

ourselves as a body. As we stood here this morning and said the Pledge of Allegiance to the Flag, which always makes me proud, to be indivisible, to come together as one body when it comes to our troops—we are going to have our differences. We always have and we always will. But I think it is so important in this time of paying tribute to our armed services, the forces that are out there to defend our freedoms, that we act in a nonpartisan and indivisible way.

I was really saddened today when I picked up the paper and, in what has become a very common manner, there was a sense of making fun about some of the priorities that many of us Democrats had in this recent budget debate. Budgets are all about priorities, and in our household, I run our budget. We sometimes have to cut our spending to make sure we have enough money for college education and other priorities in our household budget.

I had an amendment on the budget which I thought was very important. When the men and women who serve in our Reserves and National Guard are activated, they have health care at that point, but prior to that point, they do not have health care. I think it is equally as important to honor them not just when they are serving but when they are at home preparing and willing to serve.

I do not think it is comical in terms of a Democratic "spend-o-meter." It is my priority that these men and women are important enough to me that I am willing to ask some to delay a tax cut so we can provide that kind of health care to their families and to our men and women serving when they are willing and preparing to serve us in the armed services.

In these continuing debates—we certainly come to the floor to talk about the men and women from our States who serve us in the armed services, who have put their lives in harm's way, to talk about their families at home who are heartbroken, who are anxious, who are in thoughtful prayer—I hope we will also remember in this body as we debate these priorities—whether it is a budget, tax cuts, or any other issue—that we also remember what they fight for: Our ability in this country to have the freedom to disagree but to disagree with respect.

My priorities in that budget were for the service men and women who serve, and I will continue to put them as a priority because when I put my son on that bus this morning, I thought about the rest of those mothers across this country. I thought about those men and women serving us who left family members behind who maybe did not have health care, and I think it is critical. Whether or not we disagree, we certainly respect the differences of opinions that we may have in this body and, for the sake of those men and women who have put their lives in harm's way, that we will not be frivolous with our comments or comical in

the priorities each of us may have, even though there is a difference.

I thank the Chair.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the Senator from Arkansas be allowed to speak for as long as she would like. She is making a good statement, and there is no other Member on the floor. I make that request.

Mrs. LINCOLN. I thank the Senator from Montana. I thank him very much for what he is going to begin, a tax package that really does serve the men and women in uniform. I appreciate his hard work and leadership on that issue.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER (Mr. SUNUNU). Morning business is closed.

ARMED FORCES TAX FAIRNESS ACT OF 2003

The PRESIDING OFFICER. Under the previous order, the Senate will proceed to the consideration of H.R. 1307, which the clerk will report.

The senior assistant bill clerk read as follows:

A bill (H. R. 1307) to amend the Internal Revenue Code of 1986 to provide a special rule for members of the uniformed services in determining the exclusion of gain from the sale of a principal residence and to restore the tax exempt status of death gratuity payments to members of the uniformed services, and for other purposes.

The Senate proceeded to consider the bill.

The PRESIDING OFFICER. Under the previous order, there will now be 3 hours of debate on the bill.

The Senator from Montana.

Mr. BAUCUS. Mr. President, we are now awaiting the arrival of the chairman of the committee. Pending his arrival, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The senior assistant bill clerk proceeded to call the roll.

Mr. BAUCUS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The Senator from Iowa.

Mr. GRASSLEY. Mr. President, it is a privilege for me to be before the Senate again in a working relationship with Senator BAUCUS, the ranking Democrat of the Senate Finance Committee. It is another example of legislation that comes out of our committee in the bipartisan tradition of our committee, and this one came out, I believe, with unanimous support.

I very much appreciate not only the cooperation of Senator BAUCUS, but other members on the Democratic side of the committee, for helping us move along a very important piece of legislation, one that was very important last fall when we did not get it passed but

more important now because it deals with our people in the military and because of what is going on in Iraq at this moment.

We are here today to consider the Armed Forces Tax Fairness Act which the Finance Committee developed during this and the last Congress. This is a particularly somber time in our country as we continue our dangerous operations in the country of Iraq.

The contributions of the men and women of our uniformed services, our reservists and our National Guard, are foremost in our minds, and our thoughts and prayers remain with their loved ones and with families. I particularly wish to extend my condolences to the family of SGT Bradley Korthaus of Davenport, IA, whose death was reported yesterday. SGT Korthaus died while serving his Marine Corps engineering unit in southeast Iraq. So we have before us legislation affecting all of these men and women, legislation to ensure that our service men and women and their families are treated fairly under tax law. It seems to me this legislation is particularly timely.

The military bill we consider today rectifies a number of inequities faced by the uniformed services, our National Guard, and even Foreign Service personnel. For example, this legislation before the Senate now ensures that the families of military personnel called into active duty are not disadvantaged under the home sale exclusion provisions that affect many homeowners in the United States because most Americans are permitted to exclude built-in gain on the sale of their personal residence if they meet certain residency requirements.

The situation for military personnel owning a home is entirely different because we know that military personnel, called to active duty or asked to relocate, do not have the flexibility to meet these residency requirements and are consequently then adversely impacted by these rules. The Tax Code is unfair to them because they have no control over where they are going to live because they are called to meet the command of a military commanding officer to move out to someplace else.

The legislation, then, would suspend the residency test for periods of active duty aggregating no more than 10 years. We should obviously not punish members of our military and their families who are asked to relocate in the name of serving their country and protecting our national security, protecting our freedoms. To that extent, the Tax Code is unfair so that they get punished in ways that people who are nonmilitary and can control more of their lives would not be punished.

Another important issue weighing on the minds of many military personnel called into active duty is the well-being and the care of their children. The Federal Government works to ensure that military families have adequate and affordable access to child

care, as we should. This is an important function of the military during peacetime, but it is essential, even more so, during periods of conflict such as the one we are experiencing in Iraq.

The need is that much more pressing obviously for single parents and dual military career families. This legislation clarifies that dependent care benefits provided to families of the uniformed services will not be treated as taxable compensation.

In recent days, the press has focused significantly on the impending service contributions of our Reserve, military people, and National Guard members. To date, we have more than 200,000 reservists and National Guard being called to active duty, most of them called for the sole purpose of assisting Operation Iraqi Freedom. This includes, in my own State of Iowa, 3,500 men and women who have been called to active duty. We have begun to rely increasingly on these service personnel to defend our borders and serve and protect in other areas of the world, meeting their commitment to our total force concept of the military.

Many of Iowa's reservists have contacted me to emphasize that reservists who travel for training exercises that they do on weekends, or any other time, are required to spend their own money for these travel expenses. If our military is not able to reimburse reservists for travel expenses related to training assignments, we should, at a very minimum, allow these men and women to fully deduct those expenses on their Federal tax returns and not be hit by some threshold that precludes most of these deductions from being taken. Reservists should not be in a position of subsidizing their own military training.

Among other things, this legislation also ensures that military personnel serving in Secretary of Defense-designated contingency operations—and this would include Operation Desert Storm and presumably now Operation Iraqi Freedom—receive appropriate relief from the administrative burdens that our tax laws foist upon them during participation in those operations.

In closing, we all thank the men and women of the U.S. military and Reserve components. The onset of the conflict in Iraq, no doubt, renews our deep appreciation for the tremendous sacrifices and risks that they undertake to protect the freedom of American people and others around the world. It is a perfect time then to ensure that our military is more fairly treated under our country's tax laws. That is what this legislation is all about.

So I thank my colleagues for their consideration of this legislation. I urge each of my colleagues to vote for this very important tax fairness measure, particularly considering the importance of it at this time of sacrifice on the battlefield of Iraq.

I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I rise today in support of the Armed Forces Tax Fairness Act of 2003. On February 5, 2003, the Finance Committee favorably reported the bill by unanimous voice vote.

As the conflict in Iraq continues, our thoughts are with the men and women who are leading America's response and serving our country. Whether it be the Marines deployed in Iraq, the National Guard supporting our troops, or the Foreign Service Officers serving in dangerous diplomatic posts.

I think in particular of the many men and women in Montana. These men and women have been called to service to defend our Nation. In fact, on September 11 of 2002, the members of the 120th Fighter Wing of the Montana Air National Guard were called on to secure the skies of the no-fly zone over Iraq.

For these dedicated public servants, we are considering the Armed Forces Tax Fairness Act. This bill will not only correct inequities in the current Tax Code that our military men and women are subject to but it will also provide incentives for our dedicated forces to continue their service to America.

These are the men and women who put their lives on the line for our freedom on a daily basis. We need to ensure that the tax laws we pass do not negatively impact them.

It is with these principles in mind that I have moved forward with the introduction of this military tax package and that the Finance Committee favorably reported the bill.

I would now like to describe the provisions included in this critical piece of legislation:

Why is the death gratuity payments provision so important? Under current law, death gratuity benefits are excludable from income only to the extent that they were as of September 9, 1986. In 1986, the death gratuity benefit was \$3,000.

In 1991, the benefit was increased to \$6,000 but the Tax Code was never adjusted to exclude the additional \$3,000 from income. Because of this oversight, the U.S. government has been taxing families for the death of a family member who died in combat.

Just 2 weeks ago, one of our soldiers from Montana, PFC Stryder Stoutenburg, was killed during a Blackhawk helicopter crash. A native of Missoula, Private First Class Stoutenburg was only 18.

His mother will receive the death benefit payment, but will be taxed on half of it. She has already lost so much. It is unfair to also take away part of the small compensation she is receiving.

In 1997, Congress passed legislation revising the taxation of capital gains on the sale of a person's principal residence.

The new law provides that up to \$250,000 or \$500,000 for a married couple is excluded on the sale of a principal

residence if the individual has lived in the house for at least two of the previous five years.

However, when enacted, Congress failed to provide a special rule for military and foreign service personnel who are required to move either within the U.S. or abroad.

Our proposal would permit service personnel and members of the foreign service to suspend the 5-year period while away on assignment. That means that those years would not count toward either the two years or the five year periods.

Senators MCCAIN, GRAHAM, and LINCOLN proposed a bill in the last session to correct this.

The Department of Defense provides payments to members of the Armed Services to offset diminution in housing values due to military base realignment or closure.

For example, if a house near a base was worth \$140,000 prior to the base closure and \$100,000 after the base closure, DoD may provide the owner with a payment to offset some, but not all, of the \$40,000 diminution in value. Under current law, those amounts are taxable as compensation.

We should ensure that those men and women losing value in their homes due to a federal government decision are not adversely affected financially.

The proposal would provide that payments for lost value are not includible into income.

Under current law, military personnel in a combat zone are afforded an extended period for filing tax returns.

However, this does not apply to contingency operations. This proposal would extend the same benefits to military personnel assigned to contingency operations.

It cannot be easy trying to figure out our complicated tax system while you are overseas and protecting our nation's freedom. Those men and women who are sent to uphold democracy and freedom in other countries are confronted with the same filing complications as combat zone personnel.

Contingency operations are just as demanding as combat zone deployment, although not always in the same manner. For example, in our current war on terrorism, this proposal would help members of our Special Forces in the Philippines supporting Operation Enduring Freedom who are just as focused on accomplishing their critical mission as our troops in the Iraqi combat zone.

Some reservists who travel one weekend per month and two weeks in the summer for reserve duty incur significant travel and lodging expenses.

For the most part, these expenses are not reimbursed. Under current law, these are deductible as itemized deductions but must exceed 2 percent of adjusted gross income.

For lower income reservists, this deduction does not provide a benefit, because they do not itemize. For higher income reservists, the 2 percent floor

limits the amount of the benefit of the deductions.

In my home state of Montana, we have approximately 3,500 reservists, 800 of whom travel each month across the state for their training. These 800 reservists pay travel and lodging expenses out of their own pocket.

Montana ranks 48th in the nation for per capita personal income. So, that \$200 expense for reserve duty every month means a lot to the Montana reservist. Yet, they continue selflessly to provide their services to our country at their own expense. For those reservists who travel out of state for their training, this expense is even higher.

This proposal would provide an above the line deduction for overnight travel costs and would be available for all reservists and members of the National Guard.

Currently, qualified veterans' organizations under section 501(c)(19) of the tax code are tax-exempt. In addition contributions to the organization are tax-deductible.

In order to qualify under 501(c)(19), the organization must meet several tests, including 75 percent of the members must be current or former military, and substantially all of the other members must be either spouses, widows, or widowers of current or former military.

The proposal would permit lineal descendants and ancestors to qualify for the "substantially all" test.

It is important that our veterans' organizations continue the good work that they do. But, as the organizations age, they are in danger of losing their tax-exempt status. This bill helps ensure the vitality of these organizations.

I want to ensure that parents in the military can continue their dedicated service once they enter parenthood, with the knowledge that their children are being well taken care of.

The military provides extensive childcare benefits to its employees. Employees at DoD-owned facilities provide childcare services while other areas with non-DoD owned facilities contract out their childcare.

When Congress passed the Tax Reform Act of 1986, we included a provision stating that qualified military benefits are excluded from income. It is not absolutely clear whether childcare provisions are covered under this provision.

The proposal would clarify that any childcare benefit provided to military personnel would be excludible from income.

This bill permits penalty-free withdrawals from Coverdell education savings accounts and qualified tuition programs made on account of the attendance of the account holder or beneficiary at any of the service academies. The amount of the funds that can be withdrawn penalty-free is limited to the costs of advanced education in that calendar year.

Under current law there is no procedure for the IRS to suspend the tax-exempt status of an organization.

This proposal would suspend the tax-exempt status of an organization for any period during which the organization is designated or identified by Executive Order as a terrorist organization.

Current law provides for income tax, estate tax and death benefit relief to soldiers who are killed in a combat zone, victims of the September 11th attacks, the Oklahoma City bombing victims, and the victims of the anthrax attacks.

The crew of the Space Shuttle *Columbia* was heroic in every sense of the word. We have a duty to those who lost their lives for the advancement of science and increasing our knowledge of the world we live in. This legislation makes all of the above benefits available to the families of the *Columbia* crew.

In addition, this bill includes three revenue offsets. First, we improve the collection of unpaid taxes from people who have renounced their American citizenship in order to avoid U.S. taxes.

Second, we extend certain IRS user fees.

Third, we restore the ability of the IRS to permit partial-pay installment agreements with taxpayers.

The Military bill passed by the Senate Finance Committee fixes some of the inequities in our tax code and, more importantly, acknowledges the men and women who are making sacrifices and risking their lives to defend us all.

I thank all of the Members who have contributed to the development of the bill: Senators LEVIN and WARNER of the Armed Services Committee, Senator LANDRIEU for the childcare provision, Senator JOHNSON for the contingency operation provision, Senator DEWINE for the above-the-line deduction, and Senator HARKIN for the Veterans and Expatriation provisions.

I especially thank the Chairman of the Finance Committee, Senator GRASSLEY, who has once again been a partner in the development of important bipartisan tax legislation.

Mr. President, it is important that we continue to show members of the armed forces our support and solidarity during this time of conflict. The War on Terrorism and the conflict with Iraq have brought to light the essential role the armed services play in upholding freedom throughout the world.

I hope to see this military tax equity bill passed by the Senate today, and signed into law by the President swiftly.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The majority leader.

ORDER OF PROCEDURE

Mr. FRIST. Mr. President, I ask unanimous consent that at 1 p.m. today, all time be yielded back on H.R. 1307, the amendment be agreed to, the bill be read a third time, and the measure be temporarily set aside; provided further that the Senate then proceed to the consideration of S. Con. Res. 30, expressing gratitude to our allies; that no amendments or motions be in order to the resolution or preamble; further, that there be 1 hour of debate equally divided between the chairman and ranking member of the Foreign Relations Committee; that at the expiration or yielding back of time, the Senate proceed to a vote on adoption of the resolution, without intervening action or debate; further, that immediately following that vote, the preamble be agreed to; provided further that following that action, the Senate then proceed to a vote on passage of H.R. 1307 as under the previous order.

I further ask unanimous consent that there be 2 minutes equally divided in the usual form prior to the stacked votes.

The PRESIDING OFFICER. Is there objection?

Mr. REID. No objection.

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

Mr. FRIST. Mr. President, as in executive session, I ask unanimous consent that following any stacked votes today, the Senate proceed to executive session for the consideration of the following nominations: Calendar No. 76, James Selna to be U.S. District Judge of the Central District of California; Calendar No. 79, Philip Simon to be a U.S. District Judge for the Northern District of Indiana.

I further ask consent that the Senate then proceed to consecutive votes on the confirmation of the mentioned nominations; further, that following the votes, the President be immediately notified of the Senate's action, and the Senate then resume legislative session.

The PRESIDING OFFICER. Is there objection?

Mr. REID. No objection.

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

Mr. FRIST. Mr. President, I now ask unanimous consent that it be in order to ask for the yeas and nays at this time and with one show of hands.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. FRIST. I now ask for the yeas and nays on the nominations.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. FRIST. Mr. President, I ask unanimous consent that immediately following the last rollcall vote today, there be a period of morning business for tributes to the late Senator Daniel Patrick Moynihan with Senators permitted to speak for up to 10 minutes each.