

Congressional Caucus on Armenia Issues, I consider U.S.-Armenia relations to be one of our key foreign policy objectives. Support for Armenia is in our practical interests, helping to support a stable nation in a strategically important and often unstable part of the world. Standing by Armenia is also consistent with America's calling to support democracy and human rights, and to defend free peoples throughout the world.

Mr. Speaker, I want to emphasize that the people of Armenia want good relations with their neighbors and the entire world community, and I believe the moral, political and economic power of the United States can go a long way toward helping Armenia achieve that goal.

Mr. Speaker, I hope that as we mark future Independence Days of the Republic of Armenia, we can look back with pride on building peace and prosperity in the entire Trans-Caucasus region, so that the people of Armenia and their neighbors can enjoy a stable, hopeful future. I hope that the Republic of Turkey and Azerbaijan will have responded positively to Armenia's offer to normalize relations, exchanging diplomats and allowing the free flow of goods and people across their borders. I hope that, with the active participation of the United States, we will have resolved the Nagorno Karabagh conflict, in a manner that guarantees the security and self-determination of the people of Karabagh. I hope that the effort to tap the vast Caspian Sea oil reserves will finally culminate in the construction of a pipeline carrying the oil west to Mediterranean ports through Azerbaijan, Armenia and Turkey—thereby further linking those neighbors in mutually beneficial security and economic ties. I hope that our policy in the region will not be overly influenced by the development of these oil reserves, at the expense of the values of democracy and human rights.

Thus, Mr. Speaker, while the reality for the people of the Republic of Armenia continues to be difficult, let us take this occasion to wish them well on the occasion of their Independence Day, and, more important, on their ongoing journey to establish a stable, democratic republic and a permanent homeland for the Armenian people in the Caucasus.

REDUCE THE HIDDEN TAX ON AMERICAN INVESTORS

HON. GERALD B.H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 1, 1998

Mr. SOLOMON. Mr. Speaker, on July 14, 1998, along with the distinguished Chief Deputy Democratic Whip, the Gentleman from New Jersey, I introduced H.R. 4213, the Savings and Investment Relief Act of 1998. This legislation would cap the amount of stock transaction fees which could be collected by the Securities and Exchange Commission (SEC). Collections for the various SEC "user fees"—which were designed solely to fund the Commission—had grown over time to significantly exceed the SEC's budget. In 1996, we passed legislation to bring fee collections more in line with the SEC's budget. However, actual collections have continued to skyrocket. This year alone, the SEC will bring in \$1.2 billion in fees—four times its budget.

These fees have become a large and unintended tax on all Americans who invest in the stock market. The distinguished gentleman from Texas, the Chairman of the Ways & Means Committee, has written to me to express the Committee's view that the excess fees amount to taxes. At this time Mr. Speaker, I would ask to have this letter made a part of the RECORD.

Mr. Speaker, this tax is paid by all Americans who own and sell stocks. This includes individuals and families investing for their future—for needs such as retirement and children's education. The tax affects mutual fund investors, pension plans, and other retirement vehicles, such as IRAs and 401(k) plans. It is time to stop this hidden tax on hard working investors.

Mr. Speaker, H.R. 4213 has received a groundswell of support. In addition to the distinguished Chief Deputy Democratic Whip, the bill now has close to 60 cosponsors from both sides of the aisle, including virtually the entire Republican leadership, and the distinguished gentleman from Louisiana, the Chairman of the House Appropriations Committee. Cosponsors include a number of Members from the Appropriations, Commerce and Ways & Means Committees. I would like to enter a list of the bill's cosponsors into the RECORD. It has been endorsed by a number of outside groups, including Americans for Tax Reform, the U.S. Chamber of Commerce, the National Federation of Independent Businesses, the National Taxpayers Union, Citizens for a Sound Economy, the Profit Sharing/401(k) Council of America, and dozens of state-level taxpayer advocacy groups.

Perhaps most importantly, we have revised this legislation so that it has no impact on the collection and spending levels in the pending FY99 Commerce, Justice, State Appropriations bill and to avoid pay-go scoring problems. I am pleased to announce that the Congressional Budget Office (CBO) has scored this revised language as revenue neutral. At this time, Mr. Speaker, I would like to enter into the RECORD a copy of the revised legislation and the CBO letter scoring the legislation.

Mr. Speaker, it is imperative to act on this legislation this year. Due to the budget scoring rules, it will be virtually impossible to move a revenue neutral solution next year, once the CBO revises its baseline upward to reflect the reality of the fee surplus. This hidden tax is having a real impact on hardworking families saving for their retirement. We often talk in Congress about providing tax relief to families. Let's start by giving back some of the unintended hidden tax on investments. Mr. Speaker, I urge the House to act on this legislation expeditiously.

COMMITTEE ON WAYS AND MEANS,

HOUSE OF REPRESENTATIVES,

Washington, DC, September 23, 1998.

Hon. JERRY SOLOMON,
Rayburn House Office Building,
Washington, DC.

DEAR JERRY: I am writing to express my support for what you are trying to accomplish in H.R. 4213, the "Savings and Investment Relief Act of 1999." The Committee on Ways and Means has long taken a jurisdictional interest in the fees collected by the Securities and Exchange Commission. In our view, these "fees" are taxes because they greatly exceed the SEC's regulatory costs. We have worked for several years with the Committees on Commerce and Appropriations to rectify this problem.

We last addressed SEC fees in the National Securities Markets Improvement Act of 1996. That legislation was intended to reform the SEC fee structure and bring the total amount of fees down to the level of the SEC's budget. In a letter to Chairman Bliley (whose committee has jurisdiction over the SEC), I noted both my and his longstanding goal to reduce these "fees" so that they truly are fees rather than taxes. Although the extension and phase-down of SEC fees in the Act was longer and slower than we would have preferred, I recognized that it was the best that we could achieve under the circumstances. I also noted that the Committee on Ways and Means reserved jurisdictional interest in this fee structure, and that I would strongly oppose any attempts to delay or lengthen the fee phase-down schedule provided by the Act.

The 1996 Act was a compromise that took years to achieve, so I am cautious about modifying it. However, it has become increasingly clear that actual fee collections, particularly section 31 transaction fee collections, will exceed what we estimated in 1996. Accordingly, I support your effort to cap the section 31 transaction fees, provided that it does not endanger the fee phase-down schedule in the 1996 Act and does not create a PAYGO problem. Under such circumstances (and without prejudice to the jurisdictional interest of the Committee on Ways and Means), I would not seek sequential referral of H.R. 4213 or have any objection to its condonation by the House.

I want to commend you for your tireless work and leadership in this area. As always, you are watching out for taxpayers.

With best personal regards,

Sincerely,

BILL ARCHER,
Chairman.

COSPONSORS H.R. 4213

Representatives Menendez, Forbes, Foley, Ehrlich, Towns, Houghton, Walsh, Scarborough, Gilman, Sessions, English, Cook, Pappas, and Hall of Texas.

Representatives Ramstad, Blagojevich, Largent, Christian-Green, Kelly, Armye, Hastert, Peterson of Pennsylvania, Goode, Cox, Barton, Velázquez, Norwood, Deal, and Livingston.

Representatives Hobson, Frelinghuysen, Riley, Sam Johnson of Texas, Pitts, Cubin, Quinn, Dickey, Manzullo, Pickering, McIntosh, Jackson-Lee of Texas, Barcia, and Chabot.

Representatives Hostettler, Ryun, Fox, Pryce, McHugh, Doolittle, DeLay, Boehlert, Boucher, Crane, Radanovich, Boehner, Paxon, and Brady of Pennsylvania.

H.R. 4213

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

SECTION 1. TRANSACTION FEES.

(a) AMENDMENT.—Section 31 of the Securities Exchange Act of 1934 (15 U.S.C. 78ee) is amended by adding the following new subsection:

"(h) TRANSACTION FEE LIMITATION: DEPOSIT OF FEES.—

(1) LIMITATION ON TRANSACTION FEES.—

"(A) IN GENERAL.—For fiscal years 1999 through 2006, the Commission shall not collect any fees described in subsections (b), (c) and (d) which in the aggregate exceed:

"(i) \$430 million during fiscal year 1999;

"(ii) \$396 million during fiscal year 2000;

"(iii) \$434 million during fiscal year 2001;

"(iv) \$468 million during fiscal year 2002;

"(v) \$511 million during fiscal year 2003;

"(vi) \$557 million during fiscal year 2004;

“(vii) \$607 million during fiscal year 2005; and

“(viii) \$661 million during fiscal year 2006.
“(B) PUBLICATION.—The Commission shall publish annually in the Federal Register notice of the fee limitations described in this paragraph and any suspension of fees pursuant to the limitations described in this paragraph.

“(2) DEPOSIT OF TRANSACTION FEES.—

“(A) GENERAL REVENUE.—Notwithstanding subsections (b), (c) and (d), during fiscal years 1999 through 2006, fees collected pursuant to subsections (b), (c), and (d) shall be deposited and collected as general revenue of the Treasury, in an amount not to exceed:

“(i) \$247 million during fiscal year 1999;
“(ii) \$271 million during fiscal year 2000;
“(iii) \$299 million during fiscal year 2001;
“(iv) \$328 million during fiscal year 2002;
“(v) \$361 million during fiscal year 2003;
“(vi) \$397 million during fiscal year 2004;
“(vii) \$437 million during fiscal year 2005; and

“(viii) \$481 million during fiscal year 2006.

“(B) OFFSETTING COLLECTIONS.—Notwithstanding subsections (b), (c) and (d), during fiscal years 1999 through 2006, the balance of any amounts collected pursuant to subsections (b), (c), and (d) which are not deposited as general revenue pursuant to paragraph (A) shall be deposited and credited as offsetting collections to the account providing appropriations to the Commission, to the extent provided for in advance in appropriations Acts. If on the first day of a fiscal year, a regular appropriation to the Commission has not been enacted, the Commission shall continue to collect fees (as offsetting collections) under this subparagraph at the rate in offset during the preceding fiscal year, until such a regular appropriation is enacted.”

U.S. CONGRESS,

CONGRESSIONAL BUDGET OFFICE,

Washington, DC, September 24, 1998.

Hon. GERALD B.H. SOLOMON,

House of Representatives, Washington, DC.

DEAR CONGRESSMAN: As you requested, the Congressional Budget Office has prepared the

enclosed cost estimate for draft legislation to amend the Securities Exchange Act of 1934 to provide for an annual limit on the amount of certain fees that may be collected by the Securities and Exchange Commission, as provided by your staff on September 2, 1998.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Mark Hadley.

Sincerely,

JUNE E. O'NEILL.

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

DRAFT LEGISLATION TO AMEND THE SECURITIES EXCHANGE ACT OF 1934 TO PROVIDE FOR AN ANNUAL LIMIT ON THE AMOUNT OF CERTAIN FEES WHICH MAY BE COLLECTED BY THE SECURITIES AND EXCHANGE COMMISSION

Under current law, the Securities and Exchange Commission (SEC) charges national securities exchanges, national securities associations, brokers, and dealers transaction fees equal to 1/300 of a percent of the aggregate dollar amount of sales of securities. Fees from national securities associations are subject to appropriation action and are recorded as offsetting collections, which are credited to appropriations as an offset to discretionary spending. Fees from other sources are recorded as revenues (governmental receipts).

The draft legislation would change the budgetary treatment of these fees and would limit the total amount that could be collected each year. It would require that all fees be recorded as revenues until certain annual targets are reached. Once the target for a year is reached, any additional fees would be recorded as offsetting collections. The proposal specifies as the annual revenue targets the amounts of revenues projected under current law in CBO's March 1998 baseline, starting at \$247 million for fiscal year 1999 and increasing to \$481 million for fiscal year 2006. The draft legislation also would impose annual limits on the total amount of

transaction fees collected (that is, the sum of revenues and offsetting collections). These limits would grow from \$430 million in 1999 to \$661 million in 2006. As under current law, authority to spend the amounts deposited as offsetting collections would be available only to the extent provided in appropriation acts.

CBO estimates that the limits on aggregate SEC fees would reduce total fees collected by the government by about \$385 million over the 2000-2003 period, but would probably not affect the amounts of such fees that are recorded as revenues over that period. They would, however, reduce the amount of offsetting collections and would thereby necessitate higher net appropriations for the SEC, assuming that the agency's gross spending authority is maintained at or near its 1998 level of \$283 million.

For purposes of this estimate, CBO assumes that the draft legislation will be enacted near the start of fiscal year 1999 and prior to enactment of the 1999 appropriation for the SEC. The proposal could decrease revenues, if revenues (as defined under current law) would otherwise exceed the annual caps on transaction fees specified in the draft legislation. However, CBO estimates that the proposal would probably not affect revenues—at least for fiscal years 1999 through 2003—because the cap on total fees in each year is significantly above the CBO baseline projections for revenues. (For example, the cap in 2003 is \$511 million, while CBO projects revenues under current law of \$361 million in that year.)

The caps on total fees would effectively limit offsetting collections in 1999 to CBO's baseline projection. Starting in 2000, the caps would gradually reduce offsetting collections, so that by 2006 such collections would be \$176 million less than the CBO baseline projection for that year. The following table shows CBO's estimates of fee collections under current law as well as under the Solomon proposal.

SEC FEES UNDER CURRENT LAW AND THE SOLOMON PROPOSAL

[By fiscal year, in millions of dollars]

Fiscal Year	CBO Baseline Projections			Under Draft Legislation			Estimated Change in Total Fees
	Revenues	Offsetting Collections	Total	Revenues	Offsetting Collections	Total	
1999	247	183	430	247	183	430	0
2000	271	201	473	271	125	396	-77
2001	299	221	520	299	135	434	-86
2002	328	244	572	328	140	468	-104
2003	361	268	629	361	150	511	-118
2004	397	295	692	397	160	557	-135
2005	437	324	761	437	170	607	-154
2006	481	357	837	481	180	661	-176

To implement the draft legislation, the SEC would need to upgrade its fee tracking systems, but CBO estimates that this would not have a significant impact on the federal budget. Any such impact would be subject to appropriation action.

Because the draft legislation could affect governmental receipts, pay-as-you-go proce-

dures would apply, but CBO estimates that it would have no effect on revenues for any year over the 1999-2003 period (the years for which pay-as-you-go procedures apply). Moreover, the proposal would not affect direct spending. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act

and would have no significant impact on the budgets of state, local, or tribal governments.

The CBO staff contact is Mark Hadley, who can be reached at 226-2860. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.