on March 28, 1997; to the Committee on Banking, Housing, and Urban Affairs.

EC–1579. A communication from the secretary of the Securities and Exchange Commission, transmitting, pursuant to law, the report of a rule relative to penalty reductions, received on March 27, 1997; to the Committee on Banking, Housing, and Urban Affairs.

EC–1580. A communication from the secretary of the Securities and Exchange Commission, transmitting, pursuant to law, the report of a rule relative to its informal guidance program, received on March 27, 1997; to the Committee on Banking, Housing, and Urban Affairs.

EC–1581. A communication from the secretary of the Securities and Exchange Commission, transmitting, pursuant to law, the report of a rule relative to investment advisory programs, received on March 27, 1997; to the Committee on Banking, Housing, and Urban Affairs.

EC–1582. A communication from the secretary of the Securities and Exchange Commission, transmitting, pursuant to law, the report of a rule relative to investment companies, (RIN3235-AH09) received on April 3, 1997; to the Committee on Banking, Housing, and Urban Affairs.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. CAMPBELL:

S. 587. A bill to require the Secretary of the Interior to exchange certain lands located in Hinsdale County, Colorado; to the Committee on Energy and Natural Resources.

S. 588. A bill to provide for the expansion of the Eagles Nest Wilderness within the Arapaho National Forest and the White River National Forest, Colorado, to include land known as the State Creek Addition; to the Committee on Energy and Natural Resources.

S. 589. A bill to provide for a boundary adjustment and land conveyance involving the Raggeds Wilderness, White River National Forest, Colorado, to correct the effects of earlier erroneous land surveys; to the Committee on Energy and Natural Resources.

S. 590. A bill to provide for a land exchange involving certain land within the Routt National Forest in the State of Colorado; to the Committee on Energy and Natural Resources.

S. 591. A bill to transfer the Dillon Ranger District in the Arapaho National Forest to the White River National Forest in the State of Colorado; to the Committee on Energy and Natural Resources.

By Mr. HOLLINGS (for himself, Mr. SPECTER, Mr. BIDEN, and Mr. ROBB):

S. 592. A bill to grant the power to the President to reduce budget authority; to the Committee on Rules and Administration.

By Mr. SPECTER:

S. 593. A bill to amend the Internal Revenue Code of 1986 to impose a flat tax only on individual taxable earned income and business taxable income, and for other purposes; to the Committee on Finance.

By Mr. MCCONNELL (for himself, Mr. GRAHAM, Mr. SHELBY, Mr. BREAUX, Mr. COVERDELL, Mr. GLENN, Mr. COCHRAN, Mr. MURKOWSKI, Mr. DEWINE, Mr. MACK, Mr. ROBB, Mr. SPECTER, Mrs. HUTCHISON, Mr. BENNETT, Mr. D'AMATO, Ms. LANDRIEU, and Mr. WARNER):

S. 594. A bill to amend the Internal Revenue Code of 1986 to modify the tax treatment of qualified State tuition programs; to the Committee on Finance.

By Mr. BOND (for himself and Mr. ASHCROFT):

S. 595. A bill to designate the United States Post Office building located at Bennett Street and Kansas Expressway in Springfield, Missouri, as the ''John Griesemer Post Office Building''; to the Committee on Governmental Affairs.

By Mr. KOHL (for himself and Mr. COCHRAN):

S. 596. A bill to authorize the Administrator of the Office of Juvenile Justice and Delinquency Prevention of the Department of Justice to make grants to States and units of local government to assist in providing secure facilities for violent and serious chronic juvenile offenders, and for other purposes; to the Committee on the Judiciary.

By Mr. BINGAMAN (for himself, Mr. CRAIG, Mr. HOLLINGS, Mr. REID, Mr. AKAKA, Mr. COCHRAN, Mr. DORGAN, Mr. INOUYE, Mrs. BOXER, Ms. SNOWE, Mr. TORRICELLI, and Mr. MACK):

S. 597. A bill to amend title XVIII of the Social Security Act to provide for coverage under part B of the medicare program of medical nutrition therapy services furnished by registered dietitians and nutrition professionals; to the Committee on Finance.

By Mr. DOMENICI:

S. 598. A bill to amend section 3006A of title 18, United States Code, to provide for the public disclosure of court appointed attorneys' fees upon approval of such fees by the court; to the Committee on the Judiciary.

By Mrs. BOXER (for herself and Mr. LAUTENBERG):

S. 599. A bill to protect children and other vulnerable subpopulations from exposure to certain environmental pollutants, and for other purposes; to the Committee on Environment and Public Works.

By Mrs. FEINSTEIN (for herself and Mr. GRASSLEY):

S. 600. A bill to protect the privacy of the individual with respect to the social security number and other personal information, and for other purposes; to the Committee on Finance.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. MOYNIHAN (for himself, Mr. MACK, Mr. DASCHLE, Mr. LOTT, Mr. LIEBERMAN, Mr. HELMS, Mr. D'AMATO, Mr. KYL, Mr. ALLARD, Mr. ASHCROFT, Mr. BAUCUS, Mr. BENNETT, Mr. BOND, Mrs. BOXER, Mr. BREAUX, Mr. BROWNBACK, Mr. BRYAN, Mr. BURNS, Mr. CAMPBELL, Mr. CLELAND, Mr. COATS, Mr. COCHRAN, Ms. COLLINS, Mr. CRAIG, Mr. DEWINE, Mr. DODD, Mr. DOMENICI, Mr. DORGAN, Mr. DURBIN, Mr. FAIRCLOTH, Mr. FEINGOLD, Mrs. FEINSTEIN, Mr. FRIST, Mr. GRAHAM, Mr. GRAMM, Mr. GRASSLEY, Mr. HAGEL, Mr. HARKIN, Mr. HATCH, Mr. HUTCHINSON, Mr. INHOFE, Mr. INOUYE, Mr. JOHNSON, Mr. KEMPTHORNE, Mr. KENNEDY, Mr. KERREY, Mr. KERRY, Mr. KOHL, Mr. LEVIN, Mr. LUGAR, Mr. MCCAIN, Ms. MIKULSKI, Ms. MOSELEY-BRAUN, Mrs. MURRAY, Mr. NICKLES, Mr. REED, Mr. ROBB, Mr. SANTORUM, Mr. SESSIONS, Mr. SMITH, Mr. SMITH, Ms. SNOWE, Mr. SPECTER, Mr. STEVENS, Mr. THOMPSON, Mr. TORRICELLI, Mr. WARNER, and Mr. WYDEN):

S. Con. Res. 21. A concurrent resolution congratulating the residents of Jerusalem and the people of Israel on the thirtieth anniversary of the reunification of that historic city, and for other purposes; to the Committee on Foreign Relations.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. CAMPBELL:

S. 587. A bill to require the Secretary of the Interior to exchange certain lands located in Hinsdale County, CO; to the Committee on Energy and Natural Resources.

S. 588. A bill to provide for the expansion of the Eagles Nest Wilderness within the Arapaho National Forest and the White River National Forest, Colorado, to include land known as the State Creek Addition; to the Committee on Energy and Natural Resources.

S. 589. A bill to provide for a boundary adjustment and land conveyance involving the Raggeds Wilderness, White River National Forest, Colorado, to correct the effects of earlier erroneous land surveys; to the Committee on Energy and Natural Resources.

S. 590. A bill to provide for a land exchange involving certain land within the Routt National Forest in the State of Colorado; to the Committee on Energy and Natural Resources.

S. 591. A bill to transfer the Dillon Ranger District in the Arapaho National Forest to the White River National Forest in the State of Colorado; to the Committee on Energy and Natural Resources.

PUBLIC LANDS LEGISLATION

Mr. CAMPBELL. Mr. President, today I introduce five pieces of legislation affecting Federal lands in my home State of Colorado.

The purpose of these bills is to facilitate the process of consolidating our Federal lands into contiguous blocks which makes their management more efficient and less costly.

Much of the land over which the Bureau of Land Management and the U.S. Forest Service has management authority contains numerous inholdings which may have been old mining claims or other privately owned parcels. This patchwork ownership often creates management problems. For example, a particular parcel may block the public's access to other Federal lands. The presence of an inholding may limit the tools which can be used by the Federal agency to manage the land. If a controlled fire is needed to clear underbrush or stop the spread of insects, the presence of private land in the midst of the area may well preclude the use of fire as a management tool. All these considerations require much more time, and adds to the expense of caring for Federal lands.

Whenever an owner of these private parcels willingly offers to sell or exchange their lands, it is important that the Federal Government is able to accomplish these transactions to increase management efficiency and public use. The designated Federal agencies have reviewed these bills and the legislation reflects their input.

The first bill, the Larson and Friends Creek exchange, directs the Secretary of the Interior to exchange lands of equal value for several small parcels within the Handies Peak Wilderness Study Area and Red Cloud Peak Wilderness Study Area in Hinsdale County, CO. This exchange will allow the study areas to better fit the definition of a wilderness area.

The second bill, the Slate Creek addition to Eagles Nest Wilderness, provides for the expansion of the wilderness area in Summit County, CO. The current owners of this parcel are willing to convey it to the United States only if it is added to the existing wilderness area and permanently managed as wilderness. This addition will increase public access to the wilderness.

The third bill, Raggeds Wilderness boundary adjustment, is necessary to correct the effects of earlier erroneous land surveys. Certain landowners in Gunnison County, CO, who own property adjacent to the Raggeds Wilderness have occupied or improved their property in good faith based upon a survey they reasonably believed to be accurate. This bill is necessary to accomplish an adjustment of the boundary between the private landowners and the wilderness area. The entire area involved in this adjustment is less than 1 acre.

The fourth bill, Miles land exchange, authorizes the Secretary of Agriculture to convey lands of equal value in exchange for the Miles parcel located adjacent to the Routt National Forest in Routt County, CO. The purpose of this exchange is to improve on-the-ground management of public lands which are now isolated and difficult to manage. It will eliminate the need for long standing special use permits and add riparian acres to the national forest.

The final bill, the Dillon Ranger District transfer, allows for a boundary adjustment to transfer the Dillon Ranger District from the Arapaho National Forest to the White River National Forest. The Dillon District is already under the jurisdictional management of the White River National Forest. However, this technical correction is necessary because any official publications of the U.S. Forest Service references the district as a part of the Arapaho National Forest and confuses the public.

I ask unanimous consent that these bills be printed in the RECORD with letters of support from various county governments in which these lands are located.

There being no objection, the bills were ordered to be printed in the RECORD, as follows:

S. 587

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. LARSON AND FRIENDS CREEK EXCHANGE.

(a) IN GENERAL.—In exchange for conveyance to the United States of an equal value of offered land acceptable to the Secretary of the Interior that lies within, or in proximity to, the Handies Peak Wilderness Study Area, the Red Cloud Peak Wilderness Study Area, or the Alpine Loop Backcountry Bi-way, in Hinsdale County, Colorado, the Secretary of the Interior shall convey to Lake City Ranches, Ltd., a Texas limited partnership (referred to in this section as ''LCR''), approximately 560 acres of selected land located in that county and generally depicted on a map entitled ''Larson and Friends Creek Exchange'', dated June 1996.

(b) CONTINGENCY.—The exchange under subsection (a) shall be contingent on the granting by LCR to the Secretary of a permanent conservation easement, on the approximately 440-acre Larson Creek portion of the selected land (as depicted on the map), that limits future use of the land to agricultural, wildlife, recreational, or open space purposes.

(c) APPRAISAL AND EQUALIZATION.—

(1) IN GENERAL.—The exchange under subsection (a) shall be subject to—

(A) the appraisal requirements and equalization payment limitations set forth in section 206 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1716); and

(B) reviews and approvals relating to threatened species and endangered species, cultural and historic resources, and hazardous materials under other Federal laws.

(2) COSTS OF APPRAISAL AND REVIEW.—The costs of appraisals and reviews shall be paid by LCR.

(3) CREDITING.—The Secretary may credit payments under paragraph (2) against the value of the selected land, if appropriate, under section 206(f) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1716(f)).

S. 588

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SLATE CREEK ADDITION TO EAGLES NEST WILDERNESS, ARAPAHO AND WHITE RIVER NATIONAL FORESTS, COLORADO.

(a) SLATE CREEK ADDITION.—If, before December 31, 2000, the United States acquires the parcel of land described in subsection (b)—

(1) on acquisition of the parcel, the parcel shall be included in and managed as part of the Eagles Nest Wilderness designated by Public Law 94–352 (16 U.S.C. 1132 note; 90 Stat. 870); and

(2) the Secretary of Agriculture shall adjust the boundaries of the Eagles Nest Wilderness to reflect the inclusion of the parcel.

(b) DESCRIPTION OF ADDITION.—The parcel referred to in subsection (a) is the parcel generally depicted on a map entitled ''Slate Creek Addition—Eagles Nest Wilderness'', dated February 1997, comprising approximately 160 acres in Summit County, Colorado, adjacent to the Eagles Nest Wilderness.

S. 589

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. BOUNDARY ADJUSTMENT AND LAND CONVEYANCE, RAGGEDS WILDERNESS, WHITE RIVER NATIONAL FOREST, COLORADO.

(a) FINDINGS.—Congress finds that—

(1) certain landowners in Gunnison County, Colorado, who own real property adjacent to the portion of the Raggeds Wilderness in the White River National Forest, Colorado, have occupied or improved their property in good faith and in reliance on erroneous surveys of their properties that the landowners reasonably believed were accurate;

(2) in 1993, a Forest Service resurvey of the Raggeds Wilderness established accurate boundaries between the wilderness area and adjacent private lands; and

(3) the resurvey indicates that a small portion of the Raggeds Wilderness is occupied by adjacent landowners on the basis of the earlier erroneous land surveys.

(b) PURPOSE.—The purpose of this section to remove from the boundaries of the Raggeds Wilderness certain real property so as to permit the Secretary of Agriculture to use the authority of Public Law 97–465 (commonly known as the ''Small Tracts Act'') (16 U.S.C. 521c et seq.) to convey the property to the landowners who occupied the property on the basis of erroneous land surveys.

(c) BOUNDARY ADJUSTMENT.—The boundary of the Raggeds Wilderness, Gunnison National Forest and White River National Forest, Colorado, as designated by section 102(a)(16) of Public Law 96–560 (94 Stat. 3267; 16 U.S.C. 1132 note), is modified to exclude from the area encompassed by the wilderness a parcel of real property approximately 0.86-acres in size situated in the SW¼ of the NE¼ of Section 28, Township 11 South, Range 88 West of the 6th Principal Meridian, as depicted on the map entitled ''Encroachment-Raggeds Wilderness'', dated November 17, 1993.

(d) MAP.—The map described in subsection (c) shall be on file and available for inspection in the appropriate offices of the Forest Service, Department of Agriculture.

(e) CONVEYANCE OF LAND REMOVED FROM WILDERNESS AREA.—The Secretary of Agriculture shall use the authority provided by Public Law 97–465 (commonly known as the ''Small Tracts Act'') (16 U.S.C. 521c et seq.) to convey all right, title, and interest of the United States in and to the real property excluded from the boundaries of the Raggeds Wilderness under subsection (c) to the owners of real property in Gunnison County, Colorado, whose real property adjoins the excluded real property and who have occupied the excluded real property in good faith reliance on an erroneous survey.

S. 590

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE

This Act may be cited as the ''Miles Land Exchange Act of 1997''.

SEC. 2. LAND EXCHANGE, ROUTT NATIONAL FOREST, COLORADO.

(a) AUTHORIZATION OF EXCHANGE.—If the parcel of non-Federal land described in subsection (b) is conveyed to the United States in accordance with this section, the Secretary of Agriculture shall convey to the person that conveys the parcel all right, title, and interest of the United States in and to a parcel of Federal land consisting of approximately 84 acres within the Routt National Forest in the State of Colorado, as generally depicted on the map entitled ''Miles Land Exchange'', Routt National Forest, dated May 1996.

(b) PARCEL OF NON-FEDERAL LAND.—The parcel of non-Federal land referred to in subsection (a) consists of approximately 84 acres, known as the ''Miles parcel'', located adjacent to the Routt National Forest, as generally depicted on the map entitled ''Miles Land Exchange'', Routt National Forest, dated May 1996.

(c) ACCEPTABLE TITLE.—Title to the non-Federal land conveyed to the United States under subsection (a) shall be such title as is acceptable to the Secretary of Agriculture, in conformance with title approval standards applicable to Federal land acquisitions.

(d) VALID EXISTING RIGHTS.—The conveyance shall be subject to such valid existing rights of record as may be acceptable to the Secretary.

(e) APPROXIMATELY EQUAL VALUE.—The values of the Federal land and non-Federal land to be exchanged under this section are deemed to be approximately equal in value, and no additional valuation determinations are required.

(f) APPLICABILITY OF OTHER LAWS.—Except as otherwise provided in this section, the Secretary shall process the land exchange authorized by this section in the manner provided in subpart A of part 254 of title 36, Code of Federal Regulations (as in effect on the date of enactment of this Act).

(g) MAPS.—The maps referred to in subsections (a) and (b) shall be on file and available for inspection in the office of the Forest Supervisor, Routt National Forest, and in the office of the Chief of the Forest Service.

(h) BOUNDARY ADJUSTMENT.—

(1) INCLUSION IN ROUTT NATIONAL FOREST.—On approval and acceptance of title by the Secretary, the non-Federal land conveyed to the United States under this section shall become part of the Routt National Forest and shall be managed in accordance with the laws (including regulations) applicable to the National Forest System, and the boundaries of the Routt National Forest shall be adjusted to reflect the land exchange.

(2) RETROACTIVE APPLICATION.—For purposes of section 7 of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 460*l*–9), the boundaries of the Routt National Forest, as adjusted by this section, shall be considered to be the boundaries of the Routt National Forest as of January 1, 1965.

(i) ADDITIONAL TERMS AND CONDITIONS.—The Secretary may require such additional terms and conditions in connection with the conveyances under this section as the Secretary considers appropriate to protect the interests of the United States.

S. 591

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. INCLUSION OF DILLON RANGER DISTRICT IN WHITE RIVER NATIONAL FOREST, COLORADO.

(a) BOUNDARY ADJUSTMENTS.—

(1) WHITE RIVER NATIONAL FOREST.—The boundary of the White River National Forest in the State of Colorado is adjusted to include all National Forest System land located in Summit County, Colorado, comprising the Dillon Ranger District of the Arapaho National Forest.

(2) ARAPAHO NATIONAL FOREST.—The boundary of the Arapaho National Forest is adjusted to exclude the land transferred to in the White River National Forest by paragraph (1).

(b) REFERENCE.—Any reference to the Dillon Ranger District, Arapaho National Forest, in any statute, regulation, manual, handbook, or other document shall be deemed to be a reference to the Dillon Ranger District, White River National Forest.

(c) EXISTING RIGHTS.—Nothing in this section affects valid existing rights of persons holding any authorization, permit, option, or other form of contract existing on the date of the enactment of this Act.

(d) FOREST RECEIPTS.—Notwithstanding the distribution requirements of payments under the sixth paragraph under the heading FOREST SERVICE'' in the Act entitled ''An Act making appropriations for the Department of Agriculture for the fiscal year ending June thirtieth, nineteen hundred and nine'', approved May 23, 1908 (35 Stat. 260, chapter 192; 16 U.S.C. 500), the distribution of receipts from the Arapaho National Forest and the White River National Forest to affected county governments shall be based on the national forest boundaries that existed on the day before the date of enactment of this Act.

SUMMIT COUNTY,
BOARD OF COUNTY COMMISSIONERS,
Breckenridge, CO, February 7, 1997.

Hon. BEN NIGHTHORSE CAMPBELL,
U.S. Senate, Russell Senate Office Building, Washington, DC.

DEAR SENATOR CAMPBELL: We are writing in support of modifying the Eagles Nest Wilderness Area boundary to include a 160-acre property along the Slate Creek drainage owned by Scotty and Jeanette Moser. The Board of County Commissioners understands the Mosers want to transfer their property to the National Forest and wish to see the property become part of the wilderness area.

When the boundary for the Eagles Nest Wilderness Area was created in the 1970's, the Moser's property was not included since it was private property and could be effectively ''cherry-stemmed'' out of the wilderness area. This boundary, based on land ownership, has no on-the-ground basis. In fact, from a land management perspective, the Moser property should logically be part of the wilderness area.

The Mosers have gone to great lengths over the years to preserve the wilderness character of their property. The property contains outstanding riparian habitat, possesses spectacular views, and has no development on it.

There is strong community support in Summit County to include the Moser property in the Eagles Nest Wilderness Area. We are not aware of any opposition to include the Moser property in the Wilderness.

We respectively request your assistance to modify the Eagles Nest Wilderness Area boundary during this session of Congress to include the Moser's property.

Sincerely,

GARY M. LINDSTROM, *Chairman,*
Board of County Commissioners.

HINSDALE COUNTY,
Lake City, CO, June 20, 1996.

Senator BEN NIGHTHORSE CAMPBELL,
Russell Senate Office Building,
Washington, DC.

DEAR SENATOR CAMPBELL: On behalf of the Board of County Commissioners and the citizens of Hinsdale County I am writing to express Hinsdale County's support for the proposed land exchange between the Bureau of Land Management (BLM) and Lake City Ranches, Ltd. Under the agreement, Lake City Ranches, Ltd will receive approximately 560 acres of land adjoining the existing ranch, while the BLM will acquire long sought after inholdings in or near the Handies Peak or Red Cloud Wilderness Study Areas or the Alpine Loop By-way.

Hinsdale County is ninety six percent federally owned and has always been concerned about land trades that erode the amount of private property within the county. Loss of property has unwanted impacts on the local economy and the local government. Also, Hinsdale County firmly believes that any federal actions that may impact our county, like land trades or other policy decisions, must have local public input and cooperation.

It is our understanding the proposed land trade will assist the BLM in consolidating their holdings within wilderness areas and preserve a beautiful and fragile environment. The acquisition by Lake City Ranches, Ltd, though marginal in terms of economic impact to the area, should not reduce the amount of private land within Hinsdale County. Also, the local BLM office has assured us that no decision regarding the trade shall be made without full disclosure and local input into the decision making process. Both of the above are consistent with Hinsdale County's long-standing political policy and objectives.

Again let me state that Hinsdale County supports the proposed land trade between the BLM and Lake City Ranches, Ltd, as long as the county's policies regarding land trades and input to the decision making process are respected.

Sincerely,

JAMES LEWIS, *Chair,*
Hinsdale County Commissioners.

OPEN SPACE AND TRAILS,
Pitkin County, August 29, 1996.

Senator BEN NIGHTHORSE CAMPBELL,
Russell Senate Office Building,
Washington, DC.

DEAR SENATOR CAMPBELL: The Open Space and Trails Board of Trustees of Pitkin County respectfully requests that moneys be included in the Interior Appropriations legislation for FY 1997 to enable the U.S. Forest Service to purchase the 158 acre Warren Lakes property southeast of Aspen, Colorado. It is our understanding that the House version of the bill contained funds for the purchase since it is one of the top nationwide priorities for acquisition identified by the Forest Service, but that the Senate bill, for reasons unknown to us, did not. We urge that funding be assured in the House-Senate conference.

Public acquisition of Warren Lakes by the Forest Service has been a long-term priority for Pitkin County and the Open Space and Trails Board of Trustees because of the property's extremely high wetland, wilderness, wildlife and recreational values. In addition, the property is the only private inholding in an otherwise solid block of Forest Service land, making the Forest Service the logical owner for this property. As you are likely aware, Pitkin County has for many decades vigorously pursued the protection of open space throughout the County in cooperation with the Forest Service, and the acquisition of the Warren Lakes parcel by the Forest Service is a key element in both entities' plans to protect important areas of open space.

Because of its proximity to the Town of Aspen (5 miles via dirt road) and to the Hunter-Fryingpan Wilderness, public ownership of Warren Lakes will provide important new access to the wilderness and public lands while ensuring perpetual public access along the road through the property, and open up new opportunities for public recreation close to Town. This, in an of itself, is a very important reason for the Forest Service to pursue this acquisition. In addition, Warren Lakes has three large manmade ponds which will provide new fishing opportunities and pristine breeding areas for fish species. The wetlands and peat bogs themselves possess very significant ecological values: they support a unique ecology of many rare plants and provide habitat for numerous animals and birds; they act as natural filtration systems and clean water supplies and replenish ground water; they trap and store water preventing downstream erosion; and, they help abate downstream flooding by acting as natural sponges, absorbing heavy rainfall and snowmelt and then slowly releasing the water downstream. Mountain peat accumulates in these wetlands at only 3 to 11 inches per thousand years and scientists estimate that only 1% of the land in Colorado supports biological communities found in Colorado's peatlands. These combined values are exceedingly rare to find in just one piece of land, and explain why both our constituents and the Forest Service are so anxious to see the land conveyed into public ownership.

The Open Space and Trails Board urges you to do whatever you can to insure that funding for this Forest Service purchase is included in this year's appropriations bill.

Sincerely,

WILLIAM E.L. FALES,
Chairman.

By Mr. HOLLINGS (for himself, Mr. SPECTER, Mr. BIDEN and Mr. ROBB):

S. 592. A bill to grant the power to the President to reduce budget authority; to the Committee on Rules and Administration.

LINE-ITEM VETO LEGISLATION

Mr. HOLLINGS. Mr. President, I have just submitted legislation at the desk to create a separate enrollment version of the line-item veto.

Mr. President, this is the same bill word for word that passed the U.S. Senate on March 25, 1995, by a bipartisan vote of 69 Senators. It was introduced at the time by Senator Dole.

It follows a long history of efforts on behalf of the separate enrollment approach and is different to the enhanced rescission which has been found unconstitutional by the district court.

Back in 1985, I worked alongside Senator Mattingly, and we got 58 votes for the separate enrollment version.

We passed similar legislation in the Senate in 1995, but lost out in conference when the conferees endorsed the House approved enhanced rescission approach rather than the separate enrollment version.

But the courts have now struck down that law. They have ruled that once a bill is signed into law, under the Constitution, the President does not have the authority to repeal laws. Such a repeal is a legislative power which article I of our Constitution reserves for the Congress.

Mr. President, the line-item veto has a proven track record in bringing about financial responsibility at the State and local level. As a Governor, the distinguished Presiding Officer knows that you cannot print money like we do up here in Washington. And if you do all of this borrowing and spending and borrowing and spending, before long you lose your credit rating.

The line-item veto is used at the present time in some 43 States. The separate enrollment mechanism that this legislation is based upon has been shown to meet constitutional muster by Prof. Laurence Tribe of Harvard in a letter to former Senator Bill Bradley back in January 1993. I spoke with Professor Tribe yesterday morning on the telephone at which time he reaffirmed that legal opinion.

Mr. President, this effort is not meant to fix the blame, but to fix the problem. We are not enhancing or diminishing Presidential powers. We are simply changing congressional procedures. We are using the congressional power under article I, section 5 of the Constitution which vests Congress with broad authority to set the rules for its own procedure. And that authority is exercised through changes in the rules which would require separate enrollment. That was found to be the one way that a statutory line-item veto could pass constitutional scrutiny.

We are very, very hopeful that this bill can assist us in fixing responsibility on the one hand and reducing deficits on the other hand. We all know that we are not here, as lawyer Sullivan said, as ''potted plants.'' But we are sometimes embarrassed when we see things like appropriations for Lawrence Welk's home.

In 1992, the Government Accounting Office, [GAO] did a study and found that over a 5-year period the line-item veto would save some $70 billion.

So we are very hopeful that we can get expedited procedure. It has been debated for the past 15 years. It has been used by all the Governors now in some 43 States. And there is no rhyme nor reason for us to play around and wait for the delay in the courts.

We are in a very serious circumstance. Our debt has so risen that the interest costs to the Government now are $1 billion a day—$1 billion a day—increased spending for interest costs on the national debt.

It is the largest spending item in the budget. And so I thank the distinguished Senator from Florida for yielding, but I wanted to make sure we introduced this legislation this morning before we got on to the unanimous consent with the particular measure at hand.

By Mr. SPECTER:

S. 593. A bill to amend the Internal Revenue Code of 1986 to impose a flat tax only on individual taxable earned income and business taxable income, and for other purposes; to the Committee on Finance.

FLAT TAX LEGISLATION

Mr. SPECTER. Mr. President, I have sought recognition today to introduce the Flat Tax Act of 1997. This is legislation modeled after the legislation which I introduced in the 104th Congress, in March 1995, which was the first Senate introduction of flat tax legislation.

This bill is modeled after proposals by two distinguished professors of law from Stanford University, Professor Hall and Professor Rabushka. This bill would eliminate all deductions, like the Hall-Rabushka plan, with the modification in my legislation to allow deductions for interest on home interest mortgages up to borrowings of $100,000 and contributions to charity up to $2,500.

The Hall-Rabushka plan would provide for a flat tax rate of 19 percent to be revenue neutral. My proposal raises that rate by 1 percent to 20 percent to allow for the deductions for home interest mortgages, which would cost $35 billion a year, and the charitable deduction, which would cost $13 billion a year.

Mr. President, the advantages of the flat tax are very, very substantial.

First, in the interest of simplicity, a tax return could be filled out on a simple postcard. And this is a tax return which I hold in my hand which could take 15 minutes to fill out. It requires simply that the taxpayer list the gross revenue, list his taxable income, carry forward the deductions for his family, any deductions on interest, any deduction on a home mortgage, the balance of the taxable items, multiplied by 20 percent.

Taxpayers in the United States today, Mr. President, spend some 5,400,000 hours at a cost of some $600 billion a year. The flat tax taxes income only once and thereby eliminates the tax on capital gains. It eliminates the tax on estates, eliminates the tax on dividends, all of which have already been taxed once.

The flat tax is frequently challenged as being regressive, but the fact of the matter is that a taxpayer of a family of four would pay no taxes on the first $27,500 in income; and as it graduates up the scale, a taxpayer earning $35,000 would pay $1,219 less in tax than is paid under the current plan.

It is frequently thought that the flat tax would be regressive and place a higher tax burden on lower income families, but that simply is not true. And the reason that we can have a win-win situation is because the flat tax provides for savings on compliance in the range of some $600 billion a year.

This is a very progrowth proposition. And the economists have projected that over a 7-year period the gross national product could be increased by some $2 trillion. That is over $7,000 for every man, woman, and child in America.

The great advantages of simplicity would especially be appreciated, Mr. President, on this particular day, April 16, because yesterday was the final day for filing the tax returns without any extension. And I have chosen the first day of the new tax period for symbolic reasons—April 16—as a day to reintroduce the flat tax to try to give us some momentum because it is my firm view that if Americans really understood the import of the flat tax, its simplicity, its growth, and its savings, that it would be widely heralded.

Mr. President as I stated, in the 104th Congress, I was the first Senator to introduce flat tax legislation and the first Member of Congress to set forth a deficit-neutral plan for dramatically reforming our Nation's Tax Code and replacing it with a flatter, fairer plan designed to stimulate economic growth. My flat tax legislation was also the first plan to retain limited deductions for home mortgage interest and charitable contributions.

I testified with House Majority Leader RICHARD ARMEY before the Senate Finance and House Ways and Means Committees, as well as the Joint Economic Committee and the House Small Business Committee on the tremendous benefits of flat tax reform. As I traveled around the country and held open-house town meetings across Pennsylvania and other States, the public support for fundamental tax reform was overwhelming. I would point out in those speeches that I never leave home without two key documents: My copy of the Constitution and my copy of my 10-line-flat-tax postcard. I soon realized that I needed more than just one copy of my flat-tax postcard—many people wanted their own postcard so that they could see what life in a flat tax world would be like, where tax returns only take 15 minutes to fill out and individual taxpayers are no longer burdened with double taxation on their dividends, interest capital gains and estates.

Support for the flat tax is growing as more and more Americans embrace the simplicity, fairness, and growth potential of flat tax reform. An April 17, 1995, edition of Newsweek cited a poll showing that 61 percent of Americans favor a flat tax over the current Tax Code. Significantly, a majority of the respondents who favor the flat tax preferred my plan for a flat tax with limited deductions for home mortgage interest and charitable contributions. Well before he entered the Republican Presidential primary, publisher Steve Forbes opined in a March 27, 1995, Forbes editorial about the tremendous appeal and potency of my flat tax plan.

Congress was not immune to public demand for reform. Jack Kemp was appointed to head up the National Commission on Economic Growth and Tax Reform and the commission soon came out with its report recognizing the value of a fairer, flatter Tax Code. Mr. Forbes soon introduced a flat tax plan of his own, and my fellow candidates in the Republican Presidential primary began to embrace similar versions of either a flat tax or a consumption-based tax system.

Unfortunately, the politics of the Presidential campaign denied the flat tax a fair hearing and momentum stalled. On October 27, 1995, I introduced a sense-of-the-Senate resolution calling on my colleagues to expedite congressional adoption of a flat tax. The resolution, which was introduced as an amendment to pending legislation, was not adopted.

In this new period of opportunity as we commence the 105th session of Congress, I am optimistic that public support for flat tax reform will enable us to move forward and adopt this critically important and necessary legislation. That is why I am again introducing my Flat Tax Act of 1997, with some slight modifications to reflect inflation-adjusted increases in the personal allowances and dependent allowances.

My flat tax legislation will fundamentally revise the present Tax Code, with its myriad rates, deductions, and instructions. Instead, this legislation would institute a simple, flat 20 percent tax rate for all individuals and businesses. It will allow all taxpayers to file their April 15 tax returns on a simple 10-line postcard. This proposal is not cast in stone, but is intended to move the debate forward by focusing attention on three key principles which are critical to an effective and equitable taxation system: simplicity, fairness, and economic growth.

Over the years and prior to my legislative efforts on behalf of flat tax reform, I have devoted considerable time and attention to analyzing our Nation's Tax Code and the policies which underlie it. I began this study of the complexities of the Tax Code 40 years ago as a law student at Yale University. I included some tax law as part of my practice in my early years as an attorney in Philadelphia. In the spring of 1962, I published a law review article in the Villanova Law Review, ''Pension and Profit Sharing Plans: Coverage and Operation for Closely Held Corporations and Professional Associations,'' 7 Villanova L. Rev. 335, which in part focused on the inequity in making tax-exempt retirement benefits available to some kinds of businesses but not others. It was apparent then, as it is now, that the very complexities of the Internal Revenue Code could be used to give unfair advantage to some; and made the already unpleasant obligation of paying taxes a real nightmare for many Americans.

Well before I introduced my flat tax bill early in the 104th Congress, I had discussions with Congressman RICHARD ARMEY, now the House majority leader, about his flat tax proposal. Since then, and both before and after introducing my original flat tax bill, my staff and I have studied the flat tax at some length, and have engaged in a host of discussions with economists and tax experts, including the staff of the Joint Committee on Taxation, to evaluate the economic impact and viability of a flat tax.

Based on those discussions, and on the revenue estimates supplied to us, I have concluded that a simple flat tax at a rate of 20 percent on all business and personal income can be enacted without reducing Federal revenues.

The flat tax will help reduce the size of government and allow ordinary citizens to have more influence over how their money is spent because they will spend it—not the government. With a simple 20 percent flat tax rate in effect, the average person can easily see the impact of any additional Federal spending proposal on his or her own paycheck. By creating strong incentives for savings and investment, the flat tax will have the beneficial result of making available larger pools of capital for expansion of the private sector of the economy—rather than more tax money for big government. This will mean more jobs and, just as important, more higher paying jobs.

As a matter of Federal tax policy, there has been considerable controversy over whether tax breaks should be used to stimulate particular kinds of economic activity, or whether tax policy should be neutral, leaving people to do what they consider best from a purely economic point of view. Our current Tax Code attempts to use tax policy to direct economic activity, but experience under that Code has demonstrated that so-called tax breaks are inevitably used as the basis for tax shelters which have no real relation to solid economic purposes, or to the activities which the tax laws were meant to promote. Even when the Government responds to particular tax shelters with new and often complex revisions of the regulations, clever tax experts are able to stay one or two steps ahead of the IRS bureaucrats by changing the structure of their business transactions and then claiming some legal distinctions between the taxpayer's new approach and the revised IRS regulations and precedents.

Under the massive complexity of the current IRS Code, the battle between $500-an-hour tax lawyers and IRS bureaucrats to open and close loopholes is a battle the Government can never win. Under the flat tax bill I offer today, there are no loopholes, and tax avoidance through clever manipulations will become a thing of the past.

The basic model for this legislation comes from a plan created by Profs. Robert Hall and Alvin Rabushka of the Hoover Institute at Stanford University. Their plan envisioned a flat tax with no deductions whatever. After considerable reflection, I decided to include limited deductions for home mortgage interest on up to $100,000 in borrowing and charitable contributions up to $2,500 in the legislation. While these modifications undercut the pure principle of the flat tax, by continuing the use of tax policy to promote home buying and charitable contributions, I believe that those two deductions are so deeply ingrained in the financial planning of American families that they should be retained as a matter of fairness and public policy—and also political practicality. With those two deductions maintained, passage of a modified flat tax will be difficult; but without them, probably impossible.

In my judgment, an indispensable prerequisite to enactment of a modified flat tax is revenue neutrality. Professor Hall advised that the revenue neutrality of the Hall-Rabushka proposal, which uses a 19-percent rate, is based on a well documented model founded on reliable governmental statistics. My legislation raises that rate from 19- to 20-percent to accommodate retaining limited home mortgage interest and charitable deductions. A preliminary estimate last Congress by the Committee on Joint Taxation places the annual cost of the home interest deduction at $35 billion, and the cost of the charitable deduction at $13 billion. While the revenue calculation is complicated because the Hall-Rabushka proposal encompasses significant revisions to business taxes as well as personal income taxes, there is a sound basis for concluding that the 1-

percent increase in rate would pay for the two deductions. Revenue estimates for Tax Code revisions are difficult to obtain and are, at best, judgment calls based on projections from fact situations with myriad assumed variables. It is possible that some modification may be needed at a later date to guarantee revenue neutrality.

This legislation offered today is quite similar to the bill introduced in the House by Congressman ARMEY and in the Senate late in 1995 by Senator RICHARD SHELBY, which were both in turn modeled after the Hall-Rabushka proposal. The flat tax offers great potential for enormous economic growth, in keeping with principles articulated so well by Jack Kemp. This proposal taxes business revenues fully at their source, so that there is no personal taxation on interest, dividends, capital gains, gifts, or estates. Restructured in this way, the Tax Code can become a powerful incentive for savings and investment—which translates into economic growth and expansion, more and better jobs, and a rising standard of living for all Americans.

In the 104th Congress, we took some important steps toward reducing the size and cost of Government, and this work is ongoing and vitally important. But the work of downsizing Government is only one side of the coin; what we must do at the same time, and with as much energy and care, is to grow the private sector. As we reform the welfare programs and Government bureaucracies of past administrations, we must replace those programs with a prosperity that extends to all segments of American society through private investment and job creation—which can have the additional benefit of producing even lower taxes for Americans as economic expansion adds to Federal revenues. Just as Americans need a Tax Code that is fair and simple, they also are entitled to tax laws designed to foster rather than retard economic growth. The bill I offer today embodies those principles.

My plan, like the Armey-Shelby proposal, is based on the Hall-Rabushka analysis. But my flat tax differs from the Armey-Shelby plan in four key respects: First, my bill contains a 20-percent flat tax rate. Second, this bill would retain modified deductions for mortgage interest and charitable contributions—which will require a 1-percent higher tax rate than otherwise. Third, my bill would maintain the automatic withholding of taxes from an individual's paycheck. Last, my bill is designed to be revenue neutral, and thus will not undermine our vital efforts to balance the Nation's budget. The estimate of revenue neutrality is based on the Hall-Rabushka analysis together with preliminary projections supplied by the Joint Committee on Taxation on the modifications proposed in this bill.

The key advantages of this flat tax plan are threefold: First, it will dramatically simplify the payment of taxes. Second, it will remove much of the IRS regulatory morass now imposed on individual and corporate taxpayers, and allow those taxpayers to devote more of their energies to productive pursuits. Third, since it is a plan which rewards savings and investment, the flat tax will spur economic growth in all sectors of the economy as more money flows into investments and savings accounts, and as interest rates drop. By contrast, there will be a contraction of the IRS if this proposal is enacted.

Under this tax plan, individuals would be taxed at a flat rate of 20 percent on all income they earn from wages, pensions, and salaries. Individuals would not be taxed on any capital gains, interest on savings, or dividends—since those items will have already been taxed as part of the flat tax on business revenue. The flat tax will also eliminate all but two of the deductions and exemptions currently contained within the Tax Code. Instead, taxpayers will be entitled to personal allowances for themselves and their children. These personal allowances have been adjusted upward to reflect inflation increases for 1995 and 1996. Thus, the new personal allowances are: $10,000 for a single taxpayer; $15,000 for a single head of household; $17,500 for a married couple filing jointly; and $5,000 per child or dependent. These personal allowances would be adjusted annually for inflation commencing in 1997.

In order to ensure that this flat tax does not unfairly impact low-income families, the personal allowances contained in my proposal are much higher than the standard deduction and personal exemptions allowed under the current Tax Code. For example, in 1996, the standard deduction is $4,000 for a single taxpayer, $5,900 for a head of household, and $6,700 for a married couple filing jointly, while the personal exemption for individuals and dependents is $2,550. Thus, under the current Tax Code, a family of four which does not itemize deductions would pay tax on all income over $16,900—personal exemptions of $10,400 and a standard deduction of $6,700. By contrast, under my flat tax bill, that same family would receive a personal exemption of $27,500, and would pay tax only on income over that amount.

My legislation retains the provisions for the deductibility of charitable contributions up to a limit of $2,500 and home mortgage interest on up to $100,000 of borrowing. Retention of these key deductions will, I believe, enhance the political salability of this legislation and allow the debate on the flat tax to move forward. If a decision is made to eliminate these deductions, the revenue saved could be used to reduce the overall flat tax rate below 20 percent.

With respect to businesses, the flat tax would also be a flat rate of 20 percent. My legislation would eliminate the intricate scheme of complicated depreciation schedules, deductions, credits, and other complexities that go into business taxation in favor of a much-simplified system that taxes all business revenue less only wages, direct expenses, and purchases—a system with much less potential for fraud, ''creative accounting,'' and tax avoidance.

Businesses would be allowed to expense 100 percent of the cost of capital formation, including purchases of capital equipment, structures, and land, and to do so in the year in which the investments are made. The business tax would apply to all money not reinvested in the company in the form of employment or capital formation—thus fully taxing revenue at the business level and making it inappropriate to retax the same moneys when passed on to investors as dividends or capital gains.

Let me now turn to a more specific discussion of the advantages of the flat tax legislation I am reintroducing today.

SIMPLICITY

The first major advantage to this flat tax is simplicity. According to the Tax Foundation, Americans spend approximately 5.3 billion hours each year filling out tax forms. Much of this time is spent burrowing through IRS laws and regulations which fill 12,000 pages and which, according to the Tax Foundation, have grown from 744,000 words in 1955 to 5.6 million words in 1994. The Internal Revenue Code annotations alone fill 21 volumes of mind-numbing detail and minutiae.

Whenever the Government gets involved in any aspect of our lives, it can convert the most simple goal or task into a tangled array of complexity, frustration, and inefficiency. By way of example, most Americans have become familiar with the absurdities of the Government's military procurement programs. If these programs have taught us anything, it is how a simple purchase order for a hammer or a toilet seat can mushroom into thousands of words of regulations and restrictions when the Government gets involved. The Internal Revenue Service is certainly no exception. Indeed, it has become a distressingly common experience for taxpayers to receive computerized printouts claiming that additional taxes are due, which require repeated exchanges of correspondence or personal visits before it is determined, as it so often is, that the taxpayer was right in the first place.

The plan offered today would eliminate these kinds of frustrations for millions of taxpayers. This flat tax would enable us to scrap the great majority of the IRS rules, regulations, instructions, and delete literally millions of words from the Internal Revenue Code. Instead of tens of millions of hours of nonproductive time spent in compliance with—or avoidance of—the Tax Code, taxpayers would spend only the small amount of time necessary to fill out a postcard-sized form. Both business and individual taxpayers would thus find valuable hours freed up to engage in productive business activity, or for more time with their families, instead of poring over tax tables, schedules, and regulations.

The flat tax I have proposed can be calculated just by filling out a small postcard which would require a taxpayer only to answer a few easy questions. The postcard would look like this:

FORM 1 INDIVIDUAL WAGE TAX 1997

Your first name and initial (if joint return, also give spouse's name and initial).

Your social security number.

Home address (number and street including apartment number or rural route).

Spouse's social security number.

City, town, or post office, state, and ZIP code.

1. Wages, salary, pension and retirement benefits.

2. Personal allowance (enter only one):

—$17,500 for married filing jointly;

—$10,000 for single;

—$15,000 for single head of household.

3. Number of dependents, not including spouse, multiplied by $5,000.

4. Mortgage interest on debt up to $100,000 for owner-occupied home.

5. Cash or equivalent charitable contributions (up to $2,500).

6. Total allowances and deductions (lines 2, 3, 4 and 5).

7. Taxable compensation (line 1 less line 6, if positive; otherwise zero).

8. Tax (20% of line 7).

9. Tax withheld by employer.

10. Tax or refund due (difference between lines 8 and 9).

Filing a tax return would become a manageable chore, not a seemingly endless nightmare, for most taxpayers.

CUTTING BACK GOVERNMENT

Along with the advantage of simplicity, enactment of this flat tax bill will help to remove the burden of costly and unnecessary Government regulation, bureaucracy and redtape from our everyday lives. The heavy hand of Government bureaucracy is particularly onerous in the case of the Internal Revenue Service, which has been able to extend its influence into so many aspects of our lives.

In 1995, the IRS employed 117,000 people, spread out over countless offices across the United States. Its budget was in excess of $7 billion, with over $4 billion spent merely on enforcement. By simplifying the tax code and eliminating most of the IRS' vast array of rules and regulations, the flat tax would enable us to cut a significant portion of the IRS budget, including the bulk of the funding now needed for enforcement and administration.

In addition, a flat tax would allow taxpayers to redirect their time, energies and money away from the yearly morass of tax compliance. According to the Tax Foundation, in 1996, businesses will spend over $150 billion complying with the Federal tax laws, and individuals will spend an additional $74 billion, for a total of nearly $225 billion. Fortune magazine estimates a much higher cost of compliance—nearly $600 billion per year. According to a Tax Foundation study, adoption of flat tax reform would cut pre-filing compliance costs by over 90 percent.

Monies spent by businesses and investors in creating tax shelters and finding loopholes could be instead directed to productive and job-creating economic activity. With the adoption of a flat tax, the opportunities for fraud and cheating would also be vastly reduced, allowing the government to collect, according to some estimates, over $120 billion annually.

ECONOMIC GROWTH

The third major advantage to a flat tax is that it will be a tremendous spur to economic growth. Harvard economist Dale Jorgenson estimates adoption of a flat tax like the one offered today would increase future national wealth by over $2 trillion, in present value terms, over a 7-year period. This translates into over $7,500 in increased wealth for every man, woman and child in America. This growth also means that there will be more jobs—it is estimated that the $2 trillion increase in wealth would lead to the creation of 6 million new jobs.

The economic principles are fairly straightforward. Our current tax system is inefficient; it is biased toward too little savings and too much consumption. The flat tax creates substantial incentives for savings and investment by eliminating taxation on interest, dividends and capital gains—and tax policies which promote capital formation and investment are the best vehicle for creation of new and high paying jobs, and for a greater prosperity for all Americans.

It is well recognized that to promote future economic growth, we need not only to eliminate the Federal Government's reliance on deficits and borrowed money, but to restore and expand the base of private savings and investment that has been the real engine driving American prosperity throughout our history. These concepts are interrelated, for the Federal budget deficit soaks up much of what we have saved, leaving less for businesses to borrow for investments.

It is the sum total of savings by all aspects of the U.S. economy that represents the pool of all capital available for investment—in training, education, research, machinery, physical plant, et cetera—and that constitutes the real seed of future prosperity. The statistics here are daunting. In the 1960's, the net U.S. national savings rate was 8.2 percent, but it has fallen to a dismal 1.5 percent. In recent international comparisons, the United States has the lowest savings rate of any of the G–7 countries. We save at only one-tenth the rate of the Japanese, and only one-fifth the rate of the Germans. This is unacceptable and we must do something to reverse the trend.

An analysis of the components of U.S. savings patterns shows that although the Federal budget deficit is the largest cause of dissavings, both personal and business savings rates have declined significantly over the past three decades. Thus, to recreate the pool of capital stock that is critical to future U.S. growth and prosperity, we have to do more than just get rid of the deficit. We have to very materially raise our levels of private savings and investment. And we have to do so in a way that will not cause additional deficits.

The less money people save, the less money is available for business investment and growth. The current tax system discourages savings and investment, because it taxes the interest we earn from our savings accounts, the dividends we make from investing in the stock market, and the capital gains we make from successful investments in our homes and the financial markets. Indeed, under the current law these rewards for saving and investment are not only taxed, they are overtaxed—since gains due solely to inflation, which represent no real increase in value, are taxed as if they were profits to the taxpayer.

With the limited exceptions of retirement plans and tax-free municipal bonds, our current tax code does virtually nothing to encourage personal savings and investment, or to reward it over consumption. This bill will change this system, and address this problem. The proposed legislation reverses the current skewed incentives by promoting savings and investment by individuals and by businesses. Individuals would be able to invest and save their money tax free and reap the benefits of the accumulated value of those investments without paying a capital gains tax upon the sale of these investments. Businesses would also invest more as the flat tax allowed them to expense fully all sums invested in new equipment and technology in the year the expense was incurred, rather than dragging out the tax benefits for these investments through complicated depreciation schedules. With greater investment and a larger pool of savings available, interest rates and the costs of investment would also drop, spurring even greater economic growth.

Critics of the flat tax have argued that we cannot afford the revenue losses associated with the tremendous savings and investment incentives the bill affords to businesses and individuals. Those critics are wrong. Not only is this bill carefully crafted to be revenue neutral, but historically we have seen that when taxes are cut, revenues actually increase, as more taxpayers work harder for a larger share of their take-home pay, and investors are more willing to take risks in pursuit of rewards that will not get eaten up in taxes.

As one example, under President Kennedy when individual tax rates were lowered, investment incentives including the investment tax credit were created and then expanded and depreciation rates were accelerated. Yet, between 1962 and 1967, gross annual Federal tax receipts grew from $99.7 billion to $148 billion—an increase of nearly 50 percent. More recently after President Reagan's tax cuts in the early 1980's, Government tax revenues rose from just under $600 billion in 1981 to nearly $1 trillion in 1989. In fact, the Reagan tax cut program helped to bring about one of the longest peacetime expansions of the U.S. economy in history. There is every reason to believe that the flat tax proposed here can do the same—and by maintaining revenue neutrality in this flat tax proposal, as we have, we can avoid any increases in annual deficits and the national debt.

In addition to increasing Federal revenues by fostering economic growth, the flat tax can also add to Federal revenues without increasing taxes by closing tax loopholes. The Congressional Research Service estimates that for fiscal year 1995, individuals sheltered more than $393 billion in tax revenue in legal loopholes, and corporations sheltered an additional $60 billion. There may well be additional money hidden in quasi-legal or even illegal tax shelters. Under a flat tax system, all tax shelters will disappear and all income will be subject to taxation.

The larger pool of savings created by a flat tax will also help to reduce our dependence on foreign investors to finance both our Federal budget deficits and our private sector economic activity. Currently, of the publicly held Federal debt—that is, the portion not held by various Federal trust funds like Social Security—nearly 20 percent is held by foreigners—the highest level in our history. By contrast, in 1965 less than 5 percent of publicly held national debt was foreign owned. We are paying over $40 billion in annual interest to foreign governments and individuals, and this by itself accounts for roughly one-third of our whole international balance of payments deficit. These massive interest payments are one of the principal sources of American capital flowing abroad, a factor which then enables foreign investors to buy up American businesses. During the period 1980–91, the gross value of U.S. assets owned by foreign businesses and individuals rose 427 percent, from $543 billion to $2.3 trillion.

The substantial level of foreign ownership of our national debt creates both political and economic problems. On the political level, there is at least the potential that some foreign nation may assume a position where its level of investment in U.S. debt gives it disproportionate leverage over American policy. Economically, increasing foreign investment in Treasury debt furthers our national shift from a creditor to a debtor nation, weakening the dollar and undercutting our international trade position. A recent Congressional Research Service report put it succinctly: ''To pay for today's capital inflows, tomorrow's economy will have to ship more abroad in exchange for fewer foreign products. These payments will be a consequence in part of heavy Federal borrowing since 1982.'' With a flat tax in place, America's own supply of capital can be replenished, and we can return to our historic position as an international creditor nation rather than a debtor.

The growth case for a flat tax is compelling. It is even more compelling in the case of a tax revision that is simple and demonstrably fair.

FAIRNESS

By substantially increasing the personal allowances for taxpayers and their dependents, this flat tax proposal ensures that poorer taxpayers will pay no tax and that taxes will not be regressive for lower and middle income taxpayers. At the same time, by closing the hundreds of tax loopholes which are currently used by wealthier taxpayers to shelter their income and avoid taxes, this flat tax bill will also ensure that all Americans pay their fair share.

A variety of specific cases illustrate the fairness and simplicity of this flat tax:

Case No. 1—Married couple with two children, rents home, yearly income $35,000

Under Current Law:	
Income	$35,000
Four personal exemptions	$10,200
Standard deduction	6,700
Taxable income	$18,100
Tax due under current rates	$2,719
Marginal rate (percent)	15.0
Effective tax rate (percent)	7.8
Under Flat Tax:	
Personal allowance	$17,500
Two dependents	$10,000
Taxable income	$7,500
Tax due under flat tax	$1,500
Effective tax rate (percent)	4.3

Savings of $1,219

Case No. 2—Single individual, rents home, yearly income $50,000

Under Current Law:	
Income	$50,000
One personal exemption	$2,550
Standard deduction	$4,000
Taxable income	$43,450
Tax due under current rates	$9,053
Marginal rate (percent)	28.0
Effective rate (percent)	18.1
Under Flat Tax:	
Personal allowance	$10,000
Taxable income	$40,000
Tax due under flat tax	$8,000
Effective rate (percent)	16.0

Savings of $1,053

Case No. 3—Married couple with no children, $150,000 mortgage at 9%, yearly income $75,000

Under Current Law:	
Income	$75,000
Two personal exemptions	$5,100
Home mortgage deduction	$13,500
State and local taxes	$3,000

Case No. 3—Married couple with no children, $150,000 mortgage at 9%, yearly income $75,000—Continued

Charitable deduction	$1,500
Taxable income	$51,900
Tax due under current rates	$9,326
Marginal rate (percent)	28
Effective tax rate (percent)	12.4
Under Flat Tax:	
Personal allowance	$17,500
Home mortgage deduction	$9,000
Charitable deduction	$1,500
Taxable income	$47,000
Tax due under flat tax	$9,400
Effective tax rate (percent)	12.5

Slight Increase of $74

Case No. 4—Married couple with three children, $250,000 mortgage at 9%, yearly income $125,000

Under Current Law:	
Income	$125,000
Five personal exemptions	$12,750
Home mortgage deduction	$22,500
State and local taxes	$5,000
Retirement fund deductions	$6,000
Charitable deductions	$2,500
Taxable income	$76,250
Tax due under current rates	$16,130
Marginal rate (percent)	31
Effective tax rate (percent)	12.9
Under Flat Tax:	
Personal allowance	$17,500
Three dependents	$15,000
Home mortgage deduction	$9,000
Charitable deduction	$2,500
Taxable income	$81,000
Tax due under flat tax	$16,200
Effective tax rate (percent)	13

Slight Increase of $70

Case No. 5—Married couple, no children, $1,000,000 mortgages at 9% on 2 homes, $500,000 income

Under Current Law:	
Income	$500,000
Personal exemptions at this level	$0
Home mortgage deductions	$90,000
State and local taxes	$40,000
Retirement deductions	$50,000
Charitable deductions	$30,000
Taxable income	$290,000
Tax due under current rates	$91,949
Marginal rate (percent)	39.6
Effective tax rate (percent)	18.4
Under Flat Tax:	
Personal allowance	$17,500
Mortgage deduction	$9,000
Charitable deduction	$2,500
Taxable income	$471,000
Tax due under flat tax	$94,200
Effective tax rate (percent)	18.8

$2,251 higher taxes

The flat tax legislation that I am offering will retain the element of progressivity that Americans view as essential to fairness in an income tax system. Because of the lower end income exclusions, and the capped deductions for home mortgage interest and charitable contributions, the effective tax rates under my bill will range from 0 percent for families with incomes under about $30,000 to roughly 20 percent for the highest income groups:

ANNUAL TAXES UNDER 20 PERCENT FLAT TAX FOR MARRIED COUPLE WITH TWO CHILDREN FILING JOINTLY

Income	Home mortgage[1]	Deductible mtg. interest	Charitable contribution[1]	Personal allowance (w/children)	Taxable income	Marginal tax rate (in percent)	Taxes owed
<27,500					0	0	0
30,000	60,000	5,400	600	27,500	0	0	0
40,000	80,000	7,200	800	27,500	4,500	2.3	900

ANNUAL TAXES UNDER 20 PERCENT FLAT TAX FOR MARRIED COUPLE WITH TWO CHILDREN FILING JOINTLY—Continued

Income	Home mortgage [1]	Deductible mtg. interest	Charitable contribution [1]	Personal allowance (w/children)	Taxable income	Marginal tax rate (in percent)	Taxes owed
50,000	100,000	9,000	1,000	27,500	12,500	5.0	2,500
60,000	120,000	9,000	1,200	27,500	22,300	7.4	4,460
70,000	140,000	9,000	1,400	27,500	32,100	9.2	6,420
80,000	160,000	9,000	1,600	27,500	41,900	10.5	8,380
90,000	180,000	9,000	1,800	27,500	51,700	11.5	10,340
100,000	200,000	9,000	2,000	27,500	61,500	12.3	12,300
125,000	250,000	9,000	2,500	27,500	86,000	13.8	17,200
150,000	300,000	9,000	2,500	27,500	111,000	14.8	22,200
200,000	400,000	9,000	2,500	27,500	161,000	16.1	32,200
250,000	500,000	9,000	2,500	27,500	211,000	16.8	42,200
500,000	1,000,000	9,000	2,500	27,500	461,000	18.4	92,200
1,000,000	2,000,000	9,000	2,500	27,500	961,000	19.2	192,200

[1] Assumes home mortgage of twice annual income at a rate of 9 percent and charitable contributions up to 2 percent of annual income.

My proposed legislation demonstrably retains the fairness that must be an essential component of the American tax system.

CONCLUSION

The proposal that I make today is dramatic, but so are its advantages: a taxation system that is simple, fair, and designed to maximize prosperity for all Americans. A summary of the key advantages are:

Simplicity: A 10-line postcard filing would replace the myriad forms and attachments currently required, thus saving Americans up to 5.3 billion hours they currently spend every year in tax compliance.

Cuts Government: The flat tax would eliminate the lion's share of IRS rules, regulations, and requirements, which have grown from 744,000 words in 1955 to 5.6 million words and 12,000 pages currently. It would also allow us to slash the mammoth IRS bureaucracy of 117,000 employees.

Promotes economic growth: Economists estimate a growth of over $2 trillion in national wealth over 7 years, representing an increase of approximately $7,500 in personal wealth for every man, woman, and child in America. This growth would also lead to the creation of 6 million new jobs.

Increases efficiency: Investment decisions would be made on the basis of productivity rather than simply for tax avoidance, thus leading to even greater economic expansion.

Reduces interest rates: Economic forecasts indicate that interest rates would fall substantially, by as much as two points, as the flat tax removes many of the current disincentives to savings.

Lowers compliance costs: Americans would be able to save up to $224 billion they currently spend every year in tax compliance.

Decreases fraud: As tax loopholes are eliminated and the Tax Code is simplified, there will be far less opportunity for tax avoidance and fraud, which now amounts to over $120 billion in uncollected revenue annually.

Reduces IRS costs: Simplification of the Tax Code will allow us to save significantly on the $7 billion annual budget currently allocated to the Internal Revenue Service.

Professors Hall and Rabushka have projected that within 7 years of enactment, this type of a flat tax would produce a 6-percent increase in output from increased total work in the U.S. economy and increased capital formation. The economic growth would mean a $7,500 increase in the personal income of all Americans.

No one likes to pay taxes. But Americans will be much more willing to pay their taxes under a system that they believe is fair, a system that they can understand, and a system that they recognize promotes rather than prevents growth and prosperity. The legislation I introduce today will afford Americans such a tax system.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

S. 593

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This Act may be cited as the ''Flat Tax Act of 1997''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

(c) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. FLAT TAX ON INDIVIDUAL TAXABLE EARNED INCOME AND BUSINESS TAXABLE INCOME.

(a) IN GENERAL.—Subchapter A of chapter 1 of subtitle A is amended to read as follows:

''Subchapter A—Determination of Tax Liability

''PART I—TAX ON INDIVIDUALS

''SECTION 1. TAX IMPOSED.

''(a) IMPOSITION OF TAX.—There is hereby imposed on every individual a tax equal to 20 percent of the taxable earned income of such individual.

''(b) TAXABLE EARNED INCOME.—For purposes of this section, the term 'taxable earned income' means the excess (if any) of—

''(1) the earned income received or accrued during the taxable year, over

''(2) the sum of—

''(A) the standard deduction,

''(B) the deduction for cash charitable contributions, and

''(C) the deduction for home acquisition indebtedness,

for such taxable year.

''(c) EARNED INCOME.—For purposes of this section—

''(1) IN GENERAL.—The term 'earned income' means wages, salaries, or professional fees, and other amounts received from sources within the United States as compensation for personal services actually rendered, but does not include that part of compensation derived by the taxpayer for personal services rendered by the taxpayer to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered.

''(2) TAXPAYER ENGAGED IN TRADE OR BUSINESS.—In the case of a taxpayer engaged in a trade or business in which both personal services and capital are material income-producing factors, under regulations prescribed by the Secretary, a reasonable allowance as compensation for the personal services rendered by the taxpayer, not in excess of 30 percent of the taxpayer's share of the net profits of such trade or business, shall be considered as earned income.

''SEC. 2. STANDARD DEDUCTION.

''(a) IN GENERAL.—For purposes of this subtitle, the term 'standard deduction' means the sum of—

''(1) the basic standard deduction, plus

''(2) the additional standard deduction.

''(b) BASIC STANDARD DEDUCTION.—For purposes of subsection (a), the basic standard deduction is—

''(1) $17,500 in the case of—

''(A) a joint return, and

''(B) a surviving spouse (as defined in section 5(a)),

''(2) $15,000 in the case of a head of household (as defined in section 5(b)), and

''(3) $10,000 in the case of an individual—

''(A) who is not married and who is not a surviving spouse or head of household, or

''(B) who is a married individual filing a separate return.

''(c) ADDITIONAL STANDARD DEDUCTION.—For purposes of subsection (a), the additional standard deduction is $5,000 for each dependent (as defined in section 5(d))—

''(1) whose earned income for the calendar year in which the taxable year of the taxpayer begins is less than the basic standard deduction specified in subsection (b)(3), or

''(2) who is a child of the taxpayer and who—

''(A) has not attained the age of 19 at the close of the calendar year in which the taxable year of the taxpayer begins, or

''(B) is a student who has not attained the age of 24 at the close of such calendar year.

''(d) INFLATION ADJUSTMENT.—

''(1) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 1997, each dollar amount contained in subsections (b) and (c) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1996' for 'calendar year 1992' in subparagraph (B) of such section.

''(2) ROUNDING.—If any increase determined under paragraph (1) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

''SEC. 3. DEDUCTION FOR CASH CHARITABLE CONTRIBUTIONS.

''(a) GENERAL RULE.—For purposes of this part, there shall be allowed as a deduction any charitable contribution (as defined in subsection (b)) not to exceed $2,500 ($1,250, in the case of a married individual filing a separate return), payment of which is made within the taxable year.

''(b) CHARITABLE CONTRIBUTION DEFINED.—For purposes of this section , the term 'charitable contribution' means a contribution or gift of cash or its equivalent to or for the use of the following:

''(1) A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

''(2) A corporation, trust, or community chest, fund, or foundation—

''(A) created or organized in the United States or in any possession thereof, or under the law of the United States, any State, the District of Columbia, or any possession of the United States;

''(B) organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals;

''(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual; and

''(D) which is not disqualified for tax exemption under section 501(c)(3) by reason of attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

A contribution or gift by a corporation to a trust, chest, fund, or foundation shall be deductible by reason of this paragraph only if it is to be used within the United States or any of its possessions exclusively for purposes specified in subparagraph (B). Rules similar to the rules of section 501(j) shall apply for purposes of this paragraph.

''(3) A post or organization of war veterans, or an auxiliary unit or society of, or trust or foundation for, any such post or organization—

''(A) organized in the United States or any of its possessions, and

''(B) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

''(4) In the case of a contribution or gift by an individual, a domestic fraternal society, order, or association, operating under the lodge system, but only if such contribution or gift is to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

''(5) A cemetery company owned and operated exclusively for the benefit of its members, or any corporation chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose, if such company or corporation is not operated for profit and no part of the net earnings of such company or corporation inures to the benefit of any private shareholder or individual.

For purposes of this section, the term 'charitable contribution' also means an amount treated under subsection (d) as paid for the use of an organization described in paragraph (2), (3), or (4).

''(c) DISALLOWANCE OF DEDUCTION IN CERTAIN CASES AND SPECIAL RULES.—

''(1) SUBSTANTIATION REQUIREMENT FOR CERTAIN CONTRIBUTIONS.—

''(A) GENERAL RULE.—No deduction shall be allowed under subsection (a) for any contribution of $250 or more unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment of the contribution by the donee organization that meets the requirements of subparagraph (B).

''(B) CONTENT OF ACKNOWLEDGMENT.—An acknowledgment meets the requirements of this subparagraph if it includes the following information:

''(i) The amount of cash contributed.

''(ii) Whether the donee organization provided any goods or services in consideration, in whole or in part, for any contribution described in clause (i).

''(iii) A description and good faith estimate of the value of any goods or services referred to in clause (ii) or, if such goods or services consist solely of intangible religious benefits, a statement to that effect.

For purposes of this subparagraph, the term 'intangible religious benefit' means any intangible religious benefit which is provided by an organization organized exclusively for religious purposes and which generally is not sold in a commercial transaction outside the donative context.

''(C) CONTEMPORANEOUS.—For purposes of subparagraph (A), an acknowledgment shall be considered to be contemporaneous if the taxpayer obtains the acknowledgment on or before the earlier of—

''(i) the date on which the taxpayer files a return for the taxable year in which the contribution was made, or

''(ii) the due date (including extensions) for filing such return.

''(D) SUBSTANTIATION NOT REQUIRED FOR CONTRIBUTIONS REPORTED BY THE DONEE ORGANIZATION.—Subparagraph (A) shall not apply to a contribution if the donee organization files a return, on such form and in accordance with such regulations as the Secretary may prescribe, which includes the information described in subparagraph (B) with respect to the contribution.

''(E) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations that may provide that some or all of the requirements of this paragraph do not apply in appropriate cases.

''(2) DENIAL OF DEDUCTION WHERE CONTRIBUTION FOR LOBBYING ACTIVITIES.—No deduction shall be allowed under this section for a contribution to an organization which conducts activities to which section 11(d)(2)(C)(i) applies on matters of direct financial interest to the donor's trade or business, if a principal purpose of the contribution was to avoid Federal income tax by securing a deduction for such activities under this section which would be disallowed by reason of section 11(d)(2)(C) if the donor had conducted such activities directly. No deduction shall be allowed under section 11(d) for any amount for which a deduction is disallowed under the preceding sentence.

''(d) AMOUNTS PAID TO MAINTAIN CERTAIN STUDENTS AS MEMBERS OF TAXPAYER'S HOUSEHOLD.—

''(1) IN GENERAL.—Subject to the limitations provided by paragraph (2), amounts paid by the taxpayer to maintain an individual (other than a dependent, as defined in section 5(d), or a relative of the taxpayer) as a member of such taxpayer's household during the period that such individual is—

''(A) a member of the taxpayer's household under a written agreement between the taxpayer and an organization described in paragraph (2), (3), or (4) of subsection (b) to implement a program of the organization to provide educational opportunities for pupils or students in private homes, and

''(B) a full-time pupil or student in the twelfth or any lower grade at an educational organization located in the United States which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on,

shall be treated as amounts paid for the use of the organization.

''(2) LIMITATIONS.—

''(A) AMOUNT.—Paragraph (1) shall apply to amounts paid within the taxable year only to the extent that such amounts do not exceed $50 multiplied by the number of full calendar months during the taxable year which fall within the period described in paragraph (1). For purposes of the preceding sentence, if 15 or more days of a calendar month fall within such period such month shall be considered as a full calendar month.

''(B) COMPENSATION OR REIMBURSEMENT.—Paragraph (1) shall not apply to any amount paid by the taxpayer within the taxable year if the taxpayer receives any money or other property as compensation or reimbursement for maintaining the individual in the taxpayer's household during the period described in paragraph (1).

''(3) RELATIVE DEFINED.—For purposes of paragraph (1), the term 'relative of the taxpayer' means an individual who, with respect to the taxpayer, bears any of the relationships described in subparagraphs (A) through (H) of section 5(d)(1).

''(4) NO OTHER AMOUNT ALLOWED AS DEDUCTION.—No deduction shall be allowed under subsection (a) for any amount paid by a taxpayer to maintain an individual as a member of the taxpayer's household under a program described in paragraph (1)(A) except as provided in this subsection.

''(e) DENIAL OF DEDUCTION FOR CERTAIN TRAVEL EXPENSES.—No deduction shall be allowed under this section for traveling expenses (including amounts expended for meals and lodging) while away from home, whether paid directly or by reimbursement, unless there is no significant element of personal pleasure, recreation, or vacation in such travel.

''(f) DISALLOWANCE OF DEDUCTIONS IN CERTAIN CASES.—For disallowance of deductions for contributions to or for the use of Communist controlled organizations, see section 11(a) of the Internal Security Act of 1950 (50 U.S.C. 790).

''(g) TREATMENT OF CERTAIN AMOUNTS PAID TO OR FOR THE BENEFIT OF INSTITUTIONS OF HIGHER EDUCATION.—

''(1) IN GENERAL.—For purposes of this section, 80 percent of any amount described in paragraph (2) shall be treated as a charitable contribution.

''(2) AMOUNT DESCRIBED.—For purposes of paragraph (1), an amount is described in this paragraph if—

''(A) the amount is paid by the taxpayer to or for the benefit of an educational organization—

''(i) which is described in subsection (d)(1)(B), and

''(ii) which is an institution of higher education (as defined in section 3304(f)), and

''(B) such amount would be allowable as a deduction under this section but for the fact that the taxpayer receives (directly or indirectly) as a result of paying such amount the right to purchase tickets for seating at an athletic event in an athletic stadium of such institution.

If any portion of a payment is for the purchase of such tickets, such portion and the remaining portion (if any) of such payment shall be treated as separate amounts for purposes of this subsection.

''(h) OTHER CROSS REFERENCES.—

''(1) For treatment of certain organizations providing child care, see section 501(k).

''(2) For charitable contributions of partners, see section 702.

''(3) For treatment of gifts for benefit of or use in connection with the Naval Academy as gifts to or for the use of the United States, see section 6973 of title 10, United States Code.

''(4) For treatment of gifts accepted by the Secretary of State, the Director of the International Communication Agency, or the Director of the United States International Development Cooperation Agency, as gifts to or for the use of the United States, see section 25 of the State Department Basic Authorities Act of 1956.

''(5) For treatment of gifts of money accepted by the Attorney General for credit to the 'Commissary Funds, Federal Prisons' as gifts to or for the use of the United States, see section 4043 of title 18, United States Code.

''(6) For charitable contributions to or for the use of Indian tribal governments (or subdivisions of such governments), see section 7871.

''SEC. 4. DEDUCTION FOR HOME ACQUISITION INDEBTEDNESS.

''(a) GENERAL RULE.—For purposes of this part, there shall be allowed as a deduction all qualified residence interest paid or accrued within the taxable year.

''(b) QUALIFIED RESIDENCE INTEREST DEFINED.—The term 'qualified residence interest' means any interest which is paid or accrued during the taxable year on acquisition indebtedness with respect to any qualified residence of the taxpayer. For purposes of the preceding sentence, the determination of whether any property is a qualified residence of the taxpayer shall be made as of the time the interest is accrued.

''(c) ACQUISITION INDEBTEDNESS.—

''(1) IN GENERAL.—The term 'acquisition indebtedness' means any indebtedness which—

''(A) is incurred in acquiring, constructing, or substantially improving any qualified residence of the taxpayer, and

''(B) is secured by such residence.

Such term also includes any indebtedness secured by such residence resulting from the refinancing of indebtedness meeting the requirements of the preceding sentence (or this sentence); but only to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced indebtedness.

''(2) $100,000 LIMITATION.—The aggregate amount treated as acquisition indebtedness for any period shall not exceed $100,000 ($50,000 in the case of a married individual filing a separate return).

''(d) TREATMENT OF INDEBTEDNESS INCURRED ON OR BEFORE OCTOBER 13, 1987.—

''(1) IN GENERAL.—In the case of any pre-October 13, 1987, indebtedness—

''(A) such indebtedness shall be treated as acquisition indebtedness, and

''(B) the limitation of subsection (b)(2) shall not apply.

''(2) REDUCTION IN $100,000 LIMITATION.—The limitation of subsection (b)(2) shall be reduced (but not below zero) by the aggregate amount of outstanding pre-October 13, 1987, indebtedness.

''(3) PRE-OCTOBER 13, 1987, INDEBTEDNESS.—The term 'pre-October 13, 1987, indebtedness' means—

''(A) any indebtedness which was incurred on or before October 13, 1987, and which was secured by a qualified residence on October 13, 1987, and at all times thereafter before the interest is paid or accrued, or

''(B) any indebtedness which is secured by the qualified residence and was incurred after October 13, 1987, to refinance indebtedness described in subparagraph (A) (or refinanced indebtedness meeting the requirements of this subparagraph) to the extent (immediately after the refinancing) the principal amount of the indebtedness resulting from the refinancing does not exceed the principal amount of the refinanced indebtedness (immediately before the refinancing).

''(4) LIMITATION ON PERIOD OF REFINANCING.—Subparagraph (B) of paragraph (3) shall not apply to any indebtedness after—

''(A) the expiration of the term of the indebtedness described in paragraph (3)(A), or

''(B) if the principal of the indebtedness described in paragraph (3)(A) is not amortized over its term, the expiration of the term of the first refinancing of such indebtedness (or if earlier, the date which is 30 years after the date of such first refinancing).

''(e) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) QUALIFIED RESIDENCE.—For purposes of this subsection—

''(A) IN GENERAL.—Except as provided in subparagraph (C), the term 'qualified residence' means the principal residence of the taxpayer.

''(B) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If a married couple does not file a joint return for the taxable year—

''(i) such couple shall be treated as 1 taxpayer for purposes of subparagraph (A), and

''(ii) each individual shall be entitled to take into account ½ of the principal residence unless both individuals consent in writing to 1 individual taking into account the principal residence.

''(C) PRE-OCTOBER 13, 1987, INDEBTEDNESS.—In the case of any pre-October 13, 1987, indebtedness, the term 'qualified residence' has the meaning given that term in section 163(h)(4), as in effect on the day before the date of enactment of this subparagraph.

''(2) SPECIAL RULE FOR COOPERATIVE HOUSING CORPORATIONS.—Any indebtedness secured by stock held by the taxpayer as a tenant-stockholder in a cooperative housing corporation shall be treated as secured by the house or apartment which the taxpayer is entitled to occupy as such a tenant-stockholder. If stock described in the preceding sentence may not be used to secure indebtedness, indebtedness shall be treated as so secured if the taxpayer establishes to the satisfaction of the Secretary that such indebtedness was incurred to acquire such stock.

''(3) UNENFORCEABLE SECURITY INTERESTS.—Indebtedness shall not fail to be treated as secured by any property solely because, under any applicable State or local homestead or other debtor protection law in effect on August 16, 1986, the security interest is ineffective or the enforceability of the security interest is restricted.

''(4) SPECIAL RULES FOR ESTATES AND TRUSTS.—For purposes of determining whether any interest paid or accrued by an estate or trust is qualified residence interest, any residence held by such estate or trust shall be treated as a qualified residence of such estate or trust if such estate or trust establishes that such residence is a qualified residence of a beneficiary who has a present interest in such estate or trust or an interest in the residuary of such estate or trust.

''SEC. 5. DEFINITIONS AND SPECIAL RULES.

''(a) DEFINITION OF SURVIVING SPOUSE.—

''(1) IN GENERAL.—For purposes of this part, the term 'surviving spouse' means a taxpayer—

''(A) whose spouse died during either of the taxpayer's 2 taxable years immediately preceding the taxable year, and

''(B) who maintains as the taxpayer's home a household which constitutes for the taxable year the principal place of abode (as a member of such household) of a dependent—

''(i) who (within the meaning of subsection (d)) is a son, stepson, daughter, or stepdaughter of the taxpayer, and

''(ii) with respect to whom the taxpayer is entitled to a deduction for the taxable year under section 2.

For purposes of this paragraph, an individual shall be considered as maintaining a household only if over one-half of the cost of maintaining the household during the taxable year is furnished by such individual.

''(2) LIMITATIONS.—Notwithstanding paragraph (1), for purposes of this part a taxpayer shall not be considered to be a surviving spouse—

''(A) if the taxpayer has remarried at any time before the close of the taxable year, or

''(B) unless, for the taxpayer's taxable year during which the taxpayer's spouse died, a joint return could have been made under the provisions of section 6013 (without regard to subsection (a)(3) thereof).

''(3) SPECIAL RULE WHERE DECEASED SPOUSE WAS IN MISSING STATUS.—If an individual was in a missing status (within the meaning of section 6013(f)(3)) as a result of service in a combat zone and if such individual remains in such status until the date referred to in subparagraph (A) or (B), then, for purposes of paragraph (1)(A), the date on which such individual dies shall be treated as the earlier of the date determined under subparagraph (A) or the date determined under subparagraph (B):

''(A) The date on which the determination is made under section 556 of title 37 of the United States Code or under section 5566 of title 5 of such Code (whichever is applicable) that such individual died while in such missing status.

''(B) Except in the case of the combat zone designated for purposes of the Vietnam conflict, the date which is 2 years after the date designated as the date of termination of combatant activities in that zone.

''(b) DEFINITION OF HEAD OF HOUSEHOLD.—

''(1) IN GENERAL.—For purposes of this part, an individual shall be considered a head of a household if, and only if, such individual is not married at the close of such individual's taxable year, is not a surviving spouse (as defined in subsection (a)), and either—

''(A) maintains as such individual's home a household which constitutes for more than one-half of such taxable year the principal place of abode, as a member of such household, of—

''(i) a son, stepson, daughter, or stepdaughter of the taxpayer, or a descendant of a son or daughter of the taxpayer, but if such son, stepson, daughter, stepdaughter, or descendant is married at the close of the taxpayer's taxable year, only if the taxpayer is entitled to a deduction for the taxable year for such person under section 2 (or would be so entitled but for subparagraph (B) or (D) of subsection (d)(5)), or

''(ii) any other person who is a dependent of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such person under section 2, or

''(B) maintains a household which constitutes for such taxable year the principal place of abode of the father or mother of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such father or mother under section 2.

For purposes of this paragraph, an individual shall be considered as maintaining a household only if over one-half of the cost of maintaining the household during the taxable year is furnished by such individual.

''(2) DETERMINATION OF STATUS.—For purposes of this subsection—

''(A) a legally adopted child of a person shall be considered a child of such person by blood;

''(B) an individual who is legally separated from such individual's spouse under a decree of divorce or of separate maintenance shall not be considered as married;

''(C) a taxpayer shall be considered as not married at the close of such taxpayer's taxable year if at any time during the taxable year such taxpayer's spouse is a nonresident alien; and

''(D) a taxpayer shall be considered as married at the close of such taxpayer's taxable year if such taxpayer's spouse (other than a spouse described in subparagraph (C)) died during the taxable year.

''(3) LIMITATIONS.—Notwithstanding paragraph (1), for purposes of this part, a taxpayer shall not be considered to be a head of a household—

''(A) if at any time during the taxable year the taxpayer is a nonresident alien; or

''(B) by reason of an individual who would not be a dependent for the taxable year but for—

''(i) subparagraph (I) of subsection (d)(1), or

''(ii) paragraph (3) of subsection (d).

''(c) CERTAIN MARRIED INDIVIDUALS LIVING APART.—For purposes of this part, an individual shall be treated as not married at the close of the taxable year if such individual is so treated under the provisions of section 7703(b).

''(d) DEPENDENT DEFINED.—

''(1) GENERAL DEFINITION.—For purposes of this part, the term 'dependent' means any of the following individuals over one-half of whose support, for the calendar year in which the taxable year of the taxpayer begins, was received from the taxpayer (or is treated under paragraph (3) or (5) as received from the taxpayer):

''(A) A son or daughter of the taxpayer, or a descendant of either.

''(B) A stepson or stepdaughter of the taxpayer.

''(C) A brother, sister, stepbrother, or stepsister of the taxpayer.

''(D) The father or mother of the taxpayer, or an ancestor of either.

''(E) A stepfather or stepmother of the taxpayer.

''(F) A son or daughter of a brother or sister of the taxpayer.

''(G) A brother or sister of the father or mother of the taxpayer.

''(H) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the taxpayer.

''(I) An individual (other than an individual who at any time during the taxable year was the spouse, determined without regard to section 7703, of the taxpayer) who, for the taxable year of the taxpayer, has as such individual's principal place of abode the home of the taxpayer and is a member of the taxpayer's household.

''(2) RULES RELATING TO GENERAL DEFINITION.—For purposes of this section—

''(A) BROTHER; SISTER.—The terms 'brother' and 'sister' include a brother or sister by the halfblood.

''(B) CHILD.—In determining whether any of the relationships specified in paragraph (1) or subparagraph (A) of this paragraph exists, a legally adopted child of an individual (and a child who is a member of an individual's household, if placed with such individual by an authorized placement agency for legal adoption by such individual), or a foster child of an individual (if such child satisfies the requirements of paragraph (1)(I) with respect to such individual), shall be treated as a child of such individual by blood.

''(C) CITIZENSHIP.—The term 'dependent' does not include any individual who is not a citizen or national of the United States unless such individual is a resident of the United States or of a country contiguous to the United States. The preceding sentence shall not exclude from the definition of 'dependent' any child of the taxpayer legally adopted by such taxpayer, if, for the taxable year of the taxpayer, the child has as such child's principal place of abode the home of the taxpayer and is a member of the taxpayer's household, and if the taxpayer is a citizen or national of the United States.

''(D) ALIMONY, ETC.—A payment to a wife which is alimony or separate maintenance shall not be treated as a payment by the wife's husband for the support of any dependent.

''(E) UNLAWFUL ARRANGEMENTS.—An individual is not a member of the taxpayer's household if at any time during the taxable year of the taxpayer the relationship between such individual and the taxpayer is in violation of local law.

''(3) MULTIPLE SUPPORT AGREEMENTS.—For purposes of paragraph (1), over one-half of the support of an individual for a calendar year shall be treated as received from the taxpayer if—

''(A) no one person contributed over one-half of such support;

''(B) over one-half of such support was received from persons each of whom, but for the fact that such person did not contribute over one-half of such support, would have been entitled to claim such individual as a dependent for a taxable year beginning in such calendar year;

''(C) the taxpayer contributed over 10 percent of such support; and

''(D) each person described in subparagraph (B) (other than the taxpayer) who contributed over 10 percent of such support files a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such person will not claim such individual as a dependent for any taxable year beginning in such calendar year.

''(4) SPECIAL SUPPORT TEST IN CASE OF STUDENTS.—For purposes of paragraph (1), in the case of any individual who is—

''(A) a son, stepson, daughter, or stepdaughter of the taxpayer (within the meaning of this subsection), and

''(B) a student,

amounts received as scholarships for study at an educational organization described in section 3(d)(1)(B) shall not be taken into account in determining whether such individual received more than one-half of such individual's support from the taxpayer.

''(5) SUPPORT TEST IN CASE OF CHILD OF DIVORCED PARENTS, ETC.—

''(A) CUSTODIAL PARENT GETS EXEMPTION.—Except as otherwise provided in this paragraph, if—

''(i) a child receives over one-half of such child's support during the calendar year from such child's parents—

''(I) who are divorced or legally separated under a decree of divorce or separate maintenance,

''(II) who are separated under a written separation agreement, or

''(III) who live apart at all times during the last 6 months of the calendar year, and

''(ii) such child is in the custody of 1 or both of such child's parents for more than one-half of the calendar year,

such child shall be treated, for purposes of paragraph (1), as receiving over one-half of such child's support during the calendar year from the parent having custody for a greater portion of the calendar year (hereafter in this paragraph referred to as the 'custodial parent').

''(B) EXCEPTION WHERE CUSTODIAL PARENT RELEASES CLAIM TO EXEMPTION FOR THE YEAR.—A child of parents described in subparagraph (A) shall be treated as having received over one-half of such child's support during a calendar year from the noncustodial parent if—

''(i) the custodial parent signs a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such custodial parent will not claim such child as a dependent for any taxable year beginning in such calendar year, and

''(ii) the noncustodial parent attaches such written declaration to the noncustodial parent's return for the taxable year beginning during such calendar year.

For purposes of this paragraph, the term 'noncustodial parent' means the parent who is not the custodial parent.

''(C) EXCEPTION FOR MULTIPLE-SUPPORT AGREEMENT.—This paragraph shall not apply in any case where over one-half of the support of the child is treated as having been received from a taxpayer under the provisions of paragraph (3).

''(D) EXCEPTION FOR CERTAIN PRE-1985 INSTRUMENTS.—

''(i) IN GENERAL.—A child of parents described in subparagraph (A) shall be treated as having received over one-half such child's support during a calendar year from the noncustodial parent if—

''(I) a qualified pre-1985 instrument between the parents applicable to the taxable year beginning in such calendar year provides that the noncustodial parent shall be entitled to any deduction allowable under section 2 for such child, and

''(II) the noncustodial parent provides at least $600 for the support of such child during such calendar year.

For purposes of this clause, amounts expended for the support of a child or children shall be treated as received from the noncustodial parent to the extent that such parent provided amounts for such support.

''(ii) QUALIFIED PRE-1985 INSTRUMENT.—For purposes of this subparagraph, the term 'qualified pre-1985 instrument' means any decree of divorce or separate maintenance or written agreement—

''(I) which is executed before January 1, 1985,

''(II) which on such date contains the provision described in clause (i)(I), and

''(III) which is not modified on or after such date in a modification which expressly provides that this subparagraph shall not apply to such decree or agreement.

''(E) SPECIAL RULE FOR SUPPORT RECEIVED FROM NEW SPOUSE OF PARENT.—For purposes of this paragraph, in the case of the remarriage of a parent, support of a child received from the parent's spouse shall be treated as received from the parent.

"PART II—TAX ON BUSINESS ACTIVITIES

''Sec. 11. Tax imposed on business activities.

"**SEC. 11. TAX IMPOSED ON BUSINESS ACTIVITIES.**

''(a) TAX IMPOSED.—There is hereby imposed on every person engaged in a business activity located in the United States a tax equal to 20 percent of the business taxable income of such person.

''(b) LIABILITY FOR TAX.—The tax imposed by this section shall be paid by the person engaged in the business activity, whether such person is an individual, partnership, corporation, or otherwise.

''(c) BUSINESS TAXABLE INCOME.—

''(1) IN GENERAL.—For purposes of this section, the term 'business taxable income' means gross active income reduced by the deductions specified in subsection (d).

''(2) GROSS ACTIVE INCOME.—For purposes of paragraph (1), the term 'gross active income' means gross income other than investment income.

''(d) DEDUCTIONS.—

''(1) IN GENERAL.—The deductions specified in this subsection are—

''(A) the cost of business inputs for the business activity,

''(B) the compensation (including contributions to qualified retirement plans but not including other fringe benefits) paid for employees performing services in such activity, and

''(C) the cost of personal and real property used in such activity.

''(2) BUSINESS INPUTS.—

''(A) IN GENERAL.—For purposes of paragraph (1)(A), the term 'cost of business inputs' means—

''(i) the actual cost of goods, services, and materials, whether or not resold during the taxable year, and

''(ii) the actual cost, if reasonable, of travel and entertainment expenses for business purposes.

''(B) PURCHASES OF GOODS AND SERVICES EXCLUDED.—Such term shall not include purchases of goods and services provided to employees or owners.

''(C) CERTAIN LOBBYING AND POLITICAL EXPENDITURES EXCLUDED.—

''(i) IN GENERAL.—Such term shall not include any amount paid or incurred in connection with—

''(I) influencing legislation,

''(II) participation in, or intervention in, any political campaign on behalf of (or in opposition to) any candidate for public office,

''(III) any attempt to influence the general public, or segments thereof, with respect to elections, legislative matters, or referendums, or

''(IV) any direct communication with a covered executive branch official in an attempt to influence the official actions or positions of such official.

''(ii) EXCEPTION FOR LOCAL LEGISLATION.—In the case of any legislation of any local council or similar governing body—

''(I) clause (i)(I) shall not apply, and

''(II) such term shall include all ordinary and necessary expenses (including, but not limited to, traveling expenses described in subparagraph (A)(iii) and the cost of preparing testimony) paid or incurred during the taxable year in carrying on any trade or business—

''(aa) in direct connection with appearances before, submission of statements to, or sending communications to the committees, or individual members, of such council or body with respect to legislation or proposed legislation of direct interest to the taxpayer, or

''(bb) in direct connection with communication of information between the taxpayer and an organization of which the taxpayer is a member with respect to any such legislation or proposed legislation which is of direct interest to the taxpayer and to such organization, and that portion of the dues so paid or incurred with respect to any organization of which the taxpayer is a member which is attributable to the expenses of the activities carried on by such organization.

''(iii) APPLICATION TO DUES OF TAX-EXEMPT ORGANIZATIONS.—Such term shall include the portion of dues or other similar amounts paid by the taxpayer to an organization which is exempt from tax under this subtitle which the organization notifies the taxpayer under section 6033(e)(1)(A)(ii) is allocable to expenditures to which clause (i) applies.

''(iv) INFLUENCING LEGISLATION.—For purposes of this subparagraph—

''(I) IN GENERAL.—The term 'influencing legislation' means any attempt to influence any legislation through communication with any member or employee of a legislative body, or with any government official or employee who may participate in the formulation of legislation.

''(II) LEGISLATION.—The term 'legislation' has the meaning given that term in section 4911(e)(2).

''(v) OTHER SPECIAL RULES.—

''(I) EXCEPTION FOR CERTAIN TAXPAYERS.—In the case of any taxpayer engaged in the trade or business of conducting activities described in clause (i), clause (i) shall not apply to expenditures of the taxpayer in conducting such activities directly on behalf of another person (but shall apply to payments by such other person to the taxpayer for conducting such activities).

''(II) DE MINIMIS EXCEPTION.—

''(aa) IN GENERAL.—Clause (i) shall not apply to any in-house expenditures for any taxable year if such expenditures do not exceed $2,000. In determining whether a taxpayer exceeds the $2,000 limit, there shall not be taken into account overhead costs otherwise allocable to activities described in subclauses (I) and (IV) of clause (i).

''(bb) IN-HOUSE EXPENDITURES.—For purposes of provision (aa), the term 'in-house expenditures' means expenditures described in subclauses (I) and (IV) of clause (i) other than payments by the taxpayer to a person engaged in the trade or business of conducting activities described in clause (i) for the conduct of such activities on behalf of the taxpayer, or dues or other similar amounts paid or incurred by the taxpayer which are allocable to activities described in clause (i).

''(III) EXPENSES INCURRED IN CONNECTION WITH LOBBYING AND POLITICAL ACTIVITIES.—Any amount paid or incurred for research for, or preparation, planning, or coordination of, any activity described in clause (i) shall be treated as paid or incurred in connection with such activity.

''(vi) COVERED EXECUTIVE BRANCH OFFICIAL.—For purposes of this subparagraph, the term 'covered executive branch official' means—

''(I) the President,

''(II) the Vice President,

''(III) any officer or employee of the White House Office of the Executive Office of the President, and the 2 most senior level officers of each of the other agencies in such Executive Office, and

''(IV) any individual serving in a position in level I of the Executive Schedule under section 5312 of title 5, United States Code, any other individual designated by the President as having Cabinet level status, and any immediate deputy of such an individual.

''(vii) SPECIAL RULE FOR INDIAN TRIBAL GOVERNMENTS.—For purposes of this subparagraph, an Indian tribal government shall be treated in the same manner as a local council or similar governing body.

''(viii) CROSS REFERENCE.—

"For reporting requirements and alternative taxes related to this subsection, see section 6033(e).

''(e) CARRYOVER OF EXCESS DEDUCTIONS.—

''(1) IN GENERAL.—If the aggregate deductions for any taxable year exceed the gross active income for such taxable year, the amount of the deductions specified in subsection (d) for the succeeding taxable year (determined without regard to this subsection) shall be increased by the sum of—

''(A) such excess, plus

''(B) the product of such excess and the 3-month Treasury rate for the last month of such taxable year.

''(2) 3-MONTH TREASURY RATE.—For purposes of paragraph (1), the 3-month Treasury rate is the rate determined by the Secretary based on the average market yield (during any 1-month period selected by the Secretary and ending in the calendar month in which the determination is made) on outstanding marketable obligations of the United States with remaining periods to maturity of 3 months or less.''

(b) CONFORMING REPEALS AND REDESIGNATIONS.—

(1) REPEALS.—The following subchapters of chapter 1 of subtitle A and the items relating to such subchapters in the table of subchapters for such chapter 1 are repealed:

(A) Subchapter B (relating to computation of taxable income).

(B) Subchapter C (relating to corporate distributions and adjustments).

(C) Subchapter D (relating to deferred compensation, etc.).

(D) Subchapter G (relating to corporations used to avoid income tax on shareholders).

(E) Subchapter H (relating to banking institutions).

(F) Subchapter I (relating to natural resources).

(G) Subchapter J (relating to estates, trusts, beneficiaries, and decedents).

(H) Subchapter L (relating to insurance companies).

(I) Subchapter M (relating to regulated investment companies and real estate investment trusts).

(J) Subchapter N (relating to tax based on income from sources within or without the United States).

(K) Subchapter O (relating to gain or loss on disposition of property).

(L) Subchapter P (relating to capital gains and losses).

(M) Subchapter Q (relating to readjustment of tax between years and special limitations).

(N) Subchapter S (relating to tax treatment of S corporations and their shareholders).

(O) Subchapter T (relating to cooperatives and their patrons).

(P) Subchapter U (relating to designation and treatment of empowerment zones, enterprise communities, and rural development investment areas).

(Q) Subchapter V (relating to title 11 cases).

(2) REDESIGNATIONS.—The following subchapters of chapter 1 of subtitle A and the items relating to such subchapters in the table of subchapters for such chapter 1 are redesignated:

(A) Subchapter E (relating to accounting periods and methods of accounting) as subchapter B.

(B) Subchapter F (relating to exempt organizations) as subchapter C.

(C) Subchapter K (relating to partners and partnerships) as subchapter D.

SEC. 3. REPEAL OF ESTATE AND GIFT TAXES.

Subtitle B (relating to estate, gift, and generation-skipping taxes) and the item relating to such subtitle in the table of subtitles is repealed.

SEC. 4. ADDITIONAL REPEALS.

Subtitles H (relating to financing of presidential election campaigns) and J (relating to coal industry health benefits) and the items relating to such subtitles in the table of subtitles are repealed.

SEC. 5. EFFECTIVE DATES.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this Act apply to taxable years beginning after December 31, 1997.

(b) REPEAL OF ESTATE AND GIFT TAXES.—The repeal made by section 3 applies to estates of decedents dying, and transfers made, after December 31, 1997.

(c) TECHNICAL AND CONFORMING CHANGES.—The Secretary of the Treasury or the Secretary's delegate shall, as soon as practicable but in any event not later than 90 days after the date of enactment of this Act, submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a draft of any technical and conforming changes in the Internal Revenue Code of 1986 which are necessary to reflect throughout such Code the changes in the substantive provisions of law made by this Act.

By Mr. MCCONNELL (for himself, Mr. GRAHAM, Mr. SHELBY, Mr. BREAUX, Mr. COVERDELL, Mr. GLENN, Mr. COCHRAN, Mr. MURKOWSKI, Mr. DEWINE, Mr. MACK, Mr. ROBB, Mr. SPECTER, Mrs. HUTCHISON, Mr. BENNETT, Mr. D'AMATO, Ms. LANDRIEU, and Mr. WARNER):

S. 594. A bill to amend the Internal Revenue Code of 1986 to modify the tax treatment of qualified State tuition programs; to the Committee on Finance.

THE COLLEGE SAVINGS ACT OF 1997

Mr. MCCONNELL. Mr. President, I have come to the floor today to introduce legislation that addresses an important issue facing families today—the education of their children. For the past several years, I have worked to make college more affordable by rewarding families who save. In both the 103d and 104th Congresses, I introduced legislation—S. 1787 and S. 386 respectively—to make earnings invested in State-sponsored tuition savings plans exempt from Federal taxation.

States have recognized the needs of families and have provided incentives for them to save or prepay their children's education. State savings plans provide families, a safe, affordable and disciplined means of paying for their children's education. The College Savings Act of 1997, will provide Federal tax incentives to provide additional assistance to the efforts of the States.

According to GAO, tuition at a 4-year university rose 234 percent between 1980–94. During this same period, median household income rose 84 percent and the consumer price index rose a mere 74 percent. The College Board reports that tuition costs for the 1996–97 school year will rise 5 percent while average room and board costs will rise between 4–6 percent. While education costs have moderated throughout the 1990's, they continue to outstrip the gains in income. Tuition has now become the greatest barrier to attendance.

Due to the rising cost of education, more and more families have come to rely on financial aid to meet tuition costs. In fact, a majority of all college students accept some amount of financial assistance. In 1995, $50 billion in financial aid was available to students from Federal, State, and institutional sources. This was $3 billion higher than the previous year. A majority of this increase has come in the form of loans, which now make up the largest portion of the total Federal aid package at 57 percent. Grants, which a decade ago made up 49 percent of assistance, have been reduced to 42 percent. This shift toward loans further burdens students and families with additional interest costs.

In response to this trend, the Republican Congress and the President have developed different proposals to address the rising cost of a post-secondary education. S. 1, the Safe and Affordable Schools Act, provides incentives for families to save for their children's college education through education savings accounts and State-sponsored savings plans. For those burdened by student loans, this legislation also makes the interest paid on student loans deductible, The President has offered two tax provisions, the HOPE scholarship, which is a $1,500 tax credit and a $10,000 tax deduction for tuition expenses.

A provision in S. 1 makes the earnings in State-sponsored tuition savings plans exempt from taxation. Like the legislation I am introducing today, this provision recognizes the leadership States have taken in helping families save for college. In the mid-1980's States identified the difficulty families had in keeping pace with the rising cost of education. States like Michigan, Florida, Ohio, and Kentucky were the first programs to be started in order to help families save for college. Today, there are 15 States with programs in operation. An additional four States will implement their programs this year. According to the College Savings Network every other State, except Georgia, which has implemented the HOPE Scholarship Program, is preparing legislation or is studying a proposal to help their residents save for college.

Today there are 600,000 participants contributing over $3 billion to education savings nationwide. By year end, the College Savings Plan Network estimates that they will have 1 million participants. By 2006, they estimate that over $6 billion will be invested in State-sponsored programs.

Kentucky established its plan in 1988 to provide residents with an affordable means of saving for college. Today, 2,602 Kentucky participants have contributed over $5 million toward their childrens' education.

Many Kentuckians are drawn to this program because it offers a low-cost, disciplined approach to savings. In fact, the average monthly contribution in Kentucky is just $49. This proposal rewards those who are serious about their future and are committed over the long-term to the education of their children by exempting all interest earnings from State taxes. It is also important to note that 58 percent of the participants earn under $60,000 per year. Clearly, this benefits middle-class families.

Last year, Congress took the first step in providing tax relief to families investing in those programs. The provisions contained in the Small Business Job Protection Act of 1996 clarified the tax treatment of both the State-sponsored tuition savings plans and the participants' investment. This measure put an end to the tax uncertainty that has hampered the effectiveness of these State-sponsored programs and helped families who are tying to save for their childrens' education.

Already, we can see the result of the tax reforms in the 104th Congress. Last year, Virginia started its plan and was overwhelmed by the positive response. In its first year, the plan sold 16,111 contracts raising $260 million. This success exceeded all goals for this program. While we made important gains last year, we need to finish what we have started and fully exempt the investment income from taxation.

The legislation I am introducing today with the support of Senator GRAHAM and others will make the savings in State pre-paid tuition plans exempt from taxation. While the measure is similar to the provision in S. 1, it is a more comprehensive proposal that has been developed in close consultation with the States. In addition to tax exemption, the bill expands the definition of qualified education expense to include room and board costs. This is important since such costs can amount to 50 percent of total college expenses.

It also allows individuals who invested in series EE savings bonds to contribute these education savings bonds to qualified State tuition programs.

This is a commonsense provision that will give those who are already saving the flexibility to invest in prepaid plan if available. It also clarifies the law to permit States to establish scholarship programs within the plan. The bill also makes several other minor changes that will help the programs to operate more efficiently, including clarification of the transition rule, permitting the transfer of benefits to cousins and stepchildren, and permitting States to include proprietary schools as eligible institutions.

This legislation is a serious effort to encourage long-term saving. It is important that we not forget that compound interest cuts both ways. By saving, participants can keep pace with tuition increases while putting a little away at a time. By borrowing, students must bear added interest costs that add thousands to the total cost of tuition.

During the election the President unveiled his education tax proposals. There are two primary provisions of the President's proposal. The first is the HOPE scholarship, which would allow a parent or student to claim a $1,500 nonrefundable tax credit for tuition expenses. The other is a $10,000 tax deduction to be applied toward tuition expenses.

The most disturbing aspect of this proposal is its cost. It is my understanding that the President's proposal, if allowed to reach its fullest potential, will exceed $80 billion over the next 10 years as estimated by Joint Tax Committee. This contrasts with the modest tax package included in S. 1, which is estimated to cost $18 billion during the same period. This can be compared with the $1.6 million cost associated with the College Savings Act I have introduced today.

The administration has been quick to point out that their tax package isn't a budget buster because of the tax credit sunset that will be implemented if the President's budget isn't in balance by 2002. According to the CBO the President's budget will run a $69 billion deficit in 2002. With such uncertainty, how does this help families plan for their childrens' future? Considering the importance of this issue, I am surprised the President is willing to allow this program to expire, shortly after it begins.

The President's proposal has also been criticized because it will also contribute to increased tuition costs. Mr. Chairman, I would ask that an editorial by Lawrence Gladieux, executive director for the College Board and Robert Reischauer, the former director of the CBO, be included with my testimony.

Mr. Gladieux and Mr. Reischauer argue that the President's credit would be money in the bank, not only for parents, but the schools as well. This across-the-board tax credit would permit schools to add this subsidy into the cost of tuition. It was also their assumption that the tax benefit would benefit primarily wealthy individuals. Therefore the President's package would be two strikes against low-income families who won't benefit from the tax credit, yet will still bear the burden of higher tuition costs.

The authors also point out the President's proposal imposes a new regulatory burden on schools by requiring the IRS to verify that a student received a B average in order to be eligible for a second year of this tax credit. Under the President's proposal we will have the IRS grading student papers and publishing tax regulations defining B work. It is simply a mistake to use the Tax Code in this manner.

It is in our best interest as a nation to maintain a quality and affordable education system for everyone. We need to decide on how we will spend our limited Federal resources to ensure that both access and quality are maintained. It is unrealistic to assume that the Government can afford to provide Federal assistance for everyone. However, at a modest cost, we can help families help themselves by rewarding savings. This reduces the cost of education and will not unnecessarily burden future generations with thousands of dollars in loans.

I urge my colleagues to support this valuable legislation this year to reward those who save in order to provide a college education for their children.

Mr. President, I ask the full text of the bill be printed in the RECORD. I also ask that the article by Larry Gladieux and Robert Reischauer be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 594

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. MODIFICATIONS OF TAX TREATMENT OF QUALIFIED STATE TUITION PROGRAMS.

(a) EXCLUSION OF DISTRIBUTIONS USED FOR EDUCATIONAL PURPOSES.—Subparagraph (B) of section 529(c)(3) of the Internal Revenue Code of 1986 (relating to treatment of distributions) is amended to read as follows:

''(B) DISTRIBUTIONS FOR QUALIFIED HIGHER EDUCATION EXPENSES.—Subparagraph (A) shall not apply to any distribution to the extent—

''(i) the distribution is used exclusively to pay qualified higher education expenses of the distribute, or

''(ii) the distribution consists of providing a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense.''

(b) QUALIFIED HIGHER EDUCATION EXPENSES TO INCLUDE ROOM AND BOARD.—Section 529(e)(3) of the Internal Revenue Code of 1986 (defining qualified higher education expenses) is amended by adding at the end the following: ''Such term shall also include reasonable costs (as determined under the qualified State tuition program) incurred by the designated beneficiary for room and board while attending such institution.''

(c) ADDITIONAL MODIFICATIONS.—

(1) MEMBER OF FAMILY.—Paragraph (2) of section 529(e) of the Internal Revenue Code of 1986 (relating to other definitions and special rules) is amended to read as follows:

''(2) MEMBER OF FAMILY.—The term 'member of family' means—

''(A) an individual who bears a relationship to another individual which is a relationship described in paragraphs (1) through (8) of section 152(a), and

''(B) a spouse of any individual described in subparagraph (A).''

(2) ELIGIBLE EDUCATIONAL INSTITUTION.—Section 529(e) of such Code is amended—

(A) in paragraph (3), by striking ''(as defined in section 135(c)(3))'' and inserting ''(within the meaning of paragraph (5))'', and

(B) by adding at the end the following:

''(5) ELIGIBLE EDUCATIONAL INSTITUTION.—The term 'eligible educational institution' means an institution—

''(A) which is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this paragraph, and

''(B) which is eligible to participate in a program under title IV of such Act.''

(3) TECHNICAL AMENDMENTS.—

(A) Subparagraph (B) of section 529(e)(1) of such Code is amended by striking ''subsection (c)(2)(C)'' and inserting ''subsection (c)(3)(C)''.

(B) Subparagraph (C) of section 529(e)(1) of such Code is amended by inserting ''(or agency or instrumentality thereof)'' after ''State or local government''.

(C) Paragraph (2) of section 1806(c) of the Small Business Job Protection Act of 1996 is amended by striking so much of the first sentence as follows subparagraph (B)(ii) and inserting the following:

''then such program (as in effect on August 20, 1996) shall be treated as a qualified State tuition program with respect to contributions (and earnings allocable thereto) pursuant to contracts entered into under such program before the first date on which such program meets such requirements (determined without regard to this paragraph) and the provisions of such program (as so in effect) shall apply in lieu of section 529(b) of the Internal Revenue Code of 1986 with respect to such contributions and earnings.''

(d) COORDINATION WITH EDUCATION SAVINGS BOND.—Section 135(c)(2) of the Internal Revenue Code of 1986 (defining qualified higher education expenses) is amended by adding at the end the following:

''(C) CONTRIBUTIONS TO QUALIFIED STATE TUITION PROGRAM.—Such term shall include any contribution to a qualified State tuition program (as defined in section 529) on behalf of a designated beneficiary (as so defined) who is an individual described in subparagraph (A).''

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1996.

(2) ADDITIONAL MODIFICATIONS.—The amendments made by subsection (c) shall take effect as if included in the amendments made by, and the provisions of, section 1806 of the Small Business Job Protection Act of 1996.

[From the Washington Post, Sept. 4, 1996]

HIGHER TUITION, MORE GRADE INFLATION

(By Lawrence E. Gladieux and Robert D. Reischauer)

More than any president since Lyndon Johnson, Bill Clinton has linked his presidency to strengthening and broadening American education. He has argued persuasively that the nation needs to increase its investment in education to spur economic growth, expand opportunity and reduce growing income disparities. He has certainly earned the right to try to make education work for him as an issue in his reelection campaign, and that's clearly what he plans to do.

Unfortunately, one way the president has chosen to pursue his goals for education is by competing with the GOP on tax cuts. The centerpiece of his education agenda—tax breaks for families paying college tuition—would be bad tax policy and worse education policy. While tuition tax relief may be wildly popular with voters and leave Republicans speechless, it won't achieve the president's worthy objectives for education, won't help those most in need and will create more problems than it solves.

Under the president's plan, families could choose to deduct up to $10,000 in tuition from their taxable income or take a tax credit (a direct offset against federal income tax) of $1,500 for the first year of undergraduate education or training. The credit would be available for a second year if the student maintains a B average.

The vast majority of taxpayers who incur tuition expenses—joint filers with incomes up to $100,000 and single filers up to $70,000—would be eligible for these tax breaks. But before the nation invests the $43 billion that the administration says this plan will cost over the next six years, the public should demand that policy makers answer these questions:

Will tuition tax credits and deductions boost postsecondary enrollment? Not significantly. Most of the benefits would go to families of students who would have attended college anyway. For them, it will be a windfall. That won't lift the country's net investment in education or widen opportunities for higher education. For families who don't have quite enough to send their child to college, the tax relief may come too late to make a difference. While those families could adjust their payroll withholding, most won't. Thus any relief would be realized in year-end tax refunds, long after families needed the money to pay the tuition.

Will they help moderate- and low-income students who have the most difficulty meeting tuition costs? A tax deduction would be of no use to those without taxable income. On the other hand, the proposed $1,500 tax credit—because it would be ''refundable''—would benefit even students and families that owe no taxes. But nearly 4 million low-income students would largely be excluded from the tax credit because they receive Pell Grants which, under the Clinton plan, would be subtracted from their tax-credit eligibility.

Will the plan lead to greater federal intrusion into higher education? The Internal Revenue Service would have to certify the amount of tuition students actually paid, the size of their Pell Grants and whether they maintained B averages. This could impose complex regulatory burdens on universities and further complicate the tax code. It's no wonder the Treasury Department has long resisted proposals for tuition tax breaks.

Will the program encourage still higher tuition levels and more grade inflation? While the tuition spiral may be moderating slightly, college price increases have averaged more than twice the rate of inflation during the 1990s. With the vast majority of students receiving tax relief, colleges might have less incentive to hold down their tuition increases. Grades, which have been rising almost as rapidly as tuition, might get an extra boost too if professors hesitate to deny their students the B needed to renew the tax credit.

If more than $40 billion in new resources really can be found to expand access to higher education, is this the best way to invest it? A far better alternative to tuition tax schemes is need-based student financial aid. The existing aid programs, imperfect as they may be, are a much more effective way to equalize educational opportunity and increase enrollment rates. More than $40 billion could go a long way toward restoring the purchasing power of Pell Grants and other proven programs, whose benefits inflation has eroded by as much as 50 percent during the past 15 years. Unlike tuition tax cuts, expanded need-based aid would not drag the IRS into the process of delivering educational benefits. Need-based aid also is less likely to increase inflationary pressure on college prices, because such aid goes to only a portion of the college-going population.

Economists have long argued that the tax code shouldn't be used if the same objective can be met through a direct-expenditure program. Tax incentives for college savings might make sense; parents seem to need more encouragement to put money away for their children's education. But tax relief for current tuition expenditures fails the test.

Maybe Clinton's tuition tax-relief plan, like the Republican across-the-board tax-cut proposals, can be chalked up to election-year pandering that will be forgotten after November. But oft-repeated campaign themes sometimes make it into the policy stream. That was the case in 1992, when candidate Clinton promised student-loan reform and community service that, as president, he turned into constructive initiatives. If re-elected, Clinton again may stick with his campaign mantra. This time, it's tuition tax breaks. This time, he shouldn't.

Mr. MCCONNELL. Mr. President, it does not take an economics professor to figure out that compound interest can either work for or against you. I would think that my colleagues would agree that middle-class Americans deserve to have their hard-earned dollars working for them instead of against them. The College Savings Act allows hard-working Americans to utilize this principle while saving for the college education of their children.

Option 1 illustrates the average cost of using the Federal loan program to finance the average instate college tuition in the United States which is $10,540. Under the Federal loan program, middle-class Americans end up paying $120 per month after graduation to retire just the cost of higher education tuition and fees, not to mention room and boarding costs.

These payments will continue for 120 months, or 10 years after receiving a diploma. Students end up repaying $14,400 on these loans. This means that they will end up paying $3,860 in interest to finance a college education. That is figured at a 6.5-percent interest rate.

Option 2, on the other hand, figures in the same amount of tuition cost, $10,540, but that is where the similarities end. Under the College Savings Act, monthly deposits are half as expensive as loan payments under Federal loan programs. Your monthly deposit over the 120-month, or 10-year period under our legislation would only be $58.

Mr. President, this is possible because under the College Savings Act total payments are only $6,960. This is simply because you have compound interest of 6.5 percent working in your favor, instead of against you, to the tune of $3,580. That totals a whopping difference of $7,440 from Federal loan programs. That is almost half the cost of financing an education through Federal loans.

Mr. GRAHAM. Mr. President, I wish to speak this afternoon about an initiative which has been designed to increase American's access to college education. Today, Senator MCCONNELL and I, along with numerous cosponsors, are introducing the College Savings Act of 1997. This bill would clarify the tax treatment of State-sponsored prepaid college tuition and savings programs and would clarify them in a manner that will allow States flexibility to offer their citizens plans to pay for college on a tax-free basis.

Why are we discussing these programs? We are discussing these State programs because they have flourished in the face of spiraling college costs. As shown on this chart, which was produced by the General Accounting Office, tuition at colleges and universities has increased 234 percent since 1980. During the same period, the general rate of inflation has increased only 85 percent and household income has increased only 82 percent. There has been a growing gap between the cost of higher education, in terms of tuition, and the ability of families to support their children's desire to continue their education beyond high school.

Higher education inflation has been almost triple the rate of general inflation and the increase in Americans' ability to pay for that higher education. The causes of this dramatic increase in tuition is the subject of a significant debate. But whether these increases are attributable to increased costs of colleges and universities, reduction in State funding for public institutions, or the increased value of a college education, the fact remains that affording a college education has become increasingly difficult for American families.

Although the Federal Government has increased its aid to college students over the years, it is the States that have engineered innovative ways to help citizens afford college.

One of the most innovative of those measures has been the prepaid college tuition plan. The first of these plans was adopted in Michigan in 1986. Since that first program was adopted, today 15 States have such prepaid college plans, and an additional 4 States have adopted plans which will be in effect by 1998.

The States shown in green are those which currently offer plans. The four States shown in yellow will initiate their plans this year. All of the remaining States shown in red are currently considering legislation to establish a prepaid college tuition plan. From these State laboratories, two types of programs have emerged: prepaid tuition programs and savings programs.

Under either of these two, a family pays money into a State fund. In future years, the funds which have been accumulating will be distributed to the college or university of the child's choice and the child's ability to secure admission under the academic standards of that institution.

The State pools the funds from all participants, invests those funds in a manner that will match or exceed the rate of higher education inflation.

Under a prepaid tuition plan, the State and the individual family enter into an advanced tuition payment contract naming a student as the beneficiary of the contract. The amount the family must pay depends on the number of years remaining before the student enrolls in college. In most States, purchasers can choose a lump-sum payment or installment payments. Twelve States currently follow this tuition model. Let me explain with an example.

Today, if a Florida child is 7 years old and his family enrolls him in the Florida prepaid tuition plan, they can enter into a contract and pay a lump sum of $5,900. Then in the year 2008, when the child reaches the age of 18 and enrolls in college, the State will transfer the cost of tuition for 120 credit hours of instruction which has a currently estimated value of $14,350 to the college or university the student chooses to attend.

Under a State savings plan, individuals transfer money to a State trust which, in turn, invests the funds and guarantees a certain rate of return. Typically, the earnings on the account are exempt from State taxation. Three States follow the State savings fund model.

One of the attributes of these programs is that just as States establish institutions of higher education to meet the educational needs of their States' citizens, each State program differs in its emphasis. As an example, the Alaska plan allows individuals to direct a portion of the State oil revenues to pay for their contracts. In Alabama, money can be used to take accredited college courses while a student is still attending high school. The Massachusetts plan allows non-residents to enroll in its plan. Louisiana provides matching grants for certain low-income participants in its plan.

The tax problem that lies before us today, Mr. President, is whether or not the student should be taxed when the student redeems the funds upon enrollment. Until 1996, the Federal tax treatment of these plans remained murky. In the spring of 1996, the Internal Revenue Service indicated its intent to tax families annually on the earnings of funds transferred to these State plans.

I thought this was wrong, counterproductive and would discourage what has been a very positive commitment of American families to save for their children's college education. So I worked with Senators MCCONNELL, BREAUX, SHELBY, and the leaders of the Senate Finance Committee to address the issue in the Small Business Job Protection Act of 1996. Provisions we developed were included in the bill that President Clinton ultimately signed into law.

The four basic provisions in the 1996 reform were, first, any prepaid or savings entity established by the State is tax exempt. Two, the earnings on money transferred to these State programs are not taxed until distribution. Three, upon distribution, the appreciation on the contracts or accounts will be taxed to the student beneficiary over the time the student attends college. And fourth, these tax rules apply only to contracts and accounts used to fund the cost of tuition, fees, books, and required equipment.

Mr. President, despite the fact I offered the proposal in the Finance Committee, I have always thought that the right answer was that participation in these programs should be 100 percent tax free. In other words, no taxation upon distribution unless the funds were used for purposes other than qualified educational purposes.

The legislation that Senator MCCONNELL and I are introducing today will amend section 529 of the Tax Code in two significant respects. First, the bill provides that if distributions from a State fund are used for qualified educational purposes, then there will be no taxation to the student. In other words, there would be no Federal income tax for participation in these State-sponsored programs.

Second, the bill would expand the definition of qualified higher education expenses. Last year's legislation provided that tuition, books, fees and required equipment were tax exempt. Under the new proposal, we would also include the cost of room and board as qualified educational expenses.

The bill also makes a number of technical and other changes to assure that States have sufficient flexibility to manage their successful programs. There are several policy-related questions in enacting this legislation, and I will turn to them in a minute. But before doing so, I would like to offer an example of the positive influence of these programs from my State of Florida.

I would like, Mr. President, to introduce to you Sean and Patrick Gilliland who are in the gallery today. Sean and Patrick Gilliland are respectively a senior and junior at the University of Florida. In 1988, the first year the prepaid program was offered to Floridians, Mr. and Mrs. Gilliland purchased prepaid contracts for Sean and Patrick. Two years after purchasing the plan, Mr. Gilliland tragically died, unexpectedly leaving Mrs. Gilliland, Sean and Patrick with a single income.

Mrs. Gilliland is a nurse. As a result of the change of income, she attests that without the foresight of having purchased a Florida prepaid college program for her two sons, she would not have been able to provide a college education for Sean and Patrick.

Sean will graduate in 2 weeks from the University of Florida, majoring in business administration with an emphasis in Asian studies. Sean has applied for several overseas positions in Japan, Taiwan, and Korea, with hopes to enter the field of technology in the business world.

Patrick is currently a junior at the University of Florida, the School of Health and Human Performance, majoring in exercise and sports science. He is a member of Golden Key National Honor Society. He also holds a dean's list grade point average. Patrick is looking forward to continuing his education in a graduate program to prepare him for a profession in cardiological rehabilitation. I wish to both of them the very best in their future endeavors.

Sean and Patrick Gilliland exemplify the reasons that we need to encourage the expansion of these State-based prepaid college tuition programs. Let me outline several of the policy reasons why it is appropriate and urgent that Congress enact the legislation that we introduce today to clarify the Federal tax treatment of these programs.

First, Congress needs to support State innovation. Here is an example of a national problem: how to deal with the escalating cost of higher education. The States have provided the energy to address that problem. During the late 1980's and early 1990's, with the Federal Government responding to spiraling college costs in an inadequate manner, States experimented and engineered these programs. The Federal Government should encourage the States by getting the Internal Revenue Service out of the way.

Second, State plans increase college enrollment, especially among low- and moderate-income families. Experience demonstrates that the discipline and the security offered by these prepaid tuition plans provide the exact incentive that many families need to save for college.

For example, in Florida, the median income of families with a college student is $50,000. This chart indicates, in ''Who goes to college in Florida,'' that 22 percent of the families who have children in our State college and university system have incomes of less than $30,000; 26 percent between $30,000 and $50,000.

On the question, ''Who buys contracts for Florida's prepaid college tuition program,'' we find that 8 percent are purchased by families with incomes of under $20,000; 17 percent by families between $20,000 and $30,000; and 23 percent by families between $30,000 and $40,000; and 24 percent by families between $40,000 and $50,000. So almost three-quarters of those families who purchase contracts have an income which is at or below the median income of all students attending Florida's colleges and universities.

This program is providing a powerful incentive for moderate- and low-income Florida families to think about and prepare for their children's education.

Third, State plans help prepare students psychologically. A family that regularly sets aside money for a child's college education converts the focus of their student child from, ''Will I be able to go to college,'' to ''Will I be sufficiently prepared to be admitted to college and which college do I wish to attend?''

Fourth, savings is a far superior approach to financing higher education than incurring additional individual and family debt. A prepayment or a savings plan is better economically, both for the family and for the Nation. These programs can also boost the Nation's savings rate.

For example, Virginia's program has just completed its inaugural enrollment. It signed contracts of over $200 million for Virginia families saving for their children's college education.

Finally, an expansion of programs will promote downward pressure on tuition rates. Increased participation in State tuition programs not only will provide participants with a guaranteed hedge against education inflation, but it will also produce downward pressure on tuition rates for all students at all colleges. States sponsoring these programs, in essence, guarantee that if earnings on the funds do not exceed increases in tuition rates, then the State will fund the difference when the student enrolls in college. Thus, a State has an incentive to encourage cost efficiency throughout its State system. The pressure will also promote moderate tuition hikes at private schools which must compete with public colleges for students. This has been true in Florida.

Since the inauguration of the Florida prepaid program in 1988, State tuition has risen by an average of 6 percent per year. That is 2 percent less than the national average of 8 percent a year.

You may say, Mr. President, that, well, 2 percent difference between a particular State's average annual rate of increase in tuition and what is the national average is not a significant amount. Let me put this in dollar terms.

In 1988, the average tuition in the Nation was $1,827. In Florida, it was $1,163. That is a difference of $664.

By last year, with the average annual increase of 8 percent, the national average for tuition at State universities had grown from $1,827 to $3,358. Florida's tuition increasing at 6 percent per year had gone from $1,163 to $1,888. That, Mr. President, is a difference of $1,470 per year between the cost of college education in Florida and the average for the Nation.

I am not saying that Florida's tuition increases have been less than the national average solely because of the Florida prepaid program, but it has been a significant factor.

We need to do everything we can to hold college costs in check. The expansion of these programs can make a noticeable contribution in that effort. And clarifying the tax consequences of participation will help to facilitate additional States beyond the current 19 who have or will have these programs and increase the number of participating families.

Mr. President, I would like to particularly thank Senator MCCONNELL for the leadership which he has displayed in making the College Savings Act of 1997 a reality.

With enactment of this legislation, parents and children will be able to rest easier knowing that Congress has done the right thing by making a college education more accessible. I urge my colleagues in the Senate to join Senator MCCONNELL and me to assure enactment of this important new opportunity for American families to save and plan for the college education of their children.

Mr. WARNER. Mr. President, Virginians appreciate the value of education. The Commonwealth owes its economic success to a strong university system and an educated workforce. This commitment to education continues to fuel economic expansion, job growth, and rising incomes.

Middle-class parents across the country recognize that education is the key to their childrens' success. But they often struggle to provide this education, as college tuition increases far outpace increases in personal income. Tuition savings programs help provide a solution.

Virginia was the first State in the union to launch its program after the Small Business Protection Act was signed into law last August. This legislation builds on that success, by making investment earnings in qualifying State tuition plans entirely tax exempt and by expanding coverage. This bill will encourage more families to save more money for higher education.

Virginia's prepaid tuition program is an overwhelming success. During the first 3-month enrollment period, over 16,000 children were enrolled in VPEP. The value of these contract total over $260 million, ranking Virginia fourth in the Nation among States with prepaid education programs. The Virginia Higher Education Tuition Trust Fund received over 85,000 telephone calls from around the State seeking information about the program. I want to commend Governor Allen for his leadership, as well as Diana Cantor, executive director of the trust fund, and her team for their tremendous efforts.

As Virginians recognize by their overwhelming support of the state's plan, education is a critical component of future success. I am pleased to cosponsor this important legislation and I commend Virginia for taking the lead.

By Mr. BOND (for himself and Mr. ASHCROFT):

S. 595. A bill to designate the U.S. post office building located at Bennett Street and Kansas Expressway in Springfield, MO, as the ''John Griesemer Post Office Building''; to the Committee on Governmental Affairs.

THE JOHN GRIESEMER POST OFFICE BUILDING DESIGNATION ACT OF 1997

Mr. BOND. Mr. President, I rise to introduce a bill to designate the U.S. post office building located at Bennett Street and Kansas Expressway in Springfield, MO as the ''John Griesemer Post Office Building.''

John Griesemer was a true example of an American patriot. He loved, supported, and defended his country.

John Griesemer was born in Mount Vernon, MO, and raised on a dairy farm in Billings, MO. After he graduated from high-school, he attended the University of Missouri—Columbia and in 1953 graduated with a bachelor of science degree in civil engineering. He then entered the Air Force as a first lieutenant, engineering officer. After being discharged from the military in 1956, he went back home to Missouri to work in the family business. He was president and director of the Griesemer Stone Co. until his death in 1993. John Griesemer didn't just work for the family business though. He also started two of his own businesses: the Joplin Stone Co. and Missouri Commercial Transportation Co. as well as serving as president of Springfield Ready Mix, director of Boatmen's National Bank, and president of the Springfield Development Council. In addition to his business interests, John Griesemer was a devoted family man. He and his wife, Kathleen, had five children and John took an avid interest in their lives holding various positions with the Boy Scouts of America and his church.

In 1984, John made his life even busier. He was asked by President Reagan to serve on the U.S. Postal Service Board of Governors. He even served as president of the board in 1987 and 1988.

John Griesemer is an example to us all. He possessed the qualities of perseverance, determination, and strength that allowed him to successfully manage a busy work and service schedule with a very busy family life.

I urge my colleagues to act quickly and pass this bill by unanimous consent.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 595

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. DESIGNATION OF JOHN GRIESEMER POST OFFICE BUILDING.

The United States Post Office building located at Bennett Street and Kansas Expressway in Springfield, Missouri, shall be known and designated as the ''John Griesemer Post Office Building''.

SEC. 2. REFERENCES.

Any reference in a law, map, regulation, document, paper, or other record of the United States to the United States Post Office building referred to in section 1 shall be deemed to be a reference to the ''John Griesemer Post Office Building''.

By Mr. KOHL (for himself and Mr. COCHRAN):

S. 596. A bill to authorize the Administrator of the Office of Juvenile Justice and Delinquency Prevention of the Department of Justice to make grants to States and units of local government to assist in providing secure facilities for violent and serious chronic juvenile offenders, and for other purposes; to the Committee on the Judiciary.

JUVENILE CORRECTIONS ACT OF 1997

Mr. KOHL. Mr. President, I rise to introduce the Juvenile Corrections Act of 1997, which I am proud to sponsor with my friend and colleague, Senator COCHRAN. The act dedicates approximately 10 percent of the 1994 Crime Act's adult prison resources to the construction and operation of State and local juvenile corrections facilities.

Juvenile violence, as we all know, is at the heart of the crime problem in America. Every 5 minutes a child is arrested for a violent crime in the United States; every 2 hours a child dies of a gunshot wound. Unfortunately, there is good reason to believe that this problem may get worse before it gets better. Demographics tell us that between now and the year 2000, the number of children between the ages of 14 to 7 will increase by more than 1 million. The likely result: a serious increase in the number of violent juvenile offenders in the coming years—above already unacceptable levels.

Despite this state of affairs, the Federal Government has treated juvenile corrections as the poor stepchild of the Federal anticrime effort. The 1994 Crime Act contained billions of dollars for policing and adult prisons at the State and local level, but no significant program to help States alleviate the increasing burdens on their juvenile corrections systems.

These burdens are real and substantial, Mr. President. Department of Justice surveys have indicated that many juvenile corrections facilities nationwide are seriously overcrowded and understaffed—in short, bursting at the seams. As a result of the increasing number of 14 to 17 year olds we highlighted above, we will probably see even worse overcrowding in the future.

Mr. President, the consequences of overcrowding should trouble us all. In part due to the combination of overcrowding and understaffing, juvenile offenders attacked detention facility staff 8,000 times in 1993. In countless U.S. cities, juvenile offenders who require detention are nonetheless released into the community because of a lack of space. And finally, it is clear that overcrowding breeds violence and ever more violent juvenile offenders who, when eventually released, are much more dangerous to society than when they were first institutionalized.

For all these reasons, we introduce today the Juvenile Corrections Act. Our legislation provides crucial assistance—over $790 million in funding over 3 years—to State and local governments for the construction, expansion, and operation of juvenile corrections facilities and programs. And, I should note, the Act has no impact on the deficit, as it draws its funding from the $10 billion adult corrections component of the 1994 Crime Act.

Mr. President, we cannot afford to turn a blind eye to the juvenile corrections problem. So I hope my colleagues will join with me and Senator COCHRAN to enact the Juvenile Corrections Act. In light of the spiraling juvenile violence problem, we believe it makes good sense to dedicate roughly 10 percent of the Crime Act's adult prison resources to State and local juvenile corrections.

I ask unanimous consent that a copy of the legislation be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 596

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Juvenile Corrections Act of 1997''.

SEC. 2. GRANTS FOR FACILITIES FOR VIOLENT AND SERIOUS CHRONIC JUVENILE OFFENDERS.

(a) DEFINITIONS.—In this section—

(1) the term ''Administrator'' means the Administrator of the Office of Juvenile Justice and Delinquency Prevention of the Department of Justice;

(2) the term ''combination'' has the same meaning as in section 103 of the Juvenile Justice and Delinquency Prevention Act of 1974 (42 U.S.C. 5603);

(3) the term ''juvenile delinquency program'' has the same meaning as in section 103 of the Juvenile Justice and Delinquency Prevention Act of 1974 (42 U.S.C. 5603);

(4) the term ''qualifying State'' means a State that has submitted, or a State in which an eligible unit of local government has submitted, a grant application that meets the requirements of subsections (c) and (e);

(5) the terms ''secure detention facility'' and ''secure correctional facility'' have the same meanings as in section 103 of the Juvenile Justice and Delinquency Prevention Act of 1974 (42 U.S.C. 5603);

(6) the term ''State'' means a State, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands; and

(7) the term ''unit of local government'' has the same meaning as in section 103 of the Juvenile Justice and Delinquency Prevention Act of 1974 (42 U.S.C. 5603).

(b) AUTHORIZATION OF GRANTS.—The Administrator may make grants to States and units of local government, or combinations thereof, to assist them in planning, establishing, and operating secure detention facilities, secure correctional facilities, and other facilities and programs for violent juveniles and serious chronic juvenile offenders who are accused of or who have been adjudicated as having committed one or more offenses.

(c) APPLICATIONS.—

(1) IN GENERAL.—The chief executive officer of a State or unit of local government that seeks to receive a grant under this section shall submit to the Administrator an application, in such form and in such manner as the Administrator may prescribe.

(2) CONTENTS.—Each application submitted under paragraph (1) shall—

(A) provide assurances that each facility or program funded with a grant under this section will provide appropriate educational and vocational training and substance abuse treatment for juvenile offenders; and

(B) provide assurances that each facility or program funded with a grant under this section will afford juvenile offenders intensive post-release supervision and services.

(d) MINIMUM AMOUNT.—Of the total amount made available under subsection (g) to carry out this section in any fiscal year—

(1) except as provided in paragraph (2), each qualifying State, together with units of local government within the State, shall be allocated not less than 1.0 percent; and

(2) the United States Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands shall each be allocated 0.2 percent.

(e) PERFORMANCE EVALUATION.—

(1) EVALUATION COMPONENTS.—

(A) IN GENERAL.—Each facility or program funded with a grant under this section shall contain an evaluation component developed pursuant to guidelines established by the Administrator.

(B) OUTCOME MEASURES.—Each evaluation required by this subsection shall include outcome measures that can be used to determine the effectiveness of each program funded with grant under this section, including the effectiveness of the program in comparison with other juvenile delinquency programs in reducing the incidence of recidivism, and other outcome measures.

(2) PERIODIC REVIEW AND REPORTS.—

(A) REVIEW.—The Administrator shall review the performance of each recipient of a grant under this section.

(B) REPORTS.—The Administrator may require a grant recipient to submit to the Office of Juvenile Justice and Delinquency Prevention of the Department of Justice the results of the evaluations required under paragraph (1) and such other data and information as may be reasonably necessary to carry out the Administrator's responsibilities under this section.

(f) TECHNICAL ASSISTANCE AND TRAINING.—The Administrator shall provide technical assistance and training to each recipient of a grant under this section to assist those recipients in achieving the purposes of this section.

(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section—

(1) $252,700,000 for fiscal year 1998;

(2) $266,000,000 for fiscal year 1999; and

(3) $275,310,000 for fiscal year 2000.

SEC. 3. COMPENSATING REDUCTION OF AUTHORIZATION OF APPROPRIATIONS.

Section 20108(a)(1) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 13708(a)(1)) is amended by striking subparagraphs (C) through (E) and inserting the following:

''(C) $2,274,300,000 for fiscal year 1998;

''(D) $2,394,000,000 for fiscal year 1999; and

''(E) $2,477,790,000 for fiscal year 2000.''.

SEC. 4. REPORT ON ACCOUNTABILITY AND PERFORMANCE MEASURES IN JUVENILE CORRECTIONS PROGRAMS.

(a) IN GENERAL.—Not later than 6 months after the date of enactment of this Act, the Administrator shall, after consultation with the National Institute of Justice and other appropriate governmental and nongovernmental organizations, submit to Congress a report regarding the possible use of performance-based criteria in evaluating and improving the effectiveness of juvenile delinquency programs.

(b) CONTENTS.—The report required under this section shall include an analysis of—

(1) the range of performance-based measures that might be utilized as evaluation criteria, including measures of recidivism among juveniles who have been incarcerated in a secure correctional facility or a secure detention facility, or who have participated in a juvenile delinquency program;

(2) the feasibility of linking Federal juvenile corrections funding to the satisfaction of performance-based criteria by grantees (including the use of a Federal matching mechanism under which the share of Federal funding would vary in relation to the performance of a facility or program);

(3) whether, and to what extent, the data necessary for the Office of Juvenile Justice and Delinquency Prevention of the Department of Justice to utilize performance-based criteria in its administration of juvenile delinquency programs are collected and reported nationally; and

(4) the estimated cost and feasibility of establishing minimal, uniform data collection and reporting standards nationwide that would allow for the use of performance-based criteria in evaluating secure correctional facilities, secure detention facilities, and juvenile delinquency programs and in administering amounts appropriated for Federal juvenile delinquency programs.

By Mr. BINGAMAN (for himself, Mr. CRAIG, Mr. HOLLINGS, Mr. REID, Mr. AKAKA, Mr. COCHRAN, Mr. DORGAN, Mr. INOUYE, Mrs. BOXER, Ms. SNOWE, Mr. TORRICELLI, and Mr. MACK):

S. 597. A bill to amend title XVIII of the Social Security Act to provide for coverage under part B of the Medicare Program of medical nutrition therapy services furnished by registered dietitians and nutrition professionals; to the Committee on Finance.

THE MEDICAL NUTRITION THERAPY ACT OF 1997

Mr. BINGAMAN. Mr. President, I rise today to introduce the Medical Nutrition Therapy Act of 1997 on behalf of myself, my friend and colleague from Idaho, Senator CRAIG, and a bipartisan group of additional Senators.

This bipartisan measure provides for coverage under part B of the Medicare Program for medical nutrition therapy services by a registered dietitian. Medical nutrition therapy is generally defined as the assessment of patient nutritional status followed by therapy, ranging from diet modification to administration of specialized nutrition therapies such as intravenous or tube feedings. It has proven to be a medically necessary and cost-effective way of treating and controlling many disease entities such as diabetes, renal disease, cardiovascular disease, and severe burns.

Currently, there is no consistent part B coverage policy for medical nutrition and this legislation will bring needed uniformity to the delivery of this important care, as well as save taxpayer money. Coverage for medical nutrition therapy can save money by reducing hospital admissions, shortening hospitals stays, decreasing the number of complications, and reducing the need for physician followup visits.

The treatment of patients with diabetes and cardiovascular disease account for a full 60 percent of Medicare expenditures. I want to use diabetes as an example for the need for this legislation. There are very few families who are not touched by diabetes. The burden of diabetes is disproportionately high among ethnic minorities in the Unites States. According to the American Journal of Epidemiology, mortality due to diabetes is higher nationwide among blacks than whites. It is higher among American Indians than among any other ethnic group.

In my State of New Mexico, native Americans are experiencing an epidemic of type II diabetes. Medical nutrition therapy is integral to their diabetes care. In fact, information from the Indian Health Service shows that medical nutrition therapy provided by professional dietitians results in significant improvements in medical outcomes in people with type II diabetes. For example, complications of diabetes such as end stage renal failure that leads to dialysis can be prevented with adequate intervention. Currently, the number of dialysis patients in the Navajo population is doubling every 5 years. Mr. President, we must place our dollars in the effective, preventive treatment of medical nutrition therapy rather than face the grim reality of having to continue to build new dialysis units.

Ensuring the solvency of the Medicare part A trust fund is one of the most difficult challenges and one that calls for creative, effective solutions. Coverage for medical nutrition therapy is one important way to help address that challenge. It is exactly the type of cost-effective care we should encourage. It will satisfy two of our most important priorities in Medicare: Providing program savings while maintaining a high level of quality care.

Mr. President, I ask unanimous consent that the text of this bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 597

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Medicare Medical Nutrition Therapy Act of 1997''.

SEC. 2. MEDICARE COVERAGE OF MEDICAL NUTRITION THERAPY SERVICES.

(a) COVERAGE.—Section 1861(s)(2) of the Social Security Act (42 U.S.C. 1395x(s)(2)) is amended—

(1) by striking ''and'' at the end of subparagraphs (N) and (O); and

(2) by inserting after subparagraph (O) the following:

''(P) medical nutrition therapy services (as defined in subsection (oo)(1));''.

(b) SERVICES DESCRIBED.—Section 1861 of the Social Security Act (42 U.S.C. 1395x) is amended by adding at the end the following new subsection:

''Medical Nutrition Therapy Services; Registered Dietitian or Nutrition Professional

''(oo)(1) The term 'medical nutrition therapy services' means nutritional diagnostic, therapy, and counseling services which are furnished by a registered dietitian or nutrition professional (as defined in paragraph (2)) pursuant to a referral by a physician (as defined in subsection (r)(1)).

''(2) Subject to paragraph (3), the term 'registered dietitian or nutrition professional' means an individual who—

''(A) holds a baccalaureate or higher degree granted by a regional accredited college or university in the United States (or an equivalent foreign degree) with completion of the academic requirements of a program in nutrition or dietetics, as accredited by an appropriate national accreditation organizations recognized by the Secretary for the purpose;

''(B) has completed at least 900 hours of supervised dietetics practice under the supervision of a registered dietitian or nutrition professional; and

''(C)(i) is licensed or certified as a dietitian or nutrition professional by the State in which the services are performed; or

''(ii) in the case of an individual in a State which does not provide for such licensure or certification, meets such other criteria as the Secretary establishes.

''(3) Subparagraphs (A) and (B) of paragraph (2) shall not apply in the case of an individual who as of the date of the enactment of this subsection is licensed or certified as a dietitian or nutrition professional by the State in which medical nutrition therapy services are performed.''.

(c) PAYMENT.—Section 1833(a)(1) of the Social Security Act (42 U.S.C. 13951(a)(1)) is amended—

(1) by striking ''and'' before ''(P)''; and

(2) by inserting before the semicolon at the end the following: '', and (Q) with respect to medical nutrition therapy services (as defined in section 1861(oo)), the amount paid shall be 80 percent of the lesser of the actual charge for the services or the amount determined under the fee schedule established under section 1848(b) for the same services if furnished by a physician''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to services furnished on or after January 1, 1998.

Mr. CRAIG. Mr. President, this morning, I stand to introduce with my colleague from New Mexico, JEFF BINGAMAN, legislation that will be called the Medical Nutrition Therapy Act of 1997. I think we have all heard of the old adage that ''an ounce of prevention is worth a pound of cure.'' That is very true in the legislation that we are proposing today, along with our colleagues from the House.

Simply stated, medical nutrition therapy involves the assessment of the nutritional status of patients with a condition, illness, or injury that puts them at nutritional risk. Once a problem is identified, a registered dietitian can work with the patient to develop a personal therapy or treatment. Almost 17 million Americans each year, mostly the elderly, are treated for chronic illnesses or injuries that place them at risk of malnutrition. But because of medical nutrition therapy, in many instances, this can be resolved. The only problem today is that these preventive measures are not covered by Medicare.

Our legislation would simply provide coverage under Medicare part B for medical nutrition therapy services furnished by registered dietitians and nutrition professionals. This is necessary so that the elderly are not denied effective low-technology treatment of their needs. I had the privilege of touring several hospitals in Idaho where medical nutrition therapy is now being used, and the results are dramatic.

As we begin to closely examine our Medicare system, we must focus on the modernization of a 30-year-old health insurance system for the elderly. We need to make sure that it is truly modern, not only in its payment, its application, its style, but in the broad array of health care services that it responds to. Today, many private health insurance programs recognize medical nutrition therapy. Now, it is time that Medicare did.

I hope my colleagues will join with Senator BINGAMAN and myself, as we introduce the Medical Nutrition Therapy Act. It is important that we begin to recognize these services and provide coverage under Medicare part B.

I yield the floor.

By Mr. DOMENICI:

S. 598. A bill to amend section 3006A of title 18, United States Code, to provide for the public disclosure of court appointed attorneys' fees upon approval of such fees by the court; to the Committee on the Judiciary.

THE DISCLOSURE OF COURT APPOINTED ATTORNEYS' FEES AND TAXPAYER RIGHT TO KNOW ACT

Mr. DOMENICI. Mr. President, I rise today to introduce the Disclosure of Court Appointed Attorneys' Fees and Taxpayer Right to Know Act of 1997.

Mr. President, what would you say if I told you that from the beginning of fiscal year 1996 through January 1997, $472,841 was paid to a lawyer to defend a person accused of a crime so heinous that the U.S. attorney in the Northern District of New York is pursuing the death penalty? Who paid for this lawyer—the American taxpayer.

What would you say if I told you that $470,968 was paid to a lawyer to defend a person accused of a crime so reprehensible that, there too, the U.S. attorney in the Southern District of Florida is also pursuing the death penalty? Who paid for this lawyer—the American taxpayer.

What would you say if I told you that during the same period, for the same purpose, $443,683 was paid to another attorney to defend a person accused of a crime so villainous that the U.S. attorney in the Northern District of New York is pursuing the death penalty. Who paid for this lawyer? The American taxpayer.

Now, Mr. President, what would you say if I told you that some of these cases have been ongoing for 3 or more years and that total fees in some instances will be more than $1 million in an individual case? That's a million dollars to pay criminal lawyers to defend people accused of the most vicious types of murders often which are of the greatest interest to the communities in which they were committed.

At minimum, Mr. President, this Senator would say that we are spending a great deal of money on criminal defense lawyers and the American taxpayer ought to have timely access to the information that will tell them who is spending their money, and how it is being spent. That is why today I am introducing the Disclosure of Court Appointed Attorneys' Fees and Taxpayer Right to Know Act of 1997.

Under current law, the maximum amount payable for representation before the U.S. magistrate or the district court, or both, is limited to $3,500 for each lawyer in a case in which one or more felonies are charged and $125 per hour per lawyer in death penalty cases. Many Senators might ask, if that is so, why are these exorbitant amounts being paid in the particular cases you mention? I say to my colleagues the reason this happens is because under current law the maximum amounts established by statute may be waived whenever the judge certifies that the amount of the excess payment is necessary to provide ''fair compensation'' and the payment is approved by the chief judge on the circuit. In addition, whatever is considered fair compensation at the $125 per hour per lawyer rate may also be approved at the judge's discretion.

Mr. President, the American taxpayer has a legitimate interest in knowing what is being provided as fair compensation to defend individuals charged with these dastardly crimes in our Federal court system. Especially when certain persons the American taxpayer is paying for mock the American justice system. A recent Nightline episode reported that one of the people the American taxpayer is shelling out their hard-earned money to defend urinated in open court, in front of the judge, to demonstrate his feelings about the judge and the American judicial system.

I want to be very clear about what exactly my bill would accomplish. The question of whether these enormous fees should be paid for these criminal lawyers is not, I repeat, is not a focus of my bill.

In keeping with my strongly held belief that the American taxpayer has a legitimate interest in having timely access to this information, my bill simply requires that at the time the court approved the payments for these services, that the payments be publicly disclosed. Many Senators are probably saying right now that this sounds like a very reasonable request, and I think it is, but the problem is that oftentimes these payments are not disclosed until long after the trial has been completed, and in some cases they may not be disclosed at all if the file remains sealed by the judge. How much criminal defense lawyers are being paid should not be a secret. There is a way in which we can protect the alleged criminal's sixth amendment rights and still honor the American taxpayer's right to know. Mr. President, that is what my bill does.

Current law basically leaves the question of when and whether court appointed attorneys' fees should be disclosed at the discretion of the judge in which the particular case is being tried. My bill would take some of that discretion away and require that disclosure occur once the payment has been approved.

My bill continues to protect the defendant's sixth amendment right to effective assistance of counsel, the defendant's attorney-client privilege, the work-product immunity of defendant's counsel, the safety of any witness, and any other interest that justice may require by providing notice to defense counsel that this information will be released, and allowing defense counsel, or the court on its own, to redact any information contained on the payment voucher that might compromise any of the aforementioned interests. That means that the criminal lawyer can ask the judge to take his big black marker and black out any information that might compromise these precious sixth amendment rights, or the judge can make this decision on his own. In any case, the judge will let the criminal lawyer know that this information will be released and the criminal lawyer will have the opportunity to request the judge black out any compromising information from the payment voucher.

How would this occur? Under current law, criminal lawyers must fill out Criminal Justice Act payment vouchers in order to receive payment for services rendered. Mr. President, two payment vouchers are the standard vouchers used in the typical felony and death penalty cases prosecuted in the Federal district courts. Mr. President, the information of these payment vouchers describes in barebones fashion the nature of the work performed and the amount that is paid for each category of service.

Mr. President, I ask unanimous consent that these two vouchers be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[The vouchers are not reproducible in the RECORD.]

Mr. DOMENICI. Mr. President, my bill says that once the judge approves these payment vouchers that they be publicly disclosed. That means that anyone can walk down to the Federal district court where the case is being tried and ask the clerk of the court for copies of the relevant CJA payment vouchers. It's that simple. Nothing more. Nothing less.

Before the court releases this information it will provide notice to defense counsel that the information will be released, and either the criminal lawyer, or the judge on his/her own, may black out any of the barebones information on the payment voucher that might compromise the alleged criminals' precious sixth amendment rights.

Mr. President, I believe that my bill is a modest step toward assuring that the American taxpayer have timely access to this information. In addition to these CJA payment vouchers, criminal lawyers must also supply the court with detailed time sheets that recount with extreme particularity the nature of work performed. These detailed time sheets break down the work performed by the criminal lawyer to the minute. They name each and every person that was interviewed, each and every phone call that was made, the subjects that were discussed, and the days and the times they took place. They go into intimate detail about what was done to prepare briefs, conduct investigations, and prepare for trial.

I am not asking that that information be made available for, indeed, it might prejudice the way the trial goes to the detriment of the defendant. Clearly, if all of this information was subject to public disclosure, the alleged criminal's sixth amendment rights might be compromised. My bill does not seek to make this sensitive information subject to disclosure but continues to leave it to the judge to determine if and when it should be released.

But the barebones must be released. We must know the amounts, and it must be made available as the dollars vouchers are paid by the Federal district court using taxpayers' moneys which are appropriated to them by us.

In this way, my bill recognizes and preserves the delicate balance between the American taxpayers' right to know how their money is being spent, and the alleged criminal's right to a fair trial.

So we need to recognize and preserve the balance between the American taxpayers' right to know and how much is being spent on these attorneys and the alleged criminal's right to have a fair trial.

I believe we should take every reasonable step to protect any disclosure that might compromise the alleged criminal's sixth amendment rights. My bill does this by providing notice to defense counsel of the release of the information, and providing the judge with the authority to black out any of the barebones information contained on the payment voucher if it might compromise any of the aforementioned interests. I believe it is reasonable and fair, and I hope I will have my colleagues support.

Mr. President, I ask unanimous consent that the bill be appropriately referred.

The PRESIDING OFFICER. The bill will be appropriately referred to the committee.

By Mrs. BOXER (for herself and Mr. LAUTENBERG):

S. 599. A bill to protect children and other vulnerable subpopulations from exposure to certain environmental pollutants, and for other purposes; to the Committee on Environment and Public Works.

THE CHILDREN'S ENVIRONMENTAL PROTECTION ACT OF 1997

Mrs. BOXER. Mr. President, today I introduce the Children's Environmental Protection Act [CEPA]. This legislation will help protect our children from the harmful effects of environmental pollutants. The Children's Environmental Protection Act will do three things:

First, it will require that all EPA standards be set at levels that protect children, and other vulnerable groups, including the elderly, pregnant women, people with serious health problems, and others.

Second, it will create a list of EPA-recommended safer-for-children products and chemicals that minimize potential risks to children. Within 1 year, only these products could be used at Federal facilities. CEPA will also require the EPA to create a family right-to-know information kit that includes practical suggestions on how parents may reduce their children's exposure to environmental pollutants.

For example, newborns and infants frequently spend long periods of time on the floor, carpet, or grass, surfaces that are associated with chemicals such as formaldehyde and volatile organic compounds from synthetic carpets and indoor and outdoor pesticide applications. EPA might suggest safer-for-children carpeting, floor cleaning products, and garden pesticides.

Finally, the bill will require EPA to conduct research on the health effects of exposure of children to environmental pollutants.

Our children face unique environmental threats to their health because they are more vulnerable to exposure to toxic chemicals than adults. We must educate ourselves about environmental pollutants, and we must improve our scientific understanding about how exposure might affect our children's health.

We took an important step in this direction when the Safe Drinking Water Act was passed last year. The new law includes two amendments I supported and worked to enact. The first requires that safe drinking water standards be set at levels that protect children, the elderly, pregnant women, and other vulnerable groups. The second requires that the public receive information in the form of Consumer Confidence Reports about the quality and safety of their drinking water.

The Children's Environmental Protection Act [CEPA] will carry the concept of my Safe Drinking Water Act amendments even further.

Children are not just little adults. According to the National Academy of Sciences, they are more vulnerable than adults. They eat more food, drink more water, and breathe more air as a percentage of their body weight than adults, and as a consequence, they are more exposed to the chemicals present in food, water, and air. Children are also growing and developing and may therefore be physiologically more susceptible than adults to the hazards associated with exposures to chemicals.

We have clear evidence that environmental pollution has a direct impact on children's health. Air pollution is linked to the 40-percent increase in the incidence of childhood asthma and the 118 percent increase asthma deaths among children and young people since 1980. Asthma now affects over 4.2 million children under the age of 18 nationwide and is the leading cause of hospital admissions for children. The incidence of some types of childhood cancer has risen significantly over the past 15 years. For example, acute lymphocytic leukemia is up 10 percent and brain tumors are up more than 30 percent.

Children may face developmental risks from the potential effects of exposure to pesticides and industrial chemicals on their endocrine systems.

Exposure to environmental pollutants is suspected of being responsible for the increase in learning disabilities and attention deficit disorders among children.

What are we doing in response to this evidence? Not enough. We know that up to one-half of a person's lifetime cancer risk may be incurred in the first 6 years of life, yet most of our Federal health and safety standards are not set at levels that are protective of children.

I am very pleased with the Environmental Protection Agency's recent creation of a new Office of Children's Health Protection in the Office of the Administrator, and a new EPA Board on Children's Environmental Health.

We need Federal legislation in order to secure the EPA's administrative efforts and give EPA support and direction.

Yesterday, I received a letter from EPA Administrator Carol Browner expressing support for the goals of my bill. I ask unanimous consent that the letter be inserted in the RECORD at this point, and I also ask unanimous consent that the text of the Children's Environmental Protection Act and a section-by-section analysis be printed in the RECORD as well.

I am very honored and pleased that Representative JIM MORAN has decided to introduce the Children's Environmental Protection Act in the House. I look forward to working with him to get this bill enacted.

Finally, Mr. President, I am pleased to have the Senator from New Jersey, Senator LAUTENBERG, as an original cosponsor of the bill.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 599

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Children's Environmental Protection Act''.

SEC. 2. ENVIRONMENTAL PROTECTION FOR CHILDREN.

The Toxic Substances Control Act (15 U.S.C. 2601 et seq.) is amended by adding at the end the following:

''TITLE V—ENVIRONMENTAL PROTECTION FOR CHILDREN

''SEC. 501. FINDINGS AND POLICY.

''(a) FINDINGS.—Congress finds that—

''(1) public health and safety depends on citizens and local officials knowing the toxic dangers that exist in their homes, communities, and neighborhoods;

''(2) children and other vulnerable subpopulations are more at risk from environmental pollutants than adults and therefore face unique health threats that need special attention;

''(3) risk assessments of pesticides and other environmental pollutants conducted by the Environmental Protection Agency do not clearly differentiate between the risks to children and the risks to adults;

''(4) a study conducted by the National Academy of Sciences on the effects of pesticides in the diets of infants and children concluded that approaches to risk assessment typically do not consider risks to children and, as a result, current standards and tolerances often fail to adequately protect infants and children;

''(5) data are lacking that would allow adequate quantification and evaluation of child-specific and other vulnerable subpopulation-specific susceptibility and exposure to environmental pollutants;

''(6) data are lacking that would allow adequate quantification and evaluation of child-specific and other vulnerable subpopulation-specific bioaccumulation of environmental pollutants; and

''(7) the absence of data precludes effective government regulation of environmental pollutants, and denies individuals the ability to exercise a right to know and make informed decisions to protect their families.

''(b) POLICY.—It is the policy of the United States that—

''(1) all environmental and public health standards set by the Environmental Protection Agency must, with an adequate margin of safety, protect children and other vulnerable subpopulations that are at greater risk from exposure to environmental pollutants;

''(2) information, including a safer-for-children product list, should be made readily available by the Environmental Protection Agency to the general public and relevant Federal and State agencies to advance the public's right-to-know, and allow the public to avoid unnecessary and involuntary exposure;

''(3) not later than 1 year after the safer-for-children list is created, only listed products or chemicals that minimize potential health risks to children shall be used in Federal properties and areas; and

''(4) scientific research opportunities should be identified by the Environmental Protection Agency, the Department of Health and Human Services (including the National Institute of Environmental Health Sciences and the Agency for Toxic Substances and Disease Registry), the National Institutes of Health, and other Federal agencies, to study the short-term and long-term health effects of cumulative, simultaneous, and synergistic exposures of children and other vulnerable subpopulations to environmental pollutants.

''SEC. 502. DEFINITIONS.

''In this title:

''(1) AREAS THAT ARE REASONABLY ACCESSIBLE TO CHILDREN.—The term 'areas that are reasonably accessible to children' means homes, schools, day care centers, shopping malls, movie theaters, and parks.

''(2) CHILDREN.—The term 'children' means individuals who are 18 years of age or younger.

''(3) ENVIRONMENTAL POLLUTANT.—The term 'environmental pollutant' means a hazardous substance, as defined in section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. 9601), or a pesticide, as defined in section 2 of the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136).

''(4) FEDERAL PROPERTIES AND AREAS.—The term 'Federal properties and areas' means areas owned or controlled by the United States.

''(5) VULNERABLE SUBPOPULATIONS.—The term 'vulnerable subpopulations' means children, pregnant women, the elderly, individuals with a history of serious illness, and other subpopulations identified by the Administrator as likely to experience elevated health risks from environmental pollutants.

''SEC. 503. SAFEGUARDING CHILDREN AND OTHER VULNERABLE SUBPOPULATIONS.

''(a) IN GENERAL.—The Administrator shall—

''(1) consistently and explicitly evaluate and consider environmental health risks to vulnerable subpopulations in all of the risk assessments, risk characterizations, environmental and public health standards, and regulatory decisions carried out by the Administrator;

''(2) ensure that all Environmental Protection Agency standards protect children and other vulnerable subpopulations with an adequate margin of safety; and

''(3) develop and use a separate assessment or finding of risks to vulnerable subpopulations or publish in the Federal Register an explanation of why the separate assessment or finding is not used.

''(b) REEVALUATION OF CURRENT PUBLIC HEALTH AND ENVIRONMENTAL STANDARDS.—

''(1) IN GENERAL.—As part of any risk assessment, risk characterization, environmental or public health standard or regulation, or general regulatory decision carried out by the Administrator, the Administrator shall evaluate and consider the environmental health risks to children and other vulnerable subpopulations.

''(2) IMPLEMENTATION.—In carrying out paragraph (1), not later than 1 year after the date of enactment of this title, the Administrator shall—

''(A) develop an administrative strategy and an administrative process for reviewing standards;

''(B) publish in the Federal Register a list of standards that may need revision to ensure the protection of children and vulnerable subpopulations;

''(C) prioritize the list according to the standards that are most important for expedited review to protect children and vulnerable subpopulations;

''(D) identify which standards on the list will require additional research in order to be reevaluated and outline the time and resources required to carry out the research; and

''(E) identify, through public input and peer review, not fewer than 20 public health and environmental standards of the Environmental Protection Agency to be repromulgated on an expedited basis to meet the criteria of this subsection.

''(3) REVISED STANDARDS.—Not later than 6 years after the date of enactment of this title, the Administrator shall propose not fewer than 20 revised standards that meet the criteria of this subsection.

''(4) COMPLETED REVISION OF STANDARDS.—Not later than 15 years after the date of enactment of this title, the Administrator shall complete the revision of all standards in accordance with this subsection.

''(5) REPORT.—The Administrator shall report to Congress on an annual basis on progress made by the Administrator in carrying out the objectives and policy of this subsection.

''SEC. 504. SAFER ENVIRONMENT FOR CHILDREN.

''(a) IN GENERAL.—Not later than 1 year after the date of enactment of this title, the Administrator shall—

''(1) identify environmental pollutants commonly used or found in areas that are reasonably accessible to children;

''(2) create a scientifically peer reviewed list of substances identified under paragraph (1) with known, likely, or suspected health risks to children;

''(3) create a scientifically peer reviewed list of safer-for-children substances and products recommended by the Administrator for use in areas that are reasonably accessible to children that, when applied as recommended by the manufacturer, will minimize potential risks to children from exposure to environmental pollutants;

''(4) establish guidelines to help reduce and eliminate exposure of children to environmental pollutants in areas reasonably accessible to children, including advice on how to establish an integrated pest management program;

''(5) create a family right-to-know information kit that includes a summary of helpful information and guidance to families, such as the information created under paragraph (3), the guidelines established under paragraph (4), information on the potential health effects of environmental pollutants, practical suggestions on how parents may reduce their children's exposure to environmental pollutants, and other relevant information, as determined by the Administrator in cooperation with the Centers for Disease Control;

''(6) make all information created pursuant to this subsection available to Federal and State agencies, the public, and on the Internet; and

''(7) review and update the lists created under paragraphs (2) and (3) at least once each year.

''(b) COMPLIANCE IN PUBLIC AREAS THAT ARE REASONABLY ACCESSIBLE TO CHILDREN.—Not later than 1 year after the list created under subsection (a)(3) is made available to the public, the Administrator shall prohibit the use of any product that has been excluded from the safer-for-children list in Federal properties and areas.

''SEC. 505. RESEARCH TO IMPROVE INFORMATION ON EFFECTS ON CHILDREN.

''(a) TOXICITY DATA.—The Administrator, the Secretary of Agriculture, and the Secretary of Health and Human Services shall coordinate and support the development and implementation of basic and applied research initiatives to examine the health effects and toxicity of pesticides (including active and inert ingredients) and other environmental pollutants on children and other vulnerable subpopulations.

''(b) BIENNIAL REPORTS.—The Administrator, the Secretary of Agriculture, and the Secretary of Health and Human Services shall submit biennial reports to Congress on actions taken to carry out this section.

''SEC. 506. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated such sums as are necessary to carry out this title.''.

CHILDREN'S ENVIRONMENTAL PROTECTION ACT OF 1997—SECTION-BY-SECTION ANALYSIS

Section 1. Short Title.

The short title of the bill shall be the Children's Environmental Protection Act of 1997.

Section 2. Findings/Policy/Definitions

Amends the Toxic Substances Control Act by adding a new Title V—''Environmental Protection for Children.''

Section 501. Findings and Policy

Findings—

(1) Public health and safety depend on citizens being aware of toxic dangers in their homes, communities, and neighborhoods.

(2) Children and other vulnerable groups face health threats that are not adequately met by current standards.

(3) More scientific knowledge is needed about the extent to which children are exposed to environmental pollutants and the health effects of such exposure.

Policy—

(1) All standards for environmental pollutants set by the EPA should be set at levels that protect children's health with an adequate margin of safety.

(2) In order to help the public avoid unnecessary and involuntary exposure to environmental pollutants, the EPA should develop a list of ''safer-for-children'' products. Only products on this list should be used on federal properties.

(3) EPA and other agencies should conduct more research, both basic and applied, on the short and long term health effects of exposure to environmental pollutants.

Section 502. Definitions

(1) ''Areas that are reasonably accessible to children'' means homes, schools, day care centers, shopping malls, movie theaters and parks.

(2) ''Children'' means children ages 0–18.

(3) ''Environmental pollutant'' means a toxic as defined in Section 101 of the Superfund law or a pesticide as defined in the Federal Insecticide, Fungicide and Rodenticide Act.

(4) ''Federal properties and areas'' means areas controlled or owned by the U.S.

(5) ''Vulnerable subpopulation'' means children, pregnant women, the elderly, individuals with a history of serious illness, or other subpopulation identified by the EPA as likely to experience elevated health risks from environmental pollutants.

Section 503. Safeguarding children and other vulnerable subpopulations

Directs the EPA to consider environmental health risks to children and other vulnerable subpopulations throughout the standard setting process. Requires EPA to set health standards at levels that ensure the protection of children and other vulnerable subpopulations with an adequate margin of safety.

Requires EPA to develop a list of no fewer than 20 public health standards that need expedited reevaluation in order to protect children. Within 6 years, EPA must propose the revised standards. EPA must complete revision of all existing standards within 15 years, and must issue a progress report to Congress every year.

Section 504. Safer Environment for Children

Requires EPA, within 1 year after enactment of CEPA, to—

(1) identify environmental pollutants commonly used in areas reasonably accessible to children;

(2) identify pollutants that are known to be or suspected of being health risks to children;

(3) make public a list of ''safer-for-children'' products that minimize potential risks to children from exposure to environmental pollutants; EPA must update the list annually;

(4) establish guidelines to help reduce exposure of children to environmental pollutants, including how to establish an integrated pest management program;

(5) create a family right-to-know information kit that includes information on the potential health effects of exposure to environmental pollutants and practical suggestions on how parents may reduce their children's exposure.

Within one year after enactment, only products on the ''safer-for-children'' list may be used on federal properties.

Section 505. Research to Improve Information on Effects on Children

Requires EPA to work with other federal agencies to coordinate and support the development and implementation of basic and applied research initiatives to examine the health effects and toxicity of environmental pollutants on children and other vulnerable subpopulations. Requires biennial reports to Congress.

Section 506. Authorization of Appropriations

Authorizes appropriation of ''such funds as may be necessary″ in order to carry out the purposes of the legislation.

U.S. ENVIRONMENTAL PROTECTION AGENCY,
Washington, DC, April 15, 1997.

Hon. BARBARA BOXER,
U.S. Senate,
Washington, DC.

DEAR SENATOR BOXER: I am writing to thank you for your leadership to help protect our children from environmental risks and to congratulate you for the introduction of your Children's Environmental Protection Act. As you know, protecting the health of our children and expanding the public's right to know about harmful pollutants in our communities are top priorities for this Administration.

Recently I established the Office of Children's Health Protection to expand and better coordinate our activities to protect children. This office will review health standards to ensure they are protective for children and increase our family right to know activities to expand access to vital information about children's environmental health.

I look forward to working with you in the future to help protect children from environmental health threats in their homes, schools and communities.

Sincerely,

CAROL M. BROWNER.

By Mrs. FEINSTEIN (for herself and Mr. GRASSLEY):

S. 600. A bill to protect the privacy of the individual with respect to the social security number and other personal information, and for other purposes; to the Committee on Finance.

THE PERSONAL INFORMATION PRIVACY ACT OF 1997

Mrs. FEINSTEIN. Mr. President, today, along with my distinguished colleague, Senator CHARLES GRASSLEY, I am introducing the Personal Information Privacy Act of 1997. This legislation limits the accessibility and unauthorized commercial use of social security numbers, unlisted telephone numbers, and certain other types of sensitive personal information.

In November, the news media reported that companies were distributing social security numbers along with other private information in their online personal locator or look-up services.

In fact, I found that my own social security number was accessible to users of the Internet. My staff retrieved it in less than 3 minutes. I have the printout in my files.

Some of the larger and more visible companies have now discontinued the practice of displaying social security numbers directly on the computer screens of Internet users. Other enterprises have failed to modify their practices. One problem thwarting efforts to protect our citizens' privacy is that there are thousands of information providers on the Internet and elsewhere in the electronic arena—it is impossible to get a comprehensive picture of who is doing what, and where.

But one fact is clear, distributing social security numbers on the Internet is only the tip of the iceberg.

Too many firms profit from renting and selling social security numbers, unlisted telephone numbers, and other forms of sensitive personal information. List compilers and list brokers use records of consumer purchases and other transactions—including medical purchases—along with financial, demographic, and other data to create increasingly detailed profiles of individuals.

The growth of interactive communications has generated an explosive growth in information about our interests, our activities, and our illnesses—about the personal choices we make when we order products, inquire about services, participate in workshops, and visit sites on the Net.

A Newsday article titled ''Your Life as an Open Book'' recently reported that an individual's call to a toll free number to learn the daily pollen count resulted in a disclosure to a pharmaceutical company that the caller was likely to have an interest in pollen remedies.

It is true that knowledge about personal interests, circumstances, and activities can help companies tailor their products to individual needs and target their marketing efforts. But there need to be limitations.

Prior to the widespread use of computers, individual records were stored on paper in Government file cabinets at scattered locations around the country. These records were difficult to obtain. Now, with networked computers, multiple sets of records can be merged or matched with one another, creating highly detailed portraits of our interests, our allergies, food preferences, musical tastes, levels of wealth, gender, ethnicity, homes, and neighborhoods. These records can be disseminated around the world in seconds.

What is the result? In addition to receiving floods of unwanted mail solicitations, people are losing control over their own identities. We don't know where this information is going, or how it is being used. We don't know how much is out there, and who is getting it. Our private lives are becoming commodities with tremendous value in the marketplace, yet we, the owners of the information, often do not derive the benefits. Information about us can be used to our detriment.

As an example, the widespread availability of Social Security numbers and other personal information has led to an exponential growth in identity theft, whereby criminals are able to assume the identities of others to gain access to charge accounts and bank accounts, to obtain the personal records of others, and to steal Government benefits.

In 1992, Joe Gutierrez, a retired Air Force chief master sergeant in California became a victim of identity theft when a man used his Social Security number to open 20 fraudulent accounts. To this day, Mr. Gutierrez has been hounded by creditors and their collection agencies. ''It is pure hell,'' he said in an interview with the San Diego Union Tribune. ''They have called me a cheat, a deadbeat, a bum. They have questioned my character, my integrity, and my upbringing.''

As an additional problem, the unauthorized distribution of personal information can lead to public safety concerns, including stalking of battered spouses, celebrities, and other citizens.

There are very few laws to protect personal privacy in the United States. The Privacy Act of 1974 is limited, and applies only to the use of personal information by the Government.

With minor exceptions, the collection and use of personal information by the private sector is virtually unregulated. In other words, private companies have nearly unlimited authority to compile and sell information about individuals. As technology becomes more sophisticated, the ability to collect, synthesize and distribute personal information is growing exponentially.

The Personal Information Privacy Act of 1997 will help cut off the dissemination of Social Security numbers, unlisted telephone numbers, and other personal information at the source.

First, the bill amends the Fair Credit Reporting Act to ensure the confidentiality of personal information in the credit headers accompanying credit reports. Credit headers contain personal identification information which serves to link individuals to their credit reports.

Currently, credit bureaus routinely sell and rent credit header information to mailing list brokers and marketing companies. This is not the use for which this information was intended.

The bill we are introducing today would prevent credit bureaus from disseminating Social Security numbers, unlisted telephone numbers, dates of birth, past addresses, and mothers' maiden names. This is important because this kind of information is subject to serious abuse—to open fraudulent charge accounts, to manipulate bank accounts, and to gain access to the personal records of others.

An exception is provided for information that citizens have chosen to list in their local phone directories. This means that phone numbers and addresses may be released if they already are available in phone directories.

As a second means of limiting the circulation of Social Security numbers, the bill restricts the dissemination of Social Security numbers by State departments of motor vehicles. Specifically, the bill amends certain exemptions to the Driver's Protection Act of 1994.

The legislation would prohibit State departments of motor vehicles from disseminating Social Security numbers for bulk distribution for surveys, marketing, or solicitations.

The bill requires uses of Social Security numbers by State Departments of Motor Vehicles to be consistent with the uses authorized by the Social Security Act and by other statutes explicitly authorizing their use.

In addition to the above measures which will limit the accessibility of Social Security numbers, the Personal Information Privacy Act of 1997 penalizes the unauthorized commercial use of Social Security numbers.

Specifically, the bill amends the Social Security Act to prohibit the commercial use of a Social Security number in the absence of the owner's written consent. Exceptions are provided for uses authorized by the Social Security Act, the Privacy Act of 1974, and other statutes specifically authorizing such use.

I believe this bill represents a major step in protecting the privacy of our citizens, and I urge my colleagues to support it. I ask unanimous consent that the text of the bill be included in the RECORD following our remarks.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 600

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Personal Information Privacy Act of 1997''.

SEC. 2. CONFIDENTIAL TREATMENT OF CREDIT HEADER INFORMATION.

Section 603(d) of the Fair Credit Reporting Act (15 U.S.C. 1681a(d)) is amended by inserting after the first sentence the following: ''The term also includes any other identifying information of the consumer, except the name, address, and telephone number of the consumer if listed in a residential telephone directory available in the locality of the consumer.''.

SEC. 3. PROTECTING PRIVACY BY PROHIBITING USE OF THE SOCIAL SECURITY NUMBER FOR COMMERCIAL PURPOSES WITHOUT CONSENT.

(a) IN GENERAL.—Part A of title XI of the Social Security Act (42 U.S.C. 1301 et seq.) is amended by adding at the end the following:

''PROHIBITION OF CERTAIN MISUSES OF THE SOCIAL SECURITY ACCOUNT NUMBER

''SEC. 1146. (a) PROHIBITION OF COMMERCIAL ACQUISITION OR DISTRIBUTION.—No person may buy, sell, offer for sale, take or give in exchange, or pledge or give in pledge any information for the purpose, in whole or in part, of conveying by means of such information any individual's social security account number, or any derivative of such number, without the written consent of such individual.

''(b) PROHIBITION OF USE AS PERSONAL IDENTIFICATION NUMBER.—No person may utilize any individual's social security account number, or any derivative of such number, for purposes of identification of such individual without the written consent of such individual.

''(c) PREREQUISITES FOR CONSENT.—In order for consent to exist under subsection (a) or (b), the person engaged in, or seeking to engage in, an activity described in such subsection shall—

''(1) inform the individual of all the purposes for which the number will be utilized and the persons to whom the number will be known; and

''(2) obtain affirmatively expressed consent in writing.

''(d) EXCEPTIONS.—Nothing in this section shall be construed to prohibit any use of social security account numbers permitted or required under section 205(c)(2) of this Act, section 7(a)(2) of the Privacy Act of 1974 (5 U.S.C. 552a note; 88 Stat. 1909), or section 6109(d) of the Internal Revenue Code of 1986.

''(e) CIVIL ACTION IN UNITED STATES DISTRICT COURT; DAMAGES; ATTORNEYS FEES AND COSTS; NONEXCLUSIVE NATURE OF REMEDY.—

''(1) IN GENERAL.—Any individual aggrieved by any act of any person in violation of this section may bring a civil action in a United States district court to recover—

''(A) such preliminary and equitable relief as the court determines to be appropriate; and

''(B) the greater of—

''(i) actual damages; and

''(ii) liquidated damages of $25,000 or, in the case of a violation that was willful and resulted in profit or monetary gain, $50,000.

''(2) ATTORNEY'S FEES AND COSTS.—In the case of a civil action brought under paragraph (1) in which the aggrieved individual has substantially prevailed, the court may assess against the respondent a reasonable attorney's fee and other litigation costs and expenses (including expert fees) reasonably incurred.

''(3) STATUTE OF LIMITATIONS.—No action may be commenced under this subsection more than 3 years after the date on which the violation was or should reasonably have been discovered by the aggrieved individual.

''(4) NONEXCLUSIVE REMEDY.—The remedy provided under this subsection shall be in addition to any other lawful remedy available to the individual.

''(f) CIVIL MONEY PENALTIES.—

''(1) IN GENERAL.—Any person who the Commissioner of Social Security determines has violated this section shall be subject, in addition to any other penalties that may be prescribed by law, to—

''(A) a civil money penalty of not more than $25,000 for each such violation, and

''(B) a civil money penalty of not more than $500,000, if violations have occurred with such frequency as to constitute a general business practice.

''(2) DETERMINATION OF VIOLATIONS.—Any violation committed contemporaneously with respect to the social security account numbers of 2 or more individuals by means of mail, telecommunication, or otherwise shall be treated as a separate violation with respect to each such individual.

''(3) ENFORCEMENT PROCEDURES.—The provisions of section 1128A (other than subsections (a), (b), (f), (h), (i), (j), and (m), and the first sentence of subsection (c)) and the provisions of subsections (d) and (e) of section 205 shall apply to civil money penalties under this subsection in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a), except that, for purposes of this paragraph, any reference in section 1128A to the Secretary shall be deemed a reference to the Commissioner of Social Security.

''(g) REGULATION BY STATES.—Nothing in this section shall be construed to prohibit any State authority from enacting or enforcing laws consistent with this section for the protection of privacy.''.

(b) EFFECTIVE DATE.—The amendment made by this section applies with respect to violations occurring on and after the date which is 2 years after the date of enactment of this Act.

SEC. 4. RESTRICTION ON USE OF SOCIAL SECURITY NUMBERS BY STATE DEPARTMENTS OF MOTOR VEHICLES.

(a) RESTRICTION ON GOVERNMENTAL USE.—Section 2721(b)(1) of title 18, United States Code, is amended by striking ''its functions.'' and inserting ''its functions, but in the case of social security numbers, only to the extent permitted or required under section 205(c)(2) of the Social Security Act (42 U.S.C. 405(c)(2)), section 7(a)(2) of the Privacy Act of 1974 (5 U.S.C. 552a note, 88 Stat. 1909), section 6109(d) of the Internal Revenue Code of 1986, or any other provision of law specifically identifying such use.''.

(b) PROHIBITION OF USE BY MARKETING COMPANIES.—Section 2721(b)(12) of title 18, United States Code, is amended by striking ''For'' and inserting ''Except in the case of social security numbers, for''.

Mr. GRASSLEY. Mr. President, I rise today to join my colleague, Mrs. FEINSTEIN, in introducing important legislation. This legislation, the Personal Information Privacy Act of 1997, is a solid first step toward keeping our personal information from being misused.

In this amazing time of technology explosion, new challenges face our society. New technology makes information more readily available for many uses. This information helps the college student write a better term paper, it helps businesses function more effectively, and it helps professionals to stay better informed of developments in their fields. The technology that provides this ready access to infinite information also helps friends and families communicate across continents, increases the feasibility of working from a home office, and provides many other advantages.

However, with these advantages come added risk. Dissemination of information is generally good, but dissemination of all information is not good. Technology can help people with bad intentions find their victims. It can also give people access to personal information that we would rather they not have. With minimal information and a few keystrokes, virtually anyone could have your lifetime credit history and personal wages downloaded to their computer. For this reason, it is important that we work to make sure some personal information stays out of the hands of people we have never met, whose intentions we don't know.

One of the most important functions of lawmaking is to make sure that law keeps up with society, and in this case, technology. The bill that Senator FEINSTEIN and I are introducing today is a solid first step. I will soon be introducing additional legislation affecting the Internet because I believe it is important that we talk about issues related to new technologies; that we exchange ideas. And at the end of the day, we must preserve the confidentiality of personal information and the safety of individuals.

ADDITIONAL COSPONSORS

S. 71

At the request of Mr. DASCHLE, the name of the Senator from Rhode Island [Mr. REED] was added as a cosponsor of S. 71, a bill to amend the Fair Labor Standards Act of 1938 and the Civil Rights Act of 1964 to provide more effective remedies to victims of discrimination in the payment of wages on the basis of sex, and for other purposes.

S. 75

At the request of Mr. KYL, the name of the Senator from Mississippi [Mr. COCHRAN] was added as a cosponsor of S. 75, a bill to repeal the Federal estate and gift taxes and the tax on generation-skipping transfers.

S. 356

At the request of Mr. GRAHAM, the names of the Senator from Rhode Island [Mr. REED], the Senator from West Virginia [Mr. ROCKEFELLER], and the Senator from Vermont [Mr. JEFFORDS] were added as cosponsors of S. 356, a bill to amend the Internal Revenue Code of 1986, the Public Health Service Act, the Employee Retirement Income Security Act of 1974, the title XVIII and XIX of the Social Security Act to assure access to emergency medical services under group health plans, health insurance coverage, and the Medicare and Medicaid Programs.

S. 361

At the request of Mr. JEFFORDS, the names of the Senator from New York [Mr. MOYNIHAN], and the Senator from Vermont [Mr. LEAHY] were added as cosponsors of S. 361, a bill to amend the Endangered Species Act of 1973 to prohibit the sale, import, and export of products labeled as containing endangered species, and for other purposes.

S. 369

At the request of Mr. JEFFORDS, the name of the Senator from Maine [Ms. SNOWE] was added as a cosponsor of S. 369, a bill to amend section 1128B of the Social Security Act to repeal the criminal penalty for fraudulent disposition of assets in order to obtain Medicaid benefits added by section 217 of the Health Insurance Portability and Accountability Act of 1996.

S. 460

At the request of Mr. BOND, the name of the Senator from Arizona [Mr. KYL] was added as a cosponsor of S. 460, a bill to amend the Internal Revenue Code of 1986 to increase the deduction for health insurance costs of self-employed individuals, to provide clarification for the deductibility of expenses incurred by a taxpayer in connection with the business use of the home, to clarify the standards used for determining that certain individuals are not employees, and for other purposes.

S. 497

At the request of Mr. COVERDELL, the names of the Senator from North Carolina [Mr. HELMS], the Senator from Indiana [Mr. COATS], the Senator from Mississippi [Mr. LOTT], the Senator from Arizona [Mr. MCCAIN], the Senator from South Carolina [Mr. THURMOND], the Senator from Iowa [Mr. GRASSLEY], the Senator from Wyoming [Mr. ENZI], the Senator from Virginia [Mr. WARNER], the Senator from Florida [Mr. MACK], the Senator from Nebraska [Mr. HAGEL], and the Senator from Mississippi [Mr. COCHRAN] were added as cosponsors of S. 497, a bill to amend the National Labor Relations Act and the Railway Labor Act to repeal the provisions of the acts that require employees to pay union dues or fees as a condition of employment.

S. 526

At the request of Mr. HATCH, the name of the Senator from Oregon [Mr. SMITH] was added as a cosponsor of S. 526, a bill to amend the Internal Revenue Code of 1986 to increase the excise taxes on tobacco products for the purpose of offsetting the Federal budgetary costs associated with the Child Health Insurance and Lower Deficit Act.

At the request of Mr. BENNETT, his name was withdrawn as a cosponsor of S. 526, supra.

S. 528

At the request of Mr. CAMPBELL, the names of the Senator from Alaska [Mr. STEVENS], the Senator from Ohio [Mr. DEWINE], and the Senator from Arkansas [Mr. HUTCHINSON] were added as cosponsors of S. 528, a bill to require the display of the POW/MIA flag on various occasions and in various locations.

S. 535

At the request of Mr. MCCAIN, the names of the Senator from Washington [Mr. GORTON] and the Senator from Maryland [Mr. SARBANES] were added as cosponsors of S. 535, a bill to amend the Public Health Service Act to provide for the establishment of a program for research and training with respect to Parkinson's disease.

S. 540

At the request of Mr. BIDEN, the names of the Senator from California [Mrs. BOXER] and the Senator from Hawaii [Mr. INOUYE] were added as cosponsors of S. 540, a bill to amend title XVIII of the Social Security Act to provide annual screening mammography and waive coinsurance for screening mammography for women age 65 or older under the Medicare Program.

S. 543

At the request of Mr. COVERDELL, the name of the Senator from Texas [Mr. GRAMM] was added as a cosponsor of S. 543, a bill to provide certain protections to volunteers, nonprofit organizations, and governmental entities in lawsuits based on the activities of volunteers.

S. 544

At the request of Mr. COVERDELL, the name of the Senator from Texas [Mr. GRAMM] was added as a cosponsor of S. 544, a bill to provide certain protections to volunteers, nonprofit organizations, and governmental entities in lawsuits based on the activities of volunteers.

S. 556

At the request of Mr. INHOFE, the name of the Senator from South Carolina [Mr. THURMOND] was added as a cosponsor of S. 556, a bill to provide for the allocation of funds from the Mass Transit Account of the Highway Trust Fund, and for other purposes.

S. 579

At the request of Mr. ASHCROFT, the names of the Senator from Idaho [Mr. CRAIG], the Senator from Alabama [Mr. SHELBY], the Senator from Mississippi [Mr. COCHRAN], the Senator from Nebraska [Mr. HAGEL], and the Senator from Utah [Mr. HATCH] were added as cosponsors of S. 579, a bill to amend the Internal Revenue Code of 1986 to allow a deduction for the old-age, survivors, and disability insurance taxes paid by employees and self-employed individuals, and for other purposes.

SENATE JOINT RESOLUTION 15

At the request of Mr. BYRD, the names of the Senator from Mississippi [Mr. LOTT], the Senator from South Carolina [Mr. HOLLINGS], the Senator