

I am proud to bring the anniversary of this important organization to the attention of Congress here today. The children of Maine and the nation have benefitted greatly from the leadership provided by MADSEC over the last 25 years. I look forward to continuing advances in special education administration and technology that groups such as MADSEC will facilitate. Children with disabilities must not be forgotten or allowed to fall behind. For the last 25 years, members of the Maine Administrators of Services for Children with Disabilities have worked to ensure such children get every chance they can to succeed. I thank them for a quarter-century of fine work, and look forward to their next 25 years.

HONORING WESTERN STATE COLLEGE GRADUATES, RICHARD AND GRACE NUGENT

HON. SCOTT MCINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, May 8, 2001

Mr. MCINNIS. Mr. Speaker, I would like to take this opportunity to congratulate two Western State College graduates. Richard and Grace Nugent will graduate in May with degrees in art and English. But they are not your typical grads. Richard is going on 69 and Grace will soon turn 64 years old.

Richard and Grace have been students at WSC since 1998. Grace attended college for the first time, while Richard is finishing his education, which was cut short in the 1950's. "We've always had some kind of goal—some kind of plan we were working towards," Grace said in a recent Denver Post article. "A lot of people our age figure they're done. We continually have something to look forward to."

Richard and Grace had been operating a bed and breakfast in Crawford, Colorado when they decided they needed a new challenge. They were not your ordinary nontraditional students. Instead of just attending classes, Richard and Grace decided to immerse themselves in the college experience. They moved into the dorms, ate college food and hit the hot college hang outs on Friday nights. "They blend in well. They seem to belong," said Robert Sewell, a student who works out with Richard.

"This is so great," Richard said. "Have you ever been in nursing homes? They're just sitting there. But look around here, there is life here." After graduation, Richard and Grace will start their new careers as English teachers in China.

Mr. Speaker, it is great to see two people so far along in life return to their youth. I want to congratulate Richard and Grace Nugent on their graduation and wish them all the best teaching English in China. I know they will put forth the same effort and enthusiasm with their new career as they did in college.

Richard and Grace, job well done!

TRIBUTE TO ENSIGN RICHARD J. BENSING

HON. JIM DAVIS

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, May 8, 2001

Mr. DAVIS of Florida. Mr. Speaker, I rise to honor Ensign Richard J. Bensing, a member of the U.S. Navy EP-3 aircraft crew who was detained on the island of Hainan, China, last month following their harrowing collision with a Chinese F-8 fighter.

Yesterday, I had the pleasure of joining more than 200 people in welcoming Ensign Bensing back to his alma mater, Brandon High School, in my hometown of Hillsborough County, Florida. The crowd packed in the school's auditorium was evidence of the impact that last month's incident had on citizens across America.

The ordeal that Ensign Bensing endured may have occurred halfway around the world, but it captured the minds and hearts of the entire nation. The flight, and the eleven long days following, reminded us of the great risk that our men and women in uniform take every day to keep our nation free. Our service men and women, wherever they are stationed, represent the best of our country—they are our nation's sons and daughters. We can never take their sacrifice for granted, and in this case, we should be extremely grateful that Richard and the entire crew returned home safely.

I would like to commend Richard Bensing and all of his fellow crew members for the extraordinary dedication and professionalism they demonstrated throughout their ordeal. By your example, you have made us proud to be Americans. We are glad to have you home.

REINSURANCE TAX EQUITY ACT

HON. RICHARD E. NEAL

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, May 8, 2001

Mr. NEAL of Massachusetts. Mr. Speaker, today I am joining my colleague, Representative NANCY JOHNSON, in introducing legislation to put an end to the Bermuda reinsurance tax loophole.

During the past few years, several Bermuda-based companies have either acquired a U.S. property-casualty insurer, or U.S. reinsurers have relocated to Bermuda. One reason for these actions was to allow insurers to avoid U.S. income tax on investment income by reinsuring their U.S. owned subsidiaries' reserves to a parent located in a tax haven such as Bermuda, which has no income tax. It works like this: the company pays a one-time 1 percent federal excise tax to reinsure offshore, and in return, the foreign reinsurer earns tax-free investment income on the transferred reserves for as long as they are held offshore. By escaping all U.S. income tax on investment income, these companies can have up to a ten percent pricing advantage over U.S. taxpaying companies in the U.S. in the "long-tail" insurance marketplace.

Mr. Speaker, such an advantage for some foreign companies over U.S. owned companies is patently unfair and should be eliminated immediately. Our legislation solves the problem by deferring the deduction for reinsurance premiums until the loss is paid in recognition that the primary insurance covers U.S. business risk. Again, this would only apply when reinsurance to parent companies in tax havens is used. Of course, these companies would have the option of being taxed like a U.S. company and thereby avoid this provision.

This is not a trade issue, as some would like to make it. The purpose of reinsurance is to enable property-casualty companies to spread risk among several companies. The practice of reinsurance allows greater access to insurance for consumers, promotes solvency in the marketplace, and helps ensure claims are paid to customers. But this is not the true purpose of the transactions affected by this bill. In these cases, reinsurance is written between related parties—a U.S. subsidiary cedes U.S. business to its foreign based parent—to obtain a tax benefit. No risk has been spread in this transaction, the company is simply moving money from one pocket to another pocket within the same corporate entity.

Mr. Speaker, this is clearly a very technical issue, but that should not stop Congress from moving quickly to shut down this loophole. If we do not stop this practice, other U.S. companies will be forced to relocate to Bermuda, or be bought by a Bermuda based parent, in order to stay competitive. This, in turn, will result in a significant reduction in U.S. corporate tax payments, and has implications not only for the property casualty business but also for affiliated corporations, especially life insurance companies, who could in theory benefit from this loophole.

Mr. Speaker, this may be simply one issue in a series of issues that may need to be addressed by Congress. For example, there is another, separate issue, emerging involving hedge funds and Bermuda insurance companies. When U.S. taxpayers invest in hedge funds, they pay taxes each year on realized profits, usually at the ordinary income tax rate. However, if they invest in shares of an offshore reinsurance company in a tax haven country like Bermuda, they pay nothing on trading profits until they sell shares of the company and those profits are taxed at the capital gains rate. Congress has taken the position several times over the past few years that investors should not get better tax treatment by investing indirectly than they would have gotten if they had made a direct investment in an asset. To quote one article, "The Bermuda reinsurance game is a thing of beauty. High-net-worth investors get the double tax advantage of investing in a Bermuda insurance company while literally capitalizing on hedge fund returns. Institutional investors that might be prohibited from investing directly in hedge funds can do so through an insurance company . . . You are effectively taking U.S. assets and moving them offshore. . . ."

Mr. Speaker, I believe we need to look generally at these issues. However, the matter at hand is one specific transaction that has been studied for a year at the Treasury Department, and it is time to either create fair competition