

the United States to obtain lawful permanent resident status.

#### EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-10886. A communication from the Special Assistant to the Bureau Chief, Mass Media Bureau, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled "Amendment of Section 73.202(b), Table of Allotments, FM Broadcast Stations (Blackduck and Kelliher, MN)" (MM Docket No. 99-78, RM-9487, RM-9646) received on September 18, 2000; to the Committee on Commerce, Science, and Transportation.

EC-10887. A communication from the Special Assistant to the Bureau Chief, Mass Media Bureau, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled "Amendment of Section 73.202(b), Table of Allotments, FM Broadcast Stations (Johannesburg, Edwards, California)" (MM Docket No. 99-239, RM-9658) received on September 18, 2000; to the Committee on Commerce, Science, and Transportation.

EC-10888. A communication from the Special Assistant to the Bureau Chief, Mass Media Bureau, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled "Amendment of Section 73.202(b), Table of Allotments, DTV Broadcast Stations, Monroe, LA" (MM Docket No. 99-265, RM-9660) received on September 18, 2000; to the Committee on Commerce, Science, and Transportation.

EC-10889. A communication from the Special Assistant to the Bureau Chief, Mass Media Bureau, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled "Amendment of Section 73.202(b), Table of Allotments, DTV Broadcast Stations, Klamath Falls, Oregon" (MM Docket No. 99-296, RM-9661) received on September 18, 2000; to the Committee on Commerce, Science, and Transportation.

EC-10890. A communication from the Special Assistant to the Bureau Chief, Mass Media Bureau, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled "Amendment of Section 73.202(b), Table of Allotments, FM Broadcast Stations, Osceola, Sedalia and Wheatland, Missouri" (MM Docket No. 99-299) received on September 18, 2000; to the Committee on Commerce, Science, and Transportation.

EC-10891. A communication from the Special Assistant to the Bureau Chief, Mass Media Bureau, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled "Amendment of Section 73.202(b), Table of Allotments, DTV Broadcast Stations, Baton Rouge, LA" (MM Docket No. 99-317, RM-9743) received on September 18, 2000; to the Committee on Commerce, Science, and Transportation.

EC-10892. A communication from the Special Assistant to the Bureau Chief, Mass Media Bureau, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled "Amendment of Section 73.202(b), Table of Allotments, FM Broadcast Stations Mertzson, Texas and Big Pine Key, Florida" (MM Docket No. 99-356 and 00-29) received on September 18, 2000; to the Committee on Commerce, Science, and Transportation.

EC-10893. A communication from the Associate Bureau Chief, wireless Telecommuni-

cations Bureau, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled "1998 Biennial Regulatory Review—Private Land Mobile Radio Services" (WT Docket No. 98-182, FCC 00-235, PR Doc. 92-235) received on September 18, 2000; to the Committee on Commerce, Science, and Transportation.

EC-10894. A communication from the Associate Bureau Chief, wireless Telecommunications Bureau, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled "Implementation of the 911 Act; The Use of N11 Codes and other abbreviated Dialing Arrangements" (FCC 00-327, WT Doc. 00-110, CC Doc. 92-105) received on September 18, 2000; to the Committee on Commerce, Science, and Transportation.

EC-10895. A communication from the Assistant Administrator For Fisheries, National Marine Fisheries Service, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled "Final Rule to Implement a Previously Disapproved Measure Originally Contained in Amendment 9 to the Fishery Management Plan for the Snapper-Grouper Fishery of the South Atlantic Region" (RIN0648-AM93) received on September 19, 2000; to the Committee on Commerce, Science, and Transportation.

EC-10896. A communication from the Associate Bureau Chief, Wireless Telecommunications Bureau, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled "Amendment of Parts 2 and 95 of the Commissions's Rules to Establish a Medical Implant communications Service in the 402-405 MHz Band" (WT Docket No. 99-66, FCC 99-363) received on September 20, 2000; to the Committee on Commerce, Science, and Transportation.

#### INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second times by unanimous consent, and referred as indicated:

By Ms. COLLINS (for herself, Mr. CLELAND, and Mr. ROTH):

S. 3096. A bill to amend the Internal Revenue Code of 1986 to increase and modify the exclusion relating to qualified small business; to the Committee on Finance.

By Mr. ENZI (for himself and Mr. THOMAS):

S. 3097. A bill to suspend temporarily the duty on acrylic fiber tow; to the Committee on Finance.

By Mr. DORGAN:

S. 3098. A bill to amend the Internal Revenue Code of 1986 to phase in a full estate tax deduction for family-owned business interests; to the Committee on Finance.

By Mr. GRAMS:

S. 3099. A bill to amend the Internal Revenue Code of 1986 to clarify the exemption from tax for small property and casualty insurance companies, and for other purposes; to the Committee on Finance.

#### STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Ms. COLLINS (for herself, Mr. CLELAND, and Mr. ROTH):

S. 3096. A bill to amend the Internal Revenue Code of 1986 to increase and modify the exclusion relating to qualified small business; to the Committee on Finance.

ENCOURAGING INVESTMENT IN SMALL BUSINESS ACT

Ms. COLLINS. Mr. President, I rise today to introduce the Encouraging Investment in Small Business Act, legislation intended to stimulate private investment in the entrepreneurs who drive our economy. I am very pleased to be joined today by my good friend, the Senator from Georgia, Mr. CLELAND, and by the distinguished chairman of the Finance Committee, Senator ROTH, in introducing this important legislation. Senators CLELAND and ROTH both understand the importance of small businesses to our economy and have been tireless advocates on their behalf.

The bill we are introducing today will encourage long-term investment in small and emerging businesses by rewarding individuals who risk investment in such firms. According to the U.S. Small Business Administration, small firms account for three-quarters of the Nation's employment growth and almost all of our net new jobs.

Small businesses employ more than 50 percent of all private workers, provide 51 percent of our private sector output, and are responsible for a disproportionate share of innovations. Moreover, small businesses are avenues of opportunity for women and minorities, younger and older workers, and those making the transition from welfare to work.

At the same time, small businesses face unique financing challenges. I know this from my experience serving as the New England Administrator for the Small Business Administration. There are so many small entrepreneurs who have a wonderful idea for an innovative product but simply have great difficulty in getting the financing they need to get that idea off the ground.

Simply put, entrepreneurs need access to more capital to start and expand their businesses. Small businesses that cannot deliver "dot-com" rates of return are particularly having trouble raising needed funds. As the Small Business Administration noted earlier this year, "Adequate financing for rapidly growing firms will be America's greatest economic policy challenge of the new century."

A recent report by the National Commission on Entrepreneurship presented findings of 18 focus groups with more than 250 entrepreneurs from across the country. According to the report, these entrepreneurs were "nearly unanimous in identifying difficulties in obtaining seed capital investments." That is the early stage financing that helps get a business off the ground.

Moreover, minority-owned small businesses and research-intensive businesses that may take many years to develop a product find raising sufficient capital to be particularly difficult. Consider that it takes, on average, 14 years for a biotechnology company to develop a new pharmaceutical. This promising and growing sector of our economy requires patient capital—and lots of it.

Cheryl Timberlake, the executive director of the Biotechnology Association in my State, recently wrote to endorse the legislation I am introducing today and to reinforce the need to stimulate more investment in biotech firms. Cheryl wrote that:

Many of the Maine biotech companies are still in the research stage and rely on venture capital to fund their innovative drug development. Most research-stage biotech companies do not yet have products on the market. Without a source of revenue, there are no profits to fund their business. These companies are dependent on private investors for most or all of their financial support. [Therefore, the Biotechnology Association of Maine] believes that the changes in . . . the Internal Revenue Code [such as you propose] will enable more small business investment in our member companies.

I think Cheryl summed up the problem well in Maine. We have a growing and diverse biotechnology sector, but they are having difficulty in finding the kind of financial support that they need to grow.

I also received recently a letter of support from the executive director of the National Commission on Entrepreneurship. He noted that startup companies are "struggling to find access to equity investments [particularly in the range] between \$100,000 and \$3 million."

His letter continues:

So the question becomes: how can we motivate more individuals with investment capital, who may not have previous experience with entrepreneurial companies, to invest in such companies at the "seed" or "early-stage" level? The Encouraging Investment in Small Business Act, by increasing the incentives provided by Section 1202 of the Internal Revenue Code, may well provide one important part of the answer to this question.

Similarly, the National Federation of Independent Business, our Nation's largest small business group, has also written in support of the legislation that the Senator from Georgia and I are introducing today.

Dan Danner wrote:

Unfortunately, while our nation's current prosperity has brought unprecedented funds to certain sectors of our economy, small business entrepreneurs still lack access to valuable capital needed to start and expand their businesses.

Mr. President, I ask unanimous consent that the three letters from which I quoted this morning be printed in the RECORD, in their entirety.

There being no objection, the letter were ordered to be printed in the RECORD, as follows:

BIOTECHNOLOGY ASSOCIATION  
OF MAINE,  
Augusta, ME, August 28, 2000.

Hon. SUSAN M. COLLINS,  
U.S. Senate, Russell Building,  
Washington, DC.

DEAR SENATOR COLLINS: On behalf of the Biotechnology Association of Maine (BAM), a trade organization representing Maine's biotechnology companies, our affiliated educational institutions, and the not for profit research organizations. I am writing to endorse the Encouraging Small Business Act.

In an industry survey conducted by our sister organization the Center for Innovation in Biotechnology (CIB), the first most critical challenge to the success of biotechnology

firms in Maine is financing. The incredible pace of new technological developments create unceasing demands for new and established companies to remain competitive and grow. All efforts to stay competitive require investment. Businesses in Maine involved in biotechnology and life sciences look for any opportunity to increase their financial footing.

Many of the Maine biotech companies are still in the research stage and rely on venture capital to fund their innovative drug development. Most research-stage biotech companies do not yet have products in the market. Without a source of revenue, there are no profits to fund their business. These companies are dependent on private investors for most or all of their financial support.

BAM believes the changes in Section 1202 of the Internal Revenue Code, as proposed will enable more small business investment in our member companies. The changes will enable private investors to use the Code, as it was intended and eliminate the duplication and unnecessary provisions that complicate the process. The key is to encourage investment, in whatever means possible. It should be recognized that the Section 1202 has proven useful to small and large companies, but it frequently burdensome, with difficult accounting procedures and other unrelated hurdles.

On behalf of the Biotechnology Association of Maine, I appreciate your continued leadership and thank you for proposing the Encouraging Investment in Small Business Act. We look forward to working with you on passage of this important piece bill. Thank you.

Sincerely yours,

CHERYL C. TIMBERLAKE,  
Executive Director.

NATIONAL COMMISSION  
ON ENTREPRENEURSHIP,  
Washington, DC, September 15, 2000.

Hon. SUSAN M. COLLINS,  
Russell Senate Office Building, U.S. Senate,  
Washington, DC.

DEAR SENATOR COLLINS: I congratulate you on your introduction of The Encouraging Investment in Small Business Act of 2000. The bill represents one way that tax policy can help address the current "capital gap" facing emerging high-growth companies throughout the country, especially in regions just beginning to build entrepreneurial economies.

The National Commission on Entrepreneurship has just completed 18 focus groups with 250 entrepreneurs around the country. We asked these entrepreneurs to tell us what key external constraints face the start-up and growth of their companies. Finding qualified people—from entry level to technical to management employees—was their number one concern. But also very high on their lists was a growing "seed capital" or "early-stage capital" gap. Entrepreneurial companies are struggling to find access to equity investments roughly between \$100,000 and \$3,000,000.

In brief, the "early stage capital" problem is this. Entrepreneurs can cobble together the equity they need up to about \$100,000 through the use of credit cards, second mortgages, and cash investments from friends and family. And if they are building a company, say in "hot" sectors like the Internet or biotech, where the dynamics of the industry require extraordinary amounts of cash early in a firm's life, they can find venture capital firms to invest a minimum of three to five million dollars. But if they need less than \$3,000,000 for the near future, investors at that funding level are very hard to find.

Highly developed entrepreneurial regions provide this "early-stage capital" typically in the form of organized "angel" investor networks. "Angels" are usually previously

successful entrepreneurs and other wealthy investors connected with the entrepreneurial economy in their regions who regularly and systematically review potential investments. They then serve either as board members or mentors to their new investee companies, and prepare them for a round of venture capital investment or acquisition by another company or an initial public offering.

Unfortunately, regions just beginning to build entrepreneurial economies do not yet have these "angel networks" in place. So the question becomes: how can we motivate more individuals with investment capital, who may not have previous experience with entrepreneurial companies, to invest in such companies at the "seed" or "early-stage" level?

The Encouraging Investment in Small Business Act, by increasing the incentives provided by Section 1202 of the Internal Revenue Code, may well provide one important part of the answer to this question. While we have not reviewed in detail all the provisions of your legislation, your bill takes two important steps in this direction.

First, the bill accounts for post-1993 changes in tax rates for capital gains of all kinds, by increasing the capital gains exclusion for investments in small businesses from 50% to 75%. And second, the bill excludes the gains from these investments from calculations under the Alternative Minimum Tax (AMT) provisions of the Code. Combined with the other provisions of your bill that simplify the use of Section 1202, the tax incentives could well motivate many more investors to allocate more of their investment dollars to high-growth entrepreneurial companies. Typically, the combined investments of several individuals in one such company would amount to meeting the critical "seed" or "early stage" capital needs of that company.

We look forward to working with you as your legislation moves forward and would be delighted to provide any additional information about "angel" investing and the growing "early-stage" capital gap. To that end, I have taken the liberty of attaching a copy of one of our bi-weekly columns that addresses the topic.

Sincerely,

PATRICK VON BARGEN,  
Executive Director.

NFIB, THE VOICE OF SMALL BUSINESS  
Washington, DC.

Hon. SUSAN COLLINS,  
U.S. Senate,  
Washington, DC.

DEAR SENATOR COLLINS: On behalf of the 600,000 members of the National Federation of Independent Business (NFIB), I want to express our support for the Encouraging Investment in Small Business Act, which you will be introducing in September.

As you are aware, small businesses are the engines driving our economy. They constitute 98 percent of all businesses in America, and they employ almost 60 percent of the workforce. Additionally, small businesses have created roughly two-thirds of the net new jobs in the American economy since the early 1970's.

Unfortunately, while our nation's current prosperity has brought unprecedented funds to certain sectors of our economy, small business entrepreneurs still lack the access to valuable capital needed to start and expand their businesses.

Your legislation goes along way towards addressing this problem. By reforming and improving Section 1202 of the Internal Revenue Code, investors will now have a true incentive to invest in small businesses. Under current law, Section 1202 is no longer a viable option in many of the circumstances it

was originally intended to address. Moreover, Section 1202's impact will continue to be diluted by a scheduled decrease in long-term capital gains rates applicable to most stock purchased after 2000 and the probability that still more taxpayers will be subject to the extremely complicated and cumbersome Alternative Minimum Tax. The Encouraging Investment in Small Business Act would eliminate unnecessary complexity in Section 1202 and make it a more robust engine of capital formation for small businesses.

Senator Collins, thank you for your continued support of small businesses. We look forward to working with you to get the Encouraging Investment in Small Business Act enacted into law.

Sincerely,

DAN DANNER,  
Senior Vice President,  
Federal Public Policy.

Ms. COLLINS. Mr. President, if we want to remain the world's most entrepreneurial country, which is certainly the strength of this Nation, where small businesses generate the ideas and create the jobs that fuel our economy, we must continue to create an environment that nurtures and supports entrepreneurs. Our bill would help to create such an environment, not by establishing a new Federal program or adding a complicated new section to our Tax Code but, rather, by simplifying and improving a provision that is already there.

By way of background, section 1202 was added to the Internal Revenue Code in 1993 in order to encourage investment in small business. The bill that created this section was introduced by senator Dale Bumpers and enjoyed widespread bipartisan support. Similarly, the legislation we introduce today will improve upon the 1993 legislation.

In brief, section 1202 of the Internal Revenue Code permits noncorporate taxpayers to exclude from gross income 50 percent of the gain from the sale or exchange of qualified small business stock, known as QSB stock, held for more than 5 years. The concept is a sound one. In practice, however, this section has proven to be cumbersome to use and less advantageous than originally intended.

As an article in the December 1998 edition of the Tax Adviser noted:

Section 1202 places numerous and complex requirements on both the qualified small business and the shareholder.

The article went on to note that the provision "is no longer the deal it seemed to be."

The Encouraging investment in Small Business Act would amend section 1202 to eliminate unnecessary complexity and to make it a more robust engine of capital formation for small business. As it stands now, that engine needs some fine-tuning. Given the reductions in capital gains rates subsequent to section 1202's enactment and the fact that more and more taxpayers are now subject to the alternative minimum tax, section 1202 is no longer a viable option in many circumstances. Moreover, its impact will

continue to be diluted by a scheduled decrease in long-term capital gains rates applicable to most stock purchased after the year 2000, as well as the probability that still more taxpayers will be subject to the AMT.

The Encouraging Investment in Small Business Act makes a number of improvements to this section of the code. First, the bill increases the amount of qualified small business stock gain that an individual can exclude from gross income from 50 percent to 75 percent. Second, the legislation strikes the section of the Tax Code that makes a portion of the section 1202 exclusion a preference item under the alternative minimum tax. These two changes rejuvenate the section and make it the potent generator of small business capital that it was intended to be.

Currently, an individual who invested in QSB stock, sold it, and found her or himself subject to the AMT, would face an effective capital gains rate of 19.9 percent or just .1 percent less than the existing rate on long-term capital gains. When we consider that the number of taxpayers subject to the AMT is predicted to triple over the next 5 years, it becomes crystal clear that a fix is needed now. The legislation would take additional steps to make section 1202 more attractive to small businesses and investors.

The legislation may sound complicated and, indeed, revising tax law is always a challenge, but the bottom line is that our legislation makes a number of common sense changes that are all designed to encourage more investment in small businesses, the engine of our economy.

These changes have been endorsed by the leading small business organizations. They are changes recommended by a recent Securities and Exchange Commission forum on small business capital formation, and they are the changes needed to accommodate and, indeed, to foster the capital-raising needs of small business, the foundation of our national economy.

I thank the Chair and yield the floor.

The PRESIDING OFFICER. The Senator from Georgia.

Mr. CLELAND. Mr. President, I applaud the distinguished Senator from Maine, Ms. COLLINS, for her gargantuan effort to tackle the Byzantine aspects of the U.S. Tax Code to see if there is some way we can assist our venture capitalists to help our small businesses, particularly our high-tech small business more.

It is a pleasure to work with Senator COLLINS, not only in this endeavor but in other endeavors. We serve together on the Government Affairs Committee. One of our responsibilities is oversight of the Securities and Exchange Commission which looks at the world of investments in businesses in this country. I applaud her for her insight, for her innovation in this area, she is right on target. I am pleased to associate myself with her remarks today and

pleased to cosponsor the legislation of which she speaks.

On that point, in terms of being relevant to what is driving the American economy, not only in my home State of Georgia, particularly in Atlanta, where more and more high-tech businesses are located, but in Silicon Valley, where I just got back from a tour in early August, it is obvious that we are generating a lot of talented young minds in America with great ideas and that those young minds can form together, and with the right capital at the right time can generate businesses that literally were unknown or unheard of just months ago. We see those kind of successes now driving the American economy. Information technology economies now provide the leading edge for American economic growth and our prosperity. I couldn't agree more with the Senator from Maine. We will do everything in our power to assist this legislation and move it forward.

By Mr. DORGAN:

S. 3098. A bill to amend the Internal Revenue Code of 1986 to phase in a full estate tax deduction for family-owned business interests; to the Committee on Finance.

ESTATE TAX DEDUCTION FOR FAMILY-OWNED  
BUSINESS INTERESTS

Mr. DORGAN. Mr. President, one of the things Americans like least about Congress is the way we wrangle over things we don't agree about instead of acting on things we can agree about.

The estate tax is a case in point. There is wide agreement in the Senate that we should act to eliminate the burden of the estate tax on family farms and businesses. We could accomplish that this year—this week in fact—with little fuss or ado.

I propose that we do just that, and save for later the parts of the estate tax that we don't agree on. We should not hold the family farms and businesses of this nation hostage to the heirs of multi-billion-dollar investment fortunes. We can address that problem right now so let's do it.

We often forget in this country that a family is an economic unit as well as a social unit. This nation was built upon an economy of family-based farms and businesses. That is why the values of family—a commitment to community, a loyalty to place, a sense of tradition passing through the generations—were an important part of the economy in the formative days of our republic.

Those values weakened as the economy became national and corporate. They have weakened further still as the economy has become global, and the cold calculus of the global marketplace has displaced considerations of family and community in our economic life.

In this setting it is crucial that we strive to keep the family farms and businesses that we have, and to encourage new ones. Family-based enterprise

provides a counterweight to the centrifugal forces of the global economy. It can help to anchor the market in values and concerns that the large impersonal corporation does not share, and we should encourage this form of enterprise whenever we can.

Certainly the Federal Government never should force the sale of such an enterprise just to pay an estate tax. That does not happen often today. But not often is still too often. It should never happen, and that is why I am introducing a bill today to make sure it doesn't.

Under this bill, the estate tax on farms and businesses under active family management would phase out over 6 years, until by 2006 it would be gone completely.

This bill is different from the one that passed this Chamber earlier this year in one key respect: It applies onto family farms and businesses passed along to the next generation. It does not apply to the heirs of multi-billion dollar investment fortunes and the like. There was a strange disconnect in the debate over that earlier bill. Virtually all the talk from proponents was about family farms and businesses. Yet the bulk of the actual belief of their bill would have gone to the heirs of investment fortunes instead.

That is why many of us voted against the bill. The walk didn't match the talk. And that is why I am proposing today that, for once, we move forward on what we do agree on instead of wrangling continuously, for political advantage, over what we don't. Large stock fortunes are not the same as family farms and businesses. They raise a different set of questions where the estate tax is concerned, and we ought to deal with those questions separately and at a later time.

This is not the place to debate the merits of the estate tax as it applies to large fortunes as opposed to operating farms and businesses. I will just note briefly a few of the reasons why many of us could not support the previous bill.

For one thing, the tax was enacted out of the conviction that those who have benefited most from our democracy in the past ought to contribute to its security and well-being in the future. That was true back in 1916 and it is equally true today. To repeal the estate tax completely would shift the burden of paying for the Federal Government even more onto the working men and women of this country. That is not fair.

Second, the estate tax encourages people with large fortunes to make significant contributions to charity. If we are going to rely less on government in addressing our social problems, and more on the efforts of individuals and private nonprofit organizations, then we must not dry up a prime source of funding for these efforts.

Third, the estate tax encourages the work ethic, as it applies to estates other than family-based farms and

businesses. Those who might otherwise be able to live on inherited fortunes occasionally have to some useful work instead.

I know that there is disagreement on these points. They deserve an honest debate. But as I said, we should not hold family based farms and businesses hostage to that debate. We can agree that help for these family based enterprises is the first priority of estate tax reform. We can agree that no family farm or family business should have to be sold to pay an estate tax.

So let's do that now and save the rest for another day.

By Mr. GRAMS:

S. 3099. A bill to amend the Internal Revenue Code of 1986 to clarify the exemption from tax for small property and casualty insurance companies, and for other purposes; to the Committee on Finance.

SMALL PROPERTY AND CASUALTY INSURANCE  
EXEMPTION ACT

Mr. GRAMS. Mr. President, I rise to introduce a bill to clarify the tax exemption status for small property and casualty insurance companies. These small companies are vitally important to provide needed services for our rural and farming communities.

Under current law, an insurance company with up to \$350,000 in premium is tax-exempt. In addition, companies with premiums that exceed \$350,000 but do not exceed \$1,200,000 are allowed to elect to be taxed on their net investment income.

Investment income or assets are not considered when determining qualification for either tax-exempt status or investment income taxation. These companies are allowed to elect to be taxed on their net investment income.

Early this year, President proposed in his FY 2001 budget to modify this calculation to include investment and other types of income. The proposal would also change the tax law to allow companies with premiums below \$350,000 to elect to be taxed on their net investment income.

By including investment income into the calculation, it is the intent of the administration to prohibit foreign companies and other large insurers from sheltering income from taxes.

However, by including investment into the calculation, the intended beneficiaries, small property and casualty insurance companies, will not be able to qualify for the exemption defeating the intent of Congress and purpose for the provision.

Mr. President, since 1921, small insurance companies have been exempt from federal taxation so that all their financial resources could be used for claims paying.

It has been the public policy goal to maintain small, rural, farm-oriented insurers so that all Americans would have access to coverage at a reasonable cost.

While the administration's goal of closing the loophole is admirable, the

current proposal would only serve to harm the small U.S. farm insurance company that the provision is there to protect.

My legislation would close the loophole by limiting the provision to only those companies that are directly owned by their policyholders and the company operates in only one state.

In addition, the legislation would increase the tax exemption level from \$350,000 to \$531,000, indexed for inflation every year thereafter, and it would increase the investment income election from \$1.2 million to \$1.8 million, indexed for inflation every year thereafter.

The last time these levels were increased was 1986. Inflation has eroded the levels to the point of being irrelevant. The increased levels were calculated by using the CPI to adjust the levels for inflation.

Mr. President, by making these changes we can ensure that our rural and farming communities will continue to receive the needed insurance services. I urge my colleagues to support this legislation.

ADDITIONAL COSPONSORS

S. 670

At the request of Mr. JEFFORDS, the name of the Senator from Utah (Mr. HATCH) was added as a cosponsor of S. 670, a bill to amend the Internal Revenue Code of 1986 to provide that the exclusion from gross income for foster care payments shall also apply to payments by qualifying placement agencies, and for other purposes.

S. 1536

At the request of Mr. DEWINE, the names of the Senator from Vermont (Mr. LEAHY), the Senator from Wyoming (Mr. ENZI) and the Senator from Kansas (Mr. ROBERTS) were added as cosponsors of S. 1536, a bill to amend the Older Americans Act of 1965 to extend authorizations of appropriations for programs under the Act, to modernize programs and services for older individuals, and for other purposes.

S. 1855

At the request of Mr. MURKOWSKI, the name of the Senator from California (Mrs. FEINSTEIN) was added as a cosponsor of S. 1855, a bill to establish age limitations for airmen.

S. 2264

At the request of Mr. ROCKEFELLER, the name of the Senator from New Mexico (Mr. BINGAMAN) was added as a cosponsor of S. 2264, a bill to amend title 38, United States Code, to establish within the Veterans Health Administration the position of Advisor on Physician Assistants, and for other purposes.

S. 2686

At the request of Mr. COCHRAN, the name of the Senator from Georgia (Mr. CLELAND) was added as a cosponsor of S. 2686, a bill to amend chapter 36 of title 39, United States Code, to modify rates relating to reduced rate mail matter, and for other purposes.