

## HOUSE OF REPRESENTATIVES—Friday, December 15, 2000

The House met at 10 a.m.

The Chaplain, the Reverend Daniel P. Coughlin, offered the following prayer:

As we bring to an end this 106th Congress, grant good closure to our work and stability to this Nation.

May we take leave of one another in peace and be agents of reconciliation for Your people.

As we approach religious holy days and celebrate family holidays, grant us joyful spirits and safe travel.

May we bring happiness to those we love and all we meet.

May hearts filled with generosity and charity bring good news to the poor and those most in need.

Bless us now and forever.

Amen.

The SPEAKER. The Chair thanks the Chaplain for his optimism.

### THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

### PLEDGE OF ALLEGIANCE

The SPEAKER. Will the great gentleman from Texas (Mr. ARCHER) come forward and lead the House in the Pledge of Allegiance.

Mr. ARCHER led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

### ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER. The Chair will entertain 1-minute after the bill under suspension of the rules.

### INSTALLMENT TAX CORRECTION ACT OF 2000

Mr. ARCHER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3594) to repeal the modification of the installment method.

The Clerk read as follows:

H.R. 3594

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "Installment Tax Correction Act of 2000".

#### SEC. 2. REPEAL OF MODIFICATION OF INSTALLMENT METHOD.

(a) IN GENERAL.—Subsection (a) of section 536 of the Ticket to Work and Work Incentives Improvement Act of 1999 (relating to modification of installment method and repeal of installment method for accrual method taxpayers) is repealed effective with respect to sales and other dispositions occurring on or after the date of the enactment of such Act.

(b) APPLICABILITY.—The Internal Revenue Code of 1986 shall be applied and administered as if that subsection (and the amendments made by that subsection) had not been enacted.

The SPEAKER pro tempore (Mr. PEASE). Pursuant to the rule, the gentleman from Texas (Mr. ARCHER) and the gentleman from Wisconsin (Mr. KLECZKA) each will control 20 minutes.

The Chair recognizes the gentleman from Texas (Mr. ARCHER).

#### GENERAL LEAVE

Mr. ARCHER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and to include extraneous material on H.R. 3594.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. ARCHER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, while the nature of this bill is complex, the purpose is quite simple; and that purpose is to protect as many as 260,000 small businesses from a harmful tax provision. More important, it should serve as a lesson to all politicians who talk about closing loopholes.

This was presented originally in President Clinton's fiscal year 2000 budget and included in the 1990 Tax Extenders package at the insistence of the White House and it outlawed the use of the installment sales method by taxpayers using the accrual method of accounting.

The accrual method of accounting generally requires that taxpayers recognize income in the year in which the right to receive the income occurs regardless of whether the taxpayer actually receives the cash in that year.

The installment method of accounting allows a taxpayer to defer recognition of income until the taxpayer actually receives the payment, and that is appropriate.

During the negotiations in the 1999 tax package, we were told this provision was a "loophole closer," that it was noncontroversial, and that no one would be heard. Months after the bill

became law, however, we learned from the small business community that this harmless loophole closure would, in fact, hurt and hurt significantly. So now there is strong bipartisan support to undo this mistake and to go back to the way things were before this tax change was made. But this should serve as a lesson to all of us, not just today but in future Congresses. "Closing loopholes" always is a good sound bite for politicians. Whereas the real-life result is usually a bigger tax bite on American workers or businesses.

Today we will right the wrong and provide a little more peace of mind to thousands of small business owners across the country.

I urge my colleagues to support this important and time sensitive legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. KLECZKA. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in support of the Installment Tax Correction bill.

As the author of the first bill introduced in the House of Representatives to reinstate the installment method of accounting for accrual basis taxpayers, I commend the gentleman from Texas (Mr. ARCHER) for his efforts on this issue.

Mr. Speaker, this legislation is needed to correct a flaw in the Ticket to Work and Work Incentives Improvement Act, which was passed by Congress last year.

Although the Ticket to Work bill contained many important provisions, it repealed the installment method of accounting for most accrual basis taxpayers. The bill before us is necessary to fix this repeal.

The installment sales method is frequently used in the sale and purchase of a small business where bank financing is unavailable. Under the Ticket to Work Act, small business owners selling a business using the installment sales are required to pay all capital gains taxes on the sale of a business all at once even if the proceeds are to be received in installments over the years.

As a result, some small businesses now face lump sum income tax payments that are more than the immediate proceeds of the actual sale. In other words, taxpayers have had to pay taxes on money they will not receive for many years in the future or, in some cases, money that they will never receive due to the buyer defaulting on future payments.

The intention behind repealing the installment method of accounting was

☐ 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.