our tax laws is threatened when very wealthy individuals can avoid their responsibility as citizens by turning their backs on this country and walking away with enormous wealth.

I reject any suggestion that our bill is a form of class warfare or motivated by class envy. It is true that our bill will affect only very wealthy individuals. Only very wealthy individuals have the resources necessary to live securely outside the borders of this country as expatriates. Closing a loophole that only the extraordinarily wealthy can utilize is not class warfare. It is a matter of fundamental fairness to the rest of our citizens.

Opponents of effective reform in this area have gone so far as to suggest that those reforms would be inconsistent with our nation's historic commitment to human rights. I strongly disagree. The individuals affected by the bill are not renouncing their American citizenship because of any fundamental disagreement with our political or economic system. These individuals simply refuse to contribute to the common good in a country where the political and economic system has benefited them enormously. Some opponents have gone so far as to compare the plight of these wealthy expatriates to the plight of the persecuted Jews attempting to flee Russia. That argument is worthy of contempt. Our bill imposes no barrier to departure. Indeed, most expatriates have physically departed from this country before they renounce their citizenship.

For reasons that continue to puzzle me, there was bitter partisan dispute in 1995 over this issue. The partisan nature of that debate obscured the fact that there was a genuine bipartisan consensus that tax avoidance by renouncing one's American citizenship should not be tolerated.

The dispute during 1995 involved an argument over the appropriate mechanism to be used to address tax-motivated expatriation. The Clinton Administration, the Senate on a bipartisan basis, and the House Democrats all supported legislation that would have imposed an immediate tax on the unrealized appreciation in the value of the expatriate's assets. The House Republicans supported a provision that imposed a tax on the U.S. source income of the expatriate for the 10-year period following expatriation. Armed with revenue estimates from the Joint Committee on Taxation that showed their version as raising more money, the House Republicans prevailed and, in 1996, enacted their version of the expatriation legislation.

A recent article in Forbes Magazine summarized the effect of the 1996 legislation as follows: ''It ain't workin'.'' Although the law appears to be draconian on its face, there are plenty of loopholes. In the first quarter of 1999 alone, a grandson of J. Paul Getty; a son of the shipping magnate Jacob Stolt-Nielsen; and Joseph J. Bogdanovich, the son of the Star-Kist mogul, took advantage of those loopholes. The article suggests that many other expatriates deliberately have lost citizenship without formally renouncing it, believing that was a simple way to avoid the 1996 Act.

The 1996 legislation made several modifications to ineffective prior law expatriation provisions. It eliminated the requirement to show a tax-avoidance motive in most cases and eliminated one simple method of avoiding the rules, involving transfers of U.S. assets to foreign corporations. There were many other ways of avoiding those rules such as delaying gains, monetizing assets without recognition of gains, and investing indirectly through derivatives. Those techniques were left untouched.

The 1996 legislation made no serious attempt to prevent the avoidance of the estate and gift taxes, even though expatriation has been described as the ultimate technique in avoiding estate and gift taxes. Bill Gates, one of the wealthiest individuals in the world, has approximately $90 billion in assets. If he were to die or transfer those assets to his children by gift, the potential liability would be substantial. If Bill Gates were to expatriate, he could immediately make unlimited gifts in cash to his children without any gift tax liability. If he expatriated ten years before he died, his entire $90 billion stake in Microsoft could be transferred to his heirs with no income tax or estate tax ever being imposed on that accumulation of wealth.

Chairman ARCHER recently sent a letter to the staff of the Joint Committee on Taxation requesting a study and report on the 1996 expatriation legislation. I welcome that letter as an implicit recognition that the Congress should return to the issue of tax motivated expatriation. However, I believe the time for study has passed. In 1995, the Joint Committee on Taxation issued an unprecedented 140-page report on this issue. The Chief of Staff of the Joint Committee on Taxation testified at length on this issue in several congressional hearings. Further studies now only will be used as an excuse for delaying action on this issue. That delay will provide a window of opportunity for those considering tax motivated expatriation. It is time for the Members of Congress, not their staff, to make decisions and take action on this issue.

Following is a brief summary of my bill.

SUMMARY OF BILL

The bill would impose a tax on the unrealized appreciation in the value of an expatriate's assets. The amount of that tax would be determined as if the expatriate has sold his assets for their fair market value on the date that he expatriates. To the extent that those assets are capital assets, the preferential capital gains tax rates would apply.

The bill exempts the first $600,000 ($1.2 million for a married couple) of appreciation from the tax. It also exempts U.S. real property interests and interests in retirement plans.

The expatriate would be provided an election to defer the tax with interest until the property is sold.

The bill would eliminate the ability to avoid estate and gift taxes through expatriation by imposing a tax on the receipt by U.S. citizens of gifts or bequests from expatriates. The new tax would not apply in circumstances where the gift or bequest was otherwise subject to U.S. estate or gift taxes. In addition, the new tax would be reduced by any foreign estate or gift tax paid on the gift or bequest.

The bill would eliminate the ability to expatriate on an informal basis. It would require a formal renunciation of citizenship before an individual could avoid tax as a U.S. citizen.

Generally, the bill would apply to individuals formally renouncing their citizenship after the date of action by the Committee on Ways and Means. The provisions designed to prevent avoidance of estate and gift taxes would apply to gifts and bequests received after such date.

TRIBUTE TO LES HODGSON

HON. SOLOMON P. ORTIZ

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 19, 1999

Mr. ORTIZ. Mr. Speaker, I rise today to commend Les Hodgson, of Brownsville, Texas, who won an award from the National Oceanic and Atmospheric Administration (NOAA) on September 27 and will be in Washington, DC, tomorrow to receive his award.

Les Hodgson is being noted for his volunteer work to save the Kemp's Ridley sea turtles. Les was named Volunteer of the Year as a recipient of the 1999 Walter B. Jones Memorial and NOAA Excellence Awards for Coastal and Ocean Resource Management. Walter Jones was a colleague of ours here in the House, and he chaired the Merchant Marine and Fisheries Committee in the early 1990s when I was a member. I am very proud of Les for the very important environmental work he does in volunteering to help save Kemp's Ridley sea turtles.

Les is a widely-respected and hard working man. Camping with his dad when he was young instilled a healthy respect for the environment that surrounds us. As co-owner of a shrimping business, his volunteer work to save the Kemp's Ridley sea turtles is very unique. He spends his own time and money patrolling the South Texas beaches to find turtle nests during nesting seasons. Additionally, he has used his relationship with other organizations, such as the National Fisheries Institute (NFI), of which he is past president and the Texas Shrimp Association, to successfully supplement support for these conservation efforts.

In 1996, Les helped Ocean Trust, a nonprofit research and education foundation that protects ocean resources, get access to the turtle camps to produce a film on the Kemp's Ridley. In 1997, he began building a camp at Tepehaujes, the 2nd-largest nesting beach north of Rancho Nuevo. He persuaded the NFI Shrimp Council to donate $30,000; Les himself purchased building materials and donated labor from his company, and organized the volunteers.

When the camp was dedicated, Les stood in the back, crediting the people he persuaded to help make this a reality. When Ocean Trust named him The Outstanding Steward in Marine Conservation in Los Angeles, typically, Les was unable to personally accept the award since he was leading a group of turtle project officials to Mexico. Les is indeed the man for this high honor.

I ask my colleagues to join me today in recognizing the everyday excellence in our communities who labor to leave this world in a better shape than when we began. Please join me in commending Les Hodgson for his unselfish efforts to better the environment.

SALUTING PATIENT APPRECIATION DAY

HON. DALE E. KILDEE

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, October 19, 1999

Mr. KILDEE. Mr. Speaker, I rise today to join with the Genesee County Medical Society