

to her community. Through the years, she has touched the lives of many with her involvement with groups such as the American Red Cross, Civil Defense, March of Dimes, United Way, Los Angeles County Parks and Recreation, Girl Scouts, Women of the Moose, and Parent Teacher Association.

In 1945, Ms. Rivera joined the Parent Teacher Association [PTA] and begun her dedicated service as a volunteer. In the classroom of the Bassett Unified School District, in La Puente, CA, she touched the lives of many students. In 1962, Ms. Rivera was presented with the honorary service award for her work in establishing a dental health program for the children of the La Puente area.

Ms. Rivera's leadership in the community has been demonstrated over the years in her service as president of the Erwin PTA, Bassett High School Parent Teacher Association, and her service as council president three times. In light of this leadership, Ms. Rivera was instrumental in implementing bilingual and multicultural programs for all students.

Through the Women of the Moose, Ms. Rivera has worked to ensure that all students have the opportunity to finance their college education. Under Ms. Rivera's leadership the "C" scholarship was established to provide for this need. Concerned for the safety of our children, in 1980 Ms. Rivera organized Operation Stay in School for Bassett Unified School District. This program addressed the safety concerns of our schools, by enforcing a closed campus. Parents were utilized in supervision of lunch periods and the campus gates. Organizing the efforts of parents, school board members, the superintendent, the sheriffs department and the city council of La Puente proved highly effective in deterring truancies, vandalism, and violence.

Ms. Rivera has done many great things for her community. She has organized a fingerprinting program for the kindergarten students, operates a "Clothes Closet," which benefits needy children and the homeless and collects food and donations to distribute to families in need. Ms. Rivera's compassion also has been extended to the senior citizens in her community. Every Thursday, for many years, Ms. Rivera has delivered food with care to bedridden seniors.

For 27 years, Ms. Rivera also has provided volunteer work with the Girl Scouts of America. She has volunteered as a Girl Scout leader of two troops and has been the first and second vice-president of the El Monte/La Puente Council of Girl Scouts.

Mr. Speaker, I ask my colleagues to join me in saluting this truly inspirational American and a fine citizen, whose community service provides an example to all.

#### SUPPORT INCLUSION OF REPUBLIC OF CHINA IN THE UNITED NATIONS

HON. PETER T. KING

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 18, 1995

Mr. KING. Mr. Speaker, October 10 marked the 84th anniversary of the founding of the Republic of China. Normally, this day is marked here in Washington by a number of social events. However this year, there is a

more important reason for us to recognize the events in China in 1911. As all the world can see, it is only under a democratic system that Taiwan has been able to flourish economically and socially. In fact, over the last decade the Republic of China has become one of the world's leading economic powers.

To help recognize the achievements of America's friends on Taiwan, I urge my colleagues here in the Congress to support the Republic of China's bid to gain membership in the United Nations. Although a member of several international organizations, the Republic of China has been refused a seat in the United Nations. Very simply, the exclusion of the Republic of China is an outrageous denial of a voice on important international issues to the people of a thriving democracy. I know that Representative Benjamin Lu has worked tirelessly for the last year on this matter.

Mr. Speaker, I can think of no better way for this institution to show support for the democratic ideals found in the Republic of China than to support its inclusion in the United Nations.

#### H.R. 2494, THRIFT CHARTER CONVERSION TAX ACT OF 1995

HON. BILL ARCHER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, October 18, 1995

Mr. ARCHER. Mr. Speaker, today, I am introducing the Thrift Charter Conversion Tax Act of 1995, with JAMES A. LEACH, the chairman of the Banking and Financial Services Committee, and MARGE ROUKEMA, the chairwoman of the Financial Institutions and Consumer Credit Subcommittee, as original cosponsors. The three of us have worked together to identify and address potential tax consequences raised by the Banking Committee's proposal to require thrifts to convert their charters into bank charters. This bill is a product of our efforts.

Requiring thrifts to convert to banks raises several banking, tax, housing, and accounting policy issues. It is not easy to reconcile these sometimes competing policies. Nonetheless, it is clear that the thrift charter conversion proposal must contain transitional tax relief cushioning the blow to thrifts required to convert to banks. This bill is intended to modify the tax laws to permit the conversion of thrifts to banks, consistent with the policies behind the thrift charter conversion proposal, and in a manner that is fair to the thrifts and consistent with our deficit reduction goals.

The following is a technical explanation of the provisions of the bill.

#### TECHNICAL EXPLANATION OF THE THRIFT CHARTER CONVERSION TAX ACT OF 1995

1. Repeat "percentage of taxable income" method for the calculation of bad debt deductions by thrift institutions.

#### PRESENT LAW AND BACKGROUND

##### *Tax treatment of bad debt deductions of savings institutions—reserve methods of accounting for bad debts of thrift institutions*

A taxpayer engaged in a trade or business may deduct the amount of any debt that becomes wholly or partially worthless during the year (the "specific charge-off" method). Certain thrift institutions (building and loan associations, mutual savings banks, or cooperative banks) are allowed deductions for

bad debts under rules more favorable than those granted to other taxpayers (and more favorable than the rules applicable to other financial institutions). Qualified thrift institutions are eligible to compute deductions for bad debts using either the specific charge-off method or the reserve method of section 593. To qualify for this reserve method, a thrift institution must meet an asset test, requiring that 60 percent of its assets consist of "qualifying assets" (generally cash, government obligations, and loans secured by residential real property). This percentage must be computed at the close of the taxable year, or at the option of the taxpayer, as the annual average of monthly, quarterly, or semiannual computations of similar percentages.

If a thrift institution uses the reserve method of accounting for bad debts, it must establish and maintain a reserve for bad debts, charge actual losses against the reserve, and is allowed a deduction for annual additions to restore the reserve to its proper balance. Under section 593, a thrift institution may elect, each year, to calculate its annual addition to its bad debt reserve under either (1) the "percentage of taxable income" method applicable only to thrift institutions, or (2) the "experience" method also used by small banks.

Under the percentage of taxable income method, a thrift institution generally may claim as a deduction an addition to its bad debt reserve for an amount equal to 8 percent of its taxable income (determined without regard to this deduction and with additional adjustments). Under the experience method, a thrift institution generally is allowed a deduction for an addition to its bad debt reserve equal to the greater of: (1) an amount based on its actual average experience for losses in the current and five preceding taxable years, or (2) an amount necessary to restore the reserve to its balance as of the close of the base year. For taxable years beginning before 1988, the "base year" was the last taxable year before the most recent adoption of the experience method (i.e., generally, the last year the taxpayer was on the percentage of taxable income method). Pursuant to a provision contained in the Tax Reform Act of 1986, for taxable years beginning after 1987, the base year is the last taxable year beginning before 1988. The base year amount is reduced to the extent that the taxpayer's loan portfolio decreases. Computing bad debts under a "base year" concept allows a thrift institution to claim a deduction for bad debts for an amount at least equal to the institution's actual losses that were incurred during the taxable year.

##### *Bad debt methods of commercial banks*

A small commercial bank (i.e., one with an adjusted basis of assets of \$500 million or less) only may use the experience method or the specific charge-off method for purposes of computing its deduction for bad debts. A large commercial bank must use the specific charge-off method. If a small bank becomes a large bank, it must recapture its existing bad debt reserve (i.e., include the amount of the reserve in income) through one of two methods. Under the 4-year recapture method, the bank generally includes 10 percent of the reserve in income in the first taxable year, 20 percent in the second year, 30 percent in the third year, and 40 percent in the fourth year. Alternatively, a bank may elect the cut-off method. Under the cut-off method, the bank neither restores its bad debt reserve to income nor may it deduct actual losses relating to loans held by the bank as of the date of the required change in the method of accounting. Rather, the amount of such losses are charged against and reduce the existing bad debt reserve; any losses in excess of the reserve are deductible.