

Washington, like electronics and airplanes. We enjoy a sizable trade surplus with Australia and since this agreement commits Australia to immediately remove tariffs on nearly every U.S. export to Australia, it will instantly provide further market access for products that come from the United States. In addition, Australia invests significantly in the United States, directly employing thousands and thousands of American jobs.

Third, Australia exports many products that Americans enjoy—like fine wines and many agricultural products. Since this agreement requires the U.S. to remove many of our tariffs on Australian goods, they immediately become more affordable to American consumers.

Although I support this agreement, I remain deeply concerned about the direction that the Bush Administration is taking this country, particularly with regard to our economy and our trade policy, which profoundly affects the ability of our country to maintain and create good paying jobs.

America's best export has always been the democratic values that we hold dear. While capitalism and open markets may boost trade flows, democratic values must also be a centerpiece of U.S. trade policy. Regrettably, this agreement continues to embody a short-sighted approach toward international trade that the Bush Administration has employed for the last 4 years. The USAFTA fails to lock in international labor and environment standards. It only requires the United States and Australia to continue to enforce their own labor and environment laws. This approach, if employed in future trade agreements with less developed countries, would do little to raise living standards in countries whose labor and environmental laws do not meet international standards. Furthermore, this approach would force American workers to compete on an uneven playing field. I do not think that is a direction that our country should go.

Today, however, the Congress considered liberalizing trade with Australia, a country that has well-developed labor and environmental laws, and a good track record for enforcing these laws, so I will not let Perfect be the enemy of Good. Our international assistance and trade programs should aim to raise living conditions here and abroad. Ultimately, I believe that the USAFTA advances these interests.

Mr. DREIER. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore (Mr. MILLER of Florida). The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. MCGOVERN. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this question will be postponed.

will postpone further proceedings today on motions to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote is objected to under clause 6 of rule XX.

Record votes on postponed questions will be taken later today.

#### SUTA DUMPING PREVENTION ACT OF 2003

Mr. HERGER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3463) to amend titles III and IV of the Social Security Act to improve the administration of unemployment taxes and benefits, as amended.

The Clerk read as follows:

H.R. 3463

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "SUTA Dumping Prevention Act of 2003".

#### SEC. 2. TRANSFER OF UNEMPLOYMENT EXPERIENCE UPON TRANSFER OR ACQUISITION OF A BUSINESS.

(a) IN GENERAL.—Section 303 of the Social Security Act (42 U.S.C. 503) is amended by adding at the end the following:

"(k)(1) For purposes of subsection (a), the unemployment compensation law of a State must provide—

"(A) that if an employer transfers its business to another employer, and both employers are (at the time of transfer) under substantially common ownership, management, or control, then the unemployment experience attributable to the transferred business shall also be transferred to (and combined with the unemployment experience attributable to) the employer to whom such business is so transferred,

"(B) that unemployment experience shall not, by virtue of the transfer of a business, be transferred to the person acquiring such business if—

"(i) such person is not otherwise an employer at the time of such acquisition, and

"(ii) the State agency finds that such person acquired the business solely or primarily for the purpose of obtaining a lower rate of contributions,

"(C) that unemployment experience shall (or shall not) be transferred in accordance with such regulations as the Secretary of Labor may prescribe to ensure that higher rates of contributions are not avoided through the transfer or acquisition of a business,

"(D) that meaningful civil and criminal penalties are imposed with respect to—

"(i) persons that knowingly violate or attempt to violate those provisions of the State law which implement subparagraph (A) or (B) or regulations under subparagraph (C), and

"(ii) persons that knowingly advise another person to violate those provisions of the State law which implement subparagraph (A) or (B) or regulations under subparagraph (C), and

"(E) for the establishment of procedures to identify the transfer or acquisition of a business for purposes of this subsection.

"(2) For purposes of this subsection—

"(A) the term 'unemployment experience', with respect to any person, refers to such person's experience with respect to unemployment or other factors bearing a direct relation to such person's unemployment risk;

"(B) the term 'employer' means an employer as defined under the State law;

"(C) the term 'business' means a trade or business (or [an identifiable and segregable] a part thereof);

"(D) the term 'contributions' has the meaning given such term by section 3306(g) of the Internal Revenue Code of 1986;

"(E) the term 'knowingly' means having actual knowledge of or acting with deliberate ignorance of or reckless disregard for the prohibition involved; and

"(F) the term 'person' has the meaning given such term by section 7701(a)(1) of the Internal Revenue Code of 1986."

(b) STUDY AND REPORTING REQUIREMENTS.—

(1) STUDY.—The Secretary of Labor shall conduct a study of the implementation of the provisions of section 303(k) of the Social Security Act (as added by subsection (a)) to assess the status and appropriateness of State actions to meet the requirements of such provisions.

(2) REPORT.—Not later than July 15, [2006] 2007, the Secretary of Labor shall submit to the Congress a report that contains the findings of the study required by paragraph (1) and recommendations for any Congressional action that the Secretary considers necessary to improve the effectiveness of section 303(k) of the Social Security Act.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall, with respect to a State, apply to certifications for payments (under section 302(a) of the Social Security Act) in rate years beginning after the end of the 26-week period beginning on the first day of the first regularly scheduled session of the State legislature beginning on or after the date of the enactment of this Act.

(d) DEFINITIONS.—For purposes of this section—

(1) the term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands;

(2) the term "rate year" means the rate year as defined in the applicable State law; and

(3) the term "State law" means the unemployment compensation law of the State, approved by the Secretary of Labor under section 3304 of the Internal Revenue Code of 1986.

#### SEC. 3. USE OF NEW HIRE INFORMATION TO ASSIST IN ADMINISTRATION OF UNEMPLOYMENT COMPENSATION PROGRAMS.

Section 453(j) of the Social Security Act (42 U.S.C. 653(j)) is amended by adding at the end the following:

"[(7)] (8) INFORMATION COMPARISONS AND DISCLOSURE TO ASSIST IN ADMINISTRATION OF UNEMPLOYMENT COMPENSATION PROGRAMS.—

"(A) IN GENERAL.—If, for purposes of administering an unemployment compensation program under Federal or State law, a State agency responsible for the administration of such program transmits to the Secretary the names and social security account numbers of individuals, the Secretary shall disclose to such State agency information on such individuals and their employers maintained in the National Directory of New Hires, subject to this paragraph.

"(B) CONDITION ON DISCLOSURE BY THE SECRETARY.—The Secretary shall make a disclosure under subparagraph (A) only to the extent that the Secretary determines that the disclosure would not interfere with the effective operation of the program under this part.

"(C) USE AND DISCLOSURE OF INFORMATION BY STATE AGENCIES.—

"(i) IN GENERAL.—A State agency may not use or disclose information provided under this paragraph except for purposes of administering a program referred to in subparagraph (A).

#### ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the Chair

“(ii) INFORMATION SECURITY.—The State agency shall have in effect data security and control policies that the Secretary finds adequate to ensure the security of information obtained under this paragraph and to ensure that access to such information is restricted to authorized persons for purposes of authorized uses and disclosures.

“(iii) PENALTY FOR MISUSE OF INFORMATION.—An officer or employee of the State agency who fails to comply with this subparagraph shall be subject to the sanctions under subsection (1)(2) to the same extent as if such officer or employee was an officer or employee of the United States.

“(D) PROCEDURAL REQUIREMENTS.—State agencies requesting information under this paragraph shall adhere to uniform procedures established by the Secretary governing information requests and data matching under this paragraph.

“(E) REIMBURSEMENT OF COSTS.—The State agency shall reimburse the Secretary, in accordance with subsection (k)(3), for the costs incurred by the Secretary in furnishing the information requested under this paragraph.”.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from California (Mr. HERGER) and the gentleman from Maryland (Mr. CARDIN) each will control 20 minutes.

The Chair recognizes the gentleman from California (Mr. HERGER).

#### GENERAL LEAVE

Mr. HERGER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and to include extraneous material on H.R. 3463, the bill now under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HERGER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I am pleased to be here today with my colleagues from the Committee on Ways and Means, the gentleman from New York (Mr. HOUGHTON), who is chairman of the Subcommittee on Oversight, and the ranking members of the Subcommittee on Human Resources and Subcommittee on Oversight, the gentleman from Maryland (Mr. CARDIN) and the gentleman from North Dakota (Mr. POMEROY).

We are here, Mr. Speaker, to consider bipartisan legislation to stop businesses and those who advise them from wrongly manipulating their corporate structure to avoid paying their fair share of State unemployment taxes, a practice that has been dubbed SUTA dumping.

Not only does the bill before us today, H.R. 3463, bring a halt to the fraudulent and abusive practice of SUTA dumping, it will help strengthen the Nation's unemployment compensation system by requiring businesses that are shirking their tax responsibilities to pay up.

At the June 2003 joint hearing before the Subcommittee on Human Resources and the Subcommittee on Oversight, the U.S. General Accounting Office reported that in three-fifths of the States, laws are insufficient to pre-

vent SUTA dumping. The GAO testified that millions of dollars already have been lost, \$120 million in just 14 States over a 3-year period. This loss must be made up by higher taxes on other employers or by lower benefits for unemployed workers.

In my home State of California, estimates of the loss from SUTA dumping run as high as \$100 million. In North Carolina, where State legislation already has been enacted to stop SUTA dumping, \$6.8 million additional unemployment tax dollars have been collected from 10 companies that should have been making those payments all along. Another 50 companies are being investigated, and up to 100 companies are suspected of wrongdoing. This is just in one State. This is unacceptable.

The bill before us today addresses this problem by amending Federal law to direct States to have effective provisions in their State laws to prevent SUTA dumping. It also gives State unemployment program officials access to data in the National Directory of New Hires to ensure unemployment benefits are not wrongly paid to those who are working.

The Congressional Budget Office estimates that H.R. 3463 would save about \$5 billion over 5 years. However, saving money is not the only reason for us to be passing this bill today. When businesses wrongly minimize or even avoid paying their proper share of State unemployment taxes, they undermine the Nation's unemployment benefits system. They also unfairly dump their costs onto other employers.

And it is not just honest employers who lose when their competitors pay less in taxes than they should and gain an unfair competitive advantage by SUTA dumping. Employees lose if employers are more willing to lay them off or delay hiring them back, since they know higher employer taxes will not follow the layoffs. States lose as their trust fund balances fall, possibly leading to expensive borrowing, tax increases, and benefits cuts. The economy loses as businesses fold or fail to start and workers are laid off or never hired.

It is time for us to stop this practice. I ask my colleagues to join me today in passing H.R. 3463, the SUTA Dumping Prevention Act.

Mr. Speaker, I reserve the balance of my time.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I join my colleague, the chairman of our subcommittee, the gentleman from California (Mr. HERGER), in support of this legislation. It is important legislation that will save our States money and help the employers in our State that are playing according to the rules. This bipartisan bill will help ensure all employers pay their fair share into our Nation's unemployment compensation system, which provides benefits to laid-off workers.

I am pleased to have worked with the gentleman from California (Mr.

HERGER) in developing this legislation, as well as the chairman of the Subcommittee on Oversight, the gentleman from New York (Mr. HOUGHTON), the ranking member of the Subcommittee on Oversight, the gentleman from North Dakota (Mr. POMEROY), and the gentleman from Michigan (Mr. LEVIN), who serves also on our Subcommittee on Human Resources.

Mr. Speaker, this bill has the support from organizations representing both workers and business.

Unemployment tax payments are determined in part by a company's experience rating, meaning their experience with laying off workers. Companies whose employees receive fewer unemployment benefits have lower tax rates, while those employers whose workers receive benefits more frequently have higher tax rates. To artificially reduce their unemployment taxes, some companies engage in a practice known as State Unemployment Tax Assessment dumping, or SUTA dumping, which allows them to lower their experience rating.

Examples of this practice include the transfer of a company's employees to a fake shell company which has a new and lower tax rate. As a result of this practice, the State loses millions of dollars in proper tax payments and, therefore, has to increase the tax rates on the vast majority of employers who are playing according to the rules.

In fact, the Department of Labor has said SUTA dumping eliminates the incentive for employers to keep employees working and returning claimants to work as soon as possible, and it unfairly shifts costs to other employers.

Mr. Speaker, according to a General Accounting Office survey, three-fifths of the States believe their laws are insufficient to prevent SUTA dumping. That is the reason, Mr. Speaker, we need to act. Fourteen States have reported they have identified specific SUTA dumping cases within the last 3 years, with losses from these cases exceeding \$120 million.

H.R. 3463 would require States to impose meaningful penalties on employers that engage in SUTA dumping by shifting employees from one shell company to another. More specifically, the bill would require that a company's experience ratings for unemployment taxes follow that portion of the business that is transferred to another company if both corporate entities are “under substantially common ownership, management or control.”

Additionally, the bill would require penalties be imposed on financial consultants who market SUTA dumping as a tax shelter.

Finally, the bill includes a provision allowing State unemployment agencies access to the National Directory of New Hires, which is used to track employment for the purposes of collecting child support. State agencies would use this information to prevent fraud, such as individuals both working and claiming unemployment benefits.

Mr. Speaker, I urge my colleagues to support this legislation designed to ensure fair and accurate payment to our Nation's unemployment compensation system.

Mr. Speaker, I reserve the balance of my time.

Mr. HERGER. Mr. Speaker, I yield 5 minutes to the gentleman from New York (Mr. HOUGHTON), a member of the Committee on Ways and Means and the chairman of the Subcommittee on Oversight.

Mr. HOUGHTON. Mr. Speaker, I thank the gentleman from California (Mr. HERGER) and the gentleman from Maryland (Mr. CARDIN). I am delighted to be here, and I rise in strong support of this particular piece of legislation, the SUTA Dumping Prevention Act.

SUTA is State Unemployment Tax Act. That is what it stands for. When I think of dumping, I usually think of the dumping of a product, but the concept here is really the dumping of cost. This is very important legislation because it provides the States with enforcement mechanisms they are going to need to prevent certain businesses who want to avoid paying their fair share of State unemployment taxes.

Now, last year, in June, the Subcommittee on Oversight held a joint hearing with the Subcommittee on Human Resources, with the gentleman from California (Mr. HERGER), and explored the dumping issue. We had a lot of expert witnesses, and they informed us about the fraud that is being conducted by a variety of unscrupulous business owners. So we learned that some employers have developed sophisticated schemes manipulating their corporate structure to avoid paying their fair amount of unemployment compensation taxes.

□ 1145

This bill prevents that.

The bill makes several improvements in current law. State unemployment benefit officials will be provided with access to national data in the National Directory of New Hires to ensure unemployment benefits are not erroneously paid to those who are already employed.

The bill also is going to save taxpayer money, and that is important. According to the Congressional Budget Office, when the bill becomes law, the government is estimated to save over \$500 million over a 10-year period. How does this happen? The savings are going to come from increased tax collections of businesses that have avoided paying the unemployment taxes to begin with. So these additional revenues are going to be added to State unemployment benefit accounts, leading to lower tax rates when balances rise. This means that the companies who are the good guys, who have paid their fair share of taxes, will see lower tax rates. That is, of course, obviously what we want.

Finally, Mr. Speaker, this bill is bipartisan. We have worked closely with

our friends on the other side of the aisle, particularly the gentleman from Maryland (Mr. CARDIN), the gentleman from North Dakota (Mr. POMEROY), the gentleman from Michigan (Mr. LEVIN), the gentleman from Washington (Mr. MCDERMOTT), and the gentleman from Texas (Mr. SANDLIN). So I want to thank them for their efforts also in helping to bring this legislation to the floor.

Congressional oversight is essential. It is being undermined. The bill fixes this by cutting out waste. I urge a "yes" vote on H.R. 3463.

Mr. CARDIN. Mr. Speaker, I yield such time as he may consume to the gentleman from Michigan (Mr. LEVIN), a member of the Subcommittee on Human Resources and one who has worked very hard on this legislation.

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, I thank the gentleman from Maryland for yielding me this time. To the gentleman from California (Mr. HERGER), the gentleman from New York (Mr. HOUGHTON), and others who have worked on this, I am pleased to join them in supporting this legislation to end a form of tax fraud called SUTA. I think everybody should understand it is State Unemployment Tax Account dumping.

I am proud that a company in my home State of Michigan, Kelly Services, was one of the first to blow the whistle on this abusive practice. Really, Kelly Services and their leadership played an indispensable role, and I think it is good for the free enterprise system of this country when people within the business community step up and say, Something is wrong; some others are not playing by the rules.

One of the fundamental principles of the unemployment compensation system is that each employer pays their fair share based on their company's layoff patterns. Employers who frequently lay off workers pay higher taxes. This ensures, first of all, fairness; and also it creates a financial incentive for employers to avoid layoffs whenever possible.

But in recent years, some companies, aided by unscrupulous accounting firms, used loopholes in the law to make it appear that their layoff rates were much lower than they actually were. We are told that these practices are not technically illegal, but they should be; and this bill will ensure that they are.

In Michigan alone, SUTA dumping costs the trust fund 50 to \$100 million a year at a time when pressure on our trust fund is already great. Employers who dump make it more difficult for Michigan to increase benefits or help the long-term unemployed, and they drive up the tax rate for honest employers, making it difficult for them to hire new workers.

There is never a good time for employers to avoid paying their fair share, but this is a particularly bad

time to cheat the unemployment trust fund. Unemployment is 5.6, nearly double the unemployment rate at the end of 2000. The economy has 1.8 million fewer private sector jobs and 2.7 million fewer manufacturing jobs than it had in 2000. The number of job openings in the Midwest is down by 44 percent since the end of 2000. People in Michigan and across the country are out of work through no fault of their own and have nowhere else to turn except State unemployment programs.

State unemployment trust funds have taken a beating. Thirty-one State unemployment trust funds do not currently have enough funds to withstand another recession. Four States, Minnesota, New York, Missouri and North Carolina, currently do not have enough funds in their State trust funds and have borrowed from the Federal trust fund.

I urge my colleagues to support this legislation to strengthen our State unemployment trust funds, help workers, and maintain fairness in the system.

I want to say one other thing. On an earlier bill, there was much talk about bipartisanship, and we have heard it again today on this bill. There was bipartisanship on this bill. It is sad there was not when it came to extension of Federal unemployment benefits. There was none. The Republicans, this majority, in essence, they collaborate with us when they think we will agree with them; but if they think we will disagree, there is no bipartisanship in a meaningful sense.

The extended program, the failure to continue it, has had a major impact on the lives of hundreds of thousands of families in the United States of America. I salute the gentleman from Maryland (Mr. CARDIN) for his tireless efforts over these months to try to get the Republicans to work with us on this. The highest number of people have exhausted all of their benefits on record in this country. I got this figure, and I want everybody to understand it, the number who have exhausted their benefits without finding work since December of last year, 1.7 million people.

My plea is, if we are going to be bipartisan on SUTA, and it is good that we are going to do so and, I hope, pass this overwhelmingly, I urge that the majority here take another look and think about some bipartisanship, about the lives of millions of people in this country who are unemployed through no fault of their own and cannot find a job.

Mr. HERGER. Mr. Speaker, I yield myself such time as I may consume.

I would like to point out to the gentleman from Michigan, Congress provided extended unemployment benefits for 2 years in the wake of the 2001 recession and terrorist attacks. We also provided record Federal funds for States to assist the unemployed which included \$1.1 billion to 330,000 workers in the gentleman from Michigan's own State.

I would like to thank my colleagues for joining me here on the floor today to discuss this important bipartisan legislation. I urge all of my colleagues to support the SUTA Dumping Prevention Act to stop fraud and abuse and make our unemployment compensation system stronger and fairer to all. This is good bipartisan legislation. Let us pass it today.

Mr. Speaker, I reserve the balance of my time.

Mr. CARDIN. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, as I indicated earlier, this is an important bill. This is a bill that will save millions of dollars for our unemployment trust accounts at the State level and will work to the advantage of workers and businesses that are playing according to the rules so that they pay their fair rates into the unemployment trust accounts. This is important legislation, it is bipartisan legislation, and it is legislation I hope my colleagues will all support.

I do, though, want to underscore the point that the gentleman from Michigan made, and that is there are other issues in regard to the unemployment insurance funds that we should be dealing with. I would hope that we could use this model of working together to deal with the extension of unemployment benefits. Let me just remind my colleagues that we have record amounts of people who have exhausted their State unemployment benefits without finding employment, the highest in the history of keeping these records. Yet, in this downturn in our economy, we provided Federal unemployment benefits for one of the shortest times and for the number of shortest weeks in recent times when we have had problems with our economy. That is wrong. We should have done better. I hope that we will do better.

Secondly, let me point out there are other issues in regard to the unemployment accounts that we need to take a look at. The Department of Labor 3 years ago suggested that 80,000 workers may be denied unemployment benefits every year because they are misclassified as independent contractors. That is another issue that I would hope that we could look at in order to properly preserve these funds. And then let me also suggest that several years ago the stakeholders in our unemployment compensation system came together with certain recommendations that dealt with the tax, that dealt with part-time workers, that dealt with using the most recent earnings quarters. We have not yet acted on those recommendations which could again provide meaningful benefits to people who are entitled to it, who pay into the trust accounts and are being denied benefits today because of the Federal rules.

I would urge my colleagues to support this legislation, but to understand we have a lot more work that needs to be done in regard to our unemployment compensation system, including the

fact that we inappropriately failed to extend benefits to unemployed workers during this economic downturn.

Mr. Speaker, I yield back the balance of my time.

Mr. HERGER. Mr. Speaker, I yield myself the balance of my time. Just in response to my good friend from Maryland, thanks to the Republican tax cuts, the economy is strong and getting stronger. The economy recently grew faster than any time in the past 20 years. In the past 4 months, 1 million new jobs were created. The unemployment rate dropped in the last year from 6.3 percent to 5.6 percent. Today's unemployment rate is lower than the average during the 1970s, the 1980s, and the 1990s. Instead of engaging in partisan rhetoric, we should focus on the bipartisan bill before us which will strengthen the unemployment compensation system and make it fairer to all.

In closing, Mr. Speaker, I would like to read from a fax that I just received from the Office of the President of the United States. It is a Statement of Administration Policy in which it states: "The administration strongly supports House passage of H.R. 3463, the SUTA Dumping Prevention Act, which would strengthen the financial integrity of State unemployment insurance (UI) programs. The bill would support the President's management agenda by saving hundreds of millions of dollars in fraudulent UI benefit payments and reduce tax avoidance by employers. The administration urges Congress to act on these commonsense reforms to promote fairness and reduce erroneous payments."

Mr. Speaker, I urge all my colleagues to support this legislation.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. MILLER of Florida). The question is on the motion offered by the gentleman from California (Mr. HERGER) that the House suspend the rules and pass the bill, H.R. 3463, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

#### URGING THE PRESIDENT TO RESOLVE THE DISPARATE TREATMENT OF TAXES PROVIDED BY THE WORLD TRADE ORGANIZATION

Mr. ENGLISH. Mr. Speaker, I move to suspend the rules and agree to the resolution (H. Res. 705) urging the President to resolve the disparate treatment of direct and indirect taxes presently provided by the World Trade Organization.

The Clerk read as follows:

H. RES. 705

Whereas the World Trade Organization does not permit direct taxes, such as the corporate income tax, to be rebated or reduced on exports;

Whereas indirect taxes, such as a value added tax, can be and are rebated on exports in other countries;

Whereas the distinction by the World Trade Organization between direct and indirect taxation is arbitrary and may induce economic distortions among nations with disparate tax systems; and

Whereas United States firms pay a high corporate tax rate on their export income and many foreign nations are allowed to rebate their value added taxes, thereby giving exporters in nations imposing value added taxes a competitive advantage over American workers: Now, therefore, be it

Resolved, That the President—

(1) within 120 days after the convening of the 109th Congress, and annually thereafter, should report to Congress on progress in pursuing multilateral and bilateral trade negotiations to eliminate the barriers described in section 2102(b)(15) of the Trade Act of 2002; and

(2) within 120 days after convening the 109th Congress, should report to Congress on—

(A) proposed alternatives to the disparate treatment of direct and indirect taxes presently provided by the World Trade Organization; and

(B) other proposals for redressing the tax disadvantage to United States businesses and workers, either by changes to the United States corporate income tax or by the adoption of an alternative, including—

(i) assessing the impact of corporate tax rates,

(ii) a system based on the principal of territoriality, and

(iii) a border adjustment for exports such as is already allowed by the World Trade Organization for indirect taxes.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Pennsylvania (Mr. ENGLISH) and the gentleman from Michigan (Mr. LEVIN) each will control 20 minutes.

The Chair recognizes the gentleman from Pennsylvania (Mr. ENGLISH).

Mr. ENGLISH. Mr. Speaker, I yield myself such time as I may consume.

I am pleased to bring House Resolution 705 before the House today. It was introduced last week and it is being brought forward with considerable urgency because, Mr. Speaker, while this may not be the first time that we have discussed the issue of competitive trade disadvantage on the floor of the House that U.S. companies are facing, this may be the time that we are most clearly focusing on the contribution to that problem created by the American tax system.

The fact that our trade deficit is more than \$500 billion demonstrates that the economic engine of American exports has experienced a slowdown. In order for us to revive our economy and to have long-term growth, the substantial trade imbalance that we now are experiencing, 5 percent of our economy, representing our trade deficit, has to be corrected.

□ 1200

Mr. Speaker, Congress and the administration need to push our trading partners to adjust the rules to level the playing field for American workers and American companies; and today's resolution helps do that by focusing on the disadvantage actually built into the