

VETO—S. 973

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RETURNING

WITHOUT MY APPROVAL S. 973, AN ACT TO MAKE TECHNICAL
AMENDMENTS TO THE INDIAN SELF-DETERMINATION AND
EDUCATION ASSISTANCE ACT AND OTHER ACTS



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To the Senate of the United States:

I am returning, without my approval, S. 973, "an Act to make technical amendments to the Indian Self-Determination and Education Assistance Act and other Acts." I have no objection to these technical amendments.

However, section 5 of the bill, added by an amendment on the Senate floor, would allow a particular school to transfer to taxable investors tax benefits attributable to a building that it refurbished with Federal funds. Without this legislation, the proposed transaction would result in the school being required to repay the Federal funds used to refurbish the building.

Recently there has been a great deal of concern about the sale of tax benefits by tax-exempt entities through leasing transactions. Leasing transactions similar to the one contemplated by this legislation present tremendous potential for abuse and could result in billions of dollars of revenue loss to the Federal Government. The transaction that this legislation would condone would permit a school that has already received tax deductible contributions and Federal grant money to sell certain tax benefits to outside investors. This case is particularly offensive in that the tax benefits being sold are attributable to property that was paid for with Federal grant money. In addition to receiving money for selling tax benefits, the school, as a tax-exempt entity, would be able to invest the proceeds of the sale and receive the income from such investment tax-free.

The propriety of leasing transactions involving the sale by tax-exempt organizations of tax benefits needs to be scrutinized very carefully. Where the tax benefits being sold are attributable to expenditures of Federal funds, the transaction becomes totally unjustifiable. We cannot condone the sale by a tax-exempt entity of tax benefits produced through the use of Federal funds.

As I have noted, the Indian-related amendments contained in this bill are not objectionable. Accordingly, I urge the Congress to reenact sections 1-4 of S. 973 without delay.

RONALD REAGAN.

THE WHITE HOUSE, *June 17, 1983.*