STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. BREAUX:

S. 1158. A bill to amend the Internal Revenue Code of 1986 to modify the active business definition relating to distributions of stock and securities of controlled corporations; to the Committee on Finance.

Mr. BREAUX. Mr. President, I rise today to introduce tax legislation which proposes only a small technical modification of current law, but, if enacted, would provide significant simplification of routine corporate reorganizations. The legislation is identical to S. 773 which I introduced on April 13 of last year. This proposed change is small but very important. It would not alter the substance of current law in any way. It would, however, greatly simplify a common corporate transaction. This small technical change will allow sole corporations millions of dollars in unnecessary expenses and economic costs that are incurred when they divide their businesses.

Past Treasury Departments have agreed, and I have no reason to believe the current Treasury Department will feel any differently, that this change would bring welcome simplification to section 355 of the Internal Revenue Code. Indeed, the Clinton Administration in its last budget submission to the Congress had proposed this change. The last scoring of this proposal showed no loss of revenue to the U.S. Government, and I am aware of no opposition to its enactment.

Corporations, and affiliated groups of corporations, often find it advantageous, or even necessary, to separate two or more businesses. The division of AT&T from its local telephone companies is an example of such a transaction. The reasons for these corporate divisions are many, but probably chief among them is the ability of management to focus on one core business.

At the end of the day, when a corporation divides, the stockholders simply have the stock of two corporations, instead of one. The Tax Code recognizes this is not an event that should trigger tax, as it includes corporate divisions among the tax-free reorganization provisions.

One requirement the Tax Code imposes on corporate divisions is very awkwardly drafted, however. As a result, an affiliated group of corporations that wishes to divide must often engage in complex and burdensome preliminary reorganizations in order to accomplish what, for a single corporate entity, would be a rather simple and straightforward spinoff of a business to its shareholders. The small technical change I propose today would eliminate the need for these unnecessary transactions, while keeping the statute true to Congress's original purpose.

More specifically, by section 355, and related provision of the Code, permits a corporation or an affiliated group of corporations to divide on a tax-free basis into two or more separate entities with assets. There are numerous requirements for tax-free treatment of a corporate division, or “spinoff,” including continuity of historical shareholder interest, continuity of the business enterprises, business purpose, and absence of any device to distribute earning and profits. In addition, section 355 requires that each of the divided corporate entities be engaged in the active conduct of a trade or business. The proposed change would alter none of these substantive requirements of the Code.

Section 355(b)(2)(A) currently provides an alternative or “look through” rule for groups of corporations that operate active businesses under a holding company, which is necessary because a holding company, by definition, is not itself engaged in an active business.

This lookthrough rule inexplicably requires, however, that ‘substantially all’ of the assets of the holding company consist of stock of active controlled subsidiaries. The practical effect of this language is to prevent holding companies from engaging in spinoffs if they own almost any other assets. This is in sharp contrast to corporations that operate businesses directly, which can own substantial assets unrelated to the business and still engage in tax-free spinoff transactions.

In the real world, of course, holding companies may, for many sound business reasons, hold other assets, such as non-controlling, less than 80 percent, interests in subsidiaries, controlled subsidiaries that have been owned for less than five years, which are not considered “active businesses” under section 355, or a host of non-business assets. Such holding companies routinely undertake spinoff transactions, but because of the awkward language used in section 355(b)(2)(A), they must first undertake one or more, often a series of, preliminary reorganizations solely for the purpose of complying with this inexplicable language of the Code.

Such preliminary reorganizations are at best costly, burdensome, and without any business purpose, and at worst, they seriously interfere with business operations. In a few cases, they may be so costly as to be prohibitive, and cause the company to abandon an otherwise sound business transaction that is clearly in the best interest of the corporation and the businesses it operates.

There is no tax policy reasons, tax advisors agree, to require the reorganization of a consolidated group that is clearly engaged in the active conduct of a trade or business, as a condition to a spinoff. Nor is there any reason to treat affiliated groups differently than single operating companies. Indeed, no one has ever suggested one. The legislative history indicates Congress was concerned about non-controlled subsidiaries, which are adequately addressed, no consolidated groups.

For many purposes, the Tax Code treats affiliated groups as a single corporation. Therefore, the simple remedy I am proposing today for the problem created by the awkward language of section 355(b)(2)(A) is to apply the active business test to an affiliated group as if it were a single entity.

I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1158

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

SECTION 1. MODIFICATION OF ACTIVE BUSINESS DEFINITION.

(a) IN GENERAL.—Section 355(b)(2) of the Internal Revenue Code of 1986 (defining active conduct of a trade or business) is amended by adding at the end the following: “For purposes of subparagraph (A), all corporations that are members of the affiliated group (as defined in section 1504(a)) shall be treated as a single corporation.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions or transfers after the date of the enactment of this Act.

By Ms. COLLINS (for herself and Ms. SNOWE):

S. 1159. A bill to direct the Secretary of the Army to repair and expand a wave attenuation system to protect fishermen and other boaters and promote the welfare of the town of Lubec, Maine; to the Committee on Environment and Public Works.

Ms. COLLINS. Mr. President, I rise today to introduce the Lubec Safe Harbor Act of 2001.

Small communities up and down the coast of Maine literally depend upon the sea for their survival. From the rich fishing grounds that supply Maine’s great fishing industry to the beautiful coastlines that draw tourist
by both land and water, the sea provides Maine's coastal communities with their livelihood.

But while the sea provides life and income to Maine's coastal communities, it can also take back what it gives.

One small community in Maine that has been particularly hard hit by the sea's fury is Lubec. In 1997, a winter storm took the lives of two Lubec fishermen.

Earlier this year, storms destabilized the existing wave attenuation system in Lubec and consequently caused extensive damage to the Lubec marina. The destruction has been very difficult for this small town, whose existence, like many coastal Maine communities, is largely dependent on fishing and tourists who arrive by boat. Without the artisanship of the local fishermen and the harbor will cease to function effectively. Without a harbor, Lubec can neither support its fishing industry nor provide landing capacity for tour boats. Without a safe berth for their boats, the town of Lubec's fishermen are further at risk.

Today, I am introducing legislation that directs the Army Corps of Engineers to construct a wave attenuation system for the Town of Lubec. For the sake of the safety of the fishermen of Lubec and the well-being of the community, this legislation directs the Army Corps to begin work immediately. My legislation authorizes $2.2 million dollars for the Army Corps to complete this project.

I call upon my colleagues to recognize the urgency of this situation. The longer Lubec goes without a safe harbor, the greater the risk to the lives of Lubec's fishermen, and the greater the threat to the economic well-being of this coastal community. I ask my colleagues to help me pass this legislation as soon as possible.

I am pleased to be joined in this effort by my colleague from Maine, Senator Snowe. I know she will also work very hard on behalf of the people of Lubec to see this legislation enacted.

By Mr. ROCKEFELLER:

S. 1160. A bill to amend section 1714 of title 38, United States Code, to modify the provisions of title 38, United States Code, to provide hearing-impaired veterans and veterans with spinal cord injuries, and for other purposes; to the Committee on Veterans’ Affairs.

Mr. ROCKEFELLER. Mr. President, I am pleased to introduce legislation today that would make guide dogs more available to veterans in need.

Service dogs, or “guide dogs”, have traditionally been viewed as being helpful only to those who are visually impaired. However, in recent years, primarily as a result of the Americans With Disabilities Act, there has been a push to find alternative methods of providing assistance to people with various types of disabilities. While there have been many technological developments in this field, there still remains a need for long-term assistance that allows for the most possible independence on the part of the disabled individual.

Specifically, my legislation would enable the Department of Veterans Affairs to provide hearing-impaired veterans and veterans with spinal cord injury or dysfunction, in addition to blind veterans, the ability to obtain service dogs to assist them with everyday activities. There are numerous ways in which service dogs can assist their owners. Tasks such as opening and closing doors, turning switches on and off, carrying bags, and dragging a person to safety in the case of an emergency are just a few of the standard duties for service dogs. Their ability to perform these types of duties makes them invaluable to those who require day-to-day aid. Having this sort of assistance can make a big difference in terms of offering not only physical support, but companionship as well.

Various types of evidence illustrate the value of companion pets, not just to the disabled, but to everyone. The Journal of the American Medical Association published a trial study a few years ago that examined the impact of service dogs on the lives of people with disabilities—both in terms of economic and social impacts. With regard to social considerations, researchers found that all participants had increased levels of self-esteem, independence, and community integration. The economic benefit was exemplified by a sharp decrease in the number of paid assistance hours. Overall, the JAMA study concluded that service dogs can greatly improve the quality of life for the disabled.

In closing, I extend my thanks to the Paralyzed Veterans Association, who assisted me invaluably in preparing this legislation. Their hard work and dedication to this issue have been a great help, and I am proud to have worked with them to develop this bill.

I urge my colleagues to join me in seeking to provide greater accessibility to assistance for disabled veterans. They have sacrificed for all of us, and deserve every effort we can make to restore their sense of independence.

I ask unanimous consent that the text of the bill be printed in the Record.

There being no objection, the bill was ordered to be printed in the Record, as follows:

S. 1160

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

July 10, 2001

American citizens and taxpayers deserve secure borders and a government that works. Yet Americans are being threatened on all these counts, because of a growing labor shortage in agriculture, while the only program currently in place to respond, the H-2A Guest Worker Program, is profoundly broken.

The problem is only growing worse. Therefore, we are introducing a new, improved bill. The name of the bill says it all—AgJOBS.

Our farm workers need this reform bill.

There is no debate about whether many, or most, farm workers are aliens. They are. And they will be, for the foreseeable future. The question is whether they will be here legally or illegally.

Immigrants not legally authorized to work in this country know they must work in hiding.

They cannot even claim basic legal rights and protections. They are vulnerable to predation and exploitation. They sometimes have been stuffed inhumanly into dangerously enclosed truck trailers and car trunks, in order to be transported, hidden from the view of the law. In fact, they have been known to pay "coyotes," labor smugglers, $1,000 and more to be smuggled into this country.

In contrast, legal workers have legal protections. They can assert wage, safety, and other legal protections. They can bargain openly and join unions. H-2A workers, in fact, are even guaranteed housing and transportation.

Clearly, the status quo is broken.

Domestic American workers simply are not being found to fill agricultural jobs.

Our own government estimated that half of the total 1.6 million agricultural work force are not legally authorized to work in this country.

That estimate is probably low: it's based on self-disclosure by illegal workers to government interviewers.

Some actually have suggested that there is no labor shortage, because there are plenty of illegal workers. This is not an acceptable answer.

Congress has shown its commitment over the past few years to improve the security of our borders, both in the 1996 immigration law and in subsequent appropriations.

Between computerized checking by the Social Security Administration and audits and raids by the Immigration and Naturalization Service, more and more employers are discovering they have undocumented employees; and more and more workers here illegally are being discovered and evicted from their jobs.

Outside of H-2A, employers have no reliable assurance that their employees are legal.

It's worse than a Catch-22, in the law actually punishes the employer who could be called "too diligent" in inquiring into the identification documents of prospective workers.

The H-2A status quo is slow, bureaucratic, and inflexible. It does nothing to recognize the uncertainties farmers face, from changes in the weather to global market demands.

The H-2A status quo is complicated and legalistic. Its compliance manual alone is 325 pages.

The current H-2A process is so hard to use, it will place only about 40,000 legal guest workers this year, 2 to 3 percent of the total agricultural work force.

Finally, the grower can't even count on his or her government to do its job.

A General Accounting Office study found that, in more than 50 percent of the cases in which employers filed H-2A applications at least 60 days before the date of need, the DOL missed statutory deadlines in processing them.

The solution we need is the AgJOBS Act of 2001.

This is win-win legislation.

It will elevate and protect the rights, working conditions, and safety of workers. It will help workers, first domestic American workers, then workers here legally and as foreign guest workers, find the jobs they want and need.

It will assure growers of a stable, legal supply of workers, within a program that recognizes market realities.

The adjusted-worker provisions also will give growers one-time assistance in adjusting to the new labor market realities of the 21st Century.

It will assure all Americans of a safe, consistent, affordable food supply.

The new bill sets the prevailing wage as the standard, minimum wage for guest workers admitted under the H-2A program, instead of the unrealistic "premium" wage currently mandated on H-2A employers (called the Adverse Economic Wage Rate), that often combines completely dissimilar worker categories in computing one wage rate.

Participating employers would continue to furnish housing and transportation for H-2A workers. Other current H-2A labor protections for both H-2A and domestic workers would be continued.

Highlights of the new status adjustment program

To qualify for adjustment to legal status, an incumbent worker must have worked in the United States in agriculture for at least 120 days in any 12-month period to last 18 months. (The average non-casual farm worker works 150 days a year.) The bill creates a one-time adjustment opportunity, only for experienced and valuable workers who are already in the United States by July 4, 2001. To earn adjustment of status and the right to stay and work legally in the United States, a qualified worker must continue to work in U.S. agriculture at least 150 days a year, in each of 4 of the next 6 years.

During this 4-6 year period, the adjusting worker would have non-immigrant status and would be required to return to his or her home country for at least 2 months a year, unless he or she is the parent of a child born in the United States (i.e., a U.S. citizen), gainfully employed, actively seeking employment, or prevented by a serious medical condition from returning home. The worker may also work in another industry, as long as the agriculture work requirement is satisfied. The worker would have to check in once a year with the INS to verify compliance with the law and report his or her work history.

Upon completion of the status adjustment period, the adjusted worker would be eligible for legal permanent resident status. Considering the time elapsed from when a worker first applies to enter the adjustment process, this gives adjusted workers an advantage over regular immigrants beginning the legal immigration process at the same time.
CONGRESSIONAL RECORD—SENATE
July 10, 2001

By Mr. SARBANES (for himself, Mr. BIDEN, Mr. MCCAIN, Mr. CAMPBELL, Ms. MIKULSKI, and Mr. CARPER), to recognize the courage and commitment of America’s fire service and to pay special tribute to those firefighters who have made the ultimate sacrifice in the line of duty. Specifically, this legislation requires that the United States flag be flown at half-staff at all Federal facilities on the occasion of the annual National Fallen Firefighters Memorial Service at Emmitsburg, Maryland.

Our Nation’s firefighters are among our most dedicated public servants. Indeed, few would question the fact that our fallen firefighters are heroes. Throughout our Nation’s history, we have recognized the passing of our public servants by lowering our Nation’s flag to half-staff in their honor. In the past, this list has included elected officials, members of the Armed Services and America’s peace officers. In my view, our fallen firefighters deserve no less.

For the past nineteen years, a memorial service has been held on the campus of the National Fire Academy in Emmitsburg, to honor those firefighters who have given their lives while protecting the lives and property of their fellow citizens. Since 1981, the names of 2,081 fallen firefighters have been inscribed on plaques surrounding the National Fallen Firefighters Memorial, a Constitutionally designated monument to these brave men and women. On October 7, at the 20th Annual National Fallen Firefighters Memorial Service, an additional 93 names will be added.

Over the years, I have worked very closely with the National Fallen Firefighters Foundation to ensure that the National Fallen Firefighters Memorial Service is an occasion befitting the sacrifices that these individuals have made. In my view, lowering the United States flag to half-staff is an essential component of this “Day of Remembrance.” It will be a fitting tribute to the roughly 100 men and women who die every year while performing their duties as our Nation’s career and volunteer firefighters. It will also serve to remind us of the critical role played by the 1.2 million fire service personnel who risk their lives every day to ensure our safety and that of our communities.

I ask unanimous consent that this joint resolution be printed in the Record and urge my colleagues to support its swift passage.

There being no objection, the joint resolution was agreed to be printed in the RECORD, as follows:

S.J. Res. 18

WHEREAS 1,200,000 men and women comprise the fire service in the United States;

WHEREAS the fire service is considered one of the most dangerous jobs in the United States;

WHEREAS fire service personnel selflessly respond to over 16,000,000 emergency calls annually without reservation and with an unwavering commitment to the safety of their fellow citizens;

WHEREAS fire service personnel are the first to respond to a call, whether it involves a fire, medical emergency, spill of hazardous materials, natural disaster, act of terrorism, or transportation accident; and

WHEREAS approximately 100 fire service personnel die annually in the line of duty: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That each year, the United States flags on all Federal facilities will be lowered to half-staff on the day of the National Fallen Firefighters Memorial Service in Emmitsburg, Maryland.

SUBMITTED RESOLUTIONS

SENATE RESOLUTION 124—CONGRATULATING THE UNIVERSITY OF THE PACIFIC, AND ITS FACULTY, STAFF, STUDENTS, AND ALUMNI ON THE UNIVERSITY’S 150TH ANNIVERSARY

WHEREAS the University of the Pacific was founded in 1851 as California’s first chartered college and university; and

WHEREAS the University of the Pacific is the first degree-granting university to be established in California’s San Joaquin Valley; and

WHEREAS the University of the Pacific’s alumni are leaders in California and the western States in the professions of government, business, education, religion, musical and theatrical performance, and engineering; and

WHEREAS in recognition of the historic chartering of the University of the Pacific by the California Supreme Court, the Chief Justice of California is joining with others to recognize the fulfillment of the University of the Pacific’s Charter of Establishment: Now, therefore, be it

Resolved, That the Senate—

(1) recognizes the University of the Pacific as a leader and pioneering innovator in higher education; and

(2) congratulates the University of the Pacific, and its faculty, staff, students, and alumni on the occasion of the Sesquicentennial Anniversary of the granting of the University of the Pacific’s charter.

Ms. CANTWELL (for herself and Mrs. MURRAY) submitted the following resolution; which was considered and agreed to:

S. Res. 125

WHEREAS the City of Seattle and the Seattle Mariners franchise are honored to host the Major League Baseball All-Star Game (in this resolution referred to as the “All-Star Game”) for the second time, and the first time at beautiful Safeco Field;

WHEREAS the 72nd All-Star Game on July 10, 2001, is the fans’ tribute to the skill, work ethic, dedication, and discipline of the best players in the game of baseball;

WHEREAS the players selected for the All-Star Game are an inspiration to baseball fans across the world;

WHEREAS 4 Seattle Mariners players (Bret Boone, Edgar Martinez, John Olerud, and Ichiro Suzuki) were selected by fans from around the world to start for the American League in the All-Star Game, and American League All-Star Game Manager Joe Torre chose three Mariners pitchers (Freddy Garcia, Jeff Nelson, and Kazuhiro Sasaki), and one Mariners fielder (outfielder Mike Cameron) to be on the All-Star Game roster, and Mariners Manager Lou Piniella to be an assistant coach;

WHEREAS Ichiro Suzuki, in his first year in Major League Baseball, received more votes to play in the All-Star Game than any other player;

WHEREAS the Seattle Mariners have reached the Major League Baseball –47 best record at such point in the season in the history of Major League Baseball;

WHEREAS this remarkable record has been reached not only because of the individual efforts of the team’s 8 All-Stars, but because of the teamwork and timely contributions of every teammate and an extraordinary coaching staff led by Manager Lou Piniella;

WHEREAS the teamwork, work ethic, and dedication of the players and coaches of the