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Attached letter dated 7/24/86 supporting the "passive loss" provisions of the Senate Bill sent to the following:

The Honorable Dan Rostenkowski
 cc: The Honorable John J. Duncan
 Robert J. Leonard, Esq.

The Honorable Bob Packwood
 Chairman
 Senate Finance Committee
 cc: The Honorable Russell B. Long
 John Colvin, Esq.

The Honorable J. Roger Mentz
 Assistant Secretary (Tax Policy)
 Department of the Treasury

The Honorable David H. Brockway
 Chief of Staff
 Joint Committee on Taxation

The Honorable Daniel P. Moynihan
 U. S. Senate



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July 24, 1986

The Honorable Dan Rostenkowski
2232 Rayburn Building
Washington, DC 20515

Dear Representative Rostenkowski:

The New York State Bar Association Tax Section Executive Committee strongly supports enactment of the "passive loss" provisions of the Senate Bill.

In both drafting and concept, we believe the Senate Bill far preferable to the minimum tax provisions on passive losses contained in the House Bill. This is true because we believe the Senate provisions are structurally superior and, to be fully effective, the passive loss rules should be part of the regular tax. After the passive loss rule has become fully phased in as a part of the regular tax, we recommend elimination of the alternative minimum tax which we believe is unduly complex, philosophically at odds with the proper taxing structure, and no longer necessary after a passive loss rule in the regular tax becomes fully effective.

We recognize that there are possible improvements to the provisions in the Senate Bill. From our point of view, these would include adoption of appropriate transitional provisions and elimination of the exemption for certain oil and gas activities. Nevertheless, we urge that the question of appropriate relief for prior transactions and special provisions for the oil and gas industry should not be allowed to impede adoption of the Senate version of the passive loss provision.

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As far as transitional rules are concerned, we recognize that adoption of the Senate provisions would constitute a significant change in the basic pattern of the tax law, and that, whenever there is a change of this magnitude, relief should be considered for transactions to which taxpayers are already committed.

In summary, apart from whatever consideration can be given to appropriate transition rules, in our view the overriding consideration of importance is the adoption of the basic provisions contained in the Senate Bill's passive loss rules.

Sincerely,

Richard G. Cohen
Chairman

cc: The Hon. John J. Duncan
Robert J. Leonard, Esq.