

that cannot set rules and enforce those rules is not a healthy society. If you would like to know why America is the greatest, most productive, most free country in the history of the world, it is our commitment to the rule of law.

This process is undermining respect for law in a way that I have not seen before, maybe since Prohibition. I think we can improve immigration law. We can be generous with people and try to help them and their families and create something. But it is going to take a good while. It is going to take some hard work.

I for one am not going quietly on this bill. We are going to take time. We are going to have debate. We are going to delay this important defense supplemental bill now to go off on this tangent. But I hope and pray that somehow our leadership and those who are interested in these issues can find a way to put this off for now. Let this bill get passed.

Let's talk about this issue as part of a comprehensive debate. If we did that, we would be serving our constituents a lot better than what we are doing today.

If we go forward and we ram this through without the kind of hearings, debate, taking testimony, studying data, do all that kinds of stuff, our constituents are not going to be happy with us. As a matter of fact, I think they are going to rightly be upset with us. It is a tactic that should not be done on a matter of this importance.

I wanted to make that comment. I know at some point we will be moving forward with the bill. Hopefully the leadership can work with those who are interested in these issues and create a mechanism at some point in the future where it can be fully debated. I am not prepared to allow such a tremendously significant piece of legislation as the AgJOBS bill to go through without a full debate. Every minute that is available to this Senate to debate it should be put on it. The American people need to know what is happening on the floor of the Senate right now. Maybe when we have a vote, we will have the right outcome.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant journal clerk proceeded to call the roll.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

INTERNAL REVENUE CODE OF 1986 AMENDED TO PROVIDE FOR PROPER TAX TREATMENT OF CERTAIN DISASTER MITIGATION PAYMENTS

Mr. SESSIONS. Mr. President, I ask unanimous consent that the Finance Committee be discharged from further consideration of H.R. 1134 and that the Senate proceed to its consideration.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will report the bill by title.

The assistant journal clerk read as follows:

A bill (H.R. 1134) to amend the Internal Revenue Code of 1986 to provide for the proper tax treatment of certain disaster mitigation payments.

There being no objection, the Senate proceeded to consider the bill.

Mr. BAUCUS. Mr. President, today, we will pass legislation in the Senate that provides tax relief to all Americans receiving disaster mitigation grants from the Federal Emergency Management Agency, FEMA. I am pleased that my good friend, Senator GRASSLEY, and I, along with my colleagues, Senators LANDRIEU, BOND, FEINSTEIN, LOTT, MARTINEZ, NELSON, and VITTER could work together to add a necessary and important amendment to H.R. 1134, which exempts disaster mitigation payments from taxation.

For 15 years, FEMA has awarded natural disaster mitigation grants that assist citizens, businesses and communities to take steps to prevent or mitigate damages from future natural disasters. The grants go towards elevating buildings in floodplains, flood proofing, seismic reinforcement, acquisitions or relocations, wind protections for roofs and strengthening of window protections. These grants provide a long-term benefit to society by reducing future loss of life and increasing public safety. In addition to these life-saving benefits, mitigation grants also provide a net cost benefit to society. FEMA conducts a cost-benefit analysis prior to awarding a grant that ensures the cost of funding a project is less than the damages expected to occur in the event of a disaster. FEMA estimates that for every dollar spent on mitigation, an average of eight dollars is saved in the long run.

Let me take a minute to explain the history of the tax issue at hand. Prior to June of last year, recipients of FEMA mitigation grants generally excluded them from income. The tax code states clearly that post-disaster grants were not taxable. But the tax code doesn't specifically describe the tax treatment of mitigation grants. FEMA assumed mitigation grants were treated the same as post-disaster relief grants. However, on June 28, 2004, the Internal Revenue Service issued a legal memorandum stating these mitigation grants were taxable as income. That means that someone who took advantage of mitigation opportunities to prevent future losses would face a significant tax liability. The average mitigation grant is \$83,000. That means the average tax on a grant is tens of thousands of dollars. That isn't fair. It was never intended that taxes be collected under these mitigation programs, but under the legal memorandum issued by the Internal Revenue Service thousands of taxpayers may have to file amended tax returns and pay additional tax. Moreover, the Federal Gov-

ernment changed the rules and never made the recipients aware of the potential tax consequences.

I compliment the House for taking up this issue and passing legislation that helps taxpayers who receive mitigation grants after the date of enactment. However, there is a flaw in the House bill. The bill clearly provides tax relief to "amounts received after the date of enactment." What about taxpayers who received mitigation grants in 2004 or 2003 and before? The chairman of the Finance Committee and I have added an amendment that provides absolute certainty for all taxpayers who received grants in past years. Some have argued that the Department of the Treasury can provide tax relief for those who received grants prior to the date of enactment by using the intent gleaned from floor statements and letters from Members of Congress. Let me be clear, Congress writes laws and the clearest intent is in the letter of the law. If our intent is to provide tax relief for those who received grants before the date of enactment, we should write it into the law. And that is what the amendment my good friend Senator GRASSLEY and I have offered.

Before I finish, I want to thank Senators LANDRIEU, NELSON and FEINSTEIN for their tireless work. I can tell you firsthand there was a significant amount of pressure to pass this bill as it was sent from the House. We all wanted to pass this bill as quickly as possible, but we also wanted to be sure we got it right the first time. This bill does that.

I sincerely hope the House will do the right thing and pass this bill with the Senate amendment before the tax filing deadline on Friday.

Ms. LANDRIEU. Mr. President, last year the Internal Revenue Service hit my State like a Category 4 hurricane when it determined that disaster mitigation benefits from the Federal Emergency Management Agency are taxable. We get hurricane warnings when a storm is coming, we can track their paths as they come out of the Caribbean and into the Gulf of Mexico. We didn't get any kind of "tax warning" from the IRS, but the financial toll on many of my constituents was devastating.

Let me explain what happened. In June of last year, the IRS chief counsel issued an advice letter that determined that FEMA disaster mitigation benefits were taxable as a matter of law. This ruling applied to a variety mitigation grant programs, covering a wide range of natural disasters. The main disasters that concern us in Louisiana are hurricanes and flooding. They are as much a part of life as crawfish boils and Mardi Gras. The key to our peace of mind is the National Flood Insurance program administered by FEMA. In Louisiana, 377,000 property owners participate in the National Flood Insurance program. It is a real Godsend to the people of my state.

The National Flood Insurance program also provides funding for property owners to flood-proof their homes through the flood mitigation grant program. FEMA distributes these grant funds to the States which then pass them along to local communities. The local communities select properties for mitigation and contract for the mitigation services. Communities use these funds to put homes on stilts, improve drainage on property, and to acquire flood proofing materials. These mitigation grants encourage property owners to take responsible steps to lessen the potential for loss of life and property damage due to future flooding. The grants also have the added benefit of saving money in the long term for the flood insurance program.

But the IRS has turned this valuable disaster preparedness and prevention program into a financial disaster for responsible property owners by making these payments taxable. This tax is unfair, unexpected, and an unfortunate policy decision—unfair and unexpected because no one told my constituents that they would be taxed for accepting FEMA disaster mitigation assistance. The local officials in their parish were just as surprised. This tax is unfortunate policy because in the long term, the IRS will undercut the effectiveness of using mitigation as a means of decreasing future costs to the flood insurance program. It will force people to take risks that they will not be hit by a disaster.

I was pleased that the House of Representatives passed a bill, H.R. 1134, to correct this problem. It says that going forward, disaster mitigation benefits are not taxable. But this legislation is not retroactive. It offers no relief to people who are facing a huge tax bill this Friday, April 15, for mitigation funding received in 2004 or earlier years. Virtually every constituent who has written or called my office about this issue received their grant in 2004. This bill will do nothing for them.

I understand that the sponsors of H.R. 1134 and its Senate version S. 586 claim that once it has been passed, the Department of the Treasury will issue some sort of notice to IRS field personnel essentially making the effect of this bill retroactive. Treasury officials, however, cannot cite a legal justification for issuing such a notice. They claim that they can rely on the floor statements of the chairs and ranking members of the House Ways and Means Committee and the Senate Finance Committee as a basis for issuing the notice.

Mr. President, we cannot legislate on a wink and a nod. The right way to make this relief retroactive is to pass the Baucus-Grassley amendment to H.R. 1134 and send it back to the House. This amendment will extend the tax relief in this bill to all recipients of FEMA disaster mitigation assistance past, present, and future. I am proud to be a cosponsor of the amendment. I thank the chairman and ranking mem-

ber of the Finance Committee for their leadership in bringing this matter to the floor.

April 15th is 2 days away. I urge the other body to take up and pass H.R. 1134 as amended by the Senate, and send it to the President for his signature. This bill will bring peace of mind to thousands of responsible property owners who face an unfair tax burden. We should not allow April 15th to pass without giving these people relief.

Mr. SESSIONS. Mr. President, there is a substitute amendment at the desk. I ask that the amendment be considered and agreed to; the motion to reconsider be laid upon the table; the bill, as amended, be read a third time, passed, and the motion to reconsider be laid upon the table; that any statements relating thereto be printed in the RECORD, without intervening action or debate.

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

The amendment (No. 411) was agreed to, as follows:

Strike all after the enacting clause and insert the following:

SEC. —. PROPER TAX TREATMENT OF CERTAIN DISASTER MITIGATION PAYMENTS.

(a) QUALIFIED DISASTER MITIGATION PAYMENTS EXCLUDED FROM GROSS INCOME.—

(1) IN GENERAL.—Section 139 of the Internal Revenue Code of 1986 (relating to disaster relief payments) is amended by adding at the end the following new subsections:

“(g) QUALIFIED DISASTER MITIGATION PAYMENTS.—

“(1) IN GENERAL.—Gross income shall not include any amount received as a qualified disaster mitigation payment.

“(2) QUALIFIED DISASTER MITIGATION PAYMENT DEFINED.—For purposes of this section, the term ‘qualified disaster mitigation payment’ means any amount which is paid pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (as in effect on the date of the enactment of this subsection) or the National Flood Insurance Act (as in effect on such date) to or for the benefit of the owner of any property for hazard mitigation with respect to such property. Such term shall not include any amount received for the sale or disposition of any property.

“(3) NO INCREASE IN BASIS.—Notwithstanding any other provision of this subtitle, no increase in the basis or adjusted basis of any property shall result from any amount excluded under this subsection with respect to such property.

“(h) DENIAL OF DOUBLE BENEFIT.—Notwithstanding any other provision of this subtitle, no deduction or credit shall be allowed (to the person for whose benefit a qualified disaster relief payment or qualified disaster mitigation payment is made) for, or by reason of, any expenditure to the extent of the amount excluded under this section with respect to such expenditure.”.

(2) CONFORMING AMENDMENTS.—

(A) Subsection (d) of section 139 of such Code is amended by striking “a qualified disaster relief payment” and inserting “qualified disaster relief payments and qualified disaster mitigation payments”.

(B) Subsection (e) of section 139 of such Code is amended by striking “and (f)” and inserting “, (f), and (g)”.

(b) CERTAIN DISPOSITIONS OF PROPERTY UNDER HAZARD MITIGATION PROGRAMS TREATED AS INVOLUNTARY CONVERSIONS.—Section 1033 of such Code (relating to invol-

untary conversions) is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

“(k) SALES OR EXCHANGES UNDER CERTAIN HAZARD MITIGATION PROGRAMS.—For purposes of this subtitle, if property is sold or otherwise transferred to the Federal Government, a State or local government, or an Indian tribal government to implement hazard mitigation under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (as in effect on the date of the enactment of this subsection) or the National Flood Insurance Act (as in effect on such date), such sale or transfer shall be treated as an involuntary conversion to which this section applies.”.

(c) EFFECTIVE DATE.—

(1) QUALIFIED DISASTER MITIGATION PAYMENTS.—The amendments made by subsection (a) shall apply to amounts received before, on, or after the date of the enactment of this Act.

(2) DISPOSITIONS OF PROPERTY UNDER HAZARD MITIGATION PROGRAMS.—The amendments made by subsection (b) shall apply to sales or other dispositions before, on, or after the date of the enactment of this Act.

The bill (H.R. 1134), as amended, was read the third time and passed.

CONGRATULATING UNIVERSITY OF DENVER PIONEERS MEN'S HOCKEY TEAM

Mr. SESSIONS. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of S. Res. 106 submitted earlier today.

The PRESIDING OFFICER. The clerk will report the resolution by title.

The assistant journal clerk read as follows:

A resolution (S. Res. 106) congratulating the University of Denver Pioneers men's hockey team, 2005 National Collegiate Athletic Association Division I Hockey Champions.

There being no objection, the Senate proceeded to consider the resolution.

Mr. ALLARD. Mr. President, I rise today for the second year in a row to recognize the recent achievement of the University of Denver Hockey Team. On April 9, 2005, almost a year to the day that they won the 2004 Men's NCAA Division I Championship on the frigid ice of a Boston arena, the Pioneers repeated their amazing feat capturing a second national title in Columbus, OH at this year's Frozen Four. On this particular evening the University of Denver Pioneers defeated the North Dakota Fighting Sioux by a score of 4-1, clinching a seventh overall hockey championship.

At the helm of the University of Denver hockey team for the last 11 years has been coach George Gwozdecky. Coach Gwozdecky came to DU in 1994 and has compiled an impressive record at DU, including his 400th win as a coach a few short weeks ago and his 405th win in the national title game. Coach Gwozdecky has shaped the Pioneer program into one of the elite programs in all of collegiate sports, and he is the only NCAA coach to win a national hockey title as a player, assistant coach, and head coach.