K–12 COMMUNITY PARTICIPATION EDUCATION ACT

The ''K–12 Community Participation Act'' calls on parents, other members of the community, and businesses to invest in education. Phased in over four years, the legislation offers every family and business a tax credit of up to $500 for any K–12 education-related expense or activity.

The tax credit could be used for expenses incurred at any public (including charter), private, or parochial institution. The credit could also be applied for home schooling. Permissible expenses include: books, tuition, fees, supplies, computers, tutors, or equipment required for courses of instruction. Additionally, the credit would be available for extracurricular activities. Moreover, the tax credit could be contributed to ''school tuition organizations''—charitable organizations that allocate at least ninety percent of their annual revenue for educational scholarships or tuition grants to children to allow them to attend any qualified school of their parents' choice.

Imagine the possibilities. For example, concerned businesses in a particular community could band together, and direct tax credit contributions to a school tuition organization that provides scholarships to low income children in malfunctioning school districts. Rather than wait for governmental assistance, individuals and businesses would be deputized to act immediately to save children in dangerous or academically under-achieving schools.

Unlike the big government proposals being pushed by the President, under the K–12 tax credit bill families control the expenditure of education dollars, not centralized bureaucrats. Additionally, the community participation tax credit would direct immediate assistance to our faltering K–12 system.

DOLLARS FOLLOW THE STUDENT EDUCATION BLOCK GRANT ACT

According to a report released by the Heritage Foundation, at least 20 percent of education tax dollars spent from Washington are lost to administrative costs. Moreover, the House Committee on Education and the Workforce report, Education at the Crossroads, disclosed this staggering statistic: The federal government accounts for only seven percent of the funding for K–12 education, but 50 percent of the paperwork burden for schools. Several important initiatives have been introduced in this Congress to ensure that more federal education dollars reach the classroom, without the staggering administrative burdens that currently accompany these funds.

The Dollars Follow the Student Education Block Grant Act would give states the opportunity to have nearly all of a $13 billion pot of federal education dollars go directly to parents of children. The block grant is modeled after a proposal that has already passed in the House and Senate, but was stripped from an appropriations bill last year at the President's insistence. That proposal would have consolidated most federally funded K through 12 education programs, except for special education, and would have given states the ability to have federal funds sent directly to local school districts or to the state education authority minus federal regulations. States also would have been allowed to reject the block grant approach if they preferred to maintain the current system of allocating funds directly into specific programs, with very little flexibility.

The bill I have introduced would permit each state opting to have a block grant to have the money ''follow the child.'' The states would be permitted to decide to allow parents of children in public schools (including charter), private schools, and parents of ''home schooled'' kids, to receive their ''per capita'' amount directly, rather than indirectly through the school district and school, thus creating an incentive for schools to provide quality education by competing for children. All schools would have an incentive to improve its overall performance, since if parents weren't satisfied, they could move their child to another school—along with the dollars that accompany their children.

The proposal provides that if federal funding falls below the levels agreed to in the 1997 budget agreement, it will revert back to the current system of funding under federally-designated categories. My bill also requires that states adjust block grants to ensure that poorer districts receive an adequate level of funding.

In a recent article, ''First, Do No Harm: The Federal Role in Education Reform,'' featured in American Outlook, former U.S. Assistant Secretary of Education Chester E. Finn identified as part of a new paradigm for education, child-centered funding:

''[U]ncle Sam should replace today's hundreds of separate ''categorical'' programs with a couple of block grants or voucher-style programs. When a child is deemed eligible for federal aid, for whatever reason, that aid should follow him to the school (or other vendor) of his and his family's choice. . . . Washington should also quit subsidizing state and local education bureaucracies.''

Under a child-centered approach, Dr. Finn argued that: ''No school will be guaranteed its budget (or jobs). No school will own its students. It will have to 'earn' its revenue by doing what it is supposed to.''

CONCLUSION

We need the courage to stand up to the powerful education bureaucrats and say you have failed our children and we will tolerate it no longer. No more five or ten year plans to nowhere. It's time to give the fabric of America, our families and communities, new tools to improve student performance. My hope is that Congress has the wisdom to follow the lead of the Arizona legislature, and pass a K–12 education tax credit bill, and the Dollars Follow the Student Education Block Grant Act.

INTRODUCTION OF H.R. 4852

HON. BILL ARCHER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Monday, October 19, 1998

Mr. ARCHER. Mr. Speaker, today, in coordination with the Treasury Department, I am introducing H.R. 4852, a bill to clarify the tax treatment of certain transfers of assets and liabilities to a corporation.

In general, when a shareholder transfers assets to a corporation it controls and receives stock in return, the shareholder does not have gain from the exchange. The shareholder may have gain, however, if the corporation assumes a liability of the shareholder, or receives assets from the shareholder that secure a liability. If the shareholder has gain, the corporation's basis in the assets is received is increased by the gain.

The tax treatment under present law is unclear in situations involving the transfer of liabilities, and some taxpayers are structuring transactions to take advantage of the uncertainty. For example, where more than one asset secures a single liability, some taxpayers take the position that, on a transfer of the assets to different subsidiaries, each subsidiary counts the liability in determining the basis of the asset. This interpretation arguably could result in assets having a tax basis in excess of their value and excessive depreciation deductions—results that are clearly inconsistent with fundamental tax policy.

The legislation I am introducing today is intended to eliminate the uncertainty and to focus on the underlying economics of these corporate transfers. Under the legislation, a corporation is treated as assuming a liability if, based on the facts and circumstances, the corporation has agreed and is expected to satisfy the liability. In addition, in determining the corporation's basis in property it receives as part of these transfers, the corporation's basis cannot exceed the fair market value of the property. Special rules apply with respect to nonrecourse liabilities.

The House of Representatives and the Senate passed substantially identical legislation earlier this year which did not become law at the time originally anticipated. To discourage continued use of corporate transaction structuring that the Congress and the Administration believe is inappropriate, I am introducing the legislation today, and it applies to transfers on or after today. I anticipate including this proposal in tax legislation next year.

A Joint Committee on Taxation explanation of the bill follows.

TECHNICAL EXPLANATION

Under the bill, the distinction between the assumption of a liability and the acquisition of an asset subject to a liability is generally eliminated. First, except as provided in regulations, a recourse liability or any portion thereof is treated as having been assumed if, as determined on the basis of all facts and circumstances, the transferee has agreed and is expected to satisfy the liability or portion thereof (whether or not the transferor has been relieved of the liability). Thus, where more than one person agrees to satisfy a liability or portion thereof, only one will be treated as expected to satisfy such liability or portion thereof. Second, except as provided in regulations, a nonrecourse liability is treated as having been assumed by the transferee of any asset subject to the liability with a limitation. The amount treated as assumed shall be reduced by the amount of the liability which an owner of other assets not transferred to the transferee and also subject to such liability has agreed with the transferee to, and is expected to satisfy, up to the fair market value of such other assets (determined without regard to section 7701(g)).

In determining whether any person has agreed to and is expected to satisfy a liability, all facts and circumstances are to be considered. In any case where the transferee does agree to satisfy a liability, the transferee will be treated as expected to satisfy the liability in the absence of facts indicating the contrary.

In determining any increase to the basis of property transferred to the transferee as a result of gain recognized because of the assumption of liabilities under section 357, the increase cannot cause the basis to exceed the fair market value of the property (determined without regard to sec. 7701(g)). In addition, if gain is recognized to the transferor

as the result of an assumption by a corporation of a nonrecourse liability that is also secured by property not transferred to the corporation, and if no person is subject to tax under the Internal Revenue Code on such gain, then for purposes of determining the basis of assets transferred, the amount of gain so treated as recognized shall be determined as if the liability assumed by the transferee equaled such transferee's ratable portion of the liability, based on the relative fair market values (determined without regard to sec. 7701(g)) of all assets subject to such nonrecourse liability.

The Treasury Department has authority to prescribe any regulations which may be necessary to carry out the purposes of the provision. Where appropriate, the Treasury Department may also prescribe regulations which provide that the manner in which a liability is treated as assumed under the provision is applied elsewhere in the Code.

The bill would be effective for transfers on or after October 19, 1998. No inference regarding the tax treatment under present law is intended.

TRIBUTE TO RICHARD W. NUTTER

HON. SAM FARR

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, October 19, 1998

Mr. FARR of California. Mr. Speaker, I rise today to honor a man who has, by his record of service to the agriculture industry, raised the standard for the profession. On July 27, 1998, Richard W. Nutter retired from 28 years of unparalleled service as Monterey County's Agricultural Commissioner and I wish to respectfully honor his deeds.

Under Mr. Nutter's leadership, the Monterey County Agriculture Commissioner's Office has developed into one of the highest qualify work performance organizations in the Nation. The ''Salad Bowl of the Nation'' harvests eighty percent of all head lettuce during peak months and leads the Nation in the production of several other vegetables and strawberries. Recent statistics show that the county grows well over two billion dollars of crops annually including exports.

Through Mr. Nutter's vision he lead the vanguard for farm worker safety, raised standards of quality for fruits and vegetables, and developed superior pesticide control programs that are recognized world-wide as innovative and effective. He fully assisted in the development of the California Organic Food Act, the registration of farm labor contractors, agricultural chemical recycling, field safety posting requirements and the functional equivalent of an Environmental Impact Report for pesticide application to protect applicators and the public alike.

He initiated projects during his service to protect and promote agriculture, the environment, and the public welfare which is meant to assure consumer and business confidence in the marketplace. Those endeavors involved food safety, water use and conservation, land use, voluntary agricultural land conservation, farm worker pesticide exposure monitoring and he established standards to maintain the quality of products intended for export and international trade.

By his record of accomplishments, Mr. Nutter has distinguished himself as a factual, logical, visionary resource to members of the agriculture community and is a reference to local, state and federal legislators. His long-term record of volunteer service to the community enhances his professional role and enriches those who benefit from his commitment.

When I observe Mr. Nutter's accomplishments, I acknowledge a man of integrity and principle. He is an admirable public servant, and I am pleased to note, a personal friend. He is an ally of agriculture who never dodged his responsibility to those who nurture the corps that feed us and certainly not to those who depend on it's wholesomeness for sustenance.

It is not at his retirement alone that he is honored, but rather for his tireless service to assure that his responsibilities were discharged with informed authority and with the intelligent dignity of a man so well suited to this important position of public trust.

REGARDING STEEL IMPORTS

SPEECH OF

HON. MAC COLLINS

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, October 15, 1998

Mr. COLLINS. Mr. Speaker, I strongly support H. Res. 598 introduced by the gentleman from Ohio. There are dramatic changes that are occurring in our domestic industries affected by increases in steel imports. That impact is affecting all levels of U.S. business and their employees—from the small scrap dealers all the way up the industry chain to the large manufacturers who have a high production demand for steel.

The steel market is extremely reactive to supply and demand. Consequently it is one of the strongest indicators of the economic strength of our domestic manufacturing industries. Even the chairman of the Federal Reserve has stated that he closely watches steel market indicators in evaluating the progress of our national economy.

While steel industry prices have grown relatively steadily over the past ten years in the last 10 months there has been a dramatic drop. The change indicates that something unusual is currently going on in the market place.

According to American Metal Market Weekly Steel Scrap Price Composites, between January and October of 1998, the price per gross ton for heavy melt steel scrap has dropped from $140 to $83.67.

In addition, the gross ton price for shredded scrap metal has dropped form approximately $146 in January of this year to the current price of $94.84.

Mr. Speaker, opponents of H. Res. 598 argue that this is a consumer issue—that a higher presence of foreign steel makes end-stage manufacturing cheaper and ultimately the final price to consumers lower. However, it is more than simply cheaper steel prices because final manufacturing is not the only line of business affected by an increase in steel imports. There are broader implications for our economy. The failure to enforce the terms of existing trade laws, which essentially sanctions the dumping of foreign products in this country, hurts U.S. businesses that supply scrap steel to end-stage manufacturers. Cutting off the demand for domestic steel means the elimination of their business and ultimately a reduction in U.S. jobs.

I have small business scrap metal suppliers in my district who sell their scrap metal to U.S. manufacturers. They have told me that there is so much foreign metal pouring into this country through southern ports it is having a real impact on their business. In fact there are at least 2 steel mills in the southeast who, as a result of the increase in imports, have not purchased any U.S.-sourced scrap metal in the past 2 months. That means U.S. suppliers are losing business—and that means another nail in the coffin for businesses that supply domestic manufacturers.

The resolution before us today simply states that the Administration should make studying the recent shift in the domestic market a priority. At minimum, the President should focus on whether violations of current trade laws and agreements are being committed to the detriment of U.S. business and the loss of U.S. jobs. Cheaper steel attributable to increased imports may mean cheaper prices for consumers, but in the end it may mean fewer jobs for Americans and that possibility is worthy of our attention. I urge support for H. Res. 598.

PERSONAL EXPLANATION

HON. EDDIE BERNICE JOHNSON

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Monday, October 19, 1998

Ms. EDDIE BERNICE JOHNSON of Texas. Mr. Speaker, due to official business in the 30th Congressional District, I was unable to record my vote on S. 1733, a bill to ''Require the Commissioner of Social Security and Food Stamp State Agencies to Take Certain Actions to Ensure that Food Stamp Coupons are Not Issued for Deceased Individuals.'' In addition, I was unable to record my vote on S. 2133, a ''To Preserve the Cultural Resources of Route 66 Corridor and to Authorize the Secretary of the Interior to Provide Assistance,'' S. 1132, the ''Bandelier National Monument Administrative Improvement and Watershed Protection Act'' and H. Res. 598, regarding ''Foreign Imports of Steel.''

Had I been present, I would have voted ''aye'' on all these items.

SALUTING THE INNOVATION AND CREATIVITY OF JESSICA FERRETTI

HON. JAMES E. ROGAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, October 16, 1998

Mr. ROGAN. Mr. Speaker, every year, the National Women's Business Council sponsors the National Business Plan Competition. Drawing from a nationwide pool of contestants, the Women's Business Council honors a select group of young women from across the country. This year I am pleased to announce that one of my constituents has been chosen for this great honor. I am proud to salute the accomplishments of all the participants. Their efforts are a vote of confidence in our future.

Mr. Speaker, I would like to recognize a recipient from my hometown, Jessica Ferretti.