

Correspondence: Sorett, Schweiker, Richard, 1972 March - December

7/10/72
UP WITH
SENATOR

7/10/72
(Ines)

OK TOLD
LUBIN'S SECRETARY
BY PHONE
8/11/72

LAW OFFICES

WINKLER, DANOFF, LUBIN AND TOOLE

21 SOUTH FRANKLIN STREET

WILKES-BARRE, PENNSYLVANIA 18701

HERBERT L. WINKLER
ALBERT N. DANOFF
SOLOMON LUBIN
PATRICK J. TOOLE, JR.
JOHN G. ZAPOTOK

TELEPHONE 824-8771
AREA CODE 717

August 8, 1972

Hon. Richard S. Schweiker
United States Senate
Senate Office Building
Washington, D. C.

Hon. Hugh Scott
United States Senate
Senate Office Building
Washington, D. C.

Gentlemen:

I am enclosing herewith a copy of a newsletter from an accounting firm which has an office in Wilkes-Barre.

I make particular reference to the bottom of page 2 and page 3 of the newsletter, which are outlined in red.

From the contents of the newsletter, it appears that the Internal Revenue Service has taken a position with reference to uninsured casualty losses which is contrary to law. Particularly, I refer to page 3 of the newsletter where it is stated that the Internal Revenue Service will not give consideration to the cost of replacement of casualty losses even though one judge has written that: "...the best way to arrive at the value of such goods would be to show the price in market of new goods of the same kind and then show, as nearly as possible, the extent of depreciation from use."

Furthermore, as the newsletter on page 3 suggests, the publications of the Internal Revenue Service indicate that the loss to real estate is arrived at by deducting the after-flood fair market value from the pre-flood fair market value. However, it appears from the newsletter as well as from newspaper articles on the subject that the Internal Revenue Service will not permit the deduction of that part of the decline in value of real estate known as general market decline or economic obsolescence.

It would appear to this writer that the Internal Revenue Service has taken a position which is not only inconsistent with our law but also does not take into consideration the tremendous losses which the citizens of Wyoming Valley have suffered as a result of the flood.

Were a house to be evaluated post-flood on the basis of economic obsolescence or general decline of market value, the home owner would acquire a new or lower base for tax purposes which would reflect itself in increased taxes upon sale if in fact the general market decline of the area due to the flood were revived.

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Hon. Richard S. Schweiker
Hon. Hugh Scott

-2-

August 8, 1972

I would therefore ask the aid of your good offices in interceding with the Internal Revenue Service on behalf of the people of Wyoming Valley, so that the Service may be more considerate of the losses suffered as a result of Hurricane Agnes.

Very truly yours,

Sol Lubin
Sol Lubin

S A
L D
M

cc Hon. Max Rosenn
Federal Building
197 S. Main St.
Wilkes-Barre, Pa.

RECEIVED
FBI
AUG 10 1972

LAVENTHOL KREKSTEIN HORWATH & HORWATH

CERTIFIED PUBLIC ACCOUNTANTS

STERLING HOTEL MEZZANINE
WILKES-BARRE, PA. 18701
717-822-1174

OFFICES THROUGHOUT THE WORLD

August 4, 1972

**WILKES-BARRE OFFICE
CLIENT NEWSLETTER**

ALL CLIENTS

In these days of difficult communications in our area, we are using this method to inform you of our current status.

Over 50% of you have been affected by the Hurrican Agnes flooding and many of the Wilkes-Barre partners and staff have also suffered personal losses. The Wilkes-Barre office, unlike our Harrisburg office, had no damage to current audit and tax files, but files for 1968 and prior were in our basement storeroom and unreachable for almost five weeks. We have reached them, frozen, sanitized, and dried them and all essential audit and tax files are now resting comfortably in our conference room in transfer files.

Our regional and executive office leaders came to Wilkes-Barre and saw for themselves the devastation. They have notified all of our 315 partners throughout the United States to contact their senators and congressman personally to ask their support for essential legislation to aid the flood victims.

In order to continue to provide service to all our clients, the other offices of our firm are lending assistance. We will have partners and staff from places as far away as Los Angeles in Wilkes-Barre, since it would be physically impossible for those of us in Wilkes-Barre to handle all of your problems and also cope with the flood aftermath.

Our telephones have now been restored and we are swamped with calls; therefore, we ask your indulgence if we cannot return your call as quickly as we have in the past.

FLOOD AFFECTED CLIENTS

Through being part of a national organization, those of us located in Wilkes-Barre have been placed in contact with CPA's located in prior disaster areas and now have an insight as to what actually happened in the past. In addition, the firm has hired people who amongst their other duties were liason personnel with S.B.A. for their employers. We have retained as a consultant a former high official of S.B.A., now retired, so that we can prepare the best possible loan applications; however, we must wait for the current legislation to be finalized in order to avoid wasted motion. We expect this to take place by August 15, 1972.

Based upon hours and hours of such communication, we are confident that our flood ravaged area and people will come back better than ever, but it will take time. We must admit that we too were in a state of emotional depression until we could make real contact with others who have gone through it before and survived. While we have had more damage than most, the federal and state assistance will take that into account. The forgiveness element of S.B.A. loans is only in effect about four years. Others survived lesser disasters without it. In addition, no area has ever received 1% loans before. S.B.A. just yesterday reduced from 50% to 30% the percentage damage to property necessary to enable it to refinance the entire mortgage. Do not despair, the combination of income tax refunds and 1% refinancing is much better than you think.

An Example is as follows:

- A. Married couple with home built for \$30,000 just prior to flood
- B. Furnishings worth \$13,000 acquired just prior to flood
- C. A \$25,000 mortgage at 6%, for 30 years taken out just prior to flood
- D. Average annual taxable income 1968 through 1971 approximately \$32,000
- E. Annual taxes paid on D. above approximately \$8,600
- F. Home and furnishings totally destroyed.

Economic and tax implications of replacing the above:

- 1. Approximate tax refund \$12,000-13,000 which would replace furnishings.
- 2. S.B.A. Loan at 1% to refinance \$25,000 existing mortgage, provide \$30,000 to rebuild home or total of \$55,000.
- 3. Prior monthly mortgage payments of \$150 which would result in payout of \$54,000.
- 4. Estimated S.B.A. monthly payments of \$170, which after proposed \$5,000 forgiveness, would result in total payout of approximately \$56,000.

While there are many questions to be answered, such as what happens at a future sale of the property, those of us who rebuild our homes and business should not have any great decline in our life style in the future. The construction and refurnishing work required should, in fact, make us a boom town.

We previously sent most individuals effected by the flood a booklet prepared by the Internal Revenue Service dealing with claiming your flood losses against your federal income tax.

[We met with Internal Revenue Service officials and local real estate appraisers Thursday in order to clarify the situation.

We were advised by an I.R.S. engineer, who has handled prior disaster claims, that he uses a rule of thumb of 5% depreciation per year on personal possessions. Thus, for example - if you bought an appliance 10 years ago for \$300, he would only allow you a tax loss of \$150 for that item even though it might now cost you \$400 to replace it with a new one. We do not agree with him because we have a court case where the judge suggested that "...the best way to arrive at the value of such goods would be to show the price in market of new goods of the same kind and then show, as nearly as possible, the extent of depreciation from use." If we followed the judge's opinion, we would take a deduction of 50% (5% x 10 years) of the replacement cost of \$400 or \$200.

Please be very careful in providing us with your best estimates of cost and length owned of personal property for income tax purposes and of current replacement cost for S.B.A. loan purposes.

While all the publications indicate that the loss to your home is arrived at by deducting the after flood fair market value from the preflood fair market value, the Internal Revenue Service in its regulations do not currently permit the deduction of that part of the decline known as general market decline or economic obsolescence. Therefore, it is extremely important that you request your real estate appraiser to disregard economic obsolescence and state that he has done so in arriving at his values. In essence, the I.R.S. is saying that the 20 homeowners in Kingston that were not physically damaged cannot take a casualty loss deduction even though they might have to sell at a discounted value right now. J

The I.R.S. agent in Scranton who will be responsible for the assignment of returns for examination has indicated he would be happier with a contractor or architect's estimate to restore the property to its preflood condition than with a realtor's appraisal. We suggest that, where possible, you obtain both since the S.B.A. will also be happier with a contractor's estimate even though they have waived the requirement. He also has asked that as much detail as possible be submitted with the request for refund. Please help us by giving us as much information as possible to obtain the proper tax refunds. The I.R.S. will not be able to examine all such claims but will certainly examine the larger ones, and especially large ones with little data submitted with the request.

JOHN C. STENNIS, MISS., CHAIRMAN
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T. EDWARD BRASWELL, JR., CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON ARMED SERVICES
WASHINGTON, D.C. 20510

September 5, 1972

Honorable Max Rosenn
Judge
United States Court of Appeals
Third Circuit
Federal Building
Wilkes-Barre, Pennsylvania 18701

Dear Max:

Thank you for your recent letter regarding the flood.

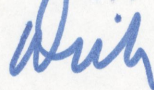
I certainly appreciate your helpfulness and your suggestions in this regard. We have made considerable progress legislatively, and as of the passage of the supplementary appropriations bill several weeks ago, Congress has provided the administrative agencies with most of the tools needed to do the job.

Additional legislation is necessary, however, and as you may know I have introduced a bill to amend our inadequate flood insurance laws. I have testified before the Senate Banking Committee on this legislation, and I am hopeful that we will be able to get the bill through the Senate before adjournment.

My Legislative Assistant, Skip Hartquist, has advised me of your call regarding the tax situation regarding the forgiveness feature of the SBA loan. As you know, disaster victims can file amended 1971 returns and claim the casualty loss occasioned by the flood as a deduction. The IRS advises us that the amount of the federal grant, or forgiveness, can be offset against the amount of the casualty loss, even though the grant is physically received during calendar year 1972. However, I think your suggestion that the law be amended is a good one, and I intend to introduce a bill to specifically exclude such grants as income under the Internal Revenue Code.

Again, many thanks for your help.

Sincerely,



Richard S. Schweiker
United States Senator

RSS:cs

JOHN C. STENNIS, MISS., CHAIRMAN
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T. EDWARD BRASWELL, JR., CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON ARMED SERVICES

WASHINGTON, D.C. 20510

September 15, 1972

Honorable Max Rosenn
Judge
United States Court of Appeals
Third Circuit
Federal Building
Wilkes-Barre, Pennsylvania 18701

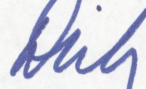
Dear Max:

As you may know by now, Senator Scott has introduced S. 3971, a bill which provides that federal grants to disaster victims will not be taxable. I am cosponsoring this legislation.

I want to again thank you for bringing this proposal to our attention. We will certainly do our best to get it through the Senate Finance Committee in the few remaining weeks of the 92nd Congress.

Enclosed is a copy of the bill for your reference.

Sincerely,



Richard S. Schweiker
United States Senator

RSS:cs
Enc.

HARRISON A. WILLIAMS, JR., N.J., CHAIRMAN
JENNINGS RANDOLPH, W. VA.
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ROBERT E. NAGLE, GENERAL COUNSEL

Flood
United States Senate

COMMITTEE ON
LABOR AND PUBLIC WELFARE
WASHINGTON, D.C. 20510

October 26, 1972

Mr. Louis C. Kneidinger, President
Pennsylvania Institute of Certified
Public Accountants
Sterling Hotel Mezzanine
Wilkes Barre, Pennsylvania 18701

Dear Mr. Kneidinger:

Thank you for recently sending me a copy of your
letter to Chairman Max Rosenn further regarding your concern
with SBA's loan application deadline of October 31, 1972.

I have brought your letter to the attention of the
appropriate officials at SBA asking for an additional review
of this matter as soon as possible.

When I have received a response, I will be sure to
contact you again.

Sincerely,

Richard S. Schweiker
Richard S. Schweiker
United States Senator

RSS:ss
cc: Honorable Max Rosenn

*P.S. The deadline has just been
extended to January 15, 1973.*

HARRISON A. WILLIAMS, J., CHAIRMAN
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Flood

United States Senate

COMMITTEE ON
LABOR AND PUBLIC WELFARE
WASHINGTON, D.C. 20510

November 2, 1972

Honorable Max Rosenn
Chairman
Flood Recovery Task Force, Inc.
P.O. Box 1367
Wilkes-Barre, Pennsylvania 18701

Dear Max:

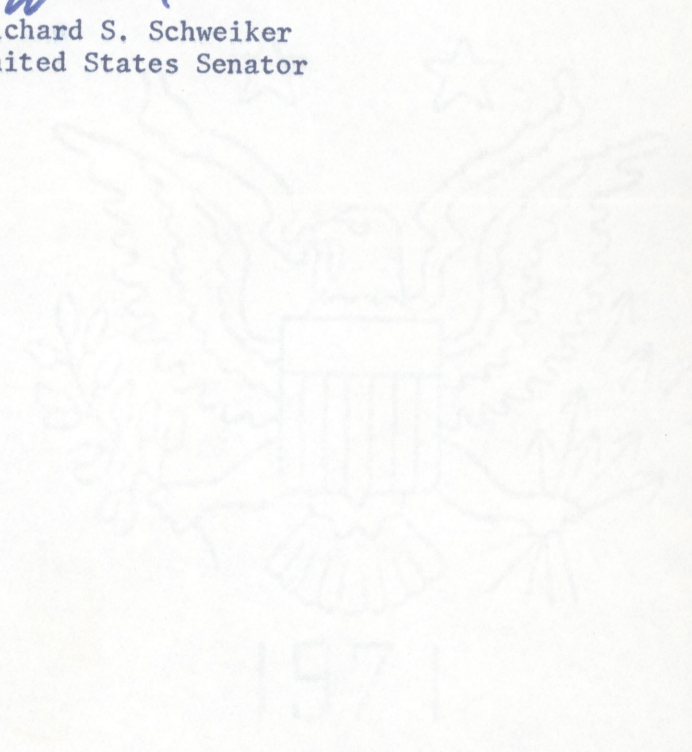
Thank you for sending me a copy of your October 24th letter to Frank Carlucci. I sincerely appreciate your taking time to keep me informed.

If there are any problems related to the flood recovery effort where I can be helpful, please let me know.

Sincerely,

Rich
Richard S. Schweiker
United States Senator

RSS:cs



HARRISON A. WILLIAMS, JR., N.J., CHAIRMAN
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7 Lord

United States Senate

COMMITTEE ON
LABOR AND PUBLIC WELFARE
WASHINGTON, D.C. 20510

December 7, 1972

The Honorable Max Rosenn
U.S. 3rd Circuit of Appeals
Federal Court House
Wilkes-Barre, Pennsylvania

Dear Max:

I wanted you to have an advance copy of the itinerary for my trip next week to review federal flood relief efforts in your area and to see what still needs to be done.

I would be glad to have you join me if your schedule permits.

Kindest regards.

Sincerely,

[Signature]
Richard S. Schweiker
United States Senator

RSS/pjb

Enclosure

*12/11/72
called David Fiske -
explained you would
be in Court - thanked
the Senator for the
invitation.*



U.S. Senator

RICHARD S. SCHWEIKER

Pennsylvania

RELEASE:

IMMEDIATE

SCHWEIKER TO TOUR
FLOOD AREAS WEDNESDAY

CONTACT:
DAVID H. FISKE
202/225-4254

U.S. Senator Richard S. Schweiker (R-Pa.) will tour Wyoming Valley flood areas Wednesday, December 13, 1972.

Schweiker will tour residential and business areas in Wilkes-Barre, Kingston and Forty Fort hit by the June flood, visit Group Mobile Home sites, view bridge and dike public works reconstruction projects, and meet with officials coordinating federal flood relief efforts.

Schweiker will hold a news conference at 2:00 p.m. in Weckesser Hall, Wilkes College.

Schweiker's schedule follows:

9:30 a.m.: Arrive Milton by helicopter. Tour of flood recovery areas and discussion of flood recovery with local officials.

10:30 a.m.: Depart Milton by helicopter. Aerial tour of Wyoming Valley flood areas.

11:15 a.m.: Land at Scranton-Wilkes-Barre airport, Avoca.

11:30 a.m.: Arrive HUD Urban Renewal Action Center, Stoehr and Fister Building, Spruce St. and Adams Ave., Scranton. Briefing and review of flood urban redevelopment work in Wyoming Valley.

12:00 Noon: Depart HUD Action Center.

12:15 p.m.: Depart Scranton-Wilkes-Barre airport by helicopter. Aerial tour of group mobile home sites, mobile home staging areas, and flood recovery construction.

12:30 p.m.: Land at Kirby Park, near National Guard Armory, Kingston. Commence driving tour.

12:30 p.m. to 2:00 p.m.: Driving tour of business and residential area flood recovery in Kingston, Forty Fort, and Wilkes-Barre, including visit to North Street Bridge construction and dike construction at over-top point in Wilkes-Barre.

-----12:45 p.m.: Tour of Scandlon Field Group Mobile Home Site, Wyoming Avenue at Bennett St., Kingston.

2:00 p.m.: NEWS CONFERENCE, Weckesser Hall, Wilkes College, (Conference room on 1st Floor), 177 South Franklin St., Wilkes-Barre.

2:40 p.m.: Inspection of Wilkes College flood recovery.

3:00 p.m.: Depart Wilkes College

3:15 p.m.: Arrive for tour of Mundy Street Group Mobile Home Site, Mundy St., at east end of Wilkes-Barre.

3:45 p.m.: Depart mobile home site for airport.

Schweiker will be accompanied by William J. Conner, Executive Assistant to Frank Carlucci, President Nixon's personal representative in the Wyoming Valley, and representatives of the U.S. Office of Emergency Preparedness and the U.S. Army Corps of Engineers.

Schweiker said, "I toured the Wyoming Valley at the height of the flood on June 24, and have worked in the Congress to provide emergency flood relief funds for Pennsylvania. My Wyoming Valley tour Wednesday will enable me to see first-hand what flood recovery progress has been made, and what further help I can give to help achieve a full recovery," he said.

JOHN C. STENNIS, MISS., CHAIRMAN
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T. EDWARD BRASWELL, JR., CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON ARMED SERVICES
WASHINGTON, D.C. 20510

December 1, 1972

Mr. Max Rosenn, Chairman
Flood Recovery Task Force, Inc.
Hotel Sterling
Wilkes-Barre, Pennsylvania 18701

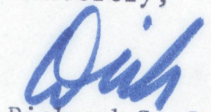
Dear Max:

Thank you for your letter and the enclosed resolution adopted by the Flood Recovery Task Force urging the creation of a metropolitan statistical area to be known as the Northeastern Pennsylvania Standard Metropolitan Statistical Area.

I have contacted officials in the Office of Management and Budget expressing my support for this action. When I receive a reply, I shall be in touch with you again. For your information, I also contacted the OMB about this earlier this year, and I am enclosing a copy of the reply I received at that time.

In the meantime, I appreciate your bringing your interest in this matter to my attention.

Sincerely,



Richard S. Schweiker
United States Senator

RSS:bc
Enclosure

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 3, 1972

Honorable Richard S. Schweiker
United States Senate
Washington, D. C. 20510

Dear Senator Schweiker:

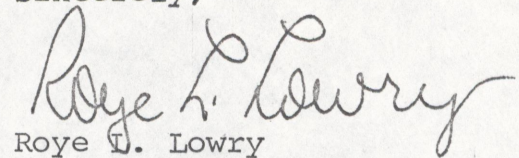
I am replying to your letter of February 29, 1972, relating to the possible designation and definition of a proposed Scranton-Wilkes-Barre, Pennsylvania, Standard Metropolitan Statistical Area in lieu of the present Scranton and Wilkes-Barre Standard Metropolitan Statistical Areas.

I am enclosing a copy of the criteria used to designate and define standard metropolitan statistical areas. Criterion 8 specifies the critical requirement to be met in determining whether Scranton and Wilkes-Barre should be placed in the same standard metropolitan statistical area. Criteria 2 and 3 set forth the requirements to be met in attaching contiguous counties to standard metropolitan statistical areas.

The Federal Committee will be reviewing all standard metropolitan statistical areas in the light of information available from the 1970 Census. This review will begin as soon as the needed data begin to become available. It is expected that the review will be completed by August-September of this year. It seems quite possible that the Committee will need some informed local opinion to help determine whether the requirements of Criterion 8 are met. Should the occasion arise, I hope that the Committee may be able to use your good offices to help obtain local views.

If I can be of any further help to you in this matter,
please let me know.

Sincerely,


Roye L. Lowry
Chairman, Federal Committee
on Standard Metropolitan
Statistical Areas

Enclosure

