match the interest rate on new retirement bonds rather than to match the interest rate on Series E savings bonds and (2) to change the effective date to permit an increase in the investment yield for interest accrual periods beginning after the date of enactment rather than for periods beginning after September 30, 1977. The bill will help to assure that the rate of return to holders of retirement plan bonds and individual retirement bonds is maintained at a level commensurate with the rate of return on new retirement bonds. It will help maintain the competitiveness of retirement plan bonds and individual retirement bonds with other investment vehicles and, therefore, will assist the Treasury in the exercise of its borrowing authority.

11. H.R. 8535

Under present law, the child care credit is not allowed for amounts paid to a relative unless (a) neither the taxpayer nor the taxpayer's spouse is entitled to a dependency personal exemption deduction with respect to that relative, and (b) the services provided by the relative constitute "employment" within the meaning of the Social Security taxes definition.

The bill would allow the child care credit for amounts paid for child care services performed by relatives of the taxpayer whether or not such services constitute "employment" within the meaning of the Social Security taxes definition of that term, provided neither the taxpayer nor the taxpayer's spouse is entitled to a dependency personal exemption deduction with respect to that relative. The child care credit will not be allowed for amounts paid to a child (or stepchild) of the taxpayer under age 19.

The Treasury Department does not oppose H.R. 8535.

12. H.R. 8811

Under present law if a United States Tax Court judge elects to come under the Tax Court retirement system, he is required to make an irrevocable election which bars him from ever receiving any benefits under the Civil Service retirement system for any nonjudicial Federal service performed before or after his election is made, even though he served as a Tax Court judge for less than the minimum 10-year period required to qualify for retired pay under the Tax Court retirement system.

The bill would amend section 7447 to allow a Tax Court judge to revoke an election to receive retired pay under the Tax Court retirement system at any time before the first day on which retired pay would begin to accrue with respect to that individual. The bill would also provide that no Civil Service retirement credit would be allowed for any service as a Tax Court judge, unless with respect to such service the amount required by the Civil Service retirement laws has been deposited, with interest, in the Civil Service Retirement and Disability Fund.

The Treasury Department supports H.R. 8811.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

June, 1978

BIOGRAPHICAL NOTES
C. FRED BERGSTEN
ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS

C. Fred Bergsten, 37, of Annandale, Va., signed the oath of office as Assistant Secretary for International Affairs on March 31, 1977, following confirmation March 29 by the Senate. He was nominated by President Carter on February 7 and was Acting Assistant Secretary from the outset of the Carter Administration.

Dr. Bergsten graduated magna cum laude in 1961 from Central Methodist College in Missouri. He received M.A., M.A.L.D., and Ph.D. degrees from the Fletcher School of Law and Diplomacy, where he majored in international economics and international relations.

Dr. Bergsten served President Carter as an advisor on international economics during the Presidential campaign, and was in charge of all aspects of international economic policy during the transition period. Shortly after President Carter's inauguration, Dr. Bergsten accompanied Vice President Mondale to all of the major European capitals and Tokyo.

As Assistant Secretary for International Affairs, Dr. Bergsten has responsibility for the formulation and execution of a wide range of U.S. international economic and financial policies, including U.S. participation in such international development lending institutions as the World Bank.

Dr. Bergsten was a Senior Fellow at the Brookings Institution from 1972 until joining the Carter/Mondale transition team and then the Department of the Treasury. He was a Visiting Fellow at the Council on Foreign Relations during 1971-72 and 1967-1969; Assistant for International Economic Affairs to Dr. Henry A. Kissinger at the National Security Council during 1969-1971; and an International Economist at the Department of State during 1963-1967.

An energetic and prolific writer, Dr. Bergsten is the author or co-author of eight books and more than sixty articles on a wide range of international economic and monetary subjects. His The Dilemmas of the Dollar: The Economics and Politics of U.S. International Monetary Policy was published by the Council on Foreign Relations in early 1976. His latest volume, American Multinationals and American Interests, was published recently by the Brookings Institution. Dr. Bergsten was also the chief author of The Reform of International Institutions, a study for the Trilateral Commission, an organization dedicated to bringing about greater cooperation and new initiatives in North America, Europe, and Japan.

Among his many honors, Dr. Bergsten is listed in Who's Who in America and was named one of Time Magazine's "200 Young American Leaders" in 1974. While at Brookings, he was a frequent witness before Congressional committees, testifying on such subjects as international monetary reform, overall U.S. foreign economic policy, commodities, trade, and international financial institutions.

Dr. Bergsten was born on April 23, 1941, in Brooklyn, New York. He is married to Virginia Wood Bergsten. They have a son, Mark David.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE June 19, 1978

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $ 2,200 million of 13-week Treasury bills and for $3,400 million of 26-week Treasury bills, both series to be issued on June 22, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing September 21, 1978			26-week bills maturing December 21, 1978		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.318	6.654%	6.86%	96.351	7.218%	7.60%
Low	98.312	6.678%	6.89%	96.342	7.236%	7.61%
Average	98.315	6.666%	6.87%	96.346	7.228%	7.61%

Tenders at the low price for the 13-week bills were allotted 22%.
Tenders at the low price for the 26-week bills were allotted 86%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 16,190,000	$ 16,190,000	$ 50,005,000	$ 25,005,000
New York	3,534,455,000	1,968,900,000	4,761,210,000	3,187,300,000
Philadelphia	17,410,000	17,410,000	5,945,000	5,445,000
Cleveland	40,280,000	27,220,000	41,540,000	26,540,000
Richmond	29,705,000	21,780,000	12,835,000	8,695,000
Atlanta	22,065,000	20,090,000	51,480,000	18,930,000
Chicago	231,140,000	38,840,000	229,540,000	28,300,000
St. Louis	30,705,000	17,005,000	25,880,000	12,880,000
Minneapolis	11,130,000	5,130,000	12,070,000	5,070,000
Kansas City	20,710,000	18,640,000	22,635,000	20,735,000
Dallas	15,620,000	15,620,000	6,215,000	6,215,000
San Francisco	335,575,000	26,625,000	242,100,000	50,610,000
Treasury	6,620,000	6,620,000	4,640,000	4,640,000
TOTALS	$4,311,605,000	$2,200,070,000a/	$5,466,095,000	$3,400,365,000b/

a/ Includes $ 314,245,000 noncompetitive tenders from the public.
b/ Includes $179,640,000 noncompetitive tenders from the public.
1/ Equivalent coupon-issue yield.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
EXPECTED AT 12:00 NOON, EDT
TUESDAY, JUNE 20, 1978

REMARKS BY THE HONORABLE C. FRED BERGSTEN
ASSISTANT SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE THE
FRENCH-AMERICAN CHAMBER OF COMMERCE
NEW YORK, NEW YORK

TRADE AND MONEY: THE NEED FOR PARALLEL PROGRESS

During the past fifteen years, we have all come to appreciate the need for parallel efforts to improve the international trade and monetary systems to better meet the demands of our rapidly changing global economy.

Major strides have been made in reforming the international monetary system, in large part due to the efforts of the United States and France. Much remains to be done to make the new monetary system work better, and all nations have committed themselves to that effort. It is now proceeding, in the International Monetary Fund and elsewhere.

But progress in the trade area has been much slower. The pending conclusion of the Multilateral Trade Negotiations now provides an opportunity for the needed catchup. Meaningful agreements must be reached soon to preserve an adequate

basis for the continued expansion of world trade and investment which has been a major ingredient of our postwar economic prosperity.

France has frequently pointed to the importance of parallel progress in monetary and trade relations. Indeed, such a view draws on a fundamental tenet of classical economic theory: that the maintenance of a monetary system which promotes effective adjustment of payments imbalances is a vital prerequisite for an open trading system.

In the absence of such monetary arrangements, the competitive position of nations with overvalued exchange rates is progressively eroded and political support for open trade gives way to an ever larger circle of restrictive measures. Similarly, the economic structure of countries with undervalued exchange rates becomes excessively skewed toward exports -- provoking constant pressures on their trading partners even long after the undervaluations have disappeared, and generating strong domestic pressures to retain an undervalued rate or to replace it with other export aids of similar magnitude.

The Bretton Woods understanding, in the aftermath of World War II, was designed to promote monetary stability through the maintenance of relatively fixed rates of exchange. Changes were to be made in par values only after it became inescapably clear that a fundamental shift in economic

relationships had occurred -- suggesting that such changes might come too late, even under the best of circumstances. Even these changes were made with great difficulty, if at all, and major disequilibria were permitted to develop.

For the United States, stability in exchange rates during the 1960s came to mean an appreciating U.S. dollar against the weighted average of other major currencies despite increasing balance of payments difficulties. Part of the problem lay with the unwillingness of surplus countries to initiate the needed adjustment measures from their side. But a fundamental contradiction pervaded the international economic policy of the United States: it sought to lead the world toward freer trade, but made little effort to lead the world toward a monetary system which promoted effective payments adjustment.

Indeed, largely because of this policy contradiction, the United States faced an ironic paradox. In the early 1960s, unemployment was extremely high in the United States but the country as a whole, including organized labor, was largely supportive of a liberal trade policy. Through the 1960s, profits rose to record levels and unemployment steadily declined to post-Korea lows -- but protectionist pressures at home steadily increased, to a point where the "Mills bill" nearly passed the Congress in 1970 and the Burke-Hartke bill became a serious matter for concern in 1971 and 1972.

And when the United States decided in August 1971 that it wanted to adjust the exchange rate of the dollar, partly in belated realization that such a step was crucial to restore the prospects for a liberal trade policy, it found that the international monetary system made such action very difficult. The United States was caught in its own policy contradiction.

The reverse paradox has, to some extent, characterized the 1970s. In large part because adjustment measures had been effectively carried out, and the international monetary system reformed in the nick of time, the Trade Act of 1974 could authorize U.S. participation in the widest ranging international trade negotiations in history despite the existence at the time of its passage of the highest rate of unemployment at home since the Great Depression. Monetary progress permitted a resumption of trade progress.

Reform of the Monetary System

The Smithsonian agreement and the generalized float of major currencies in 1973 represented the first major steps in reforming the international monetary regime. The subsequent agreements at Rambouillet and Jamaica paved the way for the creation of a new monetary system based on greater flexibility in exchange rate arrangements and a broader emphasis on stability in underlying economic and financial conditions.

The new exchange rate provisions give members wide latitude in the choice of exchange rate practices best suited to their needs, and can accommodate a wide variety of exchange rate mechanisms -- including freely or managed floating rates, rates pegged to a currency or basket of currencies, and the common margins arrangements of the EC snake. Under the newly amended IMF Articles of Agreement, each member undertakes a general obligation to direct its economic policies toward orderly growth with reasonable price stability, and a specific obligation to avoid manipulating exchange rates either to prevent balance of payments adjustment or to gain unfair competitive advantage. The IMF is given responsibility for conducting continuing surveillance over the operations of the international monetary system and members' compliance with their obligations regarding exchange rate policies.

This is the heart of the new system. It represents the potential both for a stronger IMF, and for a more effective and symmetrical operation of the balance of payments adjustment process. To date, the IMF's ability to influence national policies has been limited for the most part to those members borrowing in the IMF's credit tranches. The new provisions on IMF surveillance provide the potential for IMF influence on the policies of all members, in surplus and deficit alike, as they bear on the operation of the international adjustment process.

The task before us now is to make this system work. This will require active cooperation among all the major nations. The IMF has been given the job of insuring that the obligations are respected. We intend to do what we can to support the IMF in that endeavor -- both in our contacts with other nations and in our policies at home.

Improving the Trading System

The last round of international trade negotiations -- the Kennedy Round in the 1960s -- made substantial progress in reducing tariffs, but could not have been expected to deal effectively with the primary trade problems of the 1970s and 1980s. Today, trade reform lags monetary reform.

Our immediate task is to secure a meaningful package of agreements in the Multilateral Trade Negotiations in Geneva, the "Tokyo Round." This package should further reduce tariffs, but must break new ground in reducing non-tariff barriers to trade and addressing the problems created by excessive government intervention. It must do so if our new monetary system, and indeed the world economy as a whole, is to continue to prosper -- for trade interventions beget monetary interventions, just as surely as monetary interventions foster trade interventions.

The objectives of the United States in these trade negotiations are quite specific:

-- The successful negotiation of a new international code to discipline the use of subsidies which distort international trade. This is a prerequisite for U.S. adherence to a new package of trade agreements.

-- Improved market access for U.S. agricultural products.

-- Reductions in tariffs by an average of 40 percent, with minimal exceptions, to be phased in over a period of eight to ten years.

-- Agreement on acceptable "safeguard" measures which may be taken by governments in emergency situations. This agreement should clearly limit the circumstances in which governments can impose restraints on trade, i.e., it should provide "safeguards against safeguards."

-- A new international understanding on the use of government procurement measures, with the broadest possible sectoral coverage and maximum transparency of contract offers and awards.

-- A new mechanism for dispute settlement which will assure both timely and meaningful resolution of trade conflicts in all of these areas.

-- Special and differential treatment for the developing nations, supplemented where feasible with their offering reciprocal commitments on tariffs or market access for specific products and an acceptance of greater

responsiblity -- in particular, among the advanced developing nations -- for maintaining an open trading system.

The Trade Effects of Government Intervention

The key to a successful MTN, and more broadly to the future of an open trading system, lies in finding new understandings on the use of subsidies and other forms of government intervention at the microeconomic level. This is an area in which one must move carefully and delicately. Many of the new devices are not trade measures in the traditional sense; they are not applied at the national border to goods flowing into and out of the country. Their effects on trade may be direct and profound but, because such measures are applied internally, some governments tend to think of them as "domestic" in nature and therefore beyond the reach of any international agreement.

A more basic difficulty stems from the fact that modern representative governments often feel that they must assume responsibility for trying to help some disadvantaged or unlucky sector of the national economy. When governments succumb to that pressure, they are often tempted to deal with the problem by exporting it -- by laying the burden of the adjustment on foreigners. But

with national economies now linked so closely to one another, the consequences of strategies of this sort are more visible than ever -- inviting the kind of retaliation that we all have a stake in avoiding. We are particularly concerned about the growing involvement of European governments in assisting domestic industries while these same governments insist that we keep our own doors open to European goods.

Two principles must be applied in these situations. First, adjustment ought to take place through internal national measures rather than through trade distorting devices. Labor must be retrained, obsolete equipment scrapped and other difficult but necessary measures taken at home to adjust for loss in competitiveness abroad. Second, if trade must be affected in order to cope with these adjustment needs, then the restrictions must be tailored to international rules and subject to careful international oversight.

We strongly support the establishment of international guidelines in this area as a basis for avoiding future conflicts. The United States places top priority on reaching an agreement on subsidies and countervailing duties in the Multilateral Trade Negotiations which would:

-- Reinforce the commitment already accepted by most industrial countries not to use export subsidies for industrial products.

-- Create new international disciplines to guard against the disguised protection of domestic markets through internal or production subsidies, including improved discipline over subsidized competition (particularly in agricultural products) in third markets.

-- Recognize that countervailing duties should as a general rule be applied only when a subsidy threatens or causes injury to a domestic industry.

-- However, in cases where there is a specific commitment not to use certain subsidies, permit countries to take quick counteraction if that commitment is violated.

-- Effectively implement the rules on both subsidies and countervailing duties via strengthened provisions on dispute resolution.

-- Include the developing countries, but provide flexible means for them to assume the new responsibilities corresponding to their position on the development ladder. The advanced developing countries should accept increased obligations as their industries become internationally competitive, perhaps through an initial freeze on their existing export subsidies and a commitment to phase them out over a suitable period of time.

Export Credits

Officially supported export credits will not be a major topic in the new code because they are already covered by international understandings. Despite these understandings, however, in recent months we have observed striking examples of government intervention in international trade finance.

For instance, we witnessed a triple derogation by the British (in respect to maturity, local cost financing and cash down payment requirements) of the OECD guidelines on export credits in the sale of Rolls Royce engines to Pan American. The recent Airbus-Eastern Airlines financing package may have contained some questionable elements in respect of excessively long maturities and a free six-month leasing period. Thus, beyond negotiation of the new codes, the international trading system requires the active support of national governments to curb destructive practices in official export financing activities.

The recently concluded International Arrangement on Export Credits of the OECD is desirable and useful within its limits, but must be strengthened and expanded to stem predatory official export credit competition and other official inducements which otherwise can only lead to an export credit war. Indeed, our Congress is already calling for new negotiations of this type -- and for

stepped-up activity by our own Export-Import Bank to counter such competition. Further improvement in the International Arrangement is a necessary complement to the MTN package to bring the world trading rules into conformity with the needs and practices of the late 1970s and 1980s.

Conclusion

The further reduction of tariff and non-tariff barriers in the MTN; our success in achieving new codes on subsidies and countervailing duties, safeguards, government procurement and export credits; and our ability to create new mechanisms for dispute settlement will do much to provide a sound basis for international trade cooperation in the years ahead. We recognize that the problems of government intervention will not be definitively resolved, and that cooperation -- indeed, probably negotiation as well -- must remain an ongoing process in order to assure that the new codes and agreements work effectively. Our challenge in the next few months is to take the crucial initial steps to set the process of reform in motion and to seize the opportunity afforded by the MTN to help create a more responsible, flexible trading system for the future.

The parallelism between monetary and trade relations in fact requires that reform in both areas proceed apace. We cannot have a smoothly functioning international monetary system if nations insist on avoiding needed domestic

adjustment to basic structural changes, and instead impose import restraints and export aids to boost their competitive positions at the expense of others. Likewise, we cannot expect that a meaningful MTN and real trade reform can be sustained without the continuing evolution of an effective international monetary system.

We must join hands in a common effort in both areas if either is to work properly, for the benefit of all nations and peoples. We have already made a good deal of progress in the monetary area. We are committed to making the new monetary system work better. We must now commit ourselves to make equal progress in trade, and see that agreements are reached in the MTN which set us well on the road to lasting trade reform.

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Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. June 19, 1978

TREASURY TO AUCTION $1,750 MILLION OF 15-YEAR 1-MONTH BONDS

The Department of the Treasury will auction $1,750 million of 15-year 1-month bonds to raise new cash. Additional amounts of the bonds may be issued to Federal Reserve Banks as agents of foreign and international monetary authorities at the average price of accepted competitive tenders.

Details about the new security are given in the attached highlights of the offering and in the official offering circular.

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Attachment

B-990

HIGHLIGHTS OF TREASURY
OFFERING TO THE PUBLIC
OF 15-YEAR 1-MONTH BONDS
TO BE ISSUED JULY 11, 1978

June 19, 1978

Amount Offered:	
To the public.....	$1,750 million
Description of Security:	
Term and type of security.....	15-year 1-month bonds
Series and CUSIP designation.....	Bonds of 1993 (CUSIP No. 912810 CB 2)
Maturity date.....	August 15, 1993
Call date.....	No provision
Interest coupon rate.....	To be determined based on the average of accepted bids
Investment yield.....	To be determined at auction
Premium or discount.....	To be determined after auction
Interest payment dates.....	February 15 and August 15 (first payment on February 15, 1979)
Minimum denomination available.....	$1,000
Terms of Sale:	
Method of sale.....	Yield auction
Accrued interest payable by investor.....	None
Preferred allotment.....	Noncompetitive bid for $1,000,000 or less
Deposit requirement.....	5% of face amount
Deposit guarantee by designated institutions.....	Acceptable
Key Dates:	
Deadline for receipt of tenders.....	Wednesday, June 28, 1978, by 1:30 p.m., EDST
Settlement date (final payment due)	
a) cash or Federal funds.....	Tuesday, July 11, 1978
b) check drawn on bank within FRB district where submitted.....	Friday, July 7, 1978
c) check drawn on bank outside FRB district where submitted.....	Thursday, July 6, 1978
Delivery date for coupon securities.	Friday, July 14, 1978

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
EXPECTED AT 10:00 a.m. EDT
TUESDAY, JUNE 20, 1978

STATEMENT BY THE HONORABLE C. FRED BERGSTEN
ASSISTANT SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE THE
SUBCOMMITTEE ON FAMILY FARMS, RURAL DEVELOPMENT,
AND SPECIAL STUDIES
OF THE
HOUSE COMMITTEE ON AGRICULTURE

Mr. Chairman, I welcome the opportunity to testify before this Subcommittee on the subject of foreign investment in U.S. farmland. The subject is one part of the overall question of foreign investment in the United States. Thus, I would like to lead off by outlining the Administration's basic policy on foreign investment.

Shortly after taking office, this Administration undertook a review of U.S. policy on foreign investment. In July 1977 the Administration issued a statement which confirmed the long-standing U.S. commitment to an open international economic system. Specifically, the statement said: "The fundamental policy of the U.S. Government toward international investment is to neither promote nor discourage inward or outward investment flows or activities." Therefore, the Government "should normally avoid measures which would give special incentives or disincentives to investment flows or activities and should not normally

intervene in the activities of individual companies regarding international investment. Whenever such measures are under consideration, the burden of proof is on those advocating intervention to demonstrate that it would be beneficial to the national interest."

We are aware, of course, that certain exceptional investments might not be consistent with the national interest. For this reason, regarding inward investment flows, the Administration continued the procedures established in 1975 under Executive Order 11858 for the Committee on Foreign Investment in the United States to "review investments in the United States which in the judgment of the Committee might have major implications for the U.S. national interest." As Assistant Secretary of the Treasury for International Affairs, I chair that Committee under the terms of E.O. 11858.

One important feature of these procedures is a provision for advance consultations with foreign governments on investments in the United States. Under this procedure, foreign governments have been requested to consult with the U.S. Government on any significant direct investments which they might be contemplating making in the United States. If the Committee concluded

that a particular investment would be contrary to the national interest, the foreign government involved would be requested to refrain from making the investment or to modify it in an appropriate manner. While this procedure was established primarily to review major investments by foreign governments, the Committee may also review any major investments here by foreign private parties if those investments appear to have major implications for the national interest.

The members of the Committee are kept informed on investments in the United States by the Office of Foreign Investment in the United States, which was established in the Department of Commerce by the same Executive Order. Mr. Berger, who heads that Office, will testify later on this operation.

As to foreign investment in U.S. farmland, you are well aware that the available data are quite sketchy. Most farmland investments involve smaller order of magnitude than industrial plants, and therefore do not attract the same degree of public notice. A representative from the Department of Agriculture is testifying on that Department's plans to improve our data in this area.

In the meantime, the Administration believes that its policy of not discouraging foreign investment in general applies to foreign investment in U.S. farmland. At a meeting of the Committee on Foreign Investment in the United States held last week it was unanimously agreed that there was no basis at present for a departure from our basic policy in the case of farmland.

Nevertheless, there has quite understandably been a good deal of concern expressed about the sharp rise in the price of farmland. This phenomenon is attributed in part to an increasing demand for U.S. farmland as investments by persons who are not directly involved in farming. The vast majority of absentee farmland owners are Americans; some are foreigners, though the very incomplete data now available suggest that this amount is no more than one percent of total land ownership in this country and much of this ownership is not of recent origin.

Whether purchases by absentee owners have any significant effect on farmland prices is certainly a proper subject for examination. However, we see no basis at this point for differentiating between persons who may be absentee land owners on the basis of their nationality. The economic impact of land purchases does not vary with the geographic residence of the purchaser.

There are two factors which are different for foreigners buying land in the United States as compared to U.S. residents. First, foreigners are subject to different tax laws. Second, foreigners deal in a foreign currency -- the dollar -- when buying and selling U.S. land. Neither of these factors, however, gives foreigners any inherent advantage over Americans in buying land here.

The tax considerations involved are rather complex, and turn on the tax laws of the foreigner's residence as well as U.S. tax laws. I have an addendum to my statement which discusses these considerations. The upshot of this discussion is that whether or not a foreigner is better or worse off from a tax standpoint than an American when buying farmland depends on the particular circumstances of the two individuals.

I want to emphasize, however, that there is no necessary advantage to foreigners merely because profits from sales of U.S. land are not subject to the U.S. capital gains tax. Foreigners subject to the tax laws of Canada, Germany, France, Japan and the United Kingdom, which are reportedly major sources of foreign demand for U.S. farmland, are subject to tax in those countries on capital gains they may derive in the United States and for some at least their tax result may not be too different from an American's. Also in cases where foreigners are not subject to capital gains

tax, neither are they able to deduct capital losses resulting from land sales as U.S. residents can.

In regard to the foreign currency aspect, it is sometimes said that foreigners have an advantage over Americans in that they can buy land with "cheap dollars". But the fact that the mark and the yen will buy more dollars today than in some previous period merely means that Germans and Japanese have more purchasing power in dollars than previously -- whereas Canadian and British citizens, because of the weakening of their currencies, have less. Even residents of countries whose currencies have strengthened do not have an absolute advantage over Americans. In fact, in a world of floating exchange rates, having to deal in a foreign currency is an additional risk factor for foreigners buying land here, a risk which American land purchasers do not face.

In addition, it should be noted that foreign investment in the United States reduces our balance of payments deficit and strengthens the dollar. Direct investment of a longer term nature is particularly welcome in this respect. It represents a constructive means of financing the sizable current account deficit which we are now running, and

the current account surpluses of foreign countries.

Mr. Chairman, you raised several specific questions about foreign investment in farmland in your letter to Secretary Blumenthal. In response to your questions on the economic impact of this investment, as I have already indicated, I see no reason to believe that it essentially differs from the impact of investment in farmland by Americans except for its effect on our balance of payments.

You also asked whether restrictions on foreign investment would be detrimental to our international interests. They key point is that such restrictions would be detrimental to our national interests. The main reason that this and previous Administrations have followed a neutral policy on foreign investment is that the policy works in the best interests of the U.S. economy. The broader the amount of participation in any market, the greater the competition in and efficiency of the market. To exclude a certain sector of participants in the market purely on the basis of their nationality would have no economic rationale. If we restrict the ability of foreigners to invest in the United States, we also restrict the right of Americans to dispose of their property -- for no apparent purpose -- and we would also run a risk of retaliation against the sizable stock of American investments abroad.

In summary, Mr. Chairman, unless it can be demonstrated that the national interest is adversely affected by foreign investments in U.S. land, there appears to be no basis for treating farmland purchases by foreigners any different than farmland purchases by Americans. The traditional U.S. policy of neutrality toward foreign investment, both inward and outward, should apply here as well.

TAXATION OF INCOME FROM FOREIGN INVESTMENT IN U.S.

Under U.S. tax laws, resident aliens generally are taxed on their income from all sources, both within and outside the United States, in the same manner as U.S. citizens. However, non-resident aliens normally are taxed only on their income from sources within the United States. Special rules apply to the taxing of the income of non-resident aliens, depending on whether such income is derived from passive investments or from the conduct of a business.

In considering how the provisions of the Internal Revenue Code apply to foreign investments in U.S. farmland, it is necessary to consider the legal identity of the investor and the form of the investment. The foreign investor could either be a foreign corporation or an individual. The investment could be in the form of stock in a U.S. corporation, which in turn owns the farmland, or a direct purchase by the foreign investor. In the latter case it may be presumed that the U.S. farm will be operated as a branch of the foreign corporation or, in the case of the foreign individual, as a business with a U.S. manager.

In the case of an indirect investment in farmland through a U.S. corporation, the farm income will first be subject to the U.S. corporate income tax. Distributions out of profits to non-resident aliens will be subject to a 30 percent withholding tax unless reduced through a bilateral income tax convention, which usually provides for a rate of 15 percent. This income will then be subject to the tax laws in the investor's country of residence. It is worth noting that major capital exporting countries such as Canada, Germany, France, 1/ Japan and the U.K. tax the worldwide income of their residents. The tax laws of these, and most other countries, allow residents to take a credit for U.S. withholding tax against their domestic tax liability.

In the case of direct investments, foreign corporations with U.S. source income must file special tax returns (1120 F) with the IRS, and are subject to the same rate schedule as are U.S. corporations. Non-resident alien individuals with income effectively connected with the conduct of a trade or business are required to file a form 1040 NR even if the gross amount of income is less than $750. An investment in a U.S. farm would be considered a trade or a business. This income would be subject to the same

1/ French corporations, however, are in principle not subject to taxation on foreign source income.

tax rate schedules as are applicable to U.S. taxpayers. Again, when the funds are transmitted abroad they will be subject to the tax laws in the investor's country of residence.

Non-resident aliens not present in the United States for at least 183 days during the taxable year are not subject to U.S. tax on gains derived from the sale or exchange of capital assets within the United States. This exemption from taxation applies to all capital assets, however, not just farmland. Whether this constitutes an advantage to foreigners will depend on how they are taxed in their home countries. Canada, Germany, France, Japan and the U.K. tax the worldwide income of their residents including capital gains. To determine whether residents of these countries are subject to lighter or heavier taxes than Americans would require detailed comparisons of the various tax laws. It should also be noted that, in cases where a foreigner is not subject to a capital gains tax, neither is he able to deduct a capital loss from ordinary income as American taxpayers can.

A common problem in determining the tax liability of business enterprises which operate in more than one tax

jurisdiction involves "artificial transfer pricing." Under this practice business enterprises strive to minimize their tax liability by attributing as much of their income as possible to countries with low tax rates. To do this, they tend to sell products produced by their affiliates in high tax countries to their affiliates in low tax countries at artificially low prices rather than the "arm's-length" prices that would be charged to unaffiliated persons.

Tax authorities in all countries have difficulty in preventing these practices because the products involved are frequently unique and the arm's-length or market price is difficult to establish. In the case of foreign-owned U.S. companies engaged in farming, however, the problem is minimal because agricultural products have a wide market and there is little difficulty in establishing an arm's-length price.

In summary, few generalizations can be made as to whether foreigners have a tax advantage or disadvantage vis-a-vis Americans in buying, operating or selling U.S. farmland. The situation will vary in accordance with the individual circumstances of the taxpayers involved.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE ON DELIVERY
EXPECTED AT 11:00 A.M.
JUNE 21, 1978

STATEMENT OF THE HONORABLE ROBERT H. MUNDHEIM
GENERAL COUNSEL
U.S. DEPARTMENT OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

The International Banking Act of 1978 (H.R. 10899)

Mr. Chairman and Members of this distinguished Subcommittee.

I appreciate the opportunity to testify on behalf of the Administration on H.R. 10899, the International Banking Act of 1978. The Administration generally endorsed this legislation in the House of Representatives last year, and as passed by the House it incorporates a number of changes that we suggested. Subject to two modifications that I will shortly discuss, we continue to favor enactment of the International Banking Act.

The Growth of International Banking

In view of the increasing importance of foreign bank operations in the United States, we agree that Congress should act in this area now. In our testimony before the House Banking Committee on this legislation, we noted that foreign bank operations, although still small in relation to to the domestic banking industry, have been growing in recent years. Total assets of the United States branches, agencies and commercial lending companies of foreign banks have more than tripled during the past five years, increasing to $66

billion at the end of February 1978, which represents roughly 6 percent of the total assets of all commercial banking operations in the United States.

The growing operations of foreign banks in our economy is a natural outgrowth of expanding international trade and the increasing activity of foreign businesses in the United States. Just as American banks began operating abroad to serve their domestic customers, foreign banks are opening offices in the United States to serve their customers here. Foreign banks contribute to competition in our domestic banking industry and facilitate increased international trade and finance.

In determining a national policy, we must also keep in mind that our regulation of foreign banks may affect foreign government treatment of United States banks and other financial institutions operating overseas. The total assets of foreign branches of American banks at the end of February 1978 were $257 billion, almost four times the $66 billion amount just mentioned.

The Principle of National Treatment

The United States endeavors to offer an hospitable climate for foreign investment by following a policy of "national treatment", under which as few distinctions as possible are made between the treatment of businesses of foreign investors and the same business conducted by United States nationals. In line with this general policy, we believe that foreign banks doing business here should be supervised under the same rules and administrative structure as domestic banks; they should be afforded comparable competitive opportunities and be subject to comparable restraints.

The national treatment concept is superior, in our opinion, to the alternative concept of "reciprocity" which some foreign banks would like us to adopt. Under a policy of reciprocity, we would allow a foreign bank to engage in the United States in all those activities in which American banks are permitted to engage in the home country of the foreign bank, even though we do not permit domestic banks to conduct such activities here. Since countries differ on which activities banks may engage in,

the United States under a policy of reciprocity would have to administer different sets of rules for various foreign banks operating in this country, depending on their nationality. This could be an administrative nightmare. Furthermore, the advantages we would have to afford foreign banks under a policy of reciprocity - such as the ability to engage in interstate branching, and a broad range of nonbanking activities - would result in unfair competitive pressures on domestic banks.

Purpose of the Act

The Administration supports the International Banking Act because, for the most part, it furthers the national treatment theme by treating foreign bank operations like operations of domestic banks. It brings branches and agencies of foreign banks within the dual banking system and establishes a framework for applying Federal banking policy to them. In those two sections where the bill departs from equal treatment of foreign and domestic banks, interstate branching and Treasury Guidelines, we recommend changes. Before discussing those changes, I should like to briefly reiterate our support for several of the bill's other provisions.

Extension of the Dual Banking System

Our existing laws and regulations covering foreign banks do not fully reflect the policy of national treatment. On the one hand, they deny foreign banks certain banking opportunities. For example, foreign banks are deterred from establishing national banks. In addition, our laws permit foreign banks to operate branches or agencies, but these operations are unable to obtain Federal deposit insurance.

On the other hand, there is no Federal regulation or supervision of foreign bank branches and agencies, even though almost all domestic banks come under the regulation of either the Comptroller of the Currency, the Federal Reserve Board, or the Federal Deposit Insurance Corporation.

This legislation will, for the first time, enable the Comptroller of the Currency to authorize Federal branches and agencies of foreign banks. It grants those institutions powers similar to those of national banks and permits them to operate in states where state law does not prohibit foreign bank branches and agencies, and where the particular foreign bank does not already have a state-approved facility.

In so doing, it extends Federal regulatory involvement into an important segment of banking activity in the United States presently regulated solely by the states. Foreign banks would then have the option of choosing between a Federal and a state regulatory framework. Such a choice would offer foreign institutions the same Federal and state alternatives now afforded their domestic counterparts.

Federal Deposit Insurance

We believe this legislation satisfactorily addresses the question of Federal deposit insurance for foreign bank branches. Currently, foreign bank branches do not qualify for FDIC insurance. The bill changes this policy in a manner that gives effect to the principle of national treatment: insurance is required for Federal branches and for state branches in those states where domestic state banks are required to obtain deposit insurance. However, we are inclined to support the suggestions of Chairman Miller that the coverage available should include deposits of foreign persons, not just United States citizens and residents.

Nonbanking Activities

Section 8 of the bill deals with the nonbanking activities of foreign banks in the United States. It generally subjects foreign banks maintaining United States branches or agencies to the restrictions on nonbanking activities of the Bank Holding Company Act of 1956, as amended. United States subsidiaries of foreign banks already come under the Bank Holding Company Act.

Under the Bank Holding Company Act prior Federal Reserve Board approval would be required before a foreign bank could engage in new nonbanking activities. Permitted activities for foreign banks would be the same as those authorized by the Board for domestic banks. Nonbanking activities of the foreign parent bank principally outside the United States would be exempt. In addition, all of a foreign bank's nonbanking activities engaged in on May 23, 1977 would be permanently grandfathered.

The focus of much debate in this area has been the activities of United States securities affiliates of foreign banks. Several such organizations engage in securities underwriting activities which are prohibited to American banks or their affiliates. This bill would prevent foreign banks engaged in commercial banking in the United States from also engaging in the securities business here, either directly or through affiliates. However, existing securities operations would be permanently grandfathered. Such a grandfather provision is reasonable and appropriate, because these activities were undertaken in accordance with the existing legal framework and they have made a useful contribution to the capital of securities firms and to the viability of regional stock exchanges.

Proposed Changes in the Bill

Now, Mr. Chairman, let me turn to two portions of the International Banking Act that we believe warrant further change.

Interstate Branching

Except under limited circumstances, states do not permit branch operations by a bank chartered in another state. Similarly, interstate branching is not authorized for national banks because of the provisions of the McFadden Act. However, several states permit -- indeed encourage -- foreign bank branches, even if the same foreign bank has branches in other states.

The International Banking Act would continue the ability of foreign banks to have interstate branches and would extend this ability even to Federal branches so long as expressly permitted by the state involved. It is in this respect that we disagree with the provisions of the bill. Consistent with our espousal of equal treatment for domestic and foreign banks, we believe that section 5 should be amended to make Federal foreign branches subject to the branching rules applicable to domestic national banks, and to make state foreign branches subject to the branching rules applicable to domestic state banks. In order to minimize disruption of existing banking services, we would favor permanent grandfathering of foreign interstate operations engaged in on May 23, 1977.

Interstate branching raises a fundamental competitive question with long-term implications for banking structure in the United States. Technological developments, for example, in the area of electronic funds transfer have increased the urgency of answering that question. If because of the absence of prohibitory legislation, foreign banks develop sizable interstate networks, it may be difficult in the future to decide to terminate those operations, or alternatively not to grant domestic banks the same privilege. We would prefer that for the future branching by foreign banks be placed on the same competitive footing as that of domestic banks. The desirability of interstate branching should be judged on its own merits, with the decision equally applicable to foreign and domestic banks.

Guidelines and Review

The Administration favors deletion of section 9 in its entirety. Section 9 is a carry-over from the concern expressed in some quarters several years ago that the Federal Government should review every potential foreign direct investment to be made in the United States on a case-by-case basis to assure that it was not injurious to the national interest. Thorough investment-policy review concluded that the Federal government should not intervene in private business transactions unless there is a clear public purpose to be served. The mere fact that foreign persons are involved is not a sufficient reason for such intervention.

Section 9 would require a new and, we believe, inappropriate Treasury and Federal role in the establishment of foreign bank operations in the United States: (1) The Secretary of the Treasury would be required to issue guidelines on foreign bank operations in the United States to assist bank regulators acting upon foreign bank applications; (2) state and Federal banking authorities would be required to solicit the views of the Secretaries of Treasury and State and of the Federal Reserve Board; and (3) state and Federal banking authorities would be prohibited from approving a foreign bank's application unless the foreign bank agreed in advance to conduct all its United States operations in full compliance with Federal and state anti-discrimination laws that apply to domestic banks.

We strongly recommend that this remnant of attempts at Federal screening be eliminated from the bill, for several reasons:

(1) it discriminates insofar as it applies to foreign-owned banks only;

(2) it could set an unfortunate precedent for establishing similar procedures for foreign investment in other areas of our economy;

(3) it could induce other countries to introduce or expand restrictions on American financial activities and investments abroad; and

(4) it appears to contradict certain national treatment provisions in our foreign treaties.

We are particularly concerned that Treasury, in preparing guidelines, is required to take account of the treatment afforded United States banks abroad. As I previously stated, we vigorously object to a policy of reciprocity. It could result in a reduction of permissible international banking activities, including those of United States banks abroad, and also create an administrative nightmare in enforcing different sets of rules for different foreign banks operating in this country.

Furthermore, we believe the provision in section 9 requiring a specific pledge to obey domestic anti-discrimination laws before a foreign banking application can be approved is unnecessary and unwise. All domestic and foreign banking operations in the United States already are subject to our anti-discrimination laws.

Conclusion

Thank you, Mr. Chairman, for allowing us to testify on this important bill. We look forward to working with the Subcommittee as further questions arise.

Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. June 20, 1978

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $5,700 million, to be issued June 29, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of $5,692 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately $2,300 million, representing an additional amount of bills dated March 30, 1978, and to mature September 28, 1978 (CUSIP No. 912793 T5 5), originally issued in the amount of $3,403 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $3,400 million to be dated June 29, 1978, and to mature December 28, 1978 (CUSIP No. 912793 V2 9).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing June 29, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $2,785 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive tenders.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Daylight Saving time, Monday, June 26, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $500,000 or less without stated price from any one bidder will be accepted in full at the weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on June 29, 1978, in cash or other immediately available funds or in Treasury bills maturing June 29, 1978. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which these bills are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of these bills (other than life insurance companies) must include in his or her Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, No. 418 (current revision), Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE June 20, 1978

RESULTS OF AUCTION OF 2-YEAR NOTES

The Department of the Treasury has accepted $3,007 million of $4,856 million of tenders received from the public for the 2-year notes, Series Q-1980, auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	8.25% 1/
Highest yield	8.33%
Average yield	8.32%

The interest rate on the notes will be 8-1/4%. At the 8-1/4% rate, the above yields result in the following prices:

Low-yield price	100.000
High-yield price	99.855
Average-yield price	99.873

The $3,007 million of accepted tenders includes $ 653 million of noncompetitive tenders and $2,344 million of competitive tenders from private investors, including 59% of the amount of notes bid for at the high yield. It also includes $ 10 million of tenders at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities in exchange for maturing securities.

In addition to the $3,007 million of tenders accepted in the auction process, $ 794 million of tenders were accepted at the average price from Government accounts and Federal Reserve Banks for their own account in exchange for securities maturing June 30, 1978, and $560 million of tenders were accepted at the average price from Federal Reserve Banks as agents for foreign and international monetary authorities for new cash.

1/ Excepting 5 tenders totaling $240,000

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

Treasury Contact: Robert E. Nipp
202/566-5328
Customs Contact: Brian Lee
202/566-5286

FOR IMMEDIATE RELEASE
June 22, 1978

U.S. CUSTOMS TO PROVIDE ASSISTANCE TO SAUDI ARABIAN CUSTOMS DEPARTMENT

The U.S. Customs Service will shortly be providing a wide range of technical, management, and manpower development assistance to Saudi Arabia's Customs Department.

Under the auspices of the U.S. - Saudi Arabian Joint Commission on Economic Cooperation, an agreement was signed in Riyadh, Saudi Arabia, on June 11 which calls for the U.S. Customs Service to provide four full-time Customs Advisors to the Saudi Customs Department in Riyadh, and to furnish orientation and training to up to 95 Saudi Customs officers a year in the United States. The new program will be the most all-inclusive agreement of its kind that the U.S. Customs Service has ever entered into with another nation.

The four U.S. Advisors stationed in Riyadh will work with their foreign counterparts to improve Saudi Customs' administrative, technical, and management skills. At the same time, the U.S. Customs Service will enroll up to 80 designated Saudi Customs officers a year in specially designed seminar programs to be held at a university location in the United States. As part of the program, the Saudi officers will observe Customs programs in operation at selected Regional offices. Up to 15 additional Saudi Customs officials a year will be enrolled in graduate-level programs in Public Administration at various U.S. universities and colleges and will also participate in related work-study programs.

This project is the fifteenth major project to be carried out by the U.S. - Saudi Arabian Joint Commission on Economic Cooperation, for which Secretary of the Treasury W. Michael Blumenthal and Saudi Arabian Finance Minister Muhammad Abalkhail are co-chairmen. Others include electrical equipment procurement and planning, agriculture development, vocational training, highway planning, and saline water research. All these projects are funded by the Saudi Arabian Government. Treasury offices in Washington

and in Riyadh work with project action agencies such as the U.S. Customs Service and provide overall support for the more than 120 U.S. technicians now working in Saudi Arabia in connection with these activities.

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Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 20, 1978

Contact: Robert E. Nipp
202/566-5328

TREASURY ANNOUNCES RESULTS OF GOLD AUCTION

The Department of the Treasury announced that 300,000 ounces of fine gold were sold today to 21 successful bidders at prices from $186.52 to $190.29 per ounce, yielding an average price of $186.91 per ounce.

Gross proceeds from this sale were $56.1 million. Of the proceeds, $12.7 million will be used to retire Gold Certificates held by Federal Reserve banks. The remaining $43.4 million will be deposited into the Treasury as a miscellaneous receipt.

These sales were made as the second in a series of monthly auctions being conducted by the General Services Administration on behalf of the Department of the Treasury. The next auction, at which another 300,000 ounces will be offered, will be held on July 18.

A total of 165 valid bids were submitted by 31 bidders for a total amount of 1,036,000 ounces at prices ranging from $172.00 to $190.29 per ounce.

The General Services Administration will release additional information, including the list of successful bidders and the amounts of gold awarded to each, after those bidders have been notified that their bids have been accepted.

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Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE June 21, 1978

RESULTS OF TREASURY'S 52-WEEK BILL AUCTION

Tenders for $2,750 million of 52-week Treasury bills to be dated June 27, 1978, and to mature June 26, 1979, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Price	Discount Rate	Investment Rate (Equivalent Coupon-Issue Yield)
High -	92.265	7.650%	8.24%
Low -	92.217	7.697%	8.29%
Average -	92.237	7.678%	8.27%

Tenders at the low price were allotted 42%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted
Boston	$	
New York	3,	
Philadelphia		
Cleveland		
Richmond		
Atlanta		
Chicago		
St. Louis		
Minneapolis		
Kansas City		
Dallas		
San Francisco		
Treasury		
TOTAL	$4,401,735,000	$2,750,195,000

52-WEEK BILL RATES

DATE: June 21, 1978

HIGHEST SINCE	LAST MONTH	TODAY
9/24/74 - 8.341%	7.417%	7.678%
LOWEST SINCE		

The $2,750 million of accepted tenders includes $ 86 million of noncompetitive tenders from the public and $1,178 million of tenders from Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities accepted at the average price.

An additional $ 31 million of the bills will be issued to Federal Reserve Banks as agents of foreign and international monetary authorities for new cash.

B-997

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE June 21, 1978

RESULTS OF TREASURY'S 52-WEEK BILL AUCTION

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Low -	92.217	7.697%	8.29%
Average -	92.237	7.678%	8.27%

Tenders at the low price were allotted 42%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted
Boston	$ 31,790,000	$ 16,790,000
New York	3,709,365,000	2,392,765,000
Philadelphia	2,820,000	2,820,000
Cleveland	65,195,000	55,195,000
Richmond	36,740,000	21,580,000
Atlanta	7,685,000	7,685,000
Chicago	212,515,000	133,815,000
St. Louis	18,545,000	8,965,000
Minneapolis	17,605,000	17,605,000
Kansas City	6,505,000	6,505,000
Dallas	11,370,000	10,870,000
San Francisco	278,120,000	72,120,000
Treasury	3,480,000	3,480,000
TOTAL	$4,401,735,000	$2,750,195,000

The $2,750 million of accepted tenders includes $ 86 million of noncompetitive tenders from the public and $1,178 million of tenders from Federal Reserve Banks for themselves and as agents of foreign and international monetary authorities accepted at the average price.

An additional $ 31 million of the bills will be issued to Federal Reserve Banks as agents of foreign and international monetary authorities for new cash.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 23, 1978

Contact: Robert E. Nipp
202/566-5328

TREASURY DEPARTMENT EXTENDS PERIOD OF INVESTIGATION OF CARBON STEEL WIRE ROD FROM THE UNITED KINGDOM

The Treasury Department announced today it will extend its antidumping investigation of carbon steel wire rod from the United Kingdom until July 24, 1978. Treasury said it needed more time to consider information provided to determine whether the product is being sold in the United States at less than fair value.

As defined by the Antidumping Act, "sales at less than fair value" generally occur when imported merchandise is sold here for less than in the home market. If Treasury determines "sales at less than fair value" occur, the case is referred to the U.S. International Trade Commission to determine whether they are hurting a U.S. industry. An affirmative ITC decision would require dumping duties.

Notice of this action will appear in the Federal Register of June 27, 1978.

Imports of carbon steel wire rod from the United Kingdom during the period January through June 1977 were valued at $4 million.

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B-999

Total Capital Gains and the Effective Tax Rate on Capital Gains for Returns with Net Capital Gains Only

(1955-1976)

Year	Total gains	Taxes paid on capital gain income	Effective tax rate
	(..... $ billions .....)		(.... percent ...)
1955	$ 9.9	$1.2	12.0%
1956	9.7	1.1	11.8
1957	8.1	0.9	11.1
1958	9.4	1.1	11.1
1959	13.1	1.6	11.8
1960	11.7	1.4	11.6
1961	16.3	2.0	12.4
1962	13.5	1.6	11.8
1963	14.6	1.7	11.9
1964	17.4	2.2	12.7
1965	21.5	2.8	13.1
1966	21.3	2.7	12.8
1967	27.5	3.9	14.0
1968	35.6	5.2	14.5
1969	31.4	4.4	14.1
1970	20.8	3.0	14.6
1971	28.3	4.3	15.2
1972	35.9	5.6	15.7
1973	35.8	5.3	14.9
1974	30.2	4.3	14.3
1975	30.9	4.5	14.4
1976	39.0	6.2	15.9

Office of the Secretary of the Treasury
Office of Tax Analysis

June 22, 1978

Distribution of Net Capital Gains

(Returns with Net Capital Gain Only)

Year	Returns with adjusted gross income less than $50,000	Returns with adjusted gross income over $50,000
	Percent of total net gains	Percent of total net gains
	(..... percent .....)	
1955	65.5%	34.5%
1956	65.3	34.7
1957	67.8	32.2
1958	68.7	31.3
1959	65.8	34.2
1960	65.3	34.7
1961	62.7	37.3
1962	64.7	35.3
1963	66.1	33.9
1964	61.8	38.2
1965	59.9	40.1
1966	60.8	39.2
1967	57.6	42.4
1968	55.1	45.0
1969	52.6	47.4
1970	59.9	40.1
1971	58.3	41.7
1972	56.1	43.9
1973	60.3	39.7
1974	62.9	37.1
1975	63.0	37.0
1976	62.0	38.0

Office of the Secretary of the Treasury
Office of Tax Analysis

June 22, 1978

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 23, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY ANNOUNCES COUNTERVAILING DUTY INVESTIGATION OF IMPORTS OF VISCOSE RAYON STAPLE FIBER FROM SWEDEN

The Treasury Department today said it is investigating whether the Government of Sweden is subsidizing exports of viscose rayon staple fiber.

The Countervailing Duty Law requires the Secretary of the Treasury to collect an additional duty that equals the size of a "bounty or grant" (subsidy) paid on the exportation or manufacture of merchandise imported into the United States.

A preliminary determination in this case must be made not later than October 25, 1978, and a final determination no later than April 25, 1979.

This product from Sweden is also the subject of an investigation being conducted by the Treasury Department under the Antidumping Act. Should final determinations under the Antidumping Act and the Countervailing Duty Law be affirmative, the amount of additional duties will be determined so as to avoid double compensation for the simultaneous occurrence of dumping and export subsidization.

Imports of the merchandise from Sweden were valued at approximately $2.1 million in 1977.

Notice of this action will appear in the Federal Register on June 26, 1978.

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Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE ON DELIVERY
Expected at 8:30 a.m.
June 27, 1978

STATEMENT BY THE HONORABLE ROGER C. ALTMAN
ASSISTANT SECRETARY FOR DOMESTIC FINANCE
BEFORE THE
SUBCOMMITTEE ON DOMESTIC MONETARY POLICY
OF THE
HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

Mr. Chairman and Members of the Committee:

I welcome this opportunity to assist in your oversight of the authority of Federal Reserve Banks to purchase directly from the Treasury up to $5 billion of public debt obligations. As you know, the most recent extension of this authority expired on April 30, 1978. On April 19, 1978 this Subcommittee favorably reported House Joint Resolution 816, to extend this authority to April 30, 1979. The Resolution was adopted by the House of Representatives on May 1, but the Senate has not yet acted.

The purpose of the direct-purchase authority is to facilitate the efficient management of the public debt. It was first granted in its present form in 1942, and it has been renewed for temporary periods on a number of occasions. The authority has lapsed, however, on five occasions in recent years -- from July 1 until August 14, 1973; from November 1, 1973 until October 28, 1974; from November 1 to November 12, 1975; from October 1 until November 7, 1977 and the current period.

Borrowings from the Federal Reserve System under this authority have been for very short periods, the average length being from 2 to 7 days. Only twice in the past 35 years has the Treasury had to draw funds in this manner

for periods exceeding 13 consecutive days. I have appended a table which lists the instances of actual use. Borrowings under the authority are subject to the public debt limit, and its use is reported in the Daily Treasury Statement, the weekly Federal Reserve Statement, and in the Federal Reserve Board's Annual Report to the Congress.

The existence of the direct purchase authority provides us with a margin of safety which permits us to let our cash balance fall to otherwise unacceptably low levels preceding periods of seasonally heavy revenues. This, in turn, results in balances that are not as high as they otherwise would be during the periods of high revenues that follow, allowing the public debt to be kept to a minimum and thus reducing interest costs to the Government. Moreover, there is always the possibility that unforeseen swings in our cash flows may suddenly deplete our cash balance and require a sudden borrowing.

The direct-purchase authority is available to provide an immediate source of funds for temporary financing in the event of a national emergency on a broader scale. While this has never happened, it is conceivable that financial markets could be disrupted at a time when large amounts of cash had to be raised to maintain governmental functions and meet the emergency. Consequently, the direct-purchase authority has for many years been a key element in the Treasury's financial planning for a national emergency.

I want to emphasize that the direct-purchase authority is viewed by the Treasury as a temporary accommodation to be used only under unusual circumstances. The Treasury fully agrees with the general principle that our debt obligations should be floated in the market and that purchases of Treasury obligations by the central bank should normally be made through that same public market. The Treasury agrees also that the direct-purchase authority should not be considered a means by which the Treasury may independently attempt to influence credit conditions by usurping the authority of the Federal Reserve to engage in open market operations in Government securities. In that connection, it is important

to emphasize that any direct recourse by the Treasury to Federal Reserve credit under this authority is subject to the discretion and control of the Federal Reserve itself.

This concludes my prepared statement, Mr. Chairman. I will be happy to respond to any questions.

Attachment

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DIRECT BORROWING FROM FEDERAL RESERVE BANKS
1942 TO DATE

Calendar Year	Days Used	Maximum Amount At Any Time (Millions)	Number of Separate Times Used	Maximum Number Of Days Used At Any One Time
1942	19	$ 422	4	6
1943	48	1,302	4	28
1944	none	--	-	-
1945	9	484	2	7
1946	none	--	-	-
1947	none	--	-	-
1948	none	--	-	-
1949	2	220	1	2
1950	2	180	2	1
1951	4	320	2	2
1952	30	811	4	9
1953	29	1,172	2	20
1954	15	424	2	13
1955	none	--	-	-
1956	none	--	-	-
1957	none	--	-	-
1958	2	207	1	2
1959	none	--	-	-
1960	none	--	-	-
1961	none	--	-	-
1962	none	--	-	-
1963	none	--	-	-
1964	none	--	-	-
1965	none	--	-	-
1966	3	169	1	3
1967	7	153	3	3
1968	8	596	3	6
1969	21	1,102	2	12
1970	none	--	-	-
1971	9	610	1	7
1972	1	38	1	1
1973	10	485	3	6
1974	1	131	1	1
1975	16	1,042	4	7
1976	none	--	-	-
1977	4	2,500	1	4

Note: Federal Reserve direct purchase authority expired on April 30, 1978.

Office of the Assistant Secretary
(Domestic Finance)

June 23, 1978

June 26, 1978

A number of inquiries have been received from the press concerning the Treasury Department's intention to initiate one or more "fast track" anti-dumping proceedings concerning imported steel mill products under the "Trigger Price Mechanism."

The "grace period" for flat-rolled products and rods imported under fixed-term contracts concluded before January 9, 1978 ended on April 30th. Since that date, Customs reports both significant reductions in volume of imports of such products and virtually no imports of such products below applicable "trigger prices."

However, some imports below "trigger price" have been identified. These are now being investigated by Customs. The suppliers questioned are claiming that all or most of their shipments either involved a related US importer and have been or will be resold at or above trigger prices (plus all costs of importation, storage, handling and resale in the US), or that delivery was delayed beyond the grace period due to uncontrollable events such as customs brokers' delays. All such claims are being examined carefully. In cases involving resale by a related importer, documentation of all resale invoices are being requested and reviewed to assure that the imported steel was sold to the customer at trigger price plus appropriate charges for importation, storage, handling and resale.

After Customs has finished its preliminary investigation of the facts, Treasury will determine whether initiation of a formal anti-dumping investigation is warranted.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 27, 1978

Contact: Robert E. Nipp
202/566-5328

BEET SUGAR DUMPING COMPLAINT INVOLVING THE EUROPEAN COMMUNITY

The Treasury Department announced today that it has received a complaint from a group of beet sugar producers in Michigan claiming that about 50,000 tons of sugar from the European Community were being imported at prices substantially below those charged in European domestic markets and benefiting from subsidies paid by the Community exceeding the price at which the sugar was sold for export to the United States.

Because portions of these shipments have begun to arrive in the United States through the Port of Savannah, the Customs Service began immediate preliminary investigations to determine whether proceedings should be initiated under the Antidumping Act of 1921 and the Countervailing Duty Law.

Under the Antidumping Act, special dumping duties may be assessed on imports found to have been sold at less than "fair value"--generally the price at which merchandise is sold on the home market of the exporter--and such sales injure or threaten injury to a domestic industry. Under the countervailing duty law, special countervailing duties may be assessed on imports found to have benefited from "bounties" or "grants" paid to the producer or exporter by a foreign government.

The size of the alleged shipments and the prices at which the sugar is claimed to have been sold have prompted Treasury to expedite consideration of the matter.

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epartment of the TREASURY NEWS
SHINGTON, D.C. 20220 TELEPHONE 566-2041

For Release Upon Delivery
Expected at 10:00 a.m., E.S.T.

STATEMENT OF
DANIEL I. HALPERIN, TAX LEGISLATIVE COUNSEL
OFFICE OF THE ASSISTANT SECRETARY OF TREASURY FOR TAX POLICY
BEFORE THE
SUBCOMMITTEE ON PRIVATE PENSION PLANS AND EMPLOYEE BENEFITS
OF THE SENATE FINANCE COMMITTEE
June 27, 1978

Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to appear before you today to discuss the Chairman's bill, S. 3140. The bill would combine the administrative simplicity of separate retirement funds for each employee (as under Individual Retirement Accounts (IRAs)) with the higher contribution level permitted for the self-employed when they adopt plans for their employees (so-called Keogh or H.R. 10 plans). For employers who choose to adopt the type of plan created under the bill, it will achieve simplification without detriment to the tax policies underlying the favored tax treatment of employee retirement plans. Therefore, we are pleased to support the bill and encourage its early enactment by the Congress. At the same time, we would urge one modification regarding integration with the Social Security system. We would also wish to raise one significant issue of retirement policy for the Subcommittee's consideration, namely, the impact of the proposal on the choice between a defined benefit and a defined contribution plan. I will discuss these matters and several other features of the bill in the remainder of this testimony after outlining the bill's provisions.

Basic Outline of the Bill

The bill builds upon the framework of the IRA provisions added to the Internal Revenue Code by ERISA. Current law (section 408(c)) provides for the establishment of group individual retirement accounts by employers or

associations of employees on behalf of employees. Deductible contributions to these IRAs, like contributions to all other IRAs, are made only by employees, and they are generally limited to the lesser of $1,500 or 15 percent of annual compensation. Deductible contributions cannot be made by an employee if he or she was an active participant in a qualified plan during any part of the taxable year.

The bill would expand upon the concept of employer-maintained IRAs, which have not been widely used up to now. It would authorize deductible employer contributions to such an IRA, with the employer contribution being limited to the lesser of 15 percent of gross income or $7,500. This conforms to the deductible limitation for employer contributions on behalf of a self-employed individual under a Keogh plan.

In order to obtain this status, the simplified plan must be an employer-sponsored group IRA meeting a combination of requirements under the IRA provisions and the qualified plan provisions which would insure maximum security once the funds have been contributed and, further, would insure against discrimination in favor of highly-paid employees. Thus, for example, participation would have to be on a nondiscriminatory basis, an employee could not be denied participation on the basis of service once he or she has completed three years of service, and employer contributions would be fully and immediately vested.

Another significant feature of the bill is that if an employer's contribution for an employee is less than the annual IRA limitation for that employee, the individual could make up the difference.

From the employer's point of view, the bill proposes simplified reporting and disclosure requirements and the further simplification of the plan itself. Simplified plan design could be achieved either through adoption of a model plan or through an individually designed plan which would be simpler than the typical employer plan under present law.

I would like to turn now to four specific considerations in connection with the bill.

Discrimination

The present Code provision for employer-sponsored IRAs does not contain any anti-discrimination rules. There have been suggestions that the provision be amended to add such rules. However, we have viewed such an amendment as a fruitless exercise within the framework of the current IRA provisions. Current law provides no incentive for an employer to establish a group IRA plan as opposed to individual plans. Therefore, anti-discrimination requirements for employer-sponsored plans could be circumvented by the simple technique of individual employees establishing IRAs, perhaps with the aid of the employer.

The bill, however, does provide an incentive for the employer to establish the simplified plan. It accomplishes this by allowing substantial deductions for employer contributions to such plans. The bill also precludes the establishment of employer-sponsored IRAs on a discriminatory basis. Therefore, we believe the bill represents a meaningful effort to eliminate discrimination in this area.

Employee Contributions

The bill will allow an employee to contribute and deduct the difference between the employer's contribution and the deductible limitation for IRAs applicable to the employee under current law. This will alleviate a problem which has existed since the IRA provisions were enacted as part of ERISA. An employee may not make a deductible contribution to an IRA if he or she is an active participant in a qualified plan for any part of the taxable year. This has caused certain employees to view participation in a qualified plan as detrimental because employer contributions to a qualified plan on their behalf are quite small or because the employee does not expect to vest in a retirement benefit under the employer-maintained plan.

Several proposals have been made in this Congress and the previous Congress to deal with this problem. In some cases, those proposals have contained defects either because they were extremely complicated or because they allowed extra IRA contributions on a discriminatory basis. In some cases, both defects were present.

S. 3140 is much more satisfactory from this standpoint. First, the bill resolves the problem of an employee who changes jobs frequently and might never vest under an

ordinary retirement plan. Under the simplified plan, that employee's benefits are always fully vested and fully portable.

Secondly, it is designed to encourage retirement savings for low-income persons. As an illustration, assume the employer maintains a simplified plan for the benefit of two employees, one of whom earns $30,000 while the other earns $10,000. An employer contribution of 10 percent of compensation on behalf of each will result in contributions of $3,000 and $1,000 respectively. The higher-paid employee will not be able to make an extra IRA contribution, because the employer contribution already exceeds the employee's $1,500 deductible limitation. On the other hand, the $10,000 employee can make an extra IRA contribution up to $500.

Finally, and most importantly, it has a built-in overall $1,500 limit which would generally prevent excessive combining of IRA contributions with benefits under a qualified plan. I must caution, however, that this privilege could be abused if an employer establishes more than one plan. For example, if the employer maintains a profit-sharing plan to which it makes substantial contributions, the employer should not be able to adopt a simplified plan described in the bill and make very small contributions, thereby allowing highly-paid individuals to make deductible excess IRA contributions to almost the full extent of the IRA deduction limitation. Thus, the ability to deduct employee contributions should be limited to those who do not participate in a qualified plan other than the new simplified plan. More complex solutions should be avoided. IRAs are intended to be simple arrangements understandable by unsophisticated individuals who do not have access to advice from attorneys, accountants, and other advisors. Unfortunately, the existing IRA provisions are already extremely complicated and contain many traps for taxpayers who do not precisely follow the rules. We urge that these problems not be magnified by the adoption of complex rules under the bill.

Integration

As we understand it, the bill would allow a simplified plan to be integrated with Social Security under the current integration rules for Keogh plans. Integration is accomplished in a Keogh plan by taking into account Social Security taxes paid on behalf of employees as plan contributions by the employer for the employees.

We have been concerned about the current integration rules. At their worst, they have resulted in qualified plans which benefit only highly-compensated employees. This undercuts the rationale reflected in the anti-discrimination rules for qualified plans -- that is, tax benefits associated with qualified plans should serve as an incentive for an employer to provide retirement benefits for employees at all levels of income. These concerns led to the proposal for changes in the integration rules contained in the President's Tax Reform Program.

Under the tax reform proposal, a plan could still be integrated with Social Security, but only if it provides substantial benefits for all participating employees.* A number of persons who have objected to the integration proposal have not done so on the merits. Rather, they have been concerned that a shift in the integration rules will necessitate relatively widespread plan amendments following closely upon the amendments which have just been made to meet the standards enacted by ERISA. For those people, the primary objection has been the cost and administrative problems associated with amendments rather than the ongoing costs of meeting the proposed ratio. Since S. 3140 would result in entirely new plans, the amendment problem would not exist. Therefore, we suggest to the Subcommittee that it consider allowing integration only where a simplified plan satisfies the President's integration proposal.

Defined Benefit Plans

As a practical matter, the approach taken by S. 3140 lends itself only to defined contribution plans. The employer contributes a specified percentage of pay which is deposited in each employee's account. The level of retirement benefits is not specified but will be the amount which can be derived from the sum contributed and the earnings thereon. In contrast a defined benefit plan provides for a specific benefit, for example, $10 per month

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* Specifically, the proposal for defined contribution plans is that the proportion of contributions allocable to compensation above the integration level may not be in a ratio greater than 1.8 times the proportion of contributions allocable to compensation below the integration level. As a result of testimony before various committees and discussion with interested persons, we are prepared to modify that proposal so that the basic ratio may be 2 to 1 rather than 1.8 to 1.

per year of service, 1 percent of career average pay per year of service, 1 percent of average pay over the last five years of service per year of service. Since the employer's contribution to this type of plan is affected by the investment performance and the age of the participant and in some circumstances by changes in the compensation level, a defined benefit plan does not easily fit into the individual account pattern required for the simplified plan.

Because it established minimum funding requirements, premium payments for plan termination insurance and in some cases employer liability upon plan termination, ERISA may have made defined benefit plans less attractive compared to defined contribution plans than they were prior to the enactment of the legislation. From one point of view this is a beneficial effect of ERISA.

Some conceive of the employer's contribution to a pension plan as a payment in lieu of an increase in current salary and, therefore, each employee should have a nonforfeitable right to his or her proportionate share of the contribution. Others argue that defined contribution plans are more meaningful to those who spend less than a full career with one employer . Contributions under such plans tend to be a level percentage of pay regardless of age. If it is assumed salary will increase and that an adequate retirement income must be measured against earnings at the time of retirement, the contribution level will be higher than it would be if earnings were expected to remain steady.* Thus, the vested benefit under a defined contribution plan could include some provision for anticipated increases in earnings. Under a defined benefit plan the value of a vested benefit is determined by reference to earnings at the time of separation from service. Therefore, the amount of a lifetime pension, even if full vesting is achieved, will be less if the employee changes jobs than if he or she stays with one employer. A defined contribution plan could produce the same benefit in both situations.

On the other hand, a defined benefit plan can more easily adjust for changes in salary and plan earnings. Particularly if it promises a specified percentage of

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* This works out correctly if the rate of salary growth is both uniform among employees and correctly anticipated. It also ignores the difficulty of providing for past service under a defined contribution plan started or improved when the employee is in mid-career.

pre-retirement pay, such a plan is much more meaningful to the employee in facilitating planning for retirement. Very few employees can estimate the adequacy of a benefit from a defined contribution plan.

Therefore, on balance we think a shift in plan design toward defined contribution plans would be unfortunate. We believe there needs to be a study as to whether such a shift has taken place and if so whether it furthers the interests of providing retirement security for employees as a group. We do not think, however, that this word of caution should deter prompt action on S. 3140.

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Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE

June 26, 1978

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,300 million of 13-week Treasury bills and for $3,400 million of 26-week Treasury bills, both series to be issued on June 29, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing September 28, 1978			26-week bills maturing December 28, 1978		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.245a/	6.943%	7.17%	96.266b/	7.386%	7.78%
Low	98.237	6.975%	7.20%	96.258	7.402%	7.80%
Average	98.239	6.967%	7.19%	96.261	7.396%	7.79%

a/ Excepting 3 tenders totaling $480,000

b/ Excepting 1 tender of $1,790,000

Tenders at the low price for the 13-week bills were allotted 97%.
Tenders at the low price for the 26-week bills were allotted 52%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 17,870,000	$ 17,720,000	$ 11,160,000	$ 11,160,000
New York	3,519,985,000	1,891,125,000	4,720,340,000	2,796,160,000
Philadelphia	29,050,000	29,050,000	7,545,000	7,305,000
Cleveland	38,025,000	23,025,000	57,260,000	16,070,000
Richmond	16,405,000	14,405,000	29,655,000	8,655,000
Atlanta	23,200,000	23,100,000	30,290,000	19,095,000
Chicago	172,455,000	118,240,000	310,105,000	165,445,000
St. Louis	34,155,000	23,155,000	33,170,000	20,110,000
Minneapolis	14,410,000	11,320,000	12,550,000	7,150,000
Kansas City	21,660,000	20,860,000	14,850,000	14,485,000
Dallas	17,075,000	11,075,000	8,400,000	8,400,000
San Francisco	272,370,000	111,470,000	464,035,000	323,035,000
Treasury	5,925,000	5,925,000	2,980,000	2,980,000
TOTALS	$4,182,585,000	$2,300,470,000c/	$5,702,340,000	$3,400,050,000d/

Includes $ 315,650,000 noncompetitive tenders from the public.
Includes $ 191,025,000 noncompetitive tenders from the public.
Equivalent coupon-issue yield.

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Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. June 27, 1978

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $5,700 million, to be issued July 6, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of $5,707 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately $2,300 million, representing an additional amount of bills dated April 6, 1978, and to mature October 5, 1978 (CUSIP No. 912793 T6 3), originally issued in the amount of $3,406 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $3,400 million to be dated July 6, 1978, and to mature January 4, 1979 (CUSIP No. 912793 W2 8).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing July 6, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $3,514 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive tenders.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Daylight Saving time, Monday, July 3, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $500,000 or less without stated price from any one bidder will be accepted in full at the weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on July 6, 1978, in cash or other immediately available funds or in Treasury bills maturing July 6, 1978. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which these bills are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of these bills (other than life insurance companies) must include in his or her Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, No. 418 (current revision), Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE UPON DELIVERY
EXPECTED AT 9:00 A.M.
THURSDAY, JUNE 29, 1978

STATEMENT OF THE HONORABLE DANIEL H. BRILL
ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY
BEFORE THE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT
OF THE SENATE FINANCE COMMITTEE

Mr. Chairman and members of this distinguished Committee:

The issue before us today is that of determining the most effective way of encouraging more investment.

There is no disagreement among us as to the importance of this objective. It is clear, from many perspectives, that too much of our output of goods and services is devoted to current consumption, and too little to investment in new and more efficient tools of production--investment that will permit future growth in consumption.

Even after three years of recovery, real business fixed investment remains below its prerecession peak. As a result, our capacity to produce is growing too slowly, at less than a 3 percent annual rate compared with over 4-1/2 percent in the first two postwar decades.

Paralleling this sluggish growth in investment and capacity has been a deceleration in the rate of growth of productivity,

the factor responsible for a major share of U.S. economic growth. This slowdown in productivity growth adversely affects our ability to achieve price stability and our ability to remain competitive with producers abroad.

We are all dedicated, therefore, to the search for the most effective ways of promoting increased capital formation. There are before us specific proposals to encourage capital formation by reducing the tax on capital gains. Fundamentally, these proposals rest on the premise that reduction in the capital gains tax will have a very favorable effect on stock prices, and that the resulting enhancement of stock prices will, by increasing the wealth of investors and/or reducing the cost of raising equity capital, encourage a higher rate of investment.

Admittedly, the argument appears intuitively plausible. One might indeed expect some favorable reaction in stock prices if the capital gains tax were reduced. And one might also expect that a reduction in the cost of equity capital--the result of rising stock prices--would encourage some additional investment, since the inability to obtain equity funds is generally recognized as one of the barriers to investment, particularly for smaller companies.

The critical question is by how much. We have only a limited amount of resources to devote to tax preferences for

investment. Is this use--a reduction in revenues from lower capital gains taxes--a cost-effective way of promoting investment?

Unfortunately, there is little direct historical evidence on which to base an analysis. There has been no reduction in capital gains tax rates in the past quarter-century, only increases.

One must, therefore, argue the case for capital gains tax reduction by assertion or analogy, which is just what has been done in three major studies of the problem--the study sponsored by the Securities Industry Association (SIA), the study conducted by Merrill Lynch (ML) and the study conducted by Chase Econometric Services, Inc. (Chase). I would like to comment on the methodology employed in each of the surveys, particularly with respect to those variables critical to a determination of the effectiveness of capital gains tax changes in influencing investment.

In the study sponsored by the Securities Industry Association, the argument is made by assertion. A specific and arbitrary assumption is made that complete elimination of the capital gains tax would result in a 20 percent increase in stock prices over the first five quarters after the tax change is implemented. This assertion, along with other

assumptions about the extent to which higher prices will encourage shareholders to realize their gains, are inserted into the economic model constructed by Data Resources, Inc. (DRI), and the model is run to produce estimates of the resultant growth in GNP, in business investment, and in Federal revenues resulting from the higher GNP.

The results are not surprising: higher stock prices, resulting in a greater amount of realization of capital gains, will increase incomes, investment and Federal revenues--all by substantial amounts. For example, two years after the elimination of the capital gains tax, real GNP in the SIA simulation would be about $47.5 billion (1978 $) higher, nonresidential fixed investment nearly $18 billion higher, the Federal budget deficit (NIA basis) about $10.5 billion lower, and the unemployment rate 0.7 percentage points lower.

All delightful outcomes, devoutly to be wished. But all resting very heavily on an <u>assumption</u> that stock prices would increase by 20 percent in response to the postulated change in capital gains tax, and questionable econometric relationships implying that the higher level of stock prices would spur consumption and investment to such dramatically higher levels.

Another study of the potential effect of capital gains tax reduction was undertaken by Merrill Lynch. In this study, it was assumed that the capital gains tax would be reduced in the third quarter of 1978, not to zero but to a new maximum rate of 25 percent. The result of such a tax change is assumed to reduce the cost of new equity capital by some 25 to 30 basis points. This assumption is traced through an econometric model to show the effect on overall stock prices, on investment and on gross national product. The results indicate a potential rise in stock prices of only 4 to 6 percent, an increase in 1980 GNP of only 0.3 percent, and increased Federal revenues sufficient to result in about a $2.5 billion smaller deficit despite an initial tax cut of about $2 billion.

It is most important to emphasize again that this study, as did the SIA study, rests on <u>assumptions</u> about the effects of capital gains tax rate changes on stock prices, not on any empirical evidence of the effects. In the ML case, the effects assumed are those on the cost of new equity capital, which is translated into the prices of all equity issues. The ML assumptions about stock price response are more modest than those used in the SIA study, and the projected benefits to the economy and on the Federal deficit are correspondingly more modest. But they still rest on assumptions.

The third study which we reference today is that undertaken by Chase Econometric Services, Inc. Here, the effect on stock prices of a reduction of capital gains taxation to a 25 percent maximum rate is stated to be a rise of nearly 40 percent in stock prices over the next two years which, in turn, increases gross national product, investment and Federal revenues.

The Chase analysis does not rest on an assumption about the stock price response to capital gains tax reduction. Rather it is based on an equation "...empirically determined from multiple regression analysis and is not simply an assumption pulled out of thin air."

It is worth examining this statement further, for any equation that can adequately explain stock price behavior is likely to be of interest to a wider audience than only those concerned with capital gains tax provisions.

The Chase study states that fluctuations in stock prices can be explained by seven factors, or variables. These variables include interest rates, corporate profits, replacement cost adjustment to capital consumption allowances, dividend payments, disposable personal income and two variables relating to maximum tax rates: the maximum tax rate on capital gains, and a variable apparently intended to capture the effect of legislated changes in the maximum tax rate on earned income. The latter is set at zero

from 1955 through 1968, and at 20 for the years after 1968.

The results of the Chase equation purport to tell us that (a) changes in the capital gains tax rate explain about one-fourth of the fluctuation in stock prices over the period from 1955 to 1977 and (b) a reduction in the maximum capital gains tax rate to 25 percent would result in a 40 percent rise in stock prices within a two-year period. This is a far more dramatic effect on stock prices than is assumed in either the SIA or the Merrill Lynch study.

Are there results derived from the Chase equation statistically valid? I'm afraid they must be regarded as suspect. The methodology used commits several grievous statistical sins. In the parlance of the statistical profession, the Chase equation is guilty of multicollinearity and serial correlation, as well as improper specification.

I will not take up the Committee's time with methodological points; these are covered in a brief technical note attached to my statement. It is important to note, however, that the existence of such a defect as multicollinearity (technical jargon for the case where two of the factors used to explain fluctuations in a third are in themselves highly interrelated) means that the measure of the relative importance of the capital gains tax in explaining stock prices is subject

to large statistical error. This is borne out by the fact that if one of the redundant variables is dropped from the equation, the results change dramatically; in this case, the rise in stock prices resulting from reduction in the capital gains tax falls to 9 percent, from the 40 percent claimed for the original equation.

The existence of serial correlation--condition where differences between actual observations and the values estimated by an equation show a persistent pattern--also means that the equation is not statistically reliable. This can easily be confirmed by applying one of the standard techniques for correcting for serial correlation. When one applies this correction to the Chase equation, the importance of changes in the capital gains tax rate in explaining stock price behavior is reduced significantly.

The major point to be made about the three studies relating to the effect of capital gains taxes is that in two of them, the results rest very heavily on assumptions about the critical factor of the response of stock prices, and in the third study, the attempt to use analytic techniques instead of assumptions suffers from such serious methodological flaws as to vitiate the results. On the stock price response factor, the studies differ widely: one study asserts that

complete elimination of the capital gains tax would result in a 20 percent rise in stock prices, another that only partial elimination of the tax would yield a 40 percent rise, and the third that partial elimination would result in only a 4 to 6 percent stock price increase.

The second point to be made about these studies is that they yield widely different results as to the economic benefits to be expected from a capital gains tax reduction and the ensuing rise in stock prices. The 20 percent rise in prices assumed for the SIA study would, in their calculation, produce a rise in total output--GNP--some 9 times as great as the initial tax reduction. The Merrill Lynch calculations yield a multiplier of only 2, and the Chase calculations a multiplier of about 3-1/2. It should also be noted that most of the projected increase in GNP in the SIA study develops in consumption, not investment; the Chase study has more of the benefits accruing to investment and the Merrill Lynch study splits its modest effects more evenly between consumption and investment. Thus, the studies are all over the map not only with respect to stock price impacts but also as to the purported benefits flowing from tax reduction.

How reasonable are the assumptions about the effect of a capital gains tax reduction on stock prices? As noted

earlier, there is little directly relevant historical experience, so the argument has to be made--if at all--by analogy. Thus, some proponents of capital gains tax reductions have simply cited the record of stock prices before and after the Tax Reform Act of 1969, which raised the maximum rates payable on realized capital gains. In the eight years after enactment of higher capital gains rates (from 1969 to the end of 1977), stock prices rose only 0.4 percent, compared with a 47.6 percent rise in the eight years preceding the imposition of higher taxes. Q.E.D.: raising capital gains taxes has tended to reduce stock price gains and, therefore, the converse must be true; lowering the capital gains tax rate would raise stock prices.

But when one looks behind this glib, rather superficial analysis, a different and more puzzling story emerges. The Tax Reform Act of 1969 was signed on December 30, 1969, and most provisions became effective on January 1, 1970. Since it may have been anticipated that the capital gains tax rate would be increased, even before the change was formally enacted, one might have expected a rise in stock market volume and a decline in prices in 1969, as investors hurried to realize capital gains before the new higher tax rates were imposed. But stock prices started their decline at the end of 1968--long before any expectation of higher tax

rates--and both trading volume and the volume of realized gains declined in 1969.

After the new tax rates became effective, stock prices rose from mid-70, until they reached a peak in January 1973. In the two and a half year period after higher tax rates were in effect, the stock price index rose by 46 percent.

It is difficult to explain why prices and realizations, went up after the effective date, and it certainly raises doubts about the significance of the maximum tax rate on investor decisions, at least in the 1969-73 period.

Of course, since 1973, stock prices have behaved poorly. But it does strain credulity to attribute the behavior of stock prices to continued high capital gains taxation alone in a period marked by such events as an oil embargo, a quintupling of oil prices, a worldwide investment boom accompanied by double-digit inflation and double-digit interest rates, followed by the worst recession since 1930's. To explain stock price behavior since 1973 exclusively in terms of a higher capital gains tax, in the midst of such sweeping economic trauma, requires some stretching.

Where does this leave the analysis? I submit that the verdict any jury would deliver is "case not proven". Reductions in capital gains taxation might--and I emphasize

might--influence stock prices by some indeterminate amount, and this change in stock prices might--and again I emphasize might--be conducive to some rise in investment. But none of the studies discussed today provides a sound basis--only assertion or imperfect statistical analysis--for determining what quantities would result from such tax policy changes.

Tax preferences for specific forms of income must essentially be classed as subsidies, whatever euphemism is used to disguise the subsidy. It would appear to me, therefore, a rather risky venture to dispense public funds for subsidies to investment on the basis of such meager analytical evidence as has been submitted. And the risk is particularly great when this form of subsidy would result in a significant distortion in the equity of our tax structure. Equity in our tax system is no trivial matter, in a society where every citizen is expected to pay his fair share of the cost of public services.

Moreover, it is an unnecessary risk, since other incentives to capital formation, such as extension of the investment tax credit and/or a reduction in corporate income tax rates have a more direct relationship to business investment decisions. I would urge the Committee, therefore, to devote its attention

to the proposals for investment credits and tax rate reductions in the program submitted by the President, rather than to divert its attention to unproven and inequitable remedies.

Appendix on Methodology

This appendix considers certain technical details affecting the results of the analyses of the impact of a capital gains tax reduction prepared by the Securities Industry Association (SIA), Merrill Lynch (ML) and Chase Econometric Services, Inc. (Chase).

Securities Industry Association Study

Method of Simulation

The Data Resources Inc. (DRI) model used in the SIA study is not readily ameniable to answering questions concerning the impact of changes in capital gains taxation on economic activity. Tax rates on capital gains do not appear as explicit exogenous variables in the model. In using the DRI model, SIA simulated the impact of a complete elimination of capital gains taxation by decreasing personal and corporate income tax rates by an equivalent amount (initially $5.1 billion). The appropriateness of lowering the personal tax rate for all consumers is dubious, in that it is largely individuals in the upper income tax classes who would benefit from a capital gains reduction, rather than the public-at-large. As a consequence, the net effect of the SIA procedure is probably to over-estimate the effect on consumption, and hence the induced effect on investment, of cuts in the maximum capital gains tax rate.

The SIA study found that a complete elimination of capital gains taxes would result in a $47.7 increase in real GNP over about a two-year period. This result implies tax multipliers of about nine--four to five times as high as the empirically-derived personal and corporate income tax multipliers traditionally used in assessing the likely impact of tax changes on GNP.

Assumed Increase in Stock Prices

The very large multiplier effect of the SIA study reflects not only the questionable manner in which the tax reduction is introduced into the simulation, but also the assumed 20 percent stock price increase which feeds back, via a household wealth equation, to consumption and investment. If smaller increases in stock market prices are assumed, much smaller GNP, consumption and investment multipliers result.

It is interesting to note that stock prices are endogenous in the DRI model and need not be specified exogenously. When one leaves stock prices endogenous and simulates a capital gains tax reduction, or elimination, the DRI model shows only very modest stock price changes.

Chase Study

Stock Price Equation

Stock prices are endogenous in the Chase model. The Chase stock market prediction equation treats stock prices as a function of seven explanatory variables:

(1) the maximum capital gains tax rate (six quarter weighted average);

(2) a dummy variable set at zero from 1955 through 1968, and set at 20 for the years after 1968 intended to capture the effect of the 20-point change in the maximum rate on earned income;

(3) prime commercial bank loan rate (percent);

(4) corporate profits, after tax, with adjustments for capital consumption and inventory valuation (billions of current dollars);

(5) corporate capital consumption adjustment (billions of current dollars);

(6) dividend payout ratio; and,

(7) disposable income less transfer payments to persons (billions of current dollars).

The Chase equation has several serious methodological and specification flaws which cast doubts about the credibility of its predictions.

Serial Correlation

The Chase stock market equation suffers from "serial correlation." Serial correlation is a technical term to describe the situation in which differences between the actual and the estimated values derived from an equation show a persistent pattern. The presence of serial correlation in the Chase equation is indicated by the low Durbin-Watson ratio (0.69),

a standard measure used by econometricians to test for this problem.

There are statistical techniques for correcting for serial correlation, e.g., the Cochrane-Orcutt correction. When one applies this particular correction to the Chase equation, then the coefficients--the values attributed to each explanatory variable--change radically. In particular, the importance of the capital gains tax rate in explaining stock price behavior drops sharply. The presence of serial correlation means, to technical workers in the field, that results derived from an equation suffering from this malady are essentially "inefficient" and hence, particularly unreliable in forecasting.

Multicollinearity

The maximum tax rate variable and the dummy variable included in the Chase stock market equation are highly correlated--a 0.97 correlation out of a possible 1.00. Largely as a result, the equation suffers from "multicollinearity", an ailment that saps the strength of statistical results. Johnston points out that when multicollinearity is present in an equation,

> "The precision of estimation falls so that it becomes very difficult, if not impossible, to disentagle the relative influences of the various...variables. This loss of precision has three aspects: specific estimates may have very large errors; these errors may be highly correlated, one with another; and the sampling variances of the coefficients will be very large...
> Estimates of coefficients become very sensitive to particular sets of sample data, and the addition of a few more observations can sometimes produce dramatic shifts in some of the coefficients." (Econometric Methods, 2nd Edition, 1972, p.160).

A standard way of treating an equation for multicollinearity is to omit one of the collinear variables from the equation. When the dummy variable is dropped, the coefficient of the capital gains tax rate drops substantially, implying a stock market rise of only 9 percent instead of the nearly 40 percent implied by the uncorrected Chase stock market prediction equation.

In addition to the methodological flaws discussed above, the Chase equation has specification defects--such as the use of the maximum tax rate on capital gains instead of the much

lower actual effective rates paid by most taxpayers.

Merrill Lynch Study

In the methodology used by ML to analyze the impact of the Steiger Amendment, calculations of pre-tax and after-tax rates of returns to investors were made outside of the ML macro-model. Assumptions regarding the extent that the firm's cost of equity financing would decrease were made based upon these calculations. These assumed cost decreases were then fed into the ML model and the impacts upon the general economy observed. A 4-6 percent increase in stock prices was predicted. When one uses the ML methodology to simulate the impact of a complete elimination of capital gains taxation, the results are a stock price increase of 9 to 12 percent. These results cast further doubt on the reasonableness of the 20 percent rate assumed by SIA and the 40 percent rate derived from the Chase equation.

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Statement of the Honorable W. Michael Blumenthal
on Capital Gains Tax Bills
Before the Subcommittee on Taxation and Debt Management
Committee on Finance
June 28, 1978

Mr. Chairman and members of this Subcommittee:

I welcome the opportunity to appear before this Subcommittee to present the Administration's views on three bills before you: S.3065, S. 2428 and S. 2608.

Each of these bills would reduce the tax on capital gains for selected groups of taxpayers. Each aims at objectives of capital formation and growth. These objectives are shared by the Administration. But each bill has fatal flaws and either would not achieve its stated objectives at all, or would do so in an inefficient and inequitable manner. Accordingly, the Administration strongly opposes all three bills.

I will devote the bulk of my testimony to S. 3065, the "Investment Incentive Act of 1978". To say that this Bill and its House counterpart have received extensive publicity is to engage in understatement. Suddenly, like flowers that bloom in the spring, the notion of reducing capital gains taxation is appearing everywhere as an all-purpose solution to the country's economic problems. Manifold and sweeping claims are made for this idea: It is advertised as a technique of middle class tax relief, or a measure to help homeowners. It is said that reducing capital gains taxes will substantially increase stock values. It is claimed that the Treasury will gain revenues by cutting these taxes. We are told that this is the best way to accelerate capital accumulation in the United States. Some even claim that other economies outperform us because they avoid taxing of capital gains.

This Administration shares the goals espoused by the supporters of a capital gains tax reduction. We too wish to see stock prices rise. We too are concerned about Treasury revenues; and we are certainly as concerned as anyone about reducing the federal deficit. We too are vitally interested in spurring capital accumulation and investment, and believe that tax

incentives are needed for this. We too are anxious to employ every reasonable device to improve our performance with respect to inflation, unemployment, and exports.

Our opposition to S. 3065, therefore, is based not on disagreement with its goals. Rather we are persuaded that this bill would not advance us toward these goals or would do so only in ways that are inefficient, inadequate and unjust.

The tax reduction legislation that the Administration has proposed this year would meet two broad objectives:

> First, relief for the average taxpayers of this country who are finding their incomes increasingly pinched by rising tax liabilities.
>
> Second, a broad and significant increase in the after-tax return on capital, which will increase business investments by making them more attractive.

Mr. Chairman, a dispassionate and objective analysis of S. 3065 shows that this bill and others like it would achieve neither of these goals while wasting Treasury revenues urgently needed to achieve these critical objectives in an efficient and equitable fashion.

The Facts About Capital Gains Taxation Under Current Law

Under current law, the net capital gain of an individual taxpayer is taxed at a rate equal to one-half of the taxpayer's rate on ordinary forms of income, such as wages, salary, dividends, interest, and rent. Those persons in tax brackets above 50% need pay only the 25% alternative rate on the first $50,000 of their net capital gains.

For corporations, net capital gains may be taxed at an "alternative" 30 percent rate instead of the maximum 48 percent rate on other income.

In addition to these basic provisions, the Tax Reform Acts of 1969 and 1976 introduced two elaborations.

First, the 1969 Act imposed a "minimum tax" on those with very large amounts of capital gains income or other income benefitting from preferential provisions. After changes in the 1976 Act, the minimum tax for individuals is 15 percent of preference income in excess of either $10,000 or one-half of

regular tax liability (whichever is greater). One-half of capital gain is considered "preference income". Therefore, if a taxpayer's only preference item is capital gain, the minimum tax applies only if total gains exceed $20,000.

Second, the 1969 Act reduced the maximum tax rate on earned income -- wages and salaries -- from 70 percent to 50 percent, providing massive relief to high-income individuals. For these persons, the amount of earned income eligible for this special "maximum tax" ceiling is offset by the amount of preference income, including the untaxed half of capital gains.

Now, what are the consequences of this structure of captial gains taxation? Who pays what?

In 1978, capital gains taxes will raise $10.3 billion in revenue, $7.8 billion from individuals and $2.5 billion from corporations.

Let's look at the individual side of the equation, where public attention has been concentrated.

The average effective tax rate on capital gains in 1976 was 15.9 percent. (See Table 1.) For most Americans with capital gains, the effective rate is quite low: for instance, 12.7 percent for those between $20,000 and $30,000 in adjusted gross income, 16.7 percent for those between $30,000 and $50,000. Up to $200,000 a year, the effective rate is below 25 percent. Even for those over $200,000 the average effective rate is only 27.4 percent.

Typically, therefore, the great majority of taxpayers pays taxes on capital gains at modest levels, considerably below the rate on ordinary earned or unearned income, and the progressiveness of the capital gains tax is quite moderate. The rate generally rises above 25 percent only where the taxpayer's income or gains are extraordinarily large, and even in these instances, the taxes are not at all extreme.

In the current debate, much has been made of the possibility -- under the maximum and minimum tax provisions enacted in 1969 and 1976 -- that individuals may be paying a 50 percent tax or even more on their capital gains. The facts are much less alarming than the rhetoric. Capital gain, at all income levels, is still very much a preference item in our tax system.

More than 60 percent of all capital gains is taxed at 25 percent or less. Of all returns showing capital gains, only about 7 percent is taxed above 25 percent. Though in theory the tax rate could exceed 50 percent, this would require a very implausible composition of income, and in fact we have been unable to find even one case where this has happened. We have found fewer than 20 returns -- out of 5.4 million returns with capital gains -- taxed at more than 45 percent. The capital gains tax very rarely goes above 40 percent. Rates over 40 percent have appeared in less than five hundredths of one percent of returns with capital gains, involving less than four-tenths of one percent of gains.

In sum, the Tax Reform Acts of 1969 and 1976 increased capital gains taxes for very high income individuals with very large gains, but these measures did not introduce unreasonable marginal rates and they left capital gains in a clearly preferred status.

The facts about S. 3065

This bill is not a general measure to reduce capital gains taxes for everyone. Rather, it aims to reduce the capital gains rate for the highest income individuals with the largest amount of gains. As I have just noted, the overwhelming majority of taxpayers, realizing the great bulk of capital gains each year, pays substantially less than 25 percent on capital gains. This bill is not designed for this vast majority. Its relief is focused almost entirely on the small minority who now pays more than 25 percent.

The bill would do the following. It would remove all non-taxed capital gains income from the minimum tax, rather than exempting the first $10,000 of untaxed gain (or one-half of regular tax liability), as under present law. It would eliminate the present capital gains offset against wage and salary income eligible for the maximum tax. It would extend the 25 percent alternative tax to an unlimited amount of gain, as opposed to the $50,000 of gain eligible for this rate under present law. Finally, it would reduce the "alternative" rate on capital gains for corporations from 30 to 25 percent.

For these changes in the law, very expansive claims have been made. We have examined those claims closely. Few of them stand up against such analysis. At best, it can be said that some of the claims can be neither proven nor disproven. For the most part, however, the claims run flat against the available evidence.

The proponents say that S. 3065 constitutes broad based tax reduction, in line with the so-called "middle class tax revolt". The facts are otherwise. About 20 percent of the bill's benefits would go to corporations. For individuals, the bill's benefits are skewed heavily to the highest income taxpayers. Four-fifths of the bill's benefits go the those with incomes over $100,000 a year. Mr. Chairman, this bill would provide lower taxes for less than one-half of one percent of the individual taxpayers in this country and would benefit only about 7 percent of the taxpayers that have capital gains.

This is in truth a millionaire's relief bill, and I mean income millionaires, whose assets are usually many times greater than that. Of those million dollar earners benefitted by S. 3065, about 3,000 of them throughout the country, each would receive on average $214,000 in tax reduction. For all million dollar earners the average relief would be $145,000. By contrast, the average relief for those in the $20,000 to 30,000 class would one dollar. (See Table 2.)

The bill's proponents assert that it would trigger a stock market boom. The studies said to show this result simply assume the fact, or rather they assume different facts. Bear in mind that the bill would reduce taxes on corporate stock gains by only $500 million. Yet, one study assumes the bill would raise stock values by 40 percent, a rise of more than $300 billion or 600 times the size of the tax cut; another study suggests only a 4 to 6 percent rise in stock values, which is still 60 times the size of the cut. A third study, which presumes total elimination of the capital gains tax, rather than the selective cuts in S. 3065, predicts a 20 percent rise in stock values. This is all the sheerest conjecture. The truth is that no one has any credible evidence or theory permitting a projection of the bill's impact on the stock market, and certainly there is no basis for the extreme assumptions that have dominated public discussion of the bill.

If we look at recent stock market behavior, it is difficult to avoid the conclusion that the effects of capital gains tax changes, if any, are wholly swamped by other stock market influences. The bill's proponents often suggest that the 1969 Tax Reform Act lies behind the stock market's doldrums during the 1970's. However, the stock market fell sharply in 1969, before the tax increases from the Reform Act took effect. Then the market rebounded sharply from 1970 through 1972 -- the same

period during which the reforms, were fully phased in. Then, as inflationary momentum accelerated in 1973, there was a huge fall in stock prices, though the tax law was not changed at all. (See Chart 1.)

Analysis of stock market prices over the last ten years shows no relationship between the capital gains tax and the market's level. The record does not show that that the capital gains tax changes in the Reform Acts of 1969 and 1976 depressed stock prices. The assertion that repeal of those reforms would now raise stock prices is just that, an assertion, unsupported by evidence.

Proponents of S. 3065 have noted that it would provide relief for homeowners forced to pay capital gains taxes upon sale of their residences, in those instances where the gain cannot be rolled over into purchase of a new residence. This aspect of the measure, we wholeheartedly support. The President's tax package provides nearly identical relief for homeowners.

A further claim of the proponents is that this bill would greatly spur capital formation. Accelerating the rate of capital formation -- particularly industrial and technological investment -- is a priority objective of this Administration, but S. 3065 is not the way to go about it.

Why is this so? The test of a tax cut for investment is how generally and directly it reduces the tax burden on income from productive capital. In applying this test, it is important to keep in mind two facts. First, productive capital is taxed in many ways -- by the corporate income tax, the individual income tax, the capital gains tax, etc.. We don't have a single, unique tax on capital income; rather we have many taxes which together place a burden on capital. Capital gains tax is <u>not</u> the major tax on capital income. It accounts for only about 10 percent of the federal tax burden on capital. (See Table 3.)

Second, the kind of capital we particularly need to accumulate is industrial and technological capital. Many types of assets -- for instance jewelry, antiques, speculative real estate, and the like -- are of much less importance to our economy's ability to adapt, grow, and compete in international markets. The President's tax proposal takes these two important facts into account. Through broad based reductions in corporate and individual income tax rates, and through a liberalization of the investment tax credit, the President's package would reduce

the major taxes burdening capital income by about $7 billion and would directly increase the profitability and cash flow of all productive enterprises. It is a package ideally suited to increasing the rate of formation of productive capital.

By contrast, S. 3065 is very poorly suited to this job. As I've noted, capital gains taxes constitute only about 10 percent of the federal tax burden on capital income. Reducing the capital gains tax would therefore deal with only a very small corner of the problem. Furthermore, it is in many respects the wrong corner. Only about one-quarter of realized capital gains come from corporate stock. The rest are scattered over a range of assets having little or no role to play in the kind of investment boom this country needs. For instance, another quarter of the realizations is on real estate sales, 3.4 percent on livestock, 2.5 percent on commodities, 9.7 percent on installment sales, etc. (See Table 4.) This bill would create windfalls on assets all over the landscape, but it would largely detour around the central objective, which is to reduce significantly and broadly the tax burden on income from productive investment. This bill takes a very inefficient approach to capital formation.

This inefficiency is a fatal flaw for the simple reason that we do not have unlimited revenues available to stimulate capital formation. To keep the budget deficit in bounds, the Administration believes next year's total tax reduction should not exceed $20 billion. The bill before you would take up over $2 billion of that amount. This would have to come at the expense of wage and salary earners, which would be clearly inequitable, or at the expense of the corporate income tax reductions, which would render the bill a much less effective vehicle for capital formation. The only other choice is to increase the budget deficit, which would be an inflationary and irresponsible course.

The proponents of S. 3065 try to avoid this dilemma by asserting that their bill, unlike the myriad other tax cuts promoted in the Congress, would in fact increase Treasury revenues.

The reasoning behind this assertion has never been made clear. As is often the case with this subject, we are dealing here with conjecture, not facts.

It is important, in assessing the revenue claims, to distinguish between three different time horizons: the very short term, the medium term, and the long term.

In the short term, the revenue impact of S. 3065 would turn on the so-called "unlocking" effect. With a cut in maximum capital gains rates, it is possible, at least in theory, that some taxpayers would sell assets that they had held for a very long time. Whether and how much this would occur, no one knows. If it did happen, two results would follow. First, the wave of selling might well depress asset prices, on the stock market and elsewhere. This would tend to reduce capital gains tax revenues. Second, the wave of selling would itself generate tax revenues. The net effect on revenues of these conflicting forces, no one can predict. But one thing is clear: It would be a temporary, one-shot effect. The wave of selling would not repeat itself year after year.

In the medium term, any tax reduction will stimulate aggregate demand -- investment and consumption -- and therefore tend to increase GNP toward its potential level, creating a "feedback" of tax revenues to the Treasury. There is absolutely no reason to think that S. 3065 would create larger feedback effects than any other cut in capital income taxes. Indeed, such feedback effects are much less certain with capital gain taxes that with the corporate income tax cuts proposed by the President. Cutting corporate rates and liberalizing the investment tax credit would directly increase enterprise profits and cash flow, and thus real investment and tax revenues. The advocates of S. 3065 hold out the hope -- no more -- that a capital gains tax cut would substantially boost stock values and that this in turn would trigger a large amount of new investment, with a consequent rise in tax revenues. But, as I have indicated, there is no perceptible relationship between capital gains taxes and the level of the stock market, and a capital gains tax cut of this size is most unlikely to affect the stock market substantially. Unfortunately, it is equally difficult to trace a causal relationship between the level of the stock market and the rate of increase of investment or GNP. Both points in the argument are thus very shaky. For the medium term, the revenue feedback effect of a capital gains tax reduction is anyone's guess.

In the long term -- the most important perspective -- tax revenues depend on the sustainable growth rate of the economy. In other words, the revenue feedback will be greater the more efficiently the tax cut boosts the long term trend of investment in productive assets and enterprises. It is precisely here that S. 3065 is most seriously defective. It scatters its benefits over a wide array of assets, many of little productivity, and it

misses entirely 90 percent of the tax burden on capital income. It is a very poor tool for increasing the economy's long term rate of real growth, and its long term revenue feedback effects would be commensurately modest.

Finally, I wish to say a word about the very loose international comparisons that have been made in the debate on this measure. Some proponents of S. 3065 have suggested that our economic performance -- in areas of inflation, unemployment, and growth -- has fallen short of that of Germany and Japan because we tax capital gains while they, assertedly, do not. This line of argument ignores certain important facts. First, the United States has over the past few years outperformed most other industrialized countries, including Germany and Japan, in terms of real growth and increases in employment. Our inflation record is less satisfactory, but is nonetheless superior to several countries (e.g. Italy) having no capital gains tax. Second, Japan does in fact tax captial gains. As for Germany, it instead uses an even more comprehensive tax on annual increases in wealth, whether or not realized; I doubt that the proponents of S. 3065 would prefer the German system to ours. What all this shows is that making simplistic international comparisions on a tax-by-tax basis is a very treacherous business.

In sum, Mr. Chairman, the claims made for S. 3066 do not stand up to scrutiny:

- The bill would not provide general or middle income tax relief but would instead narrowly focus its benefits on the highest income classes and would provide an unprecedented boon to millionaires.

- The bill has no realistic potential for creating a substantial rise in stock prices.

- The bill would not efficiently meet our urgent needs for more investment in productive enterprises.

- The bill would not gain us revenue but would instead use up revenue needed for far more efficient and equitable incentives for capital formation.

There are of course many variations of S. 3065 under discussion in the other Chamber. I will not deal with them in detail. Some of the proposals escape certain problems I have noted here. However, those involving an effective repeal of the minimum tax so far as capital gains are concerned have the same

defects as S. 3065: they are very expensive, and they focus their benefits on a narrow class of extremely high income individuals, with the result that many of those persons would pay very little tax. As the President has indicated, this is an unfair and ineffective response to the need of American workers and businesses for genuine tax reduction.

Comments on S. 2428

I turn now to S. 2428, the "Small Business and Farms Capital Preservation Act of 1978." This bill would extend to certain small businesses a tax-free rollover privilege similar to that available on the sale of a principal residence.

We believe such a rollover provision would be inequitable. Owners of businesses already enjoy enormous tax benefits. As a business grows and prospers, and its market value increases, the owners do not have to pay current tax on this appreciated value. A person receiving income in the form of wages, interest on a savings account, or stock dividends must first pay taxes before setting aside funds for future use. The business owner increases his wealth with before-tax dollars, while the wage earner increases his wealth with after-tax dollars. In addition, the owner of a business, when he sells, has the advantage of preferred capital gains rates. Further, any bunching of income resulting from the tax deferral can be alleviated by income averaging, made available for capital gains by the Tax Reform Act of 1969, and by the use of installment sales.

S. 2428 would provide yet another valuable tax break to those who already benefit from a number of preferential provisions. This raises serious questions of fairness.

Apart from considerations of equity, this proposal would raise considerable problems of compliance and administration. Some problems occur now with the tax-free rollover privilege afforded taxpayers on their personal residences. Individuals are asked for more information and computations than are generally required, and such data must be retained for very long periods of time. The complexity would be aggravated substantially by the rollover contained in S. 2428. Recordkeeping and computation burdens could be monumental where a taxpayer has several qualifying asset sales and purchases with overlapping one-year reinvestment periods.

The Congress has allowed the extraordinary rollover privilege for principal residences because of the peculiar social value of home ownership. We think it would be a major error in tax policy to begin extending this privilege, piece by piece. Very soon, other types and classes of taxpayers would be demanding this preference, and a wholesale erosion of the tax base would result.

Comments on S. 2608

This bill seeks correction for the appreciation of nominal asset values caused by inflation. It attempts this by excluding from taxable income a percentage of realized capital gains -- a percentage that would increase with the length of time the asset had been held. The rationale is simple and understandable. It seems unfair to many that taxes should be paid on gains that are "paper gains" only, the product of inflation.

Unfortunately, there is no easy way to solve this problem. While S. 2608 is concerned with "illusory income" in the case of capital gains, the same issue arises with all types of income from capital and with debt. A balanced program of indexing income for inflation would require at least four adjustments.

- Taxpayers would increase the basis of capital assets by the rate of inflation.

- Owners of savings accounts and other interest-bearing obligations would deduct the loss resulting from the inflation-induced decline in their assets' real value.

- Businesses would be allowed to increase their basis in computing depreciation deductions and inventory profits.

- Debtors would report income whenever inflation reduced the real value of their indebtedness.

Obviously, an indexation system that included these four elements would be extremely complicated; but going only part way would create new inequities among taxpayers. For example, it is difficult to justify an inflation adjustment for owners of stock and real estate while ignoring the effect of inflation on the savings account depositor. Nor would a system be just that allowed the holder of debt-financed property to adjust the asset's basis for inflation while making no allowance for the fact that the debt was being repaid with cheaper dollars.

There is, however, a more fundamental problem with the notion of indexation. It deals with the symptoms and not the disease itself. Indexation is a response to high inflation rates, but the proliferation of indexation schemes tends to make those rates an accepted fact of economic life. These schemes tend to institutionalize the defect. Rather than accommodating to inflation, we should, in my judgment, bend all efforts to eliminate it.

Even if capital gains indexing were desirable, S. 2608 would not provide the proper means of implementing such a system. The most appropriate inflation adjustment would be to increase the basis of capital assets by the rate of inflation rather than to exclude a fraction of the gain from income during a period of inflation. This bill instead excludes from tax a larger proportion of gain the longer the asset has been held. The mechanism should work in the opposite way. The absolute amount of the illusory gain does rise as the holding period lengthens; however, the absolute size of the real gain also rises. As a matter of fact it can be shown mathematically that the ratio of real to total gain on an asset will increase the longer an asset is held. Thus, the bill's system of graduation would be perverse.

Conclusion

We strongly oppose these three bills on the merits, as I have explained at length. But we also object to them for a broader reason. These bills approach the problem of capital income taxation in a partial and ad hoc manner. The various federal taxes on capital income -- the capital gains provisions, the corporate income tax, and the personal income tax on property income -- make up an interrelated and complicated structure. The Treasury is now engaged in a far-reaching study of that structure, seeking to determine how it might best be rationalized in light of the capital formation problems our economy faces, and will continue to face, over the coming years. I am giving this study my closest personal attention. None of us is bringing rigid views on the taxation of captial gains into this exercise. But tinkering with bits and pieces of this structure of capital income taxation -- as the bills before you do -- will get us nowhere. The whole structure will become that much more complex, inequitable, inefficient, and incoherent. In the process, we will lose revenues critically needed for more efficient investment incentives. To deal properly with the capital gains tax, what is required is a thoughtful and comprehensive approach to capital income taxation generally.

For that task, the Congress needs more than the few months remaining in this very busy legislative session. The proper agenda for this year is to take relatively simple and efficient steps to cut capital income taxes across the board, as the President has proposed. There is no question that this would best serve the needs of the economy and the long term interests of the American people.

Thank you for this opportunity to present the Administration's views.

Table 1

Income Tax on Capital Gains - 1976 Levels

Adjusted gross income class ($000)	Total capital gains ($ millions)	Tax liability ($ millions)	Effective tax rate on capital gains (percent)
Less than 5	$ 2,697	$ 34	1.3%
5 - 10	2,872	110	3.8
10 - 15	3,571	269	7.5
15 - 20	3,418	326	9.5
20 - 30	5,281	672	12.7
30 - 50	6,105	1,019	16.7
50 - 100	5,537	1,234	22.3
100 - 200	3,613	898	24.9
200 and over	5,939	1,625	27.4
Total	$39,034	$$6,187	15.9%

Office of the Secretary of the Treasury
Office of Tax Analysis

June 27, 1978

Table 2

Distribution of Individual Tax Reductions Under S. 3065

(1978 Income Levels)

Expanded Income Class	Average Tax Benefit	Percentage Distribution of Tax Benefit
Less than $15,000	12¢	0.4%
$15,000-20,000	25¢	0.2
$20,000-30,000	$1	0.8
$30,000-50,000	11	4.0
$50,000-100,000	158	13.7
$100,000-200,000	783	14.2
$200,000-500,000	4,000	15.7
$500,000-1,000,000	21,540	11.3
$1,000,000 & over	145,302	39.7
Total	$ 19	100.0%

Table 3

Tax Liability on Capital Gain Income Compared to Tax Liability on All Capital Income (1978 Levels)

($ billions)

Tax liability on all capital income:	
Corporate tax liability	63.8
Individual tax liability	36.8
Total	100.6
Tax liability on capital gain income:	
Corporate	2.5
Individual	7.8
Total	10.3
Capital gain tax as a percent of total taxes on capital income	10.2%

Office of the Secretary of the Treasury
Office of Tax Analysis

June 20, 1978

Note: Total capital income consists of corporate profits, dividends, interest, rents, royalties, the portion of partnership and sole proprietorship income attributable to capital, and capital gains.

Table 4

Shares of Capital Gains and Losses by Asset Type - 1973

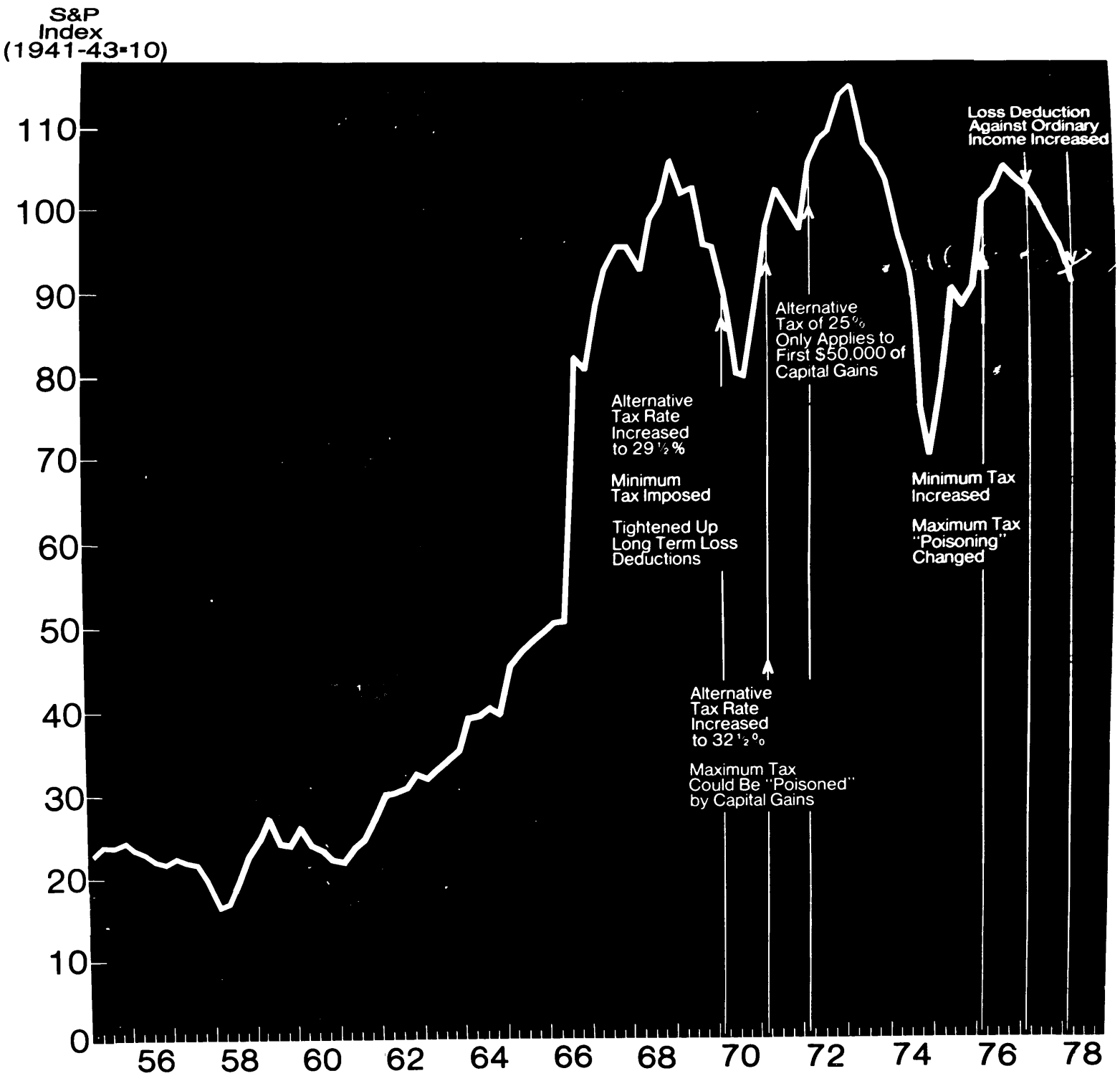
Asset Type	Gains Only	Losses Only	Gains and Losses Combined
Financial Assets (Stocks and bonds)	28.8 %	55.5 %	17.1 %
Partnership, Fiduciaries, and Small Business Corporations	8.5	7.2	9.0
Prior Year Installment Sales	9.7	*	14.0
Liquidation Distributions	2.6	0.4	3.6
Residences	10.8	0.0	15.5
Nonbusiness Real Estate	8.1	1.3	11.1
Timber	0.5	*	0.7
Retirement Plan Distribution	1.8	*	2.6
Commodities, including future	2.5	8.2	*
Involuntary Conversions	1.1	0.5	1.4
Trade or Business Assets	3.7	1.1	4.9
Business and Rental Building	3.8	0.0	5.5
Livestock	3.4	0.2	4.8
Farm Land and Property	0.7	0.3	0.8
Other Assets	14.0	25.1	9.1
TOTAL	100 %	100 %	100.0 %
Memorandum Corporate Stock Only	26.1	51.9	14.8

Office of the Secretary of the Treasury
Office of Tax Analysis
June 15, 1978

* Less than 0.05 percent

Note: Details may not add to total due to rounding.

Standard & Poor's 500 Stock Index and Capital Gains Tax Changes 1955-1978



Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE June 28, 1978

RESULTS OF AUCTION OF 15-YEAR 1-MONTH TREASURY BONDS

The Department of the Treasury has accepted $1,757 million of $4,131 million of tenders received from the public for the 15-year 1-month bonds auctioned today.

The range of accepted competitive bids was as follows:

Lowest yield	8.62% 1/
Highest yield	8.63%
Average yield	8.63%

The interest rate on the bonds will be 8-5/8%. At the 8-5/8% rate, the above yields result in the following prices.

Low-yield price	100.008
High-yield price	99.924
Average-yield price	99.924

The $1,757 million of accepted tenders includes $377 million of noncompetitive tenders and $1,380 million of competitive tenders (including 96% of the amount of bonds bid for at the high yield).

1/ Excepting 5 tenders totaling $67,000

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 29, 1978

Contact: George G. Ross
202/566-2356

TREASURY RELEASES FIRST REPORT ON U. S. CORPORATIONS IN PUERTO RICO

The Treasury Department today released its First Annual Report on the Operation and Effect of the Possessions Corporations System of Taxation. A "possessions corporation" is a U. S.-chartered company operating in Puerto Rico, American Samoa, Guam, the Panama Canal Zone or certain other U. S. possessions.

The body of the Report deals almost exclusively with Puerto Rico, which accounts for 98 percent of the combined book income of all possessions corporations. Possessions corporations since 1948 have been exempt from Puerto Rican income, property and certain other taxes. Recent revisions in the Puerto Rican tollgate tax on dividends paid to U. S. parent corporations, and in the Industrial Incentive Act, will substitute low rates of effective taxation for total tax exemption.

Until 1976, possessions corporations were also exempt from Federal income taxes under Section 931 of the Internal Revenue Code. The Tax Reform Act of 1976 put the possessions corporations under a new Section 936, which continued the exemption from Federal taxes for income earned in Puerto Rico and the other possessions, but encouraged the repatriation to the United States of dividends which could not be profitably reinvested in the possession.

Because the operation and effect of the possessions corporation tax system was not completely understood in 1976, the Congress asked the Treasury Department to begin reporting annually, not only on the system's effect on tax revenues, but also on its impact on investment and employment in Puerto Rico and the possessions. The first report covering calendar year 1976 was to be submitted to the Congress by June 30, 1978.

The primary findings of the Report are:

- The Federal tax expenditure in calendar year 1977 is estimated to be $698 million. This expenditure has grown from $255 million in 1973. In recent years, half of the tax savings have been realized by pharmaceutical companies.

- In the manufacturing industries, the Federal tax expenditure averaged $7,428 per Puerto Rican employee in 1975, which was slightly larger than the average total compensation of those employees. For pharmaceutical companies, the Federal tax saving represented $34,873 per Puerto Rican employee; for all manufacturers except pharmaceuticals, the Federal tax saving per employee averaged about $4,100.

- The measured benefit Puerto Rico receives increases if account is also taken of possessions corporations' local purchases of goods and services, and the subsequent "multiplier" effect on Puerto Rican gross national product. The benefit for Puerto Rico per dollar of Federal tax expenditure continues, however, to vary from one industry to another.

- The impact of changing from Section 931 to 936 in 1976 is difficult to separate from contemporary and subsequent changes in Puerto Rican tax laws and other economic factors. Throughout 1977, new investment in Puerto Rico and repatriation of dividends to the United States was slow, but the pace of both has picked up in 1978. Portfolios of financial investments have also been restructured; investments in Eurodollar assets have been replaced by investments in Puerto Rican and U. S. assets. The increase in Puerto Rican investments has not, however, had an apparent impact on long-term interest rates or on credit conditions in Puerto Rico.

An appendix to the Report summarizes the possessions corporation system of taxation as it relates to American Samoa, Guam and the Panama Canal Zone. In addition, an essentially similar system of taxation covered by Section 934 of the Code affecting U. S. corporations operating in the Virgin Islands is described.

Copies of the Report are available for purchase from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C., 20401. When ordering, use Stock Number 048-000-00315-0.

o 0 o

The Operation and Effect of the Possessions Corporation System of Taxation

First Annual Report

Department of the Treasury
June 1978

The Operation and Effect of the Possessions Corporation System of Taxation

First Annual Report

Department of the Treasury
June 1978

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THE SECRETARY OF THE TREASURY

WASHINGTON

JUN 29 1978

Dear Chairman Ullman:

The Report of the Committee on Ways and Means on H.R. 10612 (Public Law 94-455), The Tax Reform Act of 1976, provides that "the Treasury is to submit an annual report to the committee setting forth an analysis of the operation and effect of the possessions corporation system of taxation," and that the reports are to be submitted within 18 months following the close of the calendar year, with the first report covering calendar year 1976.

Pursuant to that provision, I hereby submit the first annual report entitled, "The Operation and Effect of the Possessions Corporation System of Taxation."

I am sending a similar letter to Senator Russell B. Long Chairman of the Committee on Finance.

Sincerely,

W Michael Blumenthal

W. Michael Blumenthal

The Honorable
Al Ullman, Chairman
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Enclosure

THE SECRETARY OF THE TREASURY

WASHINGTON

JUN 29 1978

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Sincerely,

W Michael Blumenthal

W. Michael Blumenthal

The Honorable
Russell B. Long, Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Enclosure

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CHAPTER I. INTRODUCTION AND SUMMARY

In 1975 and 1976, Congress considered a series of proposals to change Federal taxation of income from exporting and foreign investment. Having at first contemplated repeal of section 931, which exempted from Federal taxation the income of companies incorporated in the United States* but operating primarily in Puerto Rico, American Samoa, Guam, and the Panama Canal Zone, Congress instead passed a new section 936. The new section was intended to maintain tax incentives to invest in Puerto Rico and the possessions, but to encourage U.S. companies to bring money home to the United States if it could not be profitably reinvested in the local economy. Replacing section 931 with 936 was expected to reduce the Federal tax expenditure attributable to the possessions corporation system of taxation by $10 million in calendar year 1977, roughly 4 percent of the then estimated total tax expenditure of $285 million.**

The operation and effect of the possessions corporation system of taxation were not completely understood. Thus, the staff of the Joint Committee on Taxation, adopting similar language to that used in the Reports of the House Committee on Ways and Means and the Senate Committee on Finance, stated in its General Explanation of the Tax Reform Act of 1976:

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*Although Puerto Rico and the possessions are included in some definitions of the United States, for convenience of exposition the term "United States" in this Report will mean only the fifty states and the District of Columbia. The Panama Canal Zone was never a U.S. possession, but has been treated as such under the U.S. Internal Revenue Code.

**See Special Analysis F, "Tax Expenditure," in Special Analyses of the Budget of the United States Government for Fiscal Year 1977 (January, 1976), and "Estimates of Federal Tax Expenditures," Prepared for the Committee on Ways and Means and Committee on Finance by the staff of the Joint Committee on [Internal Revenue] Taxation, (March 15, 1976).

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> "It is the understanding of Congress that the Department of the Treasury is to review the operations of section 936 corporations in order to apprise Congress of the effects of the changes made by the Act. The Treasury is to submit an annual report to the Congress setting forth an analysis of the operation and effect of the possessions corporation system of taxation. Among other things, the report is to include an analysis of the revenue effects to the provision as well as the effects on investment and employment in the possessions. These reports, which are to begin with a report for calendar year 1976, are to be submitted to the Congress within 18 months following the close of each calendar year."*

The body of this First Annual Report deals almost exclusively with Puerto Rico. Various Committee reports and other Congressional documents relating to the possessions corporation system of taxation reflect Congress' primary concern with the impact on Puerto Rico, and as indicated in Table 1, Puerto Rico accounts for over 98 percent of the tax expenditure associated with section 931 or 936 of the Internal Revenue Code. Appendix A of this Report describes the system of taxation as it affects American Samoa, Guam, and the Panama Canal Zone. The tax exemption for U.S. corporations operating principally in the Virgin Islands is delimited by section 934, which was unaffected by the Tax Reform Act of 1976. Because the Virgin Islands is also a possession, and because section 934 has many features similar to those of section 931 or 936, the taxation of U.S. companies operating in the Virgin Islands is also described in Appendix A.

In Puerto Rico, the possessions corporation system builds upon and reflects the complex interaction of the tax laws of the United States and those of the Commonwealth. This Report first reviews those tax laws and then undertakes an economic analysis of their impact. The review begins with Puerto Rico's Industrial Incentive Acts, which have provided exemptions from income, property, and other taxes

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*Pages 277-8.

Table 1
Federal Tax Expenditure Estimates and Projections,
Possessions Corporation Provisions 1/
(millions of dollars)

Year	Reduction in Calendar Year Tax Liabilities: Total	Companies Operating in: Puerto Rico	Companies Operating in: All Other U.S. Possessions	Fiscal Year Receipts Foregone 2/: Total	Companies Operating in: Puerto Rico	Companies Operating in: All Other U.S. Possessions
1973	255	250	5	239 3/	234 3/	5 3/
1974	368	362	6	289	284	5
1975	440	437	3	390	385	5
1976	634	630	4	498	495	3
1977	698	693	5	663	659	4
1978	673	668	5	687	682	5
1979	741	735	6	703	698	5
1980	814	808	6	774	768	6
1981	896	889	7	850	844	6
1982	985	978	7	936	929	7
1983	1,084	1,076	8	1,029	1,022	7

Office of the Secretary of the Treasury
Office of Tax Analysis

1/ The 1973 through 1975 figures are estimates based on income data taken primarily from election forms (Form 5712). The 1976 figures are estimates based on the 1975 to 1976 growth rate of income by broad industry groups for those companies for which data for both years was available. The 1977 figures are estimates based on the 1976 to 1977 increase in manufacturing employment in Puerto Rico. Figures for 1978 and all subsequent years are projections based on an assumed 10 percent growth rate. All figures are based on the assumption that in the absence of the possessions corporation provisions, the income of possessions corporations would be subject to an effective Federal corporate tax rate of 40 percent. For companies operating in Puerto Rico, the calendar year 1973 through 1977 figures are net of estimated tax payments to Puerto Rico; the figures for 1978 and subsequent years are net of an assumed 5 percent effective Puerto Rican (corporate plus tollgate) tax rate. Note that the section 936 credit, which applies in 1976 and subsequent years, is based on tax liabilities computed without regard to such tax preferences as the investment tax credit, or with regard to Puerto Rican taxes, which are taken into account in computing the tax expenditure figures. Therefore, the actual section 936 credit claimed will exceed the tax expenditure figure for the corresponding year.

2/ Calculated on the basis of normal relationships between calendar year corporate tax liabilities and fiscal year receipts. Fiscal years through 1976 end on June 30 of the corresponding calendar year; thereafter on September 30. The transition quarter in 1976 is not shown separately. The receipts estimate for that quarter is $95 million.

3/ Reflects in part reduced calendar year 1972 tax liabilities, which are estimated to have been 10 percent lower than the estimates shown for 1973.

for corporations manufacturing in Puerto Rico, passes to section 931 of the United States Internal Revenue Code, and then describes section 936.

The Report next describes Puerto Rico's tollgate tax on dividends paid to U.S. parent corporations, a tax which was changed in 1976 in anticipation of the enactment of section 936. The discussion then moves to the reform of the Industrial Incentive Act and the further modifications of the tollgate tax passed and signed into Puerto Rican law in June 1978. Finally, section 482 of the U.S. Internal Revenue Code, which guides the allocation of income and deductions between related entities is reviewed. Although section 482 has broader application than the possessions context, it is critical to the possessions corporation system of taxation.

These Federal and Commonwealth tax provisions must be assessed against the backdrop of Puerto Rico's economic development. The economic growth of the Commonwealth from the late 1940's to the early 1970's has been termed an "economic miracle." Even after adjusting for price inflation, Puerto Rican income per capita grew at an average rate of 5 percent per annum. In the 1970's, however, real income per capita began to decline as the economy remained in a long recession, and many Puerto Ricans returned from the United States. The rate of unemployment, which had declined steadily through the 1960's to just over 10 percent of the measured labor force, went up to more than 20 percent in 1976 and 1977. And, were it not for the substantial increase in net Federal transfer payments to Puerto Rican individuals and Federal grants to Puerto Rican governments, the Puerto Rican recession of 1973-77 might have been much deeper. In late 1977 and the first half of 1978, the Puerto Rican economy has begun to recover; by April 1978 the unemployment rate had been reduced to 16.5 percent, its lowest rate since May 1975.

The reasons for Puerto Rico's extended recession are many. The U.S. economy, to which Puerto Rican industry is closely linked, underwent a milder recession in 1973-74, and has not grown rapidly since. The Puerto Rican petrochemical industry suffered from the sharp increase in the price of foreign oil in 1973-74 and the consequent suspension of Federal oil import quotas. The construction industry has been hard hit by higher construction and interest costs and

the sharp decline in demand for new condominiums. The traditional Puerto Rican industries, such as textiles, apparel and shoes, have had to compete with the sharp increase in U.S. imports of these goods from low-wage foreign countries.

The increasing competitiveness of foreign exports to the United States has accelerated a change in the industrial composition of U.S. companies operating in Puerto Rico. At least prior to the recent effective dates of the Orderly Marketing Agreements limiting shoe exports from South Korea and Taiwan, and the Multifiber Arrangements limiting textile and apparel exports from eighteen developing countries, companies manufacturing such products in Puerto Rico were reluctant to keep existing plants open, much less to construct new ones.

Because Congress in 1976 emphasized its desire to continue assisting Puerto Rico in obtaining employment-producing investments, the Treasury has matched income tax return information with employment and payroll information for individual possessions corporations. For all manufacturing industries, the Federal tax expenditure per Puerto Rican employee averaged $7,428 in 1975, which was slightly larger than the average compensation (wages or salary plus other benefits), $7,300, of possessions corporations' employees. Tax expenditure per employee or as a percentage of total employee compensation varies substantially from industry to industry. For pharmaceutical companies the tax expenditure represents almost $35,000 per employee, or approximately three and a half times the total compensation of the comparatively well paid pharmaceutical employees. At the low end of the spectrum were many of the traditional labor-intensive industries where the Federal tax expenditure usually averaged less than $3,000 per employee. For all manufacturers other than pharmaceuticals, the tax expenditure averaged about $4,100, which was 50-60 percent of those employees' average compensation.

In addition to the employment and payroll directly attributable to possessions corporations, Puerto Rico receives indirect benefits from this system of taxation. Manufacturing requires raw materials, intermediate goods, and services, a portion of which are supplied by the local economy. New investment in plant and equipment creates jobs

in the construction and capital equipment industries. Workers in all industries spend their salaries on goods and services, which has a "multiplier" effect on the Puerto Rican economy. Including the estimated value of these "backward linkages" and multiplier effects significantly increases (and arguably overstates) the measure of the total benefit Puerto Rico receives from the possessions corporation system of taxation. Because all industries exhibit backward linkages and have a multiplier impact on the local economy, the ratio of this broader measure of Puerto Rican benefits to Federal tax expenditure varies from industry to industry, much as the narrower measures do.

The impact of changing from section 931 to 936 is difficult to separate from the effects of changes in the Puerto Rican tollgate tax, which became effective on the same date, and from other contemporary events. The rate of new investment and of dividend payments was very slow throughout 1977. In early 1978, the Puerto Rican government approved a number of new applications for tax exemption, many of which may have been either delayed during 1977 or accelerated by the anticipated announcement of the new Industrial Incentive Act. Dividend payments have also accelerated in 1978; as of early June, more than $1.4 billion in dividends have been declared, giving rise to $48 million in Puerto Rican tollgate taxes. Several changes in 1977 in the tollgate tax rules (especially the exemption for dividends paid out of non-Puerto Rican income) reduced the effective rate from the statutory 10 percent to less than 5 percent.

Because section 936 benefits are not available for income earned outside the possession where the corporation has a trade or business, but do apply to "qualified possessions source investment income," possessions corporations have had to restructure their substantial portfolios of financial assets. Eurodollar deposits have been replaced by substantial investments in Puerto Rican banks, Puerto Rican mortgages guaranteed by the Federal Government National Mortgage Association (GNMA), loans to other 936 companies, tax-exempt bonds (including Puerto Rican) and the preferred shares of U.S. corporations. To date, the special provision for "qualified possessions source investment income" does not appear to have had a material impact on long-term interest rates or credit conditions for the average Puerto Rican borrower.

The June 1978 changes in the Puerto Rican Industrial Incentive Act and the tollgate tax are complex and will not become fully effective until 1979. Preliminary analysis suggests, however, that the combined efffective rate of income and tollgate taxation may be approximately 5 percent. If so, and if the level and composition of investment by possessions corporations and other aspects of their behavior are not materially affected by this tax increase, the Federal tax expenditure will be reduced in 1978 and the near future by one eighth (because the Federal taxes foregone will represent 35 percent, rather than the currently estimated 40 percent, of pretax income).

CHAPTER II. PUERTO RICAN AND FEDERAL INCOME TAX LAW -- PAST AND PRESENT

A. Industrial Tax Exemption in Puerto Rico

The modern history of industrial tax exemption in Puerto Rico begins in 1948. Prior to that year, Puerto Rican development strategy stressed government ownership and operation of key industries, such as cement, glass, paperboard, and shoes. When the financial requirements of such a program were recognized, Puerto Rico shifted the emphasis to private enterprise. Tax exemption became the keystone of an industrial incentive program that also included providing plants at low rent, cash grants to cover start-up costs, and low interest loans. The Industrial Incentive Act of 1948 offered qualified firms an exemption from income, property, and municipal taxes, while the excise tax act exempted raw materials, machinery, and equipment used in manufacturing for export or sold to other manufacturers in Puerto Rico.

Originally, it was contemplated that the period of total exemption would end in 1959, with the exemption rate falling to 75 percent, 50 percent, and 25 percent in 1959, 1960, and 1961, respectively. All exemptions were to end in 1962. Tax exemption was restricted to items not produced on a commercial scale in Puerto Rico prior to 1948 and to certain other specified items, such as wearing apparel and processed food products. The 1948 legislation also provided for exemption from Puerto Rican taxes for a distribution of dividends to a parent outside Puerto Rico if the parent was unable to claim a foreign tax credit for the withholding tax. Finally, liquidation of an exempt company would be tax free, provided that the liquidating company was at least 80 percent owned by its parent.

Many firms established plants in Puerto Rico in the early 1950's in response to these incentives. Textiles were the fastest growing industry, but shoes and other leather goods, and assembly of mechanical, electrical and electronic devices were also important. After a few years, however, a tax exemption with a 1959-1961 phaseout became less attractive, and, in 1954 the Industrial Incentive Act was amended.

The 1954 Act provided for a ten-year exemption for new applicants. Because an established firm could lose its exemption, but a new applicant could qualify for a ten-year exemption, the 1954 Act sought to limit the ability of an old firm to obtain a new grant. If a firm received a new grant of exemption for a product produced under an old grant, the new grant would be terminated if the level of output in the predecessor operation was reduced. In addition, plant, equipment, and other property that had been used in the production of an exempted product could not be used by another enterprise to produce a similar exempt product. Both prohibitions were subsequently weakened, and the Governor had the power to waive them if he deemed it to be in the public interest.

As the 1950's drew to a close and some of the original grantees approached the end of their exemption periods, pressure for further revisions in the Industrial Incentive Act began building. An expanded Industrial Incentive Act was adopted in 1963, offering exemptions for periods of 10, 12, 15, 17, or 25 years, depending on the degree of economic development of the zone in which the plant was located. In addition, a partial exemption for up to twice the length of the original grant could be elected. A company could postpone the start of the exemption period for two years and 90 days after its first payroll, which permitted it to save the exemption for profitable years, rather than wasting it during the period of start-up losses.

In the early 1970's, Puerto Rico redefined the tax-exemption zones and lengthened some exemption periods (exemptions of 10, 15, 25, or 30 years became available). An amendment was introduced classifying passive income from certain financial investments in Puerto Rico as "industrial development income," benefitting from the same tax exemption as trade or business income. This provision sought to encourage the possessions corporations to invest a larger portion of their earnings in Puerto Rico.

B. Section 931 of the U.S. Internal Revenue Code

The essential elements of section 931 of the Internal Revenue Code of 1954 became part of U.S. law as section 262 of the Revenue Act of 1921. Proponents of this legislation had sought exemption for any U.S. corporation deriving at

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least 80 percent of its income from foreign sources. They stressed the competitive disadvantage of American firms in comparison to their British rivals. English law deferred taxation on foreign income until it was remitted to England, while the United States taxed the foreign income of U.S. corporations as it was earned.* The proponents settled ultimately for an exemption for firms deriving income from U.S. possessions.

The reduction in the coverage of this legislation, from the whole world to the U.S. possessions, is not as astonishing as it might seem. The demand for exemption came primarily from a group of U.S. firms then operating in the Philippines (a U.S. possession in 1921). They argued that tax exemption would encourage export trade to the Far East from the U.S. base in the Philippines, while at the same time reducing the incentive for the U.S. firms operating there to reincorporate outside the United States. Little attention was paid to the effect of this law on the Philippine economy; Puerto Rico was virtually ignored in the public debate.

Under the terms of section 931 (as subsequently amended) a U.S. corporation deriving at least 80 percent of its gross income from sources within a U.S. possession (currently Puerto Rico, American Samoa, Guam, the Panama Canal Zone, and certain other areas) and at least 50 percent of its gross income from the active conduct of a trade or business therein could exclude from its gross income for Federal tax purposes all foreign-source income except that received within the United States. The corporation had to meet the 80 percent and 50 percent tests for the current and preceding two taxable years (or less if it was just initiating operations). Corporations that satisfied these requirements came to be called "possessions corporations," "931 corporations," or sometimes simply "931's". Such corporations were usually organized as subsidiaries of U.S. parent companies in order to assure that 80 percent of gross income had its source in one or more possessions.

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*At the time, U.S. companies generally preferred not to incorporate subsidiaries under foreign laws; foreign operations were initially conducted through either a branch of the U.S. parent or a U.S.-chartered subsidiary.

A 931 corporation would often operate at a loss for the first year or two. (Even an older corporation that had been profitable could suffer a loss from time to time.) In 1971, the Tax Court ruled that a company was not "receiving the benefits" of section 931 in a year in which it lost money, so it could join its parent and other affiliated corporations in filing a consolidated return for such a year. The owner of a 931 thus avoided taxes in profitable years but was able to offset any loss against other, taxable income in unprofitable years.

A 931 corporation usually avoided earning or receiving any taxable income within the U.S. and, thus, was wholly exempt from federal taxation on its earnings. In the majority of cases the 931's were engaged in manufacturing activity that qualified them for exemption from Puerto Rican taxes as well. Thus, for the period of the Puerto Rican exemption (10 to 30 years) the 931 had a tax holiday.

In the United States, however, the parent corporation could not claim a dividends-received deduction for dividends from a 931, so the dividend would be taxable upon receipt by the parent. To avoid payment of this tax, the typical 931 accumulated its earnings, investing them (tax free) in the Eurodollar market. (Because the income was not taxable as earned, the company was not subject to the Federal accumulated earnings tax.) After a number of years (usually at the end of its period of Puerto Rican tax exemption) the 931 would be liquidated into its parent. If it was at least 80 percent owned by a U.S. corporation (as was generally the case), the liquidation was free of any federal income tax. So, although the parent had to wait for the liquidation to receive the accumulated earnings, those earnings would be free of either Puerto Rican or Federal income taxes.

C. Section 936 of the U.S. Internal Revenue Code

The Tax Reform Act of 1976 removed possessions corporations from section 931 and placed them in a newly created section 936. The primary differences between sections 931 and 936 are:

1. The method of effecting the exemption changed: instead of excluding income, section 936 provides a credit to offset any U.S. tax on income from the active conduct of a trade or business in a possession, or on "qualified possessions source investment income" (interest, dividends, and other types of passive income earned on funds invested for use in a possession in which a trade or business is actively conducted). Because the section 936 credit offsets the U.S. tax liability on this income, a 936 corporation cannot also claim a foreign tax credit for taxes actually paid with respect to such income. A foreign tax credit offsets U.S. taxes only on income ineligible for the section 936 credit.

2. The dividends-received deduction can be claimed, so the parent pays no tax on dividends received from a wholly owned 936 subsidiary. This is true not only for dividends paid out of current earnings, but also for dividends from earnings presumably accumulated while the subsidiary qualified under section 931. Because the parent is entitled to the dividends-received deduction, it cannot claim a foreign tax credit for a withholding tax on the dividend.

3. The subsidiary must elect the benefits of section 936, and that election is irrevocable for 10 years. During this period it cannot join with its parent in filing a consolidated return, although it can delay electing 936 status until profitable years begin.

Although most observers in 1976 appeared to believe that section 936 would make investing in Puerto Rico more attractive than it had been under section 931, the change had negative, as well as positive, components. On the one hand, section 936 does not allow possessions corporations to avoid Federal taxes on Eurodollar and other foreign income, as section 931 had. On the other hand, a primary obstacle

to paying dividends (and, thus, an inducement to accumulate earnings) was removed by allowing the parent a dividends received deduction.*

In explaining its motives, Congress cited its desire to leave undisturbed the tax exemption of earnings from a trade or business in Puerto Rico or from investments made with those earnings for use in Puerto Rico. At the same time, Congress desired to end the exemption for passive income from funds invested in foreign capital markets and to hasten their repatriation. Congress stated that it wanted to "assist the U.S. possessions in obtaining employment-producing investments by U.S. corporations, while at the same time encouraging those corporations to bring back to the United States the earnings from these investments to the extent they cannot be reinvested productively in the possession."**

D. The Puerto Rican Tollgate Tax and the New Industrial Incentive Act

Prior to October 1, 1976, the Puerto Rican government imposed a 15 percent tollgate tax on dividends paid out of Puerto Rican income from hotels, manufacturing and shipping to any corporation without significant business of its own in Puerto Rico, but only if that nonresident parent corporation could claim a foreign tax credit for the tollgate tax. In the United States a foreign tax credit was available until 1976, but because dividends were rarely paid, the tollgate tax was rarely applicable, and the foreign tax credit little used. Anticipating the passage of section 936 and the other Federal provisions relating to

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*The dividends-received deduction eliminates the need to liquidate a possessions corporation to repatriate earnings free of Federal taxes; in the past liquidation was often accompanied by an actual cessation of operations and discharge of workers. The provisions of Puerto Rican law which lead to this regretable practice were ameliorated, but not wholly eliminated, in the recent (June 1978) reforms of the Industrial Incentive Act.

**Report of the Committee on Ways and Means, U.S. House of Representatives, on H.R. 10612, Report No. 94-658, November 12, 1975, pg. 255; and Report of the Committee on Finance, United States Senate, on H.R. 10612, Report No. 94-938, June 10, 1976, pg. 279.

possessions corporations, the Puerto Ricans in 1976 modified their tollgate tax in two important ways. The rate was reduced from 15 to 10 percent, and the tax became applicable to U.S. shareholders, even though they were denied a foreign tax credit. The two changes taken together had the effect of subjecting dividends paid to nonresident U.S. parent corporations to a 10 percent Puerto Rican tax.* Although the tax rate seemed low, the potential source of dividends included not only new income earned under section 936, but also earnings accumulated under section 931.

Although the 10 percent tollgate rate instituted in 1976 remains, the effective rate has been subsequently reduced by a series of amendments and rulings. In summary:

1. Dividends paid out of accumulated "931" industrial development income (i.e., income earned prior to October 1, 1976) are subject to a tollgate tax of 7 percent, rather than 10 percent, if no more than 25 percent of the balance at the beginning of the year is paid out and a matching 25 percent is invested in designated Puerto Rican assets in that year. Designated Puerto Rican assets include working capital, deposits in Puerto Rican banks, Puerto Rican government bonds, mortgages insured by the Puerto Rican Housing Bank and Finance Agency, and loans or other

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*The 10 percent tollgate tax does not apply to a resident parent corporation (e.g., a U.S. manufacturer which wholesales and retails its products in Puerto Rico). Dividend payments to such a corporation would, however, initially be subject to the regular Puerto Rican income tax, which has a maximum statutory rate of 45 percent. The 85 percent dividends-received deduction in Puerto Rico would, however, reduce the effective rate on dividends from a possessions corporation to such a resident parent corporation to no more than 6.75 percent (45 percent of 15 percent). Thus, a U.S. parent corporation resident in Puerto Rico is taxable in Puerto Rico on its dividend income from a possessions corporation, but the effective rate of taxation is less than the 10 percent tollgate tax applicable to dividends paid to nonresident U.S. parent corporations.

guaranteed mortgage bonds executed by any government pension or retirement plan. Thus, part of the accumulated earnings may be brought home subject to a reduced tollgate tax rate if a matching amount from such earnings is invested in designated assets.

2. Dividends paid out of accumulated "936" industrial development income (i.e., earned subsequent to October 1, 1976) are subject to a tollgate tax of 7 percent, rather than 10 percent, if no more than 75 percent of such income is paid out and if at least 25 percent of such income is reinvested in the designated Puerto Rican assets for a period of at least 8 years.

3. Dividends paid out of income from interest on the designated Puerto Rican assets are exempt from the tollgate tax.

4. A credit equal to 3 percent of new investment (made subsequent to the later of March 31, 1977 or the second year of tax exemption) in buildings and other structures used in manufacturing is allowed against the tollgate tax.

In December 1977, the Puerto Rican Treasury issued regulations clarifying the exemption paid out of non-Puerto Rican income earned outside Puerto Rico (e.g., Eurodollar investments). As long as a company has both undistributed earnings from Puerto Rico and earnings from foreign sources, a dividend is deemed to consist of 50 percent exempt foreign-source income. That is to say, the tollgate tax in these instances equals 5 percent of the total dividend.

In March 1978, Governor Romero Barcelo made his long awaited proposals for restructuring the Industrial Incentive Act; after debate and minor revisions, the Puerto Rican legislature enacted the Governor's program on June 2, 1978. The primary features of the new legislation are:

1. New grants will exempt from taxation only a declining fraction of income; that fraction is 90 percent in the first five years, 75 percent in the sixth through tenth years, 65 percent in the eleventh to fifteenth years, and 55 percent the sixteenth to the

twentieth years. The first $100,000 of real property will be exempt from property tax, and the remainder will be exempt in the same proportion as income is.

When the original grant expires, the company may apply for a ten year extension. If the extension is granted, 50 percent of income may be excluded for the first five years; for the second five years, between 35 percent and 50 percent may be excluded, the exact percentage depending on the location of the investment in Puerto Rico.

2. Companies earning less than $500,000 may also exclude the first $100,000 of income from taxation; companies earning more than $500,000 have no such exemption (the exemption applies to the entire controlled corporate group). Corporations ineligible for, or not claiming, the $100,000 exemption may, however, deduct an amount equal to 5 percent of production-worker payroll costs. This extra payroll deduction cannot exceed 50 percent of otherwise taxable income.

3. The regular tollgate tax will be reduced to 5 percent for funds reinvested in designated Puerto Rican assets and withdrawn according to the following schedule: 10 percent may be withdrawn annually for five years, and the remaining 50 percent may be withdrawn at the end of the five years. The list of designated assets was expanded to include investment of earnings in the company's own business or in paying off its own debt.

4. Upon liquidation, a 4 percent tollgate tax will apply to accumulated Puerto Rican income. In the past, accumulated Puerto Rican income was exempt from the tollgate tax if distributed upon liquidation of the company.

5. Export-oriented service industries (architectural, insurance, engineering, management consulting firms, etc.), which had been fully taxable under prior law, will be able to exempt 50 percent of their export-service income, providing that 80 percent of their employees are residents of Puerto Rico and 80

percent of the cost of the services was incurred in Puerto Rico.

The new law also contains provisions permitting currently tax-exempt corporations to elect to move to a partially exempt status. The election, which may apply to either the current or the coming fiscal year, must be made when the corporation files its Puerto Rican income tax return for the fiscal year which includes December 31, 1978. Thus a possessions corporation whose fiscal year corresponds to the calendar year could elect in April 1979 (the usual filing date) to become partially taxable for either 1978 or 1979. If 1979 is elected, then the first return indicating taxes actually due would be filed in April 1980.

The election is subject to the following provisions:

1. During the years remaining until the end of the existing grant, the following percentages of income will be exempt from tax:

Years Left on Original Grant	Exemption Percentages	Maximum Effective Tax Rate (percent)
0-4 years	73.3	12.0
5-8 years	77.7	10.0
9-12 years	85.5	6.5
13-16 years	90.0	4.5
17-20 years	91.0	4.0
More than 20 years	93.3	3.0

After the period of original exemption has expired, the companies electing this option are automatically entitled to operate partially exempt from taxation for ten more years. During the first five of those ten years, 50 percent of income will be exempt; during the second five years, between 35 percent and 50 percent (depending on the location of the investment) of total income will be exempt.

2. Companies with six or more years remaining on their current tax exemption may make an alternative

election. They may exclude 90 percent of their income from taxation and credit two thirds of their net income taxes paid against the post-conversion tollgate tax imposed on dividends paid from current earnings. Companies electing this second option may apply for a ten-year extension when the current grant expires, but the extension is not automatic.

3. For all companies, 50 percent of all tollgate taxes paid on distributions of income earned before converting to partial exemption are creditable against the post-conversion income tax liability. Dividends will also benefit from special reductions in the tollgate tax. Accumulated earnings will be subject to a 4 percent tollgate providing that pre-1973 earnings are paid out over a two-year interval, and that 1973-1977 earnings are paid out over a five-year interval (no more than 10 percent can be paid out in each of the five years, and the balance at the end). Income earned in 1978 or thereafter will be subject to a reduced 5 percent tollgate, providing each year's income is paid out according to the five-year schedule just described. All earnings whose distribution is deferred to benefit from a reduced tollgate tax rate must be invested in designated Puerto Rican assets, in plant and equipment to be used in Puerto Rican industrial development, or in retiring the principal of the company's debt.

4. Finally, textile, apparel and shoe producers whose exemption grants expire within the next five years are automatically entitled to a 90 percent tax exemption for an additional five years.

The probable effects of these changes are analyzed below.

E. Allocation of Income and Deductions

Under section 482 of the Internal Revenue Code, the Internal Revenue Service may reallocate income, deductions or credits among two or more corporations under common ownership so as to prevent evasion of taxes. Nowhere has the application of section 482 been more controversial than to transactions between a U.S. parent and its possessions corporation.

Section 482 cases involving possessions corporations first surfaced in the 1950's. In determining what percentage of a subsidiary's income came from a possession rather than the United States, the Internal Revenue Service had initially ruled that exports from the subsidiary to the parent could be priced so as to attribute to the parent only the profit margin normally earned by an independent distributor. In some, but not all, cases, the Service subsequently clarified its initial ruling to indicate that it applied only to the 50 percent and 80 percent tests of eligibility for section 931 benefits. Some other income allocation rule would be used under section 482 to determine the tax liability of the parent.

In August, 1959, Governor Munoz Marin of Puerto Rico formally protested to the Secretary of the U.S. Treasury that Puerto Rico was not a tax haven, but that the Internal Revenue Service's 482 position was hurting Puerto Rico's ability to attract U.S. investment. Furthermore, because a few 931 subsidiaries of U.S. parents never had a Puerto Rican tax exemption, and because many exemptions would expire in the future, section 482 cases might diminish Puerto Rican tax collections. Although the Federal government never accepted the Governor's proposal that a Federal-Commonwealth unit (analogous to the competent authority procedures incorporated into many bilateral tax treaties) be established for resolving transfer-pricing disputes, pending section 482 cases were suspended from 1961 to 1963 while the Internal Revenue Service reviewed its transfer pricing standards.

In the early 1960's the Treasury and Internal Revenue Service were increasingly aware of transfer-pricing problems in taxing foreign income, and Puerto Rico presented an acute case of a more general problem. Although the new rules set forth by the Service in early 1963 were applicable only to transactions between possessions corporations and their U.S. parent, the 1963 rules became the foundation for the generally applicable section 482 regulations issued five years later.

The 1963 guidelines noted four situations where an improper shifting of profits might occur and a section 482 adjustment would be appropriate.

1. When the 931 subsidiary overcharged its parent for exports.

2. When the 931 subsidiary sold to an independent third party, but derived a benefit from some intangible asset belonging to the parent (e.g., a patent or trademark) without paying an appropriate fee or royalty to its parent.

3. When the parent undercharged its subsidiary for raw materials or component parts furnished by the parent.

4. When the parent incurred a direct expense on behalf of its subsidiary without charging it back to the subsidiary.

In determining appropriate transfer prices, the general standard was always to be the arm's-length price, that which would have applied to a comparable transaction between unrelated parties. In any given instance, the specific methods for applying the general standard were ranked as follows:

1. Directly Applicable Independent Prices. In some instances, the subsidiary or the parent may sell the same product to, or buy the same product from, independent parties. If so, the price used in these transactions should also be used for the inter-affiliate transactions.

2. Independent Prices for Similar Products. Even though the parent and the subsidiary deal exclusively with one another, the same or similar product may be bought and sold by others at an identifiable price. This price should be used only if the first method cannot be applied.

3. Other Methods. If the two prior methods availed nothing, then the parent should establish how much the product would have cost if purchased from an independent U.S. manufacturer. This price would include all relevant U.S. costs of production plus a reasonable profit margin.

Under this last method, if a product could be manufactured in Puerto Rico and shipped to the United States more cheaply than it could be manufactured in the United States (for example, because Puerto Rican labor is usually cheaper than mainland labor), the additional profit from manufacturing in Puerto Rico would be allocable to the subsidiary. If the opposite were the case (for example, because transport costs were higher), the Puerto Rican subsidiary would earn less than a U.S. manufacturer would.

The most difficult and contentious cases, the 1963 ruling noted, typically involve intangible property: patents, trademarks, brand names, access to established marketing and distribution channels, and goodwill with customers. For example, in the pharmaceutical industry, manufacturing and distribution costs are a small fraction of the selling price. The large profit margins reflect a return on valuable intangibles, such as a patent on the product. The value of a patent may, in turn, reflect substantial outlays for past research and development. If R&D is to be economical, the ultimate profits must cover not only the cost of the projects yielding commercial products but the "losers" as well. Regardless of whether current profits represent a low, reasonable or high return on past R&D, the tax saving of assigning those profits to a tax-exempt subsidiary can be substantial.

Because the total profit margin (i.e., that on manufacturing and distribution) often includes an implicit return on patents, trademarks, goodwill, etc., appropriate transfer prices can be established only by first determining whether the mainland parent or the 931 affiliate owns the intangibles. In some instances, an intangible asset could not possibly be owned by the affiliate (for example, goodwill with customers based on the parent's own marketing and distribution effort). In others, the intangible could have been transferred (for example, exclusive patent rights), but for one reason or another was not, so the parent, not the subsidiary, was still entitled to the return on it. Only if the intangible property truly belongs to the subsidiary could the transfer price appropriately allocate the return on the intangible to the subsidiary.

These 1963 guidelines did not fully satisfy the companies and the Puerto Rican government. The companies

had not engaged in careful tax planning in the past and had not taken care to transfer ownership of relevant intangibles to the subsidiaries. The Internal Revenue Service's guidelines would have resulted, in many cases, in substantial reallocations of income to the parent. An Internal Revenue Service Manual Supplement implementing the 1963 guidelines was held in abeyance from 1965 to 1968, and section 482 cases involving possessions corporations were again suspended. Finally, in 1968, comprehensive regulations implementing section 482 were issued, as was a revenue procedure allowing companies to follow the 1963 revenue procedure instead of the 1968 regulations (with respect to Puerto Rican transactions only) if the results were more favorable. Although at least one major case dating back to the 1950's remains unresolved twenty years later, the logjam of unresolved cases was really broken in 1968.

Section 482 has, however, remained a problem. The 1963 revenue procedure did not necessarily preclude parents from allocating substantial income to their possessions corporations, but did force the companies to lay a careful legal foundation for those allocations. After 1963, the creation of the subsidiary was usually accompanied by the execution of legal documents irrevocably assigning exclusive patent and other rights to the newborn company.

Seeing that the 1963 revenue procedure and the 1968 regulations did not materially reduce profit shifting, the Internal Revenue Service has brought a case against Eli Lilly involving a possessions corporation established to manufacture Darvon. Because Eli Lilly executed the legal documents purporting to effect the transfer of intangibles, the argument that the Service has traditionally used in such cases, that the parent and not the subsidiary is entitled to the return on the intangible, will be much more difficult to make. The Service must either argue that the original transfer of the patent was a sham and can be disregarded or find a new legal basis for denying the company the tax benefits it has claimed.

Concerned by the transfer-pricing disputes, the current Governor of Puerto Rico, Carlos Romero Barcelo, has recently written the Secretary of the U.S. Treasury to protest that the Internal Revenue Service's practices are inhibiting Puerto Rico's ability to attract new investments through its

tax exemption program. Furthermore, because some companies do not have a complete exemption, and because all are subject to the tollgate tax, the Governor maintains that the Internal Revenue Service's position could erode the Puerto Rican tax base. The Governor urges that the Treasury review the Service's practices and reaffirm its 1963 guidelines.

In summary, then, the allocation of income between a U.S. parent and its tax-exempt possessions corporation has been a source of contention for the last twenty years. Because the income in question has usually been exempt from Puerto Rican taxation, the threat of double taxation has until recently been remote. Successive Puerto Rican Administrations have argued, however, that the Service's proposed reallocations would seriously jeopardize the Puerto Rican industrial development program. With the recent changes in the Industrial Incentive Act and the tollgate tax, the potential for double taxation will become more immediate.

CHAPTER III. ECONOMIC IMPACT

A. Puerto Rican Economic Development

Although a full review of Puerto Rican economic development since 1947, the year of the initial Industrial Incentive Act, is beyond the scope of this study, a summary is useful in placing the possessions corporation system of taxation in perspective. Puerto Rico's economic growth after 1947 has often been called an "economic miracle." Figure I traces the growth in Puerto Rican gross national product in dollar and per capita terms (adjusted for price inflation) from 1947 to 1977.*

The population statistics used in determining national product per capita reflect not only birth and death rates, but also net migration from Puerto Rico (in recent years, more Puerto Ricans have returned to Puerto Rico than have moved to the mainland). Between 1947 and 1972, Puerto Rican total and per capita GNP grew at average annual growth rates of better than 6 percent and just under 5 percent, respectively. By any historical or international yardstick, this was a remarkable performance.**

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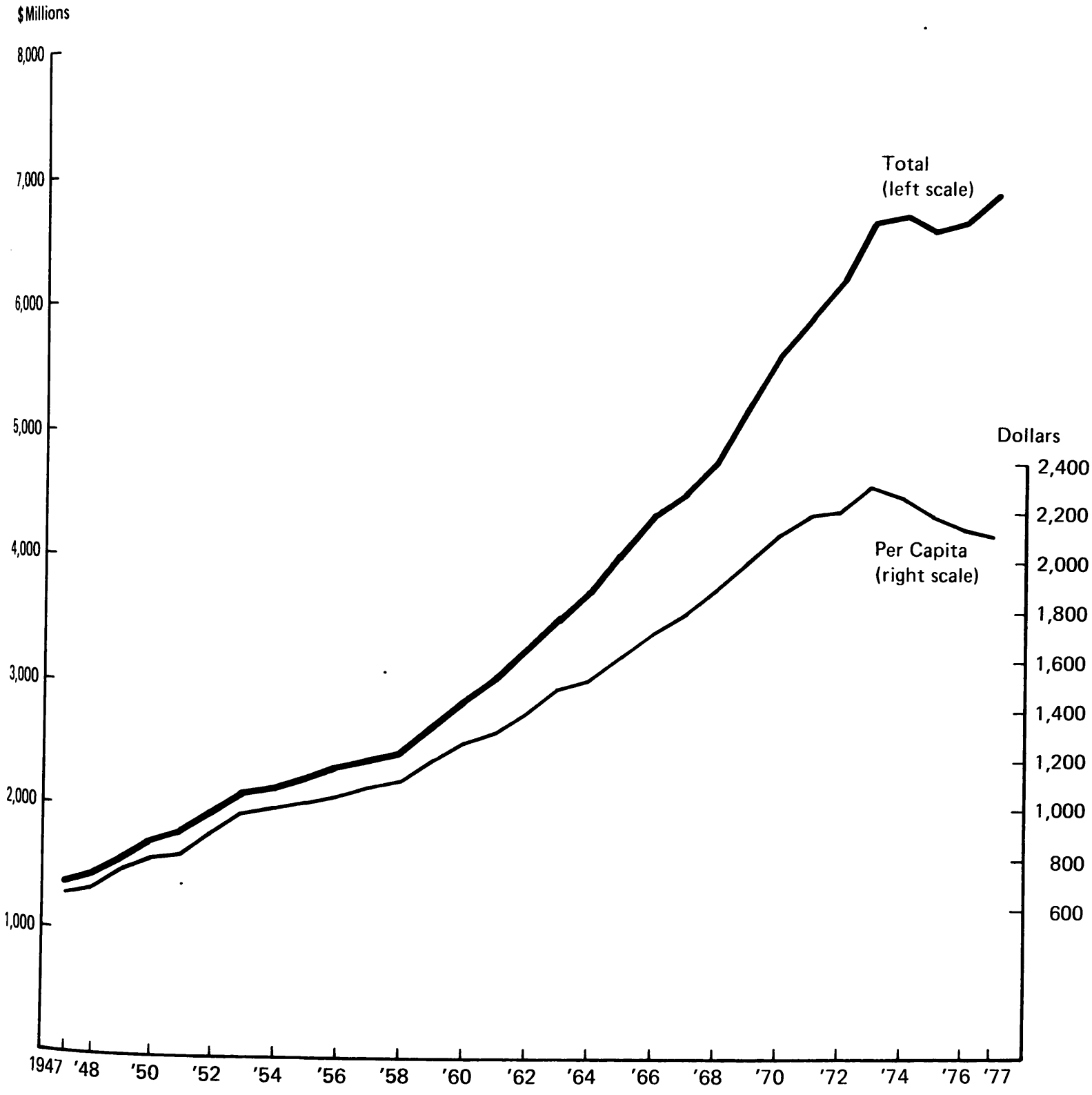
*In interpreting these and other statistics on Puerto Rico, the reader should be aware of the distinction between gross national product and gross domestic product. Gross domestic product equals gross national product plus Puerto Rican income earned by foreign residents, such as possessions corporations, less income earned by Puerto Rican residents from foreign sources (the primary example being wages paid to Puerto Rican employees of the Federal Government). Gross domestic product is a measure of the total value of all goods and services produced in Puerto Rico in a particular year, whereas gross national product is a measure of the value of the production and income earned by residents of Puerto Rico. Largely because of the growth of high-profit possessions corporations, the ratio of gross national product to gross domestic product has declined from 99 percent in 1960 to 90 percent in 1972 and to 81 percent in 1977.

**Over this same quarter century, real GNP in the United States grew at an annual rate of 3.7 percent, and GNP per capita at a rate of 2.2 percent.

FIGURE I

Total and Per Capita Gross National Product of Puerto Rico, 1947-1977 (Constant 1974 Dollars)



Source: Puerto Rico Planning Board

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Explanations for this success are many. In the late 1940's and 1950's, Puerto Rican labor was very cheap by U.S. standards: per capita incomes were low, unemployment and underemployment were high, and federal minimum wage standards did not fully apply. U.S. manufacturers found Puerto Rico attractive compared to low-wage foreign countries. Puerto Rico was inside the U.S. tariff wall and offered a more stable political and economic climate than countries in Latin America or the Far East. Puerto Rico's tax exemption was important not only in boosting U.S. investors' profits, but also in symbolizing the less tangible, but equally important, differences between Puerto Rico and developing countries.

Several studies have concluded that tax exemption has been crucial in inducing firms to locate one or more of their operations in Puerto Rico during the past 30 years. Company surveys conclude repeatedly that the attraction of "100 percent tax exemption" was the leading factor in most firms' decision to locate in Puerto Rico. Such findings can be overstated, for some firms now operating under an exemption probably would have been operating even without one. Nevertheless, while it would be difficult to determine how much manufacturing investment would have gone into Puerto Rico had a tax exemption not been available, the level and composition of Puerto Rican manufacturing investment surely reflects three decades of tax exemption.

Puerto Rico's remarkable economic growth decelerated sharply in the 1970's. As one can see in Figure I, real GNP slowed its growth in 1974, declined in 1975, remained more or less stagnant in 1976, before increasing in 1977. Because of the influx of native Puerto Ricans returning from the United States, Puerto Rican GNP per capita declined steadily from 1973 to 1977. The traditionally high rate of unemployment in Puerto Rico, which had been gradually reduced to just over 10 percent in the late 1960's, started edging up in the early 1970's, and went to 21.5 percent in April 1977. As explained more fully below, the Puerto Rican economy began a recovery in late 1977 and early 1978, and in April 1978, the unemployment rate was back down to 16.5 percent.

The prolonged recession in the Puerto Rican economy would have been deeper had it not been for offsetting expenditures by the Federal and Commonwealth governments. Total Federal transfers to Puerto Rico increased almost tenfold beween 1968 and 1977 -- see Table 2. By 1977, net Federal transfers directly to individuals (the bonus value of food stamps, net social security and medicare payments, veterans benefits, etc.) of $1.2 billion represented 15 percent of personal income, which was two and a half times the 6 percent average for the United States. Net Federal transfers to individuals plus grants to Puerto Rican governments represented 25 percent of Puerto Rican GNP in 1977, also two and a half times the 10 percent U.S. average.

The efforts of the Commonwealth government to cushion the recession on the Puerto Rican economy are reflected in Figure II. Total spending by the Puerto Rican government plus investment by public enterprises went from $1.5 billion in 1970 to $2.8 billion in 1974, a 90 percent increase in four years. (In recent years the Puerto Rican government has taken over the telephone company, the sugar industry, and other private enterprises, and investment spending by public enterprise has become an instrument of public finance.) Until 1968, total public sector borrowing never exceeded $100 million per year; by 1975, new public sector borrowing exceeded $600 million. Higher interest costs forced the former and the current Administrations to cut back on their rate of net new borrowing. By 1977, new borrowing was down to $300 million, and the premium Puerto Rico has paid to market its bonds has been pared.

The reasons for the prolonged recession of the Puerto Rican economy are many. First and most obviously, the Puerto Rican economy is closely tied to the U.S. economy. Roughly 45 percent of Puerto Rican gross domestic product is exported to the United States, so recessions in the U.S. economy, such as those in 1969-1971 and 1974-75, are transmitted to Puerto Rico. Puerto Rico's ability to offset economic fluctuations through its own monetary or fiscal policy is limited. With the dollar as its currency and a free flow of capital between San Juan and New York, Puerto Rico has no real control over local interest rates or the

Table 2

Federal Transfer Payments, Grants, "Covered Over" Taxes, and Tax Expenditure on Possessions Corporations in Puerto Rico, Fiscal Years 1968 and 1977 1/
(Millions of dollars)

	FY 1968	FY 1977
Net Federal transfer payments to individuals, total 2/	68	1,235
Food stamps	—	610
Old age, survivors, and disability insurance	1	295
Veterans benefits	59	185
Unemployment compensation	1	87
All other	7	58
Federal grants to Puerto Rican Commonwealth and municipal governments, total	129	716
Child nutrition and special milk programs	5	81
Human development 3/	6	48
Office of Education programs	—	67
Public assistance	31	59
Community development block grants	15	49
Low rent public housing	11	48
Employment and training programs	7	150
All other	54	214
Federal taxes "covered over" to Puerto Rican treasury, total	93	223
Customs duties	27	60
Alcoholic beverage and tobacco excises	66	163
Federal tax expenditure on possessions corporations	99	659
TOTAL	389	2,833

Office of the Secretary of the Treasury
Office of Tax Analysis

Sources: U.S. Department of the Treasury, Federal Aid to States: Fiscal Year 1977, and the Statistical Appendix to the Secretary's Annual Report for 1968; Office of the Governor, Commonwealth of Puerto Rico, Economic Report of the Governor (various years); and U.S. Department of the Treasury estimates.

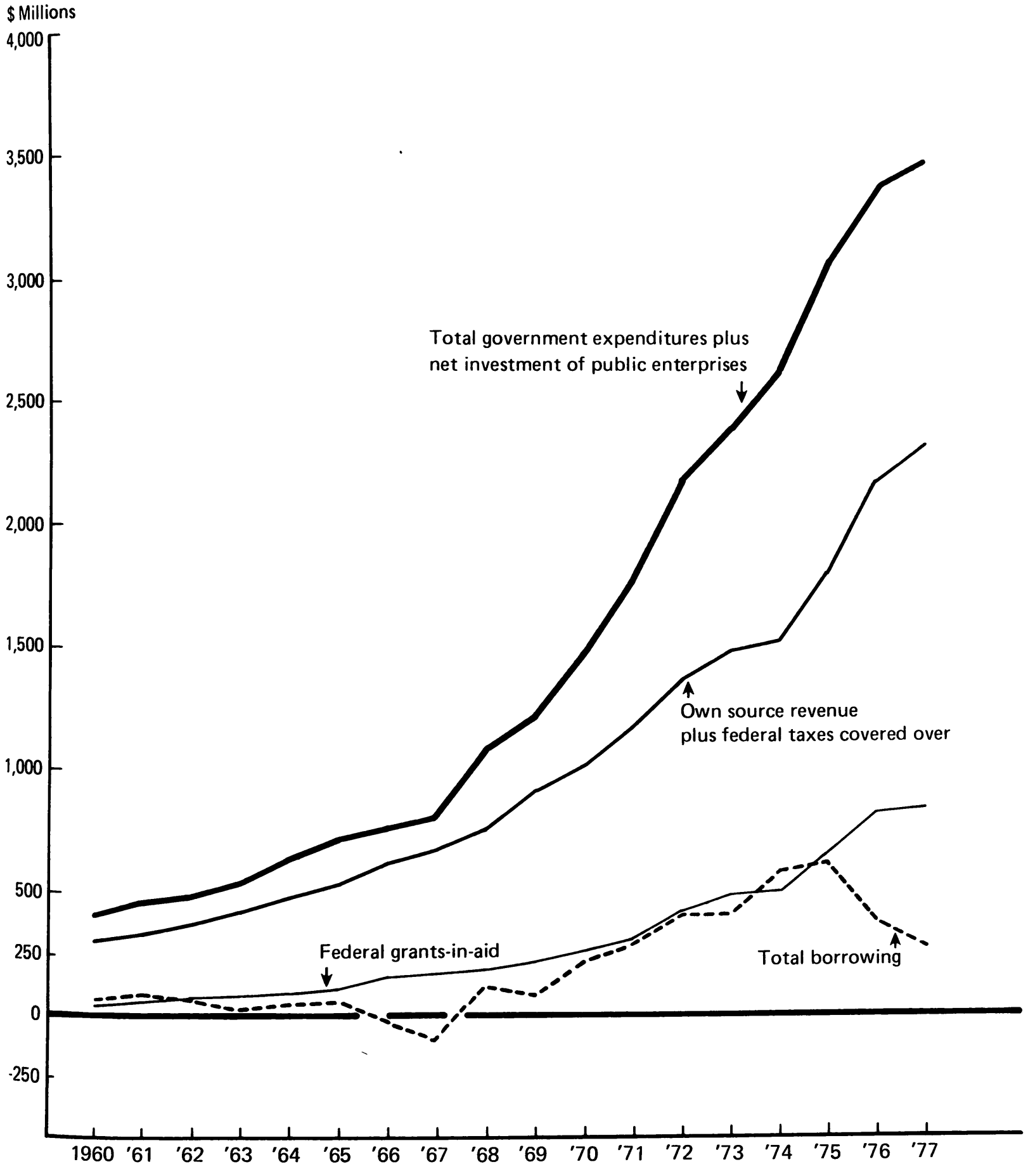
1/ In 1968 both the Federal and Puerto Rican fiscal years ended on June 30, and therefore all data for FY 1968 is based on the same time period. In 1977, however, the Federal fiscal year was changed, beginning on October 1, 1976 and ending on September 30, while the Puerto Rican fiscal year again ended on June 30. With the exception of certain Federal transfer payments, all data for 1977 is based on the Federal fiscal year.

2/ All transfer payments are net of associated payments by or on behalf of current or future recipients, such as employer, employee, and self-employment contributions for OASDI.

3/ Formerly, "child" development.

FIGURE II

Total Government Expenditures Plus Net Investment of Public Enterprises, Own Source Revenue Plus Federal Taxes Covered Over, Federal Grants-in-Aid, and Total Borrowing of Puerto Rico, 1960-1977



Source: Puerto Rico Planning Board

availability of credit. Government and public enterprise spending was increased to mitigate the recession, but the impact was dissipated by the high propensity to import. In recent years, more than 75 percent of Puerto Rican gross national product has been spent on imports, primarily from the United States. Even if all government spending is limited to Puerto Rican-produced goods and services, a dollar of government spending probably results in no more than a $1.33 increase in Puerto Rican GNP. (The Puerto Rican multiplier is discussed more fully below.) With a multiplier of only 1.33, Puerto Rico's pursuit of a countercyclical fiscal policy has been frustrating.

The roots of Puerto Rico's economic problems go, however, deeper than recent U.S. recessions. Two important industries, petrochemicals and construction, have been depressed. In the late 1960's the Puerto Rican government viewed petroleum refining as a centerpiece for a growing petrochemical and plastics complex, and a foundation on which the island's future prosperity could be based. Puerto Rico's advantage was due, however, to its large allocation of U.S. oil import quotas (which allowed imports of foreign oil, which before 1973 was cheaper than domestic oil) rather than to low wages, locational advantages, or other real factors. The OPEC increase in the price of foreign oil and the consequent termination of the Federal quota scheme eliminated Puerto Rico's previous advantage. In March 1978 the Commonwealth Oil Refining Company (CORCO), the principal oil refiner and the largest private corporation in Puerto Rico, filed for protection under Federal bankruptcy laws.

The Puerto Rican construction industry has also been hit by events of the last four years. From 1969 to 1973, construction spending, especially on apartment houses and condominiums, boomed. But in 1973, interest rates increased as the Federal Reserve tightened the money supply to fight inflation. High borrowing and construction costs and the general economic downturn choked off new condominium demand and left a large stock of unsold units. Between 1974 and 1977, employment of highly paid construction workers dropped by 50 percent to 40,000 jobs. Although the backlog of unsold units is being worked off and other sectors of the construction industry show some new signs of life, full recovery for the construction industry is still a long way off.

Puerto Rico has also been hurt by the growing competitiveness of foreign imports in U.S. markets. Its traditional advantages, cheap labor and no tariffs on exports to the U.S. market, have been undermined by a series of changes. Throughout the 1950's and 1960's (but not the 1970's) Puerto Rican wage rates rose not only in dollar terms but also relative to wages paid in the United States and foreign countries. To some extent, Puerto Rico was the victim of its own economic success: as per capita incomes rose, so did the wage at which labor would work. Higher Puerto Rican wages are also the product of Commonwealth and Federal government policies. By the end of 1977, almost two-thirds of non-government employees were subject to the U.S. minimum wage, $2.30 per hour, and over 90 percent were subject to a minimum wage of at least $2.00 per hour. Furthermore, 37 percent of Puerto Rican employees work for the Federal or Commonwealth governments (the U.S. figure is 18 percent), both of which pay higher than average salaries. Food stamp, unemployment insurance, and other income support programs have discouraged many Puerto Ricans from taking unpleasant jobs paying a low wage.

The competitiveness of Puerto Rican production has been further undercut by structural changes in the world economy. After the Kennedy round of tariff negotiations in the 1960's, U.S. tariff rates were cut by 40-50 percent on average. As Japanese and other competitors utilizing low-wage foreign labor penetrated the U.S. market, U.S. companies lost their inhibitions about manufacturing in low-wage countries and exporting back to the United States. The difference in labor costs between these countries and Puerto Rico is striking. For example, in the Dominican Republic and Haiti, two countries sharing an island closer to the United States than Puerto Rico, unskilled labor earns roughly 33 cents per hour, a seventh of the minimum wage in Puerto Rico. Such countries' exports are subject to U.S. tariffs and non-tariff trade barriers, but they can be transported in ships flying foreign flags and using cheaper foreign labor, which Puerto Rican exports cannot.

The increasing competitiveness of foreign imports is clearly reflected in the level and composition of Puerto Rican employment. Between 1973 and 1977, total Puerto Rican

manufacturing employment dropped from 152,100 to 145,400, or 4.4 percent -- see Table 3.* This drop, which was much sharper in Puerto Rico than in the United States, was due to a decline in the traditional labor-intensive industries (tobacco, textiles, apparel, and leather products (including footwear)), and the petrochemical sector. By contrast, employment grew in the chemical (including pharmaceutical), non-electrical machinery, and professional and scientific industries. Because these industries taken together employ a fourth of manufacturing workers, their gain offered a partial offset to the others' loss.

An unfortunate side effect of the possessions corporation system of taxation in the past has been tax-induced plant closings. Until 1976, a U.S. parent was subject to Federal tax on dividends received from a possessions corporation, but not on the distribution upon the liquidation of that corporation. Accordingly, liquidation of the subsidiary into the parent was the final step in realizing the full tax benefit of the possession corporation system of taxation. Although Puerto Rican operations could be continued after corporate liquidation as an unincorporated branch of the U.S. parent, high Puerto Rican and Federal taxes applicable to non-exempt income discouraged companies from continuing operations as taxable establishments.

Although the available evidence is rather meager, a recent study by Fomento, the Puerto Rican agency charged with promoting new investment in Puerto Rico, provides information on this point (see Figure III for source). The Fomento study examined 149 cases in which companies were granted tax exemption between 1960 and 1962 and actually established operations. Because the grants apply to specific products, not to all the operations of the company obtaining the grant, the current status of operations in 46 of the 149 cases could not be determined. Of the 103 cases remaining, 62 operations had apparently been discontinued,

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*The statistics in Table 3 for April 1978 represent a sharp increase in manufacturing employment over the March level.

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Table 3
Total Manufacturing Employment in Puerto Rico, by Major Industry Group:
Average for Calendar Years 1973 to 1977 and April 1978

Industry Group	Total Employment (000) Average for Calendar Year: April 1978	1977	1976	1975	1974	1973	Percentage Change 1973-1977
All Manufacturing Industries	151.5	145.4	142.5	135.2	150.9	152.1	-4.4
Nondurable goods	102.1	98.3	97.7	93.5	103.9	105.3	-6.6
Food and kindred products	26.3	23.7	24.1	23.8	24.1	24.0	-1.3
Tobacco products	3.2	3.8	4.9	5.1	5.4	5.5	-30.9
Textile mill products	4.7	4.4	4.6	5.1	7.4	7.6	-42.1
Apparel	36.7	36.3	37.5	34.6	38.1	40.3	-9.9
Paper and allied products; Printing and publishing	4.4	4.4	4.1	4.0	4.2	4.3	+2.3
Chemicals	15.1	14.1	11.4	10.4	11.6	10.6	+33.0
Petroleum refining; Rubber products	6.1	6.3	5.9	5.5	6.6	6.7	-6.0
Leather and leather products	5.6	5.2	5.2	5.0	6.2	6.4	-18.8
Durable goods	49.3	47.1	44.9	41.7	46.9	46.8	+0.6
Lumber and wood products; Furniture and fixtures	3.7	3.5	3.7	3.9	4.4	4.9	-28.6
Stone, clay and glass products	5.4	5.2	5.6	6.1	7.3	7.3	-28.8
Primary metal products; Fabricated metal products	5.7	5.2	5.4	5.8	5.6	6.8	-23.5
Machinery, except electrical; Transportation equipment	5.3	5.0	4.4	3.5	2.3	1.9	+163.2
Electrical and electronic equipment	13.9	13.9	11.8	9.6	13.9	14.0	-0.7
Scientific instruments	12.1	11.6	10.9	10.1	9.3	8.6	+34.9
Miscellaneous manufacturing industries	3.2	2.7	3.0	2.8	3.0	3.2	-15.6

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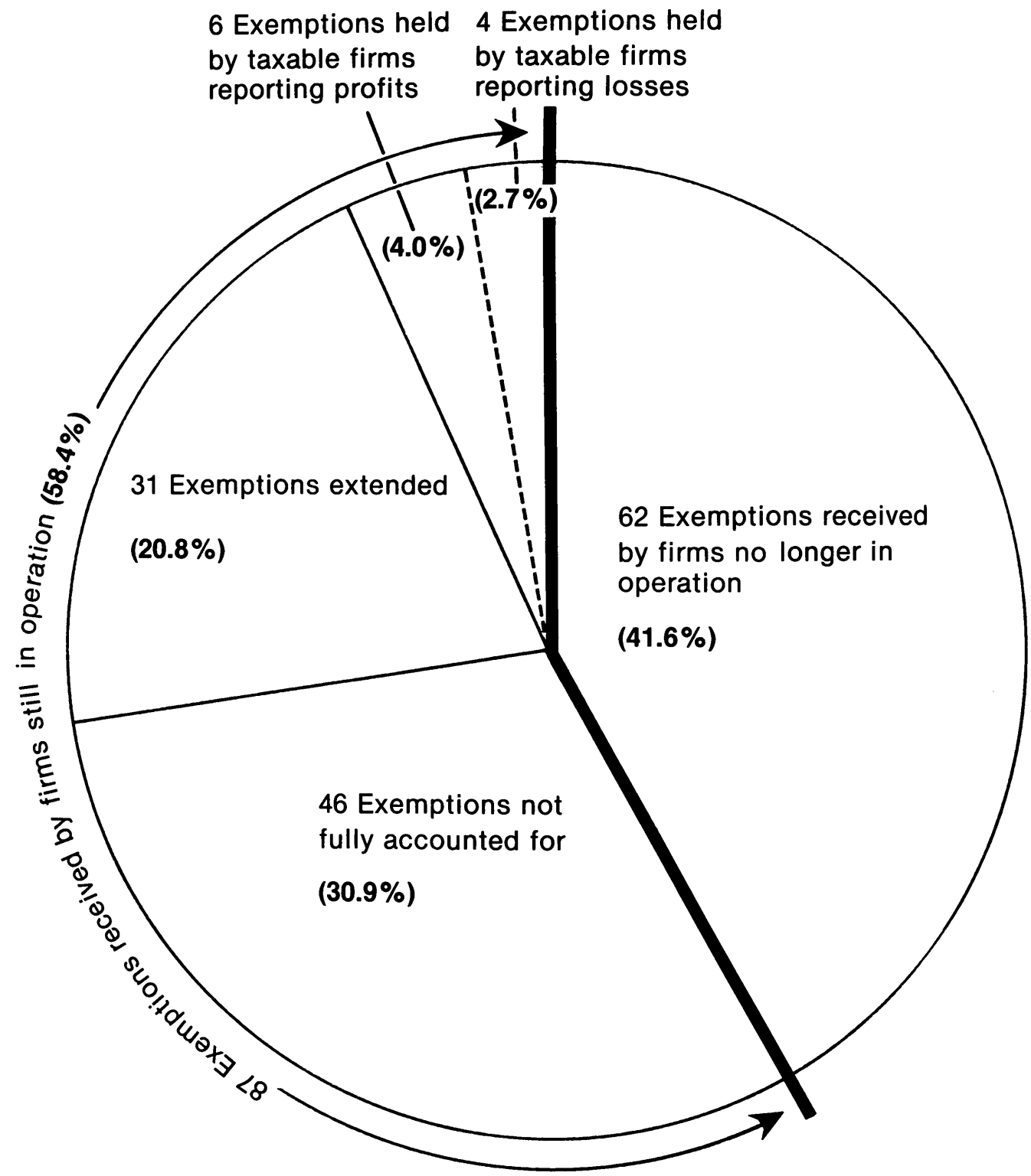
Sources: Economic Development Administration, Commonwealth of Puerto Rico; Office of the Governor, Commonwealth of Puerto Rico, An Agenda for a Socio-Economic Study of Puerto Rico, Part Two - Problems Affecting Development of Puerto Rican Society, June 1977, Table III-A-4, p. 166; and U.S. Department of Commerce.

FIGURE III

Current Status of 149 Exemption Decrees Granted Between 1960 and 1962 and Utilized by Recipient Firms



Source: Government of Puerto Rico, Economic Development Administration, Economic Analysis of the Industrial Incentive Program of Puerto Rico, February 1978.

and 31 were still operating under an extension or a modification of the original tax exempt grant. Ten operations were continuing in a taxable status; six were paying taxes, and four were reporting losses.

As noted below, the Tax Reform Act of 1976 eliminated the Federal tax incentive to liquidate operations, and recent changes in the Puerto Rican Industrial Incentive Act ease the transition from exempt to taxable status.

B. Characteristics of Possessions Corporations

The characteristics of the possessions corporations reflect the unique features of Puerto Rican and Federal tax laws. Because most of the statistical analysis below is based on tax returns, the identities and characteristics of individual taxpayers are confidential. Companies must, however, file 10-K returns with the U.S. Securities and Exchange Commission, and these returns, which are available to the public, provide information on the importance of section 936 to individual companies. To explain why corporate income tax payments are often less than 48 percent (the maximum statutory tax rate in the United States) of book income, the S.E.C. requires corporations to indicate which provisions of the Internal Revenue Code reduced their tax liability by more than 2.4 percent of pre-tax book income. A survey of recent 10-K forms, most of which cover fiscal years ending in 1976 or the first half of 1977, provides the information shown in Table 4.

In interpreting these data, two caveats should be kept clearly in mind. First, because specific procedures for estimating the dollar value of various tax preferences have never been set forth by the S.E.C., the statistics presented in Table 4 should be regarded as only rough estimates of the importance to the companies of the possessions corporation system of taxation. Second, companies for whom the tax savings may be large in dollar terms, but less than 2.4 percent of book income before taxes, need not and generally do not report this item separately. Third, even when tax savings exceed 2.4 percent of book income, companies may combine the tax savings attributable to possessions corporations with lesser items (e.g., deferral or sometimes DISC). Companies following this practice were excluded from Table 4.

Table 4

Major U.S. Manufacturing Corporations Claiming a Reduction in Income Taxes in Excess of 2.4 Percent of Book Income Because of Section 931 or 936 of the Internal Revenue Code

Corporation	Industry	Estimated Tax Saving (millions of dollars)	Estimated Tax Saving (Percent of Book Income Before Taxes)
Esmark	Food products	$ 5.6	4.9%
H.J. Heinz	Food products	7.2	4.6
Pepsico	Beverages	7.0	2.8
Blue Bell	Textile & Apparel	3.6	3.4
Hanes Corporation	Textile & Apparel	3.1	10.6
Rohm & Haas	Chemicals	0.6	3.0
Abbott Laboratories	Pharmaceuticals	16.2	11.8
Baxter Travenol	Pharmaceuticals	12.1	14.3
Merck	Pharmaceuticals	22.9	5.5
Pfizer	Pharmaceuticals	35.6	15.1
Richardson-Merrell	Pharmaceuticals	5.8	5.3
Schering-Plough	Pharmaceuticals	37.0	15.1
G.D. Searle	Pharmaceuticals	32.5	38.5
Smith-Kline	Pharmaceuticals	24.5	22.9
American Hospital Supply	Pharmaceuticals	7.2	6.7
Johnson & Johnson	Pharmaceuticals	12.7	3.6
Eli Lilly	Pharmaceuticals	13.9	4.2
Squibb	Pharmaceuticals	21.9	14.6
Upjohn	Pharmaceuticals	10.0	8.0
Becton Dickinson	Pharmaceuticals	2.9	5.1
Chesebrough-Pond's	Toiletries	3.5	3.3
Digital Equipment	Office Equipment	11.1	6.3
Motorola	Electronics	6.2	8.2
Gould	Automotive Equipment	1.1	1.1
Perkins-Elmer	Instruments	1.7	4.5
Insilco	Miscellaneous Manufactures	2.3	10.8
Sub-total - 14 pharmaceuticals		255.2	
Total - 26 manufacturers		308.2	

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Source: Summary of 10-K Reports filed with U.S. Securities and Exchange Commission in Tax Analysts and Advocates, Tax Notes, recent issues.

To gain as complete a picture of possessions corporations' operations as possible, information from Federal and Puerto Rican income tax returns was matched with payroll and employment data from companies' Federal unemployment insurance tax returns. This section summarizes the results based on information for 1975*, the most recent year for which relatively complete data are available. Section D below summarizes the less complete, but essentially similar information for 1976, and Appendix B sets forth comparable information for 1973 and 1974.

Table 5 indicates that 595 companies were apparently eligible for the section 931 exclusion in 1975**, the book income (net of losses) of these subsidiaries was $1.1 billion, and their estimated tax saving was $447 million. This total tax saving is estimated by multiplying book income (before deducting losses) by 40 percent and then subtracting any income taxes paid to the Puerto Rican and foreign governments.*** The tax-saving calculation ignores companies with losses because in 1975, under section 931,

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*Tables 5, 6 and 7 are based on the returns for corporations whose fiscal years ended between July 1, 1975 and June 30, 1976. Because most possessions corporations have calendar year accounting periods, the data correspond closely to calendar year 1975 operations. See Appendix B for details.

**That is to say, the companies excluded income under section 931 in 1973, 1974 or 1975 and reported a profit or a loss in 1975. Included in these 595 companies are those which may not in fact have excluded income under section 931 in 1975 because they reported a loss or failed to qualify in 1975 for the section 931 exclusion.

***The conventional practice of measuring tax savings or expenditures by calculating the tax consequences of changing the Internal Revenue Code, but assuming that corporations and individuals behave as they did before, may need explanation. The reason for the current practice is that the tax expenditure defined in this way may be estimated using available information on existing law and behavior. Estimating the behavioral change requires additional economic analysis of what would happen if tax policy were changed, and knowledgeable observers may differ in their assessment of what would indeed happen.

Table 5
Income and Estimated Tax Expenditure
by Industry, 1975 1/

Industry Group	Number of Corporations	Book Income ($000)	Estimated Tax Expenditure ($000)
All Industries	595	1,109,567	447,059
Manufacturing industries	394	1,055,462	425,369
Food and kindred products	22	71,747	28,652
Tobacco products	7	26,805	10,744
Textile mill products	8	-3,051	265
Apparel	88	43,557	17,669
Chemicals, total	69	616,191	246,470
Pharmaceuticals	47	547,060	218,210
All other chemicals	22	69,131	28,260
Rubber products	14	1,444	572
Leather and leather products	14	7,289	2,910
Stone, clay, and glass products	7	8,419	3,384
Fabricated metal products	26	24,714	10,114
Machinery, except electrical	7	1,882	759
Electrical and electronic equipment	76	195,593	79,164
Transportation equipment	5	1,074	430
Scientific instruments	27	33,688	13,627
All other manufacturing	24	26,110	10,609
Nonmanufacturing	201	54,104	21,689
Transportation, communications, and utilities	9	30,006	10,062
Wholesale trade	12	3,144	1,258
Retail trade	101	12,541	5,250
Apparel	83	2,082	1,123
Finance, insurance, real estate	26	1,284	588
Savings and loans	9	808	307
Services	16	-107	1,623
Miscellaneous and not available	37	7,236	2,908

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1/ Includes data for possessions corporations operating in American Samoa, Guam, and the Panama Canal Zone. These non-Puerto Rican operations account for less than 2 percent of total tax expenditure in any year (see Table 1).

they could join affiliated U.S. companies in filing a consolidated Federal return. The 40 percent represents the Treasury's necessarily rough estimate of what the effective rate of taxation would have been in the absence of a tax provision such as this.* (Another way of interpreting this 40 percent is that it is the effective rate which would apply if Puerto Rico were treated the same way as the fifty States and the District of Columbia.) The effective rate is less than 48 percent, the maximum statutory rate, because other provisions of the Internal Revenue Code (e.g., the investment tax credit and accelerated depreciation) would have reduced the tax burden by an estimated 8 percentage points. Puerto Rican and foreign taxes, which amounted to $6.2 million overall, would also have been creditable against the Federal income tax liability and, thus, further reduce the net saving of U.S. taxes.

Several important conclusions can be drawn from the tables in the text and Appendix B and from the underlying statistics:

-- The Federal tax expenditure in 1975 was $447 million, compared to $258 million in 1973.

-- If all the possessions corporations of each U.S. parent are consolidated, the benefits of the possessions corporation system of taxation were concentrated among all U.S. parent corporations as follows in 1975:

Number of Parent Corporations	Percent of Total Tax Benefits of All Corporations
Top 5	27.3%
Top 10	46.2
Top 20	70.0
Top 30	80.2

-- Just under 50 percent of the total tax saving from 1973-1975 was realized by pharmaceutical subsidiaries. The concentration of tax benefits for parent corporations indicated above is largely attributable to its concentration in the pharmaceutical sector.

*See Department of the Treasury, Effective Income Tax Rates Paid by United States Corporations in 1972, May 1978.

Tables 6 and 7 are based on 280 possessions corporations for which 1975 employment and payroll data could be obtained from the Federal unemployment tax returns. While the coverage represents less than half the number of companies included in Table 5, the combined book income of the sample, $860 million, represents four fifths of the book income of all possessions corporations. For no apparent reason, information for companies in the high-profit industries was more frequently available than that for companies in the labor-intensive industries.

The first three columns of Table 6 present information comparable to that in Table 5. Columns 5 and 7 indicate the number of employees and the total employee compensation, respectively, in each industry in 1975. Finally, the last three columns indicate the tax expenditure per employee, the tax expenditure as a percent of total compensation, and average compensation.

Table 6 highlights the relationship between Federal tax expenditures and Puerto Rican employment. For the manufacturing companies covered, the tax expenditure per employee averaged $7,428, which was slightly larger than the average compensation per worker, $7,300. Table 6 also indicates that the tax expenditure per employee varied from one industry to another. In the pharmaceutical industry the Federal tax expenditure represented almost $35,000 per employee, or approximately three and a half times the total compensation of the comparatively well paid Puerto Rican pharmaceutical employee. By contrast, in the rubber industry, the tax expenditure per employee was $760, or 11 percent of the average wage. The tax expenditure per employee in all manufacturing corporations except pharmaceuticals was $4,061.

Table 7 is based on the same 280 possessions corporations shown in Table 6, but ranked according to the Federal tax expenditure per employee. At the top of the ranking was a company for which the Federal tax expenditure represented more than $500,000 per Puerto Rican employee; at the low end were the companies which incurred losses and, thus, derived no immediate tax benefit from section 931. According to Table 7, the top five possessions corporations had tax savings per employee in excess $100,000; together they accounted for 8.4 percent of the total tax savings and 0.5 percent of the total employment, of the 280 companies for which employment information was available. The top 58 possessions corporations, those for which tax savings per employee exceeded $10,000 in 1975, collectively accounted

Table 6
Tax Expenditure, Employment and Compensation of Employees by Industry, 1975

Industry Group	Number of Corporations	Book Income ($000)	Tax Expenditure: Amount ($000)	Tax Expenditure: Percent of Total	Employees: Number	Employees: Percent of Total	Compensation of Employees 1/: Amount ($000)	Compensation of Employees 1/: Percent of Total	Tax Expenditure Per Employee ($)	Tax Expenditure as Percent of Compensation of Employees	Average Employee Compensation ($)
All industries	280	858,961	342,212	100.0	43,174	100.0	345,234	100.0	5,229 2/	67.7 2/	7,729 2/
Manufacturing industries	237	824,816	328,863	96.1	31,812	73.7	250,149	72.5	7,428 2/	101.7 2/	7,300 2/
Food and kindred products	14	37,173	13,138	3.8	5,321	12.3	38,920	11.3	2,469	33.8	7,314
Tobacco products	5	5,487	2,271	.7	861	2.0	4,600	1.3	2,638	49.4	5,342
Textile mill products	3	281	143	.1	83	.2	527	.2	1,723	27.1	6,346
Apparel	46	14,007	5,847	1.7	4,658	10.8	25,508	7.4	1,255	22.9	5,475
Chemicals, total	49	562,306	224,734	65.7	7,838	18.2	84,390	24.4	28,672	266.3	10,766
Pharmaceuticals	35	507,126	202,054	59.0	5,794	13.4	58,127	16.8	34,873	347.6	10,032
All other chemicals	14	55,108	22,680	6.6	2,044	4.7	25,075	7.3	11,096	90.4	12,300
Rubber products	8	1,173	438	.1	576	1.3	3,959	1.1	760	11.1	6,872
Leather and leather products	9	6,011	2,404	.7	1,477	3.4	8,381	2.4	1,628	28.7	5,674
Stone, clay and glass products	4	4,530	1,835	.5	414	1.0	2,775	.8	4,432	66.1	6,702
Fabricated metal products	18	21,156	8,578	2.5	1,248	2.9	10,412	3.0	6,873	82.4	8,342
Machinery, except electrical	3	963	392	.1	71	.2	457	.1	5,521	85.8	6,431
Electrical and electronic equipment	46	128,423	51,651	15.1	6,958	16.1	51,580	14.9	7,423	100.1	7,412
Transportation equipment	3	734	293	.1	109	.3	898	.3	2,688	32.6	8,239
Scientific instruments	21	26,085	10,479	3.1	1,627	3.8	11,235	3.3	6,441	93.3	6,905
All other manufacturing	8	16,487	6,660	1.9	571	1.3	7,696	2.2	11,664	86.5	13,478
Nonmanufacturing	43	34,145	13,349	3.9	11,362	26.3	95,084	27.5	768 2/	8.9 2/	8,597 2/
Transportation, communications and utilities	4	27,975	9,249	2.7	4,430	10.3	37,792	10.9	2,088	24.5	8,530
Wholesale trade	5	1,756	702	.2	340	.8	3,283	1.0	2,064	21.4	9,656
Retail trade	3	2,346	876	.3	2,400	5.6	21,944	6.4	365	4.0	9,143
Finance, insurance, real estate	12	950	390	.1	861	2.0	7,509	2.2	452	5.2	8,720
Savings and loans	8	785	298	.1	799	1.9	6,913	2.0	373	4.3	8,651
Services	8	-991	1,331	.4	2,061	4.8	15,031	4.4	646	8.9	7,292
Miscellaneous and not available	11	2,108	801	.2	1,270	2.9	9,525	2.8	631	8.4	7,500

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1/ Compensation of employees was computed by multiplying 1.189 times payroll. The additional 18.9 percent reflects the employer-paid portion of social security, unemployment insurance, and other non-payroll labor costs. The 18.9 percent is the average for all U.S. manufacturing industries in 1975; see the U.S. Department of Commerce, Survey of Current Business, July 1977, Tables 6.5 and 6.6.

2/ Compensation of employees and number of employees used to compute these amounts were weighted by industry using the ratio of tax expenditure in Table 5 and tax expenditure in this Table.

Table 7
Tax Expenditure, Employment and Compensation of Employees by Size of Tax Expenditure Per Employee, 1975

Size of Tax Expenditure per Employee	Number of Corporations	Book Income ($000)	Tax Expenditure Amount ($000)	Tax Expenditure Percent of Total	Employees Number	Employees Percent of Total	Compensation of Employees 1/ Amount ($000)	Compensation of Employees 1/ Percent of Total	Tax Expenditure Per Employee ($)	Tax Expenditure as Percent of Compensation of Employees	Average Employee Compensation ($)
All Corporations	280	858,961	342,212	100.0	43,174	100.0	345,234	100.0	5,229 2/	67.7 2/	7,729 2/
$100,000 or more	5	72,950	29,180	8.4	227	.5	2,442	.6	128,546	1,194.9	10,757
$ 50,000 under $100,000	11	266,912	106,760	30.9	1,511	3.5	16,289	4.3	70,655	655.4	10,779
$ 10,000 under $ 50,000	42	274,257	108,529	31.7	4,851	11.2	44,863	11.8	22,373	241.9	9,248
$ 5,000 under $ 10,000	39	128,198	51,266	15.0	6,810	15.8	67,322	17.7	7,528	76.2	9,885
$ 1,000 under $ 5,000	91	114,456	41,535	12.4	15,972	37.0	117,558	30.9	2,600	35.3	7,360
$ 500 under $ 1,000	28	6,695	2,636	.8	3,640	8.4	24,145	6.3	724	10.9	6,632
$ 100 under $ 500	26	5,615	2,246	.7	6,607	15.3	49,392	13.0	340	4.5	7,475
$ 1 under $ 100	6	438	59	--	896	2.1	5,574	1.5	66	1.1	6,220
Loss Corporations	32	-10,561	--	--	2,660	6.2	17,650	14.0	--	--	6,635

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1/ Compensation of employees was computed by multiplying 1.189 times payroll. The additional 18.9 percent reflects the employer-paid portion of social security, unemployment insurance, and other non-payroll labor costs. The 18.9 percent is the average for all U.S. manufacturing industries in 1975; see the U.S. Department of Commerce, Survey of Current Business, July 1977, Tables 6.5 and 6.6.

2/ Compensation of employees and number of employees used to compute these amounts were weighted by industry using the ratio of tax expenditure in Table 5 and tax expenditure in Table 6.

for 71 percent of the total tax expenditure and 15.2 percent of total employment. Because the coverage of employment and payroll statistics is not complete, possessions corporations with tax savings exceeding $10,000 per employee may in fact have realized a somewhat smaller percentage of the total tax savings and a significantly smaller percentage of the total employees of all possessions corporations than was the case for the 280 companies represented in Table 7.*

Both Tables 6 and 7 indicate a direct relationship between the company's tax saving per employee and its total compensation per employee. This reflects a tendency of the high-profit industries to employ more highly skilled workers and/or a willingness to pay those workers more than they would have been paid by other Puerto Rican employers. Finally, the industries in which tax savings per employee were the highest (pharmaceuticals, electrical and electronic equipment, scientific instruments, non-electrical machinery) tended to be the same industries in which total employment has been growing since 1973; conversely, industries in which tax savings per employee were the lowest (tobacco products, textiles, apparel, leather products) tended to be those whose employment was declining -- see Table 3 above. While taxation is not the only factor shaping the development of Puerto Rican industry -- the growth in U.S. demand for the products, international trade considerations and other factors play an important role -- the evidence does suggest that tax incentives may bring investment to Puerto Rico.

C. Linkages and the Multiplier

The preceding Section related the tax cost of the possessions corporation system of taxation to the employment and payroll of those companies. In addition to creating jobs directly, this system of taxation may bring indirect benefits to Puerto Rico. Manufacturing requires raw materials, intermediate goods, and services, a portion of which are supplied by the local economy. Investment in plant and equipment creates jobs in the construction and capital equipment industries. Workers in all industries spend their salaries on goods and services, which has a

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*These inferences are based on the assumption that tax savings per employee for companies missing from the sample equal the average tax savings per employee for companies in the same industry -- see Table 6. Because the pharmaceutical companies tend to be over represented in the sample, the biases indicated in the text may have occurred.

"multiplier" effect on the Puerto Rican economy.* In addition to these "backward linkages", the development of one industry may encourage the growth of downstream customers, a phenomenon called "forward linkage." For example, the building of a petroleum refinery facilitates the growth of the petrochemical manufacturers. This Section summarizes the evidence currently available on the importance of these indirect benefits.

1. Backward Linkages

The usual method of evaluating backward linkages begins by examining industries' expenditures on various inputs. In order to compare linkages in one industry to those in another, each industry's expenditures on labor, capital, locally purchased materials and on imports are expressed as a percentage of the total value of its production. The sum of the shares of all expenditures measured in this way, plus the rate of return on invested capital, is 100 percent.

The costs of materials, labor and other inputs as a percentage of the total value of production by Puerto Rican manufacturing industries in 1972 are depicted in Table 8. The primary statistical source on which Table 8 is based does not differentiate between possessions corporations and locally owned companies or between imported and locally produced materials. Because the operations of a possessions corporation are often integrated with those of its U.S. parent, the linkage of possessions corporations with the local economy may be somewhat weaker than the linkage for all Puerto Rican manufacturers, as measured in Table 8.

To estimate how much possessions corporations purchase from the local economy, one must first determine how total purchases are apportioned between Puerto Rican and imported inputs. Unfortunately, neither the 1972 Census of Manufactures nor any other recent study provides up to date information on this point. Rather than assuming that every industry's propensity to import was the same as that of the Puerto Rican economy as a whole, each industry's 1972 expenditure was apportioned using data from a recently

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*As a general practice, the Treasury does not estimate the linkage and multiplier impacts of specific tax provisions. This is because tax changes are usually taken in the context of an overall Federal budget. The purpose of undertaking the analysis here is to assess the impact of section 931/936, both in total and by industry, on Puerto Rico alone, not on the U.S. and Puerto Rico taken together.

Table 8
Expenditures on Materials, Labor, Plant, and Equipment
as a Percent of the Value of Production by Manufacturing Establishments in Puerto Rico, 1972

	All Manufacturing Industries	Food and Kindred Products	Tobacco Products	Textile Mill Products	Apparel	Lumber and Wood Products
Cost of Materials from All Sources 1/	54.3	64.7	59.3	60.8	46.1	56.3
Cost of Materials from Puerto Rico 2/	26.8	49.8	19.0	16.4	14.8	18.0
Value Added 1/	45.7	35.3	40.7	39.2	53.9	43.7
Labor Costs 3/	17.0	14.5	16.3	18.9	30.8	30.0
Return on Capital and Overhead Costs 4/	28.4	20.6	24.1	20.0	22.7	12.8
Expenditures on New Plant 1/	2.1	1.1	.1	.1	.1	.2
Expenditures on New Equipment 1/	2.2	3.2	2.2	.9	.8	1.0
Expenditures on Used Equipment 1/	*	.3	.5	*	.4	*
Total Expenditures on Materials, Labor, Plant, and Equipment in Puerto Rico 5/	45.9	66.2	36.3	35.6	46.3	48.4
Ratio of Labor Costs to Total Expenditures in Puerto Rico	.370	.219	.449	.531	.665	.620

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*Less than 0.05 percent.

Table 8-continued

	Furniture and Fixtures	Paper and Allied Products	Printing and Publishing	Chemicals		Petroleum Refining
				Total	Pharmaceuticals	
Cost of Materials from All Sources 1/	46.3	57.8	34.2	42.3	16.4	75.4
Cost of Materials from Puerto Rico 2/	24.5	24.9	20.9	19.0	7.4	31.7
Value Added 1/	53.7	42.2	65.8	57.7	83.6	24.6
Labor Costs 3/	27.5	22.4	30.3	8.7	6.9	6.4
Return on Capital and Overhead Costs 4/	25.7	19.5	35.1	48.9	76.6	18.1
Expenditures on New Plant 1/	3.7	3.3	3.0	4.3	4.0	5.5
Expenditures on New Equipment 1/	1.2	8.1	3.9	3.0	3.5	.2
Expenditures on Used Equipment 1/	.2	.2	--	*	*	*
Total Expenditures on Materials, Labor, Plant, and Equipment from Puerto Rico 5/	55.4	51.7	54.4	31.8	18.1	42.5
Ratio of Labor Costs to Total Expenditures in Puerto Rico	.496	.433	.557	.274	.381	.151

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*Less than 0.05 percent.

Table 8-continued

	Rubber Products	Leather and Leather Products	Stone, Clay and Glass Products	Primary Metals	Fabricated Metal Products	Machinery Except Electrical
Cost of Materials from All Sources 1/	53.5	51.2	45.3	58.4	50.1	34.1
Cost of Materials from Puerto Rico 2/	17.1	9.7	38.5	31.5	16.0	10.9
Value Added 1/	46.5	48.8	54.7	41.6	49.9	65.9
Labor Costs 3/	27.5	29.3	25.3	17.8	21.9	26.1
Return on Capital and Overhead Costs 4/	18.6	19.0	29.0	23.5	27.7	39.4
Expenditures on New Plant 1/	.2	*	1.6	1.1	1.4	.2
Expenditures on New Equipment 1/	.2	.5	4.2	5.4	2.4	1.6
Expenditures on Used Equipment 1/	2.2	*	.2	--	.1	*
Total Expenditures on Materials, Labor, Plant, and Equipment from Puerto Rico 5/	45.3	39.1	66.2	51.2	39.2	37.5
Ratio of Labor Costs to Total Expenditures in Puerto Rico	.607	.749	.382	.348	.558	.696

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*Less than 0.05 percent.

Table 8-continued

	Electrical and Electronic Equipment	Transportation Equipment	Scientific Instruments	Miscellaneous Manufacturing Industries
Cost of Materials from All Sources 1/	42.5	46.6	36.2	54.6
Cost of Materials from Puerto Rico 2/	13.6	14.9	11.6	17.5
Value Added 1/	57.5	53.4	63.8	45.4
Labor Costs 3/	19.8	28.9	25.5	21.0
Return on Capital and Overhead Costs 4/	37.4	24.1	37.9	24.1
Expenditures on New Plant 1/	2.7	*	.5	1.2
Expenditures on New Equipment 1/	1.3	.9	1.8	.6
Expenditures on Used Equipment 1/	.2	.1	.1	.1
Total Expenditures on Materials, Labor, Plant, and Equipment from Puerto Rico 5/	36.1	44.3	38.0	39.8
Ratio of Labor Costs to Total Expenditures in Puerto Rico	.548	.655	.671	.530

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*Less than 0.05 percent.

Table 8-continued

Notes:

1/ Based on U.S. Department of Commerce, 1972 Economic Census of Outlying Areas, Manufacturing, Puerto Rico, October 1974, Chapter 2, Table 2. All statistics are expressed as a percentage of value added plus cost of materials.

2/ Percentage of cost of materials from Puerto Rico is estimated by multiplying the cost of materials from all sources by the share of intermediate imports in total intermediate inputs. This latter share was estimated by Richard Weisskoff and Edward Wolff, "Development and Trade Dependence: The Case of Puerto Rico, 1948-1963," Review of Economics and Statistics, November 1975, Table 2, p. 474. These import shares are based on 1963 data; more recent information is unavailable. Whether the degree of dependence on imported inputs for individual industries decreased between 1963 and 1972 is impossible to determine, but the ratio of Puerto Rican imports of capital goods, raw materials and other intermediate goods to the value of shipments for all industries decreased only slightly over this interval.

3/ Labor costs are estimated by multiplying total payroll, as reported by the U.S. Department of Commerce, op. cit., by 1.16. The additional 16 percent reflects the employer-paid portion of social security, unemployment insurance and other non-payroll labor costs. The 16 percent is the average for all U.S. manufacturing industries in 1972; see the U.S. Department of Commerce, The National Income and Product Accounts of the United States 1929-74: Statistical Tables, 1976, Tables 6.5 and 6.6.

4/ Value shown equals the differential between value added and labor costs. The return on capital includes not only profits, but also interest expenses, depreciation, expenditures on accounting and legal services, and any other overhead costs.

5/ Value shown equals the sum of the cost of materials from Puerto Rico, labor costs, 80 percent of expenditures on new plant, 21 percent of expenditures on new equipment and total expenditures on used equipment. The 80 percent of expenditures on new plant corresponds to the estimated ratio of expenditures on Puerto Rican inputs to total expenditures by the construction industry, as reported in Weisskoff and Wolff, op. cit. The 21 percent of expenditures on new equipment corresponds to the ratio of the value of shipments of machinery except electrical with a Puerto Rican destination to total expenditures for new equipment by all manufacturers.

published study based on 1963 data (see footnote 2 to Table 8). Because Puerto Rico's total imports of capital equipment, raw materials and intermediate products as a percentage of either aggregate manufacturing shipments or gross domestic output decreased only slightly between 1963 and 1972, applying the 1963 apportionment ratios to the 1972 data may produce reasonable results. Between 1972 and 1977, however, the ratio of imported capital equipment, raw materials and intermediate products increased substantially, so the statistics in Table 8 may overstate possessions corporations dependence on the local economy.*

With these caveats in mind, Table 8 indicates that for all manufacturers the cost of materials represented 54.3 percent of the value of production. Just under half of these materials (26.8 percent of the value of production) were estimated to have been obtained in Puerto Rico, and the rest were imported, primarily from the United States. Labor costs, which include the employer-paid Social Security contribution and the cost of other non-wage benefits, constituted 17.0 percent of the value of production. The return on capital plus overhead costs (interest, depreciation of existing capital, accounting and legal costs, etc.) accounted for the remaining 28.4 percent of the value of production. Although the source on which Table 8 is based does not estimate the cost of existing capital used in production, it does report new investment in plant and equipment, be it for replacement or expansion. New investment represented 4.3 percent of the value of manufacturing production, roughly a seventh of the current return on capital plus overhead costs.

The last two rows in Table 8 show estimated expenditures on all Puerto Rican inputs (labor plus locally purchased materials, plant and equipment) as a percent of the value of production, and labor costs as a percentage of estimated expenditures on all Puerto Rican inputs, respectively. The former statistic is useful in comparing one

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*A group of 12 pharmaceutical companies indicated in an April 19, 1978 submission to the Treasury that their own recent annual purchases in Puerto Rico of materials and services totaled $89.9 million, which was 11 percent larger than their own total payroll in Puerto Rico. By comparison, Table 8 estimates the cost of materials from Puerto Rico for all pharmaceutical manufacterers was 7 percent larger than the cost of labor in 1972. In this one industry, at least, the use of 1963 data has produced a result close to that based on more recent and presumably more accurate data.

industry's use of Puerto Rican inputs to another's, while the latter will be used below to translate the Federal tax expenditure as a percent of compensation of employees into tax expenditure as a percent of Puerto Rican income associated directly or indirectly with possessions corporations.

The second to last row in Table 8 indicates that some Puerto Rican manufacturers depend much more than others on locally produced inputs. For example, food, furniture, paper, printing, stone, clay and glass, and primary metal manufacturers' expenditures on Puerto Rican inputs represent more than half of the total value of their own production. At the opposite extreme, the pharmaceutical manufacturers spent less than a fifth of the value of production on Puerto Rican inputs. The low pharmaceutical percentage reflects a high return on capital plus overhead costs, not a heavier than average dependence on imported versus locally purchased materials. (The pharmaceutical companies are estimated to import approximately 55 percent of their total inputs, which is slightly higher than the 51 percent average for all manufacturers.) Finally, Table 8 also indicates that the pharmaceutical companies reinvested 7.6 percent of the value of their current production in additions to plant and equipment, more than the 4.3 percent for all manufacturers. As Table 3 above indicated, the chemical sector, which includes pharmaceuticals, has expanded rapidly since 1972.

2. The Multiplier

In addition to the income generated by payroll and purchases of locally produced materials, expenditures by possessions corporations have a multiplier impact on the local economy. The original increase in spending generates income, part of which is used to purchase locally produced goods and services, thereby inducing a secondary increase in spending and income. Lacking any econometric model of the Puerto Rican economy, one must resort to less exact methods to estimate the size of the Puerto Rican multiplier. According to standard textbook macroeconomic analysis, the size of the multiplier for an increase in spending (assuming, as seems reasonable in the case of Puerto Rico, that the government cannot change the rate of interest or credit conditions) is:

$$\frac{1}{s+m}$$

The symbols $\underline{s}$ and $\underline{m}$ represent the fraction of an increase in GNP which is saved or is spent on imports, respectively.

Saving and importing represent "leakages" -- the opposite of "linkages" -- from the spending-income cycle; the greater these leakages are, the more quickly the impact of increased spending is dissipated, and the smaller the multipler is.

In Puerto Rico, the propensity to save appears to be small, and the propensity to import high. In 1976, imports equaled 72 percent of gross national product; between 1974 and 1976 the increase in the dollar value of imports equaled 79 percent of the increase in the dollar value of gross national product. If the marginal propensity to save, $\underline{s}$, is assumed to be zero and the marginal propensity to import, $\underline{m}$, to be .75, then the formula given above indicates a multiplier of 1.33. That is to say, if spending increases by $1.00, an additional $.33 in local spending will be subsequently generated, so the total increase in income is $1.33.*

3. Direct, Indirect and Total Effects

Information on total employee compensation of possessions corporations was presented in Section B above. A broader measure of Puerto Rican benefits can be obtained by adding to employee compensation estimates of the companies' purchases of Puerto Rican materials, new plant and equipment, and then incrementing that total spending on Puerto Rican inputs by the multiplier. The final result would be a measure of the total Puerto Rican income associated directly and indirectly with possessions corporations.

An assumption implicit in this new, broader measure is that all Puerto Rican resources used by the possessions corporation in their production have no alternative economic use -- they would be unemployed but for the possessions corporations. Although this may be a resonable assumption for the Puerto Rican labor used, other Puerto Rican factors may be scarce. Capital must be diverted from other productive uses. Water and land are scarce in Puerto Rico; their use by possessions corporations precludes their use in other sectors, such as agriculture. Some purchased inputs, such as gas, oil, sugar, wood, or alcohol, are standard commodities which must be bought or could be sold overseas.

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*This estimate ignores government taxation and spending. If part of an additional dollar of income is paid in taxes and the Puerto Rican government does not increase its spending by a matching amount, the "leakage" will be greater, and the multiplier will be smaller, than this simple analysis indicates.

Sewage treatment, solid-waste collection and disposal and other government services may also have economic costs. If employee compensation by possessions corporations is too narrow a measure of the benefits they bring Puerto Rico, the total income associated directly or indirectly with those corporations is probably too broad a measure.

Table 9 below shows for various manufacturing industries Federal tax expenditures as a percentage of direct labor costs, of total direct expenditures on Puerto Rican inputs, and of Puerto Rican income directly or indirectly associated with those expenditures. The first percentage is identical to that in Table 6 above, the second is obtained by multiplying the first by the percentage in the last row of Table 8, and the third by dividing the second by the multiplier. Finally, the fourth column is simply the inverse of the third column -- Puerto Rican expenditures directly or indirectly generated by possessions corporations per dollar of Federal tax expenditure.

Table 9 indicates that Federal tax expenditure in some industries is associated directly or indirectly with more Puerto Rican expenditures or income than in other industries. The average for all manufacturing is 3.5. In some industries (e.g., food products, rubber products), the ratio is between 15 and 20, reflecting a low level of tax-exempt income and/or substantial purchases of goods and services from the Puerto Rican economy. In other industries, the ratio is quite low, usually because the tax-exempt income is high and local purchases are only average.

In summary, taking account of the backward linkages and the multiplier effect significantly expands -- and probably overstates -- the total benefit to Puerto Rico associated with the possessions corporation system of taxation. And while the measured cost-benefit ratios are reduced, they continue to vary widely from one industry to another.*

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*Note that a benefit-cost ratio of 1.0 does <u>not</u> mark the boundary between a "good" program and a "bad" one. For the reasons indicated above, the total income associated directly or indirectly with possessions corporations may overstate the benefits to Puerto Rico. More importantly, the benefit-cost ratio of one program should be compared not to some fixed benchmark, but rather to the ratio for alternative programs. For example (and only for example), a public-works program funded by the Federal government would, because of the multiplier effect, have a benefit-cost ratio of 1.3. The alternative program could, of course, be a restructured tax incentive.

Table 9
Tax Expenditures as a Percent of Compensation of Employees, of Direct Expenditure in Puerto Rico, and of Direct and Indirect Expenditure in Puerto Rico, for Manufacturing Industries

	Tax Expenditure as a Percent of Compensation of Employees 1/	Tax Expenditure as Percent of Direct Expenditures in Puerto Rico 2/	Tax Expenditure as Percent of Total Direct and Indirect Expenditures in Puerto Rico 3/	Total Direct and Indirect Expenditures in Puerto Rico Divided by Tax Expenditure 4/
Manufacturing industries	101.7	37.6	28.2	3.5
Food and kindred products	33.8	7.4	5.6	17.9
Tobacco products	49.4	22.2	16.7	6.0
Textile mill products	27.1	14.4	10.8	9.3
Apparel	22.9	15.2	11.4	8.8
Chemicals, total	266.3	73.0	54.8	1.8
Pharmaceuticals	347.6	132.4	99.3	1.0
Rubber products	11.1	6.7	5.0	20.0
Leather and leather products	28.7	21.5	16.1	6.2
Stone, clay, and glass products	66.1	25.3	19.0	5.3
Fabricated metal products	82.4	46.0	34.5	2.9
Machinery, except electrical	85.8	59.7	44.8	2.2
Electrical and electronic equipment	100.1	54.9	41.2	2.4
Transportation equipment	32.6	21.4	16.1	6.2
Scientific instruments	93.3	62.6	47.0	2.1

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1/ From Table 6, column (10).
2/ Column (1) times Table 8, line (10).
3/ Column (2) divided by 1.33.
4/ Inverse of column (3).

4. Forward Linkages

Forward linkages are usually evaluated by examining the percentage of total sales to various types of customers. Table 10 shows the percentages of manufacturing industries' shipments in 1972 to Puerto Rico, to the United States and to foreign countries, respectively. For manufacturing as a whole, 41.2 percent went to individual and industrial consumers in Puerto Rico, 54.2 percent to buyers (including parent companies) in the United States, and 4.5 percent to foreign purchasers. If indirect exports (i.e., goods sold to other Puerto Rican manufacturers who, in turn, were exporting to the United States or foreign countries) could be estimated separately, Puerto Rico's dependence on export markets would appear larger than what Table 10 indicates.

Table 10 indicates that some industries' forward linkages with other sectors of the Puerto Rican economy are stronger than others'. The lumber and wood industry sells its limited output to Puerto Rican users, and its primary customers -- the furniture and paper industries -- also sell almost exclusively to the local market. By contrast, the pharmaceutical industry derived 1 percent of its total sales from the Puerto Rican market. Sales to United States buyers, many of whom may be parent corporations, accounted for 76 percent of total sales. The remaining 23 percent of pharmaceuticals' sales were to foreign purchasers (many of whom may have been affiliated foreign subsidiaries), a larger percentage than the corresponding figure for any other industry. The machinery industry, which exported 15 percent of its total shipments to foreign buyers, was second in terms of non-U.S. exports. Because possessions corporations sell mostly outside Puerto Rico, their operations were not depressed by the 1973-77 recession in the local economy.

D. Impact of Changing from Section 931 to Section 936 and of Restructuring the Tollgate Tax

This Section reviews the available evidence on the impact of the Federal Tax Reform Act of 1976 and of the Commonwealth's restructuring of its tollgate tax on dividends paid by possessions corporations. Because the tollgate tax changes became effective on the same date (October 1, 1976) as section 936, and because the entire Puerto Rican Industrial Incentive Act has been under close scrutiny and its reform anticipated, the impact of shifting from section 931 to section 936 cannot be completely disentangled from the impact of the tollgate tax or the uncertainty about the future of the tax exemption program.

Table 10
Destination of Shipments by Puerto Rican
Manufacturing Industries, 1972
(Percentage of Total)

Industry Group	Puerto Rico	United States 1/	Foreign Countries
All manufacturing industries	41.2	54.2	4.5
Food and kindred products	59.2	37.2	3.7
Tobacco products	15.5	84.5	*
Textile mill products	28.7	71.3	*
Apparel	21.8	78.0	*
Lumber and wood products	100.0	-	-
Furniture and fixtures	97.9	2.1	*
Paper and allied products	87.5	5.0	7.5
Printing and publishing	78.2	18.2	3.6
Chemicals	18.9	66.5	14.6
Pharmaceuticals	1.0	76.0	23.0
Petroleum refining	64.2	32.7	3.3
Rubber products	47.8	52.2	*
Leather and leather products	15.6	83.1	*
Stone, clay and glass products	91.7	8.3	*
Primary metal products	87.1	9.7	3.2
Fabricated metal products	77.1	22.2	1.4
Machinery except electrical	35.2	50.0	14.8
Electrical and electronic equipment	10.7	87.9	.2
Transportation equipment	72.7	9.1	9.1
Scientific instruments	3.9	94.6	2.3
Miscellaneous manufacturing industries	12.3	87.7	*

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Source: U.S. Department of Commerce, 1972 Economic Censuses of Outlying Areas, Manufactures, Puerto Rico, October 1974, Chapter 2, Table 3.

1/ Includes shipments to the Virgin Islands.

* Less than 0.05 percent.

1. New Investment in Puerto Rico

The Puerto Rican economy remained sluggish throughout 1977, but has been picking up speed in 1978. To a large extent these recent gains represent a welcome, if long overdue, recovery from the recession which began in 1973-74. In addition, Puerto Rico is a primary beneficiary of recent changes in the international economy. The recent depreciation of the dollar against many foreign currencies has helped Puerto Rican goods and services compete with foreign producers for U.S. markets. The Orderly Marketing Agreements limiting Korean and Taiwanese exports of shoes to the U.S., and the Multifiber Arrangements limiting eighteen developing countries' exports of textiles and apparel to the U.S., have lessened the competitive pressure on Puerto Rican manufacturers in these industries. The winter of 1977-78 was apparently the best ever for Puerto Rico's tourist industry. As the dollar depreciated and foreign vacations became more expensive, Puerto Rico seemed more attractive. In addition, the Tax Reform Act of 1976 imposed record-keeping and other requirements on Americans attending foreign conventions, but exempted those attending conventions in Puerto Rico and the possessions from those limitations.

The combined Federal and Commonwealth tax changes enacted in 1976 apparently made investing in Puerto Rico somewhat less attractive for most U.S. companies. The Federal tax change added new incentives and disincentives to investing in Puerto Rico. Those companies anxious to bring money home from Puerto Rico as soon as possible benefitted from the dividends-received deduction made available in 1976; those who felt no pressing need for domestic use of accumulated Puerto Rican income might have preferred to keep section 931 because of the exemption for Eurodollar interest income. But when the Puerto Rican tollgate tax rules and rates were also changed to make the dividends taxable, the gains U.S. investors expected from the Tax Reform Act of 1976 were diminished and, perhaps, reversed.

Table 11 below is based on 394 corporations claiming section 936 benefits for fiscal years ending before July 1, 1977 (most of which were for the calendar year 1976). The 394 corporations included in Table 11 accounted for approximately 80 percent of the income excludable under section 931 in 1975 (as shown in Table 5 above). For corporations included in both the 1975 statistics of Table 5 and the 1976 statistics of Table 11, total book income and total Federal tax savings increased by 43 percent and 44 percent, respectively. Accordingly, the estimated tax expenditure for sections 931 and 936 in calendar year 1976 is $634 million, a 44 percent increase over the $440 million for 1975.

Table 11
Income and Estimated Tax Expenditure by Industry, 1976 1/

Industry Group	Number of Corporations	Book Income ($000)	Estimated Tax Expenditure ($000)
All industries	394	1,325,963	532,996
Manufacturing industries	301	1,217,482	489,579
Food and kindred products	18	79,205	31,882
Tobacco products	6	15,989	6,396
Textile mill products	6	-272	192
Apparel	67	47,462	19,072
Chemicals, total	52	758,401	303,360
Pharmaceuticals	36	654,540	261,816
All other chemicals	16	103,861	41,544
Rubber products	7	1,560	626
Leather and leather products	6	5,818	2,327
Stone, clay and glass products	3	9,242	3,697
Fabricated metal products	15	15,475	6,199
Machinery, except electrical	7	2,012	808
Electrical and electronic equipment	67	224,057	89,772
Transportation equipment			
Scientific instruments	21	44,174	17,670
All other manufacturing	26	14,359	7,578
Nonmanufacturing	93	108,482	43,417
Transportation, communications and utilities	9	97,948	39,179
Wholesale trade	11	1,881	753
Retail trade	39	2,056	840
Finance, insurance, real estate	9	1,065	434
Services	10	743	297
Miscellaneous and not available	15	4,787	1,915

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1/ Preliminary statistics. See text. Includes data for possessions corporations operating in American Samoa, Guam, and the Panama Canal Zone. These non-Puerto Rican operations account for less than 2 percent of total tax expenditure in any year (see Table 1).

Tables 12 and 13 present information for the 209 possessions corporations included in Table 11 for which 1976 employment and payroll data are available. Comparing Table 12 to Table 6 above suggests that between 1975 and 1976 the Federal tax expenditure increased not only in dollar terms, but also relative to Puerto Rican employment and payroll. This increase appears to be attributable as much to higher tax expenditure per employee or per dollar of employee compensation in the high-profit industries as to an increase in the relative importance of these industries. For the 143 manufacturing corporations included in both Table 6 and Table 12, tax expenditure as a percentage of total employee compensation increased from 138 percent in 1975 to 149 percent in 1976. (As noted above, employment and payroll data were, for no apparent reason, more often available for high-profit companies.)

Because Tables 11, 12, and 13 are based largely on operations for calendar year 1976, they do not capture the effect of the Puerto Rican tollgate tax, which was passed and signed into law in the second half of 1976, much less the uncertainty of 1977 about the future investment climate in Puerto Rico. A better indicator of the impact of those developments may be the number of new tax exemptions applied for or granted over the last few years. Throughout 1977, each was low by historical standards, but this may have been due more to broader political and economic factors than to the technical changes in Federal and Commonwealth tax laws.

As the outlines of the Puerto Rican Administration's proposals for reforming the Industrial Incentive Act became apparent, investors realized that the days of total tax exemption were about to end. The large number of exemptions granted just before the new program was announced presumably included both a backlog of those that might have applied earlier and a rush of those that would have applied later.

As of May 1978, 711 corporations had filed a section 936 election form -- see Table 14. Taken together, these 711 companies accounted for 99.5 percent of the income excludable under section 931 in 1975. Of these, 635 were included in one or more of the tables for 1973 to 1976 in this Report. The remaining 76 corporations are "new" 936 corporations; that is to say, they excluded no income under section 931 between 1973 and 1975, nor did they claim a section 936 credit for a fiscal year ending before July 1, 1977. Thirty-five of these 76 new companies were incorporated in 1977 or 1978, while the remaining 41 were incorporated prior to 1977. This last group includes

Table 12
Tax Expenditure, Employment and Compensation of Employees by Industry, 1976 1/

Industry Group	Number of Corporations	Book Income ($000)	Tax Expenditure: Amount ($000)	Tax Expenditure: Percent of Total	Employees: Number	Employees: Percent of Total	Compensation of Employees 2/: Amount ($000)	Compensation of Employees 2/: Percent of Total	Tax Expenditure Per Employee ($)	Tax Expenditure as Percent of Compensation of Employees	Average Employee Compensation ($)
All industries	209	815,305	328,627	100.0	32,912	100.0	266,223	100.0	5,127 3/	71.1 3/	7,208 3/
Manufacturing industries	192	811,909	327,271	99.6	31,697	96.3	255,590	96.0	7,522 3/	119.7 3/	6,287 3/
Food and kindred products	10	38,557	15,621	4.8	4,239	12.9	30,199	11.3	3,685	51.7	7,124
Tobacco products	5	12,158	4,863	1.5	1,882	5.7	13,276	5.0	2,584	36.6	7,054
Textile mill products	4	-454	119	--	212	.6	1,449	.5	562	8.2	6,834
Apparel	42	30,099	12,066	3.7	7,938	24.1	46,390	17.4	1,520	26.0	5,844
Chemicals, total	35	549,315	219,722	66.9	6,220	18.9	76,707	28.8	35,325	286.4	12,332
Pharmaceuticals	25	478,329	191,329	58.2	4,428	13.5	48,691	18.3	43,209	392.9	10,996
All other chemicals	10	70,986	28,393	8.6	1,792	5.4	28,016	10.5	15,844	101.3	15,634
Rubber products	5	1,069	430	.1	180	.5	1,407	.5	2,386	30.6	7,816
Leather and leather products	5	5,550	2,219	.7	995	3.0	6,362	2.4	2,230	34.9	6,393
Fabricated metal products	12	11,141	4,465	1.4	522	1.6	4,232	1.6	8,553	105.5	8,107
Electrical and electronic equipment	38	110,042	44,160	13.4	6,147	18.7	47,934	18.0	7,184	92.1	7,797
Scientific instruments	18	38,466	15,386	4.7	1,792	5.4	13,721	5.2	8,586	112.1	7,656
All other manufacturing 4/	18	15,966	8,220	2.5	1,570	4.8	13,913	5.2	5,236	59.1	8,862
Nonmanufacturing	17	3,396	1,357	.4	1,215	3.7	10,633	4.0	1,118	12.8	8,751

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1/ Preliminary statistics. See text.
2/ Compensation of employees was computed by multiplying 1.195 times payroll. The additional 19.5 percent reflects the employer-paid portion of social security, unemployment insurance, and other non-payroll labor costs. The 19.5 percent is the average for all U.S. manufacturing industries in 1976; see the U.S. Department of Commerce, Survey of Current Business, July 1977, Tables 6.5 and 6.6
3/ Compensation of employees and number of employees used to compute these amounts were weighted by industry using the ratio of tax expenditure in Table 11 and tax expenditure in this Table.
4/ Includes manufacturing industries where data were available for less than 3 corporations.

Table 13
Tax Expenditure, Employment and Compensation of Employees by Size of Tax Expenditure Per Employee, 1976 1/

Size of Tax Expenditure per Employee	Number of Corporations	Book Income ($000)	Tax Expenditure Amount ($000)	Tax Expenditure Percent of Total	Employees Number	Employees Percent of Total	Compensation of Employees 2/ Amount ($000)	Compensation of Employees 2/ Percent of Total	Tax Expenditure Per Employee ($)	Tax Expenditure as Percent of Compensation of Employees	Average Employee Compensation ($)
All Corporations	209	815,305	328,627	100.0	32,912	100.0	266,223	100.0	5,127 3/	71.1 3/	7,208 3/
$ 50,000 under $100,000	9	339,728	135,889	41.4	1,721	5.2	20,121	7.6	78,959	675.4	11,691
$ 10,000 under $ 50,000	50	314,304	125,719	38.3	6,291	19.1	72,339	27.2	19,984	173.8	11,498
$ 5,000 under $ 10,000	28	64,402	25,761	7.8	3,780	11.5	29,038	10.9	6,815	88.7	7,682
$ 1,000 under $ 5,000	64	95,374	38,136	11.6	14,567	44.3	100,039	37.6	2,618	38.1	6,867
$ 500 under $ 1,000	29	6,314	2,522	.8	3,588	10.9	22,364	8.4	703	11.3	6,232
$ 100 under $ 500	16	1,460	584	.2	1,780	5.4	11,691	4.4	328	5.0	6,568
$ 1 under $ 100	3	33	13	--	224	.7	1,242	.5	58	1.0	5,545
Loss Corporations	10	-6,309	--	--	961	2.9	9,389	3.5	--	--	9,770

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1/ Preliminary statistics. See text.
2/ Compensation of employees was computed by multiplying 1.195 times payroll. The additional 19.5 percent reflects the employer-paid portion of social security, unemployment insurance, and other non-payroll labor costs. The 19.5 percent is the average for all U.S. manufacturing industries in 1976; see the U.S. Department of Commerce, Survey of Current Business, July 1977, Tables 6.5 and 6.6.
3/ Compensation of employees and number of employees used to compute these amounts were weighted by industry using the ratio of tax expenditure in Table 11 and tax expenditure in Table 12.

Table 14
Elections under Section 936 by Industry

Industry	Total as of May 1978	Included in Report	New Elections		
			Total	Date of Incorporation	
				1977 or 1978	Before 1977
All industries	711	635	76	35	41
Manufacturing industries	546	491	55	27	28
Food and kindred products	32	28	4	1	3
Apparel	126	114	12	6	6
Chemicals, total	95	87	8	4	4
Pharmaceuticals	65	61	4	2	2
All other chemicals	30	26	4	2	2
Fabricated metal products	35	31	4	2	2
Electrical and electronic equipment	106	97	9	5	4
Scientific instruments	36	32	4	1	3
All other manufacturing	116	102	14	8	6
Nonmanufacturing	165	144	21	8	13
Wholesale and retail trade	70	65	5	2	3
Finance, insurance, real estate	29	23	6	1	5
All other nonmanufacturing	66	56	10	5	5

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several companies incorporated in the last five years, but which presumably had start-up losses making an earlier section 936 election disadvantageous. Table 14 does not include companies who recently obtained a tax exemption from Puerto Rico, but have delayed their 936 election until they are past their start-up losses. Table 14 indicates that the new 936 corporations have very much the same industrial composition as the old ones do.

2. Repatriation of Dividends

In denying a tax exemption for income earned outside the possession in which the corporation had a trade or business, and in making a dividends-received deduction available to the parent, Congress hoped to speed the repatriation of dividends. Because of the Puerto Rican tollgate tax, however, dividend payments were slow throughout 1977. With the entire 936 community seeking repeal or substantial modification of the tax, most companies waited to see what would happen. Because the tollgate tax does not apply to a liquidating distribution, the incentive to wait until the income tax exemption expired and then liquidate the subsidiary into the parent remained, albeit with diminished force and for Commonwealth, rather than for Federal, tax reasons. Finally, some companies initially wondered whether they could pay any tollgate tax without being required by their accountants to establish a reserve to provide for future tollgate taxes on all accumulated earnings. Creating such a reserve could depress income in financial statements in the quarter in which the reserve was established. Accounting firms have, however, taken the position that a reserve for taxes on accumulated earnings need not be established, providing the company commits itself to repatriating only current earnings.

In the first six months of 1978, the rate of dividend payments increased appreciably. As of early June, companies have committed themselves to paying in excess of $1.4 billion in dividends and $48 million in tollgate taxes. The effective rate of taxation of 3-4 percent reflects the Puerto Rican Treasury Department's ruling in December 1977 (clarifying the exemption for dividends from income earned outside Puerto Rico from the 10 percent tollgate tax and allowing a company to designate up to 50 percent of a dividend as coming from undistributed foreign income). The increased flow of dividends reflects not only the lowering of the effective rate of the tollgate tax from 10 percent to less than 5 percent, but also the investors' recognition that further reductions in the tollgate tax are unlikely.

3. Financial Portfolios

As of mid-1977, accumulated retained earnings of possessions corporations were estimated to be between $5 billion and $6 billion and growing at a rate of $1.6 billion annually. (The increase in dividend payments in 1978 has cut the growth of accumulated retained earnings.) Under section 931, a portion of the accumulated funds found their way to the Eurodollar market through banks in Guam. Interest on Guam deposits was not only exempt from Guam and Puerto Rican taxes, but under section 931 was possessions source income, and, therefore, helped the recipient to remain qualified for the section 931 exclusion. Subsidiaries whose Eurodollar and other passive income was about to exceed 50 percent of their total income and, thus, stood to lose their 931 exemption on this account often invested in tax-exempt municipal bonds, Puerto Rican and U.S., because the interest was not counted as income in determining the eligibility for section 931 benefits.

The tax exemption for interest on Eurodollar investments generally and Guam certificates of deposit in particular was terminated by section 936, which provided a tax credit only for income earned in the possession where the 936 company had a trade or business. The estimated composition of financial investments by 936 corporations as of mid-1977 is shown in Table 15. The nearly $3 billion invested in Puerto Rican assets represents a substantial increase over earlier years and reflects the section 936 tax credit for "qualified possessions source investment income."

Despite the apparent infusion of 936 funds, long-term interest rates in Puerto Rico have not been appreciably reduced for the average borrower. As indicated in Table 15, established 936 companies are willing to make construction loans to new 936 subsidiaries of established U.S. companies, but not to less credit-worthy Puerto Rican borrowers. Under temporary federal tax regulations, Puerto Rican banks (including the Puerto Rican branches of mainland banks) can "warehouse" 936 deposits in New York for up to six months, so much of the 936 bank deposits shown in Table 15 has led to increased investment outside of Puerto Rico.

The substantial increase since 1976 in purchases of Puerto Rican government bonds and the contemporaneous reduction in interest rates on these bonds is sometimes attributed to the 936 credit for qualified possessions source investment income -- see Table 16. In fact, this is not the case -- such interest is tax-exempt under the Puerto

Table 15

Estimated Composition of Financial Investments
by 936 Corporations in Mid-1977

$ billions	:	Asset
1.6		Deposits in Puerto Rican Banks
.6		Puerto Rican source GNMA mortgages
.4		931-936 loans
.3		Puerto Rican Government bonds
2.9		Total invested in Puerto Rico
.6		U.S. municipals
.3		U.S. project notes
.4		Preferred stock
1.3		Total invested in the U.S.
.6		Canada and Europe
.5+		Unaccounted for
5.3+		Total 936 funds

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Table 16
Sales of Bonds by the Government Development Bank for Puerto Rico
October 1976 - May 1978

Issuing Agency	Date (1)	Amount ($ millions) (2)	Average Life (Years) (3)	Net Interest Cost (percent) (4)	Bond Buyer's Index of 20 Bonds 1/ (5)	Point Spread (4-5) (6)
Water Resources Authority	10-13-76	60.0	18.13	8.23	6.25	1.98
Government Development Bank 2/	12-06-76	85.0	8.65	7.75	5.96	1.79
Aqueduct & Sewer Authority	12-10-76	35.0	15.40	7.88	5.96	1.92
Highway Authority	2-18-77	62.5	13.66	7.61	5.83	1.78
Commonwealth Series 1977	4-14-77	300.0	24.24	7.89	5.70	2.19
Government Development Bank 2/	7-13-77	50.0	6.21	6.15	5.64	.51
Highway Authority	8-10-77	75.0	22.38	6.99	5.63	1.36
Ports Authority	11-17-77	29.5	20.06	7.33	5.45	1.88
Public Buildings Authority	2-14-78	110.0	14.71	7.72	5.61	2.11
Puerto Rico Industrial Development	3-31-78	40.0	16.80	7.98	5.69	2.29
Government Development Bank 2/	5-05-78	50.0	7.64	7.04	5.89	1.15

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1/ Bond Buyer Index, The Weekly Bond Buyer.

2/ Issued directly to 936 corporations.

Source: Government Development Bank for Puerto Rico.

Rican Relations Act.* Like interest on U.S. state and municipal bonds, interest on Puerto Rican government obligations was not counted in determining eligibility of section 931 and is similarly treated under section 936. By contrast, "qualified possessions source investment income" helps a possession corporation establish that 80 percent of its gross income is possessions-source. Thus, the increased demand by the 936's for Puerto Rican government bonds is attributable to several other factors:

(1) the recent progress the former and the current Puerto Rican Administrations have made in reducing their borrowing requirements (see Figure II above) and thereby increasing the appeal of their bonds;

(2) the tollgate tax reductions obtainable by investing in government bonds;

(3) the increased demand for tax exempt bonds generally (because income earned outside a possession where the corporation has a trade or business is no longer tax exempt);

(4) the "jawboning" of the Puerto Rican government to induce the 936's to reinvest more of their earnings in Puerto Rico; and

(5) banks buying government bonds and reselling them to the 936's with a guarantee that the bank will repurchase the bonds as specified at the time of the original sale, should the 936's wish to sell them back.

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* In 1970, the Internal Revenue Service ruled (Rev. Rul. 70-219) that Puerto Rican Government Bonds were exempt under the Act of March 2, 1917, as amended by the Puerto Rican Relations Act, rather than under section 103 of the Internal Revenue Code (which exempts interest on bonds on States, Territories, Possessions and political subdivisions thereof) The effect of this ruling was to exempt Puerto Rico from the additional restrictions in section 103 of the Internal Revenue Code on industrial development bonds, arbitrage bonds, and so forth.

To date, the section 936 credit for "qualified possessions source investment income" has allowed the 936's an additional source of tax-exempt income and permitted certain borrowers (other 936 companies, GNMA mortgage holders, the banks) to obtain funds at reduced interest rates, but apparently has not had a measurable impact on total new investment in Puerto Rico.

Investments in tax-exempt U.S. municipals and in U.S. preferred stocks (which are entitled to an 85 percent dividends-received deduction for Federal tax purposes) by possessions corporations have also increased sharply. One company went so far as to obtain a letter ruling from the U.S. Internal Revenue Service that a 936's purchase of its own parent's common stock would not be treated as a constructive dividend for Federal tax purposes. But when the Puerto Rican Treasury declined to issue a comparable ruling for tollgate tax purposes, the planned purchase was abandoned.

E. Possible Impact of the New Industrial Incentive Act

The newly enacted reforms in the Puerto Rican Industrial Incentive Act are exceptionally complex, and the companies themselves will need some time to weigh the options before determining their own course of behavior. Because April 1979 is the soonest a company must decide whether to convert to partial income taxation for its current fiscal year, several years may pass before the impact of the recent changes can be assessed with any precision. Nonetheless, some basic features of the recent changes can be considered now:

-- For some companies, especially those with only a few years remaining on their exemption grants, the best option may still be to keep their total exemption from income taxes, repatriate no dividends, and when the tax exemption expires, liquidate tax-free into the parent.

-- For those who do convert, the effective rates of taxation will be quite low, perhaps averaging 5 percent of pretax income, in the near future. The

low effective rates would reflect the provision allowing 50 percent of tollgate taxes paid on income earned prior to conversion to be credited against the post-conversion income tax, the "progressive" structure of the Puerto Rican corporate income tax rates, and the provisions allowing two-thirds of income taxes paid by some companies to be credited against post-conversion tollgate taxes.

-- To alleviate unemployment, three declining industries -- textiles, apparel and shoes -- will be able to extend their tax exemption grants on terms more favorable than other industries can. In addition, export-oriented service industries, which heretofore have been fully taxable, but might bring high paying jobs to Puerto Rico, will qualify for grants of partial tax exemption.

-- The tax incentive to liquidate companies and close plants will be lessened. New grants will exempt a large, but declining, fraction of income from taxation, thereby easing companies into paying taxes. A primary incentive existing companies have to convert to partial tax exemption is an automatic extension of the partial exemption grant.

How much of an economic impact will the new changes have? The measured Federal income tax expenditure will be reduced by any income and tollgate taxes paid in Puerto Rico, but an effective Puerto Rican rate of 5 percent is one eighth of the 40 percent rate which this Report has assumed would be applicable in the absence of section 936. If the new effective tax rates are low enough not to have a measurable impact on the volume or industrial composition of investment, or on inter-affiliate transfer prices or other features of possessions corporations' behavior, the measured Federal tax expenditure (in dollar terms or relative to employment, employee compensation, total Puerto Rican income generated, and so forth) will be reduced by one eighth (because the Federal taxes foregone will represent 35 percent, rather than 40 percent of pretax income). Accordingly, the Federal tax expenditures for 1978 and thereafter, as shown in Table 1, above, have been reduced by one eighth of the value they otherwise would have taken.

Appendix A -- Operation of the Possessions Corporation System of Taxation in American Samoa, Guam, the Panama Canal Zone and the Virgin Islands

American Samoa, Guam and the Panama Canal Zone

1. Federal and Possessions Taxation

The income tax laws in effect in Guam are a mirror of those in force in the United States, i.e., the word "Guam" is substituted for the words "United States" wherever they appear in the United States Internal Revenue Code. This mirror system is provided for under section 31 of the Organic Act of Guam (48 U.S.C. section 1421). In contrast to Guam and the Virgin Islands, whose income tax laws were the result of Federal enactment, the U.S. Internal Revenue Code was enacted by American Samoa as the American Samoa Income Tax Act. The Act, effective January 1, 1963, established the "mirror system" for American Samoa.

Under this "mirror" system, the U.S. and the possessions are separate tax jurisdictions and a taxpayer's status, whether resident or nonresident, alien or citizen for individuals, or whether domestic or foreign for corporations, is determined by reference to the jurisdiction involved. The mirror system also means that any amendments to the U.S. Code automatically change the tax law in effect in the possession. In contrast, the tax laws operative in Puerto Rico are based on the 1939 U.S. Internal Revenue Code and are not automatically amended with changes in the U.S. Code.

U.S.-chartered corporations operating in American Samoa and Guam are considered foreign corporations for purposes of the income tax laws of these possessions. Similarly, a corporation chartered in American Samoa or Guam is considered a foreign corporation for purposes of the Federal income tax. However, Code sections 881 and 1442 provide an exception to this foreign corporation treatment for purposes of imposing the 30 percent withholding tax on fixed determinable, annual or periodical U.S. source income earned by a Guamanian corporation. Under these sections and applying the mirror concept, Guam and the U.S. are not considered foreign and no withholding tax is imposed.

U.S. corporations operating in American Samoa, Guam, and the Panama Canal Zone may qualify for special tax treatment under section 936 in the same manner as U.S. corporations in Puerto Rico, if they satisfy the 80 and 50 percent source rules. (The Virgin Islands are not treated as a possession for purposes of section 936). Corporations qualifying under section 936 are allowed a credit to offset any U.S. tax on income from the active conduct of a trade or business in the possession as well as for "qualified possessions source investment income". Also, the U.S. parent corporation of a 936 subsidiary operating in American Samoa, Guam, or the Panama Canal Zone is entitled to a dividends-received deduction. Finally, the 936 election is irrevocable for 10 years and during that period the subsidiary cannot join the parent in filing a consolidated return.

Under the industrial incentive program of Guam, corporations that meet minimum investment and certain other requirements (such as increasing employment, replacing imports, or creating vitally needed facilities) can qualify for rebates of corporate income taxes and income taxes on dividends, and exemption from taxes on income derived from the lease of land, buildings, machinery and equipment, property taxes and gross receipts taxes on petroleum and alcoholic beverages manufactured in Guam. The rebate for corporate income taxes is allowed for up to 20 years, up to 5 years for taxes on dividends and up to 10 years for all other tax exemptions. The company has the option of doubling the allowable time period for the rebates or exemptions by electing to enjoy half the rebate or exemption.

The government of American Samoa grants temporary exemptions from the payment of all or some taxes, duties, and business license fees for the establishment or expansion of qualifying industrial or business enterprise. In order to qualify, the business must be owned by a resident of American Samoa. In addition, 75 percent of the work force of the exempt firm must be residents of American Samoa. The tax exemption can be for a period up to 10 years, although it may be made to terminate earlier if the cumulative amount of taxes forgiven equal 200 percent of the net current investment.

The Panama Canal Zone, although treated as a possession under section 936, differs from the other possessions in several respects. It is operated by a federal agency (the Canal Zone Company) and government officials are appointed by the President rather than elected locally. It has few private businesses except for oil, shipping and insurance companies which assist in operating the Canal. Most of the expenditures of the Canal Zone government and Company are financed through toll collections. Although the President has the authority to impose taxes, it has never been used. Finally, as a result of the new Panama Canal Treaties, the Canal Zone will no longer be considered a possession for U.S. tax purposes.

2. Statistical Data

Table A-1 shows for 1975 the number of corporations in each possession which qualified for the benefits of section 931, their book income, and estimated tax saving (i.e., Federal tax expenditure). The data show that 13 companies with book incomes of $7 million accounted for a tax saving of almost $3 million under section 936. These figures compare with 1975 book incomes of $1.1 billion and tax savings of $447 million for 595 companies oerating in Puerto Rico. Payroll and employment data were unavailable for the companies operating in American Samoa, Guam and the Panama Canal Zone.

Virgin Islands

1. Virgin Islands and Federal Taxation

Under the Naval Appropriations Act of 1921, the income tax laws of the Virgin Islands are those currently in force in the United States; i.e., the U.S. Internal Revenue Code is transformed into a Virgin Islands Internal Revenue Code by substituting the words "Virgin Islands" wherever "United States" appears in the Code. In addition, under section 28(a) of the Revised Organic Act of 1954, "inhabitants" of the Virgin Islands are taxed on their worldwide income by the Virgin Islands and are exempt from any income tax liability to the United States Treasury, even on their United States source income. The question of whether a corporation is an "inhabitant" of the Virgin Islands is an

Table A-1

Income and Estimated Tax Expenditure
by Possession, 1975

Possessions	Number of Corporations	Book Income ($000)	Estimated Tax Expenditure ($000)
American Samoa	4	4,102	1,641
Guam	3	1,086	434
Panama Canal	6	2,034	814
Total	13	7,222	2,889

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unsettled one. Corporations organized in the Virgin Islands are considered "inhabitants" of the Virgin Islands. Corporations organized outside the Virgin Islands may also be considered "inhabitants" of the Virgin Islands, although the precise conditions under which they will be so considered are not clearly defined.

Foreign (including U.S.) corporations which do not qualify as inhabitants of the Virgin Islands are subject to taxation as foreign corporations under the "mirrored" Virgin Islands Code. Thus, they are taxed on a net basis on all income which is effectively connected with the conduct of a trade or business in the Virgin Islands. Although fixed or determinable annual or periodical income (such as interest, rents, dividends, wages) which is not effectively connected with the conduct of a trade or business is generally subject to taxation at a flat 30 percent rate, recent court decisions have raised questions as to whether and in what circumstances this income is subject to withholding by the Virgin Islands. The Virgin Islands tax administrators have in recent years assumed that such income is subject to withholding, and have imposed the withholding taxes. However, a 1977 decision of the United States Court of Appeals in the Third Circuit has cast serious doubt on whether the withholding taxes may be imposed upon payments to United States persons under the "mirrored" Virgin Islands Code. If withholding taxes are imposed, the taxes are creditable (subject to limits) against United States tax liability.

During the post World War II period, many developing countries (including the Virgin Islands) enacted legislation providing tax incentives to encourage business investment. The Virgin Islands' first Tax Incentive Act was passed in 1948 (the same year the Puerto Rican Industrial Incentive Act was enacted), and was amended several times thereafter. In 1975, a new industrial incentive program was enacted by the Virgin Islands Legislature. The program established significant new incentives (tax exemptions and subsidies) for businesses to establish operations in the Virgin Islands. However, in order to receive the tax benefits under the industrial incentive program, the corporation must qualify not only under the industrial incentive program, but must also qualify under section 934 of the Internal Revenue Code.

Enacted by the Congress in 1960, section 934 aims to prevent the Virgin Islands from granting tax rebates or subsidies for taxes attributable to income derived from sources within the United States. The Virgin Islands are permitted to make rebates and subsidies to a U.S. or Virgin Islands corporation on tax liability based on income from sources without the United States, but only if the corporation meets the so-called "80-50 tests." These are:

(1) that 80 percent or more of the corporations income for the 3-year period preceding the close of the taxable year must be from sources within the Virgin Islands; and,

(2) that 50 percent of the corporation's income for the period must have been derived from the active conduct of a trade or business in the Virgin Islands.

Under the current Virgin Islands Industrial Incentive Program, U.S. corporations which meet the requirements of section 934 and certain other requirements (including minimum investment, employment, and ecological standards) are eligible for the two types of benefits:

(1) total exemption from property taxes attributable to the exempt business, gross receipts taxes, and excise taxes on materials, appliances, and supplies used in the construction, alteration, reconstruction, or extension of the facilities of the exempt business;

(2) tax refunds for (a) 90 percent of the customs duties on raw materials or component parts imported into the Virgin Islands used to produce, create or assemble articles, goods or commodities; (b) 90 percent of the income tax paid to the Virgin Islands on income derived from V.I. sources.

These exemptions and subsidies are permitted for 10 years, but the beneficiary has the option of electing partial benefits for up to 20 years provided that the percentage of the benefits taken multiplied by total number of years equals 10. The percentage subsidy available for each term chosen by the taxpayer is given in the following table:

Term	Percent of Subsidy or Exemption
10 years	100.0%
11 years	90.9
12 years	83.3
13 years	76.9
14 years	71.4
15 years	66.7
16 years	62.5
17 years	58.8
18 years	55.5
19 years	52.6
20 years	50.0

Although tax exemptions and subsidies do not have to follow the same time schedule, the dates of election must be within the first five years of the operation of the business. Moreover, an additional five years of benefits (or up to 10 years of no less than 50 percent of the benefits) may be obtained by locating in certain economically depressed areas.

A U.S. corporation which qualifies as an "inhabitant" of the Virgin Islands, meets the 80-50 tests, and elects a 10 year subsidy pays a maximum effective corporate income tax rate in the Virgin Islands of 4.8 percent, assuming the corporation is taxed at a 48 percent and 90 percent of the tax is refunded. The actual effective V.I. tax rate is probably less if the impact of other tax provisions, such as the investment tax credit and accelerated depreciation, is taken into account. For example, the effective tax rate on domestic income of U.S. manufacturing corporations is about 40 percent after taking into account other provisions in the law which reduce taxes. 1/ Therefore, U.S. corporations which do business in the V.I. may pay effective rates in the V.I. as low as 4 percent, if they take advantage of these provisions.

A United States corporation which qualifies as an inhabitant of the V.I. is treated as a domestic corporation

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1/ Department of the Treasury, Effective Income Tax Rates Paid by United States Corporations in 1972, May 1978.

for U.S. tax purposes. Like 936's in Puerto Rico, dividends paid by a U.S. subsidiary in the V.I. to its U.S. parent qualify for a dividends-received deduction. If the subsidiary is 80 percent or more owned by the parent, the U.S. subsidiary in the V.I. may be liquidated, and its assets distributed to its parent, without recognition of gain or loss upon the liquidating distributions. In addition, other corporate organizations and reorganizations involving the subsidiary do not require a section 367 ruling or toll charge, because no foreign corporation is involved. Unlike section 936 companies, the U.S. subsidiary may be a member of an affiliated group for purposes of filing a consolidated return. Finally, under section 28 of the Revised Organic Act, the U.S. subsidiary which qualifies as an inhabitant of the V.I. satisfies its U.S. tax liability by reporting and paying taxes to the Virgin Islands. Not only does it escape U.S. tax jurisdiction, but it may also qualify for a reduced V.I. tax liability if it meets the 80 and 50 percent source of income rules under section 934 of the Code.

Although dividends paid by the U.S. subsidiary operating in the V.I. qualify for the dividends-received deduction for purposes of computing the parent's United States tax liability, the Virgin Islands may seek to impose a 30 percent withholding tax on these dividends (as discussed above). If withholding taxes are imposed, the United States would allow the parent corporation to credit these taxes (subject to limits) against its U.S. tax liablity. Puerto Rican possession corporations are also allowed a dividends-received deduction, but are not allowed a foreign tax credit for withholding taxes.

If the parent wishes to "repatriate" the earnings without paying the V.I. withholding tax, it may permit the subsidiary to accumulate its earnings and then liquidate the subsidiary. The United States would not recognize a gain or loss on the transaction (although the earnings might be subject to the accumulated profits tax). The Virgin Islands would treat the liquidation as a capital transaction not subject to the withholding tax.

2. Statistical Data

At the end of the 1975 fiscal year, 92 firms held certificates of tax exemption and subsidy in the Virgin Islands. The average wage and payroll distribution for the tax exempt industries is presented on Table A-2. These firms employed about 4,800 persons and had a payroll of approximately $34 million. Employees of firms in the chemical (including pharmaceuticals) and hotel industries alone accounted for almost 66 percent of total employment in tax exempt industries and 20 percent of total private employment in the Virgin Islands.

Table A-3 shows the subsidy payments received by tax exempt businesses during fiscal year 1975. According to the figures on Table A-3, subsidy payments of almost $137 million have been made during fiscal year 1975. This amount is large when it is compared to total operating revenues of only $294 million for the Virgin Islands. Subsidy claims increased to $146 million for fiscal year 1976, probably reflecting the enactment of the new industrial incentive program in October 1975. Moreover, it should be noted that most of these businesses also enjoyed exemption from license fees, excise taxes or building materials and real property taxes.

Published data are inadequate for estimating the tax loss from the tax exemptions and subsidies permitted by section 934. The income tax subsidies presented on Table A-3 do not accurately reflect the U.S. tax loss because the data include both U.S. and V.I. corporations and represent actual payments rather than claims. 1/

1/ The published data for 1975 show both pending certified claims and actual payments of $18,651,249 and $4,432,365, respectively.

Table A-2
Average Payroll and Employment for Tax Exempt Industries in the Virgin Islands, FY 1975

Industry	Average Number of Employees	Percent of Total Employees	Annual Average Payroll	Percent of Total Payroll
Hotels, Guest Houses and Motels	1,117	23.1	$5,249,000	15.5
Watches and Related Products	589	12.2	3,055,000	9.0
Costume Jewelry and Related Products	18	0.4	95,000	0.3
Knitting, Weaving, Spinning, Laminating and Shower-Proofing Woolens	186	3.8	1,170,000	3.4
Chemicals and Related Products	2,071	42.7	19,362,000	57.0
Housing Projects	31	0.6	248,000	0.7
All Others	832	17.2	4,778,000	14.1
Total	4,844	100.0	$33,957,000	100.0

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Source: 1975 and 1976 Annual Reports of the Governor of the Virgin Islands to the Secretary of the Interior for the fiscal years ended June 30.

Table A-3

Virgin Islands Tax Incentive Program Subsidy Claims,
Fiscal Years 1975 and 1976

	FY 1976	FY 1975
Customs Duties	$122,495,822	$132,408,111
Excise Tax	87,731	86,062
Income Tax (Business)	23,245,850	4,352,717
Total	145,829,557	136,848,890

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Source: 1975 and 1976 Annual Reports of the Governor of the Virgin Islands to the Secretary of the Interior for the Fiscal Years ended June 30.

Appendix B -- Sources and Limitations of the Data and Statistical Data for 1973 and 1974

Introduction

This Appendix includes tables covering data for 1973 and 1974, similar to text Tables 5, 6, and 7 covering data for 1975 and Tables 11, 12, and 13 covering 1976, and a discussion of the sources and limitations of the data. All of the data in these text and Appendix tables are based on 910 corporations that either excluded income under section 931 in one or more of the years 1973, 1974, and 1975, or made an election under section 936 for 1976. Tables for each year are based on corporations' accounting periods ending between July 1 of the year and June 30 of the following year. For example, tables for 1973 contain data for corporations with accounting periods ending on or after July 1, 1973 and on or before June 30, 1974.

Sources and limitations of the data

The primary source of income data was Form 5712, "Election to be Treated as a Possessions Corporation Under Section 936". (Appendix C contains copies of all tax forms from which data included in this Report was obtained.) If the corporation filing Form 5712 or any other member of its controlled group excluded income under section 931 for any taxable year beginning in 1973, 1974, or 1975, the net income per books of that corporation for each year 1973-1975 was reported on the Form. One problem with this data is that the income for all three years, 1973-1975, was reported even though the corporation may not have excluded income under section 931 all three of those years. In particular, some of these companies incurred losses in one or more years between 1973 and 1975 and therefore presumably filed on a consolidated basis with their parent. Inclusion of such companies in the tables for these years may therefore cause an understatement of the amount of income excluded under section 931 for 1973-1975. However, this understatement appears to have been relatively small in all three years, and does not affect the tax expenditure estimates which are based on the income of profitable firms only.

In addition to Form 5712, some income data and all of the Puerto Rican tax data were obtained from income tax returns (Forms 480.20) filed with the Puerto Rican Government. Most of the 1976 income data were derived from Form 5735, "Computation of Possessions Corporation Tax Credit Allowed Under Section 936".

The employment and payroll data was taken from Form 940, "Employer's Annual Federal Unemployment Tax Return". These returns are filed on a calendar year basis; for companies with a non-calendar year accounting period the Form 940 data was associated with income data for the accounting period most nearly corresponding to the calendar year. For example, the calendar year 1973 Form 940 data was associated with annual accounting periods ending between July 1, 1973 and June 30, 1974.

The number of employees was computed by dividing total taxable wages (line 15, Form 940) by $4,200, the maximum amount per employee subject to unemployment tax. This procedure gives an estimate of the number of full-time equivalent employees during the year rather than the actual number of persons employed at any particular time during the year. If the corporation paid its workers less than $4,200 (the minimum wage in several industries was sufficiently low that this could occur), the number of employees could be understated. On the other hand, because the $4,200 ceiling is tied to individual employees, the procedure could overestimate employment for a company with relatively high wages and part-time employees or a high labor turnover rate. However, secondary data, from Forms 940 and other sources, suggests that the method used here provides reasonably accurate estimates of full-time equivalent employment.

Total compensation was computed by multiplying total remuneration (line 11, Form 940) by a factor representing the ratio of total compensation to total remuneration. The value of this factor is noted in the tables for each year. Total compensation exceeds total remuneration because it includes certain fringe benefits and other items, such as the employer share of social security contributions, that are excluded from total remuneration.

Some corporations did not report an amount for total remuneration or reported the same amount as for taxable

wages. In the latter case, the firm's reporting was assumed to be correct. For the corporations that did not report total remuneration, the reported amount of taxable wages was used. Total compensation may therefore be slightly understated.

The number of corporations included in the tables for any particular year is less than the number (910) included in at least one year for several reasons. Some corporations were organized after 1973, in some cases as late as 1976, and therefore do not appear in tables for the years prior to their establishment. Similarly, some firms were liquidated (or became inactive) before 1976, in some cases as early as 1974, and therefore do not appear in tables for the years following their liquidation (or cessation of active business). Finally, for some corporations that have not made an election under section 936 and are not related to an electing corporation, data from Puerto Rico Forms 480.20 was not available for all years 1973-1975.

The number of corporations included in text Tables 11, 12, and 13 covering 1976, is considerably less than the number included in Tables 5, 6, and 7, covering 1975, for several reasons. The 1976 returns of some corporations were not received in time for inclusion in the tabulations. In addition, some of the corporations included in the tables for 1975 (as well as earlier years) are included solely on the basis of being related to an electing 936 corporation and having benefited from section 931 in at least one of the years 1973-1975. These corporations, for various reasons, have not themselves made an election under section 936 and in most instances will therefore not appear even in complete 1976 data. For example, there were 115 corporations included in the 1975 tables that did not elect under section 936, compared with only 10 in 1976. (These 10 had accounting periods beginning before January 1, 1976, and therefore could still claim the benefits of section 931. They may elect under section 936 for subsequent years.) A large portion of the section 931 corporations classified as non-manufacturing did not make an election under section 936. As a result, relatively few non-manufacturing corporations are present in the 1976 data.

Statistical Data for 1973 and 1974

Tables B-1 and B-2 correspond to Tables 5 and 11 in the text and provide data for 1974 and 1973, respectively. Similarly, Tables B-3 and B-4 correspond to Tables 6 and 12 in the text, and Tables B-5 and B-6 to Tables 7 and 13.

Table B-1 indicates that 594 corporations had income of $852 million and tax savings of $372 million in 1974. Table B-2 presents data for 563 corporations with income of $651 million and tax savings of $258 million in 1973.

Tables B-3 through B-6 are limited to those corporations for which both income and employment data were available. Although these tables present data for less than half the number of corporations included in Tables B-1 and B-2, their coverage in terms of income and tax expenditure exceed 60 percent for 1974. The coverage for 1973, however, is much more limited because employment data were less readily available.

Table B-3 presents data for 243 corporations with 42,000 employees and income of $541 million in 1974. The tax expenditure per employee ranges from $55 for textile mill products to $36,050 for pharmaceuticals.

The 1973 data presented in Table B-4 is considerably weaker than the data for other years, as noted above. Although the number of corporations (187) is only slightly lower than for 1974, the book income ($143 million) is only one-fourth and the number of employees (16,000) about 40 percent of the corresponding 1974 figure.

Tables B-5 and B-6 present tax expenditure, income and payroll data classified by size of tax expenditure per employee. None of the 243 corporations included in Table B-5, covering 1974, had tax savings greater than $100,000 per employee. The 7 corporations with tax expenditure per employee in excess of $50,000 in 1974 had average tax savings per employee of $67,370, compared to $78,216 for the 18 corporations in the same group in 1975. Data for 1973 is shown in Table B-6.

Table B-1
Income and Estimated Tax Expenditure by Industry, 1974 1/

Industry Group	Number of Corporations	Book Income ($000)	Estimated Tax Expenditure ($000)
All industries	594	852,092	372,362
Manufacturing industries	398	813,056	352,759
Food and kindred products	25	65,123	26,517
Tobacco products	6	12,472	4,938
Textile mill products	8	-66,071	624
Apparel	94	42,052	17,515
Chemicals, total	65	478,329	190,683
Pharmaceuticals	44	405,355	161,341
All other chemicals	21	62,974	29,342
Rubber products	14	2,150	922
Leather and leather products	14	7,080	2,689
Stone, clay and glass products	6	8,684	3,418
Fabricated metal products	27	28,017	11,221
Machinery, except electrical	7	2,281	908
Electrical and electronic equipment	76	167,389	66,750
Transportation equipment	5	1,100	440
Scientific instruments	25	27,452	11,044
All other manufacturing	26	36,998	15,090
Nonmanufacturing	196	39,035	19,602
Transportation, communications and utilities	7	16,701	6,750
Wholesale trade	10	1,709	704
Retail trade	105	12,154	5,057
Finance, insurance, real estate	19	2,035	893
Services	14	-457	580
Miscellaneous and not available	41	6,893	5,620

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Office of Tax Analysis

1/ Includes data for possessions corporations operating in America Samoa, Guam, and the Panama Canal Zone. These non-Puerto Rican operations account for less than 2 percent of total tax expenditure in any year (see Table 1).

Table B-2
Income and Estimated Tax Expenditure by Industry, 1973 1/

Industry Group	Number of Corporations	Book Income ($000)	Estimated Tax Expenditure ($000)
All industries	563	650,759	258,316
Manufacturing industries	382	591,721	242,064
Food and kindred products	22	60,937	21,960
Tobacco products	8	15,265	6,089
Textile mill products	16	-4,539	1,190
Apparel	93	36,991	15,240
Chemicals, total	57	268,868	110,380
Pharmaceuticals	39	251,897	103,533
All other chemicals	18	16,971	6,847
Rubber products	14	1,606	1,149
Leather and leather products	19	4,283	1,853
Stone, clay and glass products	8	6,272	2,505
Fabricated metal products	24	15,465	6,828
Machinery, except electrical	4	1,830	732
Electrical and electronic equipment	64	116,277	46,734
Transportation equipment	3	601	240
Scientific instruments	23	22,176	8,794
All other manufacturing	27	45,689	18,370
Nonmanufacturing	181	59,038	16,252
Transportation, communications and utilities	6	6,952	2,843
Wholesale trade	10	29,834	541
Retail trade	98	10,901	4,506
Finance, insurance, real estate	16	2,601	1,081
Services	17	-6,923	423
Miscellaneous and not available	34	15,671	6,858

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Office of Tax Analysis

1/ Includes data for possessions corporations operating in America Samoa, Guam, and the Panama Canal Zone. These non-Puerto Rican operations account for less than 2 percent of total tax expenditures in any year (see Table 1).

Table B-3
Tax Expenditure, Employment and Compensation of Employees by Industry, 1974

Industry Group	Number of Corporations	Book Income ($000)	Tax Expenditure: Amount ($000)	Tax Expenditure: Percent of Total	Employees: Number	Employees: Percent of Total	Compensation of Employees 1/: Amount ($000)	Compensation of Employees 1/: Percent of Total	Tax Expenditure Per Employee ($)	Tax Expenditure: as Percent of Compensation of Employees	Average Employee Compensation ($)
All industries	243	540,975	245,197	100.0	42,394	100.0	308,337	100.0	4,033 2/	56.1 2/	7,184 2/
Manufacturing industries	207	525,413	235,652	96.1	32,118	75.8	225,741	73.2	5,424 2/	77.8 2/	6,973 2/
Food and kindred products	15	30,062	12,124	4.9	4,764	11.2	32,298	10.5	2,545	37.5	6,780
Tobacco products	6	12,472	4,938	2.0	1,435	3.4	9,215	3.0	3,441	53.6	6,422
Textile mill products	3	-67,294	135	.1	2,472	5.8	19,132	6.2	55	.7	7,739
Apparel	44	19,717	8,580	3.5	5,993	14.1	32,202	10.4	1,432	26.6	5,373
Chemicals, total	28	372,565	146,741	59.8	5,066	11.9	50,554	16.4	28,966	290.3	9,979
Pharmaceuticals	21	323,048	126,931	51.8	3,521	8.3	31,675	10.3	36,050	400.7	8,996
All other chemicals	7	49,417	19,810	8.1	1,545	3.6	18,879	6.1	12,822	104.9	12,219
Rubber products	9	1,987	752	.3	531	1.3	3,268	1.1	1,416	23.0	6,154
Leather and leather products	10	3,813	1,568	.6	1,025	2.4	5,494	1.8	1,530	28.5	5,360
Stone, clay and glass products	3	6,603	2,586	1.1	466	1.1	2,997	1.0	5,549	86.3	6,431
Fabricated metal products	17	17,453	6,981	2.8	1,120	2.6	7,827	2.5	6,233	89.2	6,988
Electrical and electronic equipment	37	76,250	30,317	12.4	6,302	14.9	42,453	13.8	4,811	71.4	6,736
Transportation equipment	3	474	189	.1	113	.3	855	.3	1,673	22.1	7,566
Scientific instruments	18	20,169	8,058	3.3	2,063	4.9	12,040	3.9	3,906	66.9	5,836
All other manufacturing 3/	14	31,142	12,683	5.2	768	1.8	7,406	2.4	16,514	171.3	9,643
Nonmanufacturing	36	15,562	9,546	3.9	10,276	24.2	82,595	26.8	718 2/	9.3 2/	7,688
Transportation, communications and utilities	3	14,744	5,967	2.4	4,138	9.8	36,906	12.0	1,442	16.2	8,919
Wholesale trade	3	716	286	.1	179	.4	1,642	.5	1,598	17.4	9,173
Finance, insurance, real estate	6	835	367	.1	238	.6	2,087	.7	1,542	17.6	8,769
Services	7	-475	431	.2	981	2.3	6,991	2.3	439	6.2	7,126
Miscellaneous and not available 4/	17	-258	2,495	1.0	4,740	11.2	34,969	11.3	526	7.1	7,377

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1/ Compensation of employees was computed by multiplying 1.178 times payroll. The additional 17.8 percent reflects the employer-paid portion of social security, unemployment insurance, and other non-payroll labor costs. The 17.8 percent is the average for all U.S. manufacturing industries in 1974; see the U.S. Department of Commerce, Survey of Current Business, July 1977, Tables 6.5 and 6.6.
2/ Compensation of employees and number of employees used to compute these amounts were weighted by industry using the ratio of tax expenditure in Table B-1 and tax expenditure in this Table.
3/ Includes manufacturing industries where data were available for less than 3 corporations.
4/ Includes nonmanufacturing industries where data were available for less than 3 corporations.

Table B-4
Tax Expenditure, Employment and Compensation of Employees by Industry, 1973

Industry Group	Number of Corporations	Book Income ($000)	Tax Expenditure: Amount ($000)	Tax Expenditure: Percent of Total	Employees: Number	Employees: Percent of Total	Compensation of Employees 1/: Amount ($000)	Compensation of Employees 1/: Percent of Total	Tax Expenditure Per Employee ($)	Tax Expenditure as Percent of Compensation of Employees	Average Employee Compensation ($)
All industries	187	143,448	51,846	100.0	16,339	100.0	97,226	100.0	1,740 2/	19.3 2/	9,013 2/
Manufacturing industries	157	110,587	49,842	96.1	14,578	89.2	84,162	86.6	1,810 2/	19.6 2/	9,236 2/
Food and kindred products	6	3,700	1,416	2.7	673	4.1	4,611	4.7	2,104	30.7	6,851
Tobacco products	4	2,338	918	1.8	444	2.7	2,285	2.4	2,068	40.2	5,146
Textile mill products	10	-7,084	128	.2	2,919	17.9	14,588	15.0	44	.9	4,998
Apparel	44	6,943	3,206	6.2	4,265	26.1	22,668	23.3	752	14.1	5,315
Chemicals, total	18	83,031	35,731	68.9	1,265	7.7	9,113	9.4	28,246	392.1	7,204
Pharmaceuticals	12	79,686	34,393	66.3	1,057	6.5	7,680	7.9	32,538	447.8	7,266
All other chemicals	6	3,345	1,338	2.6	208	1.3	1,433	1.5	6,433	93.4	6,889
Rubber products	9	1,949	740	1.4	533	3.3	3,026	3.1	1,388	24.5	5,677
Leather and leather products	9	2,255	896	1.7	749	4.6	3,876	4.0	1,196	23.1	5,175
Fabricated metal products	12	1,841	727	1.4	350	2.1	2,070	2.1	2,077	35.1	5,914
Electrical and electronic equipment	20	9,197	3,488	6.7	2,347	14.4	15,401	15.8	1,486	22.6	6,562
Scientific instruments	11	4,911	1,887	3.6	405	2.5	2,510	2.6	4,659	75.2	6,198
All other manufacturing 3/	14	1,506	705	1.4	628	3.8	11,046	11.4	1,123	6.4	17,589
Nonmanufacturing	30	32,861	2,003	3.9	1,761	10.8	13,063	13.4	1,104 2/	15.8	6,988 2/
Wholesale trade	5	29,345	343	.7	338	2.1	2,655	2.7	1,015	33.8	7,855
Finance, insurance, real estate	5	1,427	571	1.1	198	1.2	1,585	1.6	2,884	36.0	8,005
Services	9	534	378	.7	566	3.5	4,279	4.4	668	8.8	7,560
Miscellaneous and not available 4/	11	1,555	711	1.4	659	4.0	4,545	4.7	1,079	15.6	6,897

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1/ Compensation of employees was computed by multiplying 1.172 times payroll. The additional 17.2 percent reflects the employer-paid portion of social security, unemployment insurance, and other non-payroll labor costs. The 17.2 percent is the average for all U.S. manufacturing industries in 1973; see the U.S. Department of Commerce, Survey of Current Business, July 1977, Tables 6.5 and 6.6.
2/ Compensation of employees and number of employees used to compute these amounts were weighted by industry using the ratio of tax expenditure in Table B-2 and tax expenditure in this Table.
3/ Includes manufacturing industries where data were available for less than 3 corporations.
4/ Includes nonmanufacturing industries where data were available for less than 3 corporations.

Table B-5
Tax Expenditure, Employment and Compensation of Employees by Size of Tax Expenditure Per Employee, 1974

Size of Tax Expenditure per Employee	Number of Corporations	Book Income ($000)	Tax Expenditure: Amount ($000)	Tax Expenditure: Percent of Total	Employees: Number	Employees: Percent of Total	Compensation of Employees 1/: Amount ($000)	Compensation of Employees 1/: Percent of Total	Tax Expenditure per Employee ($)	Tax Expenditure as Percent of Compensation of Employees	Average Employee Compensation ($)
All Corporations	243	540,975	245,197	100.0	42,394	100.0	308,337	100.0	4,033 2/	56.1 2/	7,184 2/
$ 50,000 under $100,000	7	149,057	59,623	24.3	885	2.1	8,127	2.6	67,370	733.6	9,183
$ 10,000 under $ 50,000	35	291,488	115,661	47.2	5,261	12.4	52,376	17.0	21,984	220.8	9,956
$ 5,000 under $ 10,000	29	49,775	19,884	8.1	2,725	6.4	20,836	6.8	7,296	95.4	7,646
$ 1,000 under $ 5,000	91	116,875	46,405	18.9	19,099	45.1	127,471	41.3	2,429	36.4	6,674
$ 500 under $ 1,000	14	3,650	1,460	.6	1,811	4.3	10,364	3.4	806	14.1	5,723
$ 100 under $ 500	26	5,822	2,107	.9	6,577	15.5	46,599	15.1	320	4.5	7,085
$ 1 under $ 100	8	3,700	58	--	1,150	2.7	7,070	2.3	50	.8	6,148
Loss Corporations	33	-79,392	--	--	4,886	11.5	35,492	11.5	--	--	7,264

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1/ Compensation of employees was computed by multiplying 1.178 times payroll. The additional 17.8 percent reflects the employer-paid portion of social security, unemployment insurance, and other non-payroll labor costs. The 17.8 percent is the average for all U.S. manufacturing industries in 1974; see the U.S. Department of Commerce, Survey of Current Business, July 1977, Tables 6.5 and 6.6.

2/ Compensation of employees and number of employees used to compute these amounts were weighted by industry using the ratio of tax expenditure in Table B-1 and tax expenditure in Table B-3.

Table B-6
Tax Expenditure, Employment and Compensation of Employees by Size of Tax Expenditure Per Employee, 1973

Size of Tax Expenditure per Employee	Number of Corporations	Book Income ($000)	Tax Expenditure: Amount ($000)	Tax Expenditure: Percent of Total	Employees: Number	Employees: Percent of Total	Compensation of Employees 1/: Amount ($000)	Compensation of Employees 1/: Percent of Total	Tax Expenditure Per Employee ($)	Tax Expenditure as Percent of Compensation of Employees	Average Employee Compensation ($)
All Corporations	187	143,448	51,846	100.0	16,339	100.0	97,226	100.0	1,740 2/	19.3 2/	9,013 2/
$ 50,000 under $100,000	5	68,559	27,423	52.9	410	2.5	3,372	3.5	66,885	813.3	8,224
$ 10,000 under $ 50,000	14	20,479	8,106	15.6	413	2.5	2,833	2.9	19,627	286.1	6,860
$ 5,000 under $ 10,000	12	13,566	5,395	10.4	707	4.3	4,441	4.6	7,631	121.5	6,281
$ 1,000 under $ 5,000	60	21,647	8,474	16.3	3,944	24.1	23,684	24.4	2,149	35.8	6,005
$ 500 under $ 1,000	22	4,272	1,701	3.3	2,288	14.0	13,474	13.9	743	12.6	5,889
$ 100 under $ 500	25	1,979	708	1.4	2,525	15.5	14,645	15.1	280	4.8	5,800
$ 1 under $ 100	12	28,820	38	.1	935	5.7	5,226	5.4	41	.7	5,589
Loss Corporations	37	-15,873	--	--	5,117	31.3	29,550	30.4	--	--	5,775

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1/ Compensation of employees was computed by multiplying 1.172 times payroll. The additional 17.2 percent reflects the employer-paid portion of social security, unemployment insurance, and other non-payroll labor costs. The 17.2 percent is the average for all U.S. manufacturing industries in 1973; see the U.S. Department of Commerce, Survey of Current Business, July 1977, Tables 6.5 and 6.6.

2/ Compensation of employees and number of employees used to compute these amounts were weighted by industry using the ratio of tax expenditure in Table B-2 and tax expenditure in Table B-4.

Appendix C -- Tax Forms from which Data Included in this Report was Obtained

Form **5712**
(Rev. March 1978)
Department of the Treasury
Internal Revenue Service

Election to be Treated as a Possessions Corporation Under Section 936

The corporation named below hereby elects under section 936(e) of the Internal Revenue Code to be treated as a possessions corporation for income tax purposes.

Name of corporation	Employer identification number
Number and street	Date of incorporation
City or town, State and ZIP code	Place of incorporation
Business code number / Principal business activity	Principal product or service

Description of each class of stock	Number of shares of each class issued and outstanding

The following information must be submitted for each shareholder owning 10% or more of the issued and outstanding stock any class:

Name of shareholder	Identifying number	Address	Class of stock	Number of shares owned

Election is made for the taxable year beginning (month, day, year)	Date corporation commenced business in a U.S. possession	Annual return will be filed for the taxable yea ending (enter the month or "unknown")

For any taxable year beginning in 1973, 1974, or 1975 did you, or any other corporation which is (or was in that year) a member of your controlled group (as defined in section 993(a)(3)), exclude income under section 931? . . ☐ Yes ☐ N

If "Yes," for each such corporation (attach additional schedules if required):

(1) Enter the corporation's name and employer identification number ▶ .....

(2) Complete the following schedule—

Taxable year (use a separate line for each full or short taxable year beginning in 1973, 1974, or 1975)		Principal place of business (enter name of U.S. possession or country)	Net income per books
Beginning (month/day/year)	Ending (month/day/year)		

U.S. income tax returns filed:

If corporation filed separately:		If corporation joined in filing a consolidated return:	
Taxable income or (loss) shown on return	Amount of gross income excluded under section 931	Name and employer identification number of corporation filing return	Internal Revenue Service Center in which return was filed

Under penalties of perjury, I declare that I have been duly authorized by the above named corporation to make this election and that the statements made are to the be of my knowledge and belief, true, correct, and complete.

Signature and title of officer ..... Date .....

Instructions

Who Can Elect

Only domestic corporations can elect to be treated as possessions corporations.

When to File

Form 5712 must be filed within 90 days after the beginning of the first taxable year for which such election is made.

Where to File

File this form with the Internal Revenue Service Center, Philadelphia, PA 19255. File separately from your regular income tax return.

U.S. Possessions

For purposes of section 936, U.S. possessions include Puerto Rico but not the Virgin Islands.

Period of Election

The election applies to the first taxable year for which such election has been made and for which the domestic corporation qualifies under section 936(a).

This election may be revoked for any taxable year beginning before the expiration of the 9th taxable year following the taxable year for which such election first applies only with the consent of the Secretary. For any taxable year beginning after the expiration of such 9th taxable year, this election may be revoked without the consent of the Secretary.

Form 5735

For every year for which an election under section 936(e) is in effect, you must complete Form 5735, Computation of Possessions Corporation Tax Credit Under Section 936, and attach it to your income tax return.

Consolidated Returns

A corporation may not join in filing a consolidated return for any year for which an election under section 936(e) is in effect.

Business Classification

Refer to the Codes for Principal Business Activity and Principal Product or Service in the Instructions for Form 1120 and enter the (1) business code number, (2) principal business activity, and (3) principal product or service.

Identifying Number

The identifying number for individuals is their social security number. For all others it is their employer identification number.

Signature

This form must be signed by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) who is authorized to sign.

Form 480.20
Dec. 3, 1974

Auditor	Reviewer
Field Audited by:	
Date	

Commonwealth of Puerto Rico
DEPARTMENT OF THE TREASURY
INTERNAL REVENUE ADMINISTRATION
BUREAU OF INCOME TAX

197 CORPORATION INCOME TAX RETURN 197

FOR CALENDAR YEAR 197
OR OTHER TAXABLE YEAR BEGINNING
_____ 197 ____ AND ENDING _____, 197 ____

Serial Number
RECEIPT

Corporation's Name	Employer's Account Number	C.D.
Postal Address	"Zip Code"	
Location of Principal Industry or Business—Street, Number and City		Mun. Code
Kind of Principal Industry or Business		Ind. Code

Does this Corporation have exempt activities other than under the Industrial Incentive Act? Yes ☐ No ☐
Under what Act or Acts? _____

SCHEDULE 1 NET INCOME	1. Total Gross Income (From Schedule 4)	(10)	(01)	$
	2. Less: Total Deductions (From Schedule 5)		(02)	
	3. Net operating income (or loss) for the year		(03)	$
	4. Less: Net operating loss deduction for the preceding year (submit statement)		(04)	
	5. NET INCOME (or Loss)		(05)	$
SCHEDULE 2 CREDITS	6. Dividends or profits received from corporations or partnerships (See booklet of instructions)	(12)	(06)	$
	7. Net income subject to normal tax		(07)	
	8. Less: Surtax net income credit (See booklet of instructions)		(08)	
	9. Net income subject to surtax		(09)	$
SCHEDULE 3 COMPUTATION OF TAX	10. Normal tax (22% of net income subject to normal tax, line 7)	(14)	(10)	$
	11. Surtax (See booklet of instructions)		(11)	
	12. Total Tax (normal tax and surtax)		(12)	$
	13. Alternative tax (line 28 of Annex "B")		(13)	
	14. TAX DETERMINED (Item 12 or 13, whichever is lower)		(14)	$
	15. Credits: Tax Paid: (a) At Source		(15)	$
	(b) Allowable proportion of the tax paid to U.S. or its possessions or foreign countries (See booklet of instructions and submit details)		(16)	$ $
	16. THIS IS YOUR TAX LIABILITY (Subtract item 15 from item 14. Enter difference here)		(17)	$
	17. Less: Estimated tax paid: Current year $ ..... Excess of previous years $	(16)	(18)	
	18. Balance of tax payable (Enter here the difference, if item 16 is larger than item 17)		(19)	
	19. Less: Amount paid with tentative return $ ..... With this return $		(20)	
	20. Balance of tax due		(21)	$
	21. Amount of tax overpaid to be credited to estimated tax for 197		(22)	$
	22. Amount of tax overpaid to be refunded		(23)	$

O A T H

NOTARIAL SEAL

WE, the undersigned, president (or vicepresident, or other principal officer) and treasurer (or assistant treasurer), or agent o the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return (incl ding any accompanying schedules and statements) has been examined by him and is, to the best of his knowledge and belief, a tru correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Income Tax Act of 1954 and t Regulations issued thereunder.

....
Treasurer or Assistant Treasurer (State title) President or other Principal Officer (State title)

.....
Agent

Affidavit No. .....

Sworn and suscribed to before me by _____, of legal age, occupatio _____ and resident of _____; and by _____ of legal age, occupation _____ and resident of _____, personally know to me at _____, Puerto Rico, this _____ day of _____, 19____

....
Official Title Signature of officer administering oath

A RETURN NOT PROPERLY FILLED OUT WILL NOT BE CONSIDERED
AS MEETING THE STATUTORY REQUIREMENTS

COMPARATIVE BALANCE SHEETS

ASSETS		Beginning of Taxable Year — Amount	Beginning of Taxable Year — Total		End of Taxable Year (30) — Amount	End of Taxable Year — Total
1. Cash on hand and in banks (28)	(01)		$	(01)		$
2. Accounts receivable	(02)	$		(02)	$	
LESS: Reserve for bad debts	(03)			(03)		
3. Notes receivable	(04)			(04)		
4. Inventories	(05)			(05)		
5. Investments	(06)			(06)		
6. Depreciable assets	(07)	$		(07)	$	
LESS: Reserve for depreciation (28)	(08)			(08)		
7. Land	(09)			(09)		
8. Other assets	(10)			(10)		
TOTAL ASSETS	(11)		$	(11)		$
LIABILITIES AND NET WORTH						
Liabilities						
10. Accounts payable (28)	(12)	$		(12)	$	
11. Bonds, notes and mortgages payable	(13)			(13)		
12. Accrued expenses	(14)		$	(14)		$
13. Other liabilities	(15)			(15)		
Net Worth						
14. Capital stock:						
(a) Preferred stock (28)	(16)	$		(16)	$	
(b) Common stock	(17)			(17)		
15. Capital surplus	(18)			(18)		
16. Earned surplus	(19)			(19)		
17. Surplus reserves	(20)			(20)		
18. Total Liabilities and Net Worth	(21)		$	(21)		$

RECONCILITATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1. Net income per books (32)	(01)	$	7. Income recorded on books this year not included in this return (itemized, use rider if necessary) (a) Tax-exempt interest $ ... (34)	(01) $
2. Income tax	(02)		8. Deductions in this tax retun not charged against book income this year (itemize, use rider if necessary) (a) Depreciation $ (b) Depletion $	(02)
3. Excess of capital losses over capital gains	(03)		9. Total of lines 7 and 8	(03) $
4. Taxable income not recorded on books this year (itemized)	(04)		10. Income (Line 5 page 1)—Line 6 less Line 9	(04) $
5. Expenses recorded on books this year not deducted in this return (itemize, use rider if necessary) (a) $ (b) $	(05)			
6. Total (Lines 1 through 5)	(06)	$		

ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS

1. Balance at beginning of year (36)	(01)	$	5. Distributions: (a) Cash (38)	(01)	$
2. Net income per books	(02)		(b) Stock	(02)	
3. Other increases (itemize, use rider if necessary)	(03)		(c) Property	(03)	
	(04)		6. Other decreases (itemize, use rider if necessary)	(04)	
	(05)		7. Total of lines 5 and 6	(05)	$
4. Total (Lines 1, 2, and 3)	(06)	$	8. Balance at end of year (Line 4 less Line 7)	(06)	$

QUESTIONAIRE

1. Incorporation date: _____
2. Place of incorporation: _____
3. Registry Number in the Department of State _____
4. Indicate the accounting method used by the corporation.
   - ☐ Cash method.
   - ☐ Other: _____
5. Income (or deficit) as per return for proceding year $ _____.
6. Number of controlled corporations _____.
   (See instructions).
7. Is this corporation engaged in Trade or Business within Puerto Rico?
   Yes ☐ No ☐
8. Did the corporation file the following documents?
   (a) Annual informative Return (Forms 480.5 and 480.6)
   Yes ☐ No ☐
   (b) Withholding Statements (Forms 499 R-2).
   Yes ☐ No ☐
9. The corporation's books are in care of:
   Name _____
   Address _____

J. 5-0735—40,000—29—PRGPD.

Form **5735**
(Rev. January 1978)
Department of the Treasury
Internal Revenue Service

Computation of Possessions Corporation Tax Credit Allowed Under Section 936

▶ Attach to your tax return.

For calendar year 19..... or other taxable year beginning ....., 19....., and ending ....., 19.....

Name | Employer identification number

Part I Gross Income in Applicable Period

Taxable year (Use a separate line for each taxable year ending with or within your applicable period, starting with the earliest such taxable year. See instruction B.)		Name of U.S. possession in which trade or business was actively conducted	Periods in which trade or business was actively conducted in a U.S. possession (Dates are inclusive)	
Beginning (a)	Ending (b)	(c)	From— (d)	To— (e)

Gross income during periods shown in columns (d) and (e)

Gross income from the active conduct of a trade or business in a U.S. possession			Gross qualified posssession source investment income	All other gross income		
From sources within U.S. possessions (f)	From all other sources without the U.S. (g)	From sources within the U.S. (h)	(i)	From sources within U.S. possessions (j)	From all other sources without the U.S. (k)	From sources within the U.S. (l)
Totals						

1 Total gross income in applicable period (add totals of columns (f) through (l)) . . . . . ____
2 Gross income in applicable period from sources within U.S. possessions (add totals of columns (f), (i), and (j)) . ____
3 Line 2 divided by line 1 (if less than 80%, do not complete Part II) . . . . . ____
4 Gross income in applicable period from the active conduct of a trade or business within a U.S. possession (add totals of columns (f), (g), and (h)) . . . . . ____
5 Line 4 divided by line 1 (if less than 50%, do not complete Part II) . . . . . ____

Part II Computation of Section 936 Credit

6 Qualified gross income in current year:
(a) From sources without the U.S. from the active conduct of a trade or business within a U.S. possession . . . . . ____
(b) Gross qualified possession source investment income . . . . . ____
(c) Less: Amounts received in the U.S. . . . . ____
(d) Total (add lines 6(a) and 6(b) and subtract line 6(c)) . . . . . ____
7 Applicable deductions (attach schedule):
(a) Definitely allocable deductions . . . . . ____
(b) Ratable part of deductions not definitely allocable . . . . . ____
(c) Total (add lines 7(a) and 7(b)) . . . . . ____
8 Qualified taxable income before loss adjustments (line 6(d) less line 7(c)). If loss, do not complete lines 9 through 14 . . . . . ____
9 Loss adjustments (attach schedule):
(a) Current year losses from non-qualified sources . . . . . ____
(b) Recapture of prior year overall foreign losses . . . . . ____
(c) Total (add lines 9(a) and 9(b)) . . . . . ____
10 Qualified taxable income (line 8 less line 9(c)) . . . . . ____
11 Total taxable income from all sources (enter taxable income from your tax return) . . . . . ____
12 Line 10 divided by line 11 . . . . . ____
13 Total U.S. income tax against which section 936 credit is allowed (see Instruction E) . . . . . ____
14 Section 936 credit (line 12 multiplied by line 13). Enter here and on your tax return . . . . . ▶ ____

Instructions

(References are to the Internal Revenue Code)

A. Corporations Required to File Form 5735

Form 5735 must be completed and attached to the income tax return of any domestic corporation for which an election to be treated as a possessions corporation under section 936(e) is in effect.

B. Qualifications for Section 936 Credit (Section 936(a))

To qualify for the section 936 credit, a corporation must:

(1) make a valid election under section 936(e) on Form 5712, Election to be Treated as a Possessions Corporation Under Section 936;

(2) have derived 80 percent or more of its gross income from sources within a U.S. possession during the applicable period immediately preceding the close of the taxable year; and

(3) have derived 50 percent or more of its gross income from the active conduct of a trade or business within a U.S. possession during the applicable period immediately preceding the close of the taxable year.

Generally, the "applicable period" is the lesser of 36 months or the period during which the corporation was engaged in the active conduct of a trade or business within a U.S. possession.

C. Ineligible Corporations

A corporation is ineligible for the section 936 credit in any taxable year in which it is a DISC or former DISC, or in which it owns at any time stock in a DISC or former DISC. (Section 936(f).)

D. U.S. Possessions

For purposes of section 936, U.S. possessions include Puerto Rico but not the Virgin Islands. (Section 936(d)(1).)

E. Taxes Against Which Credit is Allowed

The section 936 credit is allowed against income tax imposed by Chapter 1 but not against any:

(1) minimum tax for tax preferences imposed by section 56;

(2) tax on accumulated earnings imposed by section 531;

(3) personal holding company tax imposed by section 541;

(4) additional tax imposed for the taxable year under section 1351 (relating to recoveries of foreign expropriation losses);

(5) increase in tax under section 47 (relating to dispositions of investment credit property);

(6) increase in tax under section 50A(c) (relating to early termination by an employer in a WIN program); and

(7) tax on certain capital gains of electing small business corporations imposed by section 1378.

F. Qualified Possession Source Investment Income

Qualified possession source investment income is gross income (less applicable deductions) from sources within a U.S. possession in which a trade or business is actively conducted which you establish to the satisfaction of the Secretary is attributable to investment in such possession (for use therein) of funds derived from the active conduct of a trade or business in such possession, or from such investment. (Section 936(d)(2).) However, income derived from any source outside the U.S. from investment of such funds is "qualified possession source investment income" if you establish to the satisfaction of the Secretary that the income was earned before October 1, 1976.

See temporary income tax regulation 7.936–1 concerning certain deposits in Puerto Rican banks and other financial intermediaries which may earn qualified income.

G. Computation of Qualified Taxable Income

(1) General Source Rules.—The determination of gross income, applicable deductions, and taxable income within and without the U.S., and within a U.S. possession must be made in accordance with sections 638 and 861 through 864.

(2) Amounts Received in the U.S.—Gross income received in the U.S., regardless of source, may not be taken into account as income from sources without the U.S. (Section 936(b).)

(3) Certain Foreign Taxes.—No deduction (or foreign tax credit) is allowed for any tax paid or accrued to a foreign country or U.S. possession with respect to qualified taxable income. (Section 936(c).)

(4) Current Year Losses.—If you sustain a loss for the current year in the U.S. or on any type of income for which a separate foreign tax credit limitation applies, allocate the loss to qualified taxable income in proportion to the ratio of qualified taxable income to total taxable income (excluding the loss).

(5) Recapture of Prior Year Overall Foreign Losses.—If in any taxable year beginning after December 31, 1975 you sustain an overall foreign loss, the loss is recaptured in succeeding taxable years by treating some portion of your taxable income from sources without the U.S. as income from sources within the U.S. (Section 904(f).)

H. Coordination with Foreign Tax Credit

Qualified taxable income is not taken into account in computing the foreign tax credit limitation. (Section 904(b).)

I. Where to File

Attach Form 5735 to your tax return and file it with the Internal Revenue Service Center, Philadelphia, PA 19255.

Form **940**
Department of the Treasury
Internal Revenue Service

Employer's Annual Federal Unemployment Tax Return

1976

Name of State 1	State reporting number as shown on employer's State contribution returns 2	Taxable payroll (As defined in State act) 3	Experience rate period 4 From—	Experience rate period 4 To—	Experience rate 5	Contributions had rate been 2.7% (col. 3 × 2.7%) 6	Contributions payable at experience rate (col. 3 × col. 5) 7	Additional credit (col. 6 minus col. 7) 8	Contributions actually paid to State 9
Totals ▶									

10 Total tentative credit (Column 8 plus column 9) . . . . . .

11 Total remuneration (including exempt remuneration) PAID during the calendar year for services of employees

Exempt Remuneration	Approximate number of employees involved	Amount paid
12 Exempt remuneration. (Explain each exemption shown, attaching additional sheet if necessary):		
13 Remuneration in excess of $4,200. (Enter only the excess over the first $4,200 paid to individual employees exclusive of exempt amounts entered on line 12)		

14 Total exempt remuneration (line 12 plus line 13) . . . . . .

15 Total taxable wages (line 11 less line 14) . . . . . .

16 Gross Federal tax (3.2% of line 15) . . . . . .

17 Enter 2.7% of the amount of wages shown on line 15 . . . . . .

18 Line 10 or line 17 whichever is smaller . . . . . .

19 Amount, if any, of wages on line 15 attributable to the following States:

(a) Vermont $..... × .003 . . .

(b) Washington $..... × .003 . . .

(c) Total (add lines 19(a) and (b)) . . . . . .

20 Credit allowable (line 18 less line 19(c)) . . . . . .

21 Net Federal tax (line 16 less line 20) . . . . . .

Record of Federal Tax Deposits for Unemployment Tax (Form 508)

Quarter	Liability by period	Date of deposit	Amount of deposit
First			
Second			
Third			
Fourth			

22 Total Federal tax deposited . . . . . .

23 Balance due (line 21 less line 22—this should not exceed $100). Pay to "Internal Revenue Service" . . ▶

24 If no longer in business at end of year, write **"FINAL"** here ▶

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete, and that no part of any payment made to a State unemployment fund, which is claimed as a credit on line 20 above, was or is to be deducted from the remuneration of employees.

Date ▶ Signature ▶ Title (Owner, etc.) ▶

T	
FF	
FD	
FP	
I	
T	

(If incorrect make any necessary change.) ▶

Name (as distinguished from trade name)

Trade name, if any

Address and ZIP code

Calendar Year
1976

Employer Identification No.

General Instructions

Additional instructions for withholding, depositing, paying, and reporting Federal income tax, social security taxes, and Federal unemployment tax, are contained in Circular E, Employer's Tax Guide, available free from any Internal Revenue Service office.

Refer to Circular E to find which employers must file Form 940, the types of payments defined by law as wages, and the kind of services covered by the Federal Unemployment Tax Act.

Purpose of Form 940.—This form is for the annual reporting of tax under the Federal Unemployment Tax Act. Federal unemployment tax is paid by the employer. It is not deductible from wages paid employees. The tax rate is 3.2 percent on the first $4,200 of wages paid to each employee during 1976 and 3.4 percent during 1977.

Who Must File.—Every employer who during the current or preceding calendar year paid wages of $1,500 or more in any calendar quarter, or at any time had ONE or more employees in any 20 calendar weeks must file Form 940. Count all regular, temporary, and part-time employees. A partnership should not count its partners. If there is a change of ownership or other transfer of the business during the year, each employer who during the current or preceding calendar year paid wages of $1,500 or more in a calendar quarter, or had ONE or more employees at any time in each of 20 calendar weeks, must file Form 940, but neither should report wages paid by the other.

If you receive a preaddressed form and are not liable for Federal unemployment tax for 1976, write "Not Liable" across the front of the form and return it to the Internal Revenue Service. If you are no longer in business at the end of a year, write "Final" in line 24.

If you sold or transferred the business during the year, attach a statement showing the name, address, and employer identification number (if known) of the new owner.

Once you have filed a Form 940, the Service will send you a preaddressed form near the close of each calendar year. If you do not receive a form, request one from any Internal Revenue Service office in time to file when due.

Due Date of Return.—Form 940 for calendar year 1976 is due on or before January 31, 1977. However, if you made timely deposits in full payment of the tax due for the year, you may file the return on or before February 10, 1977.

Where to File.

If your principal business, office, or agency is located in ▼	Use this address ▼
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Internal Revenue Service Center 1040 Waverly Avenue Holtsville, New York 11799
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Internal Revenue Service Center 310 Lowell Street Andover, Massachusetts 01812
District of Columbia, Delaware, Maryland, Pennsylvania	Internal Revenue Service Center 11601 Roosevelt Boulevard Philadelphia, Pennsylvania 19155
Alabama, Florida, Georgia, Mississippi, South Carolina	Internal Revenue Service Center 4800 Buford Highway Chamblee, Georgia 30006
Michigan, Ohio	Internal Revenue Service Center Cincinnati, Ohio 45298
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Internal Revenue Service Center 3651 S. Interregional Hwy. Austin, Texas 78740
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Internal Revenue Service Center 1160 West 1200 South St. Ogden, Utah 84201
Illinois, Iowa, Missouri, Wisconsin	Internal Revenue Service Center 2306 E. Bannister Road Kansas City, Missouri 64170
California, Hawaii	Internal Revenue Service Center 5045 East Butler Avenue Fresno, California 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Internal Revenue Service Center 3131 Democrat Road Memphis, Tennessee 38110

If you have no legal residence or principal place of business in any Internal Revenue Service district, or if your principal place of business is in Puerto Rico, file Form 940 with the Internal Revenue Service Center, 11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155.

Deposit Requirements.—You must deposit Federal unemployment tax in an authorized commercial bank or a Federal Reserve bank. Deposits must be made in accordance with instructions on the reverse of Federal Tax Deposit Form 508 which must accompany each deposit.

You must compute Federal unemployment tax on a quarterly basis. Deposit any amount due on or before the last day of the first month, following the close of the quarter. (If you do not qualify as an employer until the second or third quarter, your deposit requirements do not begin until the end of the second or third quarter, respectively.)

To determine whether you must make a deposit for any of the first three quarters in **1977**, compute the total tax by multiplying by .007 that part of the first $4,200 of each of your employee's annual wages you paid during the quarter.

If the amount subject to deposit (plus the amount subject to deposit for any prior quarter but not deposited) is more than $100, deposit it during the first month following the quarter. If the amount is $100 or less, you do not have to deposit it, but you must add it to the amount subject to deposit for the next quarter.

If the tax reportable on Form 940 less amounts deposited for the year is more than $100, you must deposit the entire amount. If your tax for the year (less any deposits) is $100 or less, you may either deposit the tax or send payment with Form 940.

If you deposited the proper amounts in accordance with these rules, the balance due on line 23 will not exceed $100.

How to Make Deposits.—Fill in a preinscribed Federal Tax Deposit Form 508 in accordance with its instructions.

Send the Federal tax deposit form and your tax deposit to a commercial bank qualified as a depository for Federal taxes, or to a Federal Reserve bank, in accordance with instructions appearing on the reverse of the Federal tax deposit form. Make your check or money order payable to that bank.

The timeliness of deposits is determined by the date the commercial bank depository or Federal Reserve bank receives them. A deposit received after the due date will be considered timely if you establish that you mailed it two or more days before the due date.

Employer's Name, Address, and Identification Number.—Use the preaddressed Form 940 mailed to you. If you must use a nonpreaddressed form, type or print your name, trade name, address, and employer identification number on it.

Penalties and Interest.—Avoid penalties and interest by filing a correct return and paying the proper amount of tax when due. The law provides a penalty for late filing unless you show reasonable cause for the delay. If you file late, attach an explanation.

There are also penalties for willful failure to pay tax, keep records and make returns, and for filing false or fraudulent returns. Taxpayers who willfully claim credit on the record of Federal tax deposits or on line 22 for deposits not made are subject to fine and/or other criminal penalties.

Credit for Contributions Paid into State Funds.—You are entitled to a credit against your Federal unemployment tax for contributions you pay into a certified State unemployment compensation fund on or before the due date of Form 940.

The term "contributions" means payments required by a State law to be made into an unemployment fund by any person on account of having individuals in his or her employ, to the extent that such payments are made without being deducted or deductible from the remuneration of individuals employed.

You may credit contributions against the tax whether or not you paid them with respect to "employment." You may not take credit for voluntary contributions or for penalties or interest you pay to a State.

Credit for contributions you make after the due date (or extended due date) for filing Form 940 may not exceed 90 percent of the amount that would have been allowable if you had paid the contributions on or before the due date.

Employers who have been granted an experience rate lower than 2.7 percent by a State for the whole or part of the year are entitled to an "additional credit." This is equal to the difference between actual contributions and the amount they would have been required to contribute at (1) the highest rate applied by the State, or (2) 2.7 percent, whichever is lower.

Section 3302(e) of the Code provides a special credit if an employer during any calendar year acquires substantially all of the property used in the trade or business (or in a separate unit of a trade or business) of another person who is not an "employer" and immediately after the acquisition the successor employs in the trade or business one or more individuals who immediately prior to the acquisition were employed in the trade or business of the predecessor. This special credit is not allowable to any successor employer whose predecessor also is an "employer," nor is it allowable to a corporation acquiring the trade or business of another corporation in a statutory merger or consolidation. The amount of the special credit is based on the amount of remuneration, subject to the unemployment compensation law of a State, paid by the predecessor to those employees who were employed by the predecessor immediately before the transfer of the trade or business (or separate unit thereof) and who also were employed by the successor immediately after the transfer.

The total credit allowable under Section 3302 may not exceed 2.7 percent of taxable wages.

Computation of Credit Against Federal Unemployment Tax

Experience Rate.—If a State has granted you an experience rate lower than 2.7 percent for all or part of the taxable year, use columns 1 through 9. If you have not been granted an experience rate use columns 1, 2, 3, and 9 only. If you have been granted an experience rate of 2.7 percent or higher, use columns 1, 2, 3, 4, 5, and 9 only.

If a State has granted you an experience rate on part of your payroll, enter separately in columns 1, 2, 3, and 9, that part to which the experience rate does not apply.

If you were granted an experience rate for only part of the year or your experience rate was changed during the year, show in the appropriate columns the period to which each separate rate applied, your payroll, rate of contributions, and required contributions for each period.

Column 1.—Enter the name of the State or States (including Puerto Rico) to which you were required to pay contributions.

Column 2.—Enter your State reporting number as shown on your State contribution return. If you had a place of employment in more than one State, enter the reporting number assigned to you by each State.

Column 3.—Enter the taxable payroll on which you must pay contributions to the unemployment fund of the State shown in column 1. If you have been granted an experience rate of zero, enter the amount on which you would have had to make contributions if that rate had not been granted.

Column 4.—Enter the period(s) of the year to which the experience rate(s) applies.

Column 5.—Enter the experience rate(s) the State(s) granted you for the period(s) shown in column 4.

Column 6.—Multiply the payroll in column 3 by 2.7 percent and enter the result in column 6.

Column 7.—Multiply the payroll in column 3 by the "experience rate" in column 5, and enter the result in column 7.

Column 8.—Subtract the amount in column 7 from the amount in column 6 and enter the result in column 8. If zero or less, enter zero (0).

Column 9.—Enter in column 9 the amount of contributions actually paid into the State fund.

Line 10.—Enter the sum of columns 8 and 9. Also include any special credit as explained below.

Line 19.—Enter in the appropriate line the amount (if any) of wages, as defined in the Federal Unemployment Tax Act, paid in 1976 which are subject to the unemployment compensation law of Vermont or Washington or are otherwise attributable to those States. (If in doubt, ask your local Internal Revenue Service office.) Such amounts, multiplied by .003, are a credit reduction required by Internal Revenue Code section 3302(c)(3). If there were no wages paid attributable to these States, enter "none" or "0" in the appropriate spaces on line 19.

Special Credit.—If you are claiming special credit as a successor employer, attach a statement showing (a) the name, address, and employer identification number of your predecessor, (b) how you acquired your predecessor's trade or business (or a separate unit of it), (c) the date you acquired it, (d) each item in columns 1 through 9 that applies to your predecessor, (e) the number of individuals your predecessor employed immediately before the acquisition, whom you also employed immediately after the acquisition, (f) the total remuneration subject to State unemployment compensation your predecessor paid to the employees in (e) above during the calendar year.

The amount of the special credit is determined by (1) adding the "Additional Credit" and "Contributions actually paid to the State" determined for your predecessor in step (d) above, and (2) multiplying this total by a fraction of which the numerator is the amount determined in step (f) above, and the denominator is the "Taxable Payroll (as defined in State Act)" paid to all individuals in the employ of your predecessor prior to your acquisition during the calendar year.

Computation of Taxable Wages

Line 11.—Total remuneration (including exempt remuneration) PAID during the calendar year for services of employees.—Enter on line 11 the total remuneration for services you paid employees during the calendar year, regardless of whether that remuneration is taxable. It should include salaries, wages, commissions, fees, bonuses, vacation allowances, salaries and wages paid to temporary or part-time employees, the value of goods, lodging, food and clothing, and all amounts deducted from employees' wages as employee tax or as deductions for other reasons.

The basis on which you pay the remuneration is immaterial in determining whether it constitutes wages. Thus, you may pay it on the basis of piecework or a percentage of profits, and you may pay it hourly, daily, weekly, monthly, or annually.

You may pay the remuneration in cash or in some other medium, such as goods, lodging, food or clothing. Compute remuneration paid in items other than cash on the basis of the fair value of the items at time of payment.

Exempt Remuneration.—The terms "wages" and "employment" as defined for Federal unemployment tax purposes do not include every payment of remuneration to an employee and every kind of service which an employee may perform. In general, any remuneration which is excluded from "wages" and any remuneration for services which are excepted from "employment," are not included in the total wages subject to the tax. These remuneration payments may be deducted from the total remuneration paid only if they are identified on line 12.

Line 12.—Enter on line 12 such items as (1) agricultural labor, (2) benefit payments for sickness or injury, under a workmen's compensation law, insurance plan and certain employer plans, (3) domestic service, (4) family employment, (5) certain fishing activities, and (6) any other exempt payments or services. For more detailed information with respect to these exemptions, see Circular E, Employer's Tax Guide.

Line 13.—Enter on line 13 the approximate number of employees to whom you paid more than $4,200 during the year and the aggregate amount of the excess above $4,200 paid to all of those employees. For example, assume that you had 10 employees and that you paid each of them $5,000 during the year. $50,000 should be included on line 11 and $8,000 on line 13.

(For General Instructions, see back of your copy.

U. S. GOVERNMENT PRINTING OFFICE : 1978 O - 268-508

Department of the Treasury
Washington, D.C. 20220

Official Business
Penalty for Private Use, $300

Postage and Fees Paid
Department of the Treasury

TREAS-551

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 28, 1978

Contact: Robert E. Nipp
202/566-5328

TREASURY ANNOUNCES PRELIMINARY AFFIRMATIVE COUNTERVAILING DUTY DETERMINATION AND EXPEDITED INVESTIGATION OF SUGAR FROM EUROPEAN COMMUNITY

The Treasury Department today issued a preliminary determination that the European Community (EC) is subsidizing exports of sugar and initiated a formal expedited investigation under the Countervailing Duty Law. This action was taken because of the large shipments from France and Belgium already entered and the size of the subsidy, which allegedly exceeds the FOB price of the sugar.

The alleged subsidy involves payment of the difference between prices for sugar obtained on export sales and a minimum internal EC price for sugar set under the EC's Common Agricultural Policy (CAP) to exporters, processors or growers of sugar in any of the nine EC countries.

Allegations that exports of sugar are being dumped are still being considered although no decision to initiate a formal anti-dumping investigation has yet been made.

The Countervailing Duty Law requires the Secretary of the Treasury to collect an additional customs duty equal to the size of a "bounty" or "grant" (subsidy) found to have been paid by foreign governments on the exportation or manufacture of merchandise imported into the U.S. A petition was received which alleged that imports of some 50,000 tons of sugar from the EC were benefitting from subsidies under the Common Agricultural Policy of the EC.

Treasury has previously determined in countervailing duty cases concerning canned ham, cheese and butter cookies that comparable payments provided under the CAP are "bounties" or "grants" within the meaning of the Countervailing Duty Law.

Imports of sugar from the European Community were valued at approximately $10.9 million in 1977. Notice of this action will appear in the Federal Register of June 30, 1978.

B-1011

Department of the TREASURY NEWS
ASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 30, 1978

Contact: Alvin M. Hattal
202/566-8381

Secretary of the Treasury W. Michael Blumenthal today announced the appointment of John G. Krogman as Acting Director of the Bureau of Alcohol, Tobacco and Firearms. Mr. Krogman has been Deputy Director of the Bureau.

Stephen E. Higgins, Assistant Director of the Office of Regulatory Enforcement, BATF, has been named Acting Deputy Director of the Bureau.

Rex D. Davis retires as Director of BATF July 1.

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B-1012

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
June 30, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY ANNOUNCES TENTATIVELY THAT MARINE FENDERS FROM JAPAN ARE NOT BEING "DUMPED"

The Treasury Department today announced its preliminary determination that pneumatic marine fenders from Japan are not being sold in the United States at less than fair value.

As defined by the Antidumping Act, "sales at less than fair value" generally occur when imported merchandise is sold here for less than in the home market or to third countries.

A final Treasury decision in this case must be made by October 5, 1978. If Treasury determines that sales at less than fair value are occurring, the case will be referred to the U. S. International Trade Commission (ITC) to determine whether they are hurting or likely to hurt an American industry. An affirmative ITC decision would require dumping duties.

Marine fenders are energy-absorbing devices used to absorb the kinetic energy of ships and other vessels during berthing or while moored to a dock, quay, or another vessel.

Notice of this action will appear in the Federal Register of July 5, 1978.

Imports of this merchandise from Japan were valued at $683,000 during calendar year 1977.

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B-1013

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE UPON DELIVERY
expected at 1:00 pm

REMARKS BY
THE HONORABLE W. MICHAEL BLUMENTHAL
SECRETARY OF THE TREASURY
AT THE
NATIONAL PRESS CLUB
WASHINGTON, D.C.
JUNE 30, 1978

President Carter will soon be meeting in Bonn with his counterparts from Germany, Japan, Britain, France, Italy and Canada to discuss mutual economic problems and possible concerted solutions. We have long known that the political destinies of Europe, Japan and North America are inextricably linked. We have come to realize too that the linkage of our countries in economic terms is just as deep. The post-war growth of international trade, investment, banking, production and licensing has produced a new and totally interdependent world economic structure. Though the domestic political and economic situation in each industrialized country is unique, no one of us can move unilaterally in any one area without affecting the other.

Our collective need is to assure an appropriate compatibility between our domestic and our international economic policies. This issue is not really new, but it has been given a new urgency by the extraordinary growth and basic changes in international economic relations in recent years.

Today there are problems to be faced. Unemployment is still a threat everywhere. The inflationary forces that were initiated in the early 70's have not been overcome. We have yet to adjust completely to the upheaval in oil prices. Large imbalances in balance of payments exist, and continue to impact the foreign exchange markets. Protectionism threatens our common welfare.

The Bonn Heads of State know that to overcome these problems we must all address them together or we will succeed not at all. Yet the solution to our problems is not that simple. We each face obstacles to forward movement, despite the best of goodwill on all sides. We are each starting out from differing economic situations, in economic performance, in terms of recovery from the 1974 energy crisis and 1975 recession, and with regard to external payments positions. And importantly, we each face unique political circumstances at home.

A Summit cannot then be a dramatic decision making event where instant solutions to deeply rooted problems are announced. We are dealing with difficult structural problems which must first be understood and once understood, must then be subjected to patient and prolonged cooperative effort. This is the "big story" of Summitry.

The seemingly simple yet realistically complicated goal of the Bonn Heads of State is to achieve a common understanding of the kind of gap bridging of disparate macro-economic and other policies that is necessary for continued economic growth and stability.

To this end the Summit participants will be discussing several major problem areas -- growth, employment and inflation, energy, international monetary matters, trade, and cooperation with developing countries.

GROWTH/EMPLOYMENT/INFLATION

The United States is well along its expansion path. We were able to quickly recover from the recession of 1975 and compile a real GNP growth rate of 6.0 percent in 1976 and 4.9 percent last year. In 38 months of expansion, 9.7 million workers were added to our employment rolls. Unemployment dropped from a peak rate of 9.1 percent in May of 1975 to 6.1 percent in May of this year. By growing at home and importing more, the U.S. provided a boost to employment everywhere.

Our Summit partners compiled less spectacular growth records. Germany, for example, grew at 2.4 percent last year. France grew at 2.9 percent; Italy, 1.7 percent; Canada, 2.6 percent; and the U.K. 0.5 percent. Japan compiled more respectable rates of 6.3 percent and 5.1 percent, but did so more through increased exports than through growth in domestic demand.

The U.S. inflation rate for consumer prices has now begun to test the double digit level, bolstered by temporary influences. Our expectation is for an overall inflation rate this year of around 7 percent. By any measure, this is unacceptable. It inhibits savings and investment at home and confidence in the dollar abroad. There is an urgent need to bring inflation down. Our Summit partners expect -- as we demand of ourselves -- that we tackle inflation at its roots so as to continue on a sound growth path.

It is to this end that President Carter announced on April 11 new measures designed to counter inflationary pressures. His speech inaugurated a matrix of policies which we are now vigorously pursuing. We have reduced and delayed our proposed tax cut, but have so structured it so as to encourage an

expansion of investment in new plant and capacity in 1980 and 1981. We are pursuing the tightest possible approaches to spending for the FY 79 and FY 80 budgets, and we are determined to move the Federal budget toward balance by 1981. We have initiated measures to reduce the inflationary impact of Government regulation and purchasing policies. We have expanded our meat import quotas. We are taking the difficult step of limiting wage and salary increases of Federal workers. And based on these precedents, we have embarked on a determined campaign to induce wage, salary and price deceleration in the private sector.

It is important to emphasize the steps that we are taking to encourage future non-inflationary growth. The President's tax package calls for a reduction in corporate and individual income tax rates and a liberalization of the investment tax credit. This would reduce the major taxes burdening capital income by about $7 billion and would directly increase the profitability and cash flow of all productive enterprises.

A second critical effort lies in our budgetary policy. We are making every effort to reduce Federal spending as a percentage of our GNP and to prevent excessive future outlays beyond 1980. We are targeting a budget deficit of under $40 billion in FY 80, which represents a reduction of about $10 billion from current levels. This is not a politically easy task. Despite calls across the country for less government spending, the odds are overwhelming that each and every Congressman and Senator -- for that matter each and every Cabinet member -- will fight vigorously to prevent cutbacks in their favorite programs. Yet the job must be done and President Carter is committed to do it.

Our anti-inflation program, in short, represents a critical contribution to the effort represented by the Bonn Summit.

But just as the onus falls squarely on us to get our inflation rate down, so too is it incumbent on those who have room for non-inflationary growth to find the means to expand to keep their economies healthy and contribute to world economic recovery. It is to this end that the Summit participants will discuss the potential for other governments -- particularly Germany and Japan -- to further strengthen domestic demand.

MONETARY

The need for German and Japanese expansion goes beyond the simple, yet central, problem of employment. An obvious concern of the Summit participants -- including our President -- is the impact of the decline in the value of the dollar on the stability of the international monetary system. Such concerns are understandable in a world in which the U.S. accounts for 40

percent of the GNP of the OECD, a high percent of world trade is priced in U.S. dollars, and 75 percent of international borrowing and 80 percent of official foreign currency reserves are in dollars.

It is a fact that the future stability of the dollar and of the monetary system cannot be ensured until we get our own economic "fundamentals" in line by reducing our inflation rate and our balance of payments deficit. This is a necessary, but not a sufficient condition for dollar stability. For it is also a fact that OPEC no longer harbors the world's most persistent current account surpluses; this position is now shared with Japan, Germany and Switzerland which will collectively run a C/A surplus this year of close to $20 billion. These surpluses are as detrimental to exchange market stability as our trade deficit. The basis for a smoothly working exchange rate system -- within the European Community and without -- rests with a reduction in these payments imbalances. Ways must be found to bring them down.

ENERGY

The solution of the world's long-term energy problem is a sine qua non for long term non-inflationary economic growth. It is common knowledge that this is especially true for the United States, the only industrialized country without an fully developed energy policy.

The American people have made progress in reducing energy consumption. Cars are getting better mileage; homes are being better insulated; industry is investing in energy saving plant and equipment. Such actions have reduced the energy required by our economy to produce a dollar of real output by more than 6 percent since 1973.

Nevertheless, while progress has been made we as a people have impaired our own national security and the economic stability of the United States and the world by letting the adoption of an energy program drag on because our Congress will not face up to the hard choices. After 14 months we have failed to enact the President's energy legislation.

We cannot expect to solve this problem overnight simply because the President is going off to a Summit meeting. The problems that Congress must resolve are indeed complex. It is a harsh fact of life that the influence of Congress on all economic policy making -- domestic and foreign -- is vast, regardless of who occupies the White House. The Carter Administration is in effect on the cutting edge of a new relationship with the Congress that reflects this change in basic circumstances. On this particularly profound issue of energy, the process is especially trying. This structural change in American politics will be at the center of a good deal of discussion in Bonn.

The President's commitment to achieve an effective energy program remains a determined one. We will fight hard in the House-Senate Conference to overturn the action taken by the Senate earlier this week to prohibit his taking action to limit oil imports. For the President of the United States to have his existing authority removed is truly a gravely irresponsible action.

All Americans must preserve their faith in the ultimate sense of responsibility of the Congress -- that it will soon reconcile its myriad short term political concerns with the overriding need for an effective energy program and will get on with the passage of the legislation.

The Summit will do more on energy than discuss the problems created by our Congress' failure to act. The participants will examine the potential for increasing investments in energy at home and beyond their own borders, with a view to more efficient production of conventional sources of energy and more rational consumption. The potential for coordinated research and development projects will also be discussed.

TRADE

In the trade arena, the eyes of the summit participants are riveted on the Multilateral Trade Negotiations in Geneva. We in the United States are concerned with protectionist pressures abroad and remain wary of their potential to erupt here at home. We are hopeful that before Bonn, the Summit participants will have reached a very susbstantial degree of agreement at Geneva on key MTN issues, including significant tariff cuts and codes for export subsidies and countervailing duties, safeguards and government procurement practices.

It will not be enough for each country to offer substantial improvements in its tariff offers, important and necessary as they are. The key to a successful MTN lies in a resolution of the problem of the inappropriate use of subsidies and other forms of government intervention at the microeconomic level. This is a delicate and difficult problem to resolve. Ways must be found to ease adjustment to changes in comparative economic advantage without disrupting the competition and free trade flows that are critical to the smooth working of free market economies. The Summit can lend the authority of Heads of Government to agreement on main MTN issues that will preserve the international trading system by initiating a comprehensive, long term strategy towards facilitating structural change.

NORTH-SOUTH RELATIONS

Successful efforts to keep the world's trading systems fair and open represent the ultimate guarantee for stable North-South relations and an economic order that works rather than disrupts. We have for years encouraged the cry for "trade, not

aid." Now, quite a number of nations are ready to take us up. Finance Minister Simonsen of Brazil told me a few weeks ago that manufactured goods presently represent 52 percent of his country's export mix. Other countries -- Korea, Mexico, Taiwan -- have accomplished similar industrial successes.

At the same time, the developing countries have become the largest and most rapidly growing markets for U.S. exports, and already provide more than one million U.S. jobs. The United States and its Summit partners should serve notice to these developing countries that they must increasingly accept their responsibilities in opening up their markets to imported goods and reducing and eliminating their export subsidies. The process of becoming equal partners in world trade is a two-way street.

As the countries I have mentioned continue to develop aid must be shifted to the less well off. But even as some countries can rely increasingly on the private capital markets, the magnitudes of required public assistance continue to increase. A healthy world economy depends on higher rates of growth in the developing world and the enlargement of its production of food, energy and other commodities.

To this end, the Carter Administration has been making a major effort to increase our foreign assistance program. We are making a special effort in the multilateral assistance field, where every dollar which we contribute is matched by $3 kfrom other donor countries -- permitting the U.S. share of world aid to decline even as the amount of our contribution grows to achieve this multiplier effect, this year we have proposed to Congress a $3.5 billion appropriation of callable and concessional contributions to the international development bank.

We have reached a four-year plateau in our contributions to the various replenishments of the different banks, and will not be seeking further increases in our total annual contributions in the near future. But the basic point is that this Administration has brought the U.S. to record levels in the foreign assistance field, and that this is a major element in our relations with the developing countries of the world. We are urging the Congress to support these assistance levels.

All of the Summit leaders -- especially those from countries with large external surpluses -- must join in pledging their countries to increased resource transfer to the LDC's.

CONCLUSION

In analysing our domestic economic policy making and our foreign relations, we tend too often to dwell on errors made -- on the negatives -- and forget about the accomplishments. It is right for politicians and journalists to focus their attention on correcting what is wrong. But in the process we must not overlook the advances we have made.

At the last Summit meeting in London, the Heads of State emphasized the need for more job creation and less inflation. We have made substantial but mixed progress since London. The United States managed to sustain a record breaking expansion which led to the creation of millions of jobs. Germany and Japan achieved less growth but waged a more successful fight against inflation. The United Kingdom accomplished a remarkable turn around in their BOP position. Britain, France and Italy carried forward painful stabilization programs.

We continue to be faced with serious problems in the balance of payments, growth, inflation, energy, trade and aid areas. The Summiteers must consult with each other on what they plan to do in each of them and how to overcome the domestic political problems they face in doing so. The measure of a successful Summit is what happens in the year that follows. The purpose of Summitry is to help the participants identify what must be done, not to make instant decisions about the details of immediate action.

I know how many journalists are looking at Bonn, many of them with unrealistic expectations. It should not be forgotten that the world economic system has made progress since last year. This owes something to the London Summit and Bonn will continue the advance. Notwithstanding great domestic political difficulties, the Summit countries are moving forward in concert. That in and of itself is news.

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Q You ended up by talking about the summit in Bonn. We will start with a couple of questions on that area.

The questioner notes that at the summit in Bonn there will be a give-and-take. And although you have discussed this in general terms, he would like to know what is the U.S. going to give and what do you expect to get.

A There will be a discussion of all of the areas that I have mentioned. It is not a negotiating session, as I said in my prepared remarks. It is an opportunity for consultation and for an effort to coordinate the direction of policy in these areas.

The United States certainly is going to indicate its intentions with regard to inflation fighting, with regard to the enactment of an energy program, with regard to the continued effort to increase aid flow toward the developing countries, and in its determination to insure that its offers and its negotiating to bring the MTN fully to a successful conclusion will make a major contribution.

What we expect to hear from our other partners relates to the same areas -- to intentions as to growth from those who have the opportunity for non-inflationary growth, to contributions in the trade area from those who have particular problems in that field, and from contributions in the aid area by all the participants.

Q A monetary question in connection with the Bonn conference.

Would the U.S. support an arrangement there for keeping currency movements within a narrower band, including the dollar?

A The United States is committed to support the system of monetary cooperation that is embodied in the IMF, including the recently implemented amendment to the articles of the IMF.

That is based on a system of flexible exchange rate and we are -- it means that countries have to fundamentals in line, and we do that, and enter the market only to deal with either excessive speculative movement or with disruptions and disorder in exchange markets.

The question may possibly refer to some of the discussion that has taken place in Europe about extending monetary cooperation amongst the European countries. On that issue, of course, we have always indicated our support for efforts at closer cooperation within Europe. We would continue to support that. We consider that to be, in the first instance, a question for the Europeans themselves; and, of course, we don't know enough

about the discussion because there are so many options that are open that have to be discussed between the European countries. And obviously, when we can learn more about the details of what they have in mind, we will be in a better position to respond.

Q This is a semi-international question.

Press reports indicate that the Commerce Department wants to retain DISC or Domestic International Sales Corporation and institute a world trade credit. But the President reportedly has vetoed that and the world trade credit. Do you favor retention of DISC, and in what form?

A Well, obviously I favor the President's program, and the President submitted to the Congress a proposal for the elimination of the DISC, the reason being that it involves a substantial expenditure of tax revenues -- something like $1.2 billion a year -- with no directly identifiable benefits that can be tied to that. And we all believe that we could use that $1.2 billion more effectively to aid American industry in promoting exports and in becoming more efficient to compete with foreign products, both outside the United States as well as inside the United States.

It is no secret, furthermore, that the enthusiasm and the reception that has been accorded this proposal in the Congress has been less than dynamic. And the question then arises, what we would favor in that circumstance.

I would certainly support at least the change in the DISC, if Congress decides to retain it, so as to focus it more directly to benefit those countries -- rather companies -- who actually increase their exports, and help those smaller and medium-sized companies in the United States who need that particular assistance, rather than scattering around the benefits of DISC to any and all, including those large companies who would be exporting anyway.

Q The questioner would like to know whether you are pleased or disappointed that the foreign aid program may be one of the first series of victims of Proposition 13 in California. And, if you want to defend it, what is your best defense of the foreign aid program?

A I think my comments in my prepared remarks indicate how I feel about that. I think the entire Federal budget must be kept under very tight control, with regard to spending. And the President's commitment to get that deficit down and to bring it toward balance for 1981 is paramount because the best assurance that the developing countries have for their prosperity is the stability and the non-inflationary growth of this economy

and that of other developed countries. So that comes above everything else.

And therefore, the limitations upon our resources are great in all areas, including in the international areas.

On the other hand, the proposals that we have made to the Congress for the funding of the internationally-funded institutions and for the bilateral aid program that we are undertaking are vitally important. The defense is very clear. We cannot stand alone. We are dependent upon the health and welfare of the developing world, as they are upon ours.

I have indicated that over a million jobs in the United States are directly related to the exports of the United States to that part of the world. We cannot expect monetary stability, which is important to our currency, if the developing world is in turmoil.

So therefore, we have very clear selfish motives to insure that proper levels of assistance are provided to the developing world, and we see the pay-off from that over the years in the other countries that I have cited that are now quickly emerging from the least-developed into the more-developed of the developing countries.

I would say also that there is a long tradition in the United States of friendly relations and cooperative assistance to these new and emerging nations. Quite apart from our many selfish interests and our recognition that this is part of our world economic environment, we -- on a non-partisan basis -- must continue the program begun after the end of World War II, which is one of not turning our backs on the rest of the world, of making available some of the abundant resources and knowledge that we have in this country which can help us greatly in maintaining friendly relations around the world and helping many people in different countries.

Q Once in a while you get questions where you can almost predict the answer. But we shall ask them, anyhow.

The reference is to Arthur Okun's statements in the last few days, and the questioner would like to know whether we will have a recession this year or next year, and if neither of the above, when.

A I thought I would get that question.

We don't believe that there are any present signs pointing to a recession. And let me sketch briefly what

we have experienced and what we see ahead. We did have a very poor first quarter, as far as growth and the GNP is concerned. That clearly was occasioned by the coal strike and the bad weather.

We have had a very, very strong second quarter with growth in real terms probably at a level of about nine percent so that over the two first quarters of this year, we will have an average rate of growth of around four percent or so.

We expect the remainder of this year to show a growth rate of somewhere between 3-1/2 and four percent. So this year is going to be all right. We see at this point no sign that next year we should not be able to continue on that kind of growth curve. We don't see any signs of a recession. None of the indicators that would point to a recession are as yet in evidence.

We continue to have good retail sales. There is no imbalance between production and sales. Investment continues at satisfactory levels. We would like to see it larger, but investment in plant and equipment is continuing at a reasonable rate. The tax cut, which the Congress, we expect, will approve before it goes home at the end of September, should help in 1979.

In other words, none of the excesses that generally mark the main warning signals of a recession are in evidence. Clearly, there are problems. It is obviously these problems that Professor Okun has in mind. Inflation is too high. It has been accelerating. And clearly the price-heightening of credit has not only caused it to slow down. It has just caused us to reduce our estimates of growth, but clearly [it] involves some danger. That is why getting on with that job of correcting that is so important.

So while the growth is not going to be as vigorous as it has been in the second quarter by any means, we think that what constitutes a recession, namely, a period of negative growth, is not in the works. And if we can restrain the inflationary pressures -- and there is some evidence that this may happen. The Wholesale Price Index has been somewhat better in recent months. Food prices should ease at the summer progresses.

We really are quite confident that the progress of this economy is insured.

Q I have to compliment the Secretary. That is the first time I have ever seen a prepared text for a spontaenous question.

The questioner asks: What do today's Consumer Price Index figures suggest about the progress of the Administration's anti-inflation program so far? Do you see any light at the end of the inflation tunnel?

A Well, I partly answered that question a moment ago. Obviously, we are disappointed with the figures that have just been released.

Food is a major factor. As I indicated, all the indications are that that is a pressure on the Consumer Price Index that will ease as the summer progresses.

But these figures are not good, and it clearly means that there is a major job to be done.

As to the anti-inflation program, we never expected that a program begun in the spring would show its results in statistics by the end of June. Bear in mind that the figures that we are having, that we are contemplating, are the figures -- the most recent figures for the month of May. Obviously, as we have always pointed out, the anti-inflation effort has to be a sustained and continuing one. And its results hopefully show up in the psychology of people and decision-makers, but show up in the statistics only possibly within the period of several months, perhaps towards the end of the year or the beginning of next.

Q We have several sore questions, it looks like, about the Steiger Amendment. You are probably tired of answering these questions by now.

You said just a few moments ago that you are not terribly satisfied with investment. Would not the Steiger Amendment increase investment?

The second question is, there are only four nations in the world that have this sort of tax. How do Germany and Japan get along so well without one?

A I think it is important to recognize, at the beginning, that as in all other matters, we are dealing with choices.

If we spend one billion or two billion or three billion dollars of Treasury revenues, taxpayers' money, on a particular proposal, then we don't have it available to spend on another proposal, unless we want to print the money and increase the budget deficit. And that is clearly inflationary and that is not something that we would like to do.

We have proposed, in the tax bill, a $7 billion reduction, which is all that we can afford without risking higher deficits and higher inflation -- a $7 billion reduction to reduce the taxes on capital.

Capital gains taxes only represent ten percent of the taxes on capital. We have proposed a $7 billion reduction for taxes on capital, with a four-point cut in the corporate rate tax and liberalization of the investment tax credit. That helps, in effect, the cash flow and the returns to capital of a broad segment of American industry. And we think that that is a better allocation of that money that we have available than by putting it into capital gains.

Why is that, and why is it particularly the Steiger Amendment, or the Jones version thereof, we are opposed to?

It is very clear. First, because we will take it away for something that we think is more efficient. Secondly because 80 percent of the $2.4 billion would go to people who make more than $200,000 a year -- people who declare incomes of more than a million dollars -- incomes. I don't mean dollar millionaires in terms of what they have in assets -- but in incomes -- would get about $200,000 a year in taxes back, would have to pay less taxes than they would presently pay.

Moreover, the Steiger Amendment deals with capital gains, with all capital gains. And only about 15 percent of the capital gains come from the stock market. A lot of the capital gains on which people pay taxes come from investments that are not productive investments -- from land speculation, from commodity speculation, from all kinds of other things that have nothing to do with increasing the competitiveness of the American industry, of aiding capital accumulation, and of helping the growth and the creation of jobs in this country.

I think it is important to make clear that our concern is with the particular form of using tax revenue in a very regressive way, giving it mainly to the people to the people who have very high income, in a way in which only a very small amount goes for true venture capital support, in a way which does not really address itself to the principal problems and which takes it away from other forms that do.

If we could find a way that would be less expensive or that would really deal with the homeowners -- and incidentally, the homeowners we are treating just as well in our proposal as in the Steiger proposal, so that is not really at

issue. And if we could really see that house job creation and help capital accumulation in an effective way without taking too much away from others, that would be a different matter. But the particular proposal that we are opposing would do none of these things.

And I don't believe that the American people would want to hand out $2.4 billion in this kind of regressive way when it does not help the capital accumulation as well as other opportunities that are open to it.

Q In that connection, yesterday the Minority Leader of the House of Representatives, John Rhodes, stood right at this podium and said Congress strongly supported the Steiger Amendment or a reduction of capital gains tax of some kind, and would welcome the opportunity to override the President's veto.

How would you assess the chances of the Steiger Amendment?

A Well, I just assessed them for you. I don't believe that the Congress -- Congressman Rhodes has to speak for himself. Congressman Rhodes is a member of the opposition party. I am not surprised that it has crossed his mind that he would like to take this on.

But I would think that Congress as a whole will be concerned about using taxpayers' money in an effective and efficient manner -- not using it regressively, not using it to reward speculators, not using it in a way that cannot be shown to help capital accumulation and the creation of jobs as effectively as other ways.

If there were alternatives that involved some liberalization of capital gains, to help the homeowner, the person who has to sell a home, to truly help the venture capitalist, and that are focused on this, and to take away less of the taxpayers' money for that purpose, that are not as regressive, I think there would be a great deal of support in the Congress and I would think that that is something that we would all have to seriously consider.

But I cannot imagine that the Congress would either approve -- certainly I can't talk about veto because that is something from the President's side -- that the Congress would approve a measure of the kind that has become known as the Steiger Amendment.

Q This questioner would like to know whether you favor giving capital losses the same treatment as capital gains.

I don't think he is suggesting that we should tax capital losses.

A I think that in the context of changes in this whole area, the question of capital losses should also be looked at. Clearly, risk-taking involves not only gaining but losing, and you can't just tax the gains and not recognize that people have the risk and do incur losses.

So I think that in a review of the total situation, that has to be reviewed.

Q One subsidiary question on the capital gains question: Have you taken into consideration the large number of people who participate in company profit-sharing trusts when their entire benefit is subject to the capital gains tax when they retire?

A Let me make one basic point about capital gains taxation. When you invest in an asset, whatever it is -- whether it is a business or a stock or anything else, or a company profit set aside, you are free from paying tax each year on the gain in that asset.

In that regard, those of us who enjoy these kinds of gains, when we do, are better off than the average wage-and-salary earner who must pay taxes each year on what he or she is paid.

So we have, in the first place, the privilege of a deferral of the tax on the gain year after year. In the end, when we cash in, when we sell our business, when we sell the land, when we sell out whatever the asset is that we have, we pay at capital gains rates, having already enjoyed the advantage of having been able to save money on the pre-tax basis, whereas the wage-earner had to save on an after-tax basis. Then we pay at a substantially lower rate.

The statistics indicate that the vast majority of Americans who pay capital gains taxes, on the average pay substantially below 25 percent. The number that pay above 35 percent are very, very few. There have been some statistics that indicate capital gains taxes as high as 50 percent. I indicated before the Congress that we could not find a single instance in our -- by running the computer over all the returns -- not a single instance where anyone paid as much as 50 percent. That is a theoretical possibility that requires a pathological combination of gains which simply did not happen in the years which we looked at.

We found 20 returns -- 20 out of almost 90 million returns filed -- in which people paid 45 percent or more -- 45, 46 percent. The vast majority were below 35 percent,

and within that, the great majority below 25 percent. That is a great deal less than people pay on their earned income.

So you have two big advantages. What we are talking about here is whether we want to extend that advantage, how far and how we want to target it so that it really helps our economy. It is not an opposition to it. It is doing it in an effective way and not taking it away from the taxpayers where it is needed most.

Q We will get off of capital gains taxes.

Do you agree with those Democrats who are criticizing Federal Reserve Board Chairman Miller for raising interest rates too far, too fast?

A I never criticize the Chairman of the Federal Reserve, certainly not in public, in the hopes that he will recognize what I am doing and do likewise, as far as I am concerned.

Obviously, the Federal Reserve Chairman and his colleagues have a difficult job on their hands. In an inflationary environment in which the quantity of money is growing rapidly, in which there are a lot of pressures in the system, the pressure on them to react is very great. And it is understandable that they have taken action of this type.

I think the real question is, how far and how fast. There is a history of going too quickly and going too far in past periods like the one in which we are at the moment. And there clearly is a risk that if this is done again that the results could be negative.

The difficult task is to be able to look ahead and to act prospectively and not retrospectively. I have a great deal of confidence that Chairman Miller, whom I respect very much, is keenly aware of that problem. He has talked recently about a very narrow tunnel through which he must travel with his colleagues over the next two or three months. I think he is aware of that, and I certainly hope and expect that he will act with understanding and caution.

Q Although we know you don't like to agree or disagree with Chairman Miller in public, we would like to ask anyhow if you agree with his proposal for a delay in minimum wage increase scheduled in January as a way to combat inflation.

A I said I don't like to disagree with him. I am delighted to agree with him.

I certainly think that that is a matter that ought to be seriously considered, and I personally -- speaking personally -- would be in favor of it. The problem is really one that has to be addressed to the Congress, whether or not that is politically feasible -- quite apart from whether or not the Administration would propose it.

Given the inflationary pressures that are serious, given the fact that this inflation loses us jobs and is bad for everybody, I would think that that is a matter that I would personally look on positively.

The real question is whether or not that can be done and is politically feasible. If it could be done, I would be in favor of it.

Q Do you believe that the currently projected budget deficits of $40-$50 billion are necessary over the next several years to maintain a satisfactory pace of economic growth and to reduce unemployment?

A Well, as I indicated, we are working hard to bring those deficits down as quickly as possible. We certainly have to get the 1980 deficit down below 40 as much as possible, and get the '79 deficit, in my judgment, below 50 as much as possible. And the President is working very hard and as closely as he can with (inaudible) and Senator Muskie and other members, particularly in the Budget Committee in Congress to establish that task.

We are cutting down the spending and the deficit as quickly as possible. We must not be precipitous in that regard because we certainly do not want to bring on a recession, and it has to be recognized that these changes cannot be made from one day to the next.

So, we need to get it down as much as possible. If we can get it down by several billion in each of those years beyond what we are presently projecting, that will be very helpful. I am hoping very much to work in that direction. But we can't wipe it out in the period that we are talking about.

Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. July 3, 1978

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $5,700 million, to be issued July 13, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of $5,712 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately $2,300 million, representing an additional amount of bills dated April 13, 1978, and to mature October 12, 1978 (CUSIP No. 912793 T7 1), originally issued in the amount of $3,402 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $3,400 million to be dated July 13, 1978, and to mature January 11, 1979 (CUSIP No. 912793 W3 6).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing July 13, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $3,379 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive tenders.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Daylight Saving time, Monday, July 10, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $500,000 or less without stated price from any one bidder will be accepted in full at the weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on July 13, 1978, in cash or other immediately available funds or in Treasury bills maturing July 13, 1978. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which these bills are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of these bills (other than life insurance companies) must include in his or her Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, No. 418 (current revision), Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE July 3, 1978

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,301 million of 13-week Treasury bills and for $3,401 million of 26-week Treasury bills, both series to be issued on July 6, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing October 5, 1978			26-week bills maturing January 4, 1979		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.228a/	7.010%	7.24%	96.249	7.420%	7.82%
Low	98.213	7.069%	7.30%	96.232	7.453%	7.85%
Average	98.216	7.058%	7.29%	96.235	7.447%	7.85%

a/ Excepting 1 tender of $1,745,000

Tenders at the low price for the 13-week bills were allotted 31%.
Tenders at the low price for the 26-week bills were allotted 99%.

TOTAL TENDERS RECEIVED AND ACCEPTED BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 28,650,000	$ 28,650,000	$ 59,385,000	$ 29,385,000
New York	3,226,015,000	1,919,765,000	5,031,245,000	2,933,095,000
Philadelphia	24,090,000	24,090,000	71,900,000	31,850,000
Cleveland	46,815,000	31,815,000	70,585,000	18,575,000
Richmond	25,445,000	25,445,000	40,485,000	26,405,000
Atlanta	30,155,000	30,155,000	30,455,000	25,305,000
Chicago	199,800,000	73,800,000	222,385,000	126,375,000
St. Louis	22,560,000	16,560,000	69,400,000	49,400,000
Minneapolis	17,990,000	17,990,000	18,205,000	18,205,000
Kansas City	20,295,000	20,295,000	26,115,000	23,515,000
Dallas	19,180,000	17,110,000	18,685,000	12,685,000
San Francisco	277,785,000	85,885,000	285,235,000	99,235,000
Treasury	9,430,000	9,430,000	6,705,000	6,705,000
TOTALS	$3,948,210,000	$2,300,990,000 b/	$5,950,785,000	$3,400,735,000c/

b/Includes $343,335,000 noncompetitive tenders from the public.
c/Includes $251,625,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

B-1016

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

FOR RELEASE AT 3 P.M. EDT
THURSDAY, JULY 6, 1978

REMARKS OF
JAMES T. McINTYRE, JR., DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
ON THE
MID-SESSION REVIEW OF THE 1979 BUDGET
THURSDAY, JULY 6, 1978

Today, the Administration is transmitting to the Congress the Mid-Session Review of the 1979 Budget. The revised budget estimates contained in this report reflect:

-- changes resulting from Administration initiatives and congressional action since January;

-- revised estimates of spending based on experience since January; and

-- a reassessment of the economic outlook.

The 1978 and 1979 revisions show lower Federal spending and lower deficits. This is a development that pleases me greatly, especially in light of the large inflation problem that faces us today. The new estimates reflect a less stimulative fiscal policy for fiscal years 1978 and 1979. I think this revised Administration policy is appropriate in view of the economic changes we have seen since we sent the budget to the Congress in January.

The deficit in each of these years has been reduced by more than $10 billion since January. The reduced deficit in 1978 -- from an estimate of $62 billion in January to $51 billion currently -- can be attributed almost entirely to a lower estimate of Federal spending resulting from continuation of what is often characterized as "shortfall." With prices rising unexpectedly rapidly, I think the shortfall and the resulting lower defiict are welcome.

We project that the deficit in 1979 will be lower than that for 1978 and will be under $50 billion. The reduction in the estimated deficit -- from $61 billion in January to $48 billion currently -- reflects:

-- the change in Administration tax policy to delay the proposed tax cut and to reduce it from an annual rate of $25 billion to $20 billion;

-- intensive Administration efforts to constrain 1979 spending.

I want to elaborate on the latter point. As you know, we have been working with Congress to resolve differences in budget proposals particularly those that would raise spending levels. We intend to continue to work with the Congress to hold Federal spending at or below the total of $496.6 billion shown in our Mid-Session Review. In light of current economic conditions, I believe this is essential. Congressional actions that threaten to exceed this spending total cause me serious concern and I will recommend that the President veto those actions.

As required, this Mid-Session Review also presents longer-range budget estimates. I want to stress, and stress strongly, that the estimates for fiscal 1980 and beyond do not represent the actual totals to be published in the President's 1980 budget that we will send to the Congress early next year. I think the current estimate of 1980 outlays is unacceptably high. I think the current estimate of the 1980 deficit is unacceptably high. Between now and the end of the calendar year we will work to get those numbers down -- the spending number and the deficit number. I think it is imperative that we continue to strive for more fiscal restraint.

The reductions we will make in the fiscal 1980 budget will also reduce the fiscal 1981 spending projections.

# # #

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

FOR RELEASE AT 3:00 P.M. (E.D.T.)
Thursday, July 6, 1978

MID-SESSION REVIEW OF THE 1979 BUDGET

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GENERAL NOTES

Budget figures for all years reflect a recent definitional change. Earned income credit payments in excess of an individual's tax liability, treated in the 1979 budget as income tax refunds, are now classified as outlays. This is in accordance with the treatment now used by both Houses of the Congress. The effect of the change is to increase budget authority, outlays, and receipts each by approximately $0.8 billion in all years, with no effect on deficit figures. The increase in budget authority and outlays shows up in the income security function and in the Department of the Treasury. In addition, administrative expenses and other activities (largely interest receipts) of the Exchange Stabilization Fund are now included in the budget. These are classified in the general government and international affairs functions, and in the Department of the Treasury. The data shown for the President's 1979 budget and the subsequent March revision have been adjusted accordingly so that they are comparable to the current estimates. For this reason, the figures shown in this document as budget and March estimates are not the same as published earlier.

All years referred to are fiscal years unless otherwise noted. Detail may not add to totals due to rounding.

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INTRODUCTION

This document provides:

-- revised budget estimates for 1978 and the 1979-81 budget planning base (1978 and 1979 revisions are required by Section 201 of the Budget and Accounting Act, as amended);

-- revised economic assumptions on which the new budget estimates are based;

-- long-range projections for 1982 and 1983; and

-- other supplementary information required by law.

By law, the budget revisions in this document are required by July 15.

Part 1

THE CURRENT BUDGET OUTLOOK, 1978-1981

Budget Totals

This review presents updated budget estimates for 1978 through 1981, and projections through 1983. The current estimates reflect:

-- policy changes enacted by the Congress or proposed by the President since the January budget;

-- reassessment of 1978 and 1979 outlays in light of actual spending patterns in recent months; and

-- technical changes in many estimates.

The current estimates supersede an initial set of revised budget estimates for 1978 and 1979 published in March. Table 1 compares the current estimates with the Administration's January and March figures.

The Administration's new estimate of the deficit in 1978 is $51 billion, and $48-1/2 billion in 1979. These figures have been reduced by over $10 billion as compared to the January estimates. The 1978 deficit reduction is almost entirely due to lower projected spending -- $452.3 billion, compared to a January estimate of $463.1 billion.

Table 1.--BUDGET TOTALS 1/
(in billions of dollars)

	Receipts	Outlays	Surplus or Deficit (-)
1977 Actual.....	357.8	402.8	-45.0
1978 Estimate:			
January.....	401.3	463.1	-61.8
March.....	401.4	454.4	-53.0
Current.....	401.2	452.3	-51.1
1979 Estimate:			
January.....	440.5	501.0	-60.5
March.....	440.7	500.2	-59.5
Current.....	448.2	496.6	-48.5
1980 Estimate 2/:			
January.....	506.2	543.7	-37.5
Current.....	507.3	549.4	-42.1
1981 Estimate 2/:			
January.....	584.8	576.1	8.6
Current.....	580.0	591.3	-11.3

NOTE: THE BUDGET DETAILS FOR 1980 AND 1981 DO NOT REFLECT BUDGET OR FISCAL POLICIES DESIRED BY THE ADMINISTRATION FOR THOSE YEARS. (SEE 2/ BELOW.)

1/ The 1977 actual data and the January and March estimates have been adjusted for accounting changes. See general note with the Table of Contents.

2/ These figures represent the planning numbers derived from policies proposed in January, adjusted for subsequent policy changes. They do not represent the numbers that will be published in the President's 1980 budget. The Administration regards the current estimates of 1980 outlays -- and the deficit that results -- as unacceptably high. The President's budget for 1980 will, therefore, reflect a fiscal program that will lead to substantially lower outlay levels. Reductions in 1980 spending will also reduce the current estimates of 1981 spending.

The decline in the 1979 deficit is partly due to decreased spending. A thorough review of planned outlays and actual spending experience has enabled the Administration to reduce spending estimates by $4-1/2 billion below the January budget. In addition, as part of the President's anti-inflationary program, the Administration has decided to postpone the effective date of the proposed tax reduction package from October of 1978 to January of 1979, and to reduce the size of the tax cut from $25 billion to $20 billion annually. This action results in an increase in 1979 receipts of almost $11 billion. However, this increase is partly offset by other changes that bring total receipts to $448.2 billion.

The Administration believes that the deficit pattern, which is now projected at $51 billion for 1978 and $48-1/2 billion for 1979, represents a much more appropriate fiscal policy than did previous plans. The Administration also believes that the 1980 budget must provide for a substantial decline in the deficit below the amount shown in this review.

The outlays shown in this review for 1980 have increased above the January estimate, from $543.7 billion to $549.4 billion. Receipts have also increased slightly. Total outlays now estimated under the Administration's new

multi-year budget planning and tracking system are unacceptably high for 1980. In developing the 1980 budget that the Administration will submit to the Congress next January, reductions substantially below the current planning base will be proposed.

The difficulties of this course of action should not be underestimated. A 1980 budget below the current planning base will be extremely constrained. However, the Administration believes that such constraint represents proper fiscal policy and is required if the deficit is to be substantially reduced below the 1979 level. Achieving this result will require close cooperation between the Congress and the Executive. It will also require a common recognition that the time has come for a "pause" in the rate of increase in the Federal budget. Major efforts will be undertaken by the Administration:

-- to persuade the Congress to refrain from actions this year that will increase 1980 outlays;

-- to identify ways of making Federal programs more efficient and of eliminating fraud, abuse, and waste;

-- to develop proposals for restructuring high-priority programs in ways that will hold down their costs; and

-- to identify less-essential programs for reduction or elimination.

The 1979 outlay totals reported in this Mid-Session Review are $2.2 billion below the First Concurrent Resolution passed by the Congress. However, the President's current budget estimates contain $1.4 billion in outlays for energy rebates to offset proposed new energy taxes, which are not included in the Resolution. Excluding this item, which does not affect the deficit, the current Administration outlay total is $3.6 billion below the Resolution. Virtually all of this difference represents policy increases implicit in the Resolution.

Short-Range Economic Forecast

The economic outlook for calendar years 1978 and 1979 shows higher inflation, lower real growth, and less unemployment than was forecast in January.

The rate of inflation is now predicted to be about 7% during 1978 and about 6-1/2% during 1979. These figures are above the January budget assumptions by about a percentage point for 1978 and a half percentage point for 1979. Much of the worsening in the price outlook for 1978 results from larger food price increases than previously anticipated, and from the effect on domestic price levels of a decline in the

Table 2.--SHORT-RANGE ECONOMIC FORECAST
(calendar years; dollar amounts in billions)

	Actual	Forecast	
	1977	1978	1979
Gross national product			
Current dollars:			
Amount	1,890	2,095	2,330
Percent change	10.7	10.9	11.2
Constant (1972) dollars):			
Amount	1,337	1,392	1,453
Percent change	4.9	4.1	4.3
Incomes (current dollars)			
Personal income	1,537	1,718	1,900
Wages and salaries	990	1,113	1,234
Corporate profits	172	181	201
Prices (percent change)			
GNP deflator:			
Year over year	5.5	6.5	6.6
Fourth quarter over fourth quarter	5.8	6.9	6.5
CPI:			
Year over year	6.5	6.8	6.4
December over December	6.8	7.2	6.5
Unemployment rates (percent)			
Total:			
Yearly average	7.0	6.0	5.7
Fourth quarter	6.6	5.9	5.6
Insured 1/	4.6	3.7	3.3
Federal pay raise, October (percent)	7.05	5.5	6.0
Interest rate, 91-day Treasury bills (percent) 2/	5.3	6.5	6.6

1/ Insured unemployment as a percentage of covered employment; includes unemployed workers receiving extended benefits.

2/ Average rate of new issues within period. The forecast assumes continuation of the market rates at the time for forecast was made.

value of the dollar abroad -- largely higher prices of imports. The price level forecasts for 1978 and 1979 emphasize the need to find ways to control inflation. If rates of inflation in the 6-7% range were to continue, the prospects for maintaining stable economic growth would be very slim.

The rate of real growth is less than was forecast in January by about a half percentage point in both 1978 and 1979. This lower growth is, in part, a result of the effects of higher inflation on consumer purchasing power and spending. It also reflects the fact that fiscal policy is less stimulative than was planned in the January budget. Despite the lower real growth, the expansion in employment and the decline in the unemployment rate are expected to equal or exceed earlier expectations. Demand for labor over the winter months was very strong. By March, the unemployment rate had already reached the level previously forecast for the fourth quarter of this year. The unemployment rate is now predicted to fall to 5.9% in the fourth quarter of this year and to 5.6% a year later. These figures are about a quarter of a percentage point below the January forecasts.

Budget Receipts

1978 and 1979.--Receipts in 1978 are now estimated at $401.2 billion, about the same as estimated in January. Receipts in 1979 are estimated to be $448.2 billion, almost $8 billion above the January budget estimate. Changes in legislation since January add almost $10 billion to 1979 receipts, while revised incomes and technical reestimates reduce receipts in 1979 by about $2 billion. With respect to legislation, the delay in the effective date of the Administration's tax reduction and reform proposals from October 1978 to January 1979, and the reduction in the size of the tax cut from an annual rate of $25 billion to $20 billion, increases 1979 receipts by $11 billion, and delayed enactment of the President's energy tax proposals reduces 1979 receipts by about $1 billion.

1980 and 1981.--Since January, estimated receipts have been revised upward by $1 billion for 1980 and revised downward by about $5 billion for 1981. As noted in Table 3, changes in legislation since January increase receipts by about $4 billion in 1980 and $2 billion in 1981. These legislative changes include the smaller tax cut, which increases estimated receipts by $5 billion in 1980 and $3 billion in 1981, and the urban initiative proposals announced in March, which reduce receipts by about $1

billion in each year. Revised incomes and technical reestimates reduce receipts by $3 billion in 1980 and by $7 billion in 1981.

Table 3.--CHANGE IN BUDGET RECEIPTS, 1978-1981
(in billions of dollars)

	1978	1979	1980	1981
January budget estimate 1/.....	401.3	440.5	506.2	584.8
Changes in legislation:				
Delayed, smaller tax cut..	0.2	10.9	4.8	3.4
Delayed enactment of energy program.....	0.1	-0.9	0.1	0.1
Urban initiative.....	---	-0.2	-0.8	-1.3
Other.....	-0.3	0.1	0.1	-0.1
Subtotal, Changes in legislation.....	*	9.8	4.1	2.1
Revised incomes and technical reestimates.....	-0.2	-2.1	-3.0	-6.9
Current estimate.....	401.2	448.2	507.3	580.0

1/ Adjusted for accounting change relating to earned income credit payments in excess of an individual's tax liability. See general note with the Table of Contents.
* $50 million or less.

Budget Outlays

1978 and 1979.--Estimates of outlays for 1978 have been reduced by $11 billion since January. Revisions published in March reduced the estimates by nearly $9 billion. The current estimates are lower by an additional $2 billion. As

shown in Table 4, this further reduction is the net effect of both increases and decreases.

The current estimates for 1979 reflect intensive Administration efforts further to constrain budget outlays. Revisions published in March reported a $1 billion decrease in outlays. The current estimates reduce total outlays for 1979 by $4-1/2 billion below the January estimates. Part 2 discusses the revisions for 1978 through 1981, function by function.

Examination of actual spending thus far this year indicates that most agencies have fallen below the spending plans consistent with their January estimates. The estimated shortfall since January that is reflected in this Mid-Session Review amounts to $10-1/2 billion in 1978 and $6-1/2 billion in 1979. It is clear that the tendency of agencies to overestimate spending for the current year -- which has caused shortfalls in all but one year since 1970 -- continues to be a problem. During the past year, OMB has worked with Federal agencies to improve the quality of their estimates. As compared to 1977, these estimates have improved, but the revisions incorporated in this review demonstrate that continued vigorous efforts must be made.

1980 and 1981.--In contrast to the reductions in outlay estimates for 1978 and 1979, outlays estimated for 1980 and

Table 4.--CHANGE IN BUDGET OUTLAYS, 1978 AND 1979
(in billions of dollars)

	1978	1979
January estimate 1/	463.1	501.0
Policy changes	-0.5	0.8
Reestimates:		
Department of Defense-Military	-1.5	---
Energy, natural resources, environment, and transportation	-2.0	0.2
Benefit payments for individuals:		
Unemployment benefits	-0.2	-0.4
Other	-1.5	---
Other:		
International financial programs	-0.9	-0.5
Net interest	-0.6	---
Offshore oil	-0.5	-0.5
Other	-1.0	-0.4
Subtotal, Reestimates	-8.2	-1.6
March 13 estimate 1/	454.4	500.2
Policy changes:		
Urban initiative	---	1.0
Farm bill	---	0.5
Other program changes (net)	0.2	1.2
Contingency allowance	---	-1.4
Subtotal, Policy changes	0.2	1.3
Reestimates:		
Department of Defense-Military	-1.8	-3.0
Energy, natural resources, environment, and transportation:		
TVA power marketing	0.2	0.6
Other	-1.5	-0.9
Benefit payments for individuals:		
Unemployment benefits	-0.4	-0.3
Other	-*	-0.7
Other:		
International financial programs	0.8	-0.1
Net interest	0.5	-0.1
Local public works	0.6	---
Farm price supports	-0.4	-0.5
Other	-0.3	0.1
Subtotal, Reestimates	-2.3	-4.9
Current estimate	452.3	496.6

1/ Adjusted for accounting changes. See general note with the Table of Contents.
* $50 million or less.

1981 have increased, on net, by $5-1/2 billion and $15 billion, respectively, since January. A large part of these increases results from changes in economic assumptions -- particularly the effects of higher assumed rates of inflation on cost-of-living adjustments for benefit programs, and the effects of higher assumed interest rates for payments on the public debt. New programs -- such as the urban initiative -- announced since January have also contributed to the increases. Reductions in some outlay figures now believed to have been overestimated in January -- such as those for defense -- partly offset the increases. The revisions are discussed, function by function, in Part 2.

The January budget announced that a multi-year budget planning system was being established. Thus, estimates for 1980 and 1981 are now being regularly monitored. As indicated above, the Administration regards the current estimates of 1980 outlays -- and the deficit that results -- as unacceptably high. This is particularly the case in view of current economic circumstances and prospective economic conditions, with inflation now running at rates that are also unacceptably high. The President's budget for 1980 will, therefore, reflect a fiscal program that will lead to substantially lower outlay levels. The anticipated 1980 budget will alter 1981 plans, but it is too early to reach a definitive judgment as to the proper 1981 fiscal policy.

Because of economic conditions, it may not be possible to balance the budget in that year. However, the President remains committed to balancing the budget as quickly as economic conditions permit.

Table 5.--CHANGE IN BUDGET OUTLAYS, 1980 AND 1981
(in billions of dollars)

	1980	1981
January budget estimate 1/	543.7	576.1
Major Administration initiatives:		
Urban initiative	2.8	3.9
Water resources	0.3	0.4
Higher education initiative	1.1	1.3
Subtotal, Major initiatives	4.3	5.6
Health and income security benefit payments:		
Retirement and disability	1.2	2.1
Medicare and medicaid	1.2	1.9
Public assistance and other income supplements	0.8	1.0
Unemployment compensation	-0.5	-*
Veterans compensation and pension legislation	0.6	0.6
Subtotal, Benefit payments	3.2	5.5
Net interest	2.3	3.9
Department of Defense-Military	-3.1	-2.5
Energy programs	0.6	1.5
EPA sewage construction grants	-0.6	---
Temporary employment assistance	-1.2	0.7
All other (net)	0.2	0.5
Current estimate	549.4	591.3

1/ Adjusted for accounting changes. See general note with the Table of Contents.
* $50 million or less.

Off-budget Federal entities.--Estimates of 1980 and 1981 outlays of off-budget Federal entities have changed since January primarily to reflect a revised assessment of the demand for loans financed by the Federal Financing Bank. Estimates of 1978 and 1979 off-budget outlays of the Postal Service have changed to reflect the adjustments in the recent postal rate change. For a discussion of off-budget Federal entities, see Part 6 of the 1979 Budget of the United States Government.

Table 6.--OUTLAYS OF OFF-BUDGET FEDERAL ENTITIES, 1978-1981
(in billions of dollars)

	1978	1979	1980	1981
January budget estimate 1/.....	11.6	12.6	8.2	7.8
Changes:				
Federal Financing Bank....	---	---	2.0	3.0
Postal Service.....	-0.6	0.3	---	---
Other.....	-*	-*	*	*
Current estimate.....	11.0	12.9	10.2	10.8

1/ January figures adjusted to exclude the Exchange Stabilization Fund, for which on-budget treatment is proposed.
* $50 million or less.

Budget Authority

1978 and 1979.--The current estimate of total budget authority in 1978 is $503.8 billion, about the same as in

Table 7.--CHANGE IN BUDGET AUTHORITY, 1978 AND 1979
(in billions of dollars)

	1978	1979
January budget estimate 1/	503.9	569.1
Policy changes:		
Higher education initiative	---	1.2
Other program changes (net)	-0.4	1.1
Contingency allowance	---	-1.3
Subtotal, Policy changes	-0.4	1.0
Reestimates:		
Municipal bond option	---	-1.8
Other	-1.7	-1.8
Subtotal, Reestimates	-1.7	-3.5
March estimate 1/	501.7	566.6
Policy changes:		
Urban initiative	---	5.9
Water resources initiative	---	0.8
Veterans pension reform	---	0.5
Energy rebates (delay in enactment)	-0.3	-0.5
ConRail	---	0.4
Federal pay cap	---	-0.3
Other program changes	0.6	1.1
Contingency allowance	---	-1.7
Subtotal, Policy changes	0.3	6.1
Reestimates:		
Disaster relief	0.9	---
Military sales trust fund	0.8	-0.2
Social security and medicare trust funds	0.3	1.0
Unemployment trust fund and receipts	-0.8	-1.9
Net interest	0.5	-0.1
Other	0.1	*
Subtotal, Reestimates	1.8	-1.2
Current estimate	503.8	571.4

1/ Adjusted for accounting changes. See general note with the Table of Contents.
* $50 million or less.

January, and $2.1 billion above the March estimate. Most of the change since March is due to the increased authority required for disaster relief and loans, and reestimates of trust funds receipts and interest.

The current estimate of budget authority in 1979 is $571.4 billion, $2.4 billion above the January estimate and $4.9 billion above the March estimate. Increases in budget authority for the urban initiative, water resources, and other programs are partly offset by the elimination of the allowance for contingencies and revisions in the estimates for several trust fund receipts.

1980 and 1981.--The current totals for budget authority in 1980 and 1981 are $12-1/2 and $16 billion above the corresponding January totals. The urban initiative accounts for more than $7 billion of this increase in both years. The current estimates also include several other initiatives announced since January, plus substantial upward reestimates for interest costs. The changes in the estimates for training and employment reflect the Administration's proposals for countercyclical public jobs, submitted after the January budget was issued, and revised estimates of unemployment and the costs of welfare reform. Budget authority and outlays for the countercyclical jobs proposal are linked to the unemployment rate, with $1 billion

provided for each full half percentage point by which the unemployment rate is over 4.75%. Thus, if the actual unemployment rate differs significantly from the projected rate, budget authority and outlays will also differ.

Table 8.--CHANGE IN BUDGET AUTHORITY, 1980 AND 1981
(in billions of dollars)

	1980	1981
January budget estimate 1/	612.6	664.4
Changes:		
Urban initiative	7.1	7.5
Higher education initiative	1.3	1.4
Water resources initiative	0.8	0.8
Veterans compensation and pension legislation	0.6	0.6
Municipal bond option reestimate	*	-1.3
Net interest (reestimate)	2.3	3.9
Retirement and disability programs	1.0	-0.9
Export-Import Bank (reestimate)	-1.3	-0.3
Pay and contingencies allowances	2.1	1.3
Training and employment programs	-2.4	0.9
Department of Defense-Military	*	0.8
Energy programs	0.3	0.5
Other (net)	0.8	1.0
Current estimate	625.2	680.6

1/ Adjusted for accounting changes. See general note with the Table of Contents.
* $50 million or less.

Table 9.--BUDGET RECEIPTS BY MAJOR SOURCE, 1977-1979 1/
(in billions of dollars)

	1977 Actual	1978 Estimate			1979 Estimate		
		January	Current	Change	January	Current	Change
Individual income taxes	157.6	179.8	182.0	2.3	191.0	200.1	9.1
Corporation income taxes	54.9	58.9	59.0	*	62.5	60.8	-1.6
Social insurance taxes and contributions	108.7	124.1	123.6	-0.5	141.9	142.3	0.4
Excise taxes	17.5	20.2	18.2	-1.9	25.5	24.6	-0.9
Estate and gift taxes	7.3	5.6	5.2	-0.4	6.1	5.7	-0.4
Customs duties	5.2	5.8	6.1	0.3	6.4	6.7	0.3
Miscellaneous receipts	6.5	6.9	7.1	0.2	7.2	8.0	0.8
Total budget receipts	357.8	401.3	401.2	-0.1	440.5	448.2	7.7

1/ The 1977 actual data and the January estimates for 1978 and 1979 have been adjusted to reflect an accounting change relating to earned income credit payments in excess of an individual's tax liability. See general note with the Table of Contents.

* $50 million or less.

Table 10.--BUDGET OUTLAYS BY FUNCTION, 1977-1979 1/
(in billions of dollars)

	1977 Actual	1978 Estimate			1979 Estimate		
		Budget	Current	Change	Budget	Current	Change
National defense 2/	97.5	107.6	104.2	-3.4	117.8	114.6	-3.2
International affairs	4.8	6.6	6.5	-0.1	7.6	7.4	-0.2
General science, space and technology	4.7	4.8	4.8	-*	5.1	5.1	*
Energy	4.2	7.8	6.3	-1.5	9.6	10.4	0.8
Natural resources and environment	10.0	12.1	11.5	-0.6	12.2	11.8	-0.5
Agriculture	5.5	9.1	8.7	-0.4	5.4	5.6	0.1
Commerce and housing credit	-*	3.5	3.4	-0.2	3.0	3.0	*
Transportation	14.6	16.3	15.4	-0.9	17.4	17.3	-0.1
Community and regional development	6.3	9.7	10.5	0.8	8.7	9.4	0.7
Education, training, employment, and social services	21.0	27.5	26.6	-0.9	30.4	31.4	1.0
Health	38.8	44.3	43.8	-0.5	49.7	49.8	0.1
Income security	137.9	148.6	146.9	-1.7	160.9	159.6	-1.3
Veterans benefits and services	18.0	18.9	18.8	-0.1	19.3	19.8	0.5
Administration of justice	3.6	4.0	4.0	-0.1	4.2	4.4	0.2
General government	3.4	4.1	3.8	-0.3	4.3	4.2	-0.1
General purpose fiscal assistance	9.5	9.9	9.6	-0.3	9.6	9.5	-0.1
Interest	38.1	43.8	43.8	-0.1	49.0	49.0	*
Allowances 3/	---	---	---	---	2.8	1.1	-1.7
Undistributed offsetting receipts:							
Employer share, employee retirement	-4.5	-5.0	-5.0	*	-5.2	-5.1	*
Interest received by trust funds	-8.1	-8.6	-8.6	-*	-9.1	-9.2	-0.1
Rents and royalties on the Outer Continental Shelf	-2.4	-2.0	-2.4	-0.4	-1.8	-2.3	-0.5
Total budget outlays	402.8	463.1	452.3	-10.8	501.0	496.6	-4.4

1/ The 1977 actual data and the January estimates for 1978 and 1979 have been adjusted for accounting changes. See general note with the Table of Contents.
2/ Includes allowances for civilian and military pay raises for the Department of Defense.
3/ Includes allowances for civilian agency pay raises and contingencies.
* $50 million or less.

Table 11.--BUDGET OUTLAYS BY AGENCY, 1977-1979 1/
(in billions of dollars)

	1977 Actual	1978 Estimate			1979 Estimate		
		Budget	Current	Change	Budget	Current	Change
Legislative branch	1.0	1.1	1.0	-*	1.2	1.2	*
The Judiciary	0.4	0.5	0.5	*	0.5	0.5	*
Executive Office of the President	0.1	0.1	0.1	*	0.1	0.1	*
Funds appropriated to the President	2.5	4.9	5.2	0.3	5.1	5.4	0.3
Agriculture	16.7	22.6	21.6	-1.0	17.7	18.0	0.2
Commerce	2.6	4.5	5.2	0.6	4.4	4.6	0.2
Defense-Military 2/	95.7	105.3	102.0	-3.3	115.2	112.0	-3.2
Defense-Civil	2.3	2.5	2.5	-*	2.5	2.6	*
Energy	5.2	8.2	6.6	-1.5	10.1	10.2	0.2
Health, Education, and Welfare	147.5	164.6	163.3	-1.3	181.3	181.3	0.1
Housing and Urban Development	5.8	8.4	8.0	-0.4	9.5	9.4	-0.1
Interior	3.2	3.9	3.9	*	4.0	4.0	*
Justice	2.4	2.5	2.5	-0.1	2.5	2.7	0.2
Labor	22.4	23.7	22.9	-0.8	25.1	24.7	-0.4
State	1.1	1.2	1.3	*	1.4	1.4	0.1
Transportation	12.5	14.4	13.5	-0.9	15.8	15.4	-0.4
Treasury	50.5	57.6	56.3	-1.3	63.4	63.4	-*
Environmental Protection Agency	4.4	5.1	4.5	-0.5	5.7	5.0	-0.7
General Services Administration	-*	0.3	0.1	-0.2	0.3	0.2	-0.1
National Aeronautics and Space Administration	3.9	4.0	4.0	-*	4.3	4.3	*
Veterans Administration	18.0	18.9	18.8	-0.1	19.2	19.8	0.5
Other independent agencies	19.9	24.5	24.6	0.2	24.9	26.0	1.1
Allowances 3/	---	---	---	---	2.8	1.1	-1.7
Undistributed offsetting receipts	-15.1	-15.6	-16.1	-0.5	-16.0	-16.6	-0.6
Total budget outlays	402.8	463.1	452.3	-10.8	501.0	496.6	-4.4

1/ The 1977 actual data and the January estimates for 1978 and 1979 have been adjusted for accounting changes. See general note with the Table of Contents.

2/ Includes allowances for civilian and military pay raises for the Department of Defense.

3/ Includes allowances for civilian agency pay raises and contingencies.

* $50 million or less.

Table 12.--BUDGET AUTHORITY BY FUNCTION, 1977-1979 1/
(in billions of dollars)

	1977 Actual	1978 Estimate			1979 Estimate		
		Budget	Current	Change	Budget	Current	Change
National defense 2/	110.4	117.8	118.0	0.2	128.4	128.3	-0.1
International affairs	6.6	11.1	11.9	0.8	13.8	13.1	-0.7
General science, space and technology	4.6	4.9	4.9	-*	5.2	5.2	-*
Energy	5.0	8.5	8.1	-0.5	9.5	9.5	-0.1
Natural resources and environment	9.5	12.9	13.1	0.2	12.7	13.6	1.0
Agriculture	2.4	3.8	3.9	0.1	7.2	7.2	-*
Commerce and housing credit	5.5	5.4	5.4	*	6.6	6.7	0.1
Transportation	10.4	15.1	15.2	*	18.6	19.3	0.7
Community and regional development	12.8	8.7	9.7	1.0	7.7	12.7	5.0
Education, training, employment, and social services	30.4	22.8	22.3	-0.5	33.6	35.6	2.0
Health	40.4	46.5	46.7	0.2	52.6	52.7	0.1
Income security	169.5	181.3	180.3	-1.0	191.8	191.1	-0.7
Veterans benefits and services	19.1	19.1	19.1	---	19.1	19.7	0.6
Administration of justice	3.6	3.9	3.9	*	4.1	4.3	0.2
General government	3.9	4.1	4.0	-0.1	4.4	4.3	-*
General purpose fiscal assistance	9.3	9.7	9.7	*	16.6	14.6	-2.0
Interest	38.1	43.8	43.8	-0.1	49.0	49.0	*
Allowances 3/	---	---	---	---	4.2	1.1	-3.1
Undistributed offsetting receipts:							
Employer share, employee retirement	-4.5	-5.0	-5.0	*	-5.2	-5.1	*
Interest received by trust funds	-8.1	-8.6	-8.6	-*	-9.1	-9.2	-0.1
Rents and royalties on the Outer Continental Shelf	-2.4	-2.0	-2.4	-0.4	-1.8	-2.3	-0.5
Total budget authority	466.1	503.9	503.8	-0.1	569.1	571.4	2.4

1/ The 1977 actual data and the January estimates for 1978 and 1979 have been adjusted for accounting changes. See general note with the Table of Contents.

2/ Includes allowances for civilian and military pay raises for the Department of Defense.

3/ Includes allowances for civilian agency pay raises and contingencies.

* $50 million or less.

Table 13.--BUDGET AUTHORITY BY AGENCY, 1977-1979 1/
(in billions of dollars)

	1977 Actual	1978 Estimate			1979 Estimate		
		Budget	Current	Change	Budget	Current	Change
Legislative branch	1.0	1.1	1.1	*	1.2	1.2	*
The Judiciary	0.4	0.5	0.5	*	0.5	0.5	*
Executive Office of the President	0.1	0.1	0.1	*	0.1	0.1	*
Funds appropriated to the President	4.6	9.0	9.9	0.9	11.0	10.9	-0.1
Agriculture	15.5	17.2	17.3	0.1	20.0	20.1	0.1
Commerce	8.2	2.4	2.4	*	2.7	4.1	1.4
Defense-Military 2/	108.4	115.3	115.5	0.2	125.6	125.5	-0.1
Defense-Civil	2.5	2.7	2.7	---	2.5	3.0	0.5
Energy	6.6	10.6	10.3	-0.3	11.6	11.6	-0.1
Health, Education, and Welfare	147.6	162.3	162.4	0.1	185.0	187.3	2.3
Housing and Urban Development	33.9	38.1	38.1	---	33.1	33.8	0.6
Interior	3.7	4.3	4.5	0.3	4.5	4.7	0.3
Justice	2.3	2.4	2.4	*	2.5	2.6	0.2
Labor	31.2	20.7	20.0	-0.7	29.9	28.6	-1.2
State	1.2	1.4	1.5	*	1.5	1.5	0.1
Transportation	9.3	13.6	13.6	*	17.4	17.6	0.3
Treasury	50.3	57.5	56.5	-1.0	70.5	68.6	-1.9
Environmental Protection Agency	2.8	5.5	5.5	---	5.6	5.7	*
General Services Administration	0.3	0.2	0.2	-*	0.3	0.3	*
National Aeronautics and Space Administration	3.8	4.1	4.1	-*	4.4	4.4	-*
Veterans Administration	19.0	19.0	19.0	---	19.0	19.7	0.6
Other independent agencies	28.3	31.6	32.4	0.8	32.2	35.2	3.0
Allowances 3/	---	---	---	---	4.2	1.1	-3.1
Undistributed offsetting receipts	-15.1	-15.6	-16.1	-0.5	-16.0	-16.6	-0.6
Total budget authority	466.1	503.9	503.8	-0.1	569.1	571.4	2.4

1/ The 1977 actual data and the January estimates for 1978 and 1979 have been adjusted for accounting changes. See general note with the Table of Contents.

2/ Includes allowances for civilian and military pay raises for the Department of Defense.

3/ Includes allowances for civilian agency pay raises and contingencies.

* $50 million or less.

Table 14.--BUDGET SURPLUS OR DEFICIT (-)
BY FUND GROUP AND TYPE OF TRANSACTION, 1977-1979 1/
(in billions of dollars)

	1977 Actual	1978 Estimate		1979 Estimate	
		January	Current	January	Current
Federal Funds					
Transactions with the public	-25.2	-43.3	-33.5	-44.1	-33.5
Transactions with trust funds	-29.3	-28.8	-29.4	-30.4	-29.6
Total	-54.5	-72.1	-62.9	-74.4	-63.1
Trust Funds					
Transactions with the public	-19.8	-18.5	-17.6	-16.5	-15.0
Transactions with Federal funds	29.3	28.8	29.4	30.4	29.6
Total	9.5	10.3	11.8	13.9	14.6
Budget Totals					
Federal funds	-54.5	-72.1	-62.9	-74.4	-63.1
Trust funds	9.5	10.3	11.8	13.9	14.6
Total	-45.0	-61.8	-51.1	-60.5	-48.5

1/ The 1977 actual data and the January estimates for 1978 and 1979 have been adjusted for accounting changes. See general note with the Table of Contents.

Table 15.--BUDGET RECEIPTS AND OUTLAYS BY FUND GROUP, 1977-1979 1/
(in billions of dollars)

	1977 Actual	1978 Estimate January	1978 Estimate Current	1979 Estimate January	1979 Estimate Current
Receipts					
Federal funds	241.3	268.8	269.4	290.0	298.3
Trust funds	152.8	168.5	168.4	188.0	188.6
Intragovernmental transactions	-36.3	-36.0	-36.6	-37.5	-38.8
Total	357.8	401.3	401.2	440.5	448.2
Outlays					
Federal funds	295.9	340.9	332.2	364.4	361.4
Trust funds	143.3	158.2	156.7	174.1	174.0
Intragovernmental transactions	-36.3	-36.0	-36.6	-37.5	-38.8
Total	402.8	463.1	452.3	501.0	496.6
Surplus or Deficit (-)					
Federal funds	-54.5	-72.1	-62.9	-74.4	-63.1
Trust funds	9.5	10.3	11.8	13.9	14.6
Total	-45.0	-61.8	-51.1	-60.5	-48.5

1/ The 1977 actual data and the January estimates for 1978 and 1979 have been adjusted for accounting changes. See general note with the Table of Contents.

Table 16.--DEBT SUBJECT TO LIMIT, 1977-1979 1/
(in billions of dollars)

	1977 Actual	1978 Estimate		1979 Estimate	
		January	Current	January	Current
Unified budget deficit.....	45.0	61.8	51.1	60.5	48.5
Portion of budget deficit attributable to trust funds surplus or deficit (-)...	9.5	10.3	11.8	13.9	14.6
Federal funds deficit.....	54.5	72.1	62.9	74.4	63.1
Deficit of off-budget Federal entities...	8.7	11.6	11.0	12.6	12.9
Total to be financed.....	63.2	83.7	73.9	87.0	76.0
Means of financing other than borrowing, and other adjustments.....	0.9	-5.7	-5.5	2.6	3.5
Change in debt subject to limit..	64.1	78.0	68.4	89.6	79.5
Debt subject to limit, beginning of year 2/.....	635.8	700.0	700.0	777.9	768.3
Anticipated debt subject to limit, end of year 2/.....	700.0	777.9	768.3	867.5	847.8

1/ The 1977 actual data and the January estimates for 1978 and 1979 have been adjusted for comparability to reflect proposed legislation to place Treasury's Exchange Stabilization Fund on-budget. See general note with the Table of Contents.

2/ The statutory debt limit is permanently established at $400 billion. Public Law 95-252 temporarily increased the statutory debt limit to $752 billion through July 31, 1978.

Part 2

CHANGES IN BUDGET AUTHORITY AND OUTLAYS BY NATIONAL NEEDS CATEGORY OR FUNCTION

050: NATIONAL DEFENSE

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	117.8	128.4	139.6	150.9
Changes:				
DOD-Military:				
Military retired pay...	---	0.1	0.1	0.2
Pay raise cap & revised pay assumptions.....	---	-0.2	-0.4	-0.4
Currency revaluation...	0.2	---	---	---
Purchases inflation....	---	---	0.3	1.0
Subtotal, DOD.....	0.2	-0.1	*	0.8
Other.....	-*	-0.1	0.1	0.1
Current estimate.....	118.0	128.3	139.7	151.8
Outlays				
January budget estimate.....	107.6	117.8	128.6	139.3
Changes:				
DOD-Military:				
Military retired pay...	---	0.1	0.1	0.2
Pay raise cap & revised pay assumptions.....	---	-0.2	-0.4	-0.4
Currency revaluation...	0.1	*	*	*
Purchases inflation....	---	---	0.2	0.9
Reestimates of spendout rates:				
Procurement.....	-2.2	-2.0	-2.0	-2.0
Other.....	-1.2	-1.1	-1.1	-1.2
Subtotal, DOD.....	-3.3	-3.2	-3.1	-2.5
Other.....	-0.1	-*	*	0.1
Current estimate.....	104.2	114.6	125.5	136.9

* $50 million or less.

Budget authority for Department of Defense-Military functions has been revised downward since January to reflect a lower 1979 pay raise proposed by the Administration. This is offset in 1980 and 1981 by the effect of higher rates of inflation on the cost of goods and services purchased.

Outlays for pay and purchases are similarly affected by the revised pay raise and inflation assumptions. In addition, estimates of outlays for purchases have been revised downward by more than $3 billion a year for 1978-81 to reflect the lower spendout rates experienced in recent years. These declining rates are the result of increasing lags between the time funds are appropriated to the Department, and the time that the eventual outlay of those funds takes place.

150: INTERNATIONAL AFFAIRS

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	11.1	13.8	14.4	14.3
Changes:				
Foreign aid:				
Military assistance....	-*	*	*	-0.2
Security supporting assistance.....	---	*	---	---
Other.....	*	*	*	-*
Export-Import Bank.....	---	-0.7	-1.3	-0.3
Military sales trust fund.	0.8	-0.2	-0.2	-0.3
Other.....	*	0.1	*	*
Current estimate.....	11.9	13.1	13.0	13.4
Outlays				
January budget estimate 1/.....	6.7	7.6	8.4	9.5
Changes:				
Foreign aid:				
Military assistance....	-*	*	0.1	-0.2
Security supporting assistance.....	---	0.3	*	---
Other.....	-0.1	*	0.1	-0.1
Export-Import Bank.....	-0.5	-0.4	-0.2	-0.1
Military sales trust fund.	0.5	-0.2	-0.2	-0.3
Other.....	*	0.1	*	*
Current estimate.....	6.5	7.4	8.3	8.8

* $50 million or less.

1/ January outlay estimates revised to include the outlays (except administrative expenses) of the Exchange Stabilization Fund ($-0.1 billion per year), proposed for on-budget status.

Most of the changes in the budget authority and outlay totals for this function since January are due to reestimates rather than policy changes. Budget authority estimates for the Export-Import Bank have been reduced for 1979 through 1981 to reflect lower usage of guarantees and insurance than previously anticipated. Estimates of outlays for the Bank have been reduced in all years due to the much slower than anticipated disbursement rates for direct loans. The changes in the military trust fund reflect revised estimates of receipts, which are an offset to both budget authority and outlays. Outlays for security supporting assistance reflect a $250 million increase in 1979 due to acceleration of disbursements for Israel.

250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	4.9	5.2	5.4	5.1
Changes:				
Space.....	-*	-*	*	0.1
Science.....	---	---	---	---
Current estimate.....	4.9	5.2	5.4	5.2
Outlays				
January budget estimate.....	4.8	5.1	5.3	5.2
Changes:				
Space.....	-*	-*	*	0.1
Science.....	---	---	---	---
Current estimate.....	4.8	5.1	5.3	5.2

* $50 million or less.

There have been no changes in the estimates for science, and only minor changes in the estimates for space and technology.

270: ENERGY

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	8.5	9.5	6.6	6.0
Changes:				
Strategic petroleum reserve.....	-0.4	---	0.4	0.1
Naval petroleum reserves receipts.....	*	-*	-0.3	0.1
Automobile fuel-efficiency tax rebates.....	-0.2	-*	---	---
Other.....	0.1	*	0.2	0.3
Current estimate.....	8.1	9.5	6.9	6.5
Outlays				
January budget estimate.....	7.8	9.6	10.4	7.0
Changes:				
Strategic petroleum reserve.....	-1.2	0.1	0.4	0.9
Naval petroleum reserves receipts.....	*	-*	-0.3	0.1
TVA.....	0.2	0.6	-*	-*
Automobile fuel-efficiency tax rebates.....	-0.2	-*	---	---
Other.....	-0.4	0.2	0.5	0.5
Current estimate.....	6.3	10.4	11.0	8.5

* $50 million or less.

In comparison to the January budget, the current estimates of outlays for the energy function are substantially lower in 1978 and higher in the subsequent

years. These changes are largely due to reestimates in the following programs:

-- Strategic petroleum reserve.--Delays in filling the reserve have resulted in substantial reductions in estimated budget authority and outlays in 1978. However, the Administration remains committed to completing storage of 500 million barrels by December 1980, and to developing a 1-billion-barrel reserve by 1985. Consequently, planned budget authority and outlays remain approximately the same in 1979 and increase in 1980 and 1981.

-- Naval petroleum reserves receipts.--Estimated receipts from oil production at the naval petroleum reserves have been reduced in 1978, increased in 1979 and 1980, and reduced in 1981.

-- Tennessee Valley Authority (TVA).--Outlay estimates for ongoing construction projects have been increased in both 1978 and 1979, because of higher costs and faster than expected progress.

Other changes are due to delays in congressional action on the President's energy proposals, mostly reflected in reduced rebates from the automobile fuel-efficiency tax. Also, estimates of uranium enrichment production have decreased in 1978, resulting in reduced outlays. However,

reduced revenues from the sale of enriched uranium are anticipated in succeeding years, raising outlays and budget authority. On the other hand, budget authority in 1979 and the later years is decreased slightly as a result of the decision to stretch out the construction schedule for the planned gas-centrifuge uranium enrichment facility. Finally, increased funding for 1979 and later years is proposed for the energy supply initiatives recently announced by the President.

300: NATURAL RESOURCES AND ENVIRONMENT

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	12.9	12.7	12.8	12.6
Changes:				
Water resources.....	---	0.8	0.9	1.0
Recreational resources....	0.2	0.2	0.2	0.2
Other.....	-*	0.1	*	*
Current estimate.....	13.1	13.6	13.9	13.7
Outlays				
January budget estimate.....	12.1	12.2	13.1	13.2
Changes:				
Water resources.....	-0.2	0.2	0.4	0.6
Recreational resources....	0.2	-*	0.1	0.1
Conservation and land management.....	-0.1	0.1	-0.1	-*
EPA sewage plant construction grants.....	-0.5	-0.8	-0.6	---
Other.....	*	*	-*	-*
Current estimate.....	11.5	11.8	12.9	13.9

* $50 million or less.

The current estimates of budget authority for this function are above the January budget, largely because the Administration has proposed new starts for water resources projects and a program of urban parks rehabilitation. The latter is part of the urban initiative, discussed more fully under community and regional development. Total outlays for

the function have been reduced for all years except 1981 to reflect recent spending trends for Environmental Protection Agency sewage plant construction grants and other programs.

On June 6, 1978, the President proposed water policy initiatives designed to improve planning and management of Federal water resource programs, to provide increased emphasis on water conservation, to enhance Federal-State cooperation, and to increase attention to environmental quality. In conjunction with the new water policy initiatives, the President proposed about 60 new water project construction and planning starts. Funding for these projects -- as well as future projects to be proposed in later years -- is reflected in the increased budget authority and outlays for water resources shown in 1979-1981. The current estimates for 1980 and 1981 also reflect upward revisions in the costs of building and of operating existing projects.

The current 1978 budget authority and outlays for recreational resources are $0.2 billion above January due to recent passage of the Redwood Parks Expansion Bill. Most of the changes in budget authority and outlays for recreational resources in 1979-1981 reflect the urban parks component of the President's urban initiative.

Estimated outlays for several programs -- including water resources and conservation and land management -- are reduced in 1978. The largest reduction is in the sewage plant construction grant program of the Environmental Protection Agency, where short-term delays in outlays reduce estimates not only in 1978, but also in 1979 and 1980. The outlay reductions result from delays experienced by grantees in constructing approved projects. As the problems causing these delays are resolved, outlays are expected to resume the trend projected in January for the period after 1980.

350: AGRICULTURE

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	3.8	7.2	4.6	4.9
Changes:				
Agricultural credit insurance fund.....	0.1	---	0.1	0.1
Other.....	*	*	*	*
Current estimate.....	3.9	7.2	4.7	5.0
Outlays				
January budget estimate.....	9.1	5.4	5.0	3.7
Changes:				
Farm price supports.....	-0.4	*	0.1	0.4
Agricultural credit insurance fund.....	*	0.1	0.1	0.1
Other.....	*	*	*	*
Current estimate.....	8.7	5.6	5.2	4.2

* $50 million or less.

The changes in the agriculture function since January are largely due to:

-- downward reestimates in price support outlays due to higher than anticipated agricultural commodity prices. Under the program, higher commodity prices reduce Federal loans and payments. Part of this price increase was the result of farmer

participation in the grain reserve and the land diversion programs announced in March; and

-- some offsetting increases in price support outlays as a result of recent legislation that increased the target price for wheat.

In addition, the current estimates reflect the cost of legislation supported by the Administration that would expand the Federal crop insurance program -- in lieu of continuing some other disaster programs -- and increase credit available to farmers hurt by price drops in recent years.

370: COMMERCE AND HOUSING CREDIT

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	5.4	6.6	7.7	7.5
Changes:				
Consumer Cooperative Bank.	---	0.1	0.1	0.1
Rural housing programs....	---	---	0.2	0.3
Postal Service.....	---	-*	0.1	0.1
Other.....	*	---	*	*
Current estimate.....	5.4	6.7	8.2	7.9
Outlays				
January budget estimate.....	3.5	3.0	4.5	3.2
Changes:				
Consumer Cooperative Bank.	---	0.1	0.1	0.1
Housing for the elderly...	-0.2	-0.1	-*	---
Government National Mortgage Association.....	0.1	*	*	-*
Postal Service.....	---	-*	0.1	0.1
FDIC and other.....	-0.1	-*	*	*
Current estimate.....	3.4	3.0	4.7	3.3

* $50 million or less.

The current estimates of outlays for commerce and housing credit are slightly below the January estimates for 1978 and 1979, and slightly above the January estimates for 1980 and 1981. The current estimates include the recently authorized Consumer Cooperative Bank.

Because postal rate increases were less than anticipated, budget authority and outlays for the Postal Service have been revised downward in 1979 to reflect lower public service payments to the Postal Service. Increased budget authority and outlay reestimates in 1980 and 1981 are due to revenue forgone as a result of the rate increases and an expected increase in mail volume.

The 1978 outlay estimates for several other commerce and housing programs have also been revised. The 1978 outlay estimates for the Government National Mortgage Association (GNMA) have been increased because changes in economic conditions are causing portfolio sales to lag behind previous estimates, thus increasing outlays. In addition, 1978 outlays for housing for the elderly have been revised downward to reflect shortfall experienced in recent months. The estimates for the Federal Deposit Insurance Corporation have also been revised downward because recoveries on assets acquired from bank failures have been higher than anticipated.

400: TRANSPORTATION

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	15.1	18.6	19.3	19.4
Changes:				
Highways.....	---	0.1	-*	-*
Mass transit.....	---	0.2	0.2	0.2
Railroads.....	*	0.4	0.4	0.2
Air transportation.....	---	---	*	*
Other.....	*	*	*	*
Current estimate.....	15.2	19.3	19.9	19.8
Outlays				
January budget estimate.....	16.3	17.4	18.5	18.7
Changes:				
Highways.....	-0.7	-0.4	0.1	0.1
Mass transit.....	-0.1	*	0.1	0.1
Railroads.....	0.1	0.2	0.2	0.2
Air transportation.....	-*	-*	*	*
Other.....	-0.1	*	*	*
Current estimate.....	15.4	17.3	18.9	19.2

* $50 million or less.

The current budget authority estimates for transportation reflect several policy increases to the January budget. The Administration will request additional budget authority for further purchases of ConRail securities. Additional budget authority has been requested for mass transit programs as part of the urban initiative.

Other budget authority increases to the January budget include a supplemental for AMTRAK of $30 million in budget authority in 1978, and a $70 million amendment for 1979 budget authority providing full funding for the reconstruction of the overseas highway through the Florida Keys.

Despite these budget authority increases, the current estimates of total outlays for transportation are only slightly above the January totals for 1979 and 1981 and substantially below the January estimates for 1978. Previous outlay estimates for highway construction were based upon obligation experience factors. Those factors have changed, resulting in current estimates of outlays that are $0.7 billion and $0.4 billion below the January estimates for 1978 and 1979, respectively.

450: COMMUNITY AND REGIONAL DEVELOPMENT

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	8.7	7.7	7.7	7.5
Changes:				
Urban initiatives:				
National Development Bank 1/.....	---	3.4	4.4	4.4
Labor-intensive public works.....	---	1.0	1.0	1.0
State incentive grants.	---	0.2	0.2	0.2
Other urban initiatives	---	0.2	0.2	0.2
Other changes:				
Inland energy impact assistance.....	---	0.2	0.2	0.2
Disaster loans and relief.....	0.9	---	---	---
Other.....	0.1	*	*	*
Current estimate.....	9.7	12.7	13.6	13.5
Outlays				
January budget estimate.....	9.7	8.7	8.0	7.3
Changes:				
Urban initiatives:				
National Development Bank 1/.....	---	0.1	0.7	1.0
Labor-intensive public works.....	---	0.1	0.9	1.0
State incentive grants.	---	*	0.1	0.2
Other urban initiatives	---	0.1	0.2	0.2
Other changes:				
Local public works.....	0.7	---	-0.7	---
Inland energy impact assistance.....	---	*	0.1	0.2
Disaster loans and relief.....	0.5	0.4	---	---
Other.....	-0.3	-0.1	*	0.2
Current estimate.....	10.5	9.4	9.3	9.9

1/ Includes funds transferred from HUD and EDA.
* $50 million or less.

Budget authority and outlays for community and regional development programs have increased substantially since January due largely to the urban initiatives that the President announced in late March. For 1979, these increases are largely offset by a decrease in the allowances for contingencies, the amounts for which anticipated the urban initiative. The following components of the urban initiative are classified in this function:

-- The National Development Bank, which will offer financial incentives to private sector businesses to remain, expand, or locate in distressed areas, and would expand the flow of development capital to these areas. Bank projects would increase the number of new permanent, private sector employment opportunities in economically-distressed areas and strengthen the fiscal and economic condition of these areas. Grants funded through EDA and HUD will provide financing to firms for up to 15% of fixed asset capital cost.

-- The new labor-intensive public works program, emphasizing the training and hiring of disadvantaged workers to rehabilitate and renovate public facilities. Budget authority of $1.0 billion a year is being requested for 1979 through

1981. Outlays are estimated to rise from $0.1 billion in 1979 to $1.0 billion in 1981.

-- State incentive grants, to encourage States to implement strategies for: (1) instituting fiscal and structural reform programs, and (2) reallocating investment and development resources to assist local communities suffering from economic distress and decline or disorderly growth. Budget authority of $200 million per year is included for 1979 through 1981. Outlays are estimated to grow from $10 million in 1979 to $160 million in 1981.

-- Neighborhood self-help development grants, which would provide direct Federal assistance to local voluntary groups to help support specific neighborhood revitalization projects. Budget authority of $15 million per year is included for 1979 through 1981.

-- Livable cities program, which will provide Federal grants to States, communities, and local groups for neighborhood- or community-based arts programs to help revitalize urban communities, especially distressed urban neighborhoods.

Components of the urban initiative classified in other functions include supplementary fiscal assistance (in the general purpose fiscal assistance function), and urban parks (in the natural resources and environment function). The urban initiative also includes increases to on-going programs for social services, mass transit, health services, and law enforcement.

In addition to the urban initiative, the current estimates for community and regional development reflect a number of other changes. Initially, outlays for the second round of local public works authorized last year fell below expectations. In recent months, however, actual outlays have increased markedly. As a result, the outlay estimates for 1978 have been revised upward by $0.7 billion, with a corresponding decrease in 1980 outlays. The current estimates for 1979-1981 also include the President's recent proposal to provide assistance to State and local governments to deal with the adverse consequences of rapid inland energy development. Budget authority of $150 million a year will be requested. The $0.9 billion increase in budget authority for disaster loans and relief was enacted because of the severe winter weather in New England and the Midwest and flooding in the Southwest and California. About

$0.5 billion of these funds are expected to be spent in 1978, and the remainder in 1979.

The 1978 outlay estimates for several community development programs, principally the urban renewal program, have been reestimated downward because communities are not spending the funds as rapidly as anticipated.

NEW URBAN INITIATIVES, 1979-1981 1/
(in billions of dollars)

Function and Program	Budget Authority 1979	1980	1981	Outlays 1979	1980	1981
Natural Resources and Environment						
Environmental programs (EPA)	*	*	*	*	*	*
Urban parks and recreation facilities (Interior)	0.2	0.2	0.2	*	0.1	0.1
Total, Natural resources and environment	0.2	0.2	0.2	*	0.1	0.1
Transportation						
Multi-modal transportation demonstration grants (UMTA)	0.2	0.2	0.2	---	0.1	0.2
Community and Regional Development						
Public works (Department of Commerce program emphasizing rehabilitation and renovation of public facilities, and training and hiring of disadvantaged workers)	1.0	1.0	1.0	0.1	0.9	1.0
National Development Bank: 2/						
Grants to firms for up to 15% of fixed asset capital costs (HUD and EDA)	0.6	0.6	0.6	0.1	0.4	0.5
Coverage of loan losses from loan guarantees	0.7	1.0	1.0	0.1	0.2	0.3
Interest rate subsidies (lower rate to 2.5%) on loans	1.0	1.4	1.4	*	0.1	0.1
Interest subsidy on first $20 million of new investment in facilities in economically-depressed areas	0.2	0.3	0.4	*	*	*
Secondary loan market	0.8	1.1	1.1	---	---	---
Other (expenses, Director's funds)	*	*	*	*	*	*
Loan guarantees: Up to 3/4 of remaining capital costs up to $15 million (these figures represent guarantee authority)	(2.2)	(2.9)	(2.9)	(2.2)	(2.9)	(2.9)
Subtotal, National Development Bank 2/	3.4	4.4	4.4	0.1	0.7	1.0

See footnotes at end of table.

NEW URBAN INITIATIVES, 1979-1981 1/ (continued)

Function and Program	Budget Authority			Outlays		
	1979	1980	1981	1979	1980	1981
Community and Regional Development (continued)						
Increased funding for housing rehabilitation loan program (section 312) (HUD)	0.2	0.2	0.2	0.1	0.1	0.2
State incentive grant program (Federal grants for States to use in assisting distressed communities, HUD)	0.2	0.2	0.2	*	0.1	0.2
Self-help development program (HUD)	*	*	*	*	*	*
Livable cities (National Endowment for the Arts/HUD grants program for urban design and arts)	*	*	*	*	*	*
Community development credit unions (CSA)	*	---	---	*	---	---
"Certificate of Necessity": Investment tax credit (these figures represent reduction in receipts)	(*)	(0.1)	(0.1)	(*)	(0.1)	(0.1)
Total, Community and regional development.	4.8	5.8	5.8	0.3	1.8	2.3
Education, Training, Employment, and Social Services						
Urban social services initiative (HEW)	0.1	0.1	0.1	0.1	0.1	0.1
Other	0.1	0.1	0.1	*	0.1	0.1
Targeted employment tax credit (credits for hiring disadvantaged workers aged 18 to 24 and the handicapped. These figures represent a reduction in receipts) 1/	(0.2)	(0.8)	(1.2)	(0.2)	(0.8)	(1.2)
Total, Education, training, employment, and social services	0.2	0.2	0.2	0.2	0.2	0.2

See footnotes at end of table.

NEW URBAN INITIATIVES, 1979-1981 1/ (continued)

Function and Program	Budget Authority 1979	1980	1981	Outlays 1979	1980	1981
General Purpose Fiscal Assistance						
Increase limit on tax-exempt or taxable industrial revenue bonds to $20 million in economically-distressed areas (interest subsidy).....	0.1	0.1	0.1	*	*	*
Supplementary fiscal assistance program (replaces antirecession (countercyclical) fiscal assistance).....	0.8	1.0	1.0	1.0	1.0	1.0
Antirecession fiscal assistance.....	-0.4	-0.3	---	-0.6	-0.3	---
Total, General purpose fiscal assistance..	0.4	0.7	1.0	0.4	0.7	1.0
Other (health and anti-crime programs).....	0.1	0.1	0.1	*	*	*
Totals						
Budget authority and outlays.....	5.9	7.1	7.5	1.0	2.8	3.9
Revenue reductions.....	0.2	0.8	1.3	0.2	0.8	1.3
Loan guarantees.....	2.2	2.9	2.9	---	---	---

1/ Figures shown are changes from March 13, 1978 budget estimates.

2/ Includes HUD and EDA grants, which are not included in the account entitled "National Development Bank."

* $50 million or less.

500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	22.8	33.6	34.1	35.2
Changes:				
Education:				
Higher education.....	---	1.2	1.2	1.1
Other.....	---	*	0.2	0.1
Training and employment:				
Temporary employment assistance.....	---	---	-2.0	0.7
Welfare reform.....	---	---	-0.5	0.2
Other.....	0.1	-*	*	*
Social services:				
Retroactive social service claims.....	-0.5	0.5	---	---
Other.....	-*	0.2	0.2	0.2
Current estimate.....	22.3	35.6	33.2	37.5
Outlays				
January budget estimate.....	27.5	30.4	33.2	35.3
Changes:				
Education:				
Higher education.....	-*	0.2	1.2	1.2
Other.....	-0.1	0.1	0.1	0.1
Training and employment:				
Temporary employment assistance.....	-0.1	---	-1.2	0.7
Welfare reform.....	---	---	-0.3	0.2
Other.....	-0.1	-*	*	*
Social services:				
Retroactive social service claims.....	-0.5	0.5	---	---
Other.....	-*	0.2	0.2	0.2
Current estimate.....	26.6	31.4	33.1	37.6

* $50 million or less.

The current estimates for higher education are above the budget estimates largely because of the middle income assistance proposal, which the President announced in February. The current estimates also reflect reestimates for several education programs and revised proposals for elementary and secondary education.

The estimates for employment and training in 1978 and 1979 are not substantially different from the January estimates. The 1978 outlays for employment and training were revised downward slightly in March as a result of shortfall experienced earlier this year; 1978 budget authority has been increased by congressional enactment of an unrequested supplemental of $63 million for summer youth programs. The estimates for the jobs portion of welfare reform have been adjusted in 1980 and 1981 to reflect reestimates in program costs.

Temporary employment assistance (countercyclical public jobs) has been reestimated to reflect the current economic assumptions and the provisions of the Administration's legislative proposals submitted after the January budget. The countercyclical jobs proposal calls for outlays of $1 billion when the unemployment rate is 4.75%, and another $1 billion for each half percentage point increase above that level. The 1980 estimate presented here assumes that the

unemployment rate falls below 5.75% by the end of fiscal year 1979. If the rate of unemployment fell more slowly than forecast, estimated spending for this program would be $1 billion higher.

The current estimates for social services, like the estimates issued in March, reflect a shift in the payment of $0.5 billion retroactive social service claims from 1978 to 1979. In addition, the current estimates reflect the increase in social service grants to areas of special need, which is part of the urban initiative.

550: HEALTH

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	46.5	52.6	58.8	68.8
Changes:				
Medicare.....	0.2	0.1	-0.5	-0.4
Medicaid.....	---	-0.1	*	0.4
Other.....	*	*	-0.3	-0.4
Current estimate.....	46.7	52.7	58.1	68.5
Outlays				
January budget estimate.....	44.3	49.7	53.7	58.2
Changes:				
Medicare:				
Proposed legislation...	*	0.1	1.1	1.3
Existing law.....	-0.4	0.1	0.1	0.1
Medicaid:				
Proposed legislation...	*	0.4	0.7	1.1
Existing law.....	-0.2	-0.5	-0.7	-0.7
Other.....	*	0.1	0.1	0.1
Current estimate.....	43.8	49.8	55.0	60.2

* $50 million or less.

The current estimates for health outlays are slightly below the January estimates for 1978, but are above the January estimates for 1980 and 1981.

The largest changes are in the estimates for medicare. While the estimates of medicare outlays under existing law have not changed substantially, the estimates for proposed

legislation in 1980 and 1981 have increased by over $1 billion since January. Most of this increase is due to the correction of errors in the January estimates. The current estimates also assume that hospital cost containment legislation will become effective in October, rather than in July, of 1978.

The current estimates of total outlays for medicaid are slightly below the January estimates for 1978-1979, virtually the same for 1980, and up slightly for 1981. A recent determination that the savings from the medicaid quality control program can be achieved without legislation accounts for much of the increase in the estimates for proposed legislation. This is offset by a corresponding decrease in the estimates under existing law. The current medicaid estimates also reflect the assumed 3-month delay in cost-savings legislation and small reestimates in the costs of both existing and proposed benefits.

The current estimates of budget authority for discretionary programs in 1979-1981 reflect the $50 million increase in health services programs included in the President's urban initiative proposals. The decrease in budget authority for discretionary programs in 1980 and 1981 -- $0.3 billion and $0.4 billion, respectively -- is due almost entirely to an error in the January estimates for advanced funding of certain health services programs.

600: INCOME SECURITY

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate 1/.....	181.3	191.8	215.9	236.8
Changes:				
Social security and railroad retirement.....	0.1	1.0	0.4	-1.5
Disabled coal miners benefits.....	*	0.5	0.5	0.4
Unemployment compensation.	-0.8	-1.7	-0.5	-0.2
Federal employee retirement and disability.....	*	0.1	0.1	0.1
Crude oil equalization rebates.....	-0.2	-0.4	0.1	0.2
Other.....	-0.2	-0.2	0.8	1.0
Current estimate.....	180.3	191.1	217.3	236.8
Outlays				
January budget estimate 1/.....	148.6	160.9	175.2	190.9
Changes:				
Social security and railroad retirement.....	-0.5	-0.6	0.3	1.2
Proposed legislation...	*	0.3	0.3	0.2
Disabled coal miners benefits.....	*	0.3	0.5	0.4
Unemployment compensation.	-0.6	-0.7	-0.5	-*
Federal employee retirement and disability.....	-0.1	0.1	0.1	0.1
Crude oil equalization rebates.....	-0.2	-0.4	0.1	0.2
Food programs.....	-0.3	-0.1	0.8	1.1
Other.....	-0.1	-0.1	-0.2	-0.2
Current estimate.....	146.9	159.6	176.6	193.9

1/ Revised to include earned income credit payments in excess of an individual's tax liability, formerly treated as as income tax refunds. See general note with the Table of Contents.

* $50 million or less.

Most of the change in outlays for the income security function reflects lower estimates as a result of lower than anticipated beneficiary levels, which are offset -- in 1980 and 1981 -- by higher than expected cost-of-living adjustments.

Outlays for unemployment compensation have been reestimated downward for 1978 through 1981 because of the improvement in the economy. Legislation proposed in the budget that would have lowered the Federal unemployment insurance payroll tax rate is not included for the Mid-Session Review. The outlay estimates for a number of welfare and retirement programs also have been revised downward for 1978 and 1979, consistent with actual experience in recent months.

For 1980 and 1981, some downward outlay revisions have been offset by higher than expected cost-of-living adjustments for retirement and welfare programs. Outlays for social security and railroad retirement have been revised upward by about $0.6 billion in 1980 and $1.4 billion in 1981.

The current estimates for 1979-1981 also reflect several changes in enacted or proposed legislation. They reflect a loss of savings for social security resulting from delays in the effective dates of the student benefit and the

minimum benefit limitations. The assumed effective date for student benefit legislation has been delayed one year to July 1, 1979, while the minimum benefit legislation is now assumed to be effective January 1, 1979. In addition, the estimates for the black lung program have increased since January, largely because of recently enacted benefit increases. Finally, the current estimates assume that the crude oil equalization rebates will be enacted effective January 1979, which decreases outlays in both 1978 and 1979. The increases in the estimated outlays for the rebates in 1980 and 1981 are due to reestimates.

The earned income credit payments were treated as income tax refunds in the 1979 budget. They are now reclassified as outlays, and the January budget estimates have been adjusted in order to make them comparable with the current estimates.

700: VETERANS BENEFITS AND SERVICES

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	19.1	19.1	19.7	20.0
Changes:				
Compensation and pensions (proposed legislation)...	---	0.6	0.6	0.6
Medical care.....	---	*	-0.1	-0.1
Other.....	---	---	*	*
Current estimate.....	19.1	19.7	20.2	20.5
Outlays				
January budget estimate.....	18.9	19.3	19.7	19.9
Changes:				
Compensation and pensions (proposed legislation)...	*	0.6	0.5	0.6
Medical care.....	-0.1	-*	-0.1	-0.1
Other.....	-*	-*	*	*
Current estimate.....	18.8	19.8	20.1	20.4

* $50 million or less.

The major changes in budget authority and outlays for the veterans benefits and services function are the result of reestimates and changes in proposed legislation for veterans compensation and pensions.

The current estimate of outlays for compensation and pensions is $0.6 billion above the January estimates for

1979, 1980, and 1981. These increases are due to two factors:

-- changes in legislative proposals for reform of the pension system; and

-- higher cost-of-living adjustments than anticipated in January.

Since the January budget submission, the Administration's position on pension reform has been developed in greater detail. The current reform proposal anticipates a $519 million greater first-year cost than allowed in the 1979 budget. In addition, the current estimates assume a 6.9% cost-of-living increase for compensation effective October 1, 1978, compared to the 5.8% assumed in the January budget.

Outlays for medical care in 1978 have been revised downward slightly due to construction slippages, which have resulted in delays in opening facilities. Other medical care outlay decreases are due to a reestimate of the savings associated with proposed legislation.

750: ADMINISTRATION OF JUSTICE

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	3.9	4.1	4.2	4.2
Changes.....	*	0.2	0.1	0.1
Current estimate.....	3.9	4.3	4.3	4.3
Outlays				
January budget estimate.....	4.0	4.2	4.3	4.3
Changes.....	-0.1	0.2	0.1	0.1
Current estimate.....	4.0	4.4	4.4	4.4

* $50 million or less.

The current estimates for administration of justice reflect several policy initiatives of the Department of Justice not included in the January budget. These initiatives include the Judgeship Bill, which would increase the number of Federal judges by one-third; the Alien Adjustment and Employment Act, which would deal with the problem of undocumented aliens; and the Victims of Crime Act, which would compensate victims of certain crimes.

800: GENERAL GOVERNMENT 1/

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	4.1	4.4	4.6	4.4
Changes.....	-0.1	-*	*	-*
Current estimate.....	4.0	4.3	4.6	4.4
Outlays				
January budget estimate.....	4.1	4.3	4.6	4.3
Changes.....	-0.3	-0.1	-*	-*
Current estimate.....	3.8	4.2	4.6	4.3

1/ Adjusted for on-budget status of the administrative costs of the Exchange Stabilization Fund.

* $50 million or less.

Budget authority and outlays for programs in the general government function are slightly different from estimates contained in the January budget for 1978 through 1981. These changes are due to minor reestimates in various programs.

850: GENERAL PURPOSE FISCAL ASSISTANCE

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	9.7	16.6	15.8	20.5
Changes:				
Supplementary fiscal assistance.....	---	0.8	1.0	1.0
Antirecession fiscal assistance.....	---	-1.0	-0.3	---
Taxable municipal bond option.....	---	-1.7	0.1	-1.2
Other.....	*	-*	-*	*
Current estimate.....	9.7	14.6	16.6	20.3
Outlays				
January budget estimate.....	9.9	9.6	9.4	9.5
Changes:				
Supplementary fiscal assistance.....	---	1.0	1.0	1.0
Antirecession fiscal assistance.....	-0.2	-1.0	-0.3	---
Taxable municipal bond option.....	---	-*	-0.1	-0.1
Other.....	-*	-*	-*	*
Current estimate.....	9.6	9.5	9.9	10.4

* $50 million or less.

As part of the urban initiative, the President proposed a new program of supplementary fiscal relief to replace the existing temporary antirecession program, which is tied to the rate of unemployment. The new program will make

payments to those local jurisdictions that are experiencing fiscal stress as measured by unemployment rates and below-average rates of economic growth. Outlays for supplementary fiscal assistance are proposed at $1.0 billion a year beginning in 1979. The current estimates assume that antirecession fiscal assistance will be terminated at the end of fiscal year 1978, and that the carryover of unobligated budget authority ($0.3 billion) will be transferred to the new program. Therefore, only $0.8 billion in new budget authority is required for 1979.

The January estimates of budget authority for the taxable municipal bond option were inadvertently made on a calendar year basis. The current estimates, like those issued in March, correct that error. The current estimates also reflect the increased limit on bonds issued in economically distressed areas, proposed as part of the urban initiative, and minor reestimates. The current estimates assume that the proposal will become effective in fiscal year 1980.

900: INTEREST

	($ billions)			
	1978	1979	1980	1981
Budget Authority and Outlays				
January budget estimate.....	43.8	49.0	53.7	56.5
Changes:				
Interest on the public debt.....	---	---	2.1	3.1
Other interest.....	-0.1	*	-0.1	-0.2
Current estimate.....	43.8	49.0	55.7	59.4

* $50 million or less.

The current estimates for the interest function in 1978 and 1979 are nearly the same as those in the January budget. The effects of decreases in the estimated deficits for 1978 and 1979 -- about $11 billion in each year -- are offset by higher interest rates. Short-term interest rates were 6.6% when these estimates were made, compared to the 6.1% assumed in the January budget.

The interest estimates for 1980 and 1981 have been revised upward to reflect the higher interest rates and the higher deficits estimated for these years.

920: ALLOWANCES

	($ billions)			
	1978	1979	1980	1981
Budget Authority				
January budget estimate.....	---	4.2	5.1	9.1
Changes:				
Contingencies.....	---	-3.0	2.1	1.3
Civilian agency pay raises.....	---	-0.1	-*	-*
Current estimate.....	---	1.1	7.2	10.4
Outlays				
January budget estimate.....	---	2.8	5.8	9.7
Changes:				
Contingencies.....	---	-1.7	0.4	-0.3
Civilian agency pay raises.....	---	-*	-*	-*
Current estimate.....	---	1.1	6.2	9.4

* $50 million or less.

The January budget estimates included allowances for civilian agency pay raises (1979-1981), the effects of inflation on civilian agency purchases of goods and services (1980-1981), and unforeseen contingencies (1979-1981). Allowances for civilian agency pay raises have been reduced slightly since January to reflect the President's intention to recommend a limit of 5.5% on the Federal pay increase that is to become effective in October 1978. The estimates

include $1.1 billion in outlays in 1979 for these pay raises. In subsequent years, the allowance assumes a 6% per year increase in Federal pay. Presidential decisions on the appropriate size of future Federal pay raises will not be made until the year in which pay raises occur. The estimates include $2.3 billion and $3.6 billion for 1980 and 1981, respectively, for these estimated pay raises.

The allowances for inflation have increased slightly since January as a result of higher projected rates of inflation. This allowance is now $1.9 billion in 1980 and $3.8 billion in 1981. The allowance for contingencies in 1979 has been allocated to specific programs, such as the urban initiative, and has been eliminated. For 1980 and 1981, this allowance for other contingencies is $3.0 billion in budget authority and $2.0 billion in outlays.

950: UNDISTRIBUTED OFFSETTING RECEIPTS

	($ billions)			
	1978	1979	1980	1981
Budget Authority and Outlays				
January budget estimate.....	-15.6	-16.0	-17.6	-19.5
Changes:				
Offshore oil receipts.....	-0.4	-0.5	---	---
Interest received by trust funds.....	-*	-0.1	0.3	1.0
Employer share, employee retirement.....	*	*	*	0.1
Current estimate.....	-16.1	-16.6	-17.3	-18.4

* $50 million or less.

The current estimates for undistributed offsetting receipts in 1978 and 1979 are above the January estimates, reflecting revisions to estimated receipts from offshore oil sales and larger interest payments to trust funds. These increases result in lower outlays and budget authority for those years. The estimates for interest received by trust funds for 1980 and 1981 are lower than the January budget, reflecting technical adjustments to the estimates.

Part 3

SUPPLEMENTARY LONG-RANGE INFORMATION

This section presents long-range projections of receipts, outlays, and budget authority. As required by law, it also contains projected outlays for open-ended programs and fixed costs, and spending from balances of budget authority for non-mandatory programs.

Long-Range Economic Assumptions

The long-range economic assumptions differ in nature from the short-range economic forecast presented earlier. They are not forecasts of economic events, but projections that assume progress in moving toward a more fully-employed economy and greater price stability.

The economy is assumed to grow in real terms by an average of just over 4% for the entire 1980-83 period. The rate of unemployment drops to 4.0% by the end of calendar year 1983. With the real GNP growth assumed, a successful targeting of Federal employment and training programs will be necessary to achieve this optimistic goal. The rate of inflation is projected to drop by half a percentage point a year, reaching 4.5% by the end of the period.

Budget Projections

As is the case with the underlying economic assumptions, the long-range budget projections for 1982 and 1983 are not forecasts. For the most part, they are extrapolations -- based in part upon the economic assumptions shown above -- of the costs of programs proposed in the 1979-81 multi-year planning base. The projections are, therefore, an estimate of the degree to which future resources are or would be committed by current law and Administration policy. They include the projected budget impact of the major Administration intiatives in the following areas:

-- energy;
-- education;
-- agriculture;
-- welfare reform;
-- water resources;
-- urban assistance; and
-- tax reform and relief.

Since the timing and form of the proposal are still under consideration, the projections do not include funds for national health insurance.

As shown in Table 17, outlays are projected to rise $174.9 billion, from $496.6 billion in 1979 to $671.5

billion in 1983. Receipts are projected to increase more rapidly, from $448.2 billion in 1979 to $720.5 billion in 1983. The budget is projected to be in surplus during 1982 and 1983.

Table 17.--THE BUDGET OUTLOOK, 1979-1983
(in billions of dollars)

	1979	1980	1981	1982	1983
Outlays	496.6	549.4	591.3	631.0	671.5
Receipts	448.2	507.3	580.0	651.3	720.5
Surplus or deficit (-)	-48.5	-42.7	-11.3	20.3	49.0
Budget authority	571.4	625.2	680.6	728.8	768.8

However, the long-range receipts and outlays projections are sensitive to changes in the underlying assumptions, especially those concerning future economic conditions. The deficits and surpluses shown above could vary markedly if the economy did not follow the assumed path and should be considered in that light. Additional information on projected receipts, budget authority, and outlays is provided in the tables at the end of this section.

Projections of Outlays for Open-Ended Programs and Fixed Costs

Outlay projections for open-ended programs and fixed costs are shown in Table 26.

These projections indicate that, under existing legislation, payments for individuals are estimated to grow by roughly 9.4% a year from 1979 to 1983. Outlays for net interest are expected to increase through 1981 and decline thereafter. Outlays for other open-ended programs and fixed costs are projected to decline over the 1979-83 period.

Spending from Balances of Budget Authority Available at the End of Fiscal Year 1979: Non-Mandatory Programs

Section 221(b) of the Legislative Reorganization Act of 1970 amended the Budget and Accounting Act of 1921 to require that the President shall transmit to the Congress "summaries of estimated expenditures, in fiscal years following such ensuing fiscal year (1979 this year), of balances carried over from such ensuing fiscal year." Table 27 contains these estimates.

The current estimate of the balances at the end of fiscal year 1979 for programs that have controllable outlays is $276.1 billion. About $16.4 billion of this total is in guarantee and insurance program balances, very little of which is expected ever to be spent. The spending pattern

from the balances in other programs, which amount to $259.6 billion, is fairly consistent among the programs. The bulk of the spending from balances takes place in 1980, and declines rapidly thereafter. About 46% is expected to be spent in 1980 and approximately 22% in 1981. About 11% ($29.1 billion) is expected to remain unexpended at the end of fiscal year 1983. An estimated $19.5 billion of the 1979 end-of-year balances is expected to expire (without being spent) during fiscal years 1980 through 1983.

Table 18.--LONG-RANGE ECONOMIC ASSUMPTIONS, 1980-1983
(calendar years; dollar amounts in billions)

	Assumed for Purposes of Budget Projections			
	1980	1981	1982	1983
Gross national product				
Current dollars:				
Amount	2,576	2,838	3,107	3,383
Percent change	10.6	10.2	9.5	8.9
Constant (1972) dollars):				
Amount	1,512	1,576	1,640	1,706
Percent change	4.1	4.2	4.1	4.0
Incomes (current dollars)				
Personal income	2,099	2,307	2,522	2,741
Wages and salaries	1,363	1,502	1,647	1,793
Corporate profits	233	263	292	321
Prices (percent change)				
GNP deflator:				
Year over year	6.2	5.7	5.2	4.7
Fourth quarter over fourth quarter	6.0	5.5	5.0	4.5
CPI:				
Year over year	6.2	5.7	5.2	4.7
December over December	6.0	5.5	5.0	4.5
Unemployment rates (percent)				
Total:				
Yearly average	5.4	4.9	4.4	4.1
Fourth quarter	5.2	4.7	4.3	4.0
Insured 1/	3.1	2.8	2.5	2.3
Federal pay raise, October (percent)	6.0	6.0	6.0	6.0
Interest rate, 91-day Treasury bills (percent) 2/	6.6	6.3	5.75	5.25

1/ Insured unemployment as a percentage of covered employment; includes unemployed workers receiving extended benefits.

2/ Average rate of new issues within period.

Table 19.--ESTIMATED EFFECT OF LEGISLATION ON RECEIPTS, 1979-1983
(in billions of dollars)

	Current Estimate			Projection	
	1979	1980	1981	1982	1983
Receipts under current law	470.1	535.1	612.0	692.1	768.1
Extension of temporary tax provisions:					
Individual income taxes	-6.6	-11.0	-11.9	-13.0	-13.7
Corporation income taxes	-0.9	-2.1	-4.0	-6.8	-8.0
Excise taxes	---	4.4	5.5	5.7	5.9
Subtotal, Extensions	-7.5	-8.6	-10.4	-14.1	-15.8
Receipts on a current services basis	462.6	526.5	601.6	678.0	752.3
Proposed legislation:					
Income tax reductions and reforms (January 1979):					
Individuals	-10.6	-15.9	-18.9	-22.4	-26.9
Corporations	-3.5	-5.9	-6.3	-7.1	-8.5
Energy tax proposals	0.1	3.0	4.4	5.6	8.0
Welfare reform (expanded earned income credit)	---	---	---	-0.8	-2.2
Urban initiatives	-0.2	-0.8	-1.3	-1.4	-1.4
Acceleration of State and local deposits of social security taxes 1/	---	1.1	1.5	0.3	0.2
Other	-0.2	-0.6	-1.0	-0.9	-1.0
Subtotal, Proposed legislation	-14.4	-19.2	-21.5	-26.7	-31.7
Current estimate	448.2	507.3	580.0	651.3	720.5

1/ This can be accomplished by administrative action.

Table 20.--BUDGET RECEIPTS BY MAJOR SOURCE, 1978-1983 1/
(in billions of dollars)

	Current Estimate				Projection	
	1978	1979	1980	1981	1982	1983
Individual income taxes	182.0	200.1	226.1	260.4	298.2	336.5
Corporation income taxes	59.0	60.8	65.8	74.9	83.3	91.8
Social insurance taxes and contributions	123.6	142.3	160.9	185.3	206.8	224.6
Excise taxes	18.2	24.6	32.5	36.0	37.5	39.9
Estate and gift taxes	5.2	5.7	6.0	6.3	6.9	7.6
Customs duties	6.1	6.7	7.4	8.2	9.0	9.8
Miscellaneous receipts	7.1	8.0	8.6	9.0	9.7	10.4
Total budget receipts	401.2	448.2	507.3	580.0	651.3	720.5

1/ Earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are now classified as outlays. See general note with the Table of Contents.

Table 21.--COMPOSITION OF BUDGET OUTLAYS, 1977-1983 1/
(dollar amounts in billions)

	Actual	Current Estimate				Projection	
	1977	1978	1979	1980	1981	1982	1983
National defense:							
Direct Federal payments to individuals.....	$8.2	$9.2	$10.2	$11.2	$12.2	$13.2	$14.2
Grants to States and localities.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other.....	89.2	95.0	104.2	114.2	124.6	136.7	149.3
Subtotal, National defense.....	97.5	104.2	114.6	125.5	136.9	150.0	163.5
Nondefense:							
Direct Federal payments to individuals.....	159.6	170.8	187.8	207.4	229.5	255.5	278.0
Payments for individuals through States and localities.....	23.0	24.9	26.8	29.5	30.1	26.7	28.9
All other grants to States and localities..	45.3	53.0	57.9	60.7	67.0	70.1	70.3
Net interest.....	30.0	35.1	39.8	45.7	48.7	47.4	45.6
Other.....	47.4	64.3	69.8	80.5	79.1	81.3	85.1
Subtotal, Nondefense.....	305.3	348.1	382.1	423.8	454.4	481.1	508.0
Total.....	402.8	452.3	496.6	549.4	591.3	631.0	671.5

See footnote at end of table.

Table 21 (continued)

	Actual 1977	Current Estimate 1978	1979	1980	1981	Projection 1982	1983
Percent of Total Outlays							
National defense:							
Direct Federal payments to individuals	2.0	2.0	2.1	2.0	2.1	2.1	2.1
Grants to States and localities	*	*	*	*	*	*	*
Other	22.1	21.0	21.0	20.8	21.1	21.7	22.2
Subtotal, National defense	24.2	23.0	23.1	22.9	23.1	23.8	24.4
Nondefense:							
Direct Federal payments to individuals	39.6	37.8	37.8	37.8	38.8	40.5	41.4
Payments for individuals through States and localities	5.7	5.5	5.4	5.4	5.1	4.2	4.3
All other grants to States and localities	11.2	11.7	11.7	11.0	11.3	11.1	10.5
Net interest	7.4	7.8	8.0	8.3	8.2	7.5	6.8
Other	11.8	14.2	14.0	14.6	13.4	12.9	12.7
Subtotal, Nondefense	75.8	77.0	76.9	77.1	76.9	76.2	75.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ Earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are now classified as outlays. See general note with the Table of Contents.

* 0.05% or less.

Table 22.--BUDGET OUTLAYS BY FUNCTION, 1977-1983
(in billions of dollars)

	Actual	Current Estimate				Projection	
	1977 1/	1978	1979	1980	1981	1982	1983
National defense	97.5	104.2	114.6	125.5	136.9	150.0	163.5
International affairs	4.8	6.5	7.4	8.3	8.8	9.4	10.5
General science, space and technology	4.7	4.8	5.1	5.3	5.2	4.8	4.4
Energy	4.2	6.3	10.4	11.0	8.5	7.5	6.7
Natural resources and environment	10.0	11.5	11.8	12.9	13.9	13.6	13.3
Agriculture	5.5	8.7	5.6	5.2	4.2	4.4	5.5
Commerce and housing credit	-*	3.4	3.0	4.7	3.3	3.1	3.0
Transportation	14.6	15.4	17.3	18.9	19.2	19.4	19.4
Community and regional development	6.3	10.5	9.4	9.3	9.9	10.1	9.5
Education, training, employment, and social services	21.0	26.6	31.4	33.1	37.6	40.2	40.6
Health	38.8	43.8	49.8	55.0	60.2	65.7	71.7
Income security	137.9	146.9	159.6	176.6	193.9	210.7	229.1
(Social security)	(83.9)	(92.6)	(102.8)	(114.1)	(126.0)	(138.7)	(151.3)
(Other)	(54.0)	(54.3)	(56.9)	(62.5)	(67.9)	(72.1)	(77.8)
Veterans benefits and services	18.0	18.8	19.8	20.1	20.4	20.7	21.1
Administration of justice	3.6	4.0	4.4	4.4	4.4	4.3	4.4
General government	3.4	3.8	4.2	4.6	4.3	4.3	4.2
General purpose fiscal assistance	9.5	9.6	9.5	9.9	10.4	11.0	11.7
Interest	38.1	43.8	49.0	55.7	59.4	59.1	58.6
Allowances	---	---	1.1	6.2	9.4	12.6	15.8
Undistributed offsetting receipts:							
Employer share, employee retirement	-4.5	-5.0	-5.1	-5.5	-5.9	-6.3	-6.7
Interest received by trust funds	-8.1	-8.6	-9.2	-10.0	-10.7	-11.7	-13.0
Rents and royalties on the Outer Continental Shelf	-2.4	-2.4	-2.3	-1.8	-1.8	-1.8	-1.8
Total budget outlays	402.8	452.3	496.6	549.4	591.3	631.0	671.5
Memorandum							
Outlays of off-budget Federal entities	8.7	11.0	12.9	10.2	10.8	11.8	11.3
Outlays including off-budget Federal entities	411.5	463.3	509.5	559.5	602.1	642.8	682.8

1/ The 1977 actual data have been adjusted for accounting changes. See general note with the Table of Contents.

* $50 million or less.

Table 23.--BUDGET OUTLAYS BY AGENCY, 1977-1983
(in billions of dollars)

	Actual	Current Estimate				Projection	
	1977 1/	1978	1979	1980	1981	1982	1983
Legislative branch	1.0	1.0	1.2	1.3	1.1	1.2	1.2
The Judiciary	0.4	0.5	0.5	0.5	0.5	0.6	0.6
Executive Office of the President	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President	2.5	5.2	5.4	5.1	5.2	5.5	6.4
Agriculture	16.7	21.6	18.0	19.6	19.4	20.5	22.3
Commerce	2.6	5.2	4.6	4.7	4.1	4.0	3.4
Defense-Military 2/	95.7	102.0	112.0	122.7	134.0	147.2	160.8
Defense-Civil	2.3	2.5	2.6	2.9	2.9	2.8	2.8
Energy	5.2	6.6	10.2	11.5	9.0	8.1	7.3
Health, Education, and Welfare	147.5	163.3	181.3	201.0	220.7	239.6	259.4
Housing and Urban Development	5.8	8.0	9.4	11.9	12.8	14.0	15.2
Interior	3.2	3.9	4.0	4.3	4.4	4.4	4.5
Justice	2.3	2.5	2.7	2.7	2.6	2.6	2.6
Labor	22.4	22.9	24.7	24.7	28.5	30.1	30.3
State	1.1	1.3	1.4	1.5	1.6	1.7	1.8
Transportation	12.5	13.5	15.4	17.2	17.6	18.1	18.2
Treasury	50.5	56.3	63.4	71.0	75.6	77.1	79.1
Environmental Protection Agency	4.4	4.5	5.0	5.5	6.3	6.1	5.8
General Services Administration	-*	0.1	0.2	0.3	0.3	0.4	0.4
National Aeronautics and Space Administration	3.9	4.0	4.3	4.5	4.3	3.8	3.4
Veterans Administration	18.0	18.8	19.8	20.1	20.3	20.6	21.0
Other independent agencies	19.9	24.6	26.0	27.2	28.7	29.7	30.7
Allowances 3/	---	---	1.1	6.2	9.4	12.6	15.8
Undistributed offsetting receipts	-15.1	-16.1	-16.6	-17.3	-18.4	-19.8	-21.5
Total budget outlays	402.8	452.3	496.6	549.4	591.3	631.0	671.5

1/ The 1977 actual data have been adjusted for accounting changes. See general note with the Table of Contents.
2/ Includes allowances for civilian and military pay raises for the Department of Defense.
3/ Includes allowances for civilian agency pay raises and contingencies.
* $50 million or less.

Table 24.--BUDGET AUTHORITY BY FUNCTION, 1977-1983
(in billions of dollars)

	Actual	Current Estimate				Projection	
	1977 1/	1978	1979	1980	1981	1982	1983
National defense	110.4	118.0	128.3	139.7	151.8	164.3	177.4
International affairs	6.6	11.9	13.1	13.0	13.4	15.5	16.3
General science, space and technology	4.6	4.9	5.2	5.4	5.2	4.6	4.3
Energy	5.0	8.1	9.5	6.9	6.5	6.8	5.2
Natural resources and environment	9.5	13.1	13.6	13.9	13.7	13.5	13.3
Agriculture	2.4	3.9	7.2	4.7	5.0	5.5	5.0
Commerce and housing credit	5.5	5.4	6.7	8.2	7.9	7.9	7.6
Transportation	10.4	15.2	19.3	19.9	19.8	19.8	19.9
Community and regional development	12.8	9.7	12.7	13.6	13.5	12.6	12.7
Education, training, employment, and social services	30.4	22.3	35.6	33.2	37.5	40.2	40.7
Health	40.4	46.7	52.7	58.1	68.5	77.4	85.2
Income security	169.5	180.3	191.1	217.3	236.8	256.6	277.1
(Social security)	(80.0)	(88.1)	(101.1)	(116.0)	(134.2)	(152.3)	(168.0)
(Other)	(89.5)	(92.2)	(90.0)	(101.2)	(102.6)	(104.4)	(109.1)
Veterans benefits and services	19.1	19.1	19.7	20.2	20.5	20.8	21.2
Administration of justice	3.6	3.9	4.3	4.3	4.3	4.3	4.4
General government	3.9	4.0	4.3	4.6	4.4	4.3	4.3
General purpose fiscal assistance	9.3	9.7	14.6	16.6	20.3	21.6	20.3
Interest	38.1	43.8	49.0	55.7	59.4	59.1	58.6
Allowances	---	---	1.1	7.2	10.4	13.6	16.8
Undistributed offsetting receipts:							
Employer share, employee retirement	-4.5	-5.0	-5.1	-5.5	-5.9	-6.3	-6.7
Interest received by trust funds	-8.1	-8.6	-9.2	-10.0	-10.7	-11.7	-13.0
Rents and royalties on the Outer Continental Shelf	-2.4	-2.4	-2.3	-1.8	-1.8	-1.8	-1.8
Total budget authority	466.1	503.8	571.4	625.2	680.6	728.8	768.8
Memorandum							
Budget authority, off-budget Federal entities	10.0	14.2	16.1	11.7	12.2	14.2	13.7
Budget authority including off-budget Federal entities	476.1	518.0	587.5	636.9	692.8	743.0	782.5

1/ The 1977 actual data have been adjusted for accounting changes. See general note with the Table of Contents.

Table 25.--BUDGET AUTHORITY BY AGENCY, 1977-1983
(in billions of dollars)

	Actual	Current Estimate				Projection	
	1977 1/	1978	1979	1980	1981	1982	1983
Legislative branch	1.0	1.1	1.2	1.3	1.2	1.2	1.2
The Judiciary	0.4	0.5	0.5	0.5	0.6	0.6	0.6
Executive Office of the President	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President	4.6	9.9	10.9	9.9	9.4	11.4	12.0
Agriculture	15.5	17.3	20.1	19.9	21.2	22.4	22.2
Commerce	8.2	2.4	4.1	4.7	4.3	3.2	3.3
Defense-Military 2/	108.4	115.5	125.5	136.9	149.0	161.6	174.7
Defense-Civil	2.5	2.7	3.0	3.2	3.2	3.0	2.8
Energy	6.6	10.3	11.6	9.1	8.5	8.5	6.6
Health, Education, and Welfare	147.6	162.4	187.3	206.5	237.2	264.9	289.7
Housing and Urban Development	33.9	38.1	33.8	40.6	40.5	40.7	40.8
Interior	3.7	4.5	4.7	4.8	4.7	4.6	4.6
Justice	2.3	2.4	2.6	2.6	2.6	2.6	2.6
Labor	31.2	20.0	28.6	28.4	29.8	30.8	31.6
State	1.2	1.5	1.5	1.7	1.7	1.8	1.9
Transportation	9.3	13.6	17.6	18.1	18.2	18.4	18.6
Treasury	50.3	56.5	68.6	77.8	85.7	87.9	87.8
Environmental Protection Agency	2.8	5.5	5.7	5.6	5.6	5.6	5.6
General Services Administration	0.3	0.2	0.3	0.3	0.3	0.3	0.4
National Aeronautics and Space Administration	3.8	4.1	4.4	4.6	4.2	3.6	3.2
Veterans Administration	19.0	19.0	19.7	20.2	20.4	20.8	21.2
Other independent agencies	28.3	32.4	35.2	38.4	40.3	40.9	41.9
Allowances 3/	---	---	1.1	7.2	10.4	13.6	16.8
Undistributed offsetting receipts	-15.1	-16.1	-16.6	-17.3	-18.4	-19.8	-21.5
Total budget authority	466.1	503.8	571.4	625.2	680.6	728.8	768.8

1/ The 1977 actual data have been adjusted for accounting changes. See general note with the Table of Contents.

2/ Includes allowances for civilian and military pay raises for the Department of Defense.

3/ Includes allowances for civilian agency pay raises and contingencies.

Table 26.--PROJECTIONS OF OUTLAYS
FOR OPEN-ENDED PROGRAMS AND FIXED COSTS, 1979-1983*
(in billions of dollars)

Open-Ended Programs and Fixed Costs	Estimate			Projection	
	1979	1980	1981	1982	1983
Payments for individuals:					
Social security and railroad retirement	107.4	119.4	131.9	145.1	158.1
Military retired pay	10.2	11.2	12.2	13.2	14.1
Other Federal employees retirement and insurance	12.3	13.7	15.2	16.7	18.1
Unemployment assistance	12.0	11.9	11.6	10.9	10.6
Veterans benefits	12.6	12.2	11.8	11.4	11.1
Medicare and medicaid	41.7	47.8	54.6	62.0	70.2
Housing payments	4.2	5.1	6.2	7.4	8.7
Public assistance and related programs	22.9	25.1	26.2	27.3	28.9
Subtotal, Payments for individuals	223.2	246.4	269.6	293.9	319.9
Net interest	39.9	45.7	48.7	47.4	45.6
General revenue sharing	6.9	6.9	6.9	6.9	6.9
Other open-ended programs and fixed costs	15.1	13.1	11.5	11.4	12.6
Total, Open-ended programs and fixed costs	285.0	312.1	336.7	359.6	385.0

* This table is supplied pursuant to the requirements of Section 221(b) of the Legislative Reorganization Act of 1970 (P.L. 91-510).

Table 27.--ESTIMATED SPENDING FROM END OF FISCAL YEAR 1979 BALANCES OF BUDGET AUTHORITY: NON-MANDATORY PROGRAMS
(in billions of dollars)

	Federal Guarantee and Insurance Programs: Reserves for Losses, and Standby and Backup Authority	Other Unexpended Balances, September 30, 1979	Total
Total balances, end of 1979 (current estimate).....	16.4	259.6	276.1
Spending from balances in:			
1980.....	0.7	127.3	127.9
1981.....	0.6	59.9	60.5
1982.....	0.6	26.3	26.9
1983.....	0.5	11.7	12.1
Expiring balances, 1980 through 1983.....	---	19.5	19.5
Unexpended balances as of the end of 1983.....	14.1	15.0	29.1

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE July 7, 1978

HERMAN SCHWARTZ APPOINTED CHIEF COUNSEL, OFFICE OF REVENUE SHARING

Treasury General Counsel Robert H. Mundheim today announced the appointment of Herman Schwartz as Chief Counsel for the Office of Revenue Sharing. Mr. Schwartz succeeds Mr. William H. Sager who joined the Office of the Chief Counsel, Internal Revenue Service.

The Chief Counsel for the Office of Revenue Sharing is the chief law officer for that office and serves as the legal advisor to the Director. The Office of Revenue Sharing administers the general revenue sharing program authorized by Title I of the State and Local Fiscal Assistance Act of 1972, as amended, and also Title II of the Public Works Employment Act of 1976. There are over 38,000 State and local jurisdictions participating in the revenue sharing program.

Prior to his appointment as Chief Counsel, Mr. Schwartz served as Chief Counsel for the Senate Judiciary Committee, Subcommittee on Citizen and Shareholder Rights and as a Professor of Law at the State University of New York at Buffalo. He had served previously as Chairman, New York State Commission of Corrections, Professor of Law, University of Michigan Law School, Assistant District Attorney, Erie County, Buffalo, New York, and formerly Vice Chairman of the Prisoner's Legal Services Corporation.

Mr. Schwartz was born in Brooklyn, New York, on December 19, 1931. He was graduated Magna Cum Laude both from Harvard College in 1953 and Harvard Law School in 1956. He is a member of the bars of New York State and the District of Columbia.

Mr. Schwartz resides in Chevy Chase, Maryland with his wife, Mary, and two children.

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B-1017

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE June 26, 1978

DONALD C. LUBICK ASSUMES DUTIES AS ASSISTANT SECRETARY FOR TAX POLICY

Donald C. Lubick today signed the oath of office and officially assumed the duties of Assistant Secretary of the Treasury for Tax Policy.

Mr. Lubick was nominated to the position by President Carter on March 24, 1978, and confirmed by the Senate on June 23, 1978.

Mr. Lubick had served since May 23, 1977, as Deputy to Assistant Secretary Laurence N. Woodworth, who died on December 7, 1977, and has been serving since then as Acting Assistant Secretary. Mr. Lubick had been recommended for the Deputy post by Dr. Woodworth.

Prior to joining the Treasury Department, Mr. Lubick was a partner with the Buffalo law firm of Hodgson, Russ, Andrews, Woods & Goodyear, with which firm he had been associated since 1950. From 1961-64, Mr. Lubick was Tax Legislative Counsel of the Treasury Department. He has been a member of the faculty of the University of Buffalo Law School on a part-time basis, teaching courses in a variety of fields including Federal income taxation.

Mr. Lubick graduated magna cum laude from Harvard University receiving the J. D. degree in 1949, and also graduated summa cum laude from the University of Buffalo receiving the B. A. degree in 1945.

Mr. Lubick has published articles and has been a frequent lecturer and teacher in the field of Federal taxation. He has participated in the work of various bar associations, especially the New York State Bar Association Section on Taxation, and in 1959 was Chairman of the Tax Revision Committee of the City of Buffalo.

Born in Buffalo, New York, on April 29, 1926, Mr. Lubick is married to the former Susan Cohen of Buffalo. They have three children and reside in Chevy Chase, Maryland.

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B-1018

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

CONTACT: ROBERT W. CHILDERS
(202) 634-5248

FOR IMMEDIATE RELEASE

July 10, 1978

REVENUE SHARING FUNDS DISTRIBUTED

The Department of Treasury's Office of Revenue Sharing (ORS) distributed more than $1.89 billion in general revenue sharing and antirecession fiscal assistance payments today to more than 37,000 State and local governments.

General revenue sharing funds accounted for most of today's payments, totaling $1.7 billion to 37,348 State and local governments.

Today's Antirecession Fiscal Assistance (ARFA) payments totaled over $189 million to 18,899 State and local governments and were based on a quarterly national unemployment rate of 6.2 percent for the quarter beginning January 1, 1978. Only governments whose individual jurisdictions had unemployment rates in excess of 4.5 percent for the calendar quarter beginning January 1, 1978 were eligible for the ARFA payments.

Current legislation authorizes the Office of Revenue Sharing to provide quarterly Revenue sharing payments to State and local governments through the end of Federal fiscal year 1980.

Today's payment is the last under the current legislation authorizing the Antirecession Fiscal Assistance Program.

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Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
July 7, 1978

Contact: Alvin M. Hattal
202/566-8381

TREASURY STARTS COUNTERVAILING DUTY INVESTIGATION OF GROUNDFISH AND SHELLFISH FROM CANADA, SAYS PRELIMINARY DETERMINATION INDICATES SUBSIDY

The Treasury Department today announced its preliminary determination that the Government of Canada is subsidizing exports of certain groundfish and shellfish. It simultaneously initiated a full-scale investigation.

The Countervailing Duty Law requires the Secretary of the Treasury to collect an additional duty that equals the size of a "bounty or grant" (subsidy) paid on the exportation or manufacture of merchandise imported into the United States.

A final determination must be made no later than December 30, 1978.

Other groundfish from Canada were the subject of investigations that resulted in final affirmative determinations and waivers of countervailing duty in April 1977 and June 1978. The current action is taken pursuant to a petition filed by the National Federation of Fisherman of Washington, D. C., and the Point Judith Fisherman's Cooperative Association of Rhode Island. The petition includes several categories of fish not covered by the previous determination.

Imports of groundfish, such as cod, haddock, and perch, under investigation in this case were valued at $5.9 million in 1977; those of shellfish, which is composed of lobsters and scallops, at $77.8 million.

Notice of this action will appear in the Federal Register of July 10, 1978.

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B-1020

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

Contact: Carolyn Johnston
(202) 634-5377

FOR IMMEDIATE RELEASE JULY 10, 1978

TREASURY SECRETARY BLUMENTHAL NAMES BEN W. AGEE SAVINGS BONDS CHAIRMAN FOR ALASKA

Ben W. Agee, President, RCA Alaska Communications, Inc., Anchorage, has been appointed Alaska Volunteer State Chairman for the Savings Bonds Program by Secretary of the Treasury W. Michael Blumenthal.

He succeeds Edward L. Patton, Chairman, Aleyska Pipeline Service Company, Anchorage.

Mr. Agee will head a committee of business, labor, financial, media, and governmental leaders who -- in cooperation with the Savings Bonds Division -- assist in promoting the sale of Savings Bonds.

Mr. Agee joined Northwestern Bell Telephone Company in 1950 and held a variety of management positions in Iowa, Nebraska, and Minnesota in the commercial, traffic, marketing, and public relations departments. From 1966 to 1968, he was Assistant Vice President for Marketing in Omaha, and in 1968 he became General Traffic Manager in Minnesota. From 1969 to 1975 he served as Operations Manager for Northwestern Bell in St. Paul, and in 1975 he became General Manager-Operations for Northwestern. In January of 1976 he assumed his present position as President of RCA Alaska Communications, Inc.

Mr. Agee has been active in civic and community activities for many years. He is a Director of the Anchorage Chamber of Commerce, Junior Achievement of Alaska, the Alaska Pacific Bank, and the Community YMCA. He is the 1977-78 President of the Alaska Chapter Armed Forces Communications and Electronics Association.

Mr. Agee and his wife reside in Anchorage, Alaska.

B-1021

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
July 10, 1978

PAUL TAYLOR NAMED FISCAL ASSISTANT SECRETARY

Secretary of the Treasury W. Michael Blumenthal today announced the appointment of Paul Taylor as Fiscal Assistant Secretary. A Treasury Department career official, Mr. Taylor succeeds David Mosso who resigned late last year to become a member of the Financial Accounting Standards Board.

The Fiscal Assistant Secretary supervises activities of the Bureau of Government Financial Operations and the Bureau of the Public Debt. These operations include management of the government's cash, administration of the public debt and the government's central accounting and reporting systems, and the disbursement of funds for civilian agencies of the government. The Fiscal Assistant Secretary also directs fiscal functions carried out by the Federal Reserve Banks as agents for the Treasury.

Mr. Taylor is a native of Washington, D.C. He received degrees from Strayer College and Southeastern University, majoring in accounting and business administration.

His entire work career has been with the Department of the Treasury, which he joined in 1947. Mr. Taylor was appointed Deputy Fiscal Assistant Secretary in 1976, and subsequently, upon the resignation of Mr. Mosso served as Acting Fiscal Assistant Secretary. He has served, in addition, as Assistant Commissioner for Government-Wide Accounting in the Bureau of Government Financial Operations and as Assistant Fiscal Assistant Secretary.

Mr. Taylor is a recipient of the Department's Meritorious Service Award.

He is married to the former Carolyn Penn of Washington, D.C. They have a son and four daughters and reside in Lanham, Maryland.

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B-1022

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE ON DELIVERY
EXPECTED AT 1:30 P.M.
July 10, 1978

TESTIMONY OF THE HONORABLE ROGER C. ALTMAN ASSISTANT SECRETARY OF THE TREASURY BEFORE THE COMMITTEE ON WAYS AND MEANS OF THE HOUSE OF REPRESENTATIVES

Mr. Chairman and Members of the Committee:

I am pleased to be here today to advise you of the Treasury's debt management requirements through the fiscal year 1979.

The present temporary debt limit of $752 billion will expire at the end of this month, and the debt limit will then revert to the permanent ceiling of $400 billion. Legislative action by July 31 will be necessary, therefore, to permit the Treasury to borrow to refund securities maturing after July 31 and to raise new cash to finance the estimated deficits in the budgets approved by Congress for the fiscal years 1978 and 1979.

In addition, to permit the Treasury to continue borrowing in the long-term market, it will be necessary to increase the $27 billion limit on the amount of bonds which we may issue without regard to the 4-1/4 percent interest rate ceiling on Treasury bond issues.

Finally, we are repeating our earlier request for authority to permit the Secretary of the Treasury, with the approval of the President, to change the interest rate on U.S. Savings Bonds if that should become necessary to assure a fair rate of return to savings bond investors.

Debt Limit

Turning first to the debt limit, our current estimates of the amounts of debt subject to limit at the end of each month through the fiscal years 1978 and 1979 are shown in the attached table. The table indicates that the debt subject to limit will increase to $768 billion on September 30, 1978, and to $848 billion on September 30, 1979, assuming a $15 billion cash balance on those dates. The usual $3 billion margin for contingencies would raise these amounts to $771 billion on September 30, 1978, and $851 billion on September 30, 1979. Thus, the present debt limit of $752 billion would need to be increased by $19 billion to meet our financing requirements through the remainder of fiscal 1978 and by an additional $80 billion to meet the requirements in fiscal 1979. The amount of the debt subject to limit approved by Congress in the May 1978 Budget Resolution is $849.1 billion.

Bond Authority

I would like to turn now to our fiscal 1979 need for an increase in the Treasury's authority to issue long-term securities in the market without regard to the 4-1/4 percent ceiling. This limit has been increased a number of times, and in the debt limit act of October 4, 1977, it was increased from $17 billion to the current level of $27 billion. To meet our requirements in the fiscal year 1979, the limit should be increased to $37 billion.

The Treasury to date has used almost $23 billion of the $27 billion authority, which leaves the amount of unused authority at about $4 billion. While the timing and amounts of future bond issues will depend on prevailing market conditions, a $10 billion increase in the bond authority would permit the Treasury to continue its recent pattern of bond issues throughout fiscal year 1979 and achieve a better balance in the maturity structure of the debt.

Savings Bonds

In recent years, Treasury has recommended frequently that Congress repeal the ceiling on the rate of interest that the Treasury may pay on U.S. Savings Bonds. The current 6 percent statutory ceiling was enacted by Congress in 1970. Prior to 1970 the ceiling had been increased many times as market rates of interest rose and it became clear that an increase in the savings bond interest rate was necessary to provide investors in savings bonds with a fair rate of return.

Mr. Chairman, we do not feel that an increase in the interest rate on savings bonds is necessary today. Yet, we are concerned that the present requirement for legislation to cover each increase in the rate does not provide sufficient flexibility to adjust the rate in response to changing market conditions. The delays encountered in the legislative process could result in inequities to savings bond purchasers and holders as market interest rates rise on competing forms of savings.

Furthermore, Treasury relies on the savings bond program as an important and relatively stable source of long-term funds. On that basis, we are concerned that participants in the payroll savings plans and other savings bond purchasers might drop out of the program if the interest rate were not maintained at a level reasonably competitive with comparable forms of savings.

Any increase in the savings bond interest rate by the Treasury would continue to be subject to the provision in existing law which requires approval of the President. Also, the Treasury would, of course, give very careful consideration to the effect of any increase in the savings bond interest rate on the flow of savings to banks and thrift institutions.

I will be happy to try to answer questions.

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ESTIMATED PUBLIC DEBT SUBJECT TO LIMITATION

($ Billions)

	Public Debt Subject to Limit 1/	With $3 Billion Margin for Contingencies
1978		
July 31	755	758
August 31	766	769
September 30	768	771
October 31	779	782
November 30	791	794
December 31	793	796
1979		
January 31	794	797
February 28	805	808
March 31	817	820
April 18	821	824
April 30	809	812
May 31	827	830
June 30	821	824
July 31	829	832
August 31	843	846
September 30	848	851

1/ Monthly estimates are consistent with the fiscal year estimates in the Mid-Session Review of the 1979 Budget (released July 6, 1978) that the debt subject to limit will be $768.3 billion on September 30, 1978, and $847.8 billion on September 30, 1979, assuming a constant Treasury cash balance of $15 billion.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE ON DELIVERY
EXPECTED AT 10:00 A.M.
July 11, 1978

STATEMENT OF THE HONORABLE W. MICHAEL BLUMENTHAL SECRETARY OF THE TREASURY BEFORE THE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT OF THE SENATE COMMITTEE ON FINANCE

Mr. Chairman and Members of the Committee:

I am pleased to be here today to advise you of the Treasury's debt management requirements through the fiscal year 1979.

The present temporary debt limit of $752 billion will expire at the end of this month, and the debt limit will then revert to the permanent ceiling of $400 billion. Legislative action by July 31 will be necessary, therefore, to permit the Treasury to borrow to refund securities maturing after July 31 and to raise new cash to finance the estimated deficits in the budgets approved by Congress for the fiscal years 1978 and 1979.

In addition, to permit the Treasury to continue borrowing in the long-term market, it will be necessary to increase the $27 billion limit on the amount of bonds which we may issue without regard to the 4-1/4 percent interest rate ceiling on Treasury bond issues.

Finally, we are repeating our earlier request for authority to permit the Secretary of the Treasury, with the approval of the President, to change the interest rate on U.S. Savings Bonds if that should become necessary to assure a fair rate of return to savings bond investors.

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Bond Authority

I would like to turn now to our fiscal 1979 need for an increase in the Treasury's authority to issue long-term securities in the market without regard to the 4-1/4 percent ceiling. This limit has been increased a number of times, and in the debt limit act of October 4, 1977, it was increased from $17 billion to the current level of $27 billion. To meet our requirements in the fiscal year 1979, the limit should be increased to $37 billion.

The Treasury to date has used almost $23 billion of the $27 billion authority, which leaves the amount of unused authority at about $4 billion. While the timing and amounts of future bond issues will depend on prevailing market conditions, a $10 billion increase in the bond authority would

permit the Treasury to continue its recent pattern of bond issues throughout fiscal year 1979 and achieve a better balance in the maturity structure of the debt.

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Mr. Chairman, we do not feel that an increase in the interest rate on savings bonds is necessary today. Yet, we are concerned that the present requirement for legislation to cover each increase in the rate does not provide sufficient flexibility to adjust the rate in response to changing market conditions. The delays encountered in the legislative process could result in inequities to savings bond purchasers and holders as market interest rates rise on competing forms of savings.

Furthermore, Treasury relies on the savings bond program as an important and relatively stable source of long-term funds. On that basis, we are concerned that participants in the payroll savings plans and other savings bond purchasers might drop out of the program if the interest rate were not maintained at a level reasonably competitive with comparable forms of savings.

Any increase in the savings bond interest rate by the Treasury would continue to be subject to the provision in existing law which requires approval of the President. Also, the Treasury would, of course, give very careful consideration to the effect of any increase in the savings bond interest rate on the flow of savings to banks and thrift institutions.

I will be happy to try to answer questions.

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ESTIMATED PUBLIC DEBT SUBJECT TO LIMITATION

($ Billions)

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August 31	843	846
September 30	848	851

1/ Monthly estimates are consistent with the fiscal year estimates in the Mid-Session Review of the 1979 Budget (released July 6, 1978) that the debt subject to limit will be $768.3 billion on September 30, 1978, and $847.8 billion on September 30, 1979, assuming a constant Treasury cash balance of $15 billion.

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE
July 10, 1978

Contact: Charles Arnold
202/566-2041

TREASURY DEPARTMENT ANNOUNCES WITHHOLDING OF APPRAISEMENT OF STEEL WIRE NAILS FROM CANADA

The Treasury Department today announced that it is withholding appraisement on certain imports of steel wire nails from Canada because of a tentative determination that they are being sold in the United States at less than fair value. The withholding of appraisement will not exceed six months.

Under the Antidumping Act, the Secretary of the Treasury is required to withhold appraisement when he has reason to believe or suspect that sales at less than fair value are taking place. Sales at less than fair value generally occur when imported merchandise is sold in the United States for less than in the home market or to third countries.

Withholding of appraisement means that the valuation for Customs duty purposes of goods imported after the date of the tentative determination is suspended until completion of the investigation. This is to allow any dumping duties that are ultimately imposed to be levied on those imports.

Cases involving sales at less than fair value are referred to the U. S. International Trade Commission to determine whether an American industry is being injured by such sales. Both "sales at less than fair value" and "injury" must be found to exist before a dumping finding is reached.

Notice of this action will appear in the Federal Register of July 10, 1978.

Imports of steel wire nails from Canada during 1977 were valued at approximately $36 million.

* * * * *

B-1025

epartment of the TREASURY NEWS
INGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE July 10, 1978

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

Tenders for $2,300 million of 13-week Treasury bills and for $3,400 million of 26-week Treasury bills, both series to be issued on July 13, 1978, were accepted at the Federal Reserve Banks and Treasury today. The details are as follows:

RANGE OF ACCEPTED COMPETITIVE BIDS:	13-week bills maturing October 12, 1978			26-week bills maturing January 11, 1979		
	Price	Discount Rate	Investment Rate 1/	Price	Discount Rate	Investment Rate 1/
High	98.190a/	7.160%	7.39%	96.208	7.501%	7.90%
Low	98.180	7.200%	7.44%	96.197	7.522%	7.93%
Average	98.183	7.188%	7.42%	96.201	7.515%	7.92%

a/ Excepting 2 tenders totaling $2,28

Tenders at the low price for t
Tenders at the low price for t

TOTAL TENDERS
BY FEDERAL RESERV

Location	Received	Acc
Boston	$ 23,430,000	$
New York	3,152,230,000	1,
Philadelphia	16,910,000	
Cleveland	37,250,000	
Richmond	41,040,000	
Atlanta	26,595,000	
Chicago	278,550,000	
St. Louis	27,980,000	
Minneapolis	11,975,000	
Kansas City	40,830,000	
Dallas	17,645,000	
San Francisco	220,175,000	
Treasury	11,465,000	
TOTALS	$3,906,075,000	$2,3

DATE: July 10, 1978

	13-WEEK	26-WEEK
TODAY:	7.188%	7.515%
LAST WEEK:	7.058%	7.447%
HIGHEST SINCE:		
12-2-74	7.524%	7.564
LOWEST SINCE:		

b/Includes $389,740,000 noncompetitive tenders from the public.
c/Includes $273,130,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

B-1026

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR IMMEDIATE RELEASE July 10, 1978

RESULTS OF TREASURY'S WEEKLY BILL AUCTIONS

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Low	98.180	7.200%	7.44%	96.197	7.522%	7.93%
Average	98.183	7.188%	7.42%	96.201	7.515%	7.92%

a/ Excepting 2 tenders totaling $2,285,000

Tenders at the low price for the 13-week bills were allotted 61%.
Tenders at the low price for the 26-week bills were allotted 48%.

TOTAL TENDERS RECEIVED AND ACCEPTED
BY FEDERAL RESERVE DISTRICTS AND TREASURY:

Location	Received	Accepted	Received	Accepted
Boston	$ 23,430,000	$ 23,430,000	$ 49,025,000	$ 19,025,000
New York	3,152,230,000	1,934,230,000	4,779,520,000	3,058,120,000
Philadelphia	16,910,000	16,910,000	9,955,000	9,955,000
Cleveland	37,250,000	27,250,000	87,260,000	27,260,000
Richmond	41,040,000	39,040,000	34,240,000	15,240,000
Atlanta	26,595,000	25,595,000	27,840,000	26,580,000
Chicago	278,550,000	71,465,000	285,440,000	95,840,000
St. Louis	27,980,000	16,980,000	29,310,000	18,310,000
Minneapolis	11,975,000	5,975,000	12,465,000	6,465,000
Kansas City	40,830,000	40,830,000	31,255,000	31,255,000
Dallas	17,645,000	17,645,000	7,640,000	7,640,000
San Francisco	220,175,000	69,225,000	259,775,000	70,575,000
Treasury	11,465,000	11,465,000	13,935,000	13,935,000
TOTALS	$3,906,075,000	$2,300,040,000b/	$5,627,660,000	$3,400,200,000c/

b/Includes $389,740,000 noncompetitive tenders from the public.
c/Includes $273,130,000 noncompetitive tenders from the public.
1/Equivalent coupon-issue yield.

B-1026

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE AT 4:00 P.M. July 11, 1978

TREASURY'S WEEKLY BILL OFFERING

The Department of the Treasury, by this public notice, invites tenders for two series of Treasury bills totaling approximately $5,700 million, to be issued July 20, 1978. This offering will not provide new cash for the Treasury as the maturing bills are outstanding in the amount of $5,714 million. The two series offered are as follows:

91-day bills (to maturity date) for approximately $2,300 million, representing an additional amount of bills dated April 20, 1978, and to mature October 19, 1978 (CUSIP No. 912793 T8 9), originally issued in the amount of $3,403 million, the additional and original bills to be freely interchangeable.

182-day bills for approximately $3,400 million to be dated July 20, 1978, and to mature January 18, 1979 (CUSIP No. 912793 W4 4).

Both series of bills will be issued for cash and in exchange for Treasury bills maturing July 20, 1978. Federal Reserve Banks, for themselves and as agents of foreign and international monetary authorities, presently hold $3,258 million of the maturing bills. These accounts may exchange bills they hold for the bills now being offered at the weighted average prices of accepted competitive tenders.

The bills will be issued on a discount basis under competitive and noncompetitive bidding, and at maturity their par amount will be payable without interest. Except for definitive bills in the $100,000 denomination, which will be available only to investors who are able to show that they are required by law or regulation to hold securities in physical form, both series of bills will be issued entirely in book-entry form in a minimum amount of $10,000 and in any higher $5,000 multiple, on the records either of the Federal Reserve Banks and Branches, or of the Department of the Treasury.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. 20226, up to 1:30 p.m., Eastern Daylight Saving time, Monday, July 17, 1978. Form PD 4632-2 (for 26-week series) or Form PD 4632-3 (for 13-week series) should be used to submit tenders for bills to be maintained on the book-entry records of the Department of the Treasury.

Each tender must be for a minimum of $10,000. Tenders over $10,000 must be in multiples of $5,000. In the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e.g., 99.925. Fractions may not be used.

Banking institutions and dealers who make primary markets in Government securities and report daily to the Federal Reserve Bank of New York their positions in and borrowings on such securities may submit tenders for account of customers, if the names of the customers and the amount for each customer are furnished. Others are only permitted to submit tenders for their own account.

Payment for the full par amount of the bills applied for must accompany all tenders submitted for bills to be maintained on the book-entry records of the Department of the Treasury. A cash adjustment will be made on all accepted tenders for the difference between the par payment submitted and the actual issue price as determined in the auction.

No deposit need accompany tenders from incorporated banks and trust companies and from responsible and recognized dealers in investment securities for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, or for bills issued in bearer form, where authorized. A deposit of 2 percent of the par amount of the bills applied for must accompany tenders for such bills from others, unless an express guaranty of payment by an incorporated bank or trust company accompanies the tenders.

Public announcement will be made by the Department of the Treasury of the amount and price range of accepted bids. Competitive bidders will be advised of the acceptance or rejection of their tenders. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and the Secretary's action shall be final. Subject to these reservations, noncompetitive tenders for each issue for $500,000 or less without stated price from any one bidder will be accepted in full at the weighted average price (in three decimals) of accepted competitive bids for the respective issues.

Settlement for accepted tenders for bills to be maintained on the book-entry records of Federal Reserve Banks and Branches, and bills issued in bearer form must be made or completed at the Federal Reserve Bank or Branch or at the Bureau of the Public Debt on July 20, 1978, in cash or other immediately available funds or in Treasury bills maturing July 20, 1978. Cash adjustments will be made for differences between the par value of the maturing bills accepted in exchange and the issue price of the new bills.

Under Sections 454(b) and 1221(5) of the Internal Revenue Code of 1954 the amount of discount at which these bills are sold is considered to accrue when the bills are sold, redeemed or otherwise disposed of, and the bills are excluded from consideration as capital assets. Accordingly, the owner of these bills (other than life insurance companies) must include in his or her Federal income tax return, as ordinary gain or loss, the difference between the price paid for the bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made.

Department of the Treasury Circulars, No. 418 (current revision), Public Debt Series - Nos. 26-76 and 27-76, and this notice, prescribe the terms of these Treasury bills and govern the conditions of their issue. Copies of the circulars and tender forms may be obtained from any Federal Reserve Bank or Branch, or from the Bureau of the Public Debt.

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