[From the Washington Times, May 19, 1997]

DEFANGING THE ESTATE TAX VAMPIRE

(By Bruce Bartlett)

There is a growing support on Capitol Hill for abolishing the estate tax, which has been part of the federal tax system since 1916. A number of bills that would do so have been introduced, including H.R. 902 and S. 29, sponsored by Rep. Chris Cox and Sen. Richard Lugar, respectively. Hearings have already been held in both the House Ways and Means Committee and Senate Finance Committee.

One of the strongest arguments for repeal is that the estate tax is disproportionately burdensome relative to the revenue it raises. In no country is the estate tax a significant source of revenue. Even egalitarian Sweden raises just 0.1 percent of its revenue this way. And the average for all members of the Organization for Economic Cooperation and Development, the association of Western industrialized countries, is just 0.4 percent. In the United States, the estate tax raises about 1.1 percent of total revenue, which puts us at the upper end of the list.

With the estate tax raising such a small percentage of revenue, it would not be difficult to find alternative revenue sources that would raise the same amount. For example, taxing capital gains at death would raise as much revenue as the estate tax far more simply and at a lower rate. (Under current law, heirs pay capital gains tax only on the increase from the time of inheritance. Thus the estate itself pays no capital gains tax at all, no matter how much the assets may have appreciated.)

Supporters of repeal often point to Canada and Australia as examples of countries that have abolished their estate taxes in recent years. However, the number of countries with no estate tax is actually much longer. A review of Coopers & Lybrand's latest international tax guide found at least 46 countries with no estate or inheritance taxes. Although some are small countries known for being tax havens, many are not. These include Israel, Mexico, New Zealand and Switzerland, among others.

To be sure, the absence of an estate tax does not mean wealth transfers are entirely free of tax. Canada, Australia and Israel tax capital gains at death. Some countries treat inheritances as ordinary income for tax purposes, while others impose stamp duties and transfers. New Zealand and India tax gifts even though there is no tax on estates. And while Switzerland has no federal estate tax, 25 of the 26 canons (states) impose such a tax. Nevertheless, this review shows that should the United States choose to eliminate its death taxes, we would have a good deal of company.

HEALTHSOURCE SAGINAW: CARING FOR THE COMMUNITY

HON. JAMES A. BARCIA

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 1997

Mr. BARCIA. Mr. Speaker, my colleague [Mr. CAMP] and I, rise today to recognize a facility that serves both of our districts, providing some of the best health care that people can find anywhere: HealthSource Saginaw. This facility has been in operation since 1930, when it was first known as Saginaw Community Hospital, and continues to be a vital provider of ongoing and emergency care in the Saginaw area.

The facility describes its mission as being ''to restore persons we serve to meaningful lifestyles by providing select, innovative, efficient services in a coordinated continuum of care.'' From its Saginaw Township location, it offers behavioral medicine services, rehabilitation services, and subacute and extended care.

Mr. Speaker, an institution is only as good as its personnel, and it is our view that the 512 employees of HealthSource Saginaw are among the best. Their caring attitude conveyed to patients each and every day help this hospital to retain its reputation as a sought-after facility.

As we continue to expect our health care providers to use the best available technology, maintain the highest level of proficiency individually, and hold costs to reasonable levels, we believe that facilities like HealthSource Saginaw merit recognition. We urge all of our colleagues to join us in offering our thanks for, and recognition of, HealthSource Saginaw.

HEALTHSOURCE SAGINAW: CARING FOR THE COMMUNITY

HON. DAVE CAMP

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 1997

Mr. CAMP. Mr. Speaker, we have both worked closely with the leadership of this 319-bed facility on a range of issues vital to the people who depend upon HealthSource for their medical care. Lester Heyboer, the president and CEO of the facility, has done an outstanding job in leading this facility at a time when competition among care givers, including among nonprofit facilities, is intense and challenging. I am particularly supportive of the employees who have contributed so much to the success of the hospital. I am particularly proud of the quality of care provided to all patients and the compassionate and successful treatment of those residing in the psychiatric unit. HealthSource Saginaw's employees are of the highest caliber and deserve to be commended for their work.

NEW LIFE FOR PLANT AND EQUIPMENT LOANS

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 1997

Mr. LAFALCE. Mr. Speaker, today I am introducing legislation to extend the life of the certified development company or 504 loan program. It is this guarantee program, operated by the Small Business Administration [SBA], which provides a major source of capital for small businesses which need long-term financing for plant and equipment purposes.

Mr. Speaker, I am very proud to be able to claim authorship of this program. It is a direct descendent of legislation I introduced and which was enacted into law in 1980.

The development company program matches financing from a private lender for one-half of the project, with the owner providing 10 to 20 percent and private investors providing the balance with a guarantee from SBA.

It clearly is an example of encouraging privatization. During the initial years of the program, the Treasury provided the matching funds. But 1987 legislation changed the source of this portion of the funds from the U.S. Treasury to private investors, with an SBA guarantee. The program has operated superbly since then.

Since Wall Street Investors have become involved, the program has provided $8.5 billion in SBA guarantees to 26,000 small firms.

Private lenders more than doubled the amount of this funding with their share of the project cost.

The result has been tremendous, both for the small firms and also for the Government. This funding has resulted in the creation of more than 338,000 jobs by these small business borrowers, along with the preservation of additional hundreds of thousands of private sector jobs.

Possibly of equal importance to those of us in Congress is that the program has been operating for the past several years at a zero subsidy rate. It pays for itself by user fees; no appropriated funds are needed to pay anticipated losses in the event a loan defaults.

But there is cause for alarm. The user fees paid under this program are sunset September 30. If they are not extended, the program will terminate October 1.

This should not be permitted to happen.

I urge my chairman, JIM TALENT, and his Senate counterpart, CHRISTOPHER BOND, to rectify this immediately and to move the necessary legislation through the legislative process without additonal delay.

My bill is available as the vehicle or can be used as a guideline for the development of other legislation.

The legislation I have introduced provides the requisite extension of user fees for 3 years, although I would hope that we would seek another way to fund the program.

It also provides program authorizations for the same time-frame and makes changes in the authorizing legislation. These changes allow us to take advantage of the expertise which exists in the personnel employed by the certified development companies which deliver and act as loan servicing agents for the SBA in regard to loan approval and liquidation actions.

I believe that we need to expand the services these companies deliver. This will reduce the program cost and hopefully will allow us to reduce user fees reflecting these cost savings.

I urge favorable consideration of my proposal.

A detailed summary of my proposal, the Certified Development Company Enhancement and Improvement Act of 1997, is attached.

SUMMARY OF CERTIFIED DEVELOPMENT COMPANY ENHANCEMENT & IMPROVEMENT ACT

1. AUTHORIZATION LEVELS

The bill would authorize continuation of the certified development company program for three years at the following levels:

1998: $3.0 billion;
1999: $3.5 billion;
2000: $4.5 billion.

For comparison purposes, the 1997 appropriation level is $2.6 billion, although usage is not expected to exceed $2 billion.

2. FEES

1996 legislation increased fees under this program in order to reduce the subsidy rate of the program to zero:

.9375% or 15/16 of 1% payable annually by the small business borrower;

.125% or 1/8 of 1% payable annually by the certified development company; and

.50% or 1/2 of 1% payable by the first mortgage lender on the amount of its loan.

These fees are sunset September 30, 1997.

The bill would extend these fees for three additional years, but would expressly limit the amount to the amount necessary to continue the program at a zero subsidy level. If the subsidy rate declined in the future, SBA would be required to reduce the fee.

3. PREMIER CERTIFIED LENDERS PROGRAM

1994 legislation authorized SBA to establish a premier certified lenders program consisting of up to 15 certified development companies which would receive delegated authority from SBA to approve debentures on behalf of the Agency. In return, the CDC would agree to establish a loss reserve and be responsible for re-paying SBA for up to 10% of any loss on such debentures. The program was sunset September 30, 1997.

The bill would make this a permanent program and eliminate the ceiling on the number of participants. It would also modify the program by:

tightening eligibility standards by requiring that CDC applicants demonstrate their proficiency in closing and servicing loans over at least the last two years;

delegating authority to the CDC to liquidate loans which default;

allow the CDC to fund its reserve fund by deposits in a Federally insured institution or by an irrevocable letter of credit; and

Limit the amount of the required reserve fund to 10% of the CDC's exposure, but specifically require the CDC to replenish the reserve fund within 30 days of the payment of any loss or pay the loss from separate funds; and allow the CDC to withdraw the applicable deposit from the reserve fund when the loan is re-paid.

It also would direct SBA to separately determine both the default rate and the recovery rate on liquidated loans for premier CDCs and to compare it to the default and recovery rates on CDC loans by nonpremier companies. This data would be used to evaluate the adequacy of the reserve fund and to permit reductions, if appropriate.

4. MULTIPLE BORROWERS IN ONE PROJECT

The existing statute references SBA authority to a ''small business concern'' (singular), which SBA interprets as precluding several small businesses obtaining financing to participate and locate their businesses in one facility.

The bill would clarify that multiple small businesses can seek funding to participate in one project site (similar to the authority for multiple borrowers under the 7(a) program).

5. PARTIAL LEASES OF PROJECT PREMISES

Under current statute, a borrower cannot buy or construct the property unless the borrower will use all of the property (i.e., he cannot lease the property to another except partially for a limited time and only upon a showing of the need for future expansion). This is basically a reflection of policy that SBA does not make loans to landlords. It does, however, prohibit a growing legitimate business concept—lease of part of the property for an unrelated purpose, e.g., a minimart as part of a gasoline service station.

The bill would authorize a borrower to lease not more than 25% of the property.

6. PROJECT FINANCING AND COLLATERAL

1996 legislation is being interpreted to preclude the seller of property from providing the 15–20% down payment mandated to be made by the borrower/purchaser. Seller financing of the requisite amount, either solely or in combination with the buyer/borrower, would provide the same safety to the SBA funding.

The bill would permit seller financing to provide the requisite down payment.

The bill would also specify that collateral be valued at the estimated sale price between a willing buyer and seller and that any decision to require the borrower to provide non-project property as collateral for the loan may be made only on a case by case basis.

ON THE OCCASION OF THE DEATH OF JAMES M. FOX

HON. PETE SESSIONS

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 1997

Mr. SESSIONS. Mr. Speaker, I come to the floor today with deep regret, to talk about the death of one of America's finest public servants. James M. Fox, the former Deputy Director of the FBI with the responsibility for the New York office, died on the morning of Friday, May 15.

James Fox was a dedicated agent of the FBI, serving a distinguished career of 31 years. He served in Bureau offices in New Haven, Chicago, San Francisco, Los Angeles, and in FBI headquarters in Washington, DC. He concluded his successful career heading up the FBI office in New York City.

As a renowned expert in terrorism, espionage, and organized crime, Mr. Fox played major roles in the investigation of the bombing of the World Trade Center and the conviction of Mafia boss, John Gotti.

Mr. Fox received a Man of the Year/Distinguished Public Service award from the Police Department's Finest Foundation, St. John's University, John Jay College, the Professional Investigators' Association, Detective Endowment's Association, National Father's Day Committee, and the Ellis Island Medal of Honor Society. In November 1992, New York Governor Mario Cuomo awarded Mr. Fox the State's Law Enforcement Executive of the Year award. Clearly, Mr. Fox contributed significantly to law enforcement throughout this Nation.

Mr. Fox was a consultant on terrorism matters for CBS news, and was frequently seen on network TV regarding espionage and organized crime, his other areas of expertise during his 31 years at the FBI. In further service to his community, Mr. Fox served on the board of directors for the National Center for Missing and Exploited Children, the New York City Police Foundation, and the New York Citizens Crime Commission.

I want to send my condolences to the Fox family, including his widow, Elaine, and his two daughters. Mr. Fox exemplified the very best in public service, and did so much to ensure the safety and security of the citizens of this great Nation. He was dedicated to law enforcement, the Bureau, and the American people. We owe him and his family a debt of gratitude, and I urge my colleagues to join me in sending his family our best wishes.

MAINE LEGISLATURE SPEAKS ON A GLOBAL LANDMINE BAN

HON. THOMAS H. ALLEN

OF MAINE

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 22, 1997

Mr. ALLEN. Mr. Speaker, I would like to share with my colleagues a resolution passed by the Maine State Legislature last month on the subject of landmines. I am informed that this is the first time any State legislature in the country has gone on record calling for the elimination of antipersonnel landmines. The resolution calls on the President to negotiate an international ban on the production, use, and stockpiling of antipersonnel landmines, and to pursue an international treaty through the Ottawa process by this December. It also asks State agencies to help, as far as practicable, in the rehabilitation of landmine victims living in Maine.

I am pleased that the legislature from my State has sent this message, and I hope that it will encourage legislatures in other States to adopt similar measures. The U.S. Campaign to Ban Land Mines, a coalition of over 200 nongovernmental organizations, is taking this approach to generate attention at the State and local level for a global landmine ban. I appreciate the work of the mid-coast chapter of the American Red Cross, and Julie Groom-Thompson, director of the Brunswick office, in helping the effort to get the resolution through the legislature in Augusta.

An antipersonnel landmine ban is an urgent need. Each year, as many as 26,000 people are killed or maimed by these hidden weapons in the ground, and most are innocent civilians who stumble upon the mines as they are plowing a field or walking along a road, often many years after the mine was planted. This means one victim every 22 minutes. The numbers are astounding—Cambodia has some 10 million still in the ground; Angola, 15 million; and Bosnia, 3 to 6 million. While each small, plastic landmine costs only a few dollars to produce, each costs thousands of dollars to remove. The removal costs are daunting, but the related economic costs, in lost productivity and human lives—are incalculable.

Recognizing the scourge of landmines, several governments, along with diverse nongovernmental organizations in many countries, have mobilized to institute a global ban on the production and use of antipersonnel landmines. In May 1996, President Clinton announced his commitment to lead a global effort to ban landmines. Later in the year, the governments of 50 countries met in Ottawa to draft a plan to outlaw landmines through an international treaty, which would be ready for signature in December, 1997. This past January, the administration announced it would not support the Ottawa process, and instead decided to pursue a ban through the United Nations Conference on Disarmament. While the U.N. process is an appropriate international forum for this issue, the practical result of this option is to delay indefinitely an international agreement on a landmine, since recalcitrant countries like China are able to block action.

The resolution passed by the Maine Legislature calls on the President to endorse the Ottawa process, and I believe this is the right approach. We cannot afford to wait while dozens of innocent civilians are killed or injured