By Mr. HATFIELD:
S. 2502. A bill to amend the Internal Revenue Code of 1954 to provide a tax credit for contributions to a neighborhood corporation and to provide other financial assistance to such corporations organized under State law to furnish their own neighborhood services. Referred to the Committee on Finance.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. HATFIELD:

S. 2502. A bill to amend the Internal Revenue Code of 1954 to provide a tax credit for contributions to a neighborhood corporation and to provide other financial assistance to such corporations organized under State law to furnish their own neighborhood services. Referred to the Committee on Finance.

NEIGHBORHOOD GOVERNMENT ACT OF 1973

Mr. HATFIELD. Mr. President, today I am introducing a bill entitled the "Neighborhood Government Act of 1973," which I view as a cornerstone of my domestic political philosophy. Like any philosophy, it is rooted ultimately in value judgments. For me, these judgments have evolved over nearly a quarter century of public life. My approach is based on the following convictions: the central importance of liberating the individual person; the imperative to decentralize power, or conversely, the inherent dangers of political and economic centralization; the instinc­tual human need for community and family being central to the health of any greater unit of organization—the city, county, State, Nation, or world; the humanity and fail­ability of public officials; and the requirement of government, if it is to be democratic, effective and responsive, to be rooted close to the people. These convictions seem to have lost their vital relevance to actual legislation and the programs implemented at the Federal and State levels.

The implications of these observations are multifold. If one is to be consistent in applying them to our political, social, and economic institutions, the trend of the last four decades has been to place more and more power in Washington, D.C., in the Central Government, and also at the State level. A great deal of this resulted from technological developments and from times of crisis such as the Great Depression, three wars, and continuing inner turmoil. To oversimplify 40 years' national psychological history, we have thought the Government in Washington to be somehow superhuman, deserving our unquestioned faith and trust. We failed to distinguish between the Government and the Nation, the State and the people, allegiance to individuals and allegiance to political philosophy.

As new technologies developed, instead of applying the values inherent in Our Declaration of Independence and Constitution, we altered our value systems to meet these technologies. Rather than adapt new technology to our values, we adapted our values to the new technology of the time. The loss of privacy is but one example of the price we have paid. Consequently, we have lost touch with the meaning of individualism, government checks and balances, representative government, community, and family. We have sacrificed fundamental human values in our race to material accumulation. Look at what has happened to government: impersonaliza­tion, dehumanization, unresponsiveness, and distance.

All of our problems would not be solved if we reversed the process but at least we would cease compounding those that already exist. Essentially, we must discover some genuine response to solving our society's basic problems rather than merely passing the buck to a new agency and pouring money into it. Our prevailing philosophy of government, developed during the New Deal, has had its strengths during certain times of crisis. But now it must be exercised if we are to reach any semblance of national maturity and health, and enhance human liberation. We have learned much from our New Deals, our Great Societies and Wars on Poverty, our New Federalisms and New Populisms. The time has come to apply these lessons in light of the historical values which have made the United States a vital experiment in self-government, and the new technologies that have so incredibly met many of our material needs on one hand and made us slaves to them on the other.

This might be viewed as a harsh assessment of our progress in this cen­tury, but think of the following few examples. What has happened to individual rights, the coherence of the family, the meaning of community, economic vitality, social justice, environmental health, respect to human life, and any meaningful sense of independence for the vast majority of our citizens? They have all deteriorated to varying degrees. I am not predicting doomsday if we fail to change direction, nor am I harking back to some golden age in human history. But we face the danger of eroding our spirit and morale, and becoming more cynical and apathetic as history moves onward, if we do not alter course.

There is no doubt that more and more power is being centralized in the hands of Government. A few statistics are simple evidence of this. For instance, between 1930 and 1970 the Gross National Product—GNP—increased roughly 10 times—from $90.4 billion to $978.4 billion. During the same time period Federal receipts increased roughly 26 times—from $2.8 billion to $204.5 billion—or roughly two times as fast as the increase in GNP. On the other hand, State and local expenditures increased 13 times or one-third faster than increase in GNP—$8.3 billion in 1930 and $101.7 billion in 1970. In the case of taxes, Federal receipts have increased 13 times—from $3.0 billion to $190.3 billion—one-third faster than the increase in GNP between 1930 and 1970; and State and local tax receipts increased 14 times, a rate slightly greater than Federal tax receipts. What this means is that we are looking to Government to solve more of our problems than we used to. More specifically, we now look first and primarily to the Fed­eral Government to solve our problems, rather than to our communities, our local institutions, or even ourselves.

We suppose that all our social and po­litical problems can be solved from the top down, by simply changing the superstructure of Government, and imposing new Federal programs and crusades.

It is undeniable, of course, that there are numerous issues which can only be resolved with the application of Federal power. But my point is that we have been operating under a political psychology that assumes our social and economic ills can only be solved by Government, and only well by the Federal Government. Ironically, this belief has continued to grow while the elementary confidence and trust of the people in their Government has continuously and drastically eroded.

According to Congressional Research Service, the Federal Government employed 2,865,303 civilian personnel in 1972 at a cost—in salaries alone—of $31.7
Decentralization of our social and economic institutions is also required. If technology is to be mastered rather than the master, we have no choice. If each citizen cannot meaningfully participate in his or her government and actually have an effect on that system, the system is the master, not the servant; Government is the means, the citizen the means which becomes supreme, the individual inconsequential. This is the definition of totalitarianism, the antithesis of democracy.

Dr. John B. Calhoun of the National Institute of Mental Health conducted a series of studies which exemplify what is happening within our society, having implications much broader than those to which I am directing my remarks today:

We introduced four pairs of domesticated house mice into a social environment that provided for the resource of food, water and shelter for over 8,000 mice. The population grew to over 200,000 individuals, shortly after which reproduction ceased. Now, in January 1972, after nearly two years without any reproduction, the experimenters, taking only 500 sowsentice mice, all beyond the age of normal cessation of reproductive function.

As population growth ensued, small social groups of 10 to 12 mice formed. Each stuck to a position of dominance as its territory. By the time 14 such groups had formed, all the more desirable space had been occupied. Due to our exclusion of most mortality factors other than aging, many more young survived than would have in a natural ecological setting. The first few hundred such younger mice were systematically and vigorously rejected as they attempted to join the more established mice. Most withdrew both psychologically and physically, moving about only to obtain food and water. Most of the last generation born became very autistic-like due to early rejection by their mothers and excessive contacts in the now over-crowded environment. They never learned any effective aggressive or sexually adequate behavior. Once the former were behaviorally effective and reproductive, the mice died of old age, there survived no such competent member to replace them. So it has come about that the population is fast approaching extinction.

Transferring these observations to the human scene calls for no further implication. We may rephrase the conclusion: Whenever a species increases its number beyond the point at which individuals can play an effective role in the community, behavioral development will be disrupted to the point that the more complex behaviors, formerly possible by members of the species, will no longer emerge. For mice, these more complex behaviors include reproduction and territorial defense. For man they include acquisition and utilization of ideas. If I am correct in my interpretation, we are very close in time to where the human species may be faced with extinction because of loss of ability to deal with complex ideas such as are involved in the current environmental crisis. (This point of evolution is about the same as the current rate of population growth.)

Look at our society, especially our large cities, and one can see these symptoms which Dr. Calhoun discusses: the overwhelming, highly complex nature of any problem, increasing crime, the virtual lack of any human scale and human community, and the increase of problems in spite of material advances.

A very different sort of study was conducted for the Institute for Policy Studies analyzing the income flows in the Shaw-Cardozo area of Washington, D.C. Three sets of statistics were developed, the most reliable being that of the study, indicated that in 1968 $5 million more in taxes were paid out than were received in all visible government services. This is a study of its kind and while not the most sophisticated economic documentation, its potential implications were profound. Enough more statistics have been taken for other poverty areas have taken place. Dr. Richard Shafer, consultant to the Bedford-Stuyvesant Restoration Corporation conducted a study of the Bedford-Stuyvesant community in 1970. Since then he has updated and further analyzed the area based on 1970 census data in a soon-to-be-published report. In contrast to the Shaw study, Dr. Shafer’s shows opposite results: there were more revenues going into the Bedford-Stuyvesant community than tax revenues going out. Rather than go into the details of each of these studies, I would like to briefly discuss some of the conclusions that might be drawn from them.

First, both areas are low income communities and the focal point for most, if not all, of the innumerable anti-poverty programs of the past decade. Second, like most ghetto areas between 1959 and 1969 the earned income of their residents decreased. Third, both communities have enough resources so that if left in the community it could be possible to finance a great proportion of their own services, and perhaps finance even all of them if that original study is still valid.

The financing of neighborhoods is a very new area in accounting and economics. The studies mentioned numbered only one of which I am aware that incorporated these new accounting concepts showing inflow and outflow data for neighborhoods. Data is organized in a completely different manner than the national, State, county, and city levels making comparative analyses of the needed type very hard to develop. For instance, in order to compile the data for the Bedford-Stuyvesant study, Dr. Shafer had to go from department to department, agency to agency, and collect his own statistics in some instances, in order to determine what amount of money went to specific areas in New York City. The outflow statistics are not that difficult to come by relatively speaking. But even on that side of the ledger, even the Internal Revenue Service does not have its tax data organized on an adequate geographical matching system. The state of New York is perhaps the most advanced government in this area, but progress toward centralizing this information is questionable. What is needed is a neighborhood income accounting system on a national scale carried out by each Federal, State, county, and city agency. This would demand a great deal of time and
effort, not in data collection but in data computerization and desegregation. Yet, it seems about time that we had such an accounting system if we are to have any meaningful grasp of the problems facing our towns and states, and it is high time we got serious about the formulation of an accounting system which reflects the complexities of our society. An integrated system, including police, education, health, drug abuse, welfare, day care, social insurance, and many other public services, should be developed. Slow progress in this direction is being made in several states.

Neighborhood government, as I conceive it, is a group of individuals living within common geographical areas with fully participatory forms of government. The citizens would have ultimate control over their own services and programs, including police, education, health, drug abuse, welfare, day care, and social insurance. The goal would be to have in concert with State and Federal laws as well as within the guidelines of the Constitution. But rather than have a system of programs emanating from and controlled by Federal, State, county, and city governments, they would emanate from the neighborhood to the larger jurisdictions as appropriate.

In order to move from our present institutional-political-economic structure to a more localized and participatory one, a series of transitional moves are necessary, combined with a great deal of model development and experimentation. Following the introduction of the overall neighborhood government legislation that I am presenting today, I will be proposing legislation dealing with a number of institutional innovations. These include: welfare, drug abuse programs, child care, police, national guard, health, education, finance, justice, and juvenile delinquency. At this time, however, I will only briefly outline what is contemplated in some of these areas.

In virtually each area mentioned above, there is a terrible lack of information relevant to economics of scale, benefit analyses, and other efficiency/quality studies. Welfare is not one of the exceptions. We do not have at the present time the data to determine just to what extent the present welfare system is working, failing, or succeeding. Continuing efforts, such as some underway, which look at the present system to determine exactly what is happening within it, are the first steps that need to be taken. Then a combined Federal, State, and local effort is required to develop models at the neighborhood level for welfare corporations. The thrust of such a program would be to

Footnotes at end of article.
part of a larger education system. Second, the Federal and State Governments should provide economic incentives to neighborhood units to experiment in this area, but not further involving the Federal Government or the States in setting national standards of educational attainment or programming.

Much greater stress must be placed on neighborhood and local financial structures. Credit unions and banks, particularly, must be developed focusing on community resources and building neighborhood independence. Financial institutions with the community's interests in mind based in the neighborhood or coalitions of neighborhoods forming financial enterprises could play a vital role in constructing a strong financial base within each of our local communities.

Developing such institutions at the neighborhood level will be one of the most critical factors in the success or failure of neighborhood based government in the long run. For if neighborhoods are to take over independently self-sustaining service systems, the financial base must also be independent and community based to the greatest extent possible.

The general approach in each of these neighborhood government bills will entail the geographic definition of a neighborhood area and the requirement for citizens in each community to participate in the program development and implementation. Furthermore, the financing will start with the present system, in most cases a combined Federal and State program, with specific guidelines for transferring costs to the local community, the goal being the complete financial takeover by the neighborhood. There are obvious cases where all neighborhoods do not have the requisite expertise to entirely set up and carry out complex programs, so many have the local financial resources. Federal, State, and city governments do have access to such personnel and resources. However, these levels have not had the same access to knowledge of the unique problems in each locality. Thus innovative partnership welding these two is essential. Colleges and universities would have an excellent opportunity to play a significant role in this effort as well. Further, religious institutions could play an indispensable role in enhancing the renewal of community. For instance, if each church and synagogue were to take over the responsibility of caring for 10 people over the age of 65 who are presently living below the poverty level, there would not be any need for the present welfare programs focused on the aged. If each church and synagogue took over the responsibility of 18 families—a total of 72 adults and children—who are eligible for welfare today, there would not be any need for the existing Federal or State welfare programs to families. If each church and synagogue care for less than one child each, the present day care programs supported by Federal and State funds would be totally unnecessary. Our religious institutions would be a natural focus of community activity directed toward meeting the human needs of one's fellow citizens.

Each institutional change, as contemplated in the legislation, would proceed on an experimental basis developing neighborhood models in a cross section of citizens and in the throughout the country. Then, and only upon successful model development, would neighborhood government be a viable alternative national policy. By alternative national policy, I mean that no community would be required to organize itself in such a manner unless it so desired. If the citizens of the neighborhood are of the mind with their programs or view neighborhood government as a worse alternative, they need not be obligated to change. The core of the program is voluntary participation. People must be given the opportunity to choose to adopt means of self-government, reclaiming power that has previously been dedicated to the Federal Government.

A number of programs and bills in the past have dealt with local community control of various aspects of neighborhood life. They have ranged from OEO programs to Revenue Sharing to the Better Communities Act to the Community Self-Determination Act. They have all focused on the lower income communities, with the exception of Revenue Sharing, and have ranged in financing from specified grants to bloc grants. All of them, however, would not have adequately solving a myriad of complex problems in one legislative and/or administrative move by either moving all of these problems out of the sphere of control of the Federal Government or by completely bypassing local and State governments. All of them contemplated decentralizing power only to a small extent, and some did not explicitly set up any experimentation models, nor did many provide any checks or guidelines for program development or fund utilization. There must be a foundation to decentralization, the level at which the city did not have adequate definition considerations of boundaries and unit size nor did they or any of the other proposals focus sufficiently on developing or requiring a high degree of citizen participation. Some have created community corporations, bypassing State and local power structures, and others have dealt with the existing power structures in each city or town. This trend has been toward large bloc grants, without any guidelines to the State and local governments, and without any requirement for local participation to any great extent, if at all. This trend, as embodied in the Revenue Sharing Act and the Better Communities Act, is in the wrong direction, both as to focus and to financing.

As long as Federal funds are being used to finance domestic programs in areas where the funds did not originate, it is incumbent upon the Federal Government—or agency—to responsibly administer those funds. To the extent that the Congress does not set down specific guidelines, it is up to the executive branch to do so. In the past three decades the Congress has virtually given over large areas of legislative authority to various executive agencies without having much recourse if the original intent were not carried out. Once a bureaucracy is created it seems virtually self-perpetuating and keeping track of it is almost impossible to maintain any standards of administrative efficiency. This is one of the most disturbing aspects of recent Federal legislation. That is why I believe that authorizing legislation should entail as many specific guidelines as regulations within it as possible. A counter argument is that this robds those running the respective agency of necessary flexibility in administering their mandate. However, this misses the critical point that administrative flexibility is not the purpose of a bill if it is to accomplish very specific goals within the definition set down by Congress. The Neighborhood Government Act, as well as the neighborhood government legislation I will subsequently introduce, encompass this philosophy.

The financing of neighborhood programs, of course, is one of the most critical factors. The Neighborhood Government Act of 1975 sets up a series of tax credits for individual citizens of neighborhoods based on the citizen's income level. It also includes direct grants to the neighborhood corporations in the amount of non-Federal taxes that were paid out of the neighborhood. But this simple financing method alone would not be adequate for the needs of the country at the present time. In areas where the citizen awareness is significant enough, the resources substantial enough, the technical expertise well enough developed, and assuming this legislation were to pass, neighborhoods could begin to function on the basis contemplated in the bill. Other neighborhoods, however, would not be able to due to lack of various types of resources, including financial. Consequently, I will be introducing legislation aimed at explicitly fostering financial expertise within the community as well as increasing citizen awareness, participation, and organization. Further, the Federal Government has an obvious and continuous role to play in supplementing and building up the resources of disadvantaged neighborhoods. Also, increased utiliza-
tion of credit unions and neighborhood banks might serve as a major step in fostering such development in specific financial areas. In some of the low-income neighborhoods of our Nation the effort to attain these goals may be arduous, but at least we can make the right beginning.

What might be the effect of this legislation on a low-income area in purely economic terms? Assume the Bedford-Stuyvesant community received $11.5 million in credits to its citizens, which would occur, roughly, under my proposal. This would give the neighborhood approximately twice the credit that it now has. It could increase its equity and magnify it to perhaps $100 million—and this is in an economy of $1 billion. We would then be talking about a 10-percent cash flow increase in the community which would thereby increase the resource base significantly if the consistency of the tax credit could be counted on. The lack of consistency with respect to reliable, predictable income to the area is one of the primary obstacles which presently hampers the community's growth. It should be noted that the Bedford-Stuyvesant community has a median income of $8,300, which contrasts to Harlem of $6,100 and to South Brooklyn of $5,100—in 1970. Nevertheless, while the median incomes vary to some degree in these three communities, the general effect would be the same in each: a substantial increase in cash flow and the economic base, and, consequently, a progressively greater capacity to handle their own programs. This would be the anticipated effect in other low income communities.

A key area which needs development and research is the relative effectiveness of various sized service areas. Health, prisons, welfare, fire, refuse, education, and housing would be included on the list. There has already been some research in this regard in law enforcement, as I mentioned earlier, but the state of the art beyond this one study is not very advanced at all. The Advisory Commission on Intergovernmental Relations—ACIR—in a bulletin has concluded:

Size does not seem to matter in cities of 20,000 to 250,000—neither economies nor diseconomies of scale were of significant number. But in cities over 250,000 population, size does make a difference—the law of diminishing returns sets in and there are significant diseconomies of scale.9

In a table adapted from data collected by Werner A. Hirsch, Elinor Ostrom has presented the following compilation10 focusing on previous empirical studies of the effect of scale of production on average unit cost for a variety of social services:

Footnotes at end of article.
However, there are several problems in this compilation. To utilize Elinor Ostrom’s work further:

The development of an explanation will also require the careful and consistent definition of all concepts included in the theoretical constructs, and assumptions made in one tradition do not quite mean the same as when used in another tradition. For example, the term “efficiency” is used as a dependent variable in both of the theoretical structures posed above. However, as used by the metropolitans reformers, the term “efficiency” is usually conceptualized as a ratio of benefits produced to the cost of producing them. Social costs “may not equal the costs borne by the urban government that provides the service.” That portion of the total costs represented in the budget of a government agency may be called “agency costs.” But, in addition, other parties, both public and private, may incur costs that are not explicitly charged to the agency in question, nor considered in that agency’s efficiency and financial deliberations.

Similarly perplexing problems exist with such concepts as “output,” “equal distribution of costs,” “responsibility of local leaders” and “citizen participation.” On the other hand, social efficiency and financial efficiency have been used as a theoretical structure.

In analyzing the efficiency of public agencies, political economists are apt to define efficiency as so to as to include the social costs or the resources required to produce and consume the public good valued in alternative uses foregone. Social costs “may not equal the costs borne by the urban government that provides the service.” That portion of the total costs represented in the budget of a government agency may be called “agency costs.” But, in addition, other parties, both public and private, may incur costs that are not explicitly charged to the agency in question, nor considered in that agency’s efficiency and financial deliberations.

There is ample historical precedent for the idea that small, community-oriented governments have had in world history and in other countries, the United States has accumulated the great deal of such experience during the past two centuries. In the East and South from colonial times to the present, local governments have been in existence. One can visit almost any State in the Northeast, for instance, and find governments that are organized around the town meeting. Similarly, our western cities were originally governed in much the same manner. Furthermore, virtually every major city in the United States has grown by the process of annexation, the central city—what the town became—brings in suburbs, towns, municipalities, and villages on its borders within its jurisdiction.

The move to decentralization is not new. There is experimentation occurring in various cities, counties, and States today. Included in this list would be Dade County, Fla.; Bergen County, N.J.; New York City; Delaware County, Pa.; Montgomery County, Md.; Washington, D.C.—UPC, AMMO; Columbus, Ohio; Dayton, Ohio; Oakland, Calif.; Los Angeles, Calif.; Boston, Seattle; Kansas City; Pittsburg; and Sto-Rox, Pa.

One of the most interesting experiments with which I am familiar is taking place within the AMMO neighborhood under a separate corporation called Community Technology. The group is newly created—already, various methods by which neighborhoods can develop and utilize resources within the community to meet as much if not all of their technological needs: food, clothing, shelter, etc. The community experiment is fascinating for a number of reasons. Not only does it combine very different elements, but it is experiencing with local control of government services and technological adaptation to local needs as well. At the beginning of my address, I referred to the need to reverse the trend of letting technological lead us rather than our controlling technology. This experiment, whether it succeeds or fails in terms of meeting the specific needs of this Washington neighbor-

...
The plights of the poor and the disadvantaged must certainly be the concern of the Federal Government. But in the final sense, the relief for the dispossessed will come not through solely a bureaucratic program written and implemented in Washington, but through individuals, groups, neighborhoods, and local communities that take responsibility, the responsibility. Enabling and evoking this kind of responsibility at decentralized levels of political life is the most fundamental most important way in which the Federal Government can make toward the realization of human well-being for all our people.

The purpose is to allow political power, resources, and responsibility to be retained as directly and closely to the people as possible. To do so obviously means giving power and responsibilities of larger units of local government, such as the machines of city mayors, should relinquish responsibilities to neighborhood government. We must create such decentralized structures if the average citizen is to have a direct and meaningful opportunity for determining the institutions that affect his life and shape his future. The strategy and process of such a transition in government responsibility may present challenging problem. But ultimately, I believe there is no other way to overcome the dilemma of political lifelessness in America, and to restore genuine political power to our citizens.

Mr. President, I ask unanimous consent that footnotes prepared in connection with my statement together with the bill be printed in the Record at this point.

There being no objection, the footnotes and bill were ordered to be printed in the Record, as follows:

CONGRESSIONAL RECORD — SENATE

October 1, 1973


Dallman, Howard W., “Government by Meliboa,” 60 percent of the United States in America in Congress since 1789. That this Act may be cited as the “Neighborhood Government Act of 1972.”

DECLARATION OF PURPOSE

Sec. 2. It is the purpose of this Act to encourage communities and neighborhoods to utilize a new purpose of providing their own neighborhood services, to provide additional operating funds for such corporations in the sense of neighborhood participation by individuals in such neighborhoods by providing a tax credit for contributions thereon, and to provide additional Federal revenue to such corporations.

TAX CREDIT FOR CONTRIBUTIONS

Sec. 3. (a) Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 (relating to credit against tax) is amended by renumbering section 40 as 41, and by inserting after section 39 the following new section:

“Sec. 40. Contributions to neighborhood corporations

“(a) General Rule.—There shall be allowed as a credit against the tax imposed by this chapter for any taxable year any amount contributed to a neighborhood corporation during that year, subject to the limitations of subsection (b).

“(b) LIMITATIONS.

“(1) Amount.—Except as provided in paragraph (2), the amount of the credit under subsection (a) shall not exceed—

“(A) 80 percent of the amount of the contribution by the corporation to the neighborhood corporation;

“(B) the amount of the credit under subsection (a) shall not exceed one-half of the amount of the credit under such subsection as determined under paragraph (1) of this subsection; and

“(2) Limitation.—The credit allowed under subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under section 38 (relating to foreign tax credit), section 35 (relating to partially tax-exempt interest), section 37 (relating to retirement income), and section 39 (relating to investment in certain depreciable property).

“(c) Certification by Neighborhood Corporations.—A corporation may be certified by the Secretary or his delegate for purposes of this section upon application by the corporation for certification if—

“(1) is organized for the sense of neighborhood participation in its operations to the single neighborhood it is designed to serve;

“(2) is organized for the purpose of supplying services to its members, and other persons residing within the neighborhood it is designed to serve, which were supplied by a municipal or other government prior to the establishment of the corporation; similar service;

“(3) demonstrates a capacity to supply such services and to perform the activities of the corporation in an adequate and satisfactory manner.

No corporation may be certified for purposes of this section unless it is organized as to perform a high degree of participation by members of the neighborhood it is designed to serve in making major policy decisions.

“(d) Nonexempt Credit or Contributions.—No deduction shall be allowed under section 170 for any contribution to or for the use of a neighborhood corporation to the extent that a credit is allowed (after the application of subsection (b)) for such contribution under subsection (a).

“(e) Regulations.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the provisions of this section.

Sec. 4. Overpayments of tax.

Sec. 5. Time for repayment.

Sec. 6. Prohibition on refunding.

Sec. 7. Short title.

AUTHORIZATION OF APPROPRIATIONS

Sec. 4. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

SEC. 41. OVERPAYMENTS OF TAX.

“(a) The amount payable under subsection (a) may be reduced by the Secretary whenever he determines that such reduction is necessary in consideration of the total amount of contributions to such corporation for any taxable year, the total amount of payments for which application has been made or may be expected to be made. Before making any payment under subsection (a), the Secretary shall require that any applicant provide for such fiscal control and fund accounting procedures as he deems necessary to assure proper accounting for Federal funds so paid. The Secretary may require such reasonable reports as to the use of funds paid under subsection (a) as he deems necessary, and he shall make an annual report to the Congress with respect to payments made and reports received under this section.

AMENDMENT OF ACT

Sec. 4. Upon application from a neighborhood corporation certified under section 40 of the Internal Revenue Code of 1964, the Secretary of the Treasury is authorized to pay to such corporation for general use an amount equal to a part (determined under subsection (b)) of the amount of non-Federal taxes paid by members of that corporation to State and local governments. Such payments may be made annually or as otherwise determined by the Secretary.

(b) The amount of the payment which the Secretary may make under subsection (a) to a neighborhood corporation is an amount equal to a percentage of the total amount of non-Federal taxes paid by members of that corporation to State and local governments. That percentage shall be determined in accordance with the following table:

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(c) The amount payable under subsection (a) may be reduced by the Secretary whenever he determines that such reduction is necessary in consideration of the total amount of non-Federal taxes paid by members of that corporation to State and local governments.
From the Reader of the Conference on Alternative State & Local Public Policies held June 10-13, 1976 in Austin, Texas. The reader was edited and compiled by Derek Shearer, California Public Policy Center Los Angeles, California and Lee Webb, Professor of Public Policy, Goddard College Plainfield, Vermont.

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