

54th Infantry Brigade Headquarters, New York; and Headquarters Company, New York.

108th Infantry Headquarters, Syracuse; Medical Detachment, Syracuse; Headquarters Company, Syracuse; Antitank Company, Rochester; Service Company, Auburn; Band, Syracuse; 1st Battalion Headquarters and Headquarters Detachment, Syracuse; Company A, Watertown; Company B, Geneva; Company C, Syracuse; Company D, Oswego; 2d Battalion Headquarters and Headquarters Detachment, Rochester; Company E, Rochester; Company F, Medina; Company G, Rochester; Company H, Rochester; 3d Battalion Headquarters and Headquarters Detachment, Auburn; Company I, Auburn; Company K, Hornell; Company L, Elmira; and Company M, Ogdensburg.

165th Infantry complete, New York.

52d Field Artillery Brigade Headquarters Battery, New York.

104th Field Artillery Regiment Headquarters, New York; Medical Detachment, New York; Headquarters Battery, New York; Service Battery, New York; 1st Battalion Headquarters and Headquarters Battery, Syracuse; Battery A, Syracuse; Battery B, Binghamton; Battery C, Binghamton; 2d Battalion Headquarters and Headquarters Battery, New York; Battery D, New York; Battery E, New York; and Battery F, New York.

105th Field Artillery Regiment Headquarters, New York; Medical Detachment, New York; Headquarters Battery, New York; Service Battery, New York; 1st Battalion Headquarters and Headquarters Battery, Brooklyn; Battery A, New York; Battery B, New York; Battery C, New York; 2d Battalion Headquarters and Headquarters Battery, New York; Battery D, New York; and Battery E, New York.

106th Field Artillery Regiment complete, Buffalo.

102d Engineer Regiment complete, New York.

102d Medical Regiment Headquarters, New York; Service Company, White Plains; 1st Battalion Headquarters, New York; Company A, Rochester; Company B, New York; 2d Battalion Headquarters, Albany; Company D, New York; Company E, White Plains; 3d Battalion Headquarters, Albany; Company G, Jamaica; and Company H, White Plains.

102d Quartermaster Regiment complete, New York.

102d Observation Squadron, New York.

Summary: By the end of its wartime duty in the Pacific, the 27th had lost its local character. Those from every state in the Union saw service in its ranks in the more than five years it was away from home. When the Division returned to the United States, it again became a unit of the New York National Guard. Commanding General of the New York National Guard is:

Major General Robert Rose  
Phone 518 786-4510  
330 Old Niskayuna Road  
Latham, New York

In charge of the 27th Division is Col. Robert Schnurr, chief of staff, Same address and phone number.

#### INTRODUCTION OF THE ESOP PROMOTION ACT OF 1995

#### HON. CASS BALLENGER

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Thursday, December 7, 1995

Mr. BALLENGER. Mr. Speaker, it is with pleasure that I join my colleagues, Mr. ROHRBACHER of California and Mr. PAYNE of

Virginia, in introducing the ESOP Promotion Act of 1995.

Ever since my arrival in the Congress in 1986, I have tried to assist the promotion and improvement of employee stock ownership plans, or ESOP's. It is my personal belief that ESOP's and employee ownership are excellent arrangements for a free enterprise, capitalist economy. The ESOP provides a method for current owners of stock to sell, at fair market value, their stock to a trust that holds the stock for eventual distribution to employees upon their death, disability, or retirement.

Mankind has never known a better economic system than one with private property, and a market that is established by competition. And there is no better way to preserve that system than to ensure that those who work responsibly in the system have an opportunity to own—to have an equity stake in the product of their labor, be it manufacturing, professional services, financial services, or any other business endeavor.

Since Congress first codified the employee stock ownership plan approach, which permits the contribution of employer stock to a trust for employees and permits borrowed funds using the credit of the corporation, the amount of stock acquired by employee-owned companies in America has grown significantly.

All of us I assume have read about the big name companies that are employee-owned, such as Avis, United Airlines, and Weirton, but just like American business, most of the approximately 10,000 employee-owned companies are not publicly traded on stock exchanges, but are privately held.

I know ESOP's first hand, as my family's business utilized an ESOP for transferring much of the family's stakehold to those who had contributed so much to our business' success—the employees.

I believe that employee ownership, properly managed, creates a win-win situation for all involved—including America and our economic system as we increase competitiveness with employee ownership, and as we provide more opportunity for ownership for those who frankly would not have much of a chance at all to acquire stock ownership.

Following my remarks is a synopsis of this year's bill. Generally, the bill reflects my, and many of my colleagues, longstanding goal to permit subchapter S corporations to sponsor ESOP's as a one section. The bill would reinstate a provision of law that was repealed in 1989 which permitted an ESOP corporate sponsor to pay the estate tax of an estate that transfers stock to an ESOP. Also, for those corporations that have deducted dividends paid on ESOP stock, and who did so before the issuance of IRS regs, which were retroactive on these companies and subjected them to the alternative minimum tax, the bill would clarify, for that group of companies, there would be no AMT on the ESOP dividends.

Also, with the advent of providing stock directly to employees under a variety of schemes, such as stock options, the bill would clarify that employees with that stock, acquired under a plan conditioned on employment, could sell that stock to an ESOP and take the same treatment for their proceeds as an owner-founder selling to an ESOP, or outside investors. And the bill would under limited circumstances permit a deduction for stock transferred to an ESOP from a charitable remainder trust.

Finally, my bill corrects a glitch in the 1989 law that denies the availability of the ESOP lender interest exclusion for ESOP's that are known as employee-owned co-ops, where the stock is voted one person-one vote as opposed to proportional voting based on share ownership.

Mr. Speaker, I am aware that H.R. 2491, the Balanced Budget of 1995, vetoed by the President, had a provision added by the other body that repealed this particular ESOP incentive, the ESOP lender interest exclusion. Certainly, I and the other original drafter of the 1995 ESOP Promotion Act will make adjustments in our bill, or any section of our bill that might be affected by a provision in a budget bill that becomes law.

I close by urging my colleagues to join with us and demonstrate their support for ESOP's and employee ownership by cosponsoring this legislation. Since 1989, the House has shown strong support for ESOP's, and I think it is important to confirm this support in this Congress. We should not let the position of the other body on one ESOP provision leave the impression with the American people that this Congress is abandoning the over 20 years of strong congressional support for ESOP's and employee ownership.

I appreciate the opportunity to explain the ESOP Promotion Act of 1995, and ask that the synopsis be included in the RECORD at this point.

#### SYNOPSIS OF ESOP PROMOTION ACT OF 1995

Section 1: Names legislation ESOP Promotion Act of 1995.

Section 2: Under current law, corporations that operate under the tax law referred to as Subchapter S cannot sponsor an ESOP. There are hundreds of thousands of Subchapter S corporations; most are small, closely-held, businesses employing millions of people. There is no justification to deny employee ownership through ESOP's to this class of corporations. The proposed legislation would permit Subchapter S corporations to sponsor an ESOP. Because there is no corporate tax on income of these S corporations, the proposal would subject that share of the corporation's taxable income assignable to the ESOP's share of the income to a tax equal to the corporate tax.

Section 3: From 1984 until 1989, an estate with shares of certain closely-held corporations could transfer stock in the corporation to the corporation's ESOP, and the ESOP would assume the estate tax liability on the value of the transferred stock. The Tax Act of 1989 repealed this law. The proposed legislation would restore this incentive for stock to be transferred to an ESOP.

Section 4: The tax laws of 1984 and 1986 permitted dividends paid on ESOP stock to be tax deductible. Until 1989, these ESOP dividends were not subject to the corporate Alternative Minimum Tax, or AMT. In the tax bill of 1989, Congress altered the complex calculations utilized to figure the AMT. When the IRS issued regulations implementing the new formulas, on March 15, 1991, IRS retroactively deemed ESOP dividends to be subject to the corporate AMT. The proposed legislation would clarify that the IRS position is an incorrect interpretation of the law, and that ESOP dividends are not subject to the corporate AMT, if the ESOP was established before the IRS issued its retroactive regulation.

Section 5: Current law does not permit holders of stock in a closely-held corporation who acquired the stock as a condition of employment, from a plan, other than an ERISA plan, to sell that stock to an ESOP and receive a deferral of the tax on the gain.

(Known as a Section 1042 ESOP transaction.) Any other shareholder, including outside investors, are eligible for the special 1042 deferral. The proposed legislation would end the different treatment for shares acquired from a compensation arrangement as a condition of employment compared to stock acquired otherwise. This Section would also clarify that those who hold 25 percent, or more, of voting stock of a corporation, or a similar amount of stock as measured by corporate value, are not eligible to participate in an ESOP established with stock acquired in a 1042 transaction. Current law applies this restriction to any class of stock.

Section 6: The 1989 tax law had a technical glitch that inadvertently repealed the availability of one ESOP tax advantage for certain ESOPs which have employees vote on a one-person, one-vote basis as compared to the traditional one-share, one-vote basis. The glitch occurs because current code section 133, as amended in 1989 does not reference to code section 409(e)(5), as is the case in other relevant ESOP laws.

Section 7: Current law does not permit an estate tax deduction for closely-held shares transferred to an ESOP from a charitable remainder trust even though such a deduction is permitted for transfers to charity. The proposal, in limited circumstances would permit such a deduction.

## MARITIME SECURITY ACT OF 1995

SPEECH OF

**HON. WALTER B. JONES, JR.**

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, December 6, 1995*

The House in Committee of the Whole House on the State of the Union had under consideration the bill H.R. 1350, to amend the Merchant Marine Act, 1936 to revitalize the United States-flag merchant marine, and for other purposes;

Mr. JONES. Mr. Chairman, last fall the electorate called for the role of the Government to change and the size of the Government to be reduced. With downsizing and budget cutting, we in Government will need to do more for less. We must look for cost-effective entrepreneurial approaches to providing services to our country.

Reinventing Government includes programs related to national security. Not all national security programs need to be Government owned and staffed. Some activities essential to national security can be provided by provided by the private sector, functioning in a commercial environment, but readily available to the Government when needed for national security.

There is no debate whether ships and seafarers are needed to carry U.S. military cargo and supplies to the areas of conflict. The issue is whether some of the sealift can be provided by the private sector at a substantially reduced cost to the Government, compared to the alternative of a full-time Government fleet fully paid for by the Government.

Both the Bush administration and the Clinton administration recognized the need for abundant sealift capacity, especially with the reduction of forces overseas and the experiences of the Persian Gulf war. Both administrations proposed the use of U.S.-owned and U.S.-crewed commercial vessels to provide supplemental sustainment lift of military cargo and supplies. Dedicated Government-owned

ships would continue to be used for immediate surge lift. The continuous carriage of cargo, called sustainment lift, would be transported on commercial vessels.

At the same time, both administrations recognized the need to reinvent the existing maritime program, reduce its costs, and deregulate its operations. They would replace the old subsidy program based on a cost differential between foreign and Government and the private industry to provide modern and efficient ships with U.S.-citizen crews when needed for war and national emergencies. Flat-fee contracts would be approximately one-half the cost of the old programs.

The new maritime program would cost the Government \$100 million per year for 52 ships. The private sector would be providing to the Government 52 ships worth \$5 billion paid for by the private sector. In addition to buying the vessel with private funds, the U.S. shipowner saves the Government the related intermodal transportation assets that would cost billions to duplicate. Also, rather than hiring a full-time Government crew, the Government would have use of well-trained and loyal merchant mariners when needed.

Some critics propose eliminating all support for our vital maritime industry. They fail to see how shortsighted it would be to kill a program primarily financed by the private sector which would eventually be replaced by a much more costly Government program.

Legislation reported out of the National Security Committee (H.R. 1350) and the Senate Commerce Committee (S. 1189) provides for a core fleet of approximately 50 vessels for \$100 million per year. Since 1936, the old program has cost between \$200 to \$400 million a year.

When the Government reinvents the way it does business, it looks at the need for the program, the cost of the program, and the efficiency of the program. There is no question that there is a need for sealift. As far as the costs are concerned, the new program costs are cut in half, and, by using the private sector for sustainment sealift, the Government saves billions of dollars which otherwise would be needed to buy and maintain a Government fleet.

While I believe that there is much to be done to make our domestic commercial fleet more competitive with its foreign rivals, it is important that we recognize the role of that domestic fleet as part of our national defense capability.

I am one who supports initiatives to reduce the size and cost of Government. We must be aware of false economies, however, it would be foolish to try to save \$100 million this year, only to spend billions when the Government must step in to assure its national security.

## HONORING THE JEWISH COMMUNITY CENTER OF NORTHERN VIRGINIA

**HON. THOMAS M. DAVIS**

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 7, 1995*

Mr. DAVIS. Mr. Speaker, I rise today to express my sincere appreciation to the Directors and staff of the Jewish Community Center of Northern Virginia [JCCNV], for their support

and assistance in making the Job Fair I sponsored on Tuesday November 14, 1995, a great success. The center did not only donated the use of their facility, but made staff available who donated their time, energy, and spirit. Their efforts and willingness to serve make them an admirable role model.

The Jewish Community Center of Northern Virginia has served Fairfax County for almost 20 years. During that period the center and its operation have grown dramatically, from a small office with a part-time coordinator, to the center that now operates from a beautiful facility located on Little River Turnpike in Fairfax, VA. It was my privilege, first as a county supervisor, and later as chairman of the Fairfax County Board of Supervisors, to work with the center's leaders to help them realize their goals of building a center and focal point for Jewish activities in Northern Virginia. In addition, the facility serves the entire population in meeting recreational and educational needs.

On any given day the center is alive with activity—day care and early childhood classes, aerobics and fitness classes, swim instruction and basketball, senior adult clubs and after school clubs for students, programs for teens, computer classes, theater arts and Judaic studies. In addition, the center is home of the Geshur Jewish Day School.

Mr. Speaker, during this Hanukkah season, I know my colleagues join me in honoring the Jewish Community Center of Northern Virginia. It is a light that illuminates our entire region serving our families and specifically our youth. At a time when traditional values matter most, the Jewish Community Center of Northern Virginia bolsters our community and helps make Fairfax an example for other communities to follow.

## HONOR AMERICA'S VETERANS ON DECEMBER 7, NATIONAL PEARL HARBOR REMEMBRANCE DAY

**HON. TIM ROEMER**

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, December 7, 1995*

Mr. ROEMER. Mr. Speaker, I rise today in recognition of the 54th Anniversary of the attack on Pearl Harbor. This day allows Americans of all ages to honor and remember those who lost their lives in the attack on Pearl Harbor.

Early on the morning of Sunday, December 7, 1941, the Empire of Japan launched a brutal and unprovoked attack on the U.S. Navy, Army, Air Force, and Marine Corps bases at Pearl Harbor, HI. Over 2,400 Americans were killed and 1,200 wounded on that fateful day—the day that President Roosevelt said “will live in infamy.”

It was not until after World War II ended that the American people were fully apprised of what a severe, crippling blow the attack on Pearl Harbor inflicted on our defenses. The best of our Navy and our Army in the Pacific was virtually wiped out in one devastating blow. But what the Japanese Empire did not count on was the galvanizing effect that this dastardly attack would have on the American people. Prior to December 7, the role of the United States in world affairs was the topic of intense debate. That debate ended as the bombs fell. All Americans became united in