

THE INDIVIDUAL TAX
SIMPLIFICATION ACT OF 2003

HON. RICHARD E. NEAL

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 1, 2003

Mr. NEAL. Mr. Speaker, today I am introducing "The Individual Tax Simplification Act of 2003," and I invite all my colleagues to join me in sponsoring this legislation, which is identical to legislation I filed last Congress.

The tax code seems to get more and more complex each year, despite calls for simplification. Recently, the Joint Tax Committee determined that taxpayers are increasingly relying on paid return preparers, up 27 percent over a decade. Over the same period, the reliance on computer software has jumped from 16 percent of returns filed to 46 percent. Tax code complexity leads not only to taxpayer frustration and confusion, but also increased costs. Tax code complexity also leads to difficulties for the IRS in administering our tax laws fairly and consistently.

The simplification bill that I have re-introduced will eliminate hundreds of lines from tax forms, schedules and worksheets. I believe that it is possible and preferable to accomplish simplification in a revenue neutral manner, and without moving money between economic income groups. While some may argue that there is no constituency for simplification, I would say that is certainly changing. One survey found that two-thirds of taxpayers said the federal tax system is too complicated, up from barely 50 percent five years ago.

The Individual Tax Simplification Act has three parts. The first is based on legislation I introduced in the last three Congresses regarding nonrefundable personal credits. The second part simplifies the taxation of capital gains. The third part repeals two hidden marginal tax rates on high-income individuals, and repeals the individual minimum tax.

Title I—Simplification Relating to Nonrefundable Personal Credits

In recent years, much tax relief has been given to taxpayers in the form of nonrefundable credits, like the education credits. These credits are not usable against the alternative minimum tax. That means that more and more individuals will lose all or part of these credits, and will have to fill out the extremely complicated Alternative Minimum Tax (AMT) form. Congress has recognized this problem by enacting a short-term waiver of this exclusion. Congress has also permanently taken the child credit and the adoption credit out of the AMT. Now is the time to finish the job.

The other problem with nonrefundable credits is that the phase-out provisions vary from credit to credit, causing unnecessary complexity. In addition, the same additional dollar of income can result in a reduction in more than one nonrefundable credit. It is fundamentally wrong to promise the American public tax relief, then take all or part of it away in a backhanded manner. This fundamentally flawed policy, enacted in 1997, will get worse each and every year as more American families find themselves to be AMT taxpayers simply because of the impact of inflation, or because of their desire to take advantage of the tax relief we have promised them. Not only that, this situation has gotten much worse since the passage of the 2001 tax cuts.

This bill addresses both concerns. First, it permanently waives the minimum tax limitations on all nonrefundable credits. Second, the bill creates a single phase-out range for the adoption credit, the child credit, and the education credits, replacing the current three phase-out ranges.

Title II—Simplification of Capital Gains Tax

The second title of this bill substantially simplifies taxation of capital gains. Under current law, there are five different tax rates for long-term capital gains, and a complicated, 40-line tax form that must be endured. Moreover, this part of the tax code is already scheduled to get worse because additional rates will take affect under current law in 2006. The solution is clear. Replace this jumble of rates and forms with a simple 38 percent exclusion. Not only will this result in tremendous simplification, but more than 97 percent of individuals would be eligible for modest capital gains tax reductions.

Title III—Repeal of Certain Hidden Marginal Rate Increases, and of the Individual Minimum Tax

The third title of the bill repeals the hidden marginal rate increases in current law, and repeals the individual minimum tax. For many taxpayers, discovery of the Personal Exemptions Phaseout (PEP) and the "Pease," which limits itemized deductions, can be both confusing and disappointing.

Under current law, itemized deductions are gradually reduced by 3 percent of adjusted gross income (AGI) above approximately \$139,000, or by 80 percent of the otherwise allowable itemized deductions for individuals exceeding \$139,000 AGI, whichever is lower. This is known as the Pease provision. In addition, personal exemptions are gradually phased out for incomes between approximately \$139,000 and \$262,000. This is known as the PEP. If we did not hide the effect of these provisions of current law, more people would know that these provisions result in hidden marginal rate increases. Current law has a hidden marginal rate increase, which gets worse as families grow larger. The 2001 tax cuts as enacted provide for gradual phase-out of both of these limitations in 2006, but then the repeal is subject to a sunset. This bill would immediately eliminate both.

The second part of this title is a complete repeal of the individual AMT. The original intent of the AMT was to make sure that wealthy individuals did not overuse certain tax benefits and unfairly reduce their tax burden. Unfortunately, it no longer accomplishes that goal. Since the AMT is not adjusted for inflation, more and more middle income taxpayers are falling into the AMT. In fact, a recent Tax Policy Center report showed that by the end of the decade, the AMT will hit 97 percent of all families with two children earning between \$75,000 and \$100,000. This is not what was intended, especially when you consider that what pushes taxpayers into the AMT now, more often than not, are state and local income and property taxes, personal exemptions, and the nonrefundable credits. The National Taxpayer Advocate has called for the repeal of the AMT, finding that the AMT calculation adds another 12 hours of preparation time for a taxpayer. Certainly, this is not what Congress was trying to accomplish when the AMT was passed.

My suggestion is to repeal it for individuals, and substitute a simple tax on adjusted gross

income. The current hidden tax is dropped, and is paid for with an explicit tax on the same individuals. They get simplification, and we convert a deceptive practice into an open one.

This bill gives the Secretary of the Treasury the ability to set the rate so that this bill would be revenue neutral over ten years. The threshold amount, chosen to mimic the reality of current law, would be \$120,000, and \$150,000 in the cases of a joint return.

Conclusion

This bill provides fairly dramatic simplification of the individual tax system. It eliminates up to 200 lines on tax forms, schedules and worksheets. It is basically revenue neutral, so it can be accomplished during a year when there is no budget surplus to fund tax cuts. It does not attempt to shift money between income groups. The general philosophy behind the bill is that those who benefit from tax simplification of the current code should offset any revenue loss involved.

With only one-third of individuals actually willing to fill out their own forms, it is time for Congress to act. Unfortunately, the reality is that no one wants to pay for simplification no matter how much they support the goal. Here is my suggestion. I am introducing this legislation to continue the discussion I began during the 106th Congress. I am pleased that this Administration has talked about the need for tax simplification. I am also pleased that since I began this effort, the Joint Committee on Taxation and other Members of Congress have joined the debate. I look forward to working with all interested parties in this simplification effort.

IMPROVING EDUCATION RESULTS
FOR CHILDREN WITH DISABILITIES
ACT OF 2003

SPEECH OF

HON. JAMES R. LANGEVIN

OF RHODE ISLAND

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 30, 2003

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 1350) to reauthorize the Individuals with Disabilities Education Act, and for other purposes:

Mr. LANGEVIN. Mr. Chairman, I rise today in opposition to H.R. 1350, reauthorizing legislation for the Individuals with Disabilities Education Act. The reauthorization of IDEA is critical to the educational outcomes of millions of students with disabilities for years to come. I am sorely disappointed that H.R. 1350 represents a lack of commitment to fulfilling the promise of IDEA by failing to fund the law, and even proposes changes undermining the very philosophy of IDEA.

IDEA was enacted with the clear intention of eliminating discrimination against students with disabilities by promising a free and appropriate education to children with disabilities. Even with the increases in IDEA funding over the last several years, the federal government has never lived up to its share of this promise, which was intended to be 40 percent of the cost of special education services. These recent increases touted on the floor of the House have only added up to 18 percent—hardly significant in a time of state budget crises. As schools are forced to dip into their

general education budgets to make up for the shortfall in special education funding, all of America's students are losing out—and those with disabilities are being left behind.

Every year, access to education for students with disabilities is subjected to the federal appropriations process—and every year, it comes up short. I am dismayed that H.R. 1350 fails to provide for mandatory funding, and outraged that the leadership allowed for 14 amendments to be offered on this bill but denied my colleagues and me the opportunity to vote on two proposed amendments that would have guaranteed children with disabilities and their families the access to necessary resources for their education.

Further, H.R. 1350 makes significant substantive changes counter to the philosophy of IDEA. One of many alarming changes is the elimination of a key civil rights protection providing safeguards for students with disabilities in instances where behavior problems may be a manifestation of their disability. Currently, IDEA sets up a structure for initial assessments and intervention plans, so that disruptive or problematic behavior can be avoided or mitigated. In instances where students with disabilities do violate a school code, IDEA currently requires administrators to determine if the offending behavior is a manifestation of a student's disability. If that is the case, then the student, teachers and parents can return to the original behavior plan and find a way to work together to avoid further problems. If that is not the case, the student can then be subjected to the same penalties as a non-disabled student would.

I believe the current disciplinary review process is fair and in the best interest of all students. Even with these protections, students with disabilities are over-represented among students who are expelled. Yet, H.R. 1350 proposes to eliminate the provisions that require both consideration of a child's disability and use of functional behavioral assessments and intervention plans—denying students the safeguards that assure them access to educational services and placing them at significantly greater risk.

I have also heard a strong sentiment against the proposed changes in the Individualized Education Program (IEP) from my constituents, and parents and educators across the country. H.R. 1350 contains a provision to eliminate the requirement of short-term benchmarks, resulting in a negative impact on the effective collaboration between home and schools providing appropriate education and related services to students with disabilities. Measuring student progress against short-term objectives is needed to ensure that student evaluations are regular and based on multiple criteria. I hear stories of students who have achieved the goals set in their one-year IEP in less than that time—this is something that should be acknowledged, celebrated and encouraged—not overlooked. Any steps toward imposing a three-year IEP are steps toward overlooking the progress made in the collaborations that are essential to IDEA.

The reauthorizing legislation also fails to recognize a shortage of qualified personnel that has hampered the full implementation of IDEA for 25 years. H.R. 1350 eliminates language that sets standards for special education service providers. In the No Child Left Behind Act, Congress made it clear that every child should have a highly qualified teacher,

yet H.R. 1350 removes the highest requirement provision—at a time when high standards were never more important. Every contentious issue related to IDEA—discipline, disproportionate representation of minorities, over-identification of students referred to special education—could be better addressed by ensuring an adequate supply of appropriately trained and highly qualified personnel. Ultimately, highly trained professionals make all the difference in providing an appropriate education for any student—students with disabilities are no different.

I urge my colleagues to only support legislation that preserves the spirit and meaning of IDEA. I am disappointed that the reauthorizing legislation we are here to vote on today fails to live up to that standard, and I encourage my colleagues to vote against H.R. 1350.

HONORING LANCE MICHAEL
ARCHBOLD FOR EARNING THE
RANK OF EAGLE SCOUT

HON. SAM GRAVES

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 1, 2003

Mr. GRAVES. Mr. Speaker, I proudly pause to recognize Lance Michael Archbold, a very special young man who has exemplified the finest qualities of citizenship and leadership by taking an active part in the Boy Scouts of America, Troop 134, and in earning the most prestigious award of Eagle Scout.

Lance has been very active with his troop, participating in such scout activities as Camp Geiger, Camp Bartle, Camp Jayhawk, High Adventures hiking in Colorado, floating down Buffalo River and Current River, biking 225 miles of the Katy Trail in Missouri, and Junior Leader Corp for Webelos Day Camp. Over the nine years he has been involved in scouting, he has earned numerous merit badges. Additionally, Lance has held several leadership positions, serving as scribe, den chief, patrol leader, assistant patrol leader, outdoor program manager, co-captain and captain. Lance also has been honored for his numerous scouting achievements with such awards as the Arrow of Light Award, Ordeal Member of the Order of the Arrow, Foxman in the Tribe of Mic-O-Say, the On My Honor Award, and the Duty to God Award.

For his Eagle Scout project, Lance helped the Independence visitors center for the Church of Jesus Christ of Latter-Day Saints with their annual Christmas tree display for the community. He built stands for each tree they had on display so the trees would not tip over. The organization has used them for two years now.

Mr. Speaker, I proudly ask you to join me in commending Lance Michael Archbold for his accomplishments with the Boy Scouts of America and for his efforts put forth in achieving the highest distinction of Eagle Scout.

REINTRODUCTION OF THE VET-
ERANS HOUSING FAIRNESS ACT

HON. CAROLYN B. MALONEY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 1, 2003

Mrs. MALONEY of New York. Mr. Speaker, today, I introduce legislation that allows veterans to use their guaranteed VA loans to purchase co-operative housing units. FHA and other government agencies already have programs to give loans for co-operative residential units, and most banks accept co-operative shares as collateral. The Department of Veterans Affairs should do the same. For many veterans who live in communities where co-operative housing is common or where the cost of houses and condominiums can be high, a co-operative residential unit is an affordable alternative.

FARMERS INSURANCE GROUP'S
75TH ANNIVERSARY

HON. EDWARD R. ROYCE

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 1, 2003

Mr. ROYCE. Mr. Speaker, I rise today in recognition of Farmers Insurance Group's 75th Anniversary and Diamond Jubilee, which it celebrated on March 28, 2003. This year commemorates the company's three-quarters of a century of serving tens-of-millions of policyholders and customers across the country. Founded in 1928 in Los Angeles by Thomas E. Leavey and John C. Tyler, true entrepreneurs and philanthropists, Farmers has grown into one of the largest and most successful insurance companies in America.

Nationally, Farmers Insurance employs nearly 20,000 individuals and has an insurance agent and district manager force of more than 15,000 strong. In California, Farmers is the largest state-based insurer and employs over 6,000 individuals and has in excess of 4,000 exclusive agents and district managers. These employees, agents and district managers are a valuable financial and insurance resource for their communities. They are also leaders in volunteer service. Over the years, Farmers Insurance Group's employees, agents and district managers have volunteered their time, personal finances and raised millions of dollars for local, state and national philanthropies and charities.

Today, Farmers Insurance remains committed to community service and providing excellence in financial advice and security. Throughout the last 75 years Farmers Insurance Group has emerged as the third largest property and casualty insurer in the country. It is my hope that the company will continue to make great strides forward and will remain a leader in the personal and commercial lines and life insurance industries.

As a Representative from California, where Farmers Insurance Group's home office is located, I am proud to congratulate all employees, agents and district managers on a successful 75 years of service to their communities.