

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 9:50 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 staffers, and my guess is that most of them dress a little better than this fellow does, who are out there and have as their job to come up with one new tax shelter every single week.

Deploring 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 odor surrounding their fouling 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 taxpaying public.

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.

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.