

Association—ATLA—the White House and others. This provision responds to concerns that the previous version of the bill would have left injured implant recipients without a means of seeking compensation if the manufacturer or other responsible party is bankrupt or otherwise judgment-proof. As now drafted, the bill provides that in such cases, a plaintiff may bring the raw materials supplier back into a lawsuit after judgment if a court concludes that evidence exists to warrant holding the supplier liable.

Finally, let me add that the bill does not cover lawsuits involving silicone gel breast implants.

In short, Mr. President, the Biomaterials provisions of this bill are—and I am not engaging in hyperbole when I say this—potentially a matter of life and death for the millions of Americans who rely on implantable medical devices to survive. This bill would make sure that implant manufacturers still have access to the raw materials they need for their products, while at the same time ensuring that those injured by implants are able to get compensation for injuries caused by defective implants.

In closing, let me once again congratulate Senator ROCKEFELLER, Senator GORTON and the President for their success in forging this compromise bill. I urge my colleagues to support it.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

PRODUCT LIABILITY REFORM ACT OF 1997

CLOTURE MOTION

The PRESIDING OFFICER. The cloture motion having been presented under rule XXII, the Chair directs the clerk to read the motion.

The legislative clerk read as follows:

CLOTURE MOTION

We, the undersigned Senators, in accordance with the provisions of rule XXII of the Standing Rules of the Senate, hereby move to bring to a close debate on the pending amendment to Calendar No. 90, S. 648, the Product Liability Reform Act of 1997:

Trent Lott, Don Nickles, Slade Gorton, Phil Gramm, John McCain, Spencer Abraham, Dan Coats, Dick Lugar, Lauch Faircloth, John Chafee, Sam Brownback, Ted Stevens, Jon Kyl, Jeff Sessions, Mike Enzi, and Judd Gregg.

CALL OF THE ROLL

The PRESIDING OFFICER. By unanimous consent, the quorum call has been waived.

VOTE

The PRESIDING OFFICER. The question is, Is it the sense of the Senate that debate on the amendment No. 3064 to S. 648, the Product Liability Reform Act, shall be brought to a close?

The yeas and nays are required. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from Texas (Mrs. HUTCHISON) and the Senator from Arizona (Mr. KYL) are necessarily absent.

I further announce that if present and voting, the Senator from Arizona (Mr. KYL) would vote "yes."

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The yeas and nays resulted—yeas 51, nays 47, as follows:

[Rollcall Vote No. 188 Leg.]

YEAS—51

Abraham	Enzi	Mack
Allard	Faircloth	McCain
Ashcroft	Frist	McConnell
Bennett	Gorton	Murkowski
Bond	Gramm	Nickles
Brownback	Grams	Roberts
Burns	Grassley	Santorum
Campbell	Gregg	Sessions
Chafee	Hagel	Smith (NH)
Coats	Hatch	Smith (OR)
Cochran	Helms	Snowe
Collins	Hutchinson	Specter
Coverdell	Inhofe	Stevens
Craig	Jeffords	Thomas
D'Amato	Kempthorne	Thompson
DeWine	Lott	Thurmond
Domenici	Lugar	Warner

NAYS—47

Akaka	Feinstein	Lieberman
Baucus	Ford	Mikulski
Biden	Glenn	Moseley-Braun
Bingaman	Graham	Moynihan
Boxer	Harkin	Murray
Breaux	Hollings	Reed
Bryan	Inouye	Reid
Bumpers	Johnson	Robb
Byrd	Kennedy	Rockefeller
Cleland	Kerrey	Roth
Conrad	Kerry	Sarbanes
Daschle	Kohl	Shelby
Dodd	Landrieu	Torricelli
Dorgan	Lautenberg	Wellstone
Durbin	Leahy	Wyden
Feingold	Levin	

NOT VOTING—2

Hutchison Kyl

The PRESIDING OFFICER. On this vote the yeas are 51, the nays are 47. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998—CONFERENCE REPORT

The PRESIDING OFFICER. Under the previous order, the Senate will now vote on the adoption of the conference report to accompany H.R. 2676, which the clerk will report.

The legislative clerk read as follows:

Conference report to accompany H.R. 2676, an act to amend the Internal Revenue Code of 1986, to restructure and reform the Internal Revenue Service, and for other purposes.

The Senate resumed consideration of the conference report.

Mr. DASCHLE. Mr. President, I would like to express my gratitude to all of our colleagues, Democratic and Republican, who have worked so hard for so long on the Internal Revenue Service Restructuring Act of 1998. This bipartisan legislation builds on the recommendations of the year-long Na-

tional Commission on Restructuring of the IRS and addresses many of the concerns raised during Congressional hearings. These reforms have been a long time coming, and I am pleased to support them today on the last leg of their journey through the legislative process.

We would not be here today, poised to enact the most sweeping restructuring of the Internal Revenue Service in living memory, if it were not for the vision, diligence, and persistence of the senior Senator from Nebraska, BOB KERREY. Today's vote represents nearly three years of concerted effort on the part of Senator KERREY. He developed the legislation to create the commission in 1995, co-chaired its proceedings to a successful conclusion in 1997, and has worked assiduously since then with Members of Congress and the Administration to shepherd the legislation to today's final vote. On behalf of the Senate and taxpayers across the country, I thank Senator KERREY for his inspired public service.

This legislation has two essential goals: to make the IRS more accountable to private citizens and to transform its culture into one that resembles the customer service orientation of a well-run business.

Too often lately, South Dakota business owners, farmers and others have told me stories that make IRS tax collectors sound a lot more like a team of overzealous special prosecutors. With this agreement, we send a strong message that the abuse, intimidation, harassment, quota systems, and patterns of targeting middle and lower-income people—or any segment of the public—will no longer be tolerated. IRS reform will ensure that taxpayers receive the fair and equal treatment they deserve. It will also pave the way for restoring the public's confidence in our Nation's tax collector.

I support this conference report because it will make the IRS more accountable to, and respectful of, taxpayers.

The extensive public hearings held by the Commission and Congressional committees have highlighted management problems within the IRS as well as individual cases of abuse and harassment by some IRS employees. The new IRS Commissioner, Charles Rossotti, has begun to implement significant changes to the structure and culture of the agency. By approving the conference report, the Senate can at last give him the tools he needs to expedite these necessary changes.

The bill establishes a new series of taxpayer rights, including one that places the burden of proof on the IRS in disputes before the tax court. It also permits a taxpayer to sue for civil damages if any IRS employee, in connection with any collection activity, negligently disregards the law. I am also pleased that the legislation provides a number of specific protections for taxpayers subject to audit or collection activities and establishes a private board of directors to oversee the IRS.

In addition, the conference agreement begins the important process of coming to grips with the complexity of the tax code. Thanks to this legislation, in the future, Congress will have an opportunity to hear from IRS technical experts concerning the likely compliance difficulties posed by individual tax legislation proposals. I am hopeful that involving these IRS tax experts early in the drafting process will help us attain our ultimate goal of a simpler and less burdensome tax law.

Nevertheless, there is one aspect of this conference agreement I find wholly unbecoming of a piece of legislation intended to protect taxpayers. Mr. President, we should be paying for this bill just like every other tax bill. Regrettably, the conference report fails to uphold the spirit of fiscal responsibility that brought us last year's historic balanced budget agreement. Our Republican colleagues have chosen to employ a blatant gimmick to cover the costs of the bill over the 10-year period required by budget rules by pushing the costs out beyond that 10-year period. In so doing, they tarnish a otherwise important victory for taxpayers.

Protecting taxpayers is not limited to improving the fairness and efficiency of their tax collection system; it also involves maintaining discipline in government finances. There is no good reason why these two goals could not have been achieved simultaneously.

Specifically, the Roth IRA revenue offset in the conference report raises revenue for only 3 years. Thereafter, it loses more revenue than all the other revenue raisers in the bill combined. Indeed, this bill will drain more than \$30 billion from the Treasury in the second 10 years following enactment. This burden on the federal government's finances will occur at precisely the time baby boomers begin to retire in large numbers, Medicare is projected to become insolvent, and the Social Security system's finances come under pressure. I will vote for the conference report because of the many good things in it. Nevertheless, I hope that at the next opportunity Congress will correct this serious flaw in the legislation.

I am also disappointed that the conference report to the IRS reform bill includes the technical corrections for the new surface transportation law. Like many veterans' advocates, I had hoped the Republican leadership would allow the Senate to debate this matter separately and reconsider its unwise and unfair decision to use \$17 billion set aside for veterans' disability compensation to pay for new transportation projects.

As I have stated many times, I strongly believe that veterans suffering from smoking-related illnesses as a result of their military service should be compensated. That is why I voted against efforts to eliminate this compensation during consideration of the Republican Budget Resolution earlier this year. And that is why I supported the point of order that was raised by Senator PATTY MURRAY on this matter

yesterday. Although both efforts were narrowly defeated, I look forward to continuing to work with Senator MURRAY, Senator ROCKEFELLER, the ranking member of the Senate Veterans' Affairs Committee, and others in an effort to ensure that veterans receive the disability compensation they deserve.

Mr. President, despite my objections to these particular provisions, my vote in favor of this conference agreement comes down to what I believe is in the best interests of working families. The American people deserve some assurance that, if they work hard and play by the rules, they can expect fair treatment from the IRS. I am convinced this legislation can make a difference for honest taxpayers who come into contact with our tax collectors. We should pass the conference report in order to give Commissioner Rossotti the authority he needs to carry out his plans to restructure this troubled agency as rapidly as possible. I have been attempting to expedite passage of this legislation since January, and I believe that American taxpayers should not have to wait one day longer.

Mr. DOMENICI. Mr. President, there are more than 168 ways that this bill makes the IRS more service oriented, and taxpayer friendly. It cracks down on abuses highlighted in the hearings. It corrects some problems called to my attention by constituents. Chairman ROTH and the Finance Committee should be commended for the fine job they did on this bill.

Often when we pass legislation, I ask the question: Who cares?

I can assure you that this is one piece of legislation that everyone cares about. No agency touches more Americans than the IRS. As I said before one out of two Americans said they would rather be mugged than be audited by the IRS. This bill should reverse that prevailing view. Among the key provisions the bill strives for better management; better use of technology; reinstatement of a checks and balances system so that the IRS will no longer be the judge, jury and executioner; discipline for rogue IRS agents; taxpayer protections including the right to a speedier resolution of a dispute with the IRS; fundamental due process and a long overdue reorganization. Hopefully, these reforms will change the environment and change the culture at the IRS.

The bill prohibits the IRS from contacting taxpayers directly if they are represented by a lawyer or an accountant. The IRS called this practice by bypassing the tax professional and visiting the taxpayer at work or at dinner "aggressive collection" techniques, my constituents called it harassment.

The bill attempts to make the IRS employees more accountable for their actions by putting their jobs on the line when they deal abusively with taxpayers.

The bill requires the IRS to terminate an employee if any of the following conduct relating to the employee's official duties is proven in a final administrative or judicial determination:

Failure to obtain the required approval signatures on documents authorizing the seizure of a taxpayer's home, personal belongings, or business assets.

Falsifying or destroying documents to conceal mistakes made by the employee with respect to a matter involving a taxpayer.

Assault or battery on a taxpayer or other IRS employee.

Under the bill, the IRS will no longer be allowed to send out tax bills with huge penalties compounded with interest and cascading penalties just because the IRS was years behind in its work.

If the IRS does not provide a notice of additional taxes due, a deficiency, within 18 months after a return is timely filed, then interest and penalties will not start to be assessed and compounded until 21 days after demand for payment is made by the IRS. This excludes penalties for failure to file, failure to pay, and fraud. It is not fair for the IRS to wait years before contacting a taxpayer who honestly believes he has paid the correct amount, only to deliver to him years later a tax bill with interest and penalties that dwarfs the original underpayment. I had a constituent who was told he owed an additional dollar—one dollar—in taxes but owed more than \$2,500 in penalties and interest! The IRS agent's response when asked about it was, "Well, I guess we gotch ya good."

Small businesses have been the target of some of the worst abusers. I will always remember the day a good friend, a restaurant owner in New Mexico called my office, justifiably hysterical. The IRS had just padlocked her restaurant. What was she to do? What could I do?

This bill codifies the proposition that all men and women, even if they work for the IRS, shall follow fundamental due process requirements. Padlocks and raids should be a last resort under this bill.

The bill requires the IRS to provide notice to taxpayers 30 days before the IRS files a notice of Federal tax lien, levies, or seizes a taxpayer's property.

The bill gives taxpayers 30 days to request a hearing. No collection activity would be allowed until after the hearing.

The bill requires IRS to notify taxpayers before the IRS contacts or summons customers, vendors, and neighbors and other third parties.

The bill requires the IRS to implement a review process under which liens, levies, and seizures would be approved by a supervisor.

The bill legislates common sense. It prohibits the IRS from seizing a personal residence to satisfy unpaid liabilities less than \$5,000, and provides that a principal residence or business property should be seized as a last resort.

In addition, the bill expands the attorney client privilege to accountants and other tax practitioners.

Under this bill, the IRS could no longer insist that a taxpayer waive his rights. In particular, the IRS could no longer insist that a taxpayer waive the statute of limitations before the IRS would settle a case. The bill requires the IRS to provide taxpayers with a notice of their rights regarding the waiver of the statute of limitations on assessment.

If the IRS cannot locate the taxpayer's file, the bill prohibits the IRS from rejecting the taxpayer's offer-in-compromise based upon doubt as to the taxpayer's liability. I have known constituents who are left in an IRS twilight zone because the IRS lost their file. I know of one constituent who had his file lost five times. Fortunately, he kept a copy of the file himself, and worked next door to a Kinko's copying center.

This bill allows for a prevailing taxpayer to be reimbursed for his or her costs and attorney's fees if the IRS is found not to be substantially justified. The substantially justified standard is consistent with the little-guy-can-fight-the-federal-government-and-win philosophy. I am glad this standard is being expanded, and incorporated into this bill. Originally, the notion that a citizen should be able to recoup attorney's fees and costs when the Federal Government was not substantially justified was a concept in the Equal Access to Justice Act which I authored in the early 1980's. It is historically interesting to note, and perhaps prophetic, that the IRS lobbied very hard to be exempt from that law. In fact, the IRS was exempt when the bill was first enacted. When the Equal Access to Justice was reauthorized 5 years later, Senator GRASSLEY and I worked to include the IRS. It was a big fight but Congress prevailed and got the IRS under the Equal Access to Justice Act's umbrella. The Federal Government with its deep pockets shouldn't be allowed to simply "outlast" the average American taxpayer. That isn't what our justice system is about.

The bill also clarifies that attorney fees may be recovered in a civil action in which the United States is a party for unauthorized browsing or disclosure of taxpayer information. I have heard a lot about this abuse both from constituents and from the witnesses in the campaign finance investigation.

If a taxpayer makes an offer to settle his or her tax bill and the IRS rejects it and the IRS ultimately obtains a judgment against the taxpayer in the amount equal to, or less than the amount of the taxpayer's statutory offer, the IRS must pay the taxpayer's fees and costs incurred from the date of the statutory offer. I am pleased this provision is included in this bill. The offer and settlement provisions are patterned after the securities litigation reform bill which Senator DODD and I authored last Congress.

I can't believe we have to pass a Federal statute to accomplish this next task but apparently we do.

The bill requires all IRS notices and correspondence to include the name, phone number, and address of an IRS employee the taxpayer should contact regarding the notice. To the extent practicable and if advantageous to the taxpayer, one IRS employee should be assigned to handle a matter until resolved.

In New Mexico, a notice can come from the Albuquerque, Dallas, Phoenix, or Ogden IRS center. Taxpayers are often left with no option but to contact my office asking for help in simply identifying who they should talk to at the IRS to settle their tax matter. The caseworkers are experts, but it would take them 2 days to track down the right IRS office so that the constituent could try and solve their problem. It was so commonly befuddling to constituents that my caseworkers asked that this identification provision be included in this bill.

Movie stars, rock singers, and hermits like, and need unlisted phone numbers. The same is not true for Federal agencies. The bill also requires the IRS to publish their phone number in the phone book along with the address. We have a beautiful new IRS building in Albuquerque, but the only phone number for the IRS is the toll free number that is too frequently busy. If you did not know the IRS building in Albuquerque existed, you would not find a clue of its location in the telephone book.

I am pleased that the Senate was willing to accept a Domenici amendment, cosponsored by Senators D'AMATO, and MCCAIN that requires IRS helpslines to include the capability for taxpayers to have their questions answered in Spanish.

In addition, the bill establishes a toll free number for taxpayers to register complaints of misconduct by IRS employees and publish the number.

The bill requires the IRS to place a priority on employee training and adequately fund employee training programs. The IRS is making progress. The accuracy of the advice that taxpayers received when they called the IRS was very bad. For example, in 1989, the advice was correct only 67 percent of the time. The accuracy has fortunately improved. Training is the key.

The bill requires the Treasury to make matching grants for the development expansion or continuation of certain low-income taxpayer clinics.

The bill requires at least one local taxpayer advocate in each state who has the authority to issue a "Taxpayer Assistance Order" when the taxpayer advocate believes it is appropriate.

Mr. President, many, in fact most, IRS employees work very hard and do a good job. Perhaps the best way to reform the IRS is to reform the code to make it simpler. The doubling from \$100 billion to \$195 billion of the tax gap—the difference between the amount of taxes owed and the amount actually paid—is evidence that the system is breaking down.

I am also pleased that the bill simplifies the capital gains holding period and makes it easier for taxpayers to calculate their capital gains.

Mr. LEVIN. Mr. President, I support the IRS Restructuring Act of 1998.

Ten years ago, I worked with former Senator Pryor on the Taxpayer Bill of Rights. That legislation grew out of hearings before the Governmental Affairs Committee which highlighted abuses by IRS employees against the taxpayers they are hired to serve. The Taxpayer Bill of Rights was landmark legislation that outlined the rights taxpayers have when dealing with the IRS including the right of the taxpayer to legal representation and the right to recover civil damages and attorneys fees from the IRS where they have engaged in abusive practices.

While that legislation and the subsequent Taxpayer Bill of Rights II addressed some of the most egregious abuses, some abuses continue. The Finance Committee hearings have again shed light on abuses of taxpayer by some overzealous employees. While all of us want the IRS to be diligent in their collection of taxes owed to the federal government, we don't want the IRS to abuse its authority. This legislation is another step in the right direction.

The bill contains an IRS Oversight Board which is intended to bring some private sector management and customer service expertise to the IRS. This Board is made up of nine members, six of whom are from the private sector and have an expertise in management of large organizations, tax laws, information technology and the concerns of taxpayers. The Board will review and approve strategic plans, operational functions and plans for major reorganization. In addition they will review operations at the IRS to monitor the Agency's treatment of taxpayers in general.

The Taxpayers Bill of Rights II contained an office of Taxpayer Advocate. The Taxpayer Advocate has the responsibility of aiding taxpayer in their disputes with the IRS and reporting to Congress annually with suggestions outlining the most serious problems faced in working with IRS. Taxpayers can request that the taxpayer advocate issue a taxpayer assistance order if the taxpayer is suffering or about to suffer a significant hardship as a result of the manner in which the tax laws are being administered. A taxpayer assistance order may require the IRS to release property, cease any action or refrain from taking action. The bill before us expands the circumstances when a taxpayer assistance order may be issued.

Currently, the direct point of contact for taxpayers seeking taxpayer assistance orders is a problem resolution officer appointed by a District Director. This bill replaces the present law problem resolution system with a system of local Taxpayer Advocates who report

directly to the National Taxpayer Advocate. Under the bill, the local Taxpayer Advocate will have a phone number published and available to taxpayers, they must tell taxpayers that they are operated independently of any IRS office, and they are required to tell taxpayers that they do not disclose any information from the taxpayer to the IRS. In addition, the IRS is required to publish the right to contact the local Taxpayer Advocate on the statutory notice of deficiency.

The Taxpayer Advocate will be required to publish an annual report to identify areas of the tax law that impose significant compliance burdens on taxpayers and the IRS, including recommendations and identify the ten most litigated issues for each category of taxpayer including recommendations on how to mitigate those problems.

The bill contains other provisions that will improve the management of the agency. It also includes innocent spouse relief for those spouses who find themselves liable for taxes, interest or penalties due to the actions of their spouse. There's increased protections for taxpayers in the area of interest and penalty charges as well as in audit and collections. I am also especially encouraged by the stronger requirements imposed on the IRS to provide taxpayers with better information in regards to taxpayers rights, the appeals and collection process and potential liabilities when filing joint returns.

While all of these reforms are steps in the right direction, there is nothing in this bill to simplify the tax code. Since the 1986 Tax Reform Act, Congress has amended the tax code 63 times. Just this past year, Congress passed and the President signed a tax bill which contained over 800 changes to the Internal Revenue Code. Now that this legislation is prepared to move to the President's desk for signature, it is time that we set our sights on tax simplification.

TEFRA PARTNERSHIP

Mr. LEVIN. Mr. President, I'm glad to see Section 3507 regarding tax matters partners in the conference report. It strikes me as unfair that the IRS has not been notifying partners of a TEFRA partnership when the IRS appoints a successor tax matters partner. Under the effective date provision, Section 3507 applies to selections of tax matters partners made by the IRS after the date of enactment. Does the enactment of Section 3507 create any inference that the IRS is not required to give such notice to partners of TEFRA partnerships under the due process clause of the United States Constitution?

Mr. BAUCUS. The effective date provision creates no such inference.

Ms. MIKULSKI. Mr. President, I rise to support the Internal Revenue Service Restructuring and Reform Act conference report that is before us today. I supported the Senate bill in May and,

although this report has unrelated items that should be debated on their own merits, I will support this conference report because it will change the culture of the IRS by focusing on customer service. This new culture will improve the way the IRS interacts with individual taxpayers, IRS employees, and tax-exempt groups.

As we know from our constituents, the IRS has engaged in some horrible management practices. It has been rightfully described as an agency out of control. I am particularly furious about the documented harassment of taxpayers. In my state of Maryland, I have heard from many Veterans groups across the state and a volunteer fire company in Western Maryland about harassment at the hands of the IRS.

Let me give you some examples. The Veterans of Foreign Wars and the American Legion Posts in my state have been systematically audited over the past five to six years because they sell drinks and food to members' guests. The Veterans groups tell me that their sign-in book was confiscated, people were subpoenaed, and IRS agents threatened to lock them up. Amazingly, the American Legion was told by the IRS that they could not hire an attorney or a CPA out of Post funds to help them with the audits!

These Posts offer our vets fellowship, entertainment, and a place to bring their families for an affordable meal. Yet, their very existence has been put in doubt by the actions of the IRS. What is their crime? They sell drinks and food to their post members and their guests, a little beer and a little bingo and a lot of the IRS. Let me tell you, this has got to end.

In Frederick County, the Emmitsburg volunteer fire company used "tip jars" to raise money to purchase a fire truck. The Frederick County Commissioners passed a local gaming law that makes it legal and less bureaucratic for non-profits like the fire company to place "tips jars" in local taverns by eliminating the need for county tax processors to get involved. However, the fire company was audited by the IRS and was told it owes close to \$29,000 in back federal taxes because the money raised was not funneled through the local county tax authority in the customary manner.

I find it very troubling that any of our government agencies would accuse the men and women who protected our country of being tax evaders and tax cheaters. I take much satisfaction that these methods will not be tolerated in the new IRS. After we pass this legislation, the IRS will be a more customer focused organization and will have a separate division dedicated solely to working with members of the tax-exempt sector, like our veterans groups and volunteer fire companies.

Mr. President, I also want to recognize the hard work of many at the Internal Revenue Service. We need to recognize that most IRS workers are good, faithful employees, doing their

best to serve the public. Many employees at the IRS are my constituents. I know that every day they go to work, do a good job, and then return to their families, their neighborhoods and their communities throughout Maryland.

In light of all the negative talk about the IRS recently, I want them to know that I value their work as faithful employees and I thank them. I realize that the front-line employees of the IRS often receive little recognition and little thanks. It pleases me that this legislation will help the employees at the IRS make their voices heard, and to receive the updated technology they need to allow the cultural and technological changes to succeed at the new IRS.

Finally, I wish to address what I consider to be a major abuse of the legislative process that I mentioned before. As we all know and are supposed to respect, the purpose of a House-Senate conference is to produce a report that iron out the differences between similar legislation passed by the two houses of Congress. It is not intended to be a backdoor, behind-the-scenes, under-the-table method of getting controversial items passed on popular bills. There are two such provisions included in this conference report today and that's why I supported Senators DORGAN and MURRAY in their efforts to recommit the conference report back to conference.

The first goes against one of my principles for maintaining our robust economy. I believe that we should reward patient capital. We should discourage the two-hour investments in hot IPOs and encourage the two-year or longer investments in start-up biotech firms that are important for our new global economy. That's why I was pleased that the 1997 Taxpayer Relief Act included a lower capital gains rate for assets held for 18 months or longer. I am disappointed that this IRS reform conference report includes language that will remove that important economic incentive.

The other provision that was inserted in the legislative darkness was a backdoor way of preventing serious debate on technical corrections to the ISTEA legislation. Many of us in the Senate are concerned because the ISTEA bill deprived our Veterans of important benefits. It was agreed that these benefits should be restored in a corrections bill. However, the leadership thought it would be best to include these "corrections" in this conference report, where they can't be amended. But our veterans will be harmed by this backdoor strategy and I will join with my colleagues to restore these benefits to our honored veterans who served their country.

Mr. President, I am very pleased this conference report to restructure the Internal Revenue Service has arrived. I urge my colleagues to support this legislation so that every American taxpayer is treated with respect and dignity when dealing with the Internal Revenue Service.

Mr. THOMPSON. Mr. President, I rise to express my support for Senate approval of the conference report on the Internal Revenue Service Restructuring and Reform Act. This landmark legislation, which is the product of years of hard work by many parties, will make long-overdue reforms to the IRS. As a member of the Conference Committee responsible for crafting this agreement, I believe we have made great strides in developing a statutory framework to increase the accountability of the IRS and to protect the rights of taxpayers in their dealings with the IRS.

There have been numerous congressional hearings over the past year that have clearly highlighted the need to overhaul IRS operations. In the course of these hearings, Congress has reviewed all aspects of the Service's operations and found an agency in serious need of reform and repair, especially in the area of taxpayer service.

As the Chairman of the Committee on Governmental Affairs, I had a particular interest in how the IRS's management structure could be improved to better serve the American public. To that end, I am pleased that this conference agreement will overhaul the structure of the IRS and provide significant new management and personnel tools to assist the IRS Commissioner in restructuring the Service. Commissioner Rossotti has demonstrated his commitment to working with Congress to meet this mandate.

The conference agreement creates a new Oversight Board for the IRS to direct these reform initiatives. The Board is composed primarily of private individuals with expertise in the areas of management, customer service, information technology and taxpayer compliance, and it has been granted wide-ranging authority to oversee management of the IRS and the administration of tax laws.

Of great interest to me have been the issues surrounding membership on the Oversight Board of an IRS employee or employee representative. The conference agreement does provide for an IRS employee or employee representative to serve on the Oversight Board, and I am pleased that the conferees adopted my proposal to eliminate the Senate bill's blanket waiver of criminal conflict of interest ethics laws as they applied to the employee representative on the Board. However, I still oppose Congress giving the President the authority to waive these criminal laws for the employee board member. There are many individuals qualified to be an effective employee representative who would not need to be exempted from federal ethics laws in order to serve on the Board. Waiving criminal laws in order to accommodate one member of the Board establishes a troubling and dangerous precedent.

The conference agreement also grants significant new personnel authorities to the IRS. These new authorities are intended to help Commis-

sioner Rossotti bring in high-quality private sector professional, administrative and technical personnel to address the many management problems facing the agency. These authorities break new ground in terms of federal personnel pay and management policies. By granting these authorities to the IRS, Congress will have high expectations that the reform agenda is indeed carried through.

Mr. President, the provisions I have noted are only a part of the important reforms contained in this restructuring bill. The conference agreement also contains many changes that will directly affect the relationship between the IRS and taxpayer to provide greater protections of the rights of taxpayers. For example, this legislation will shift the burden of proof in tax disputes from the taxpayer to the IRS, and it will increase penalties against the IRS for violations of these rights. The conference agreement would provide relief to so-called "innocent spouses" who, under current law, can be held responsible for huge tax bills incurred by a former spouse. The agreement also provides significant relief to taxpayers with regard to interest and penalties that are applied by the IRS.

Finally, it should be noted that this legislation provides further tax relief for Americans. The conference agreement will eliminate the 18 month holding period that was included in the Taxpayer Relief Act of 1997 for assets in order to qualify for the lowest tax rate on capital gains. Under this agreement, any gain realized on the sale of assets held for at least one year will be taxed at a rate of 10 percent for taxpayers in the 15 percent tax bracket, and at a rate of 20 percent for all other taxpayers. In addition to reducing the tax burden on Americans, this provision will simplify the unnecessarily complex capital gains provision that was included in the 1997 bill.

Mr. President, enacting these far-reaching reforms is only one step Congress can take to provide relief to taxpayers. Next, we need to do away with the current complex tax code and replace it with one that is simpler and fairer. In approving these reforms, we should also keep in mind that our ultimate goal is to reduce the tax burden on hard-working American families.

Mr. REED. Mr. President, I rise to express my support for the conference report on the IRS reform legislation, but also to raise concerns about several provisions in the bill.

Mr. President, I believe this legislation goes a long way in making a number of important organizational and management reforms at the IRS that will enable the agency to become more efficient and taxpayer-friendly. Such steps are welcome and should help to address the concerns of millions of taxpayers. In addition, the bill includes provisions to encourage electronic filing and promote the use of digital signatures—advances which will substantially improve tax administration for filers and the IRS.

However, Mr. President, I am concerned about the long-term cost of provisions in the bill that will make it easier for the wealthiest Americans to convert traditional IRAs to Roth IRAs which allow tax-free withdrawals. Under last year's budget agreement, individuals with an annual adjusted gross income of less than \$100,000 are permitted to convert traditional IRAs into Roth IRAs. Currently, individuals over the age of 70½ must withdraw a minimum amount from an IRA each year and these withdrawals count toward the income threshold for conversion to a Roth IRA. Provisions in the conference report, however, would exclude required annual withdrawals when determining an individual's eligibility to convert a traditional IRA into a Roth IRA. As a result, some of America's wealthiest will be able to rollover large IRA balances into Roth IRAs, thus exempting themselves and their heirs from future taxes.

While the Roth IRA provisions will raise tax revenues initially because they will encourage taxable conversions, the long-term costs resulting from foregone revenue will be significant. In fact, in recognition of this issue, the conferees delayed implementation of the conversion provision until 2005, thereby putting the revenue losses outside of the 10-year budget scoring window.

Mr. President, I am also concerned about provisions that reduce the holding period for investments from 18 months to 12 months to qualify for a lower capital gains rate. In the Taxpayer Relief Act passed in 1997, Congress reduced the capital gains tax rate, but lengthened the holding period necessary to take advantage of the new lower rate. It was thought that lengthening the holding period would discourage churning, and encourage long-term savings and investment. By reducing the holding period, we are abandoning one important condition of last year's capital gains reduction, and we may be encouraging short-term profit-taking at the expense of long-term investment. I believe such a provision is unwise and costly in view of the dismally low savings rate which currently exists in the U.S.

Finally, I am concerned that the conferees knowingly failed to close a loophole accidentally created in the Taxpayer Relief Act which benefits several hundred of the wealthiest Americans. Specifically, the loophole benefits the heirs of individuals whose estates are worth more than \$17 million, saving each estate approximately \$200,000 in taxes. The cost of this loophole is \$880 million over 10 years. In view of its significant cost and limited benefit, I believe the conferees should have used the IRS reform legislation as an opportunity to close this loophole, not affirm it.

Again, Mr. President, on balance I believe this is a good bill. However, I would hope that my colleagues consider the concerns I have raised when

the Senate debates tax legislation in the future.

Mr. DODD. Mr. President, I rise today in support of the conference report for H.R. 2676, the Internal Revenue Service Restructuring and Reform Act of 1998. I commend my colleagues on the Senate Finance Committee, namely Chairman ROTH and Senator MOYNIHAN for crafting a bill that takes an important step forward in the effort to protect the rights of our nation's taxpayers.

The IRS is an agency that has earned widespread, deeply felt, and entirely justified criticism. For too long the IRS has permitted practices that harass rather than help taxpayers. In my view, a full-scale, top-to-bottom overhaul of this agency is long overdue.

Recent Congressional hearings have chronicled a litany of official neglect, heavy-handed threats, and outright abuse of innocent citizens. Clearly, Mr. President, no one likes to pay taxes. But that duty should not be made even more difficult by the unacceptable behavior of the agency responsible for collecting those taxes.

Many of my constituents in Connecticut have sought assistance from my office in their efforts to remedy what they feel is unhelpful, unpleasant, and at times unfair treatment by officers of the IRS.

I heard from one gentleman who went to the IRS to pay several hundred dollars he owed in back taxes—only to be handed a tax bill that, with penalties and interest, totaled upwards of \$30,000. Other Connecticut residents have told me stories of the IRS losing their tax payments—and then charging them interest and penalties on the very funds that the agency lost. They have told of calling the IRS and finding it impossible to locate a person who will simply answer their questions.

The list goes on and on, Mr. President, and the more people you talk to, the more nightmares you hear. The problems at the IRS, however, go far beyond the actions of a few agents at the IRS. For years, the agency has fostered a climate where taxpayers feel scorned rather than served, and that is why the IRS reform legislation before us today is so important.

This legislation contains more than 50 new taxpayer rights and protections. Most importantly, it will shift the burden of proof away from the taxpayer and onto the IRS. Today, when someone is accused of a crime like bank robbery, they're presumed to be innocent until proven guilty. Yet, if the IRS says you didn't pay enough taxes, you're presumed guilty until proven innocent. That, Mr. President, is wrong.

For too long we've seen a "shoot first, ask questions later" approach to enforcement by the IRS. By shifting the burden of proof, this bill will require that the IRS prove its allegations with evidence. It will help ensure that the IRS exercises appropriate caution and consideration prior to commencing an enforcement action against any taxpayer.

This reform bill also protects people from paying penalties and interest that they should never have been required to pay. Under current law, taxpayers must pay penalties and interest whether or not they knew that back taxes are due. As a result, some taxpayers were assessed hundreds, if not thousands, of dollars in fines without ever having actually been told by the IRS that money was owed. This bill suspends penalties if the taxpayer has not been appropriately notified of the debt. It also requires that each penalty notice include a computation itemizing the penalties or interest due. It's only fair that a taxpayer should have adequate notice of any financial liability and know exactly why he or she is paying a fine.

The bill also offers relief to an innocent spouse who would otherwise become liable for his or her ex-spouse's tax obligations. I'm sure that many of my colleagues have heard stories similar to those I've heard in Connecticut, about people who have become financially wiped out when they find themselves liable for taxes, interest, and penalties because of actions by their then-spouse of which they were unaware. The innocent spouse provisions of the bill would help prevent such scenarios from occurring in the future. It's a matter of simple fairness: a spouse who did not know of an ex-spouse's misdeeds should not be held liable for them.

In addition, this legislation requires the IRS Commissioner to fire employees for certain egregious violations—especially those that mistreat taxpayers. This provision will send a clear message to agency employees that neglect and abuse of taxpayers will simply not be tolerated.

Lastly, the bill contains a modest tax cut for people who own stocks, bonds, and other assets. I don't object to this provision itself. I do, however, wish that the Congress had considered additional tax relief targeted to working families—such as expanding the child care tax credit. I hope that such relief will be on the Congressional agenda in the future.

I would be remiss if I did not comment about the fact that the conferees added a title to this conference report containing the technical corrections to the Transportation Equity Act for the 21st Century, which was signed into law several weeks ago.

That law contains a provision affecting Veterans Administration benefits for veterans with smoking-related illnesses. I was concerned that by adopting these technical corrections in the IRS conference report, we would lose a valuable opportunity to restore some or all of these benefits for deserving veterans.

It is well known that during their time of active service, many of these individuals received free cigarettes from the federal government and were thereby encouraged to smoke. As a result, many of these individuals devel-

oped smoking-related illnesses. For that reason, I supported Senator MURRAY's motion to remove this extraneous title from the legislation we considered today. Unfortunately, this motion was tabled by a vote of 50 to 48. It is my hope, however, that the Senate will continue to seek ways to ensure that the government fulfills its obligation to help veterans with smoking-related ailments.

Overall, Mr. President, I am very pleased to support the legislation before us today which enjoys broad, bipartisan support. In my view, it is a tremendous step forward in our effort to protect the rights of our nation's taxpayers. Our nation's taxpayers deserve an IRS that meets the highest standards of efficiency, competence, and courtesy. This legislation takes a major step forward in achieving that goal.

Mr. KOHL. Mr. President, I want to make just a brief statement to emphasize my strong support for the IRS Reform bill which passed the Senate earlier today. Many thanks to Senators ROTH and MOYNIHAN and the Finance Committee members for their efforts, and especially Senator BOB KERREY, whose year long effort on the Restructuring Commission made this reform package possible.

The IRS Reform bill contains significant measures that will improve the life of every American by improving an agency that touches the lives of every American. The bill will reform IRS management by enhancing private sector input through the creation of the Oversight Board. It will also strengthen internal IRS management by providing increased flexibility to hire the best people, recognize those IRS employees who do their jobs well and fire those who do not.

Perhaps most importantly, the IRS Reform Bill is grounded in the principles of consumer protection and accountability. We all agree that the IRS should run more like a business, focusing on management efficiency and high standards of performance. But businesses answer to shareholders and the bottom line. The IRS must answer to the American people. And for too long, the agency has operated as if it answered to no one.

We have witnessed this regrettable circumstance in my home state of Wisconsin where for two and a half years we have worked to address allegations of misconduct and discrimination at the Milwaukee-Waukesha IRS Offices. These allegations were so serious that some IRS employees felt the need to sneak into my office in Milwaukee to report on abuses. I am pleased that the debate on IRS reform allowed us to move forward in our attempts to address the Milwaukee situation and am convinced that in approving this historic legislation, we will be taking significant steps to prevent similar incidences from occurring in the future.

Mr. President, I do want to mention my regret at the decision to include

the tax policy change involving Roth IRA conversion rules. While I support the IRS reform bill, I disagreed with the policy decision to loosen the conversion rules so that it will be easier for wealthy retirees to convert from traditional IRAs to Roth IRAs. This may cover the cost of the IRS bill and generate income for the Treasury in the short term, but it will cost the Treasury and the American taxpayer dearly in the long run. This change, which is really just an accounting gimmick, will benefit those who do not need help and may undermine our efforts to maintain the progress we've made in balancing the budget. In addition, it may jeopardize other pressing long term issues such as making sure that social security is available to needy retirees in years to come.

That said, however, I am still pleased to have been part of the creation of a more consumer-friendly, efficient and responsible IRS.

The PRESIDING OFFICER. The question is on agreeing to the conference report. The yeas and nays have been ordered. The clerk will call the roll.

The bill clerk called the roll.

Mr. NICKLES. I announce that the Senator from Texas (Mrs. HUTCHISON) and the Senator from Arizona (Mr. KYL) are necessarily absent.

I further announce that, if present and voting, the Senator from Texas (Mrs. HUTCHISON) and the Senator from Arizona (Mr. KYL) would each vote "yes."

The result was announced—yeas 96, nays 2, as follows:

[Rollcall Vote No. 189 Leg.]

YEAS—96

Abraham	Enzi	Lieberman
Akaka	Faircloth	Lott
Allard	Feingold	Lugar
Ashcroft	Feinstein	Mack
Baucus	Ford	McCain
Bennett	Frist	McConnell
Biden	Glenn	Mikulski
Bingaman	Gorton	Moseley-Braun
Bond	Graham	Moynihan
Boxer	Gramm	Murkowski
Breaux	Grams	Murray
Brownback	Grassley	Nickles
Bryan	Gregg	Reed
Bumpers	Hagel	Reid
Burns	Harkin	Robb
Byrd	Hatch	Roberts
Campbell	Helms	Roth
Chafee	Hollings	Santorum
Cleland	Hutchinson	Sarbanes
Coats	Inhofe	Sessions
Cochran	Inouye	Shelby
Collins	Jeffords	Smith (NH)
Conrad	Johnson	Smith (OR)
Coverdell	Kempthorne	Snowe
Craig	Kennedy	Specter
D'Amato	Kerrey	Stevens
Daschle	Kerry	Thomas
DeWine	Kohl	Thompson
Dodd	Landrieu	Thurmond
Domenici	Lautenberg	Torricelli
Dorgan	Leahy	Warner
Durbin	Levin	Wyden

NAYS—2

Rockefeller Wellstone

NOT VOTING—2

Hutchison Kyl

The conference report was agreed to.

Mr. ROTH. Mr. President, I move to reconsider the vote.

Mr. MOYNIHAN. I move to lay that on the table.

The motion to lay on the table was agreed to.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. ROTH. Mr. President, I want to just take a few seconds to thank my colleagues for their support in this most important initiative. It has been less than a year that we have really been dealing with this problem. Today, we have seen the enactment of truly historic legislation.

It is my firm conviction that because of this reform legislation, it will mean a new day for the American taxpayer. And the reason I think this legislation has had such broad support is that it is not only good for the American taxpayer, but it is good for the agency itself, it is good for the employees who work there. All we seek is an agency that provides service, stability, and fairness to the American people.

I can tell you that we would not have succeeded in this effort if we had not had bipartisan support.

I particularly want to pay my respect and thanks to the ranking member, PAT MOYNIHAN, who is a joy to work with, and who always is able to help move along desirable legislation. It was not only due to his efforts, but to many others too many to enumerate. But I particularly want to thank the staff of the Finance Committee, both Republican and Democrat, and of the Joint Committee on Taxation for their contribution. I can tell you that much of the staff worked day in and day out, night after night, and on weekends to make this possible today.

I, again, want to thank all those who contributed so much. We look forward to seeing an agency that is reformed become service-oriented.

I believe, I say to Senator MOYNIHAN, that we have given the tools to the new Commissioner, Rossotti, that will enable him to make the changes we all seek in a bipartisan fashion.

Mr. MOYNIHAN addressed the Chair. The PRESIDING OFFICER (Mr. SANTORUM). The Senator from New York.

Mr. MOYNIHAN. Mr. President, may I first thank our esteemed chairman for his characteristically generous remarks, and all involved—to agree with him; to point out that this is the first such legislation since the Internal Revenue Service was established under Abraham Lincoln in 1862. Our purpose was to renew the 19th century agency, to invigorate it, and to give to the employees, the public servants, the respect to which they are entitled as public servants. Respect is one of the principal rewards for public service. I hope we have done that with the overwhelming support here on the floor, and the unanimous vote in the Finance Committee.

Once again, our chairman has managed to bring us together and produce yet another major legislation out of

the Finance Committee unanimously, which presents itself so clearly to the entire Senate floor.

I would not want to close without mentioning again the role of Senators KERREY and GRASSLEY in the commission that preceded our work, and the staff that did heroic work. I would particularly mention on our side Mark Patterson, and Nick Giordano, whose encyclopedic knowledge, in fact, made our contribution hopefully of substance.

So concludes a long year's work. I say well done to the chairman. I thank the chairman.

VISIT TO THE SENATE BY THE PRIME MINISTER OF POLAND, JERZY BUZEK

Mr. HELMS. Mr. President, I shall ask unanimous consent in just a moment that the Senate stand in recess for perhaps 5 minutes so that Senators may greet a distinguished guest.

It is my distinct pleasure to introduce to the Senate Prime Minister Buzek of Poland, a friend of democracy, a friend of America, and leader of our newest NATO ally.

I hope Senators will join in welcoming him to the U.S. Senate.

RECESS

Mr. HELMS. Mr. President, I ask unanimous consent that the Senate stand in recess for 5 minutes.

There being no objection, the Senate, at 11:39 a.m., recessed until 11:44 a.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. GREGG).

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from North Carolina.

RECESS

Mr. HELMS. Mr. President, I ask unanimous consent that the Senate stand in recess for an additional 3 minutes.

There being no objection, at 11:47 a.m., the Senate recessed until 11:49 a.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. GREGG).

HIGHER EDUCATION AMENDMENTS OF 1998

Mr. JEFFORDS. Mr. President, I ask unanimous consent that the Senate now turn to the consideration of S. 1882, the higher education bill, under the consent agreement of June 25, 1998.

The PRESIDING OFFICER. Under the previous order, the clerk will report the bill.

The bill clerk read as follows:

A bill (S. 1882) to reauthorize the Higher Education Act of 1965, and for other purposes.