

LEASEHOLD IMPROVEMENTS ACT

HON. E. CLAY SHAW, JR.

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 24, 1999

Mr. SHAW. Mr. Speaker, as a Member of Congress, I am continually seeking sound policy changes that will make and keep our economy productive, create jobs and improve the overall quality of life for Americans. It is my belief that an important element of a productive economy is modern, efficient and environmentally responsible space for Americans to work, shop and recreate. In order to create and maintain such space, a building owner must regularly change, reconfigure or somehow improve office, retail and commercial space to meet the needs of new and existing tenants.

I believe that the Internal Revenue Code's cost recovery rules associated with leasehold improvements are an impediment for building owners needing to make such improvements. Therefore, I am pleased to introduce this legislation to change the cost recovery rules associated with leasehold improvements.

Simply stated, this legislation would allow building owners to depreciate specified building improvements using a 10-year depreciable life, rather than the 39 years required by current law, thereby matching more closely the expenses incurred to construct these improvements with the income the improvements generate under the lease.

To qualify under the legislation, the improvement must be constructed by a lessor or lessee in the tenant-occupied space. In an effort to ensure that the legislation is as cost efficient as possible, improvements constructed in common areas of a building, such as elevators, escalators and lobbies, would not qualify; nor would improvements made to new buildings.

Office, retail, or other commercial rental real estate is typically reconfigured, changed or somehow improved on a regular basis to meet the needs of new and existing tenants. Internal walls, ceilings, partitions, plumbing, lighting and finish each are elements that might be the type of improvement made within a building to accommodate a tenant's requirements, and thereby ensure that the work or shopping space is a modern, efficient, and environmentally responsible as possible.

Unfortunately, today's depreciation rules do not differentiate between the economic useful life of a building improvement—which typically corresponds with a tenant's lease-term—and the life of the overall building structure. The result is that current tax law dictates a depreciable life for leasehold improvements of 39 years—the depreciable life for the entire building—even though most commercial leases typically run for a period of 7 to 10 years. As a result, after-tax cost of reconfiguring, or building out, office, retail, or other commercial space to accommodate new tenants or modernizing workplaces is artificially high. This hinders urban reinvestment and construction job opportunities as improvements are delayed or not undertaken at all.

Additionally, a widespread shift to more energy-efficient, environmentally sound building

elements is discouraged by the current tax system because of their typically higher expense. For example, the Natural Resources Defense Council notes that commercial lighting alone consumes more than one-third of the electrical energy produced in the United States. If a greater conservation potential of energy-efficient lighting were to be realized, the demand for the equivalent of one hundred 1,000-megawatt powerplants could be eliminated, with corresponding reductions in air pollution and global warming.

Reform of the cost recovery rules for leasehold improvements has been long overdue but we are making progress. A few years ago, Congress enacted legislation I sponsored, along with my colleague Mr. RANGEL, that would clarify that building owners are permitted to fully deduct and close out any uncovered leasehold improvement expenses remaining at the time a lease expires and the improvements are demolished. Resolution of the "close-out" issue was an important reform step. Modifying the recovery period for improvements is the logical and reasonable next step in the reform process.

This legislation should be enacted this year. This would acknowledge the fact that improvements constructed for one tenant are rarely suitable for another, and that when a tenant leaves, the space is typically built-out over again for a new tenant. It is important to note that prior to 1981 our tax laws allowed these improvement costs to be deducted over the life of the lease. Subsequent legislation, however, abandoned this policy as part of a move to simplify and shorten building depreciation rules in general to 15 years. Given that buildings are now required to be depreciated over 39 years, it is time to face economic reality and reinstate a separate depreciation period for building improvements to tenant occupied space.

Mr. Speaker, I urge my fellow members to review and support this important job producing, urban revitalization legislation. I look forward to working with my colleagues on the Ways and Means Committee to enact this bill.

RECOGNITION OF JOHN F.
DEERING MIDDLE SCHOOL
AWARD WINNERS

HON. ROBERT A. WEYGAND

OF RHODE ISLAND

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 24, 1999

Mr. WEYGAND. Mr. Speaker, I rise today to recognize a group of students who attend John F. Deering Middle School in West Warwick, Rhode Island. These exceptional young people recently participated in several different academic contests in Rhode Island.

Eight seventh-grade students—Michael Casey, Michael Petrarca, Daniel Politelli, Robert Caires, and Ali Shihadeh—were statewide award winners of "The Best Research Skills Award" in the portfolio segment of the Providence Journal Stock Market Game Fall Competition. The group had the good fortune to be coached by Marcelline Zambudo and Tamara Casimiro, two dedicated teachers at Deering Middle School. Five other Deering students—

Alyssa Lavallee, Kristin Capaldo, Colleen Pigott, Anthony Politelli, and Jarred Trouve—were award winners in a statewide writing contest in Rhode Island, and they were honored by having their writing samples and artwork displayed in the published book *Mysterieries, Monsters, Memories* and more.

In addition to these outstanding achievements, three other students—Danielle Vanesse, Danielle Crowe, and Danielle DeRosa—won the school's annual spelling bee for the respective classes. These three young women will now have the honor to represent Deering Middle School in the Regional Spelling Bee to be held March 6. Finally, of the forty-eight students from Deering who participated in the National Geographic Geography Bee, three finalists remained after nine rounds of double elimination. Michael Petrarca won first place while representing the 7 Platinium Team; Jarred Trouve received second place with 8 Orange Team; and Anthony Politelli came in third place with 8 Black Team. These young men benefited from the hard work and commitment of their teachers, Greg Kortick, Joseph Lancellotta, and Tamara Casimiro.

We spend a lot of time in these chambers discussing the problems facing the youth and students of America, but I stand today to applaud and support the positive accomplishments of these young people and their teachers. Each of these students and teachers is a positive and important resource to West Warwick, and it is vital that we continue to recognize and build on the assets of our educational system. I thank these students and their teachers from Deering Middle School for their dedication and commitment to their academic pursuits, and I ask my colleagues to join me in congratulating each of them on their impressive accomplishments.

INTRODUCTION OF THE MENTAL
HEALTH JUVENILE JUSTICE ACT

HON. GEORGE MILLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 24, 1999

Mr. GEORGE MILLER of California. Mr. Speaker, I am pleased today to join my colleagues Representatives KAPTUR and STRICKLAND, and our other cosponsors, in introducing the Mental Health Juvenile Justice Act.

Our nation's juvenile justice facilities are increasingly overcrowded, unsafe, and inadequately staffed. We need to reform our juvenile justice system to ensure that it preserves the basic rights and human dignity of the children and youth housed in its facilities and that it does not become a dumping ground for youth who would be better served in mental health and substance abuse treatment programs.

Too many young people are being punished—rather than treated—for their troubles. Treatment and other services simply are not available when they should be, and as a result children are literally churned up inside the juvenile justice system.

The particular characteristics of criminal acts of individual juveniles require us to have a

range of appropriate responses. Alternatives to incarceration will not work for all youth. But we need to ensure that even those youth who do serve time in correctional facilities are safe from abuse and have access to appropriate medical and psychiatric treatment.

Unfortunately, this is not currently the case. Each year, more than one million children come in contact in some way with the juvenile justice system. Over 100,000 of these youth are detained in a correctional facility.

The rate of mental disorders is significantly higher among the juvenile justice population than among youths in the general population. Federal studies suggest that as many as 60% of incarcerated youth have some mental health disorder and 20% have a severe disorder. In my home state of California, a recent study by the California Youth Authority found that 35% of boys in its custody and 73% of girls need mental health or substance abuse treatment.

In an article published in March of last year, reporter Fox Butterfield wrote in The New York Times that "jails and prisons have become the nation's new mental hospitals." In the article, Dr. Linda Reyes, a psychologist and assistant executive director of the Texas Youth Commission called the incarceration of adolescents with mental disorders "tragic and absurd." "The system we have created is totally ineffective," said Dr. Reyes.

Many youngsters in the juvenile justice system have committed minor, non-violent offenses or status offenses. The incarceration of these youngsters is often the result of inadequate local mental health services. These youngsters, their families, and society, could be better served if we made available appropriate local mental health, substance abuse, and educational services as an alternative to incarceration, particularly for first offenders and non-violent offenses.

Such services have proven more effective than incarceration in preventing troubled young people from re-offending and are less expensive than prison. In the long run, they are even more cost-effective to us as a society, because they increase the odds that a young person will become a responsible, productive, taxpaying citizen rather than a permanent ward of the state.

Last November, Amnesty International released a report indicating an increasing problem of youthful offenders being subjected to physical abuse and a lack of appropriate services. The report documents incidents in which youth were shackled, sprayed with chemicals, over-medicated, and even punished with electro-shock devices.

Amnesty International also found that 38 states housed juveniles in adult prisons with no special programs or educational services. Youth in these adult facilities are five times more likely to be sexually assaulted, twice as likely to be beaten by staff, and eight times more likely to commit suicide than children in juvenile facilities.

One incident in Amnesty's report involved a youth from California named Nicholas Contreras. At last count, the California Youth Authority's correctional institutions held 25% more youth than their specified capacity; but the state also sends hundreds of children to out-of-state facilities which would not be li-

censed under California's own state laws and which receive very little oversight from the authorities responsible for placing children in them.

Nicholaus Contreras died in March of last year at one such facility, while staff forced him to do "push-ups," despite clear signs of his poor physical health. His body was found with 71 cuts, bruises, and abrasions.

California has since stopped sending children to this facility and action has been taken by the state of Arizona against the individuals responsible. Perhaps if we had clearer rules and better oversight, however, conditions like those that contributed to Nicholaus' death would never occur, or at least would be corrected before they resulted in fatalities. Tragically, however, no such system is now in place.

The bill we are introducing today, the Mental Health Juvenile Justice Act, would help create alternatives to incarceration, particularly for first-time non-violent offenders, and improve conditions in youth correctional institutions by:

Providing funds to train juvenile justice personnel on the identification and need for appropriate treatment of mental disorders and substance abuse, and on the use of community-based alternatives to placement in juvenile correctional facilities.

Providing block grant funds and competitive grants to states and localities to develop local mental health diversion programs for children who come into contact with the justice system and broaden access to mental health and substance abuse treatment programs for incarcerated children with emotional disorders.

Establishing a Federal Council to report to Congress on recommendations to improve the treatment of youth with serious emotional and behavioral disorders who come into contact with the justice system.

Strengthening federal courts' ability to remedy abusive conditions in state facilities under which juvenile offenders and prisoners with mental illness are being held.

Our bill addresses important issues in the lives of our nation's young people and for all of our society. As Michael Faenza, President of the National Mental Health Association has said, "Treating young people, with or without mental disorders, in dehumanizing ways is not the answer to question of crime prevention and public safety. And it's not the way to make children productive, law-abiding, and caring citizens."

I look forward to working with my colleagues in enacting this legislation.

UNIVERSAL DECLARATION OF HUMAN RIGHTS

HON. BERNARD SANDERS

OF VERMONT

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 24, 1999

Mr. SANDERS. Mr. Speaker, I rise today to call the attention of my colleagues to a resolution on the Universal Declaration of Human Rights. The following resolution was unanimously approved by 150 people from Vermont and New Hampshire who gathered at two events commemorating the fiftieth anniversary

of the Universal Declaration of Human Rights. I agree with their statement that "human rights, as articulated in the Declaration, will be best assured when all nations work in concert to promote and protect them."

I call the attention of my colleagues to this resolution and ask that it be printed in the CONGRESSIONAL RECORD for their benefit:

RESOLUTION CALLING ON THE UNITED STATES GOVERNMENT TO FULLY IMPLEMENT THE UNIVERSAL DECLARATION OF HUMAN RIGHTS

We call upon the United States government to ensure that the laws, actions, programs and policies of the United States, both foreign and domestic, including government import, export, business and development policies affecting the welfare of all of the peoples of the world, be consistent with the Universal Declaration of Human Rights and its two implementing International Covenants of 1966;

Further, we urge the United States government to:

Ratify the 1966 Covenant on Economic, Social and Cultural Rights, the 1979 Convention on the Elimination of Discrimination Against Women, the 1992 Convention on the Rights of the Child, as well as the 1998 Rome Statute of the International Criminal Court;

Satisfy all of its obligations under the Charter of the United Nations, including the Statute of the International Court of Justice with a declaration under Article 36 which recognizes that Statute as compulsory;

Abide by Article 6 of the United States Constitution, which states that all treaties signed and ratified by the United States government are the law of the land;

Acknowledge that the United Nations was created by international treaty and therefore payment of UN dues without conditions is an obligation with the force of American law.

We also call on the governments of all nations to mandate in every school under their jurisdiction, the teaching of the principles and methods of non-violent social change, the history of the Universal Declaration of Human Rights and how people throughout the world have struggled and continue to struggle to make it a lived reality in the life of every person, everywhere.

Unanimously approved by 150 residents of Vermont and New Hampshire who gathered at two events commemorating the fiftieth anniversary of the Universal Declaration of Human Rights.

Further endorsed by the American Friends Service Committee (Vermont), the United Nations Association (Vermont), the World Federalist Association (New Hampshire and Vermont) and Amnesty International (Hanover, NH).

CONGRESSIONAL RESOLUTION CONDEMNING ANTI-SEMITIC STATEMENTS BY MEMBERS OF THE RUSSIAN DUMA

HON. CHRISTOPHER H. SMITH

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 24, 1999

Mr. SMITH of New Jersey. Mr. Speaker, racism, ethnic hatred, and xenophobia are the bane of any civilized society. Our own country has had to battle with these phenomena in the past and continues to do so today.