

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

Mr. FRIST. I ask unanimous consent that the tributes to Daniel Patrick Moynihan, the late Senator from New York, be printed as a Senate document, and that Members have until 12 noon, Friday, April 11, to submit said tributes.

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

#### MEASURES PLACED ON CALENDAR—S. 711, S. 712, S. 718 and S. 721

Mr. FRIST. Mr. President, I understand there are four bills at the desk which are due for a second reading. I ask that it be in order to read the titles of the bills en bloc.

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

The clerk will state the bills by title.

The legislative clerk read as follows:

A bill (S. 711) to amend title 37, United States Code, to alleviate delay in the payment of the Selected Reserve reenlistment bonus to members of Selective Reserve who are mobilized.

A bill (S. 712) to amend title 10, United States Code, to provide Survivor Benefit Plan annuities for surviving spouses of Reservists not eligible for retirement who die from a cause incurred or aggravated while on inactive-duty training.

A bill (S. 718) to provide a monthly allotment of free telephone calling time to members of the United States Armed Forces stationed outside the United States who are directly supporting military operations in Iraq or Afghanistan.

A bill (S. 721) to amend the Internal Revenue Code of 1986 to expand the combat zone income tax exclusion to include income for the period of transit to the combat zone and to remove the limitation on such exclusion for commissioned officers, and for other purposes.

Mr. FRIST. Mr. President, I ask unanimous consent that the Senate proceed en bloc to the measures, and I object to further proceeding en bloc.

The PRESIDING OFFICER. Objection having been heard, the bills will be placed on the calendar.

#### ARMED FORCES TAX FAIRNESS ACT OF 2003—Continued

Mr. DEWINE. Mr. President, I rise today to share my strong support for this much needed and much deserved military tax package. I commend Chairman GRASSLEY and my many colleagues who have worked so hard on this bill for such a long time. As we all know, this tax package is long overdue.

As my colleagues know, the Armed Forces Tax Fairness Act of 2003 would provide critical tax relief to our service men and women. Specifically, this bill would remedy several tax problems that unfairly penalize the men and women serving in our military and Foreign Service. Certainly now, more than ever, we must correct these inequities. It is the right thing to do.

Mr. President, there are many service men and women from my home

state of Ohio serving in our military today. My wife, Fran, and I pray for all of them and their families—we pray that they will be safe, wherever they are and in whatever capacity they are working. Many of these courageous men and women are in Iraq right now. Four of them from Ohio have been injured or are listed as missing. Both Army CPT Gregory Holden from Huron, OH, and Marine Corps Sgt. Jose Torres from Lorain, OH, have been injured in the war. And Army PVT Brandon Sloan from Bedford Heights, OH, and Marine Corps MSgt Robert Dowdy from Cleveland are listed as missing. I would like their families to know that we are praying for them. We pray for their recovery and their safe return home.

Mr. President, as we debate the merits of this bill, I would like to take a moment to discuss a specific provision that I have worked on for more than two years—and that is a provision that would allow our National Guard and Reserve members to take deductions for travel expenses incurred getting to and from duty assignments. This initiative stems from legislation I first introduced two years ago, and then again this past January.

Specifically, the provision would provide a tax deduction for overnight travel costs incurred more than 100 miles from the taxpayer's home. These expenses include meals, transportation, and lodging up to the amount allowable under Department of Defense per diem allowances.

Mr. President, this provision is a positive step in the right direction, as approximately 225,000 Reservists and Guardsmen incur significant out-of-pocket expense—expenses that often match or even exceed their military take-home pay.

The restoration of the tax deductibility of these expenses would help alleviate the personal and financial costs of these individuals' patriotic efforts. And, quite frankly, our servicemen and women should not be put in the position of subsidizing their own training.

I thank Chairman GRASSLEY, Senator BAUCUS, and the Finance Committee for working with my office to include my provision. I also would like to thank Senator MCCAIN and my 61 colleagues who co-sponsored this legislation with me last year. The incredible number of bipartisan co-sponsors demonstrates the widespread support our legislation carries, as well as the tremendous support we all share for our troops.

Mr. President, we owe these brave Americans our thanks and our deep and abiding gratitude for their service and dedication to our country and all that it represents. Whether in the streets of Baghdad, the deserts of Kuwait, or the caves of Afghanistan, we must never forget those men and women, who serve to uphold the ideals of our great Nation.

They have sacrificed so much not only to protect our freedom, liberty,

and way of life here at home, but also to promote those ideals abroad.

Mr. President, this entire military tax package is an important sign of support for those called to serve, as well as their families. I urge my colleagues to support it.

I thank the Chair and yield the Floor.

Mr. BAUCUS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The 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.

Mr. BAUCUS. Mr. President, thousands of men and women from Montana are currently stationed overseas, be it in Iraq, Afghanistan, South Korea, Southeast Asia or in other supporting missions throughout the United States and the rest of the world.

These brave and dedicated soldiers have chosen to join the Armed Forces and protect our country, which is one of the highest forms of service there is. They are putting their lives on the line to protect the freedom and security of the United States. I take my hat off to them.

To date, Montana has sent almost 700 Reserve forces into Active Duty. Malmstrom Air Force Base has 105 airmen deployed overseas, including 50 members of the 819th Red Horse Squadron. Earlier this month 114 members of the Red Horse Squadron came home after being deployed in southwest Asia for five and a half months. The airmen are supporting six different operations around the world in southwest Asia, supporting no-fly zones in Iraq or in Afghanistan.

About 390 Army Reservists from Montana have been deployed. From Great Falls, the 889th Quartermaster Company unit—with 119 members—recently received mobilization orders along with 100 members of the 4225th U.S. Army Hospital.

From Missoula, 58 soldiers from the 279th Engineer Battalion and 16 soldiers from the 823rd Transportation Detachment have been activated. And out of Billings, 161 members of the 592nd Ordnance Company recently received their orders. Most of these army Reservists will take part in Operation Enduring Freedom.

Montana's Air National Guard has also contributed significant human resources. 210 members of the 120th Fighter Wing have been activated flying in the no-fly zone over Iraq.

Montana's Army National Guard has contributed about 125 Army Guard members, many of which are at other bases throughout the United States taking part in Homeland Security measures.

Thirty-five members of the 443rd Petroleum, Oil and Lubricants Supply Company have been mobilized to assist

with base security at the 120th Fighter Wing unit on Gore Hill outside of Great Falls, MT. Forty-five soldiers from the 495th Transportation Battalion are taking part in Operation Enduring Freedom. Eight ground-air liaison teams are in Fort Sill, OK, and 2 UH60 Helicopter pilots are in Fort Benning, GA.

Most certainly, I do not want to forget the thousands of Active Duty Army, Navy, Air Force and Marines from Montana stationed elsewhere throughout the Nation and overseas.

These soldiers are sons and daughters, brothers and sisters, fathers and mothers. And like you and I, they have families to take care of and worry about. They have personal lives to attend to, bills to pay and tax forms to fill out. As they are stationed far away, they are worried about how their children are doing in school and how their husbands or wives are coping with the distance. It is not easy.

Every day they are putting their lives back here on hold and instead putting their lives on the line to protect the rights we hold so dear.

With all of the worries they are facing, I am urging for passage of the military tax bill so we can take one, or two, burden off of their minds.

These men and women should not have to worry about whether or not their deployment changes their residency for tax purposes. They should not have to worry about whether or not they can afford their weekend training, nor should they ever have to worry about whether their death could result in an undue tax burden to their family.

One of the best ways we can support our troops is by doing everything we can to ensure that they and their families are taken care of. As a tribute to our Armed Forces, I cannot think of a better way to support them than by passing the military tax bill and allowing them to focus on their mission rather than their finances.

I encourage my colleagues to show their support for our troops today by voting in favor of the Armed Forces Tax Fairness Act.

Ms. LANDRIEU. Mr. President, I know that my friends and colleagues, Senator GRASSLEY from Iowa and Senator BAUCUS from Montana, share my concerns about the safety and welfare of our troops in the field and their families at home. With the deployment of the 389th Engineer Battalion and the 106th Aviation Unit from the Iowa Guard and 495th Transportation Company and 411th Support Detachment from the Montana Guard, no one can doubt that the people of the Hawkeye and Big Sky States are making very important contributions to our national defense.

However, I wonder if my friends saw the article in the Washington Post on March 4, entitled "Called-Up Reservists Take Big Hit in Wallet; Families Struggle on Military Salary." I ask unanimous consent that this article be printed in the RECORD.

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

[From the Washington Post, Mar. 4, 2003]

CALLED-UP RESERVIST TAKE BIG HIT IN WALLET; FAMILIES STRUGGLE ON MILITARY SALARY

Spring should be the busy season for the Brinkers' Columbia home improvement business. But instead of cashing in on the jobs that will come up as the weather improves, Lynn Brinker is calling customers to cancel thousands of dollars' worth of work.

It was less than five months ago that her husband, Sgt. Mark Brinker, an Army reservist with the 400th Military Police Battalion, returned from a year-long, post-Sept. 11 deployment to Fort Sam Houston in Texas. To get through that tour, Lynn Brinker cashed in savings bonds meant for the education of their three children, took out a bank loan and borrowed \$15,000 from a relative.

Now, mark has been called up again, this time for the impending war in Iraq, and she doesn't know what they're going to do.

"There is just no way we can make ends meet with him gone again," she said, "It's just ridiculous. We're in our forties, we've worked hard, and we didn't expect to have to be starting all over again like this."

As the Pentagon continues to activate reserve and national Guard troops, some of the biggest sacrifices are being made on the home front. In addition to risking their lives, many soldiers, sailors, airmen and Marines are risking their livelihoods, leaving civilian jobs that pay much better than the military. Families are selling second cars, canceling vacations and postponing paying bills as they steel themselves for drastic reductions in income.

For the reservist on inactive status, the duty can be a welcome source of extra cash. A private with less than two years' experience can pick up \$2,849 a year for one weekend a month of drilling and an annual two-week training exercise. A staff sergeant with six years can get \$4,628. With a call to active duty, the pay bumps up—\$16,282 for a private first class and \$26,448 for the staff sergeant, which is tax-free while the military member is in a combat zone.

There are other benefits. Mortgage and credit card rates are reduced. In some cases, the law prohibits landlords from evicting military families even if they haven't paid rent. And employers are required to take reservists back once they return from duty, with no loss in pension benefits or seniority.

But the package comes nowhere near making up for many civilian salaries.

The reservists are volunteers, of course. They have been reminded repeatedly that active duty could come at any time. But many say they signed up for the several thousand a year in extra pay and other perks, not for war.

"I thought I could get some money for school," said Spec. Robert Moore of Pasadena, who spent a year on active duty with the Army's 443rd Military Police Company after the Sept. 11, 2001, terrorist attacks and was shipped off again last week for training at Fort Lee, Va.—most likely a prelude to deployment overseas. "I think most people just thought: 'We're just the reserves. We're not going anywhere.'"

Sgt. Kevin Green hears similar comments from his Army National Guard troops in the 1229th Transportation Company.

"They don't want a weapon in their hands, riding around in another country, worried that they won't come back," he said.

As of last week, 168,083 reserve and National Guard troops were on active duty, including thousands from Washington, Mary-

land and Virginia. They have guarded al Qaeda and Taliban detainees from Afghanistan at Guantanamo Bay in Cuba and patrolled Iraq's no-fly zone. Now, area troops are getting ready to set up refugee camps in northern Iraq and to transport equipment to the front lines. In the Maryland National Guard, 3,000 of 8,000 members have been called up since Sept. 11, 2001.

"The military can't conduct a war without the National Guard and reserve components," said Maj. Charles Kohler, a spokesman from the Maryland National Guard.

Green's unit probably will be placed somewhere in the Middle East, he said. He doesn't yet know where, but it will be a world away from his civilian life, where he has two children and is in charge of Sears deliveries in Maryland. While on active duty, he expects to lose about \$1,000 a month, the equivalent of his monthly mortgage payment.

Green was called up during the Persian Gulf War, and this time around, he thought he knew how to prepare. But still he was caught somewhat off guard.

"You try to put a few dollars away in case of an emergency," he said. "But this isn't an emergency; this is a crisis."

Now, he's praying for two things: "I hope we win the lottery, or at least that our car doesn't break down."

His fiancée, Wanda Jones, will have to work overtime at her pharmaceutical company job to help make up the difference. And they've already had a conversation about finances when he's gone.

"I'm going to cut out shopping at the mall," she said.

Some firms continue to pay troops on active duty, or at least to make up the difference between military and civilian pay. A survey by the Reserve Officers Association of the United States found that of the 154 Fortune 500 corporations that responded to a query, 105 make up the differences in pay. Last year, just 75 of 132 responding companies did so, and in 2001, the number was 53 of 119.

Army Reserve Sgt. Jeffery Brooks, a fraud detection manager from Woodbridge, said his company, Capital One, has agreed to pay him the difference. Otherwise, he would be losing 42,200 a month. "I'd be in real trouble," he said.

Daniel Ray, editor in chief of bankrate.com, an online financial information service that helps reservists, said many people are not so lucky. "Those are generous bosses to have," Ray said. "But if you're self-employed, or you've built up your practice over the years, it can be very hard. When you go away, your practice dries up. Then it doesn't just affect you but your secretary and the people who rely on you."

Not everyone takes a financial hit. Army Reserve Lt. Orlando Amaro would make the same amount guarding a POW camp in Iraq as he does as a D.C. police officer patrolling the streets of Columbia Heights. If he is shipped overseas, where his income wouldn't be taxed, he may come out ahead.

"It won't affect me at all," he said.

Lynn Brinker isn't thinking about coming out ahead. She may sell the Chrysler she and her husband recently bought. She wants desperately to let her 12-year-old son, Chris, continue private viola lessons, and for Kevin, 10, to keep up with the trumpet. She wonders whether she'll be able to afford the registration fees and equipment for youth hockey in the fall.

"My thinking is we'll tap this line of credit and try to keep my kids' lives as normal as possible while their father is away. It's very traumatic for them," she said.

"People may say, 'Well, he signed up for this. You knew this could happen.' But he was away for an entire year, and then leaves

four months later. And now we don't know how long he'll be gone. I don't think he signed up for that."

Ms. LANDRIEU. This Post story captures the reality of reservists who are called to war and are asked to make the double sacrifice of enormous pay cuts to serve their country.

Because of stories like these in my home State, and across the country, I introduced S. 442, the Reservists and Guardsmen Pay Protection Act. This bill would provide a tax credit to employers who take the patriotic step of covering the difference between their employee's pay and as a civilian, and their pay as a soldier. The tax cut would cover 50 percent of the amount, and last for 1 year. Additionally, the Senate just passed a budget resolution that calls for \$350 billion in tax cuts over 10 years. Certainly, we should ensure that there is room in this tax cut to both promote economic growth and benefit the men and women in uniform willing to risk their lives in defense of this great Nation.

As the chairman and ranking member know, I have been a strong supporter of Senate Bill 351, the Armed Forces Tax Fairness Act. It contains a provision that I introduced as separate legislation relating to dependent care benefits for military personnel, and I very much appreciate Senator GRASSLEY's and Senator BAUCUS' effort to include these provisions in the bill.

However, I think it would be a terrible mistake to ignore this looming question that affects so many Reservists and Guardsmen, especially after agreeing to \$350 billion in tax cuts. S. 442 is both stimulative and necessary for the men and women on the front lines, as well as their families back at home. So, I ask my friends, the distinguished chairman and ranking member of the Senate Finance Committee, can anything be done to address this problem?

Mr. GRASSLEY. I thank the junior Senator from Louisiana for her bringing this important issue to the committee's attention. The Congress has an obligation to see to the well being of the men and women who are defending this Nation even now. For these reasons, the committee has adopted S. 351, and we would like to pass that legislation immediately. I know it contains provisions of deep interest to the Senator from Louisiana, and she would agree that the sooner they are enacted the better. However, I share her concern about the need to take whatever steps we can to support our troops and their families. For a variety of reasons, I do not believe that the S. 351 is the correct vehicle to address this problem. I do recognize that the issue appears to have drawn broad support as similar proposals have been introduced by Senators DEWINE and ALLEN. I say to my friend from Louisiana, I will work with her and Senators DEWINE and ALLEN on including the Reservists and Guardsmen Pay Protection Act in the reconciliation package that we will bring to the floor soon.

Mr. BAUCUS. I share the sentiments of Chairman GRASSLEY. I would support tax treatment for our Guardsmen and Reservists like that proposed by Senators LANDRIEU, DEWINE, and ALLEN. S. 351 is not the appropriate venue, but the reconciliation package should achieve the goals of S. 442. The junior Senator from Louisiana is correct that the \$350 billion tax package should contain both tax cuts to promote growth and benefit the quality of life for the men and women in the United States Armed Forces.

Ms. LANDRIEU. Mr. President, I appreciate the chairman's offer and the ranking member's offer, and look forward to working with them to include this important legislation in the reconciliation bill this year.

Mr. BAUCUS. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The 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.

Mr. BAUCUS. Mr. President, earlier I paid tribute to Senator Daniel Patrick Moynihan. There is a provision in the legislation we are considering which was very near and dear to the heart of Senator Moynihan, and that is the expatriation provision contained in this bill. It was actually developed by Senator Moynihan and Senator Roth several years ago. That is the genesis of this provision.

As we know, there are many men and women overseas fighting for our country. For example, there are currently about 300,000 in Iraq. At the same time, there are individuals who attempt to escape their patriotic duty. While we have 300,000 men and women over in Iraq, other individuals are attempting to escape their patriotic duty. They relinquish their U.S. citizenship. Why? One basic reason: In order to avoid supporting the United States through taxes.

Between 1991 and 2002, approximately 6,500 U.S. citizens have expatriated; that is, they gave up their U.S. citizenship. In 1966, as part of the Foreign Investors Tax Act, Congress created an alternative tax regime for U.S. citizens who expatriated in order to avoid paying taxes. The alternative tax regime taxes a former citizen on U.S. property for 10 years after expatriation.

These tax rules were strengthened in 1996 following press reports and congressional hearings indicating that very wealthy individuals expatriated while maintaining significant contacts with the United States.

Unfortunately, these changes to the law have not deterred citizens from expatriating to avoid paying U.S. taxes. The changes simply never worked as Congress intended.

This year, the Joint Committee on Taxation published a study on indi-

vidual expatriation. According to the Joint Committee, there is virtually no enforcement of the special tax and immigration rules applicable to tax-motivated citizenship relinquishment and residency termination.

The Joint Committee also said that present law has been highly ineffective. Present law continues to provide tax incentives for individuals to expatriate. It also is difficult to collect U.S. taxes on former citizens who are no longer physically present in the United States.

Additionally, a study conducted by the General Accounting Office concluded that the IRS did not have a systematic compliance effort. That means that we are not even enforcing the alternative tax regime that is on the books.

That means a former citizen could avoid the alternative tax regime by holding foreign assets—which are not taxed. Or by waiting until the 10-year period expires before disposing of U.S. property.

The Armed Forces Tax Fairness Act includes a new system to address tax-motivated expatriation. Under this legislation, any U.S. citizen or long-term resident who relinquishes their U.S. citizenship or residency will be subject to an exit tax on the gains attributable to property owned during their U.S. citizenship.

Under this proposal, if the gain exceeds \$600,000, then a former citizen will be taxed on the net unrealized gain on property—as if it were sold at fair market value 1 day prior to expatriation. The Treasury Department believes that this new system will greatly improve the administrability of the tax on expatriates. The new system imposes the tax at the time the individual leaves the U.S. jurisdiction.

Additionally, by including foreign assets within the regime, this eliminates a significant incentive for tax-motivated expatriation.

This expatriation provision will raise \$700 million. The military bill uses that \$700 million to provide tax benefits to military personnel.

In contrast, the House version of the military bill is simply a modification of the current alternative tax regime. It raises \$328 million. The House version will not go far enough. It simply adds more provisions for the IRS to enforce. This strikes me as odd considering none of the current provisions is being enforced.

Sometimes the laws just do not work the way Congress intended. So, we must change the laws to ensure they are effective and administered as Congress intended.

The current system to tax expatriates does not work. We have had nearly 40 years to make the system work. We should not wait any longer to collect taxes on those who do not value the freedoms our nation provides.

The new proposal does not seek to tax expatriates on income earned after expatriation. It just says they have to

pay tax on the income earned while they were a U.S. citizen. While our military protected them.

I thank former Senator Bill Roth and the late Senator Daniel Patrick Moynihan, who developed this proposal several years ago. And I thank Senator HARKIN and others who have continued to work on this in the 107th Congress and this year.

AMENDMENT NO. 433

(Purpose: In the nature of a substitute)

On behalf of Senator GRASSLEY and myself, I call up amendment numbered 433.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Montana [Mr. BAUCUS], for Mr. GRASSLEY, and Mr. BAUCUS, proposes an amendment numbered 433.

Mr. BAUCUS. I ask unanimous consent reading of the amendment be dispensed with.

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

(The amendment is in today's RECORD under "Text of the Amendment.")

The PRESIDING OFFICER. The Senator from Virginia.

Mr. WARNER. Mr. President, I rise in strong support for this piece of legislation. I compliment my long-time friend, the Senator from Montana, for his work. We have enjoyed many projects together over the quarter of a century, and our distinguished Senator GRASSLEY has taken a strong hand, as always, on matters regarding revenue and also the Armed Forces of the United States.

If I had named this bill, I would have called it the Armed Forces Family Tax Fairness Act of 2003 because as I have studied this legislation and made some contribution to the text of it, I have always had in mind the families of the men and women of the Armed Forces and others who serve in the cause of freedom for our citizenry the world over, who take enormous risks and, frankly, accept the hardships which for those who would lead sort of a normal life are hard to understand.

Traveling about the world, most recently with Senators LEVIN and ROCKEFELLER and my colleague from Kansas, covering that area in Pakistan and Qatar, Kuwait, we saw firsthand the brave men and women not only in uniform but the agency staff and others who hopefully will benefit from this legislation.

I compliment my two colleagues on their timely action in extending these tax benefits to military and Foreign Service personnel and to the families of the Space Shuttle *Columbia* astronauts.

At this historic moment in history, with Operation Iraqi Freedom in progress, it is fitting we take every opportunity to express appreciation we have for our men and women in uniform. Certainly one way to do that is to place a priority on legislation en-

hancing the compensation of Active-Duty, Reserve, and National Guard personnel, and their families.

In the Armed Services Committee, we also are engaged in such an effort and we do it annually. I assure my colleagues that in connection with the fiscal year 2004 Defense Authorization Act, we do our utmost to make sure every aspect of pay and benefits is closely examined.

With respect to the legislation before the Senate, I am particularly pleased to support the provision of capital gains relief to military homeowners in connection with the sale of their residence. This relief, which recognizes realities of military service, is long overdue.

Senator MCCAIN introduced legislation last year, S. 1678, and I was happy to be a cosponsor and sought to achieve this purpose with him and others. I also view as particularly timely and well justified the provisions that are above-the-line tax deductions to Reserve and National Guard personnel who incur out-of-pocket expenses as a result of training operations and those benefiting the families of the Space Shuttle *Columbia* heroes.

It is fitting as hundreds of thousands of our military personnel—and many are engaged not only in the battle in Iraq but Afghanistan, which our group recently visited, and other trouble spots of the world—that the Senate recognize their contributions to freedom and the sacrifices they and their families make.

There are roughly 290 million citizens in this country. There are on active duty today about 1.5 to 1.6 million individuals. The normal standing force of the active forces of the United States runs about 1.2 to 1.3 million. Now with the augmentation of so many being called in the Reserve and the Guard to active duty, that is somewhat larger. However, that group represents only one half of 1 percent, roughly, of the population of 290 million citizens in this country.

We should always be mindful that so many are on active duty, particularly those engaged in armed combat, those who are on the television screens 24 hours a day now, assuming these courageous roles they are taking in combined forces, trying to free the Iraqi people of the bondage of these many years and to remove the weapons of mass destruction which threaten the very Members who occupy this Chamber from time to time. If those mass weapons spread throughout the world through the net of terrorism, small quantities of biological and other types of weapons of mass destruction could reach our shores and, indeed, inflict enormous harm against our people.

This is a very small group, less than ½ percent, who take these risks to preserve the freedoms and give us a greater sense of security here at home.

I hope this bill receives 100 votes. I thank those who made it possible.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield whatever time the Senator from Arkansas desires.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. PRYOR. Mr. President, I ask unanimous consent that I may speak for up to 5 minutes on the pending bill.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. PRYOR. Mr. President, in these halls we often talk about the need to provide our military personnel with the resources they need to complete their missions. We all acknowledge how unique and important our military personnel and their needs are to us.

It is our responsibility to have a comprehensive picture to know what we need to do to make life better for our men and women in uniform. By that I mean not only salary but that we need to understand their health care needs, their housing needs, pension needs, education needs, disability and employment benefits. It is very important, as we work in Iraq and around the world and as we keep America safe, that we, as Congress, have this important information.

Not long ago, I was in a hearing of the Armed Services Committee, of which I am a member, and we began discussing the home mortgage deduction. One thing I realized was the home mortgage deduction is a very important part of America's financial picture, but also it is an important cornerstone to the American way of life.

As I thought about the home mortgage deduction for military personnel, I realized that the Tax Code is cumbersome and complicated. I could not find one place, one document, that laid out all the provisions in the Tax Code designed to benefit our military personnel.

And on comes the military tax bill, this very important piece of legislation. I commend Senator GRASSLEY and Senator BAUCUS for all their hard work on this bill. But I looked, and I saw a maze of Tax Code provisions, mainly for short-term solutions. Those are important, there is no question about it. But still, I could not find a comprehensive view of tax treatment for our Armed Forces.

So what I am proposing is very simple and very clear; that is, I would like to ask the GAO and the Departments of Defense and Treasury to provide us with a comprehensive study of the tax treatment of U.S. military personnel, along with a complete study of the financial conditions of our troops. And I would request they make recommendations on whether the Tax Code could be used to improve the unique financial conditions of our troops.

This powerful information will help this Congress, help this administration, and also help our men and women in uniform. This one document could be a very powerful tool for us to help our men and women in uniform.

However, at this juncture, I do not want to slow down, in any way, this

very important bill on which Senator GRASSLEY and Senator BAUCUS have spent so much time. I support their efforts to move this bill through quickly. We all understand how important that is.

Therefore, I am not asking that my amendment be adopted. But what I am asking, very respectfully, is that Senators GRASSLEY and BAUCUS join me in a letter asking the GAO to do what our amendment otherwise would accomplish. I thank them for their hard work, and I thank them for their leadership on these very important issues, issues the American people are very concerned with, and issues on which they have shown great leadership.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, that is a very important statement and request that the Senator from Arkansas has made. I can speak on behalf of myself, and I am sure Senator GRASSLEY, that we would be more than honored to join with the Senator from Arkansas in making that request. It is a very timely request. It is one that is very important. Frankly, I am a little bit surprised none of us made that same request that he has made because it is so important, and it is going to give us a lot better idea of the financial condition of our armed services. It is a good idea.

The PRESIDING OFFICER. The Senator's time has expired.

The Senator from Iowa.

Mr. GRASSLEY. Mr. President, I yield myself such time as I might consume.

I associate myself with the remarks of the Senator from Montana. I share Senator PRYOR's interest in a GAO study and will be glad to work with him on a letter. And, obviously, a person such as I, who relies upon the GAO for so much study on matters in which I am involved, would not discourage my colleague from likewise seeking the General Accounting Office's expertise and look forward to what such a study would show in regard to the treatment of our military personnel.

I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, when the space program began in 1959 there were only seven astronauts in the entire country. They all were or had been in the Armed Forces.

That was only 44 years ago and since then, much has changed. Today, astronauts are comprised of Americans from every race, creed, color and gender.

While many still come from the military, the astronaut corps now includes civilian doctors, scientists, and engineers. They are our best and our brightest. They risk their lives to advance our knowledge and understanding of the world.

On February 1, 2003, seven men and women aboard the space shuttle *Columbia* lost their lives. LTC Michael P. Anderson, U.S. Navy CAPT David Brown,

U.S. Navy CDR Laurel Clark, Dr. Kalpana Chawla, U.S. Air Force COL Rick Husband, Naval CDR William McCool, and Israeli Air Force COL Ilan Ram3n will be remembered forever.

Five of the six *Columbia* crew members, from the United States, had military backgrounds. They were national heroes who are deeply missed by their family and friends. Through their dedication to space exploration, they lived their lives to the fullest and made long lasting contributions.

In honor of their sacrifice, I along with 13 of my Senate colleagues, introduced S. 298, the Assistance for Families of Space Shuttle Columbia Heroes Act.

I am pleased that the legislation was included by the Senate Finance Committee as part of the Armed Forces Tax Fairness Act of 2003.

Under the legislation, the families of the Columbia heroes would receive the same benefits as families of military personnel who die in the line of duty.

The provisions are similar to legislation passed in 2001 that provided relief to victims of the September 11, anthrax and the Oklahoma City attacks.

Specifically, the bill expands the class of those eligible for these benefits to include astronauts killed in the line of duty.

The legislation provides income tax relief. Current law generally excludes from tax income received in the year of death or in a previous year for soldiers killed in combat zones, and victims of September 11, anthrax and Oklahoma City.

The legislation expands this benefit to apply to astronauts who die in the line of duty.

The legislation provides death benefit relief. Current law excludes from income any death benefit paid by the U.S. Government to a soldier killed in a combat zone or paid by an employer to the families of the victims of September 11, the anthrax attacks, or the Oklahoma City bombing.

The legislation expands this benefit to apply to death benefits paid to the families of astronauts killed in the line of duty.

The legislation provides for estate tax relief. Current law provides estate tax relief that effectively lowers the estate tax rate to 20 percent for the estates of soldiers killed in combat zones, the victims of September 11, the anthrax attacks or the Oklahoma City bombing.

The legislation expands this benefit to apply to the estates of any astronaut killed in the line of duty.

The best way to honor *Columbia*'s fallen heroes is to promptly pass this legislation and pledge that the goals and missions of NASA will live on in the years to come.

I urge my colleagues to support the Armed Forces Tax Fairness Act of 2003 which includes tax relief for the families of the Space Shuttle *Columbia* heroes.

Mr. President, since September 11, significant progress has been made to

disrupt and dismantle the financial components of terrorist organizations.

Special agents from the IRS and other law enforcement agencies have successfully investigated numerous terrorist related entities—including tax exempt organizations that have engaged in terrorist fundraising.

The Armed Forces Tax Fairness Act of 2003 contains a provision that would suspend the tax-exempt status of any organization designated by U.S. authorities as a terrorist organization or supporter of terrorism.

There is no procedure under present law for the IRS to suspend the tax-exempt status of an organization.

The IRS can revoke an organization's tax-exempt status only after conducting an examination of the organization.

Even then, the IRS must issue a letter proposing revocation and allow the organization to exhaust its administrative appeals rights.

The provision in this legislation is simply common sense. It is an important weapon in our war on terrorist financing.

An organization that has been designated by the Federal Government as a terrorist organization should not be exempt from Federal income tax. Moreover, contributions to such organizations should not be tax deductible.

Once the Federal Government determines that an entity is a terrorist organization pursuant to certain authority—for example, the International Emergency Economic Powers Act—a separate investigation by the IRS is not necessary.

Further, because a terrorist organization may challenge the Federal government's designation under the law authorizing the designation, recourse to the declaratory judgment procedures of the Tax Code is not appropriate.

If a tax-exempt organization's suspension is determined to be erroneous, the provision would allow tax refunds for any overpayments.

Lastly, the IRS will be required to update its listings of tax-exempt organizations to take into account organizations that have had their exemption suspended. This will give notice to taxpayers that contributions to these organizations are no longer deductible.

I urge my colleagues to support the Armed Forces Tax Fairness Act of 2003.

Mr. President, this bill includes many important changes in the tax treatment of income and benefits received by members of our armed forces. One provision is particularly important for members that face the dual challenge of serving their nation while raising a family. The bill explicitly states that child care subsidies that members of the military receive shall not be subject to income tax.

In 1986, we passed a law which stated that military benefits should not be included in income for tax purposes. The statute lists a number of benefits received by members of the military—

housing allowances, medical benefits, education assistance, and many others. But child care subsidies do not appear on the list.

When we passed this law, the Department of Defense did have a program to assist members of the military in caring for their children. But the importance of this program has increased as the demographics of the members of the military have changed.

There was a time when our forces were primarily young single men. However, times have changed. Twelve percent of the forces are women. Over half of the active duty members are married. Two-thirds of military spouses work outside the home. Six percent of members are married to another member of the military. And 6 percent are single parents.

Young single soldiers are no longer the norm. Recognizing these changes, the Department of Defense has placed a reinforced importance on assisting military families.

The Department of Defense recognizes the additional challenges faced by military families as they raise children. The average military family moves every two and a half years, making it difficult for them to find quality child care, or friends and neighbors to look to for help with child care responsibilities. And with work schedules that are often long and unpredictable, help is often necessary. In addition, members of the military face the possibility of deployment anywhere in the world at any time.

They now operate over 800 child care centers in the U.S. and abroad. These include child development centers for young children, after-school centers for older children, and other family care programs. They provide night and weekend services as well, to accommodate the often hectic schedules that military families face. All in all, these programs provide care for over 200,000 children every day.

The cost of these programs varies depending on the income of the parents—on average, it is about \$7,700 per child. This cost is shared by the military parents and the government, with each paying about half the cost.

The law is unclear about whether these benefits are subject to income tax. A provision in this bill ends that confusion. It states that these child care subsidies, shall not be included in income, for tax purposes.

As the demographics of the members of the military have changed, so has the policy of the Department of Defense. Now it is time that we follow with these changes to the tax code.

I compliment Senator LANDRIEU of Louisiana, who developed this proposal, and insisted on its inclusion in this military tax bill.

It is one more reason the Senate should pass this legislation today.

I yield the floor.

The PRESIDING OFFICER. Under the previous order, all time is yielded back, amendment No. 433 is agreed to,

and the clerk will read the bill, as amended, for the third time.

The amendment (No. 433) was agreed to.

The amendment was ordered to be engrossed and the bill to be read the third time.

The bill was read the third time.

Mr. HARKIN. Mr. President, I am very pleased that the Finance Committee has moved the important provisions of this bill to the Senate floor and I urge that the bill be passed.

The current Tax Code does not adequately deal with the special circumstances that some in our military face. One of the most important provisions, in my view, is providing for an above-the-line deduction for overnight travel expenses of National Guard and Reserve members.

I have taken a personal interest in a provision included in this measure that provides that descendants of current or former active military personnel may be members of veterans organizations. Without this provision, many local veteran posts which operate food operations will find themselves having to pay unrelated business income taxes as the portion of service to members falls. A large share of the local posts in Iowa are very small operations and this would be a real burden. I introduced legislation in the last Congress and this one which has been included in the bill and I appreciate the inclusion of this provision.

Lastly, I want to discuss the inclusion of a provision that will effectively prevent very rich individuals from reducing their taxes by renouncing their U.S. citizenship. I cannot stress too strongly how disgusting I find this group's behavior. Their number is small, but their cost to the Treasury is significant. The Joint Tax Committee has estimated the savings of this provision at \$700 million over 10 years.

Back in 1996, I became very interested in this issue and introduced legislation on the subject. Senator Monynihan took the lead in the Senate and we passed solid legislation at that time. Unfortunately, the House resisted the provision and successfully proposed a mechanism which has proven to be grossly inadequate.

The Joint Tax Committee staff issued an extensive report on this issue earlier this year with considerable cooperation from the GAO and the Treasury. The report found that "there is little or no enforcement of the special tax and immigration rules applicable to tax-motivated citizenship relinquishment and residency termination." It went to say, "The Joint Committee staff believes that a key reason for inadequate enforcement of the alternative tax regime is the inability to obtain necessary information from individuals." With appendices, the report is over 500 pages in length. But it comes down to a simple point: A small number of people continue to evade U.S. income taxes by turning their back on our country because of the

weakness of the 1996 provisions. That should stop today.

In both this Congress and the last, I introduced legislation with Senator STABENOW to effectively prevent very rich individuals from reducing their taxes by renouncing their U.S. citizenship. It is a companion to a measure introduced by Congressman CHARLES RANGEL in 2002. The Joint Tax Committee now estimates that it saves \$700 million. The savings to the Treasury are important and the reality that people are able to save on their fair share of taxes by turning their back on our country is in some ways even more important. I call them Benedict Arnold.

Under current law, for 10 years after a U.S. citizen renounces his or her citizenship with a principal purpose of avoiding U.S. taxes, the person is taxed at the rates that would have applied had he or she remained a citizen. In reality, the tax is nominally on a broader based of income and on more types of transactions. In addition, if the expatriate dies within 10 years of the expatriation, more types of assets are included in his or her estate. Unfortunately, the reality is that taxes are very often not paid.

Once a person has expatriated and removed U.S. assets from U.S. jurisdictions, as the Joint Tax Committee report notes, it is extremely difficult to enforce the current rules, particularly for an entire decade after the citizenship is renounced. The measure I introduced simply provides that the very act of renouncing one's citizenship triggers the recognition of tax. So, rather than collecting tax every time an asset is sold over the next decade, my bill treats all of the assets of an expatriate as having been sold the day prior to when the person renounces their citizenship. The taxes are due up front rather than over time. In regard to estate taxes, rather than attempting to collect the tax from the estate of an expatriate not in U.S. jurisdiction, my measure taxes the inheritance of an heir who remain in the U.S. in such a way as to remove any tax benefit from the renouncement of citizenship.

Revenue of \$700 million from these very few former citizens is a significant amount of money that must be made up by loyal Americans in the form of higher debt or taxes that Americans will face. Last year, the Senate passed this measure as a part of the Armed Forces Tax Fairness Act but, unfortunately, the House opposed this provision.

I am hopeful that the Senate will strongly resist any effort to weaken these provisions in any way. This is a matter where the Senate should insist that the loopholes be completely closed. It is an area where lobbyists for the Benedict Arnolds should have no success in their efforts to escape their tax obligations.

• Mr. KERRY. Mr. President, I offer my strong support for the Armed Forces Tax Fairness Act and am proud to be a cosponsor of the original bill.

This legislation, among other measures, will remedy several provisions in the Tax Code that needlessly penalize the members of our Armed Forces.

The act eliminates taxes on military death gratuities. It allows service members to benefit from the sale of a home as civilian taxpayers now do by exempting up to \$250,000 of the revenue from the sale of a principal residence even if the owner is away on active duty. It excludes amounts received under the military housing assistance program. It expands combat zone filing rules to include contingency operations. And it takes other sound steps that will benefit Americans who have chosen to serve their country so admirably in our armed services. There is also a provision to assist the families of astronauts lost in the tragic crash of the Space Shuttle *Columbia*.

As a veteran, I hold the dedication and commitment of our military personnel in especially high regard. They are putting their time, talent, energy and, often, their very lives on the line for our Nation. For that, I thank them and am proud to support this legislation.●

Mr. HATCH. Mr. President, I rise today to express my support for the military tax bill that is currently pending before the Senate.

First, I would like to commend Senator GRASSLEY, the chairman of the Finance Committee, and Senator BAUCUS, the committee's ranking Democrat, for their leadership in bringing this legislation to this point. Although this bill has a great deal of support in the Senate and in the House, it has not been an easy process to get it enacted, as the Senate and House each have different versions of the bill. In fact, this legislation was passed in the Senate and in the House last fall in the final days of the 107th Congress. Unfortunately, Congress adjourned before the differences in the bills could be worked out.

As we debate this bill today, hundreds of thousands of our military men and women are in harm's way in Iraq, including 3,000 National Guardsmen and reservists from Utah who have been called into active service. These brave individuals are selflessly risking their lives for their country. Most, if not all, of these people are also making big financial sacrifices to serve in the military. While this bill will not come close to compensating our service people for these financial sacrifices, it will bring some basic fairness to their tax lives.

The tax provisions in this bill are targeted and modest. They are also very much needed. I urge my colleagues to quickly join me in supporting this bill, and I hope the House will join with us in working out the differences in the two versions of this legislation so that these modest relief measures can be quickly sent to the President and signed into law.

Ms. LANDRIEU. Mr. President, our Nation has always risen to the chal-

lenges of war. During such times, Congress has spared no expense to make sure that our dedicated armed services personnel have everything they need to fight and win. We will always meet this obligation.

But the men and women on the battlefield have families back home and there is more that we can do for them. I am talking about the families of the troops from Barksdale, Belle Chasse, and Fort Polk in Louisiana, as well as our guardsmen from all across the State. Every one of my colleagues represents military families. We need to make sure that we support them as well.

That is why today I would like to add my voice of strong support for the Armed Forces Tax Fairness Act of 2003. I congratulate Senator GRASSLEY, the Finance Committee chairman, and Senator BAUCUS, the ranking member, for bringing this bill to the floor today. I urge my colleagues to vote in favor of this legislation.

This bill contains several provisions that would reduce taxes for members of our armed services. The bill would clarify that childcare benefits provided to military personnel are to be excluded from income, a provision based on legislation that I introduced earlier in this Congress, S. 235. In addition, the bill excludes all death gratuity payments from the income of surviving family members. Military and Foreign Service personnel would receive capital gains tax relief when they have to sell a home and move because of reassignment or deployment orders. National Guard and Reserve members would receive an above-the-line deduction for overnight expenses when they travel more than 100 miles from home to attend National Guard and Reserve meetings. There are other important provisions in this bill that give needed tax relief to our families.

I had hoped to include language in this bill to give a much-needed tax break to the employers for Reserve personnel. When a reservist gets called up, as many have, to go fight in Iraq, employers have to keep his or her job open, but do not have to pay a salary to the reservist while they are gone. This can cause an extreme hardship on a reservist's family. While the reservist receives military pay, in many cases this is much less than their civilian pay. Some employers, but not all, will pay the difference between the civilian and military pay, but they do not receive any benefit for this act of patriotism. I introduced S. 442, the Reservist and Guardsmen Pay Protection Act, to give a 50 percent tax credit to these patriotic employers.

I regret that we were not able to include my bill in the Armed Forces Tax Fairness Act. But I deeply appreciate the chairman and ranking member for their commitment to address my tax credit proposal in the future reconciliation package. I look forward to working with them.

Again our men and women in the Armed Forces and their families de-

serve our support. For all these reasons and more, this legislation deserves to pass. I urge my colleagues to join me in supporting this bill.

Mr. MCCAIN. Mr. President, I am proud to be an original cosponsor of the Armed Forces Tax Fairness Act of 2003, H.R. 1307. This important legislation provides Congress with the opportunity to demonstrate our firm resolve to support the men and women who sacrifice so much in the service of our country. I applaud Chairman GRASSLEY's and ranking member BAUCUS' efforts, and those of my colleagues who have worked so hard on these initiatives, in some cases, for many years. I want to particularly thank Senator DEWINE for his stalwart leadership on the above-the-line deduction for expenses incurred by our National Guard and Reserve service members who have to travel great distances for their duty and training.

This long overdue tax benefit for our true citizen-soldiers is even more important today considering these facts: During each of the past 5 years, Reserve and National Guard service members have performed between 12 and 13.5 million duty days in support of the Active Force. These numbers are in a direct contrast to 1990, when 1 million duty days were performed at a time when there were 25 percent more reservists.

Reservists and National Guardsmen currently comprise more than half of the airlift crews and 85 percent of the sealift personnel that are needed to move troops and equipment in either wartime or peacetime operations. In addition, Reserve medical and construction battalions and other specialists are critical to a wide range of operations. Efforts by the Reserve components to move beyond a traditional wartime backup role and to provide peacetime support to active units are thus desirable. The Naval Reserve and Air Force Reserve components have made particularly impressive progress in this area.

The Reserve components are performing many vital tasks: From direct involvement in military operations to liberate Iraq in the air, on the ground, and on the sea; to guarding nuclear power plants in the United States; to providing support to the war on terrorism through guarding, interrogating, and providing medical service to detainees in Guantanamo Bay Cuba; to rebuilding schools in hurricane-stricken Honduras and fighting fires in our Western States; to overseeing civil affairs in Bosnia; to augmenting aircraft carriers short on Active-Duty sailors with critical skilled enlisted ratings during at-sea exercises as well as periods of deployment.

I believe that the civilian and uniformed leadership of our Armed Forces and the Congress must recognize this involvement. At a minimum, Congress must provide equality in benefits for Reserve component service members

when they put on the uniform and perform their weekend drills or other critical training evolutions. Quality of life is not just an Active-Duty obligation that Congress must provide. Reservists, on duty, who resemble their Active-Duty counterparts during training evolutions and are deployed at times around the world, should be treated equally when the administration and Congress provide for quality of life benefits.

I would like to take a moment to discuss a provision in the bill that I have personally worked on for some time. Section 101 would allow members of the uniformed services, as well as State Department personnel who are away on extended duty overseas, to qualify for the same tax relief on the profit generated when they sell their main residence as other Americans. I am pleased to announce that Secretary of State Colin Powell fully supports this legislation, and this legislation enjoys overwhelming support by the senior uniformed leadership, the Joint Chiefs of Staff, as well as the Office of Management and Budget Director Mitch Daniels, the 31-member associations of the Military Coalition representing 5.5 million veterans, the American Foreign Service Association, and the American Bar Association.

The average American participates in our country's growth through home ownership. Appreciation in the value of a home allows everyday Americans to participate in our country's prosperity. Fortunately, the Taxpayer Relief Act of 1997 recognized this and provided this break to lessen the amount of tax most Americans will pay on the profit they make when they sell their homes. Unfortunately, the 1997 home sale provision unintentionally discourages home ownership among members of the Uniformed and Foreign Services.

Under the 1997 Act the taxpayer must meet two requirements to qualify for this tax relief. The taxpayer must: (1) own the home for at least 2 of the 5 years preceding the sale, and (2) live in the home as their main home for at least 2 years of the last 5 years. The second part of this eligibility test unintentionally and unfairly prohibits many of the women and men who serve this country overseas from qualifying for this beneficial tax relief.

Constant travel across the United States and abroad is inherent in the uniformed and foreign services. Nonetheless, some members of these services choose to purchase a home in our communities, even though they will not live there much of the time. Under current law, if they do not have a spouse who resides in the house during their absence, they will not qualify for the full benefit of the home sales provision, because no one "lives" in the home for the required period of time. The law is prejudiced against families that serve our Nation abroad. They would not qualify for the home sales exclusion because neither spouse "lives" in the house for enough time to qualify for the exclusion.

Section 101 simply remedies this inequality in there 1997 law. It amends the Internal Revenue Code so that members of the uniformed and foreign services will be considered to be using their house as their main residence for any period that they are assigned overseas in the execution of their duties. In short, they will be deemed to be using their house as their main home, even if they are stationed in Bosnia, the Persian Gulf, in the "no man's land," commonly called the DMZ between North and South Korea, or anywhere else they are assigned.

With Operation Iraqi Freedom, the global war on terrorism, and continuing operations in Afghanistan, Bosnia, and Kosovo, our Armed Forces are deployed to an unprecedented number of locations. They are away from their primary homes, protecting and furthering the freedoms we Americans hold so dear. It is wrong to penalize them for doing their duty. Military service entails sacrifice. We must do all that we can to ensure that Congress is not adding to the burdens service men and women bear with an unfair Tax Code. This narrowly tailored remedy will grant equal tax relief to the members of our uniformed and foreign services, and restore fairness and consistency to our increasingly complex Tax Code.

This military tax package is a clear show of support for our men and women in uniform. It is the right thing to do, and I hope that all my colleagues will support this critical measure.

Mrs. FEINSTEIN. Mr. President, I rise in support of the Armed Forces Tax Fairness Act, S. 351.

Whether we are at war, as is currently the case, or at peace, members of the armed services should not be treated unfairly by the Tax Code as a result of their decision to serve our country.

Inequities in the Tax Code that disadvantage men and women in uniform not only make it harder for them to support their families and themselves, but also threaten our own security by making it harder for the armed services to recruit talented service men and women.

We have a responsibility to eliminate any disincentives to serving in the United States military, and this bill does much to fulfill that goal.

The two most important provisions in this bill are relaxed rules on the treatment of capital gains on the sale of a home by military personnel, and an above-the-line deduction on travel expenses for members of the National Guard and Reserve.

Anyone who has ever served in the military or grown up in a military family knows that frequent travel is a way of life for those in uniform. A U.S. Marine might spend a year or two at Camp Pendleton, in my home State of California, then transfer to Quantico, and finally end up at Camp Lejeune in North Carolina.

Under current law, that Marine might not qualify for the home sale

capital gains exclusion available to most homeowners, due to his or her frequent postings to different bases, or to combat duty abroad. This bill corrects that inequity, and makes it easier for all military personnel to sell their home tax free.

National Guard and Reserve members would also benefit under the bill from an above-the-line deduction for travel expenses up to \$1,500. This puts those who serve on the National Guard and Reserve on equal footing with those who travel on company business and do not pay for those expenses out of after-tax income.

No one who chooses to serve in the Guard or Reserve should have to pay for a plane ticket or hotel room out of their after-tax income in order to join their unit when called up for duty.

This bill also contains a number of smaller, but no less important, provisions designed to ease the tax burden on military personnel, such as the treatment of service academy appointments as scholarships when personnel apply to tuition programs and Coverdell Education Savings Accounts.

I wish we could do more in the Senate to keep our soldiers, pilots, and sailors out of harm's way during the current conflict in Iraq. I wish we could pass a bill that guarantees that each and every one of them returns home safely to their husbands, wives, children, and parents.

We cannot do that. But by passing this bill we can improve their financial security and make it easier for them to continue to serve and to protect our country.

I urge my colleagues to support the Armed Forces Tax Fairness Act.

Ms. CANTWELL. Mr. President, I rise today in support of the Armed Forces Tax Fairness Act substitute offered by Senator GRASSLEY. This legislation is a critical step towards full tax fairness for our military personnel and Foreign Service officers.

The American people and Congress stand with our men and women in uniform, and this is the right time to advance tax parity.

Last Congress, I was proud to cosponsor the Foreign and Armed Services Tax Fairness Act of 2002, which included many of the provisions that we are passing today. I was pleased to cosponsor the bill again this Congress when it was reintroduced.

This legislation will bring some commonsense changes to the way military and Foreign Service families are treated under the Tax Code. It will allow military and Foreign Service families to exclude up to half a million dollars in capital gains from home sales; make death gratuity benefits tax exempt; exclude compensation from the Homeowners Assistance Program; provide a deduction for the National Guard's unreimbursed travel expenses; clarify that dependent care assistance for military families is exempt from taxation; and support education individual retirement accounts for students at service academies.

The legislation also extends these benefits to the families of the victims of the space shuttle *Columbia* tragedy. The *Columbia* provisions address many of the goals in the Assistance for Families of Space Shuttle *Columbia* Heroes Act, which I cosponsored with Senator BAUCUS.

Finally, I would like to emphasize a crucial provision addressing IRS treatment of terrorist organizations. Currently, when the United States designates an entity a terrorist organization, there is a long delay before the IRS revokes its tax-exempt status. There is no reason to postpone the action, but it takes time to update these lists. This bill will automatically suspend the tax-exempt status of designated terrorist organizations, expediting the consequences of the designation. Last Congress, Senators GRASSLEY and JOHNSON introduced bills with this practical remedy, but we have yet to pass it into law. The House version of the Armed Forces Tax Fairness Act does not contain this language, but I will work with my colleagues in both bodies to ensure that when we send this bill to the President, this important provision is included.

Mr. President, the Armed Forces Tax Fairness Act supports our men and women in uniform during these trying times. I urge my colleagues to give it their full support.

I yield the floor.

Mr. ROCKEFELLER. Mr. President, I rise today with great pride to support the Armed Forces Tax Fairness Act. As I speak, America's military is fighting in the dangerous and inhospitable deserts of Iraq. And when I watch the remarkable news coverage of the progress in Iraq, I am awed by the skills, dedication, and courage of our fighting forces. Passing this legislation is the least that we can do to show those brave men and women that we support them, we are proud of them, and their nation is grateful for their sacrifice.

This Congress ought not to pretend that the bill we are considering is some altruistic gift to the men and women serving our country in the military. Rather, today we will pass legislation that restores basic fairness to the tax code. We demand extraordinary sacrifices of our soldiers, sailors, airmen, and marines. They are often stationed far away from their families. They are frequently uprooted and forced to sell their homes on short notice. And in a military increasingly dependent on the National Guard and Reserves, we ask some of our vital troops to travel great distances at their own expense to train with their units.

Often the burden of these sacrifices is increased by the inflexibility of the Tax Code. For example, a serviceman stationed in Saudi Arabia obviously cannot meet the residency requirements associated with the capital gains tax exclusion for his house in the States. It is spectacularly unfair for us to send a soldier away from his home,

and then punish him with increased taxes if he decides to sell that home. The bill we will pass today rectifies this problem by suspending the residency requirements for military personnel that are away from home on active duty assignment.

This bill also ensures that the full death gratuity payment made to the survivors of military personnel killed on duty will be exempt from income tax. The death benefits paid to survivors are intended to cover funeral costs and immediate expenses while the family gets back on its feet. The current death benefit is not large; it is \$6,000. Inexcusably, half of that benefit is subject to income tax. This legislation excludes the full value of the death benefit from tax. To say that the survivors of those recently killed in Iraq deserve to receive the entire death benefit, tax-free, is an extraordinary understatement.

One of the most important provisions of this bill is the above-the-line-deduction for overnight travel expenses for members of the National Guard and Reserves. Many of these troops travel more than 100 miles to serve with their units. They have to pay the costs of traveling to their base; and many of them also have to pay for their meals and lodging while away from home. Under current law, these expenses can be deducted from income only if the individual itemizes deductions on his or her tax return. This onerous requirement prevents many eligible individuals from taking advantage of the deduction.

The bill we will pass today ensures that the expenses associated with overnight travel to attend National Guard and Reserve meetings can be deducted even if a person does not itemize deductions. This provision is expected to save National Guardsmen and reservists more than \$800 million over the next 10 years. We have seen how valiantly these members of our Armed Forces are serving—leaving their homes, families, and regular jobs, to serve in Iraq, Afghanistan, or wherever their Commander in Chief sends them. It is the least we can do to minimize the financial burden this service places on them and their families.

I have highlighted just a few of the important provisions of this bill. Let me speak for a moment about how important this legislation will be for my own State of West Virginia. West Virginians have a proud tradition of serving in the military. Tens of thousands of West Virginians are serving on Active Duty in our Army, Navy, Air Force, and Marine Corps. More than 3,000 West Virginia members of the National Guard and Reserves have been activated. I am pleased to be able to support legislation that recognizes their sacrifices and rewards their service.

The Senate passed legislation very similar to this bill last year. I was extremely disappointed that the House of Representatives did not act on that bill

in the 107th Congress. We should waste no more time. Recently, the House passed a bill to provide tax fairness for members of our Armed Forces. However, the Senate has taken the responsible step of offsetting the costs of these changes to the tax code. The Senate bill will close loopholes that currently allow some individuals to renounce their American citizenship simply to avoid paying income taxes. I can think of no better way to finance tax relief to the brave patriots in our military than by forbidding anyone to shirk income taxes by renouncing citizenship in the United States. The tax loophole that rewards such unconscionable behavior ought to be closed and now is the time to do so. I urge the House of Representatives to approve the Senate bill.

Let me close by thanking all of the members of our Armed Forces. Whether they are currently serving overseas or at home, whether they will see combat this week or provide support from far away, all these brave men and women are making America very proud. This legislation recognizes their sacrifices. I urge my colleagues to support the bill and hope that Congress will send it to the President without delay.

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EXPRESSING GRATITUDE OF  
UNITED STATES TO NATIONS  
PARTICIPATING IN COALITION  
TO DISARM IRAQ

The PRESIDING OFFICER. Under the previous order, the measure is laid aside, and the Senate will proceed to the consideration of S. Con. Res. 30, which the clerk will report.

The senior assistant bill clerk read as follows:

A concurrent resolution (S. Con. Res. 30) expressing the sense of Congress to commend and express the gratitude of the United States to the nations participating with the United States in the Coalition to Disarm Iraq.

The PRESIDING OFFICER. There will now be 1 hour of debate equally divided between the chairman and ranking member of the Foreign Relations Committee.

The Senator from Indiana.

Mr. LUGAR. Mr. President, I yield myself such time as I may require on this initial statement.

I ask unanimous consent that Senators WARNER and ALLEN be added as cosponsors of S. Con. Res. 30.

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

Mr. LUGAR. I rise in support of this resolution thanking those nations participating with the United States in the "Coalition to Disarm Iraq." I am pleased that this resolution enjoys the strong support of the ranking member of the Committee on Foreign Relations, the Senator from Delaware, and the leadership on both sides of the aisle.