

[In million of dollars]

	Budget Authority	Outlays
Mandatory .....		
Total .....	+2,499	+1,340
Revised Allocation:		
General purpose discretionary .....	560,003	563,038
Violent crime reduction fund .....	4,500	5,554
Highways .....		24,574
Mass transit .....		4,117
Mandatory .....	321,502	304,297
Total .....	886,005	901,580

I hereby submit revisions to the 2000 budget aggregates, pursuant to section 311 of the Congressional Budget Act, in the following amounts:

[In million of dollars]

	Budget Authority	Outlays	Deficit
Current Allocation: Budget Resolution .....	1,452,453	1,433,080	-24,998
Adjustments: Emergencies .....	+2,499	+1,340	-1,340
Revised Allocation: Budget Resolution .....	1,454,952	1,434,420	-26,338

# CONGRESSIONAL BUDGET OFFICE LETTER ON S. 1792

Mr. ROTH. Mr. President, I ask unanimous consent that a copy of a letter from Dan L. Crippen, Director of the Congressional Budget Office, dated October 29, 1999, be printed in the RECORD. The letter analyzes S. 1792, the Tax Relief Extension Act of 1999.

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

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
Washington, DC, October 29, 1999.

Hon. WILLIAM V. ROTH, Jr.,  
Chairman, Committee on Finance,  
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1792, the Tax Relief Extension Act of 1999.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Hester Grippando (for revenues), who can be reached at 226-2720, John R. Righter (for payment to territories of rum excise tax), who can be reached at 226-2860, and Jeane De Sa (for streptococcus pneumoniae vaccine), who can be reached at 226-9010.

Sincerely,

BARRY B. ANDERSON  
(For Dan L. Crippen, Director).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST  
ESTIMATE, OCTOBER 29, 1999

S. 1792: TAX RELIEF EXTENSION ACT OF 1999  
(As reported by the Senate Committee on  
Finance on October 26, 1999)

## SUMMARY

S. 1792 would amend existing tax laws and extend numerous tax provisions that have expired recently or are about to expire. The Joint Committee on Taxation (JCT) estimates that enacting S. 1792 would decrease on-budget governmental receipts by \$320 million over the 2000-2004 period, but would increase such receipts by \$461 million over the 2000-2009 period. By extending through cal-

endar year 2000 the exclusion of employer-provided educational assistance, JCT estimates that the bill also would decrease off-budget revenues by a total of \$118 million in fiscal years 2000 and 2001. In addition, CBO estimates that the bill would increase direct spending by \$124 million over the 2000-2004 period and by \$159 million over the 2000-2009 period. Although the bill would affect both governmental receipts and direct spending, section 301 of the bill specifies that any change in the surplus or deficit resulting from enactment shall not be counted for purposes of enforcing the pay-as-you-go procedures established by the Balanced Budget and Emergency Deficit Control Act.

JCT estimates that S. 1792 contains one new intergovernmental mandate, the cost of which would not exceed the threshold for intergovernmental mandates (\$50 million in 1996, adjusted annually for inflation) established in the Unfunded Mandates Reform Act (UMRA). JCT estimates that S. 1792 contains 16 new private-sector mandates, and that the costs of those mandates would exceed the threshold established in UMRA (\$100 million in 1996, adjusted annually for inflation) in each of fiscal years 2000 through 2004.

## DESCRIPTION OF MAJOR PROVISIONS

S. 1792 would amend the Internal Revenue Code to:

Extend to tax years 1999 and 2000 a provision to allow individuals to use nonrefundable personal tax credits to offset their regular tax liability in full (as opposed to limiting such credits to the difference between their regular tax liability and their alternative minimum tax liability);

Extend the research and experimentation tax credit through December 31, 2000;

Extend the exemption from Subpart F for active financing income through tax year 2000;

Extend to tax year 2000 the suspension of income limitation on percentage depletion from marginal oil and gas wells;

Extend the work opportunity and welfare-to-work tax credits through December 31, 2000;

Temporarily increase the amount of the excise tax on rum paid to Puerto Rico and the U.S. Virgin Islands from \$10.50 per proof gallon to \$13.50 per proof gallon;

Add the streptococcus pneumoniae vaccine to the list of taxable vaccines;

Increase the amount of the estimated tax that individuals must pay based on the amount of their prior year's tax to 110.5 percent for tax years beginning in 2000 and to 112 percent for tax years beginning in 2004;

Modify the rules that allow taxpayers to credit the payment of foreign taxes against the payment of U.S. taxes owed on income derived from foreign sources; and

Prohibit taxpayers who use an accrual method of accounting from also using the installment method of accounting when reporting dispositions of property for income tax purposes.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1792 is shown in the following table. Estimated spending would fall within budget functions 800 (general government) and 550 (health).

	By fiscal year, in millions of dollars				
	2000	2001	2002	2003	2004
CHANGES IN REVENUES					
Estimated On-Budget Revenues .....	200	-3,738	730	686	1,802
Estimated Off-Budget Revenues <sup>1</sup> .....	-77	-41	0	0	0

By fiscal year, in millions of dollars

	2000	2001	2002	2003	2004
Total Changes in Revenues .....	123	-3,779	730	686	1,802
CHANGES IN DIRECT SPENDING <sup>2</sup>					
Estimated Budget Authority .....	85	20	6	6	7
Estimated Outlays .....	85	20	6	6	7

<sup>1</sup> Represents a loss of taxes to the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds from extending through calendar year 2000 the exclusion of employer-provided educational assistance.

<sup>2</sup> Implementing the bill would also increase spending subject to appropriation, but CBO estimates that such costs would not be significant.

Sources: Congressional Budget Office and Joint Committee on Taxation.

## BASIS OF ESTIMATE

**Revenues:** All revenue estimates were provided to CBO by JCT.

**Direct Spending:** Payment to Territories of Rum Excise Tax. Under current law, a tax of \$13.50 per proof gallon is assessed on distilled spirits produced in or brought into the United States. The treasuries of Puerto Rico and the Virgin Islands receive \$10.50 of the tax assessed on rum manufactured in either territory. In addition, the territories receive payments, at a similar rate, on all rum imported into the United States from any foreign country. Those payments to Puerto Rico and the Virgin Islands are recorded as outlays in the budget.

Under the bill, the governments of Puerto Rico and the Virgin Islands would receive the full \$13.50 per proof gallon for assessments made between July 1, 1999, and December 31, 2000. Based on recent tax and payment data, CBO estimates that increasing the territories' share of the excise tax would increase direct spending by \$85 million in fiscal year 2000 (including \$18 million in retroactive payments for fiscal year 1999) and \$16 million in fiscal year 2001.

**Streptococcus Pneumoniae Vaccine.** S. 1792 would add conjugate vaccines against streptococcus pneumoniae to the list of taxable vaccines and thus would allow for federal payments to individuals for injuries related to those vaccines from the National Vaccine Injury Compensation Trust Fund. CBO estimates that this provision would increase outlays for compensation to individuals by \$4 million over the 2000-2004 period. This provision also would increase federal Medicaid outlays by \$21 million over the 2000-2004 period because Medicaid would be required to pay the excise tax on purchases of vaccines against streptococcus pneumoniae. The federal government purchases about one-half of all vaccines through its Vaccines for Children Program.

In addition, this provision would increase the cost of vaccines purchased under section 317 of the Public Health Service Act. Section 317 would authorize grants to states for the purchase of vaccines under federal contracts with vaccine manufacturers. We estimate that any increase in spending under this section would not be significant and would be subject to the availability of appropriated funds.

## PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

By Fiscal Year, in Millions of Dollars

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in receipts .....	200	-3,738	730	686	1,802	-1,000	468	427	445	441

By Fiscal Year, in Millions of Dollars

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays .....	85	20	6	6	7	7	7	7	7	7

Section 301 specifies that any change in the surplus or deficit resulting from enactment of S. 1792 shall not be counted for purposes of enforcing the pay-as-you-go procedures.

#### ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

JCT has determined that the provision that would add streptococcus pneumoniae to the list of taxable vaccines is an intergovernmental mandate. JCT estimates that the cost of this mandate would not exceed the threshold specified in UMRA (\$50 million in 1996, adjusted annually for inflation).

#### ESTIMATED IMPACT ON THE PRIVATE SECTOR

JCT has determined that the following provisions of the bill contain private-sector mandates: (1) clarify the tax treatment of income and losses on derivatives, (2) add certain vaccines against streptococcus pneumoniae to the list of taxable vaccines, (3) expand reporting of cancellation of indebtedness income, (4) impose limitation on prefunding of certain employee benefits, (5) limit conversion of character of income from constructive ownership transactions, (6) modify installment method and prohibit its use by accrual method taxpayers, (7) limit use of nonaccrual experience method of accounting, (8) deny charitable contribution deduction for transfers associated with split-dollar insurance arrangements, (9) prevent duplication or acceleration of loss through assumption of certain liabilities, (10) require consistent treatment and provide basis allocation rules for transfers of intangibles in certain nonrecognition transactions, (11) limits distributions by a partnership to a corporate partner of stock in another corporation, (12) prohibit allocations of stock in an S corporation employee stock ownership plan, (13) impose 10 percent vote on value test for real estate investment trusts (REITs), (14) change treatment of income and services provided by taxable REIT subsidiaries, with 20 percent asset limitation, (15) modify treatment of closely held REITs, and (16) modify estimated tax rules for closely held REITs.

JCT estimates that the costs of the private-sector mandates would exceed the threshold established in UMRA (\$100 million in 1996, adjusted annually for inflation) in each of fiscal years 2000 through 2004, with the amount of such costs ranging from a low of \$383 million in 2004 to a high of \$1,042 million in 2001.

Estimate prepared by: Revenues: Hester Grippando (226-2270), Payment to Territories of Rum Excise Tax: John R. Righter (226-2860), Streptococcus Pneumoniae Vaccine: Jeanne De Sa (226-9010).

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis; G. Thomas Woodward, Assistant Director for Tax Analysis.

#### MISLEADING ADVERTISEMENT FOR THE FAIRNESS IN ASBESTOS COMPENSATION ACT

Mr. LEAHY. Mr. President, I come to the Senate floor today to stand up for a small business in my home state—the Rutland Fire Clay Company of Rutland, VT.

For the past week, a coalition of 240 special interest organizations have run a series of the same paid advertise-

ments in such Washington-based publications as Roll Call and National Journal's Congress Daily AM. The targets of these interest groups in this expensive ad campaign are, of course, the members of this body and of the House of Representatives. The advertisement uses the recent bankruptcy reorganization filing of the Rutland Fire Clay Company to promote the Fairness in Asbestos Compensation Act, S. 758 and H.R. 1283.

Mr. President, here is a copy of this ad. The headline is: "How asbestos litigation ruined a family business." Then in the body of the advertisement is this pullout headline: "Rutland Fire Clay Files For Chap. 11." Throughout the ad is the history of this 116-year-old Vermont firm as reported in the Rutland Herald on October 19, 1999.

Finally, the ad concludes with this statement: "we believe that the interests of the hundreds of large and small businesses affected by this national travesty, their employees, pensioners, communities who depend on them, and their millions of shareholders warrant your support of the Act as well." I ask unanimous consent that the text of this advertisement be printed in the RECORD at the end of my remarks.

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

(See exhibit 1.)

Mr. LEAHY. Mr. President, I am offended by this slick advertisement. It is clear that the executives on Madison Avenue who crafted this ad want lawmakers—you, me, and all of our colleagues—to believe that the employees of the Rutland Fire Clay Company support the Fairness in Asbestos Compensation Act and that this bill would have helped the Vermont firm avoid reorganization in bankruptcy. Nothing is further from the truth.

Thomas Martin, who is the President of the Rutland Fire Clay Company, and who is named in the advertisement, has written to me to set the record straight. Mr. Martin writes: "I reviewed the bill and my opinion is it would not help Rutland Fire Clay Company reduce this [asbestos litigation] burden, nor would it help other small businesses with thousands of claims. . . . Under S. 758 costs would be apportioned to Rutland Fire Clay Company equally, and thus higher, than under the current system."

Mr. Martin continues: "The advertisement's heading gave the impression that our family business would be 'ruined' and that our 22 employees would be out of work. The truth is that we have worked out a consensual bankruptcy plan which recognizes the value of Rutland Fire Clay Company and its employees. No jobs will be lost and we will continue to serve the fireplace and home repair markets as we have for 116 years."

Finally, Mr. Martin notes: "our firm in no way assisted in preparation of the CAR advertisement nor did we have any knowledge of it until your office sent me a copy."

I ask unanimous consent that the full text of Thomas Martin's letter to me be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 2.)

Mr. LEAHY. I have met with Tom Martin of the Rutland Fire Clay Company and corresponded with him about asbestos litigation. Mr. Martin should be commended for reaching a settlement with his insurers and the trial bar concerning his firm's asbestos problems. Unlike some big businesses that are trying to avoid any accountability for their asbestos responsibilities through national legislation, Mr. Martin and the Rutland Fire Clay Company are trying to do the right thing within the legal system.

Mr. Martin plans to lead the Rutland Fire Clay Company from bankruptcy next year as a stronger firm with a solid financial foundation for the 21st Century. I applaud Tom Martin and the employees of the Rutland Fire Clay Company for their efforts.

Mr. President, I am willing to work with my colleagues on both sides of the aisle and with interested parties to craft fair legislation to help victims and businesses, large and small, affected by asbestos. But exploiting the bankruptcy filing of a small firm in Vermont and using misleading advertisements to promote a flawed bill are not the right ways to advance our consideration of this issue, and they are certainly not an admirable way to attempt to sway opinion in or outside of this body.

I believe the 240 special interest organizations that sponsored this advertisement owe an apology to Tom Martin and the other Vermonters who work for the Rutland Fire Clay Company, and I will remind them of that obligation until they offer that apology.

#### EXHIBIT No. 1

[From the Rutland Herald, Oct. 19, 1999]

RUTLAND FIRE CLAY FILES FOR CHAP. 11

HOW ASBESTOS LITIGATION RUINED A FAMILY BUSINESS: 22 EMPLOYEES AND 50,000 LAWSUITS

Asbestos lawyers would have you believe that only billion dollar companies are affected by the asbestos nightmare. But in reality, more than 300 small businesses, as well as large ones, find themselves today enmeshed in the asbestos litigation mess. This spiraling litigation—filed largely by nonsick claimants who may have been exposed to asbestos, as have a majority of all Americans, but have no physical symptoms or impairment—continues to drive firms to bankruptcy or its brink.

Just last week, Rutland Fire Clay, a small family-owned Vermont manufacturer of furnace and wood stove repair cements, was