

tax treatment of foreign pipeline transportation income.

This legislation is needed because current tax law causes active foreign pipeline transportation income to be unintentionally trapped within anti-abuse tax rules. These rules were originally established to prevent avoidance of tax on easily movable and passive income, not on active pipeline income. In fact, when these rules were first enacted, U.S. pipeline companies were not even engaged in international activities. Now, as opportunities in the international arena arise, pipeline companies are unfairly caught within the scope of the anti-abuse rules. As such, U.S. pipeline companies are finding themselves at a competitive disadvantage, vis a vis foreign companies. In order for U.S. companies to remain competitive, it is essential that U.S. tax law not unfairly tax U.S. companies' foreign operations. The legislation that Mr. WATKINS and I are introducing today will correct this injustice.

Under the Subpart F anti-abuse rules, current taxation is imposed on certain types of earnings whether or not a dividend is actually paid. The policy behind these rules is to currently tax income which is passive in nature or which is easily moved from one jurisdiction to another. One type of Subpart F income is foreign based company oil related income (FORI). FORI includes income derived outside the U.S. from the transportation of oil and gas. This general rule, in many cases, causes current income taxation on income that is not passive or manipulable. This adverse result is slightly mitigated by two narrow exceptions, the extraction exception and the consumption exception.

Pipeline transportation income is neither passive nor easily movable, and therefore, should not be subject to these rules. Pipe location is based on where the natural resources and energy needs exist. Pipes cannot be placed just anywhere, nor once they are in place, can they be easily moved. Consequently, applying these anti-abuse rules for passive and manipulable income to active and hard to move income just doesn't make sense.

In looking at the legislative history, it is clear that Congress intended the anti-abuse rules to reach the significant revenues derived by highly profitable oil related activities that were sourced to the low-taxed country as opposed to the country in which the oil and gas was extracted or ultimately consumed. The intent of these rules was not to target pipeline transportation income. In fact, when the rules were being considered and then put in place, pipeline companies were not engaged in international development activities. Rather, they were focused solely on domestic infrastructure investment.

Today pipeline companies are continuing to actively pursue all development opportunities domestically. These opportunities, however, are somewhat limited. The real growth for the U.S. pipeline companies is not occurring in the international arena. These opportunities stem from fairly recent activities by foreign countries to privatize their energy sectors. Increased U.S. involvement in energy infrastructure projects will have tremendous benefits back home. More U.S. employees will be needed to craft and close these transactions, to build plants and pipelines, and to operate the facili-

ties. New investment overseas will also result in new demands for U.S. equipment. Before these benefits can be realized, however, U.S. companies must be able to defeat their foreign competitors and win the projects. Unfortunately, current U.S. tax laws significantly inhibit the ability of U.S. companies to win such projects.

It is time we change these laws if we are to ensure that U.S. companies remain competitive players in the international marketplace. A complete review and rewrite, however, will take a significant amount of time—time we can not afford to lose. In the interim, we believe there are incremental reforms to the international tax regime that we can and should take. One step in the right direction, and one that would have a minimal impact on the FISC, is to pass our legislation that would clarify the U.S. tax treatment of foreign pipeline transportation income.

I ask my colleagues to join us in this effort to bring the current law in line with good tax policy. Let's ensure we keep America competitive in the global economy.

TRIBUTE TO DION LUKE

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 16, 1999

Mr. McINNIS. Mr. Speaker, it is with great delight that I now wish to honor my friend Dion Luke who, after 25 years of service as a police officer in Glenwood Springs, CO, has announced his retirement. In doing so, I would like to pay tribute to the truly extraordinary career of this remarkable individual who, for so many years, has been a beloved member of the Glenwood community.

As an officer, Dion has had an uncanny knack for being right in the middle of the action. As evidence, for example, at different points in his career he would: catch a group of bank robbers, stolen bags of money in hand, as they attempted to flee Glenwood following an area heist; he would bungle one burglar's attempt at robbing a local bar after patiently waiting for the thief atop the bar's roof; and, at one point, even evaded an eight-bullet barrage fired by a man about to attempt suicide—a man he would ultimately save. This, of course, only gives mention to a few of the many instances in which Dion served distinguishedly over his lengthy career.

For all of his bold exploits as a police officer, however, Dion is perhaps better known for his personable demeanor. His congenial disposition has made Dion, over the years, a local favorite.

Having had the privilege of serving with Dion in the Glenwood Springs Police Department, I can say with great certainty that very few members of the law enforcement community have ever been as admired as widely, nor esteemed as deeply, as Dion. In the time I worked with Dion I obtained a respect for him that lasts even until this day. It is clear that Dion represents what a police officer should strive to be.

Today, as Dion embarks on a new era in his life with his wife Dixie, I would like to offer my

gratitude for his years of service and friendship. It is clear that Glenwood Springs has benefited greatly from Dion tirelessly endeavoring on its behalf.

It is with this, Mr. Speaker, that I say thank you to Dion and wish him all the best as he begins his much deserved retirement.

HONORING THERESA J. SANDERS,  
ROBERT E. KEIN AND SHERI  
SORENSEN

HON. RON KIND

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 16, 1999

Mr. KIND. Mr. Speaker, I rise today to pay tribute to three local heroes from western Wisconsin. I want to honor Sheri Sorenson, Theresa J. Sanders and Robert E. Kein who took courageous action to aid another citizen.

For the past three years the Eau Claire Fire Fighters Local Union 487, in conjunction with the Eau Claire Fire Department, have recognized area residents who acted bravely in emergency situations. The recipients of the Citizen Community Involvement Awards are citizens who put the safety and well being of their neighbors ahead of other concerns in a time of need.

Theresa J. Sanders, Robert E. Kein and Sheri Sorenson are three of those extraordinary citizens. On June 16, 1998 an Eau Claire man doing some repair work outside of Sheri Sorenson's house on Midway street in Eau Claire, Wisconsin. The man had an internal defibrillator installed earlier that year that can detect a lethal heart rhythm and in response shock the heart. At approximately 4:20 p.m. the man went into cardiac arrest. Sheri notified her neighbors Theresa Sanders and Robert Kein who rushed over to assist. They moved the man to a flat surface and began two person CPR. After several minutes of CPR they were able to retrieve a pulse, and when the ambulance arrived paramedics were able to continue with advanced life support procedures. He was then transported to the hospital. Theresa and Robert provided the care that was necessary for the man to survive.

On behalf of all the citizens of western Wisconsin I ask that the United States House of Representatives recognize Sheri Sorenson, Theresa J. Sanders and Robert E. Kein for their courage and thank them for being concerned and giving community citizens.

RECOGNIZING THE STUDENTS OF  
THE GOVERNOR'S SCHOOL FOR  
GOVERNMENT AND INTER-  
NATIONAL STUDIES

HON. TOM BLILEY

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 16, 1999

Mr. BLILEY. Mr. Speaker, I rise today to commend the outstanding performance of the students of the Governor's School for Government and International Studies of Richmond,