EXTENSIONS OF REMARKS

TAX INCENTIVES FOR TELECOMMUNICATIONS BUSINESSES

HON. CHARLES B. RANGEL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 25, 2003

Mr. RANGEL. Mr. Speaker, today I am introducing legislation to provide tax incentives to encourage greater diversity of ownership in telecommunications businesses. My bill is a response to the increasing ownership of television and radio properties by large media companies.

I strongly believe that promoting a diversity of views on the airwaves is an important public policy goal. The only way to accomplish that goal is to broaden the ownership of broadcast stations. The television and radio spectrum is a limited resource. The trend in recent years has been a greater concentration of ownership of that resource by the large media companies. We need to reverse that trend.

Mr. Speaker, small businesses that wish to enter telecommunications businesses face significant barriers. To enter a broadcast business, a small business must purchase an existing property. Owners of those properties find it much easier to sell to large businesses than to small businesses. Therefore, small businesses quite often do not have a seat at the table when there are negotiations over the sale of broadcast properties.

My bill would attempt to reduce those barriers by providing limited deferral of capital gain taxation when a telecommunications property is sold to a small business. It would provide the sellers of those properties a positive incentive to consider a small business purchaser.

Large segments of our society historically have been underrepresented in the ownership of radio and television properties. I believe that it is vital that those groups have access to the television and radio spectrum so that their views may be represented on our airwaves. Therefore, my bill would provide a larger deferral of capital gain taxation when the sale is to a small business owned and controlled by individuals from these historically underrepresented groups.

Mr. Speaker, I understand that some may attack my bill as being the re-enactment of a flawed prior program. The provisions in my bill are quite similar to the tax certificate program that was repealed by the Congress in 1995. I do not quarrel with those who assert that there were abuses in that program. However, it is unfortunate that the Congress chose repeal and not reform because that program had been effective in accomplishing its goal of expanding ownership of radio and television businesses. In 1978, before the implementation of that program, only .05 percent of all broadcast stations in this country were owned by minority groups. By 1994, the year before the program was repealed, the program had succeeded in increasing minority ownership sixty-fold to 3 percent. Since that program was repealed, the number of minority-owned broadcast properties has declined.

The bill that I am introducing today contains provisions specifically designed to address the abuses in the prior program. It is limited to small business purchasers, it contains restrictions on the number of purchases that can be made by any one business, it contains recapture provisions to prevent the use of the small business as a front for another party, and it contains provisions designed to prevent avoidance of the ownership requirements through options or other sophisticated transactions.

I am hopeful that we can avoid the emotionally charged rhetoric that occurred in 1995 when this issue was last considered. All small businesses, regardless of their ownership, would be eligible for the benefits of my bill. It is true that the bill provides a slightly larger incentive when the small business purchaser is owned and controlled by individuals who are from segments in our society historically underrepresented in ownership of broadcast businesses. I believe this incentive is appropriate so that the views of those groups are heard on our Nation's airwaves. The bill simply attempts to ensure that small businesses, including minority owned small businesses, have a seat at the table when a broadcast property is being sold.

Mr. Speaker, I am hopeful that we will be able to deal with this issue on a bipartisan basis. We should all support the goal of expanding diversity in ownership of broadcast properties. I am pleased that in the past Senator MCCAIN introduced a similar proposal in the Senate. I am hopeful that we can find bipartisan support in the House. Following is a brief description of the provisions of the bill.

DEATH TAX REPEAL PERMANENCY ACT OF 2003

SPEECH OF

HON. DENNIS MOORE

OF KANSAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 18, 2003

Mr. MOORE. Mr. Speaker, I rise in opposition to H.R. 8, Permanent Death Tax Repeal Act and in support of the Democratic substitute.

I have long been a supporter of providing estate tax relief to American families, small business owners, and farmers who have worked their entire lives to transfer a portion of their estates upon their death. I have also been an advocate, however, for ensuring that we transfer to our children and grandchildren a healthy economy and a government that maintains its commitment to Social Security and Medicare.

In the last Congress, I voted to repeal the estate tax and later voted to override President Clinton's veto of that legislation. Again, in the 107th Congress, I voted to repeal the estate tax as a stand-alone measure and later voted for President Bush's $1.35 trillion tax cut, which contained a provision to phase out and ultimately repeal the estate tax.

When I voted for the president's tax bill last year, I did so with his assurance that we would have the money to pay for it without dipping into the Social Security surplus. Unfortunately, due to the recession and the war on terrorism, the budget surpluses projected last year did not materialize and we are now borrowing money from Social Security Trust Funds to pay for even our most basic needs including the war on terrorism.

While I agree that we should fix provisions of last year's tax cut to increase certainty in the tax code that will help people plan for their financial future, we should also make sure that we are not borrowing money—particularly from the Social Security Trust Funds—to pay for these cuts while we are simultaneously trying to enhance our national security needs. We should also ensure that we aren't raising other taxes to pay for provisions that are, quite frankly, political in nature and have nothing to do with ensuring that the estate tax burden is reduced on our small businesses and farms.

For example, Mr. Speaker, the underlying bill contains a hidden tax on all decedents. By fully repealing the estate tax, this bill would have the effect of repealing a provision in the code, referred to as the ''step up in basis,'' that protects heirs from paying capital gains on estates.

Anyone who has ever sold a ''capital'' asset, such as real estate, stocks, bonds, mutual funds, knows that cost basis is what the gain or loss on the sales price is measured against. Generally speaking, cost basis is the purchase price of property subject to certain adjustments upward or downward. For example, if property was purchased in 1950 at a cost of $10,000 and sold in 2001 at $100,000, an individual would have a taxable capital gain of $90,000. The step-up basis interacts with estates such that when this property passes by reason of death, the heir inherits the asset with a new cost basis equivalent to the market value of the asset on the date of the benefactor's death. Taking the example above, if the property were transferred in 2001 at a value of $100,000 and the heir sold the property in 2006 for $120,000, the heir would only have a taxable capital gain of $20,000 instead of $110,000.

Should this bill become law, an owner of farmland, stocks, mutual funds, or even a personal residence would have lost the opportunity to pass the asset to the next generation without passing along the owner's cost basis, thus reducing the future capital gains bill that will have to be paid when the heirs sell the asset. In short, this amounts to a tax increase on all estates due simply to the increased cost basis of the estate.

I believe there is a more responsible way to provide estate tax relief to our small business owners and farmers. The substitute will provide substantial and immediate relief by increasing a family's exclusion from $1 million to $6 million. It would also preserve the step-up