

the current Tax Code. In my home State of Washington and in other States, such as Florida, Nevada, South Dakota, Tennessee, Texas, and Wyoming, a State sales tax takes the place of a State income tax as the primary means for raising revenue.

Every year in April, taxpayers send their tax returns to the IRS. It is a ritual to which all Americans have become accustomed. Although we do not always like it, we realize it is part of our duties to the country.

But the ritual brings added frustration for taxpayers in my State who feel cheated by what they pay into the Federal Treasury. A taxpayer of identical income and expense in almost any other State would be able to deduct the amount that they pay their State in income tax; but in Washington, we cannot do that.

Folks in my State have the same amount withheld from their paychecks; but when they itemize their taxes, they deduct a significantly lesser amount. Because of the tax reforms of 1986 when lawmakers decided to remove the deduction for sales tax, Washingtonians were shortchanged. In fact, the Congressional Research Service estimates that Washington State taxpayers are penalized to the tune of \$450 million every year when compared to their neighbors.

Should residents of Washington and the other States with sales taxes pay hundreds of dollars more to the Federal Treasury than States which choose to tax residents through income taxes? Of course not.

Federal taxes should be levied on all of our Nation's citizens in a fair and equitable manner that does not give preference to one State or another.

That is why, along with the gentleman from Tennessee (Mr. CLEMENT), I am introducing today legislation to correct this inequity. Our bill, the Tax Deduction Fairness Act of 2001, would reinstate the sales tax deduction and direct the IRS to develop tables of average sales tax liabilities for taxpayers in every State. It would then give the taxpayer the option to deduct either their State sales tax or their State income tax when they file their Federal return.

The bill will not make the State or the Federal Income Tax Code more complicated. In fact, it will add one simple line and take about 60 seconds to complete. I do not know about my colleagues, but taking 60 seconds to look on a simple chart in a way that would save me \$400 to \$500 a year is a pretty good investment in time. Adding that line will save hundreds of millions of dollars for American taxpayers every year, and it is all about fundamental fairness.

Let me give my colleagues a couple of very real human examples. Brian and Cathy Lux and their three kids, Carissa, Devon and Tristian, live in Brush Prairie, just outside my home town of Vancouver, Washington. Brian is a finance manager for a local auto

dealership, and his wife, Cathy, is a licensed home care provider.

All told, the Luxes make between \$70,000 to \$80,000 a year, not a huge amount for a family of five. Working with the IRS, my office estimates that the Luxes paid an average of about \$1,700 in sales taxes last year, but they were able to deduct none of it from their Federal return.

However, under our bill, they would get nearly \$500 of their tax money back. For Brian and Cathy, that \$500 would be nearly a month's worth of groceries; or when their kids get a little older, it would be a semester of tuition at the local community college.

Mr. Speaker, now is the time to fix this inequity in the Federal Tax Code for all Brian and Cathy Luxes and for all of the similar families throughout the country.

The new administration campaigned on fair and just tax relief, and I support that promise. But I cannot think of anything more fair than the bill that the gentleman from Tennessee (Mr. CLEMENT) and I are introducing today. If we penalize people for being married, so too it must be unjust to penalize people for living in States that opt to tax their citizens through a sales tax. I welcome the bipartisan spirit of the new administration, and I urge members to support this legislation that is all about fairness and simplicity and will help working families throughout this country.

Mr. Speaker, I yield to the gentleman from Tennessee (Mr. CLEMENT).

Mr. CLEMENT. Mr. Speaker, I thank the gentleman from Washington (Mr. BAIRD) for yielding and congratulate him because I know that he has been a leader in the State of Washington on this issue, but has also been a leader across the country on this; and it is a pleasure to join forces with him because what we are trying to do is correct inequity, correct tax unfairness.

This came back to us in the 1986 tax reform. Prior to 1986, we were able to deduct our State sales tax from our Federal income tax return. But in the 1986 tax reform, that was taken away from us. It was an oversight, and now we want to correct that oversight once and for all for those seven States that are left out. We should not be forced to move to a State income tax in Tennessee or Washington or the other States if we do not want to.

#### BANKRUPTCY ABUSE PREVENTION AND CONSUMER PROTECTION ACT OF 2001

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania (Mr. GEKAS) is recognized for 5 minutes.

Mr. GEKAS. Mr. Speaker, the purpose of the special order to which I am attached today is to announce the introduction of the new bankruptcy reform act that we hope will be enacted into law during this current session and swiftly to arrive at the President's

desk for signature. We are naming the new effort the Bankruptcy Abuse Prevention and Consumer Protection Act of 2001, and we have over 50 cosponsors already even at the early stages of this session to help us shepherd through much-needed bankruptcy reform.

Mr. Speaker, my colleagues will recall that in the waning days of the last session, the House by voice vote and the Senate by an overwhelming vote of 70 to 28 approved the bankruptcy bill of the last term only to have it vetoed by President Clinton in the last days of the congressional session during the year 2000. So we have to start all over again.

In starting all over again, Mr. Speaker, we are adopting as the starting vehicle about 99 and 44/100 percent of the bill that was approved in the last days of the last session by both the House and the Senate, which was of course veto-proof. In the previous House vote, there were 315 votes, well over the veto-proof level, and in the Senate it was 70 over something which also allows for veto override. Happily, we may not require a veto-proof majority in this current session because we believe that bankruptcy reform could be part and parcel of President Bush's overall plan to meet the unstable economy head on to prevent some of the worst consequences of an economic downturn. It fits in perfectly.

Two main themes are part of the new bankruptcy reform effort to which I allude. These same two themes guided our actions from the very beginning. The first theme, and the most important one, is that it is tailored to make certain that anyone who is so overwhelmed by debt, so swamped by the inability to pay one's obligations that that individual after a good close look at his circumstances would be entitled to a fresh start, to be discharged in bankruptcy, to be free of the debts that so overwhelmed him. That is a salient feature of this bankruptcy reform bill and the ones that we were able to get these favorable votes to accomplish in the last two sessions.

So we never lose sight of, nor will we ever lose sight of, the real purpose of bankruptcy reform or any bankruptcy legislation to allow an American citizen the right to gain a fresh start after finding himself incapable of meeting his obligations. But the other tandem theme that is also part of what we have been doing for the last 3 years, and which will be an important feature of the new bill, will be that certain provisions will be put into place which will make certain that those people who have an ability to repay some of their debts will be compelled to do so, so that instead of a Chapter 7 filing which will give that automatic almost-fresh start, we will be able to shepherd some of the debtors into Chapter 13 and propose a plan and adopt a plan by which they could over a period of time repay some of the debt out of their then-current earnings.

This is a well-balanced concept which we are presenting to the American people and to the Congress so that we can help join in the fight to make sure that our economy remains stable throughout the ensuing several years and into the next decade.

Some of the contentious features that we found occurred on the floor of the House and in committee throughout the last 3 years have been so well settled now and are part and parcel of the new proposal that we believe that only a modicum of new hearings will be needed either in the Senate or in the House for final resolution of the final wording that will go into the bankruptcy reform bill to which we refer. We had some 13 hearings within a year to determine what was out there in the business world and in the consumer world that was important enough for us to note and to provide language to accommodate.

Mr. Speaker, I am asking for cosponsorship.

I am proud to introduce H.R. 333, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2001, today together with original cosponsors from both sides of the aisle.

This bill is identical to the conference report that accompanied H.R. 2415, the Gekas-Grassley Bankruptcy Reform Act of 2000, which passed the House by voice vote last October and passed the Senate with a veto-proof vote of 70 to 28 less than 2 months ago. The only revisions consist of a title change and the deletion of a provision that has already become law.

This bill is a further perfection of its predecessor, H.R. 833, the Bankruptcy Reform Act of 1999, which I introduced on February 24, 1999. With more than 100 cosponsors, H.R. 833 had overwhelming bipartisan support in the House as further evidenced by a vote on final passage of 313 to 108.

The bill I am introducing today consists of a comprehensive package of reforms pertaining to consumer and business bankruptcy law. It also includes provisions regarding the treatment of tax claims, enhanced data collection, and international insolvencies.

This bill responds to several developments affecting bankruptcy law and practice. Based on data released by the Administrative Office of the United States Courts, bankruptcy filings have increased exponentially. Between 1994 and 1998, the number of filed bankruptcy cases grew by more than 72 percent. In 1998, bankruptcy filings, according to the Administrative Office, reached an "all-time high" of more than 1.4 million cases. Paradoxically, however, this dramatic increase in bankruptcy filing rates occurred during a period when the economy continued to be robust, with relatively low unemployment and high consumer confidence.

Coupled with this development was the release of a study that estimated financial losses in 1997 resulting from these bankruptcy filings exceeded \$44 billion, a loss equal to more than \$400 per household. This study projected that even if the growth rate in personal bankruptcies slowed to only 15 percent over the next 3 years, the American economy would have to absorb a cumulative cost of more than \$220 billion.

The Judiciary Committee began its consideration of comprehensive bankruptcy reform

early in the 105th Congress. On April 16, 1997, the Subcommittee on Commercial and Administrative Law conducted a hearing on the operation of the bankruptcy system that was combined with a status report from the National Bankruptcy Review Commission. This was the first of 13 hearings that the subcommittee held on the subject of bankruptcy reform over the ensuing 2 years. Eight of these hearings were devoted solely to consideration of H.R. 833 and its predecessor, H.R. 3150, the Bankruptcy Reform Act of 1998. Over the course of these hearings, more than 120 witnesses, representing nearly every major constituency in the bankruptcy community, testified. With regard to H.R. 833 alone, testimony was received from 69 witnesses, representing 23 organizations, with additional material submitted by other individuals and groups.

The heart of the bill's consumer bankruptcy reforms is the implementation of a mechanism to ensure that consumer debtors repay their creditors the maximum that they can afford. The needs-based formula articulates objective criteria so that debtors and their counsel can self-evaluate their eligibility for relief under chapter 7 (a form of bankruptcy relief where the debtor generally receives a discharge of his or her personal liability for most unsecured debts). These reforms are not intended to affect consumer debtors lacking the ability to repay their debts and deserving of an expeditious fresh start.

The bill's debtor protections include significant new credit card disclosure specifications and the requirement that billing statements and other related materials contain explanatory statements with regard to introductory interest rates and minimum payments. These additional disclosures will give debtors important information to enable them to better manage their financial affairs so that they can avoid fiscal disaster.

Important reforms intended to help debtors understand their rights and obligations with respect to reaffirmation agreements are also included in the legislation. To enforce these protections, the bill requires the Attorney General to designate a U.S. attorney for each judicial district and a FBI agent for each field office to have primary responsibility regarding abusive reaffirmation practices, among other responsibilities.

In addition, the legislation substantially expands a debtor's ability to exempt certain tax-qualified retirement accounts and pensions. It also creates a new provision that allows a consumer debtor to exempt certain education IRA and state tuition plans for his or her child's postsecondary education from the claims of creditors.

Most importantly, the legislation's credit counseling provisions will give consumers in financial distress an opportunity to learn about the consequences of bankruptcy—which can be very devastating to their credit rating, among other matters—and about alternatives to bankruptcy, as well as how to manage their finances, so that they can avoid future financial difficulties.

Other debtor protections include heightened requirements for those professionals and others who assist consumer debtors in connection with their bankruptcy cases, expanded notice requirements for consumers with regard to alternatives to bankruptcy relief, and the institution of a pilot program to study the effective-

ness of consumer financial education for debtors. The legislation also addresses a problem under the current law with respect to those individuals who are precluded from obtaining bankruptcy relief because they simply cannot afford to pay the requisite bankruptcy filing fees and related charges. Under the legislation, these fees and charges may be waived in appropriate cases.

With regard to business bankruptcy reform, the bill addresses the special problems that small business cases present by instituting a variety of performance criteria and enforcement mechanisms to identify and weed out those debtors who are unable to reorganize. It also requires more active supervision of these cases by United States Trustees and the bankruptcy courts. The bill includes provisions dealing with business bankruptcy cases, in general, and family farmer bankruptcies, in particular. It also clarifies the treatment of certain financial contracts under the banking laws as well as under the Bankruptcy Code. The bill responds to the special needs of family farmers by making chapter 12 of the Bankruptcy Code—a form of bankruptcy relief available only to eligible family farmers—permanent.

The small business and single asset real estate provisions of the bill are largely derived from consensus recommendations of the National Bankruptcy Review Commission. Many of these recommendations received broad support from those in the bankruptcy community, including various bankruptcy judges, creditor groups, and the Executive Office for United States Trustees.

The bill, in addition, contains several provisions having general impact with respect to bankruptcy law and practice. These include a provision permitting certain appeals from final bankruptcy court decisions to be heard directly by the court of appeals for the appropriate circuit. Another general provision of the bill requires the Executive Office for United States Trustees to compile various statistics regarding chapter 7, 11, and 13 cases, to make these data available to the public, and to report annually to Congress on the data collected.

It is also important to note that the legislation includes a plethora of provisions intended to protect the interests of women and children. For example, the legislation—

Gives domestic support obligations the highest entitlement to payment in bankruptcy cases where there are assets available to pay the claims of creditors. Current law only accords a seventh level payment priority to these claims.

Establishes a uniform and expanded definition of the term "domestic support obligation" to better protect the rights of women and children with support claims and to reduce litigation.

Prevents deadbeat parents from enjoying the benefits of bankruptcy relief without having first satisfied their spousal and child support obligations.

Ensures that bankruptcy cannot be used by deadbeat parents to interfere with the enforcement efforts of federal, state and local authorities with respect to overdue child support obligations.

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Does not allow deadbeat parents to discharge other obligations relating to divorce or separation agreements.

Requires those who are responsible for the administration of bankruptcy cases to provide important information and notices to their holders of spousal or child support claims as well as to state child support agencies.

Many professionals and organizations responsible for federal child support enforcement programs such as the National District Attorneys Association, the National Association of Attorneys General, and the National Child Support Enforcement Association (which represents more than 60,000 child support professionals across America) have enthusiastically expressed their support for these important reforms.

I urge my colleagues to support H.R. 333, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2001.

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#### SUPPORT SALES TAX DEDUCTION ACT OF 2001

The SPEAKER pro tempore (Mr. SIMPSON). Under a previous order of the House, the gentleman from Tennessee (Mr. CLEMENT) is recognized for 5 minutes.

Mr. CLEMENT. Mr. Speaker, I rise today in strong support of a bill that the gentleman from Washington (Mr. BAIRD) and myself have worked so hard on and we are introducing today that would restore the sales tax deduction to the Federal Income Tax Code. We are talking about an oversight that occurred in 1986, where seven States cannot deduct their State sales tax from their Federal income tax return, which they could do prior to 1986. This is an issue of tax fairness that has been wrongly denied to the citizens of Tennessee and six other States for 15 years.

Mr. Speaker, due to the elimination of the State sales tax deduction from the Federal Tax Code in 1986, the people of Tennessee are paying significantly more in taxes to the Federal Government than a taxpayer with an identical profile in a State that does have a State income tax. In the last fiscal year alone, my colleagues, my friends, constituents in Tennessee, paid an average of \$727 in State sales taxes but could not deduct \$1 of it from their Federal income tax return. We are being forced to pay taxes on our taxes. This is unfair, it is unjust, and it must be corrected here in the 107th Congress. The people of Tennessee and the other States deserve better from the Federal Government.

Our bill is very simple. It would allow taxpayers to deduct their State sales taxes from their Federal income tax return. Those living in a State with an income tax would be completely unaffected, since they would still be able to take an income tax deduction as they do today. For example, a family with a combined income of \$50,000 that lives in Tennessee, for example, who are blessed with beautiful twin daugh-

ters would save \$350. That, Mr. Speaker, is a lot of diapers.

I am calling on my colleagues to take this opportunity to restore fairness and equity to the Tax Code in this Congress without making the Tax Code more complex and without abandoning our fiscal discipline. In a year when all the talk now is about bipartisan tax cuts and bipartisan tax reform, I say we come together and pass tax fairness and ensure tax equity now. Let us take this opportunity to do something about our tax burdens and not just talk about them.

In this last Congress, the gentleman from Washington (Mr. BAIRD) and myself were able to offer it on the floor of the House, and 173 of our colleagues voted in favor of similar tax language. I would like to call on those Members of the House to cosponsor this legislation. It is a fair bill, it makes a lot of sense, and it will treat all States equal. Is that not what it is all about, when we call ourselves the United States of America?

Mr. Speaker, at this time I would like to have a colloquy with my good friend and a real leader in the House of Representatives, the gentleman from Washington (Mr. BAIRD).

Mr. BAIRD. I thank the gentleman from Tennessee, and I want to commend him for his efforts on this bill and for his fight for fairness for his citizens.

It really is this simple. What we propose is to have the IRS create simple tables. A person will not have to save their receipts in a shoe box or keep track of all their expenditures. They will simply look on a simple table. On the left column is their income, the top row is the family size. They will find where that intersects and that is the amount they put on their tax form. Literally, 30 seconds to a minute for fundamental fairness, for a bill that will save the average working family, who itemizes their deductions, between \$300 to \$500 every year.

The \$500 million that Washington State taxpayers paid to the Federal treasury could have been spent on their families, their kids' educations, and in a lot of other ways. I am sure it is true in Tennessee as well.

Mr. CLEMENT. The gentleman is absolutely right. And I have heard so many people in Tennessee say why not? We should not have been overlooked in 1986. I know neither one of us were in Congress when that happened, when they passed the 1986 tax reform, but the fact is someone did not fight for us. Someone did not fight for those seven States.

I know some of those northeastern Congressmen say, well, we wanted to make sure that if an individual lived in a State with a State income tax that they could deduct that from their Federal income tax returns. Well, treat us fairly as well, where we can deduct some taxes from our Federal income tax return, so we have fairness and equity for all in the United States.

#### FAITH-BASED INITIATIVES A PRIORITY WITH PRESIDENT BUSH

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. SOUDER) is recognized for 5 minutes.

Mr. SOUDER. Earlier this week, President George Bush announced his faith-based initiatives office and different proposals that he will be sending down to Congress. Earlier today, the gentleman from Oklahoma (Mr. WATTS), who has been a leader in this effort, and Senator RICK SANTORUM, along with the gentlewoman from Kentucky (Mrs. NORTHUP) and myself, and Senators TIM HUTCHINSON and SAM BROWNBACK held a press conference with a number of leaders from Michigan, Florida, and other places around the United States to highlight some of these initiatives.

There are a number of questions that I wanted to address here as we prepare to analyze and hopefully report the President's package and add different things we have considered here in the House and Senate to it as well.

First and foremost, this is not a new idea. Former Congressman and Senator Dan Coats, when he was in the House, had a number of these initiatives. In the Senate, the Agenda for American Renewal. Former Secretary of Housing and Urban Development Secretary Jack Kemp had a number of faith-based initiatives there because a lot of people would not reach out and care for those with AIDS. In the early stages of the AIDS crisis, as people were dying, there were all sorts of false rumors around and many people did not care for them. Without the faith-based communities, if the government had not reached out to the faith-based communities and involved them, there would have been many people dying of AIDS who would not have received any assistance whatsoever. Nobody objected to the faith-based communities coming and working.

Similarly in homelessness, the Federal dollars, the State dollars, and the local dollars were not enough to address the homeless questions. So, under HUD, they expanded into the faith-based organizations back in the Bush administration. That was continued under Secretary Cisneros and continued under Secretary Cuomo. It is not fair to say that these things are suddenly new and that President Bush is trying to insert religion into the national debate. It has been there. The difference is, instead of an afterthought, President Bush wants to make it a focus. He is saying that all these flowering organizations that are developed in every neighborhood, particularly those that are hurting the most, there are people making a difference and we need to tap into that.

Now, a second question that comes up is, well, these examples that are brought forth and are talked about at press conferences or that are talked about by Gene Rivers in Boston or Freddie Garcia in San Antonio, they