

INTRODUCTION OF THE SAVER  
ACT**HON. HARRIS W. FAWELL**

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Thursday, April 17, 1997*

Mr. FAWELL. Mr. Speaker, I am very pleased to join with my colleague DONALD PAYNE, the ranking Democrat on the Employer-Employee Relations Subcommittee, as well as 25 other Democrats and Republicans from across the political spectrum, in introducing bipartisan legislation addressing a critical national problem: the lack of individual retirement savings.

America faces a ticking demographic time bomb that requires increased retirement savings. Today we introduce the Savings Are Vital to Everyone's Retirement Act of 1997, the SAVER Act, as a first step in defusing the retirement time bomb. The SAVER Act initiates projects to educate American workers about retirement savings and convenes a National Summit on Retirement Savings.

Through this bill, we hope to facilitate a public-private partnership to educate the public on this serious and underreported national problem. Workers need to know the importance of saving for the future, and of saving as soon as possible. As a survey released this year by the Employee Benefit Research Institute [EBRI] reveals, there is much work to do. Less than a third of Americans have even tried to calculate how much they need to have saved by retirement. Furthermore, less than 20 percent are very confident they will have enough money to live comfortably throughout their retirement. Far too few Americans—particularly the young—have either the knowledge or the resources necessary to take advantage of the extensive benefits offered by our retirement savings system.

We know the old adage that you feed someone for life by teaching them to fish. We need to apply this principle to retirement savings. The same EBRI survey found that while only a quarter of workers expressed confidence in their ability to map out a retirement savings strategy, an encouraging 50 percent said they would stick to a plan if they had one. We must find ways to get the information and skills out to workers to harness this latent energy.

The SAVER Act directs the Department of Labor [DOL] to maintain an ongoing program of education and outreach to the public through public service announcements, public meetings, creation of educational materials, and establishment of a site on the Internet. The information to be disseminated will include a means for individuals to calculate their estimated retirement savings needs, a thorough description of the types of retirement savings arrangements currently available to both individuals and employers, and an explanation for employers, in simple terms, of how to establish different retirement savings arrangements for their workers.

The SAVER Act also convenes a National Summit on Retirement Savings at the White House, cohosted by the executive and legislative branches, to be held by April 15, 1998, and again every 4 years thereafter. The National Summit would advance the public's knowledge and understanding of retirement savings and facilitate the development of a broad-based, public education program; iden-

tify the barriers which hinder workers from setting aside adequate savings for retirement and impede employers, especially small employers, from assisting workers in accumulating retirement savings; and develop specific recommendations for legislative, executive, and private sector actions to promote retirement savings among American workers.

The national summit would bring together experts in the fields of employee benefits and retirement savings, key leaders of government, and interested parties from the private sector and general public. The delegates would be selected equally by the majority and minority leaders of the two Houses of Congress and would represent the diversity of thought in the field without regard to their political affiliation. The national summit would be largely funded through the existing educational appropriations for the DOL and by contributions from the private sector.

The lack of adequate retirement savings will only become a more pressing problem as the baby boomers begin to retire. It does not take a mathematician to recognize that in the future retiring Americans will have to rely less on Social Security and more on pensions and other personal savings. But make no mistake, we have known of this problem for a long time. Sixteen years ago President Carter's Commission on Pension Policy reported that a serious crisis existed in our retirement income programs, and that baby boomers will place severe strains on an already overburdened system. It's 16 years later and the problems have only gotten bigger as they have come closer. The American people can afford to wait no longer.

I hope that the SAVER Act can be a first step in a truly bipartisan effort to reverse the long course of neglect of this vital issue, and help American workers better prepare for a comfortable and secure retirement.

HONORING THE CONTRIBUTIONS  
AND SACRIFICES BY THE MEN  
AND WOMEN OF THE U.S. SPECIAL  
OPERATIONS COMMAND**HON. IKE SKELTON**

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

*Thursday, April 17, 1997*

Mr. SKELTON. Mr. Speaker, today I ask all Members of the House to join me in honoring the limitless contributions, valorous acts, and tremendous sacrifices demonstrated daily by the men and women of the U.S. Special Operations Command [USSOCOM]. As we observe the 10th anniversary of the creation of USSOCOM, we should make note of the unique military capability provided to our National Command Authority.

The immeasurable achievement of USSOCOM since its birth—a scant 10 years ago—is testament to the vision, forethought, and dedication of those who have come before us in service of our Nation. We should also recognize the work of our former colleagues Sam Nunn, Bill Cohen, and the late Dan Daniel, effort essential for the existence of this command. Their efforts led to passage of the Nunn-Cohen amendment to what is known as the Goldwater-Nichols Defense Reorganization Act.

The special operators of USSOCOM—"the quiet professionals"—are truly dedicated men

and women. They provide a unique, unmatched, and necessary capability to our Nation in the areas of contingency response, counterterrorism, and unconventional warfare. Whether conflict erupts in Panama, Southwest Asia, Somalia, Liberia, Haiti, Bosnia, or some other unnamed site around the globe, we should gain comfort knowing they stand ready to serve our national security objectives. I hope my colleagues can join in recognizing their tradition. God bless them all.

LEGISLATION TO CLOSE A  
CORPORATE TAX LOOPHOLE**HON. BILL ARCHER**

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Thursday, April 17, 1997*

Mr. ARCHER. Mr. Speaker, several recent news reports describe corporate acquisition transactions in which one corporation distributes the stock of one—or more—of its subsidiaries to its shareholders in a so-called spinoff and, pursuant to a prearranged plan, either the distributed subsidiary or the old parent corporation is acquired by another, unrelated corporation. Often, the corporation that is to be acquired borrows or assumes a large amount of debt incurred prior to the spinoff, while the proceeds of such indebtedness are retained by the other corporation.

For Federal income tax purposes, taxpayers take the position, and the IRS apparently rules, that the initial distribution is tax-free pursuant to section 355 of the Internal Revenue Code and the subsequent acquisition is tax-free pursuant to one of the various reorganization provisions described in section 368. Such positions are consistent with the holding in the case of *Commissioner v. Mary Archer W. Morris Trust*, 367 F.2d 794 (4th Cir. 1966) and published IRS rulings.

Congress did not intend that section 355 apply to insulate these transactions from tax. Section 355 was intended to permit tax-free restructurings of several businesses among existing shareholders, with limitations to prevent the bail-out of corporate earnings and profits to the shareholders as capital gains. The recent transactions that raise concerns have very little to do with individual shareholder tax planning. Rather, they are prearranged structures designed to avoid corporate-level gain recognition. In essence, these transactions resemble sales. If such transactions were treated as sales for tax purposes, the remaining corporation would recognize gain with respect to the stock of the acquired corporation.

Today's introduced legislation is intended to treat transactions occurring after April 16, 1997, the general effective date of the bill, as sales at the corporate level.

A technical explanation of the legislation is provided below. This legislation affects complex transactions and additional or alternative legislative changes also may be appropriate. For example, it may be appropriate to amend or repeal present-law section 355(d) and to treat certain asset acquisitions as stock acquisitions. Written comments on the issues raised by this bill are welcome.

DESCRIPTION OF PROPOSAL—ACQUISITIONS OF DISTRIBUTING OR CONTROLLED CORPORATIONS PURSUANT TO PLAN

The proposal would adopt additional restrictions under section 355. Under the proposal, if

pursuant to a plan or arrangement in existence on the date of distribution, either the controlled or distributing corporation is acquired, gain would be recognized by the other corporation as of the date of the distribution.

Whether a corporation is acquired would be determined under rules similar to those of present-law section 355(d), except that acquisitions would not be restricted to purchase transactions. Thus, an acquisition would occur if a person—or persons acting in concert—acquired more than 50 percent of the vote or value of the stock of the controlled or distributing corporation pursuant to a plan or arrangement. For example, assume a corporation, P distributes the stock of its wholly owned subsidiary S to its shareholders. If, pursuant to a plan or arrangement, either P or S is acquired, the proposal would apply to require gain recognition by the corporation not acquired. It is anticipated that certain asset acquisitions would be treated as stock acquisitions.

Acquisitions occurring within the 4-year period beginning 2 years before the date of distribution would be presumed to have occurred pursuant to a plan or arrangement. Taxpayers could avoid gain recognition by showing that an acquisition occurring during this 4-year period was unrelated to the distribution.

In the case of an acquisition of the controlled corporation, the amount of gain recognized by the distributing corporation would be the amount of gain that the distributing corporation would have recognized had stock of the controlled corporation been sold for fair market value on the date of distribution. In the case of an acquisition of the distributing corporation, the amount of gain recognized by the controlled corporation would be the amount of net gain that the distributing corporation would have recognized had it sold its assets for fair market value immediately after the distribution. This gain would be treated as long-term capital gain. No adjustment to the basis of the stock or assets of either corporation would be allowed by reason of the recognition of the gain.

The proposal would not apply to a distribution pursuant to a title 11 or similar case.

The Treasury Department would be authorized to prescribe regulations as necessary to carry out the purposes of the proposal, including regulations to provide for the application of the proposal in the case of multiple distributions.

#### TREATMENT OF DISTRIBUTIONS WITHIN AFFILIATED GROUPS

Except as provided in Treasury regulations, section 355 would not apply to a distribution of stock of one member of an affiliated group of corporations filing a consolidated return to another member. In the case of a distribution of stock within an affiliated group, the Secretary of the Treasury would be instructed to provide appropriate rules for the treatment of the distribution, including rules governing adjustments to the adjusted basis of the stock and the earnings and profits of the members of the group.

#### EFFECTIVE DATE

The proposal would be effective for distributions after April 16, 1997, unless the distribution is: First, made pursuant to a written agreement with an acquirer which was—subject to customary conditions—binding on or before such date and at all times thereafter; second, described in a ruling request that identifies the acquirer and is submitted to the

IRS on or before such date; third, described in a Securities and Exchange Commission [SEC] filing made on or before such date, to the extent such filing was required to be made on account of the distribution and identifies the acquirer; or fourth, described in a public announcement that identifies the acquirer on or before such date. The exceptions for written agreements, IRS ruling requests, SEC filings, and public announcements would not apply to distributions of stock within a consolidated group of corporations.

### INVESTIGATING FOR FAIRNESS

#### HON. JAMES A. BARCIA

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 17, 1997

Mr. BARCIA. Mr. Speaker, I rise today to pay tribute to my friend Jay Brandow, an outstanding individual from my hometown of Bay City. For the past 12 years Jay has been an investigative reporter for WNEM-TV 5. Jay is not only an exceptional reporter but also a true asset to the community. His superb reporting has provided information that has enlightened and greatly impacted our community, our State, and our Nation.

I have had the pleasure of knowing Jay for many years. I first knew him when I was a Michigan State Senator. The stories Jay investigated and reported have uncovered several critical issues in our community. Although many of his stories were significant, his Bancroft-Eddy story truly stands out. This news story revealed the terrible and unsafe public housing that was existing in our own community.

Jay's investigative reporting helped bring attention to the low-income public housing that was being subsidized by the Department of Federal Housing and Urban Development. The apartment buildings were unsafe, unclean, and hazardous to its tenants. The condition of the complex was alarming. His relentless investigation and reporting, resulted in a critical investigation into the housing condition of the Bancroft-Eddy complex. This official investigation by both the Michigan State Housing Development Authority and the Department of Housing and Urban Development resulted in effective efforts to improve this public housing. Jay's determination brought him to Washington DC to meet with HUD officials as well as myself, in my capacity as the fifth district Congressman. He was willing to go that extra mile to thoroughly investigate and demand improvement. Mr. Brandow's superior investigation and reporting skills forced the State and Federal Government to improve the Bancroft-Eddy housing complex in Saginaw, MI.

Mr. Brandow should be proud of his efforts. Our community now has safe, clean, and livable low-income housing for those individuals and families who are truly in need of help. Jay's investigation and reporting proved that he is not only an outstanding reporter, but that he cares for the less fortunate in our society.

Mr. Speaker, I ask you and all of our colleagues to join me in congratulating Jay Brandow as he is presented an award from the Tri-County Fair Housing Commission. We wish him the best for the new challenges ahead.

### COMMENDING AMERICANS WHO SERVED IN THE COLD WAR

#### HON. RICK LAZIO

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 17, 1997

Mr. LAZIO. Mr. Speaker, I am proud to introduce a concurrent resolution commending those Americans who serviced during the cold war.

Fifty years ago this July, George Kennan, in his article "The Sources of Soviet Conduct," defined the challenge facing America with the onset of the cold war. After describing the expansionist and totalitarian nature of the Soviet state, Kennan called for "a policy of firm containment, designed to confront the Russians with unalterable counterforce at every point where they show signs of encroaching upon the interests of a peaceful and stable world." Kennan was convinced that the Soviet dictatorship would eventually be undermined by its own internal weaknesses. But until that happened, he exhorted Americans to face "this implacable challenge" by drawing upon the strength of our national character. In Kennan's memorable words: "To avoid destruction the United States need only measure up to its won best traditions and prove itself worthy of preservation as a great nation." He concluded that the American people, in standing up to totalitarian aggression, were shouldering the "Responsibilities of moral and political leadership that history plainly intended them to bear."

We look back today at this stirring call to action and see how history has confirmed Kennan's words. The Soviet Regime, a regime which accepted no moral or legal restraints, which aggressively sought to recast the rest of the world in its image, which subordinated all its natural and human resources to building a vast military machine, has collapsed. America, in contrast, stands strong in the durability of its democracy, the dynamism of its economy, and the vitality of its citizens. Clearly, we have met and surpassed the implacable challenge described by George Kennan as he surveyed events in those dark early days of the cold war.

It is now time to recognize all of those Americans who served during the cold war. The men and women of our Armed Forces, our intelligence community, our foreign service, and many other areas of our government met the challenge of the cold war with skill and dedication. Americans served in every corner of the globe, often isolated from family and friends, sometimes under the most arduous conditions. Some laid down their lives when the cold war turned hot in places like Korea and Vietnam. Others accepted discomfort, loneliness, and risk while maintaining our military readiness against a foe capable of launching a devastating attack with little notice. All of them lived up to America's best traditions and ensured America's preservation as a great nation.

Through their efforts, almost 500 million people have been freed from Communist tyranny. Nations once submerged by Soviet imperialism can now claim their rightful place in the international community. Fears of a nuclear holocaust now seem a distant memory.

For Americans, the cold war ended with no parades, no fanfare, no speeches. After a conflict where so much was at stake, not enough