Tuesday, November 9, 1999

HON. CAROLYN B. MALONEY
OF NEW YORK

SPEECH OF
HON. JULIA CARSON
OF INDIANA

IN THE HOUSE OF REPRESENTATIVES
Tuesday, November 9, 1999

Ms. CARSON. Mr. Speaker, I was unavoidably absent Monday, November 8, 1999, and as a result, missed rollocall votes 574 through 576. Had I been present, I would have voted “yes” on rollocall vote 574, “yes” on rollocall vote 575, and “yes” on rollocall vote 576.

PERSONAL EXPLANATION
HON. SILVESTRE REYES
OF TEXAS

IN THE HOUSE OF REPRESENTATIVES
Tuesday, November 9, 1999

Mr. REYES. Mr. Speaker, on Friday, November 5, 1999, I was away on official business and missed rollocall votes 571, 572, and 573. Had I been present, I would have voted “yes” on the following: Rollocall vote No. 571, the Young Amendment to H.R. 3196; rollocall vote No. 572, final passage of H.R. 3196 (the Foreign Operations Appropriations bill for Fiscal Year 2000); and rollocall vote No. 573, H.R. 3075 (the Medicare, and SCHIP Balanced Budget Refinement Act).

EXPANSION OF IRS SECTION 1032
HON. RICHARD E. NEAL
OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES
Tuesday, November 9, 1999

Mr. NEAL of Massachusetts. Mr. Speaker, today I am introducing a modest bill which builds on the recommendations of the Department of the Treasury and the New York State Bar Association. This legislation applies section 1032, which was added in 1954 to the Internal Revenue Code, to all derivative contracts. The impact of this change is to prohibit corporations from recognizing gain or loss in derivative transactions to the extent the derivative purchased by the corporation involves its own stock.

Section 1032 states that a corporation generally does not recognize gain or loss on the receipt of money or other property in exchange for its own stock. In addition, a corporation does not recognize gain or loss when it redeems its own stock for cash. Section 1032 as originally enacted simply recognized that there was no true economic gain or loss in these transactions. However, the 1984 Deficit Reduction Act extended this policy to option contracts, recognizing the potential for tax avoidance inherent in these contracts. Since that time the financial industry has developed a number of new types of derivative products. My legislation merely updates current law to include in section 1032 current and future forms of these new types of financial instruments.

On June 16, 1999 the New York State Bar Association issued a report on section 1032 which recommended the changes discussed above. In addition, building on the work of the Treasury Department’s budget recommendation, the New York State Bar Association also recommended that Congress require a corporation that retires its stock and “substantially contemporaneously” enters into a contract to sell its stock forward at a fixed price, to recognize as income a time-value element. In effect, these two transactions provide a corporation with income that is economically similar to interest income but is tax-free. This legislation includes a provision that recognizes a time-value element, i.e., the version recommended by the Bar Association. The effective date of this legislation is for transactions entered into after date of enactment.

The problem identified in 1984, and in 1999 by the Department of the Treasury, is best described in the New York State Bar Association Report. The report states:

We are concerned that all the inconsistencies described above (both in the general scope of section 1032 and in its treatment of retirements combined with forward sales) present wishful and abuse potential; the government faces the risk that deductions are allowed for losses from transactions that are equivalent to transactions that would be taxable income, or—because taxpayers may take different positions under current law—even in the same form as such transactions. To avoid these inconsistencies, it is necessary to amend section 1032.

Ronald Starkweather Scholarship Fund
HON. THOMAS M. REYNOLDS
OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES
Tuesday, November 9, 1999

Mr. REYNOLDS. Mr. Speaker, I rise today to honor both a community and an individual.

On Wednesday, November 10, 1999, a fund-raising reception will be held in Rochester, New York, to benefit the Ronald Starkweather Scholarship Fund. The scholarship will be awarded to a student at Monroe County Community College, who meets certain academic criteria, and continues their education at a four-year college or university in Monroe County.

The Ronald Starkweather Scholarship Fund will do more than provide financial assistance to local students. It will honor a man who meant so much to our area.

Ron Starkweather passed away last September. He served as a Commissioner of the Monroe County Board of Elections from 1985 until his death. It would be difficult to list all of Ron’s associations, activities and contributions to his community, for they could easily fill a volume of this CONGRESSIONAL RECORD.

A graduate of my alma mater, Springfield College, and Roberts Wesleyan College, Ron was active in organizations such as the United Way, Chamber of Commerce and rotary Club. Ron began his professional career as a teacher at SGI and then at the Churchville-Chili High School. At both schools he coached athletics.

Ron served as Chairman of the Monroe County Republican Committee for a decade. As a political and government leader, countless people called upon him for his counsel, leadership and advice.

Ron will be deeply missed by all those who knew him and, like me, were able to call him friend. But through the Ronald Starkweather Scholarship Fund, Ron will live on not just in our hearts, but in the future of our community.