

FARMLAND PRESERVATION

Farmland is one of this nation's most precious resources. But farmland is fragile: it takes nature 100 to 1,000 years to replace one inch of topsoil. Fifteen tons of topsoil wash down the Mississippi River every second. The United States has made an impressive effort to reduce loss of farmland by erosion, but prime farmland is also being converted to shopping centers and suburbs at a rapid rate. As communities grow and expand, new housing, industry, and roads must be built to support that growth. This growth has many positive aspects to it, with the creation of new wealth and jobs, but concern is growing that unchecked development may be reducing the limited resource of good farmland. There is a general consensus that domestic food production capacity is not currently threatened by the conversion of farmland to other uses, but less certainty about the ability of the United States to meet future export demand.

THE PROBLEM

By some estimates, Indiana is losing more than 70,000 acres of prime farmland each year. Some groups calculate that, over the last decade, the United States has lost more than 10 million acres of farmland—an area almost half the size of Indiana. This is troubling for several reasons.

First, the loss of prime farmland eliminates a productive resource from future use. Almost 20% of the U.S. economy is linked to farm production. A reduction in agricultural productivity could hurt the overall economy.

Second, new development that increases land prices makes it difficult for younger farmers to purchase land. Because the rural population is aging, young farmers will be critical to the future strength of agriculture.

Third, less land could mean higher food prices. In the next fifty years, world food demand is projected to triple. Unless we can increase food production, growing demand will force prices up, hitting moderate income families hardest.

Fourth, the loss of agricultural land decreases the quality of life in small towns and rural areas. Hoosiers value our beautiful countryside and the open spaces that characterize Indiana's landscape. With unplanned development, we risk losing some of our treasured land resources.

Fifth, the loss of prime farmland near growing communities may force farmers to use less productive land. Such farming often requires more chemicals and causes more erosion, thus decreasing water safety and quality.

Sixth, U.S. food production is important to international security. With just 4% of the world's population, the U.S. produces 20% of the world's field crops on 14% of the arable farmland. Yet China, for example, has 25% of the population and just 7% of the arable farmland. U.S. exports will be critical for the future security of many growing countries. Unchecked loss of U.S. farmland could make famine, refugee flows, and political instability more common abroad.

POSSIBLE SOLUTIONS

We must gather more information on the problem and possible solutions. We really do not know how serious the problem is, or the most effective ways to address it. Different agencies give different estimates on how much farmland has been converted to non-farm use, and whether farmland conversion is a national or a local and regional problem. The President, governors, and other leading officials should make clear policy statements on the importance of agricultural land.

Easements

One popular approach to preservation is a voluntary land use "easement". Farmers

who want to preserve their land for farming can sell easements to community groups, governments, or conservation organizations to protect the future use of the land. Present and future property owners retain all rights to use the land as they see fit, within the guidelines of the easement. The voluntary easement compensates the farmer for the loss of future commercial or residential development rights.

Federal programs

To encourage the use of easements, Congress created the Farmland Protection Program in the 1996 farm bill. This program provides easement matching funds to states and local communities that have farmland preservation programs. Incentives should also be given to encourage development on land that is less-suited for agriculture. Government at all levels must be sensitive to the adverse effect of its own activities on agricultural land.

State efforts

The State of Indiana has also studied farmland protection, and Governor Frank O'Bannon has announced the creation of a task force to make recommendations on local farmland preservation efforts. This task force will include agricultural, conservation, and business groups, and state and local officials. If the state sets up a formal program, local efforts could get federal matching funds.

Taxes

Current estate tax laws often make it difficult to keep farmland in the family, and to continue its agricultural use. Heirs faced with large tax bills are more likely to sell farmland for development. I support measures in the state legislature and Congress to increase estate tax relief and other incentives to keep land in the family or preserve it for agricultural use.

Land reuse

Another way to encourage farmland preservation is to recycle "brownfields", or old industrial sites, rather than taking farmland out of production. Companies are often reluctant to clean up old factories in cities because of environmental regulations and a deteriorating quality of life in urban areas. The clean-up and redevelopment of these sites is in farmers' interests.

CONCLUSION

We must be careful not to raise concerns about federal intervention in land use. Land use and zoning regulations are and should remain the responsibility of local governments. We do have to increase awareness of the risks of farmland conversion, encourage state and local leaders to be aware of those risks, and provide effective options for communities to preserve farmland. Nothing is more important than preserving our nation's natural resource base.

SMALL BUSINESS OWNERS TESTIFY ON PRO-SMALL BUSINESS PROVISIONS OF THE TAXPAYER RELIEF ACT

HON. JOHN A. BOEHNER

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 26, 1997

Mr. BOEHNER. Mr. Speaker, the House Republican conference organized a public forum to hear from small business owners on the importance of passing the Taxpayer Relief Act. The forum focused on three of the pro-small business provisions in the Taxpayer Relief

Act—the home office deduction, capital gains rate reductions, and relief from death taxes.

The compelling testimony from these small business owners from across America are included to demonstrate to my colleagues the debate on the taxpayer Relief Act is not about class warfare, rather it is about helping all Americans and small businesses prosper and succeed to achieve their dreams.

SUSAN THOMAS.

My name is Susan Thomas, President of Best of Service and Sales International, Inc.—a home-based business in Annandale, Virginia. I am pleased to appear today on behalf of the National Association for the Self-Employed (NASE), the national association representing more than 325,000 small business persons and self-employed individuals. The NASE would like to thank the House Republican Conference for organizing this hearing to highlight some very important issues for millions of small business people—particularly the home office deduction. We would like to commend Rep. Jim Talent for sponsoring H.R. 1145—The Home-Based Business Fairness Act, those representatives who joined as co-sponsors, Rep. Mike Pappas for introducing his home office deduction bill, and the members of the Ways & Means Committee who included the home office deduction in their recent tax bill.

My company—Best of Service and Sales International, Inc.—employs 3 individuals to market computer equipment, peripherals, software, and computer supplies to the federal government. In addition, I have started a new venture called Best Travel Services which markets vacations, and educational and group study tours.

I initially started a home-based business several years ago because I was frustrated with working for the large company/corporate culture. I originally setup my business in my home upon leaving Wang Corporation because I had very little working capital at the time. Ironically, it was my intention when I started my business to ultimately move the business out of my home and into commercial office space at a later date. Today, I would not trade my home-based business for any commercial office location anywhere. I love my home office because of the conveniences it affords me. Unfortunately, for businesses like mine, the home office deduction has been under attack.

While I operate a home-based business, I don't take the home office tax deduction on my tax return. Why? Not because the IRS requires businesses that take the deduction to see their clients in their home office or that they should generate their revenue there. I actually meet these unfair and discriminatory tests—tests that no other businesses are required to fulfill. No, the reason I don't take the deduction is the warning that I and millions of others like me got from our accountants. Taking the deduction, my accountant told me, is like waving a red flag at the IRS. . . . a flag saying, "AUDIT ME!"

This is ridiculous. Congress passes a law to help home-based businesses. The IRS then tries to impose the narrowest interpretation as possible on the law. They lost two court cases, but took the case all the way to the Supreme Court in the Soliman case. After finally convincing the Supreme Court to narrow the deduction, the IRS then audits those who still qualify for it so aggressively that millions of people legitimately entitled to the deduction are afraid to take it.

Look at the numbers. IRS statistics of income show that 1.5 million people claimed the home office deduction in 1994. Yet the number of full-time home-based businesses is

variously estimated at between 7 and 14 million. Why don't 80 to 90% of home-based businesses take the deduction? Don't they qualify? I believe a great many of them are just like me. They do qualify, but are forced to choose between the time and stress of an audit or the modest tax savings of the deduction. I choose to forego the deduction.

The current home office deduction limitations are unfair and unwise for other reasons too. All over the country, larger businesses are laying off employees. If we want to help these people get on their feet, we should make it a little easier for them to start a business. The same goes for people who are forced off the welfare rolls under the 1996 welfare reform law. They should be given the opportunity to start up businesses, as self-employed people, with a minimum of up-front costs. Not to mention the need and desire of individuals to be closer to their families in today's day and age. Home-based businesses are an obvious way to help facilitate all of this.

Give us the certainty of an expanded, modernized home office deduction and we will use it. Don't allow the IRS to administratively defeat Congress' original purpose with the deduction. Improve the fairness and clarity of the home office deduction. Not only will more home-based businesses have a better chance to succeed, but more potential home-based businesses will decide to try. And that's better for America.

I would like to thank the House Republican Conference for the opportunity to appear today, and I would also urge the House Conferees to ensure the inclusion of the pro-business, pro-family home office deduction in the budget. Thank you very much.

GIOVANNI CORATOLA,
Franconia, VA, June 25, 1997.

Good morning Mr. Chairman. My name is Giovanni Coratola and I own Port of Italy in Franconia, VA. Thank you for giving me this opportunity to testify today.

My restaurant does not belong to the people in this room. My restaurant does not belong to the federal government. My restaurant belongs to my family and in a sense it belongs to my extended family of employees that have dedicated their lives to making it work. The ownership of my restaurant comes at a high price. I routinely work seven day weeks with 12 to 14 hour weeks not uncommon. I have taken less time off in the 25 years I have been in business than the average worker takes off in one year. The majority of the profits that have been generated from my restaurant have been returned to the business or spent on keeping abreast with changing public demands. Ownership of my restaurant is the result of a high personal commitment from myself, my wife, my family and my employees. Yet upon death, it would be taxed to the point of being taken from those it was meant to be given.

My restaurant does not belong to the people in this room. When I was asked to come here today I inquired what the main objective was to providing relief from this onerous tax. I was told it was being attacked as given tax cuts to the rich. Well, there are two things wrong with this (1) I am not, within any stretch of the imagination, wealthy (2) How can you feel that letting my family keep what we have spent our lives working for is giving us anything that we do not already own and deserve. In all fairness to me and other restaurateurs that have spent their lives building something of value for their families and employees it is time the federal government wean itself from taking in death, what it could not justify in taking while I was alive.

On behalf of myself, my family, and my restaurant family of employees I thank you

for allowing me to address you here today. And I suggest that if the federal government wants the right to take the restaurant when I die, I encourage it to take these keys and help me operate it while I'm alive.

JIM ELMER.

Good morning. My name is Jim Elmer, and I am the owner of Jim J. Elmer Construction Co. in Spokane, Washington. I am pleased to have the opportunity to speak with you today in support of the Tax Relief Act of 1997, in particular the proposed capital gains tax reduction.

Our firm constructs buildings for private owners. Most of our work is negotiated. We currently have two (2) projects which have been on hold for the past several years pending a reduction in the capital gains taxes. The projects do not make economic sense for the owners to sell other assets in order to finance their new projects and pay 28% capital gains taxes, with the modest reductions which you proposed, the projects become economically viable for our owners.

The release of these new dollars into our economy will allow us to hire more people in the community and purchase additional building materials for the projects, helping our area's economy to grow.

An addition to the increased economic activity, the capital gains reduction will also benefit our employers directly. Besides providing more employment our employees will be able to help pay for their children's college education, or purchase a new home without being penalized severely by the capital gains taxes.

The capital gains reduction will be a great stimulus to increase economic activity in our area and for our company directly. We support the Ways and Means Bill, and would strongly support further reductions in the future.

Thank you for allowing me to speak. If you should have any questions, I will be happy to answer them. Thank you.

Mr. BOBBY TODD,
Washington, DC, June 25, 1997.

Mr. Chairman, members of the House Republican Conference, thank you for taking the time this morning and listening to America's small business owners. I am Bobby Todd and I own and operate a small print shop, Eagle Printing, here in Washington, DC. I am also a member of National Small Business United, the nation's oldest small business advocacy organization.

I am pleased to be here at such a historic moment for our country. Today, the House of Representatives will vote and pass a budget plan that will balance our nation's budget and make the federal government do something that I have had to do my whole professional and personal life: live within our means. And tomorrow we will see our first tax cut for the middle-class working men and women of our country since the Reagan Administration—and it is long overdue.

It is often said that small business is the engine that drives the American economy and I couldn't agree more. As a middle-class small business owner I want to tell you how welcomed the Tax Payers' Relief Act of 1997 is to me and my family.

At the heart of the tax package for small business owners are the provisions that target small business' bottom line and allow us to compete in this "global economy": independent contractor status, extension of EFTPS, the all-important home office deduction and long-overdue death tax relief. Without these and other reforms included in this tax package, my business is at a competitive disadvantage to larger companies, as are hundreds of thousands of other small businesses.

Including the home office deduction is an important piece of this tax bill. By redefining what a home office is, it will allow small entrepreneurs to work at home, stay close to their families and help raise their children. Let me point out to you that under the current law, I could use a room in my neighbor's house to conduct my business and deduct it, but if I did the same exact work in a room in my house I could not. That just doesn't make any sense and is absolutely counterproductive to the small business movement.

As the American economy continues its shift towards smaller and sometimes home-based businesses, making the tax rules easier and clearer for us is essential. Congress couldn't send a clearer message of its support for the small business community than by passing this tax bill.

And, I hope that this is just a first step in the process. I would like nothing more than to change the entire tax system so it truly encourages investment, savings and the entrepreneurial spirit that has made this country so great. But, I will leave those thoughts for another day. Thank you very much for allowing me this time to speak with you.

PAUL JOST,
Alexandria, VA.

Good morning. I'm Paul Jost. I'm the president of Chandler Development Corporation. We are a small business based in Alexandria, Virginia, which buys and manages apartment buildings.

We are members of the NFIB and the National Apartment Association. Our business currently has 35 employees.

I started the business in 1988 raising capital from friends and family. We have just over 100 investors, most of whom are small investors. In addition to the 35 direct jobs we have created, we also employ a number of independent contractors who do such things as maintain the lawns, service the pools, and paint and clean the apartments between residents. In all, we probably provide employment for over 100 people.

The high capital gains tax rate limits my ability to raise capital to finance new acquisitions which would provide more jobs and more housing for families. A high capital gains tax also distorts our ability to make decisions of whether to sell or hold properties. That decision should be based on profitability, not the tax implications.

I believe that a reduction in the capital gains rate would generate more taxes. For example, we own a property in Texas which we would probably sell if the rate were lowered. And that sale would generate substantial tax revenues.

We would use the after-tax profits to purchase several other properties, in Texas and in Virginia. At the current capital gains rate, however, our investors prefer not to sell because too much of the profit would be taken by the federal government.

The net result is that a profitable sale will probably not occur, which hurts us and actually leads to a loss of tax revenue for the federal government. Everybody loses because of bad tax policy.

Last year, we were able to sell a property and buy another using a 1031 like-kind exchange which enabled us to roll our gain into the new property and defer taxes on the gain. That mechanism, however, is very complicated and is only available to those who can afford high priced lawyers and accountants. There are also numerous risks and restrictions involved in such exchanges which make us unlikely to use them in the future. That transaction also did not produce any tax revenue for the federal government.

Everyone (except our lawyers and accountants) would have been better off had the rate

been lower. We would not have had to jump through these hoops and the government would have collected some taxes.

I also believe that the death tax exemption should be increased. While I currently do not have children, I would like to think that I could some day pass on my business to my children. Many of my investors are also concerned with the death tax. This has led some of them to make their investments through trusts in their children's names. This leads to additional paperwork and more profit for our lawyers and accountants. We would all be better off if the exemption were raised and the rules were simplified.

Thank you very much for giving me the change to share my views with you. I know you are busy and I appreciate the time you have given me.

PERSONAL EXPLANATION

SPEECH OF

HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 25, 1997

Mr. CRANE. Mr. Speaker, on rollcall No. 236, on final passage of H.R. 1119, had I been present, I would have voted "aye."

IMPROVING HUMAN RIGHTS IN CHINA

HON. DONALD A. MANZULLO

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 26, 1997

Mr. MANZULLO. Mr. Speaker, I am pleased to join my colleagues in becoming an original cosponsor of the China Human Rights and Democracy Act of 1997. I especially wish to applaud the actions of my colleagues, Representatives JOHN PORTER, DAVID DREIER, JIM KOLBE, and MATT SALMON, in writing and pushing this legislation. In my opinion, Mr. Speaker, this bill is the right, targeted approach to take in opposing the policies of the People's Republic of China that all Americans find repugnant. As evidenced by the vote last Tuesday, the most-favored-nation [MFN] or normal trade status debate is the wrong place to express our disagreements with the Chinese Government.

This legislation would allow Radio Free Asia to broadcast 24 hours a day to give the Chinese people the truth about their government and current events. In addition, the bill would help various foundations to promote democracy, civil society, and the rule of law in China and would encourage more international exchanges between our two peoples. It would also promote a voluntary code of conduct for United States businesses. The vast majority of United States companies operating in China already provide exemplary models to China of how to conduct business and treat people equally and fairly. This code would help give these U.S. firms concrete goals to measure their success.

The bulk of the legislation focuses on promoting human rights in China. It requires an annual report on human rights conditions in China. The bill also proposes to create a prisoner information registry so that people in the United States could plead for specific political

prisoners in China. It would also deny visas to Chinese Government officials who have been involved in human rights abuses or in the proliferation of weapons of mass destruction. The bill would also publish and disseminate a list of Chinese companies that are affiliated with the People's Liberation Army so the American people would know if a particular product they wish to buy is made by a Chinese firm affiliated with the Chinese military.

However, I have one minor but important reservation about the legislation, which I hope can be worked out before it reaches the House floor for a vote. The legislation requires a one-to-one ratio between State Department Foreign Service officers with an expertise in human rights and Commerce Department U.S. Foreign & Commercial Service [US&FCS] officers, who are experts at promoting U.S. exports.

The China Human Rights and Democracy Act mandates that the State Department appoint at least six human rights officers. The problem is that there are 13 US&FCS officers in China, with 9 in Beijing alone. The problem is further compounded by the fact that the Commerce Department currently only has seven of these nine positions in Beijing filled. Plus, one of these officials is really an export control officer who is charged primarily with ensuring that Chinese importers comply with United States export control laws. If the State Department is unable to fund more than the minimum number of six human rights officers, then the unintended consequence of this legislation will force the Commerce Department to withdraw as many as seven US&FCS officers from China to comply with this one-to-one ratio. Thus, the real-life practical effect of the legislation could translate into having only five full-time US&FCS officers for the entire country of China. Compare that with Tokyo, Japan, 12 US&FCS officers, or Seoul, South Korea, 7 US&FCS officers, and I hope you see the need, Mr. Speaker, for more than 5 US&FCS officers for all of China.

Our foreign competitors already have dozens more export promotion officials in China than us. This legislation could place United States exporters at a competitive disadvantage I believe the better way is to have the legislation stress the importance of stationing human rights officers in China but leave the number of these officers up to the discretion of the State Department and not require a one-to-one ratio to US&FCS officers.

Mr. Speaker, with this minor reservation, I am pleased to join on as an original cosponsor to the China Human Rights and Democracy Act of 1997, and I hope to work out this problem through the committee process.

THE TOWN OF MICHIGAMME, MI, CELEBRATES ITS 125TH BIRTHDAY

HON. BART STUPAK

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 26, 1997

Mr. STUPAK. Mr. Speaker, I bring to the attention of the U.S. House of Representatives and the American public the 125th birthday of a proud historic town in the First Congressional District of Michigan, the town of Michigamme. This town, with a population of just over 300 residents, may be considered

small by conventional standards, but it holds a big place in the history of the central Upper Peninsula of Michigan and in the hearts of the people who have known it.

Michigamme was founded in 1872 by Jacob Houghton, the brother of the famous Dr. Douglas Houghton, after he discovered iron ore deposits there. Mr. Houghton became the owner and operator of both the iron ore mine and the sawmill of Michigamme. Iron ore mining and timber industry jobs brought hundreds to Michigamme, but the economic panic of 1873 and a forest fire soon reduced the number of available jobs. Michigamme exhibited its resilience as a community by reopening the sawmill and resuming mining. The town bounced back and the population swelled to 1,800 by 1882, a record that has stood intact since that time. In 1881, F.W. Read bought the Michigamme sawmill, and the mines of the area were purchased by the Cleveland Cliffs Iron Co., and the Ford Motor Co. near the turn of the century. Through the early 20th century, Michigamme's rich veins of iron ore and statusque first-growth timber provided the town with solid industrial economic base.

Michigamme's industrial base was not the only reason that people settled there. Michigamme's location on the shores of beautiful Lake Michigamme have also contributed to its growth and history. The residents of Michigamme have added to the beauty of the town by encouraging a community for the arts and crafts, with several operating gift shops and an annual Christmas Market, widely attended by the surrounding communities. Michigamme has been called the Renaissance Village, because of the artistic community it fosters. The residents of Michigamme know that this is a special place that they can call home.

Mr. Speaker, the residents of Michigamme exemplify the small-town character and spirit which we hear our colleagues speak about with nostalgia in today's fast-paced and impersonal culture. The people of Michigamme, MI, are proud of where they came from and of who they are. They are the type of people who honor their history and look forward to creating a future for their town. They are the type of people who know their neighbor and who call him or her a friend. I would like to extend my congratulations to the people of Michigamme on the 125th birthday of their town, and I am here today to ask my colleagues to join me in wishing them the best for many years to come.

IN HONOR OF THOMAS WILKINS

HON. THOMAS M. DAVIS

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 26, 1997

Mr. DAVIS of Virginia. Mr. Speaker, it gives me great pleasure to rise today to pay tribute to Thomas Wilkins who is one of this year's winners of the Best of Reston Awards. These awards are made annually by the Reston Chamber of Commerce and Reston Interfaith. The Best of Reston Community Service Award was created to recognize individuals who have made outstanding contributions to community service, and/or who have improved the lives of people in need in Reston, VA.

Thomas Wilkins is honored with this distinction for being a "man of all seasons." He has