

unwary that was inadvertently created with the Taxpayer Relief Act of 1997. The bill would clarify the treatment for foreign tax credit limitation purposes of the income inclusions that arise upon a transfer of intangible property to a foreign corporation.

Section 367(d) of the Internal Revenue Code provides for income inclusions in the form of deemed royalties upon the transfer of intangible property by a U.S. person to a foreign corporation. Prior to the 1997 Act, these income inclusions under section 367(d) were deemed to be U.S.-source income and thus were not eligible for foreign tax credits. The international joint venture reforms included in the 1997 Act eliminated this special source rule and provided that deemed royalties under section 367(d) are treated as foreign-source income for foreign tax credit purposes to the same extent as an actual royalty payment.

The amendments made by the 1997 Act were intended to eliminate the penalty that was provided by the prior-law deemed U.S. source rule and that had operated to discourage taxpayers from transferring intangible property in a transaction that would be covered by section 367(d). Prior to the 1997 Act, in order to avoid this penalty, taxpayers licensed intangible property to foreign corporations instead of transferring such property in a transaction that would be subject to section 367(d). The 1997 Act's elimination of the penalty source rule of section 367(d) was intended to allow taxpayers to transfer intangible property to a foreign corporation in a transaction that gives rise to deemed royalty payments under section 367(d) instead of having to structure the transaction with the foreign corporation as a license in exchange for actual royalty payments.

However, the intended goal of the 1997 Act provision is achieved only if the deemed royalty payments under section 367(d) not only are sourced for foreign tax credit purposes in the same manner as actual royalty payments, but also are characterized for foreign tax credit limitation purposes in the same manner as actual royalty payments. Without a clarification that deemed royalty payments are characterized for foreign tax credit limitation purposes in the same manner as an actual royalty payment, there is a risk in many cases that such deemed royalties would be characterized in a manner that leads to a foreign tax credit result that is equally as disadvantageous as the result that arose under the penalty source rule that was intended to be eliminated by the 1997 Act.

The bill I am introducing today provides the needed clarification that deemed royalties under section 367(d) are treated for foreign tax credit limitation purposes in the same manner as an actual royalty, ensuring that the penalty that was intended to be eliminated with the 1997 Act is in fact eliminated. Without this clarification, a taxpayer that transfers intangible property in reliance on the 1997 Act will find that its transfer is in fact effectively subject to the penalty that the taxpayer believed had been eliminated. Without the clarification, those taxpayers that have structured their transactions in reliance on the 1997 Act provision will be worse off than they would have been if the purported repeal of the penalty source rule had never occurred and they

had continued to structure their transactions to avoid that penalty. This bill will achieve the intended goals of the 1997 Act and prevent a terrible trap for the unwary that has been inadvertently created.

COMMENDING THE GOVERNMENT
OF BULGARIA

HON. HENRY BONILLA

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 4, 2001

Mr. BONILLA. Mr. Speaker, I commend the leadership of the government of Bulgaria for its ongoing interest in and support for modernization of the Maritza III East thermal plant. I urge the sitting Parliament in Sofia to express their support for this project by granting, all necessary government approvals before their scheduled dismissal prior to the upcoming, general elections. This will ensure that this important project can move forward expeditiously and successfully.

The Maritza III East thermal plant project has benefits that are well documented and widely-acknowledged at the local, regional and national levels. When the refurbishment work begins, more than \$75 million in local goods and services will be purchased and more than 600 construction jobs will be created.

Regionally, refurbishment of the Maritza III East power plant will reduce sulphur dioxide emissions by as much as 90 to 95 percent. The refurbished power plant will meet the emissions requirements of the World Bank, European Union, the Bulgarian government, which in turn, will fulfill important criteria for Bulgaria's ultimate entry into the European Union. Also at the regional level, the joint venture (Entergy & NEK) company that will operate the rehabilitated power plant will provide direct and indirect tax revenues to Bulgaria and to the Galabovo municipality in the Stara Zagora region.

On a broader scale, modernization of this power plant will have several positive impacts on Bulgaria's national economy. Long-term, modernization of this power plant will move Bulgaria closer to competitive energy independence.

INTRODUCTION OF THE EXPENSING
TECHNOLOGY REFORM ACT
OF 2001

HON. JERRY WELLER

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 4, 2001

Mr. WELLER. Mr. Speaker, today, Representative NEAL and I have introduced legislation which will update the existing depreciation schedules for high tech assets. Currently, businesses must depreciate much of their high tech equipment over a 5 year period. This bill would allow businesses to expense these assets.

The 5 year depreciation lifetime for tax purposes is outdated since many companies today must update their computers as quickly

as every 14 months in order to stay technologically current. We allow businesses to expense their computers, peripheral equipment, servers, networks, wireless telecommunications equipment, software, high tech medical equipment and copiers in this bill.

This will stimulate the economy! According to a study conducted by the Printing Industries of America, printers would purchase 20 percent more computers if the depreciation schedules reflected the actual life of the equipment.

It is time to update an outdated tax code to reflect the realities of today's technology-based workplace. A 5 year depreciation schedule for high tech equipment is no longer realistic.

This legislation will allow every company, from the neighborhood real estate office, to the local hospital, to the local bank to fully depreciate, or expense, their high tech equipment during the tax year in which the equipment is purchased. As a result, these companies will no longer be forced to keep their equipment "on the books" for tax purposes long after its useful life has become obsolete.

Mr. Speaker, I look forward to working with you and my colleagues to get this important pro-business legislation signed into law.

PERSONAL EXPLANATION

HON. GREG WALDEN

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 4, 2001

Mr. WALDEN of Oregon. Mr. Speaker, due to my presence at a funeral in Oregon on Tuesday, April 3, I was not able to participate in any roll call votes that took place on that day. If I had been present, I would have voted "yea" on roll call votes #76, #77 and #78.

HONORING THE 50TH
ANNIVERSARY OF WMUK RADIO

HON. FRED UPTON

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 4, 2001

Mr. UPTON. Mr. Speaker, I rise today to honor the 50th Anniversary of one of the finest radio stations in my state of Michigan, and indeed the entire Midwest, WMUK, of Kalamazoo, Michigan.

Like many of our country's greatest institutions, WMUK had modest beginnings. In 1951, based on the campus of what was then Western Michigan College, WMUK was founded under the call letters WMCR. WMCR was only on the air for a few hours each day and early programming consisted of music and instructional programs. At the time, WMCR was a pioneer in radio. As such, it was the first FM station in Kalamazoo.

Over the years, WMCR's development mirrored the growth of Kalamazoo. For example, in 1961, WMCR changed their call letters to WMUK to reflect Western Michigan College's name change to Western Michigan University. A few years later, in 1965 WMUK was the first