Dear:

I have your recent communication relating to the new expense account regulations announced by the Internal Revenue Service.

As you know, the first regulations were issued last winter and had to do with the matter of records. These first regulations resulted in a great deal of uncertainty among businessmen and I am sure the effect was a considerable reduction in the use of expense accounts by businessmen.

We had Mr. Caplin, Commissioner of Internal Revenue, before the Finance Committee for a long discussion concerning these regulations and he subsequently issued the last set of regulations which are called substantive regulations and deal with what may and may not be deducted.

I have been in close contact with representatives from labor and the restaurant industry and we have been discussing possible alternative legislation. However, the Chairman of the Ways and Means Committee of the House of Representatives, Mr. Wilbur Mills, has announced that his Committee would begin immediately a short study of the first set of regulations.

It is difficult to say at this time just what the final result will be but it does appear to me that some simplification is required and it may be necessary for the Congress to enact new legislation to achieve this simplification. At any rate, you may be sure that this matter will continue to receive my very close attention in my capacity as a member of the Senate Finance Committee which handles tax matters for the Senate.

Sincerely,

Everett McKinley Dirksen