pauses to celebrate its independence, the Imani Temple, African-American Catholic Congregation, will also pause to celebrate its founding and to properly pay tribute to its Archbishop and Founder, the Most Reverend G. Augustus Stallings, Jr. D.D. This native North Carolinian has made our state proud.

Archbishop Stallings is not an ordinary man. He has braved perilous waters, daring to be different, daring to walk alone, daring to have a purpose firm and daring to make it known. He understands Saint Matthew at Chapter 16, Verse 18, which reminds us that, ''Upon this rock I will build my church; and the gates of hell shall not prevail against it.'' He follows the instruction of Ecclesiastes, Chapter 4, Verse 12, which teaches that, ''. . . though a man might prevail against one who is alone, two will withstand him. A threefold cord is not quickly broken.''

With faith as his instrument and God as his guide, in the Imani Temple, Archbishop Stallings has created a formless rock, and by joining in a strong, woven cord, the Church helps our families avoid stumbling blocks and helps them shape stepping stones. That is because Father Stallings recognizes that the real strength of America, and the real strength of his Church, is compassion for people, those who live in the shadows of life—the poor, the weak, the frail, the disabled, our children, our seniors, the hungry.

More importantly, unlike some, Archbishop Stallings does not sit in comfortable pews, shielded by stained glass windows, protected from the people and things that many do not wish to see. No, he makes certain his Church goes out and embraces the huddled masses, crouched beneath the street lights of our Nation.

The common fabric that can be found in Archbishop Stallings and other great leaders of our time is compassion. He cares. He is comfortable, embracing the infirm, hugging a child, standing up for the downtrodden. He responds to the less fortunate among us, those who work hard yet can not make ends meet, those who dwell in the back alleys and on the rear stoops of our towns and cities, in the gutters of America, those who need a little help to make it through the day.

And, so it is fitting, that we pause and pay tribute to Archbishop Stallings on the 10th Anniversary of the founding of Imani Temple and on the 25th Anniversary of his tenure as a Priest.

INTRODUCTION OF A BILL TO CLARIFY THE TAX TREATMENT OF SETTLEMENT TRUSTS ESTABLISHED PURSUANT TO THE ALASKA NATIVE CLAIMS SETTLEMENT ACT

HON. DON YOUNG

OF ALASKA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 24, 1999

Mr. YOUNG of Alaska. Mr. Speaker, today I am introducing a bill to clarify the tax treatment of Settlement Trusts authorized by the Alaska Native Claims Settlement Act. This legislation is very similar to a bill that I introduced with my colleagues, Congressman GEORGE MILLER and J.D. HAYWORTH, last Congress.

The bill has been further improved from last Congress and a companion measure was introduced in the Senate recently. This bill will be cited as the ''Alaska Native Claims Settlement Act Settlement Trusts Remedial Tax Act of 1999''.

Federal law first authorized settlement trusts in 1988 to permit Alaska Native Corporations to provide a variety of benefits to their shareholders in a long term permanent manner. Present law requires settlement trusts to report tax information to their beneficiaries on Form K–1, rather than Form 1099 which corporations use. This causes confusion to the beneficiaries and encourages misreporting of income. This legislation requires all settlement trusts to use Form 1099.

In recent years I have written to the Chairman of the Ways and Means Committee informing him that what had started as a simple proposition, promoted by Congress in the Settlement Trust legislation—to provide aid from a protected source to Alaska Natives who often have very little in other available assets to sustain them and in particular in their retirement years—had become a complex and bewildering situation which frustrated the use of the settlement trust provisions in law. This result stems from an IRS interpretation calling for the immediate taxation to potential beneficiaries when these trusts are established by Alaska Native corporations which have earnings and profits, as opposed to taxation when the money is actually received by the beneficiaries. Put simply, in the case of some beneficiaries, particularly the elderly, who have to prepay taxes in order to receive their benefits and, if they die prematurely, they will not even receive the amount of their prepaid taxes back. Needless to say, this is a substantial impediment to setting up and continuing such beneficial trusts.

But those Native corporations having favorable tax situations which enable them to make contributions to trusts which are not immediately taxable to their beneficiaries face other impediments. The IRS has taken the position that there is no authority to withhold tax from beneficiary payments, which prevents a simple way for a Native to pay his or her tax. The IRS requires that trust reporting to beneficiaries be accomplished via the complex so-called ''K–1'' form as opposed to the simple 1099 form, so familiar to most of us. As you can imagine, the requirement to use the former, particularly in rural areas in the state of Alaska where accountants may not be readily available, presents major reporting problems. We believe the IRS internally has been supportive of such a change but has advised in the past that it would need to be accomplished by statute.

Finally, the original authorizing legislation failed to provide a mechanism to encourage sustaining the longevity of these trusts dedicated to the goals enumerated. Such trusts are currently treated as regular trusts and penalized for accumulating income with an assessment of the highest marginal tax rate. Accordingly, from the standpoint of a settlement trust, it currently makes good tax sense to distribute all income to the beneficiaries rather than leaving it to be taxed at the current trust tax rate. This, however, does not make good social sense and encourages the opposite result one would envision for these entities, whose goal is to sustain the funds on a long-term basis in order to fulfill the objectives envisioned for Settlement Trusts.

Therefore, I am pleased that, on a bipartisan basis, I can join my colleague and Ranking Minority Member on the Resources Committee, Mr. MILLER, and my other distinguished colleagues Mr. HAYWORTH, Mr. KILDEE and at least 16 other cosponsors to introduce this important remedial legislation. I am attaching a brief summary and section by section analysis of the legislation.

SETTLEMENT TRUST CORRECTIVE TAX LEGISLATION

Federal law first authorized settlement trusts in 1988 to permit Alaska Native corporations to provide a variety of benefits for their Native shareholders in a long term, permanent fashion. Although Alaska Native corporations are not governments, they do provide many social services to their shareholders. We have worked with the Treasury Department on the proposed legislation, which clarifies present law and provides an elective tax structure to encourage use of these trusts as follows:

(1) Contributions to an electing settlement trust are not taxable to the shareholders. Present IRS ruling policy is that contributions to settlement trusts are deemed distributions to the Native corporation's shareholders. If that corporation has earnings and profits under the tax law, the deemed distributions will then be taxable to the shareholders even though they have not actually received any money. The legislation eliminates this significant disincentive by providing that contributions to an electing trust are not currently taxable to the shareholders.

(2) Permit electing settlement trusts to retain up to 45% of their annual taxable income without adverse tax consequences. Present law imposes a severe penalty for inflation proofing these trusts (which permits constant dollar benefits to be provided), by taxing reinvested income at the maximum individual tax rates (presently 39.6 percent). The legislation provides that up to 45 percent of the trust's annual income can be reinvested in the trust without current taxation, but this reinvested income will be eventually taxable at ordinary income rates to shareholders when distributed. This treatment continues so long as the only persons who hold the beneficial interests in the trust are persons who could hold the Native corporation's own stock.

(3) Impose severe penalties on electing settlement trusts which no longer benefit Alaska Natives. The settlement trust election is intended to benefit Alaska Natives. In the event that a settlement trust ceases to benefit Alaska Natives, the trust will no longer be permitted to receive the elective benefits discussed above. In addition, unless the trust terminates through a distribution of its assets, a one-time tax is imposed at the highest marginal income tax rates upon the value of the trust's assets.

(4) Require withholding on certain trust distributions. Present law does not require any income tax withholding on trust distributions. Under the proposed legislation, withholding on distributions by any settlement trust is required to the extent the annualized distributions exceed the basic standard deduction and personal exemption amounts under the Tax Code.

(5) Modify information reporting requirements. Present law requires settlement trusts to report tax information to their beneficiaries on Form K–1, rather than Form 1099 which corporations use. This causes confusion to the beneficiaries and encourages misreporting of income. The proposed legislation requires all settlement trusts to use Form 1099.

SECTION-BY-SECTION ANALYSIS

ANCSA SETTLEMENT TRUST REMEDIAL TAX LEGISLATION

Federal law authorized in 1988 Alaska Native corporations to use their own funds to establish settlement trusts to ''promote the health, education and welfare of its beneficiaries and preserve the heritage and culture of Natives.'' Although Alaska Native corporations are not governments, they do help provide certain social services as contemplated in the Alaska Native Claims Settlement Act (ANCSA) to their shareholders. This proposed legislation corrects several deficiencies in and clarifies present law while providing an elective tax structure to lessen the current impediments to the establishment and maintenance of these trusts. The following is a section-by-section analysis of the legislation:

Section 1 is the Short Title of the bill.

Section 2(a) (identification of ANCSA settlement trust as eligible to elect tax exempt status). This provision of the legislation provides a partial exemption from income taxes for Alaska Native Settlement Trusts which make a one-time election. The partial exemption is accomplished by adding settlement trusts as entities which can be tax exempt under Tax Code section 501(c), and then requiring that to qualify for the tax exemption a settlement trust must currently distribute at least 55% of its annual taxable income.

Section 2(b) (detailing new 501(p) elective tax treatment). New subsection 501(p) has six paragraphs.

Paragraph (1) describes the taxation of both electing and non-electing settlement trusts. Contributions to electing trusts are not currently taxable to the beneficiaries; by contrast, current IRS ruling policy is that contributions to non-electing trusts are currently taxable to beneficiaries to the extent of corporate earnings and profits. Electing trusts will be tax exempt if they currently distribute 55% of their income and if transfers of trust units are restricted similarly to transfers of ANCSA corporate stock. Eventual distributions to beneficiaries of the trust's exempt income, as well as any other distributions by the electing trust, are taxed to the beneficiaries at ordinary income rates. Non-electing trusts remain subject to present law.

Paragraph (2) provides the basic mechanism by which a settlement trust elects tax exemption. Paragraph (3) imposes a rule to assure that primarily Alaska Natives receive the benefits of this elective tax exemption, just as the Alaska Native Claims Settlement Act (43 USC 1601 et seq.) limits transferability of the stock in Native corporations to assure that the benefits of stock ownership accrue primarily to Alaska Natives. Under this bill, if at any time the beneficial interests in an electing trust become transferable in a manner which would be prohibited if those beneficial interests were ANCSA stock, the trust becomes permanently ineligible to continue the election. Also, a one-time penalty tax equal to the highest marginal tax rate under section 1(e) times the asset value of the trust is imposed. This tax can be avoided by a distribution of the trust assets to the beneficiaries before the close of the taxable year in which the trust beneficial interests became transferable. Paragraph (3) also causes the foregoing rule to apply if a Native corporation which is not governed by the non-transferability rules makes a transfer to an electing settlement trust.

Paragraph (4) imposes an annual distribution requirement (55% of taxable income) on electing trusts. The consequence of a failure to make these annual distributions is a nondeductible tax at ordinary income rates upon the income which should have been distributed.

Paragraph (5) describes the taxation of the beneficiaries of both electing and non-electing trusts. All distributions to a beneficiary of an electing trust produce ordinary income. But for this rule, the character of income earned by the trust would flow out to the beneficiaries and distributions of capital and accumulated income would be tax free to the beneficiaries. Distributions by a non-electing trust are taxable to the extent required by Subchapter J of the Tax Code, which generally limits beneficiary taxation to the amount of income of the trust and flows the character of the trust's income out to the beneficiary.

Paragraph (6) provides certain definitions applicable to the election.

Section 2(c) (Withholding on distributions by electing trusts). Present law does not require any tax withholding on trust distributions. Many Alaska Natives have income levels so low that they are not required to file income tax returns. In such circumstances, requiring withholding on distributions increases the administrative burden to both the government and settlement trusts since these Alaska Natives would have to apply for refunds of over collected taxes. Therefore, under this legislation, withholding on distributions by any settlement trust is required to the extent the annualized distributions of the Trust exceed the basic standard deduction and personal exemption amounts under the Tax Code.

Section 2(d) (Modify information reporting requirements.) Under present law, settlement trusts report to their beneficiaries on Form K–1s, which with extensions, can be sent as late as October of the year following the taxable year to which the information relates. Much of Form K–1 is inapplicable to the typical settlement trust and can be confusing to beneficiaries. Native corporations, by contrast, have long reported to their shareholders on Form 1099s which must be sent by January 31 of the following year. This section requires all settlement trusts to provide annual information on Form 1099s (rather than on Forms K–1s). In the case of a non-electing settlement trust, the From 1099 would differentiate among the different types and character of income being distributed. Form 1099 reporting would be in lieu of the requirement that a non-electing settlement trust attach a copy of beneficiary Form K–1s to its own tax return.

Section 2(e) (effective date). In general, the provisions of the bill are applicable to taxable years ending after the date of enactment of the bill and to contributions to trusts made after such date.

CRISIS IN KOSOVO (ITEM NO. 12) REMARKS BY CHRISTOPHER SIMPSON OF AMERICAN UNIVERSITY

HON. DENNIS J. KUCINICH

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 24, 1999

Mr. KUCINICH. Mr. Speaker, on June 10, 1999, I joined with Representative CYNTHIA A. MCKINNEY, Representative BARBARA LEE, and Representative JOHN CONYERS in hosting the fifth in a series of Congressional Teach-In sessions on the Crisis in Kosovo. If a lasting peace is to be achieved in the region, it is essential that we cultivate a consciousness of peace and actively search for creative solutions. We must construct a foundation for peace through negotiation, mediation, and diplomacy.

Part of the dynamic of peace is a willingness to engage in meaningful dialogue, to listen to one another openly and to share our views in a constructive manner. I hope that these Teach-In sessions will contribute to this process by providing a forum for Members of Congress and the public to explore options for a peaceful resolution. We will hear from a variety of speakers on different sides of the Kosovo situation. I will be introducing into the CONGRESSIONAL RECORD transcripts of their remarks and essays that shed light on the many dimensions of the crisis.

The presentation is by Christopher Simpson, an associate professor specializing in national security, new media and the psychological warfare at American University School of Communication here in Washington. He is the author of four books on international human rights law, genocide and national security, including The Splendid Blond Beast (1993) and the Science of Coercion (1994). His work has won many awards including the National Jewish Book Award, the Investigative Reporters and Editors Prize, the Cavior Prize for Literature and the 1997 Freedom Award.

PRESENTATION BY CHRISTOPHER SIMPSON, AMERICAN UNIVERSITY

Thank you for inviting me to this briefing, and thanks especially to Rep. Dennis Kucinich for his leadership in these issues.

I'm going to discuss three main ideas. First, I'll look briefly at the most basic principles of international law concerning war.

Second, I'll bring forward new information on what is known as ''infrastructure warfare,'' which is today central to the way that the United States and NATO choose targets for aerial attacks. Bombing and cruise missile attacks, as you know, have been the primary U.S. strategy in Yugoslavia and in the on-going, de facto war with Iraq. In Yugoslavia, infrastructure warfare targets have thus far included the electrical power generation and distribution grid for the entire country; sewage treatment and water purification plants in at least three cities (and the destruction of those plants, by the way, affects not only those cities, but everyone downstream from the city as well); natural gas pipelines and pumping stations; the Yugoslav federal reserve; and purely economic targets of no military consequence in towns and villages that have no military barracks, storage facilities or any other known military significance.

This leads me to my third point. ''Infrastructure warfare'' has become in part a means of making war on Yugoslavia's civilian population. In many cases it has had a minor or negligible military effect compared to the damage it has done to civilians. As such, these tactics skate very close to becoming a war crimes under international treaties and the United States military's own definitions of such crimes.

In fact, a recent U.S. presidential commission defined the intentional destruction of urban infrastructures such as electrical power grids, water treatment plants and banking networks as a form of criminal ''terrorism''—that's their word—if used against U.S. cities.[1]

See footnotes at end of article.

This is called ''terrorism'' at home and is presently being used by the administration to create or expand repressive federal laws authorizing political surveillance of people in the United States, particularly those who use computer networks.

But interestingly enough, the Defense Department's representative on that presidential commission has been simultaneously