

United States Senate

WASHINGTON, D.C. 20510

January 13, 1988

Dr. and Mrs. Keats Sparrow
307 Queen Anne's Road
Greenville, North Carolina 27858

Dear Dr. and Mrs. Sparrow:

Thank you for your letter regarding the proposal in the original House reconciliation bill that would have disallowed the future amortization of intangible assets, such as customer lists.

While it is important to study all options when searching for revenue sources to help balance our budget, we should not indiscriminately tax any or all of the sources of income we are able to discern. It is important to weigh the revenue potential of any suggested tax against its potential economic cost. Often this cost can far exceed the revenue potential of any given tax.

In the case of this provision, I was concerned that the arguments supporting the provision might be flawed. I therefore sided with the IRS here; I think it is a mistake to disallow the depreciation of the intangible assets of a company when such assets are arguably depreciable.

I spoke to Senator Bentsen and to the Senate Finance and Budget Committee staffs on this matter during the conference on reconciliation and fortunately the provision was removed from the final version of the reconciliation bill which passed on December 21, 1987.

Thank you again for writing me regarding this tax provision.

With best wishes always,

Sincerely,

A handwritten signature in blue ink that reads "Terry Sanford". The signature is fluid and cursive, with the first name "Terry" and last name "Sanford" clearly distinguishable.

TERRY SANFORD
United States Senator

TS/mjm