

pride, and I, as an alumnus and fan, would like to say congratulations on a job well done.

TRIBUTE TO DAVID J. AUGER

HON. BRAD SHERMAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 21, 1997

Mr. SHERMAN. Mr. Speaker, I rise today to recognize David J. Auger as the 1997 Golden Horn Award recipient. This honor is presented to those who are deeply involved in our community and supportive of the Valley Cultural Center and its efforts to bring music to Woodland Hills.

The Valley Cultural Center seeks to enlighten, educate and enrich present and future generations by providing diverse programs through the performing and visual arts. Their programs include music therapy, community concerts, music in the schools, music for seniors, and performances for children.

David's contributions to the Valley Cultural Center are endless. As the vice president and general manager of Time Warner's Northern Region of the Los Angeles Division, David has solidified a partnership between Time Warner and the Valley Cultural Center and has made Time Warner a benefactor for the center. This partnership has resulted in \$10,000 worth of financial support for the center and the development of a successful outreach program.

Today, David's main project in conjunction with the Valley Cultural Center is a video outreach program. With the use of video, David hopes to spread the benefits of music therapy to those outside of our community and around the world. His ingenuity in community involvement combined with his extensive record of service earns him this special recognition.

David's community service extends beyond the Valley Cultural Center to include the Valley Industry Commerce Association, Pacific Lodge Youth Services, Cal State University foundation, and the Los Angeles Cable Operators Association. His previous awards include the Tree of Life Award from the Jewish National fund, the Human Relations Award from the San Fernando Valley Interfaith Council and countless others which merely scratch the surface of his broad range of dedication and strength of his role in the community.

Mr. Speaker, distinguished colleagues, please join me in honoring David for his service and recognizing him as the 1997 Golden Horn Award recipient. His service dedication to our community distinguish David in our community.

RESTORING THE EXCLUSION FOR
NON-OIL RELATED SHIPPING IN-
COME

HON. E. CLAY SHAW, JR.

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 21, 1997

Mr. SHAW. Mr. Speaker, I am introducing legislation today to restore the exclusion of shipping income from subpart F of the Internal Revenue Code. When first enacted, subpart F did not tax the shipping income of foreign corporations owned by U.S. citizens. Shipping

companies owned by U.S. citizens were allowed to compete on terms comparable with companies owned by foreign nationals. As a result, the U.S.-owned fleet represented over 25 percent of the total world fleet. The U.S.-controlled fleet made significant contributions to the Nation's security and it promoted the development of major shipping centers in the United States. The U.S.-controlled fleet alone generated hundreds of millions of dollars in tax revenues as a result of the voluntary repatriation of earnings from the fleet and the associated infrastructure generated billions of additional dollars of taxable economic activity.

In 1975, subpart F was amended to include shipping income that was not reinvested. As a result of the tax change, the U.S.-owned fleet began to decline and the centers of international shipping in the United States began their decline in prominence. As the once significant U.S.-owned fleet was forced to expatriate to remain competitive, related industries, including insurance brokers, ship management companies, surveyors, chartering brokers, technical consultants, and many others who provide services to the maritime industry followed. Tax revenues also declined. In 1986, this mistake was compounded with the imposition of taxes on reinvested shipping income. The U.S.-owned fleet now represents less than 5 percent of the world fleet.

Our major trading partners, on the other hand, have taken a different approach. They have adopted tax policies to ensure that their international shipping is competitive in world markets. As a result, the economic leadership of the United States in this vastly important sector of the economy has been lost. We simply do not have the fleet or the infrastructure to support even a modest percentage of our own international trade. Subpart F has even contributed to the transfer foreign of the once significant U.S. flag fleet, which depends on foreign flag feeder vessels to be competitive. Recent transactions, including the agreement of Neptune Orient Lines to acquire APL, raise the troubling possibility of foreign control of the majority of the government supported U.S.-flag fleet. It makes little sense to spend scarce taxpayer dollars to support U.S.-flag shipping only to have our misguided tax policies undermine their competitive opportunities in international trade.

Restoring this exclusion also reflects sound tax policy. The United States generally does not tax U.S. shareholders on income until that income is realized, that is, the shareholders have dominion and control over the income. Subpart F of the Internal Revenue Code creates an exception to this general rule by taxing a U.S. parent corporation, or significant individual U.S. investor, on the income earned by a foreign subsidiary whether or not that income is paid to the U.S. parent, for example, in the form of dividends. Shipping income of such a U.S.-controlled foreign corporation [CFC] is subject to current taxation under subpart F, regardless of whether those earnings are distributed to its U.S. shareholders. But deferral properly remains the general rule, not the exception, under U.S. law.

There is no evidence whatsoever that the tax policy justifications for the application of subpart F—that seek to prevent the tax motivated expatriation of economic activity—apply to international shipping.

The U.S.-controlled fleet has declined from over 25 percent of the world fleet in 1975 to

less than 5 percent today. This decline has in no way benefited U.S.-flag operations or U.S. employment. There has been no offsetting increase in the investment of U.S. persons in U.S.-flag shipping operations. Thus, however viewed, the current law has been a losing proposition for all U.S. interests.

Therefore, I am introducing legislation that will restore the exclusion of shipping income from subpart F of the Internal Revenue Code. While there has been disagreement on how to restore the American-owned fleet in international shipping, this legislation represents the most up to date thinking on how to accomplish that objective. It is the result of many hours of thought and consideration, and has received broad support from important elements of the maritime industry.

Specifically, the proposed amendment to the Code would restore the exclusion for non-oil related shipping income from subpart F. This deferral is available to U.S.-controlled groups, that is, groups under common control of the same ultimate owners, that maintain a U.S.-flag fleet of 4 or more ships of 10,000 deadweight tons or 2 or more cruise ships with at least 275 berths for passengers. The U.S.-flag fleet requirement will assure that groups benefiting from deferral will maintain at least a minimum U.S. investment, thereby bolstering the U.S. economy and providing U.S. jobs. It will also apply to shipping companies that operate in the Caribbean. This will serve the policy of fostering development in the Caribbean Basin as enunciated in the Caribbean Basin Economic Recovery Act. Finally, deferral is reinstated for companies that are not engaged in the carriage of the commerce of the United States. There is no conceivable justification for imposing U.S. taxes on the income of these foreign shipping companies controlled by U.S. citizens.

To further make available funds for expansion of a U.S.-flag fleet, the proposed amendment permits a controlled foreign corporation to loan funds for acquisition, construction, or reconstruction of a U.S.-flag vessel without triggering U.S. taxation of the funds. Further, the proposed amendment exempts in certain cases interest paid or accrued on the loan from U.S. withholding taxes to further foster investment in, and promote the competitiveness of, the subsidized U.S.-flag fleet. Ultimately, the success of that fleet will depend on policies that will help make U.S. flag operators more competitive. This proposal would do just that.

It was unfortunate that this legislation could not have been included in this year's tax reconciliation bill. Nevertheless, I urge my fellow members to support this proposal, which represents the current state of development of restoring America's presence in international shipping. I intend to include it in appropriate legislation at the earliest possible time.

TRIBUTE IN MEMORY OF
VERALYNE HAMILTON

HON. JOSÉ E. SERRANO

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 21, 1997

Mr. SERRANO. Mr. Speaker, I rise today to pay tribute to the memory of Veralyne Hamilton, a remarkable woman whose lifelong commitment to her family, friends and the Bronx