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port revenue-neutral initiatives to simplify the tax laws and to promote sensible and equitable administration of the tax laws. I urge the Congress to continue to work with me to achieve these goals. In addition to supporting legislative initiatives, my Administration is committed to taking appropriate administrative action to implement this tax legislation in a manner that minimizes taxpayer burdens, and further, that simplifies the tax laws and enhances procedural safeguards for taxpayers.

Other Presidential Initiatives

My tax plan included extensions of the research tax credit, the orphan drug credit, and the tax incentive for contributions of appreciated stock to private foundations. I am pleased that H.R. 2014 includes such extensions. I am also pleased that H.R. 2014 includes my proposal to extend the foreign sales corporation benefit, which exempts a portion of income for tax purposes, to include computer software licensed for reproduction abroad.

I am disappointed, however, that H.R. 2014 omits a number of my important initiatives, including my proposal to protect the rights of disabled persons by extending the time such people are allowed to claim a tax refund to include the period during which they are mentally or physically impaired.

The bill also omits my proposal to restore the wage-based tax incentive for new investments in Puerto Rico. While I agreed last year to ending the credit not directly based on economic activity, I opposed phasing out the wage-based incentive. It is a mistake not to continue this credit and open it to new investments in Puerto Rico, which has a jobless rate three times the national rate.

I am also very disappointed that the tax incentives for renewable fuels were not extended in this budget. Earlier this year, I proposed extension of the excise tax exemption for ethanol in our surface transportation reauthorization proposal. I urge the Congress to extend the ethanol subsidy when it considers the reauthorization bill later this year.

Other Issues of Concern

The bill extends the Airport and Airways Trust Fund taxes and sets new fee structures without the benefit of the pending study by the National Civil Aviation Review Commission. The Administration may propose changes to these provisions after it reviews the Commission's recommendations.

The bill also transfers the 4.3 cents per gallon in fuel taxes currently dedicated to deficit reduction from the General Fund to transportation trust funds. While the transfer provision itself has no revenue or spending effect, I am concerned that transferring the revenue may spur efforts to move the trust funds off-budget and create pressure to increase ground transportation spending to levels significantly higher than contemplated by the bipartisan budget agreement.

Finally, H.R. 2014 contains a provision that is intended to address the capital needs of Amtrak. The provision is contingent on the enactment of subsequent Amtrak reform legislation. Although the provision is highly problematic in terms of tax policy, my Administration looks forward to working with the Congress to secure the enactment of Amtrak reform legislation that is fair to all parties.

Conclusion

Despite my reservations, H.R. 2014 meets the basic tests established by my Administration and provides needed tax relief for working Americans. I am grateful for the bipartisan support that this measure received in the Congress, and I am pleased to have signed it into law.

William J. Clinton

The White House,
August 5, 1997.

NOTE: H.R. 2014, approved August 5, was assigned Public Law No. 105–34.

Statement on Signing the Taxpayer Browsing Protection Act

August 5, 1997

Today I have signed into law H.R. 1226, the "Taxpayer Browsing Protection Act," to provide additional criminal penalties and civil remedies to help ensure that taxpayers' returns and return information remain confidential.

Our system of taxation relies heavily on taxpayers' voluntary compliance with their tax reporting obligations. Maintaining the confidentiality of the information submitted by taxpayers is critical to the operation of this system. If taxpayers do not believe that the Government is adequately safeguarding their personal financial information they may be less willing to supply that information in the future.

Taxpayers have the right to expect that their returns and return information are, and will remain, confidential. Such information should be inspected or reviewed only for proper purposes, including tax administration, in accordance with the criteria established by law. It is my Administration's clear policy that unauthorized inspection of tax information will not be tolerated. This is a bipartisan issue on which everyone can agree: ''browsing'' taxpayer information is wrong, and we all condemn it.

Using currently available tools, the Internal Revenue Service (IRS) has stepped up its efforts to end browsing, and my Administration has supported providing the IRS with additional tools. Significant progress was made on this issue last year. The National Information Infrastructure Protection Act of 1996 made it a crime to access intentionally a Federal computer without proper authority and obtain information from any department or agency of the United States Government. Thus, browsing tax records stored in a Federal computer is already punishable as a crime. The bill I have signed today will further strengthen the tools the IRS can employ against unauthorized inspections of taxpayer data.

This legislation will add a separate provision to the Internal Revenue Code specifically prohibiting unauthorized inspection or browsing of tax returns and return information. It will make a misdemeanor of certain activities that are not covered under current law. For example, it will prohibit the unauthorized inspection of noncomputerized tax information, such as ''hard copies'' of paper returns or return information. It will prohibit unauthorized inspection using computers belonging to State or local governments or contractors when Federal tax information has been conveyed to them pursuant to existing law. Finally, the new misdemeanor will serve as an additional option for prosecutors even in cases already covered under current law.

I am pleased that the bill provides additional civil remedies to those taxpayers whose privacy has been invaded by unauthorized inspection or disclosure of their tax information. Current law requires an actual disclosure to a third person of taxpayer information before a civil remedy is available. This bill will provide a civil remedy to taxpayers whose tax information has been unlawfully inspected, regardless of whether there has been a subsequent disclosure. Further, H.R. 1226 will require notification to taxpayers whose tax information has been either improperly inspected or disclosed whenever a person is indicted or otherwise charged with a violation of criminal provisions applicable to browsing or unlawful disclosure.

It is entirely appropriate for taxpayers whose tax information has been improperly inspected to have the same remedies as taxpayers whose information has actually been unlawfully disclosed. Further, notification to the taxpayer is appropriate when the Government has sufficient evidence to support a criminal charge. Acknowledging that we believe someone has violated the confidentiality rules, and advising taxpayers that we are vigorously pursuing such individuals with criminal penalties, will ultimately enhance taxpayers' confidence that the Government is vigilant about protecting their privacy.

These actions should deter persons who have access to tax returns and return information from unauthorized browsing, and the number of such instances should decline significantly in the future.

For these reasons, I am pleased to have signed H.R. 1226 into law.

William J. Clinton

The White House,
August 5, 1997.

NOTE: H.R. 1226, approved August 5, was assigned Public Law No. 105–35.

Letter to Congressional Leaders Reporting on Terrorists Who Threaten the Middle East Peace Process

August 5, 1997

Dear Mr. Speaker: (Dear Mr. President:)

I hereby report to the Congress on the developments concerning the national emergency with respect to terrorists who threaten to disrupt the Middle East peace process that was declared in Executive Order 12947 of January 23, 1995. This report is submitted pursuant to section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), and section 204(c) of the International Emergencies Economic Powers Act (IEEPA), 50 U.S.C. 1703(c).

On January 23, 1995, I signed Executive Order 12947, ''Prohibiting Transactions with Terrorists Who Threaten to Disrupt the Middle East Peace Process'' (the ''order'') (60 *Fed. Reg.* 5079, January 25, 1995). The order blocks all property subject to U.S. jurisdiction in which there is any interest of 12 terrorist organizations that threaten the Middle East peace process as identified in the Annex to the order. The order also blocks the property and interests in property subject to U.S. jurisdiction of persons designated by the Secretary of State, in coordination with the Secretary of the Treasury and the Attorney General, who are found (1) to have committed, or pose a significant risk of committing, acts of violence that have the purpose or effect of disrupting the Middle East peace process, or (2) to assist in, sponsor, or provide financial, material, or technological support for, or services in support of, such acts of violence. In addition, the order blocks all property and interests in property subject to U.S. jurisdiction in which there is any interest of persons determined by the Secretary of the Treasury, in coordination with the Secretary of State and the Attorney General, to be owned or controlled by, or to act for or on behalf of, any other person designated pursuant to the order (collectively ''Specially Designated Terrorists'' or ''SDTs'').

The order further prohibits any transaction or dealing by a United States person or within the United States in property or interests in property of SDTs, including the making or receiving of any contribution of funds, goods, or services to or for the benefit of such persons. This prohibition includes donations that are intended to relieve human suffering.

Designations of persons blocked pursuant to the order are effective upon the date of determination by the Secretary of State or her delegate, or the Director of the Office of Foreign Assets Control (OFAC) acting under authority delegated by the Secretary of the Treasury. Public notice of blocking is effective upon the date of filing with the *Federal Register*, or upon prior actual notice.

Because terrorist activities continue to threaten the Middle East peace process and vital interests of the United States in the Middle East, on January 21, 1997, I continued for another year the national emergency declared on January 23, 1995, and the measures took effect on January 24, 1995, to deal with that emergency. This action was taken in accordance with section 202(d) of the National Emergencies Act (50 U.S.C. 1622(d)).

On January 25, 1995, the Department of the Treasury issued a notice listing persons blocked pursuant to Executive Order 12947 who have been designated by the President as terrorist organizations threatening the Middle East peace process or who have been found to be owned or controlled by, or to be acting for or on behalf of, these terrorist organizations (60 *Fed. Reg.* 5084, January 25, 1995). The notice identified 31 entities that act for or on behalf of the 12 Middle East terrorist organizations listed in the Annex to Executive Order 12947, as well as 18 individuals who are leaders or representatives of these groups. In addition the notice provides 9 name variations or pseudonyms used by the 18 individuals identified. The list identifies blocked persons who have been found to have committed, or to pose a risk of committing, acts of violence that have the purpose of disrupting the Middle East peace process or to have assisted in, sponsored, or provided financial, material or technological support for, or service in support of, such acts of violence, or are owned or controlled by, or to act for or on behalf of other blocked persons. The Department of the Treasury issued three additional notices adding the names of three individuals, as well as their pseudo-