tax reform. I am proud to have supported it.

In conference, we will have the opportunity to improve the bill. There is one issue I would like to raise for them: closing the Bermuda loophole.

Basically, how it works is that a company located in Bermuda strips revenue out of its U.S. branch and then invests that revenue under Bermuda tax law, meaning the company pays virtually nothing in taxes on that income. It as crippling advantage.

Companies that stay in America are getting killed. We have had two massive inversions in 2 years to Bermuda and Switzerland. The number of foreign property casualty insurers in the top 25 has increased sevenfold since 1990.

Closing this loophole is in the Senate bill, and it was in the last tax reform proposal. It also raises $8.7 billion in revenue. That is in addition to the countless jobs and proud American businesses that it would save.

We can't have a Tax Code that destroys American business. We have got to close this loophole.

THE REPUBLICAN TAX BILL IS A BLOW TO SENIORS AND FAMILIES

(Mrs. NAPOLITANO asked and was given permission to address the House for 1 minute.)

Mrs. NAPOLITANO. Mr. Speaker, I rise in strong opposition to H.R. 1, the Republican tax bill, which is a giveaway to corporations and the richest 1 percent, and a tax hike on working class Americans and their children.

It is unconscionable, as it cripples the State and local tax deductions. Thirty percent of my residents will lose these deductions, averaging $17,000 per family, according to the IRS, which will devastate housing affordability in my district and disadvantage California taxpayers, compared to other States.

It cruelly eliminates the medical expense tax deduction worth over $10,000. This is a direct blow to seniors and families in my district who have long-term medical needs, as well as families with children who have severe disabilities.

The House bill is terrible, but the Senate wants to include a repeal of the Affordable Care Act in their bill, making it even more painful for working families. This would kick millions of Americans off their health insurance plan, spike premiums, and undermine our entire healthcare system.

It also abolishes the tax-exempt status of private activity bonds used by San Gabriel Valley cities, water agencies, and transportation agencies to provide low-cost financing.

Mr. Speaker, I urge my colleagues to vote against it.

Mr. Speaker, I include in the RECORD letters from the League of California Cities, the California Department of Finance, the California State Treasurer, and the San Gabriel Valley Economic Partnership in opposition to H.R. 1.

LEAGUE® OF CALIFORNIA CITIES, CSAC, CALED, CSBA, CALIFORNIA ASSOCIATION OF REALTORS®,

November 9, 2017.

For Immediate Release.

COALITION OF LOCAL GOVERNMENTS, ECONOMIC DEVELOPMENT LEADERS, SCHOOLS AND REALTORS URGE CALIFORNIA CONGRESSIONAL DELEGATION TO REJECT TAX REFORMS THAT HARM TAXPAYERS, HOMEOWNERS AND THE ECONOMY

CALIFORNIA WOULD BE ONE OF THE STATES TO LOSE THE MOST FROM PROPOSED REFORMS

SACRAMENTO.—The associations representing California's local governments, economic development leaders, schools and realtors urge the California congressional delegation to protect the State and Local Tax deduction and a key economic development tool at risk under the Tax Cuts and Jobs Act in its current form.

The SALT deduction makes the cost of living more affordable in states like California. Eliminating the deduction for state and local income taxes and capping the local property tax deduction at $10,000 would hurt hard-working California families and only add to the housing affordability crisis in the state by eliminating a key incentive for homeownership. In 2015, 6.1 million California taxpayers claimed the SALT deduction with the average deduction at around $18,000.

The SALT deduction has been an integral component of the federal tax code since its creation in 1913 and was one of the six deductions allowed under the original tax code. Eliminating or capping federal deductibility for state and local property, sales and income taxes would represent double taxation and would upset the carefully balanced fiscal federalism that has existed since the permanent creation of the federal income tax over 100 years ago.

Tax-exempt Private Activity Bonds (PABs) are an important tool for state and local governments to help finance major public projects, including transportation and water infrastructure, affordable housing construction, schools—all of which are essential for job growth, healthy economies, safe communities and the nation's economy Eliminating PABs' tax-exempt status would drive up the costs of borrowing for these projects by 25–25 percent and be a disincentive to spurring private sector investment in our communities.

Given the impact on California families and our economy, we respectfully urge the California congressional delegation to oppose eliminating or capping the SALT deduction or removing the exemption on PABs as part of any tax reform proposal.

QUOTES FROM COALITION LEADERS

Carolyn Coleman, Executive Director, League of California Cities: "Hard working California tax payers and our communities would be harmed by the current proposal. We hope that California's congressional delegation hears this message and takes swift action to reject any proposals that would cause people to pay taxes on their income twice, would destabilize key incentives for homeownership and increase borrowing costs for state and local governments to finance projects that benefit our communities.

Matt Cate, Executive Director, California State Association of Counties: "California Counties are increasingly concerned with several provisions in the House tax reform package. The narrowing of the SALT deduction alone would impact county resources and their ability to meet the service needs of the public. The additional changes to infrastructure financing tools, including the taxable status of Private Activity Bonds (PABs) and the ability to advance refund municipal bonds, will fundamentally harm the way counties do business on behalf of our residents."

Gurbax Sahota, President and CEO, California Association for Local Economic Development: "The current tax proposal eliminates Private Activity Bonds—eliminating an important economic development financing tool California uses to fund manufacturing expansion, health care facilities, affordable housing, schools, nonprofits, and other economic development projects. Combined with a repeal of advance refunding bonds, this will absolutely impact our ability to attract investment to future projects like these, as well as our ability to create and retain jobs in these areas. These provisions are bad for California and our residents."

Vernon M. Billy, CEO and Executive Director, California School Boards Association: "We urge the California delegation to act on behalf of the taxpayers in California who would be hurt by the elimination of the SALT deduction, including the talented school employees who work in our schools educating and training students. Eliminating the deduction has the same impact as raising property, income and sales taxes in every congressional district in our state. By effectively raising property taxes, the deduction also makes local school bonds more expensive, complicating our efforts to build and repair schools and provide students with the resources needed for a high-quality 21st century education."

Steve White, President, California Association of REALTORS: "The move by Congress to eliminate state and local tax deductions essentially levies a double tax on California, this and other attacks on real estate tax incentives removes the tax benefits for people to buy homes and raises taxes on hundreds of thousands of Californians. Homeownership has and continues to be the best way for families to grow wealth and increase the middle class. Congress should look at ways to incentivize and increase homeownership rates, not increase taxes on families wanting to buy a home.

DEPARTMENT OF FINANCE,
OFFICE OF THE DIRECTOR,
Sacramento, CA, November 9, 2017.

CALIFORNIA CONGRESSIONAL DELEGATION,
Washington, DC.

DEAR MEMBERS OF THE CALIFORNIA CONGRESSIONAL DELEGATION: As the Governor's chief fiscal advisor, I write to express the Administration's significant concerns with several provisions currently contained in H.R. 1 measure now under consideration before the Ways and Means Committee.

Removing the state and local tax (SALT) deductions while capping the property tax deduction at $10,000—Over 6 million California tax returns—one of every three—claim SALT deductions, including millions of middle-income households that may not benefit from the increased standard deduction. While allowing up to a $10,000 deduction on property taxes provides some offset, only one-fourth of the state and local tax deduction consists of property taxes paid. The average deduction for state and local income taxes alone is nearly $16,000 per return, while state and local property taxes average less than $6,000 per return.

Reducing the cap on the mortgage interest deduction to $500,000 ($250,000 single)—This change will increase the cost of homeownership for many middle-class Californians. Given the high cost of housing in the state, mortgages for many mid-level homes are significantly above these caps, particularly the $250,000 cap for single filers. More than 4 million California tax returns claim the mortgage interest deduction at an average of over $12,000 per return.

Elimination of the interest exclusion for Private Activity Bonds (PABs)—This will remove an important tool used by the Low Income Housing Tax Credit program to construct affordable housing, which was used to fund nearly 20,000 affordable housing units in 2016.

The state's Infrastructure and Economic Development Bank (iBank) has issued Private Activity Bonds in support of museums, schools, performing arts centers, charitable organizations and research institutes throughout the state. Elimination of Private Activity Bonds would greatly increase borrowing costs for such borrowers resulting in the delay; downsizing or outright abandonment of these socially beneficial projects and the people and jobs who depend on them.

Further, this would hurt California veterans by ending bond issuances that help around 1,000 veterans buy a home every year. This program has been around since at least World War II. It serves veterans that would not otherwise qualify for private financing, while maintaining foreclosure rates of less than 0.25 percent.

Repeal of Casualty Loss Deduction—Last month's devastating wildfires in northern California have alone caused billions of dollars in losses, with more than 10,000 homes damage and over 4,700 more destroyed. For this and other disasters to come, it is important to maintain the casualty loss deduction as a way of providing relief to the victims of casualty losses both large and small. The repeal of the casualty loss deduction starting in 2018 under H.R. 1 is an unnecessary step that will only compound the difficulty for the many thousands of Californians who either are or will be struggling to recover from devastating losses.

Negative impacts on Education—Multiple provisions now in H.R. 1 negatively impact the cost of education for both students and educators, including the elimination of the student loan interest deduction, imposing a new tax on tuition waivers, elimination or reduction of various tax credits, and a new tax on net investment income of private colleges and universities if their endowments exceed $250,000 per full-time student. In total, all of the changes to education provisions will raise taxes on Americans by over $60 billion over ten years, which indicates a negative impact on California of at least $7 billion.

Unfavorable treatment of children and families—The new $300 Family Flexibility Credit for the tax filer, their spouse, and for non-child dependents is temporary and expires in 2023. While it provides a tax benefit for many low-income families in the first four years, its expiration leads to those same families having much smaller net tax cuts or overall tax increases in 2023 and beyond. In addition, unlike the current dependent exemptions it is intended to replace, there is no indexing of the Child Tax Credit, which leads to its positive impact eroding over time.

Also, requiring a Social Security number for the refundable portion of the child tax credit punishes working undocumented immigrants in California who file their tax returns using a Taxpayer Identification Number. More than $3.4 billion in federal refundable child tax credits were claimed by Californians in 2015, and a portion of those would have been undocumented immigrants filing with a Taxpayer Identification Number

Overall tax cuts for the wealthy—Lower tax rates on business income will disproportionately benefit higher-income individuals who are more likely to have income from limited liability companies, S corporations, or partnerships. Further, the repeal of the estate tax will disproportionately benefit the wealthy. The estate tax would be fully repealed for deaths after December 31, 2023 and there would be no change to the basis step-up rule that currently revalues appreciated capital assets at market value at the time of death. As a result, wealthy people would be able to simply hold on to assets until they die, pass the assets on to their heirs, and all the increase in the value of the asset during the wealthy person's life will not be taxed. Removing the tax on inherited wealth without also repealing the basis step-up rule leads to increasing inequality. The Joint Committee on Taxation analysis shows that for 2027, the highest-income Americans—less than three-tenths of one percent of taxpayers—will realize almost one-third of the total benefits.

Prioritizes corporations over individuals—The net benefits of H.R. 1 are weighted heavily towards corporations, with the significant cut in the corporate tax rate coupled with the removal of relatively few corporate tax breaks. Instead, many deductions and tax credits taken by lower-and middle income households are either reduced or eliminated. A November 3 Joint Committee on Taxation analysis indicates that more than half of the tax cut goes to corporations while about one-third goes to businesses that pass through income to individuals.

Massive expansion of the deficit by at least $1.7 trillion over ten years—Deficit-financed tax cuts are not likely to lead to significant growth effects because the negative economic effects of the debt would crowd out investment. Further, fiscal stimulus at this point in the business cycle—with the economy at full employment, corporate profit margins at all-time highs, and corporate cash balances at all-time highs—is unlikely to lead to significant growth above what would have occurred in the absence of these changes.

If you need any additional information on any of these subjects, please do not hesitate to contact me.

Sincerely,

MICHAEL COHEN,
Director.

STATE OF CALIFORNIA,
November 9, 2017.

Re Tax Reform and the Low-Income Housing Tax Credit.

Hon. GRACE NAPOLITANO,
House of Representatives,
Washington, DC.

DEAR REP. NAPOLITANO: Last week you received a letter from me and other prominent signatories respectfully urging you to preserve the 4 percent Low-Income Housing Tax Credit (4 percent Housing Credit) and Private Activity Bond Program (Bond Program). The Tax Cuts and Jobs Act, introduced in the House of Representatives on November 2, proposes the elimination of the Bond Program and the effective elimination of the 4 percent Housing Credit.

I reiterate the vital role these programs play in building and preserving affordable housing throughout the nation, but especially in California where, as you know, we struggle with a housing crisis that is quickly metastasizing into a humanitarian and public health catastrophe. Today, the state's housing shortage stands at one and a half million units and is growing by an alarming 60,000 units each year. The 4 percent Housing Credit and Bond Program are the large sources of funding for affordable housing in California, with $2.2 billion worth of 4 percent housing credits last year and more than $6 billion of private activity tax exempt bond funding for multifamily and single-family housing. Together, they created or preserved more than 20,000 affordable homes in 2016, nearly all of which were for low-income households, including veterans, seniors, persons with disabilities, and persons experiencing homelessness.

The purpose of this letter is to highlight the projects in your district that have received funding from these programs over the last four years. Attached is a spreadsheet with a list of the projects. Any projects listed in red have pending applications, and these projects could be brought to a halt by a sudden cessation of the programs.

As the list of projects shows, this is not an abstract issue, or one that impacts only one region or a small number of Californians. It is broad-based and affects constituents like yours and those in congressional districts across the state. We all have seen the tangible benefits of these vital programs; now we must come together to save them.

I know you will agree with me that we cannot allow even more Californians to be driven into homelessness. That is why I strongly urge you to reject the elimination of the Bond Program and the 4 percent Housing Credit.

Sincerely,

JOHN CHIANG,
California State Treasurer.

SAN GABRIEL VALLEY
ECONOMIC PARTNERSHIP,
Irwindale, CA, November 8, 2017.

Re Concerns with the provisions of the Tax Cuts and Jobs Act of 2017 (H.R. 1).

Hon. GRACE NAPOLITANO,
House of Representatives,
Washington, DC.

DEAR CONGRESSWOMAN NAPOLITANO: On behalf of the San Gabriel Valley Economic Partnership, I wish to express concerns with several provisions of the Tax Cuts and Jobs Act of 2017 (H.R. 1). While the Partnership has long supported federal tax reform to encourage economic growth and provide tax relief for middle-class and working families, the elimination of several key deductions will have a negative effect here in the San Gabriel Valley.

The elimination of the Private Activity Bonds (PABs) tax exemption will hit municipal governments and non-profit organizations especially hard and would have ripple effects across the healthcare and housing sectors. Many non-profit organizations rely on local governments as partners to issue PABs to obtain cheaper financing for a variety of endeavors like the construction of affordable housing, education programs, and elder care. Although recently state legislation will provide more funding for affordable housing, PABs are the finance backbone for these types of housing projects. PABs funded 20,000 affordable housing units in California last year; it is estimated the federal deduction alone is worth $2.2 billion in projects throughout the state. Were the exemption to be eliminated for PABs, the result would likely be a 15–20 percent reduction in the overall size of the U.S. municipal bond market.

Additionally, the limitation of the state and local tax deduction (SALT) and the reduction in the mortgage interest deduction will hurt first time home buyers in the San Gabriel Valley as well as Californians in other expensive housing markets in the state, costing them several thousand dollars a year that they could have saved under the existing deductions. One-fifth of all American taxpayers claim the state and local tax deduction. Retaining this deduction is an important way to allow Americans to keep more of their income.

The Partnership is supportive of revising the federal business tax code which has grown outdated and overly burdensome for American companies competing abroad.

Lowering the corporate rate from 35 percent to 20 percent, allowing the repatriation of foreign-made profits, and removing incentives to locate offshore are all positive steps in improving the tax climate for American business. But these positive changes are too costly if the major deductions discussed above are eliminated to pay for these changes. We ask that you work with your colleagues in Congress to keep these deductions intact.

Sincerely,

JEFF ALLRED,
President & CEO.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair will recognize Members for Special Order speeches without prejudice to the resumption of legislative business.

BIG DAY FOR AMERICA

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2017, the gentleman from Texas (Mr. GOHMERT) is recognized for 60 minutes as the designee of the majority leader.

Mr. GOHMERT. Mr. Speaker, this has been a big day.

There are so many people who have suffered in this country, especially since the passing of ObamaCare. It is difficult to call it the Affordable Care Act. There is a small percentage that supposedly has done better.

Usually, when my friends across the aisle and most of the media talk about how much better off Americans are under ObamaCare, they ignore the real results, and, instead, they point and say: There are so many people—millions of people now—who have insurance now that didn't have it before.

Well, the reason they could say that was because ObamaCare forced people to buy insurance. We went through this with some family members, helping them make the calculation: should they pay the penalty through additional income tax, or should they buy insurance that they will never, ever be able to use?

On some occasions, you are better off paying the extra tax, which means the government wanted your money a lot worse—well, not worse than the individual—but the government has the power to steal from people and call it legal, and then it is legal.

There was a massive amount of legalized stealing under ObamaCare that took place. This bill we passed today would end so much of the stealing from individuals that the government has been doing legally since ObamaCare passed.

☐ 1415

But, yes, there will be millions of people, I would suspect, that when we legally end the individual mandate, they are not going to continue to pay for insurance, huge amounts every month that they can't afford—people making $25,000, $30,000, or so, who couldn't afford to pay for health insurance who were required to do that.

Do you want to pay higher income tax? Are you going to pay for health insurance that you are never going to be able to use? The premiums cost you more than you can afford, the deductible is so high. Clearly, you are young. You are never going to use it. The odds are 99.99 percent you will never use it. But the government forced them to pay more taxes or pay more for insurance they couldn't use.

The good news for those people is that now you will be able to—well, once this becomes the law, and it does need to pass the Senate. The Senate has a little different version, and there are a few things in the Senate version I like better than ours, but there are a lot of things in our bill that I like better than the Senate.

If the Senate will go ahead and do their job like they did not do on repealing at least part of ObamaCare, they will do their job on this, the American people are going to benefit. We are going to see the economy take a big jolt forward and upward, more jobs coming to America.

Nobody gets everything they want. I believe what the President really wanted was going to be best for the country. If we could hold to a 15 percent corporate tax, I wanted to see that across the board for S corporations, C corporations. But as the President knew—I know he knew because we talked about it more than once—that 15 percent would undercut the corporate tax that China has. If we undercut the corporate tax that China has, then it means we were going to be getting manufacturing jobs back to America.

We have had so many manufacturing plants pick up and move to other places—mainly China, Mexico, other places. We need to be manufacturing here.

I know there are those elitists who have been educated with degrees far beyond their intellectual capacity to absorb. They got the degrees, but they didn't get the wisdom. And some have ventured to say: No, we don't need to be a manufacturing country. We have evolved above being these lowly manufacturers. That is for developing countries, not a wonderful country like ours is.

Obviously, they spent too much time in other places than studying history. This is something else I have talked about with the President—he knows it just from his business acumen; I know it from studying history—that any nation that is a powerful nation in the world that cannot manufacture the things that that country needs in a time of war will cease to be a great nation after the next war. And be assured, there will be wars.

Jesus, the wisest to ever walk this planet, said there will always be wars and rumors of war. And that is true because this planet has evil: people who will do evil, countries that will do evil, people who get jealous when some other country has more freedom, more assets. And there is going to be evil in this world as long as this world exists.

We saw that down in Sutherland Springs. Some lunatics—again, many of them educated well beyond their ability to be wise—had popped off and said, well, if prayer worked, those people would never have been shot in a church where they were praying and worshipping.

As long as people are in this world, there is going to be evil—not that God wants evil to prevail. He doesn't. He doesn't want that any should stumble. But as a parent knows, you could force your child to say, ''I love you'' or to throw their little arms around your neck, hug you, and say, ''I love you.'' You could force them to do that. It doesn't mean a whole lot. But when you give people the free will to choose to love you, to choose to follow your rules, it is overwhelming to a parent when a child freely chooses to do that.

So we have freedom of choice. Some choose to do evil. Some want governments to be all powerful because, in their lack of wisdom, they think that the government needs to be in control of everything and everybody.

The late Justice Scalia, who could make me laugh—he loved good jokes and stories like I do. There have been a lot of unpleasant memories, a lot of unpleasant fights, a lot of fights that I haven't won, but I stood up for what I believed was right.

When I would get around Justice Scalia, having lunch together or breakfast together, we would get to telling stories and jokes, and he was so clever. It was often hard to find a joke or a story he had not heard, but it was just fun to be around him.

But in one of those, I think it was a lunch that time, he said: You know, back when I was working for the Attorney General—and I don't remember which Attorney General it was back in the 1970s—he said: We had a weekly meeting, and one morning the Attorney General came in, and he said: Well, I was at a cocktail party last night, and for the first time I heard a definition that explained the difference between Democrats and Republicans.

He said: I actually think it is pretty good. I think it is very descriptive.

He said: What I learned was Democrats are people who want to control everybody and everything, and Republicans are people who don't want them to.

Well, I found that rather amusing. Actually, that is pretty accurate. Some people on the Republican side of the aisle go: Why don't we plot and plan as well as the Democrats do? They are always trying to figure out how they get power, how they get over on this and that, and we just want people to live and let live. We want as little government as necessary to keep order but allow people to succeed with no ceiling, no limit.