

link since they seem more interested decrying inequality as a way of indicting the affluent countries than in encouraging the poor nations to reform by developing measures to root out corruption, nepotism, ethnic domination, and repression of the media and to achieve good governance, the rule of law, and real protection for human rights. The demand for such reforms will have to come from within the poor nations from the groups that are fighting for democratic reform, transparency, and accountability.

The idea of conditioning debt relief on the implementation of measures to achieve lasting democratic reforms has been advanced by our good friend Larry Diamond, who has noted that the amounts owed by African governments are in many cases "equaled or exceeded by what its political leaders have embezzled from the state." Simply to forgive the debts, he has written, "would reinforce the irresponsibility that has brought the continent to this juncture." With this in mind, he has called for a new international bargain—"debt for democracy and development for good governance." According to Larry's proposal, debt repayments would be incrementally suspended as countries establish laws and structures to monitor public assets and the conduct of public officials, to audit public accounts, to protect the independence of the judiciary from political interference or ethnic favoritism, to ensure public access to government information, to promote freedom of the press, and to take other measures that foster transparency, accountability, and overall good governance. He also urges that debt relief be complemented by assistance to train public officials and civil society leaders.

I would add one additional measure to supplement Larry's excellent proposal: The international community should work with democratic African governments and NGOs to locate and recover looted funds and to prosecute those individuals, many of whom are living in luxurious exile, who have committed these crimes, as well as the financial institutions and individuals in the affluent countries that have been complicit in carrying them out.

The agenda for reform needs to be shaped and monitored by African democrats. That's what you are attempting to do by creating a Democracy Perception Index. But you will need support in implementing your agenda and in getting African governments to adopt the reforms you will propose. Here, I believe, the World Movement for Democracy offers a new and unique resource—that of international political and moral solidarity. It is one that I hope you will not hesitate to use. I hope we will respond effectively to your needs and that together we will work toward a genuine renaissance of democracy in Africa.

#### C-CORPORATIONS TAX FAIRNESS

### HON. PHIL ENGLISH

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 26, 2000

Mr. ENGLISH. Mr. Speaker, today I am introducing legislation which will bring a measure of fairness to our corporate tax system. Currently, closely-held C-corporations pay a 35% tax on capital gains, while all other closely-held corporations and individuals pay only a 20% tax. This kind of tax treatment is unfair to the owners of closely-held C-corporations.

Unfortunately, current tax law prevents closely-held C-corporations from competing on a level-playing field with other forms of enterprise with respect to capital gains. Widely-held C-corporations are not subject to the same provisions that limit closely-held C-corporations. In addition, closely-held C-corporations are subject to a much higher-tax rate than individuals or pass-through entities.

Closely-held C-corporations have become a sort of hybrid form of business which, from a federal income tax perspective, operates in the worst of worlds. First, they are subject to all the Internal Revenue Service provisions that apply to widely-held C-corporations. Second, they are subject to two important limitation provisions that normally apply only to individuals or pass-through entities: the passive loss rules and the at-risk rules. Third, they are subject to the personal holding company and accumulated earnings tax provisions, which generally do not apply either to individuals or widely-held C-corporations. For the owners of closely-held C-corporations, things are even worse. Not only are capital gains initially deprived of a favorable tax rate at the corporate level, but when these capital gains are distributed, they are taxed as ordinary income in the hands of the owners.

The penalty provisions described above were intended to prevent especially wealthy individuals from using C-corporations to avoid tax liabilities. However, multiple changes over recent years in the tax treatment of C-corporations have all but eliminated any possibility of using a C-corporation in such a manner. S-corporations, on the other hand, have experienced a liberalization of regulation and now present a better ownership vehicle, from a tax point of view, than any closely-held C-corporation.

Current tax law prevents closely-held C-corporations from competing fairly for capital gains investments. These companies cannot compete against widely-held C-corporations because the latter generally are not subject to the limitation provision with which the closely-held C-corporation must grapple. In addition, they cannot compete fairly with individuals or pass-through entities because they pay a much higher capital gains tax rate. This kind of discrimination in tax treatment is unfair to the owners of these businesses and is unhealthy for the economy as a whole.

My proposal would reduce the tax rate applicable to the capital gains of closely-held C-corporations from the current 35% to 20%. However, in order to benefit from the lower capital gains rate, these corporations must subject their ordinary income to the individual 39.6% tax rate. If the net effect of these two rates is a reduction in tax liability, the corporation will pay the lower amount. If not, the corporations would pay the current 35% tax rate on capital gains and ordinary income. As a result, all closely-held corporations would pay the same rate and thus compete fairly.

This proposal is obviously not the entire solution, but it would make a dent in dealing with the inequity of this particular situation.

HONORING JOHN REDNOUR BEING NAMED OUTSTANDING CITIZEN OF THE YEAR

### HON. JERRY F. COSTELLO

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 26, 2000

Mr. COSTELLO. Mr. Speaker, I rise today to ask my colleagues to join me in honoring a good friend and public servant, Mayor John Rednour, of DuQuoin, on being selected the Outstanding Citizen of the Year for lifetime achievement and service to the community.

John Rednour's legacy with the City of DuQuoin is rooted in his deep commitment to the community and his policy of service above self. He has presided over the best of times in his community and also through times of adversity.

John Rednour came from the small community of Cutler on the west side of Perry County Illinois. Coming from a hard working family, John realized early on the importance of community service. His involvement in several successful business ventures has led him to become the President of the DuQuoin State Bank and also to serve as the Mayor of DuQuoin.

As DuQuoin's Mayor, John Rednour has presided over many development projects to help create jobs and improve the economy in DuQuoin and Perry County. He can count a new City Hall, Library and police department complex as part of his many achievements. Mayor Rednour prevailed upon me to secure federal funds to help build a new 3.2 million dollar overpass and over 6 million dollars in sewer and water improvements. He led the effort to develop the DuQuoin Industrial Park. And created a program to protect property values. Mayor Rednour has also had every highway in and out of DuQuoin resurfaced.

In terms of municipal services, John returned full-time staffing to both the police and fire departments and next year the City takes delivery on a new \$450,000 aerial fire truck. To Mayor Rednour, fire protection is important, for the first time fire protection is available to all parts of the City. He also restored funding to emergency preparedness programs in the community.

His longstanding relationships in both Springfield and Washington have provided DuQuoin with everything from Amtrak rail service to access to state and federal funds totaling over 22 million in recent years.

Mayor Rednour's philosophy is simple and subscribes to the thinking that "build it and they will come and believe in it and the money will be there."

Mr. Speaker, I ask my colleagues to join me in honoring John Rednour and to recognize his commitment for public service to the community of DuQuoin, Illinois.