

# INTRODUCING THE NARROWING EXCEPTIONS FOR WITHHOLDING TAXES ACT

## HON. FORTNEY PETE STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 2012*

Mr. STARK. Mr. Speaker, I rise today to introduce the Narrowing Exceptions for Withholding Taxes Act. This legislation will close a loophole in existing tax law that allows certain self-employed individuals to avoid paying their fair share of Medicare payroll taxes.

Medicare is financed in part by a payroll tax paid by employers and employees. The total tax is 2.9 percent split between workers and employers. Self-employed individuals pay the full 2.9 percent themselves.

Under current law, the S corporation structure allows certain self-employed individuals a way to avoid paying full Medicare taxes. Income received as compensation for services to that S corporation will be subject to the Medicare payroll tax, but any income classified as a distribution of profits will be exempt. This loophole in our tax law encourages income manipulation. These individuals pay themselves a nominal income for their services to the S corporation and classify most of their income as profits and dividends, to avoid paying the 2.9 percent payroll tax.

The House Democrats first tried to close this loophole in December 2009 with H.R. 4213, the American Jobs and Closing Tax Loopholes Act. That bill passed the House, but did not pass the Senate. At the time, the Joint Committee on Taxation scored this provision as raising \$11.2 billion in revenue over ten years.

The IRS does not have the resources to audit all 4 million S corporations to ensure that there is no underreporting of income. The Treasury Inspector General for Tax Administration, the Joint Committee on Taxation and the GAO have all highlighted the systematic underreporting of income. The GAO estimated that pass-through organizations underpaid \$15 billion in 2001, with a median payroll tax underpayment of \$20,127.

Teachers, firefighters, and nurses can't structure their income to avoid payroll taxes. This is a strategy for lawyers, lobbyists, and investment managers. This legislation would close this loophole by targeting the individuals most likely to take advantage of this loophole. These are professional service businesses built on the reputation and skill of three or fewer employees in the field of health, law, lobbying, engineering, architecture, accounting, investment advice or management, or brokerage services. Under this provision, all of the profits someone gets from an S-corporation they own would be subject to the payroll tax. These shareholders will no longer be able to underreport wage income to exclude the rest of their earnings from the payroll tax.

Former House Speaker Newt Gingrich took advantage of this loophole. When he filed his 2010 taxes, he reported earnings from his two S Corporations of just \$444,327 in income but \$2.4 million in profits and dividends. This nearly \$3 million was just earnings in the same year from the same two organizations. How-

ever, by choosing to report only \$444,327 as wage income, the Wall Street Journal estimated that Mr. Gingrich saved himself \$69,000 in Medicare payroll taxes. His \$2.4 million in profits and dividends was exempt from the 2.9 percent payroll taxes due to a flaw in our tax laws.

This legislation would put our workers on an even playing field. Self-employed individuals would no longer have the option to avoid the taxes with the creative use of a pass-through entity. Just like those individuals who work in an ordinary partnership or sole proprietorship, or work for a larger institution, every taxpayer would pay his or her fair share toward the Medicare trust fund.

# HONORING THE AMERICAN BU- REAU OF SHIPPING ON THEIR 150TH ANNIVERSARY

## HON. GENE GREEN

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 2012*

Mr. GENE GREEN of Texas. Mr. Speaker, I rise today to recognize the American Bureau of Shipping for their 150 years at the forefront of setting the standard of excellence in marine and offshore classification in the United States and around the world.

From its world headquarters in Houston, Texas, the American Bureau of Shipping, or ABS, manages the third largest class society on the globe, with a classed fleet of over 10,000 commercial vessels, in more than 150 offices in 70 countries.

From the time it was first chartered in the State of New York in 1862 as the American Shipmasters' Association, ABS has been committed to the maritime industry and deeply involved in its technical development and the improvement of its safety standards.

Born out of a need for industry self-regulation, ABS published its first technical standards, Rules for Survey and Classing Wooden Vessels, in 1870. When the era of wooden ships gave way to iron, ABS established standards for these structures, and later for steel vessels.

ABS was officially recognized by the U.S. Government in the Merchant Marine Act of 1920, requiring that in work involving a classification organization, every governmental agency in the United States would turn to ABS.

ABS has continued its tradition of leading the classification and maritime safety industry through the 20th and 21st centuries by being the first society to publish rules for the construction and classing of offshore drilling units, submersibles, and aluminum vessels, as well as the first society to classify small-waterplane-area twin hull (or SWATH) vessels, floating production storage and offloading (or FPSOs) vessels.

I congratulate ABS, its Board of Directors, and its hard-working employees for their commitment to the Houston community and for 150 more years of success as the world leader in maritime classification and safety.

# CONGRESS SALUTES AMERICAN HERO AND PURPLE HEART RE- CIPIENT CHARLES HENRY KLINGELHOEFER

## HON. BILL POSEY

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 2012*

Mr. POSEY. Mr. Speaker, I rise today to bring to my colleagues' attention to the Posthumous Purple Heart Ceremony of WW I Veteran Mr. Charles Henry Klingelhoefer born April 16, 1876 in Baltimore, Maryland, taking place in Brevard County, Florida. He is survived by his niece Ms. Diane Roberts Vess of Melbourne. More specifically, on February 6, 2012, the United States Coast Guard will honor the memory of the brave men who served on the United States Coast Guard Cutter *Tampa*. Mr. Klingelhoefer, one of five brothers, was assigned to the United States Coast Guard Cutter *Tampa*, and served as a Warrant Carpenter.

The Purple Heart was presented in honor of those who received fatal wounds in the sinking of the United States Coast Guard Cutter *Tampa* at 8:45 p.m. on September 26, 1918—the largest known loss of life by any U.S. naval combat unit during World War I. Under the command of Captain Charles Satterlee, the *Tampa* served as a convoy escort protecting ships carrying critical Allied war material in European waters. The officers and crew earned the praise of the commander of the United States Naval Forces based at Gibraltar for the ship's wartime operational effectiveness.

On that fateful evening, having just completed another successful escort mission from Gibraltar to the United Kingdom, the *Tampa* departed the convoy and proceeded toward the port of Milford Haven, Wales. A short time later, the shock of an explosion was felt by several of those remaining in the convoy. U.S. destroyers and British patrol craft conducted a three day search of the *Tampa's* last known position, but found only two unidentified bodies and a small amount of wreckage identified as belonging to the *Tampa*. German records suggest that the *Tampa* was sunk by U-Boat 91 because it had reported sinking an American warship fitting the *Tampa's* description at that time and date.

One hundred-fifteen people, including 111 Coast Guardsmen and four Navy men, perished that evening. The distinguished record of the officers and crew of the *Tampa* is most heartily commended and is in keeping with the highest traditions of the United States Coast Guard.

Mr. Charles Henry Klingelhoefer and the crew of the *Tampa* laid their lives on the altar of freedom for the benefit our nation and our way of life. On behalf of the United States Congress I would like to express my sincere appreciation for the sacrifices endured by Mr. Charles Henry Klingelhoefer and the crew of the United States Coast Guard Cutter *Tampa*.

## PERSONAL EXPLANATION

**HON. RANDY NEUGEBAUER**

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 2012*

Mr. NEUGEBAUER. Mr. Speaker, due to an unforeseen delay, I was unable to vote on rollcall votes 906 and 907 during the 1st session of the 112th Congress. Had I been present, I would have voted the following way on H.R. 1633: rollcall No. 906, Amendment by Mr. RUSH—“no”; rollcall No. 907, Amendment by Mrs. CHRISTENSEN—“no.”

HONORING THE ROCK BRIDGE  
HIGH SCHOOL CHEERLEADERS**HON. BLAINE LUETKEMEYER**

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 2012*

Mr. LUETKEMEYER. Mr. Speaker, I rise today to ask my colleagues to join me in congratulating the Rock Bridge High School varsity cheerleaders on its state championship.

On October 1, 2011, the squad of 25 young women placed first in the 5A Super Large division at the Missouri Cheerleading Coaches Association's state competition. It was the first time the squad has won a state cheerleading championship. These young women and their coaches should be commended for all their hard work and dedication.

I ask that you join me in recognizing the tremendous effort of the Rock Bridge High School's varsity cheerleaders and congratulating them on a job well done!

HONORING GRAPEVINE SENIOR  
OFFICER WARREN ORR**HON. KENNY MARCHANT**

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 2012*

Mr. MARCHANT. Mr. Speaker, it is with great pride that I recognize retiring Grapevine Senior Officer Warren Orr for his 24 years of service as a police officer.

Senior Officer Orr began his law enforcement career with the Bonham, Texas Police Department. He served as a Bonham police officer from December 1987 to November 1994.

In November 1994, Senior Officer Orr joined the Grapevine Police Department where he continued his career until he retired in January 2012. During his tenure at the Grapevine Police Department, Senior Officer Orr served as a patrol officer, motorcycle officer and detective. In addition to his normal duties, Senior Officer Orr served as a hostage negotiator for many years and obtained a Master of Peace Officer certification from the Texas Commission on Law Enforcement Standards and Education. While assigned as a motorcycle officer, Senior Officer Orr received extensive training in crash reconstruction and became one of only three hundred worldwide members of the International Network of Collision Reconstructionists.

Senior Officer Orr and his wife, Grapevine Police Department Senior Officer Darcey Sut-

ton, own a ranch in east Texas. Senior Officer Orr plans to spend his retirement raising cattle and shoeing horses, a trade he learned from his father and has passed on to his son, Bruce Orr. Bruce is a junior in the honors program at Tarleton State University.

I am very proud of the Grapevine Police Department, and I am honored to recognize Senior Officer Orr for his contribution to the community. Mr. Speaker, on behalf of the 24th Congressional District of Texas, I ask all my distinguished colleagues to join me in thanking Warren Orr for his service as a police officer.

IN COMMEMORATION OF  
CORPORAL KEVIN REINHARD**HON. FRANK PALLONE, JR.**

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 2012*

Mr. PALLONE. Mr. Speaker, I rise today to commemorate the life of Marine Corporal Kevin J. Reinhard of Colonia, New Jersey. On January 19, 2012, Corporal Reinhard was on a helicopter mission in the southern Afghanistan province of Helmand, Afghanistan, when his aircraft went down, killing the Corporal and five of his fellow Marines. He was 25 years old. Corporal Reinhard's valiant and heroic actions during his deployment in Afghanistan are truly worthy of this body's recognition.

Marine Corporal Kevin Reinhard is remembered as a loving son who was committed to his family and friends. A resident of the Colonia section of Woodbridge, New Jersey, Corporal Reinhard is a proud alumnus of St. Joseph's High School in Metuchen, New Jersey. He attended Ramapo College and later transferred to Middlesex County College in Edison, New Jersey where he majored in Criminal Science. In the spring of 2008, he admirably enlisted in the United States Marine Corps and was stationed in Hawaii. He soon rose to the rank of Corporal and proudly served as a Crew Chief, flying on a Sikorsky Sea Stallion with HMEI 363, also known as the “Lucky Red Lions.” In January 2012, Corporal Reinhard was serving his second deployment in Afghanistan when his helicopter crashed, tragically taking his life and the lives of five other Marines. Corporal Reinhard leaves behind his mother, Kathleen Rose, his father, James, sister, Kathleen Marie, as well as his paternal grandparents, James and Mary Ann Reinhard. He is pre-deceased by his maternal grandparents, John and Veronica Gerrity of Colonia. Corporal Reinhard was an outstanding individual who proudly embodied the motto of the United States Marine Corps.

Mr. Speaker, once again, please join me in commemorating the life of Corporal Kevin J. Reinhard, an American hero who courageously served his country. His legacy has served as an inspiration to us all and he will truly be missed.

## PERSONAL EXPLANATION

**HON. DAVID LOESACK**

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 2012*

Mr. LOESACK. Mr. Speaker, on January 25, 2012, I was not present for two recorded

votes because I was in my district highlighting the importance of manufacturing to rebuilding Iowa's economy and supporting good-paying Iowa jobs.

If I had been present, I would have voted “yea” on rollcall 10 and “yea” on rollcall 11.

In addition, on the occasion of her resignation from the House of Representatives, I would also like to honor Congresswoman Giffords' service to our country and her constituents. I had the honor of sitting next to Congresswoman Giffords on the House Armed Services Committee. Her dedication to our troops and to her constituents will be missed.

OUR UNCONSCIONABLE NATIONAL  
DEBT**HON. MIKE COFFMAN**

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 2012*

Mr. COFFMAN of Colorado. Mr. Speaker, on January 26, 1995, when the last attempt at a balanced budget amendment passed the House by a bipartisan vote of 300–132, the national debt was \$4,801,405,175,294.28.

Today, it is \$15,295,052,578,718.01. We've added \$10,493,647,403,423.73 to our debt in 16 years. This is \$10 trillion in debt our Nation, our economy, and our children could have avoided with a balanced budget amendment.

LILLY LEDBETTER FAIR PAY ACT  
ANNIVERSARY**HON. DEBBIE WASSERMAN SCHULTZ**

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 31, 2012*

Ms. WASSERMAN SCHULTZ. Mr. Speaker, this weekend we celebrated an important anniversary in our nation's history.

Three years ago, only nine days after taking the oath of office, President Barack Obama signed the Lilly Ledbetter Fair Pay Act into law. It was the first bill he signed into law as President, solidifying this Administration's commitment to women's equality.

I met Lilly Ledbetter during a Judiciary Committee hearing in 2007. She told us then how after working at her company for more than twenty years, she learned of the long-standing pay discrimination against her based on gender. Unfortunately, this type of workplace discrimination occurs all too frequently across our country. Women still make just three-quarters of a man's salary for the same work. Fortunately, for women all across the country, Lilly Ledbetter found out about the discrimination carried out against her and took action.

As a result of her courage and strength, President Obama and the Democratic-led Congress passed this important piece of legislation that protects women and addresses a critical aspect of the wage gap in our country.

The Lilly Ledbetter Fair Pay Act closes numerous loopholes and clarifies that an employee is discriminated against each and every time she receives an unfair paycheck. It also makes modest, common-sense reforms that hold employers accountable for their actions.