The House of Representatives—Tuesday, June 8, 1999

The House met at 9 a.m. and was called to order by the Speaker pro tempore (Mr. GIBBONS).

DESIGNATION OF SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC.
June 8, 1999.

I hereby appoint the Honorable JIM GIBBONS to act as Speaker pro tempore on this day.

J. DENNIS HASTERT,
Speaker of the House of Representatives.

MORNING HOUR DEBATES

The SPEAKER pro tempore. Pursuant to the order of the House of January 19, 1999, the Chair will now recognize Members from lists submitted by the majority and minority leaders for morning hour debates. The Chair will alternate recognition between the parties, with each party limited to 25 minutes, and each Member, except the majority leader, the minority leader, or the minority whip, limited to 5 minutes each, but in no event shall debate continue beyond 9:30 a.m.

The Chair recognizes the gentleman from Texas (Mr. DOGGETT) for 5 minutes.

THE ABUSIVE TAX SHELTER SHUTDOWN ACT OF 1999

Mr. DOGGETT. Mr. Speaker, long ago, Will Rogers suggested that, “people want just taxes even more than they want lower taxes. They want to know that every man is paying his proportionate share according to his wealth.”

Today, some of our worst tax inequities arise from those who use abusive tax shelters to exploit loopholes in the Tax Code. To stop these, and to make our tax system more fair and just, I am introducing the Abusive Tax Shelter Shutdown Act of 1999.

Forbes Magazine, which proudly proclaims itself “The Capitalist Tool,” recently reported on, as the cover of the magazine says, what are called “Tax Shelter Hustlers: Respectable accountants are peddling dicey corporate tax loopholes.” Here on the cover, we see the fellow with the fedora standing in the shadows. Unlike those supermarket tabloid stories about UFO abductions, with this particular cover, the substance inside actually lives up to the teaser on the cover. It is true that most abusive tax shelters are already against the law. The problem is that every time we shut down one, more spring up. That is not by accident because, as Forbes also reported, some of the Big 5 accounting firms actually have teams of staffs, and my guess is that most of them there and have as their job to come up with one new tax shelter every single week.

Drilling what he calls the “energy, creativity and viciousness” of these so-called “shelter shops,” Calvin Johnson, a professor of tax law at the University of Texas, has labeled these hustling operations “skunk works” because of the sorry offer an individual feeling of our tax system. The literal hustling of improper tax shelters is so commonplace that one representative of a Texas-based multinational corporation has recently indicated that he gets a cold call every day from someone hawking or hustling one of these shelters. Some are even called black box proposals. They are kept under wraps and they are not offered to any but a select few so as to avoid public notoriety. As a partner at one national firm boasted, “A whale cannot get harpooned unless it surfaces for air.”

What a whale-sized gulp of arrogance toward honest taxpayers everywhere who dutifully file our returns on April 15 and who have to make up for the taxes that the big boys dodge.

My legislation will curtail egregious behavior without impacting legitimate business deals. It will eliminate the well-justified feeling that these high rollers are cheating and gaming the system, a feeling which leads to distrust and disrespect on behalf of our taxpayers.

This bill seeks to shut down abusive tax shelters by prohibiting loss generators. These are transactions that lack any legitimate business purpose that are ginned up just to obtain another tax loss, credit or deduction in order to dodge taxes.

The second thing the bill does is it says that a company which thinks it has a proper shelter will be required to provide complete, clear and concise disclosure verified by a corporate officer. This does not make them forfeit their buried pirate treasure but on these complex transactions it does require them to give up the map where X marks the spot of the treasure.

These disclosure provisions were drafted based on the sound advice of tax practitioners; not the kind of practitioner that is proud to define their success by having another loophole named after them, but the thoughtful commentary of the tax section of the American Bar Association.

The third provision is directed to the penalty for tax dodging, and we tighten and increase the penalty for such tax dodging. Just getting some thick carpet, downtown lawyer to bless what the accounting department has contrived with the help of these tax shelter hustlers is no longer going to be sufficient to save a corporation from penalties if it has clearly stepped over the line with an abusive tax shelter.

These abusive tax shelters have grown and have become so extensive that some experts estimate that they account for $10 billion a year in lost tax revenue. Typical is a recent ad selling a guide to offshore tax shelters that ran in the Wall Street Journal. Featuring a happy, smiling, bikini-clad couple, sipping cocktails on the beach, obviously enjoying the good life at someone else’s expense, the ad promised, “Live simply and easily make a tax-free fortune using the world’s most exotic places,” and you can do all this, it claimed, “in complete privacy and full protection from everyone, including your spouse, competitors, partners and more.”

Such schemes suggest the challenge that we face. Surely if locally owned businesses in central Texas can play by the rules, the big boys should, too. The Abusive Tax Shelter Shutdown Act is not a panacea but it will help law enforcement close some loopholes, eliminate the sham transactions and stop the hustlers.

As we say in Texas, move ‘em out and shut ‘em down.

TURKEY MUST ACCEPT KURDISH PEACE OFFER

The SPEAKER pro tempore. Under the Speaker’s announced policy of January 19, 1999, the gentleman from New Jersey (Mr. PALLONE) is recognized during morning hour debates for 5 minutes.

Mr. PALLONE. Mr. Speaker, there are some who call it the “trial of the century.” Abdullah Ocalan, the imprisoned Kurdish rebel leader, is on trial before a Turkish military tribunal. The trial could hardly be called fair. Mr. Ocalan, who faces the death penalty if convicted, has been denied access to his lawyers. His legal team has faced a pattern of harassment and threats.
The Turkish government and media have stoked up nationalist passions against Mr. Ocalan. If the Turkish government and media stand with legally railroading Mr. Ocalan and the threat to hang him is carried out, the result would be disastrous for all the people of the region. Yet interestingly enough, the trial of Mr. Ocalan has created a potentially positive and long overdue opening towards reconciliation between the Turkish and Kurdish peoples.

Standing in the dock at his show trial, Mr. Ocalan made a brave plea for a negotiated, Democratic solution to the Kurdish question. Mr. Ocalan’s organization, the Kurdish workers party known as the PKK, has announced its support for Mr. Ocalan’s peace offer. With so much media attention that the trial is attracting, putting the Kurdish issue in the spotlight to an almost unprecedented degree, Turkey could vastly improve its international standing by simply agreeing to begin negotiations with the Kurdish leaders. But, sadly, Mr. Speaker, so far the Turkish government has rejected the path to peace insisting that it will not negotiate with Mr. Ocalan or any leaders of the Kurdish movement.

Yesterday’s Washington Post had an editorial entitled, “Turkey’s Kurdish Opening,” which begins with these words: “Turkey may have a once in a generation opening to treat its national cancer, the problem of its aggrieved Turkish minority.” The editorial in the Post, a paper that has previously shown sympathy to the Turkish point of view on a number of issues, notes that the Turkish policy of relentless military and political attacks against the Kurds has not only failed, but it has stirred up nationalistic fear and distrust of the PKK, other example of the ongoing pattern of inciting nationalistic fear and distrust of the PKK.

An article in Sunday’s New York Times further describes the hardening of official attitudes in Turkey. According to the article, the Turkish Interior Ministry has issued a directive to state-run news agencies. It represents an attempt to completely close off the crisis in Turkey, my colleague, the gentleman from California (Mr. FILNER) and I, are circulating a letter this week asking our colleagues to sign a letter to President Clinton urging his intervention to resolve the problem of the Kurdish authorities show some basic fairness in trying Mr. Ocalan and to spare his life. Seeking a fair trial for Mr. Ocalan should be the first step in our efforts to press Turkey to enter into negotiations to achieve a political solution to this tragic struggle.

Mr. Ocalan and his Kurdish organization have offered an olive branch to the Turkish government. It would be both the decent and the smart thing to do for Turkey to accept this good faith offer and to embark on the path of peace.

In fact, Mr. Speaker, Mr. Ocalan made several previous cease-fire offers prior to his arrest—all of which were summarily rejected by the Turkish government and military officials. An article in Sunday’s New York Times further describes the hardening of official attitudes in Turkey. According to the article, the Turkish Interior Ministry has issued a directive to state-run news agencies. It represents an attempt to close off the crisis in Turkey, my colleague, the gentleman from California (Mr. FILNER) and I, are circulating a letter this week asking our colleagues to sign a letter to President Clinton urging his intervention to resolve the problem.

Mr. Speaker, in an effort to encourage the U.S. Government to play a constructive role in the healing of the crisis in Turkey, my colleague, the gentleman from California (Mr. FILNER) and I, are circulating a letter this week asking our colleagues to sign a letter to President Clinton urging his intervention to resolve the problem. The Turkish authorities show some basic fairness in trying Mr. Ocalan and to spare his life. Seeking a fair trial for Mr. Ocalan should be the first step in our efforts to press Turkey to enter into negotiations to achieve a political solution to this tragic struggle.

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The question is on the Chair’s approval of the Journal. Pursuant to clause 8 rule XX, further proceedings on this question will be postponed.

The point of no quorum is considered withdrawn.