

INTRODUCTION OF LEGISLATION TO PROVIDE TAX RELIEF FOR MUTUAL FUND SHAREHOLDERS

HON. JIM SAXTON

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 22, 2000

Mr. SAXTON. Mr. Speaker, our tax code has many features that are economically counterproductive, but few are as destructive as those aimed at personal saving and investment. The current tax system undermines personal saving and investment in many ways, but today I would like to address the tax treatment of mutual fund capital gains distributions. Middle income savers and investors involuntarily receive these distributions from their mutual funds, and must pay tax on them even though they may have sold no shares in the fund. Today, I am introducing legislation to provide a partial exclusion limiting the federal taxation of these involuntary distributions.

Essentially, the current law forces middle income savers and investors to pay tax on capital gains they have not realized. Even if the value of their shares has declined or they have owned them for only a short time, they can be slammed with a huge tax liability. As a recent Joint Economic Committee study pointed out, this tax can reduce the pre-liquidation rate of return by 10 to 20 percent. Furthermore, due to the complexity of the law, many taxpayers can easily pay this tax twice. This is unfair and undermines incentives to save and invest.

In recent years, mutual funds have enabled many ordinary Americans to share in the tremendous economic gains that resulted from the technological innovation, productivity gains, and surge in wealth of the 1990s. Tens of millions of ordinary Americans now have substantial investments in the financial markets, many of them through mutual funds. Federal policy should accommodate these efforts of our citizens to provide for their retirement security, education, housing, and other needs. Federal tax policy should not erect excessive tax barriers undermining the incentives and ability of middle income taxpayers to plan for their own needs.

Today, I am introducing legislation providing a \$3,000 tax exclusion for individuals, and a \$6,000 exclusion for couples, to shield annual capital gains distributions. When taxpayers sell their shares in the mutual fund, they would pay the tax on these gains, but these exclusions would shield most middle income taxpayers from immediate taxation and potentially double taxation on capital gains distributions. Other investors generally are not taxed on an accrual basis on their capital gains, and we should do what we can to level the playing field, and end tax discrimination against personal saving and investment. As the eminent economist Irving Fisher once wrote, "A tax on accretion penalizes those who are rising the social scale, the builders of the nation . . ." The current tax bias against thrift should be a major target of reform for the foreseeable future.

UNITED AIRLINES—US AIRWAYS MERGER

HON. JAMES T. WALSH

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 22, 2000

Mr. WALSH. Mr. Speaker, I want to express my strong reservations about the proposed merger of United Airlines and US Airways. While I am a strong proponent of economic growth and development, this recently announced merger could only have a detrimental impact on Central New York air service and our economy. Congress was told by the airline industry in 1978 that deregulation would bring about greater competition, better service, and lower costs for the consumer. In many of our large, major urban centers this is exactly what happened; however, smaller urban areas haven't seen similar results. Many of these communities find themselves saddled with one dominant carrier and no competition resulting in extremely high airfares.

This combination of the two airlines would not only control about 27 percent of the U.S. market but over 50 percent of the travel market out of Syracuse, which already pays the fifteenth highest airfares in the nation. I cannot support a merger if increased travel costs, possible loss of service, and dismissal of long-time employees are part of the equation.

TRIBUTE TO ROBERT PORCHER

HON. JAMES E. CLYBURN

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 22, 2000

Mr. CLYBURN. Mr. Speaker, I rise today to ask my colleagues to join me in paying tribute to Robert Porcher III, for being honored "Father of the Year" at The National Fatherhood Initiative (NFI) Annual Awards Banquet held on June 2, 2000. The National Fatherhood Initiative was founded to stimulate a national movement while confronting the growing dilemma of father absentia. NFI is dedicated to improving the lives of children by increasing the number who have involved, committed, and responsible fathers.

In a league that has been shrouded with negative media coverage on irresponsible fatherhood, Robert Porcher was one of the first athletes to take a stand for responsible parenting. He has been a humanitarian, actively participating in Detroit's United Way as the official spokesman; a philanthropist, making a lifelong commitment to provide funds enhancing public awareness, increased educational opportunities, and aid to economically disadvantaged individuals; and a mentor, providing deserving youth with scholarship assistance and recreational activities through the Robert Porcher Scholarship Award and Top of the Line Football Camp.

Always committed to his educational endeavors, Robert graduated from Cainhoy High School in Wando, South Carolina. In 1992, he matriculated at South Carolina State University where he earned a Bachelor of Science degree in criminal justice. During his outstanding collegiate career, Robert was named 1991 Walter Camp All-American and 1991 MEAC Defensive Player of the Year. He entered the

National Football League as a first-round draft pick by the Detroit Lions.

Mr. Porcher is a spectacular athlete, devoted father, advocate, humanitarian, and philanthropist. He is a man of extraordinary kindness and courage, intellect and eloquence. Mr. Speaker, please join me in honoring Robert Porcher, III, for his outstanding work as an exemplary father, athlete, and role model.

INTRODUCING THE PUBLIC INVESTMENT RECOVERY ACT OF 2000

HON. MICHAEL E. CAPUANO

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 22, 2000

Mr. CAPUANO. Mr. Speaker, today I filed the Public Investment Recovery Act of 2000. This legislation would enable the Federal Government to recover a portion of the taxpayer dollars currently used to develop pharmaceutical, biologic and genetic products.

It is important that both Congress and the pharmaceutical industry recognize that the American people, through Federal tax money, contribute substantially to the development of new drugs. Sadly, many of these same taxpayers are without prescription drug coverage and cannot afford the high costs of these medications.

Consider a recent report in the New York Times which focused on the hardships of one of our nation's senior citizens who has no prescription drug coverage. The gentleman featured in the report depends on an \$832 monthly Social Security check to survive. Tragically, these funds are not enough to pay for the eye drops he needs to battle his disabling glaucoma. Yet, the drug he so desperately needs—Xalatan—was developed with significant investment by the National Institutes of Health; an investment funded primarily by the ordinary American taxpayer.

The fact is a significant portion of the drugs sold on the market have benefited from taxpayer investment. How much? The answer is not clear; the pharmaceutical industry is protective when it comes to the costs of drug research and development. What is clear is that in 1999, alone, the top 12 drug companies made over \$27.3 billion in profits. Moreover, a study done in 1995 by the Massachusetts Institute of Technology found that 11 of the 14 drugs identified by the pharmaceutical industry as the most medically significant in the past 25 years (1970 to 1995) were developed with taxpayer dollars.

We cannot continue to fund basic research that allows the pharmaceutical industry to generate such substantial profits while consumers are required to pay excessive prices for their prescription drugs. The Public Investment Recovery Act of 2000 will recoup a portion of the initial federal seed money for the government which could then be used to finance additional research and development efforts as well as to strengthen a Medicare prescription drug benefit. As stakeholders in our national research efforts, we should not be asked to contribute to research without the benefit of having access to affordable medicine that this research yields.