I thank my colleagues and fellow conferees for working with me to authorize the establishment of a National Coast Guard Museum in New London, Connecticut—where the Service first came ashore and established the Coast Guard Academy.

In 2001, I became one of the founding members of the National Coast Guard Museum Association. Our goal was to fund and construct the museum in New London. The seven-member board included our chairman, James Coleman, Jr., Connecticut State Senator Cathy Cook, Rear Adm. Richard Larrabee, USCG (ret.), Cmdr. Don Chapman, USCG (ret.), Richard Grahn and John Johnson. These civic-minded individuals dedicated their time and talent to make this project work.

Connecticut's two Senators CHRISTOPHER DODD and JOSEPH LIEBERMAN, also supported this project and I thank them for their input and support. I am proud to have been part of the effort, which we anticipate will be completed with full support of the community.

The bill appropriately directs the Coast Guard Commandant to establish the museum in New London at, or in close proximity to, the Academy. This will ensure that future cadets, commissioned officers, warrants and petty officers attending the leadership school at the Coast Guard Academy will benefit from the collection and programs of the new museum.

The people of Connecticut and the New London area are proud of their Coast Guard and maritime heritage, and eager to support the new museum. I am confident that local leaders will support this effort and be diligent in securing a suitable location for the museum.

The Coast Guard is our major force in maritime safety and law enforcement, an integral part of our national defense, and an important member of our New London community. It is right to honor the service and sacrifice of the men and women in the Coast Guard by establishing this museum, and it is fitting to locate the facility in New London.

A National Coast Guard Museum will be a place to honor, preserve and share the story of our beloved "Coasties." It is the proud story of brave men and women who live and serve by their motto—Semper Paratus. Always Ready.

Mr. Speaker, today this body is ready to say thank you. More than 70 museums across the country celebrate our military services, and H.R. 2443 pays a long overdue tribute to the Coast Guard in establishing the first museum dedicated to this Service. I am gratified to have the support of my colleagues in passing this bill.

Mr. LoBIONDO. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SIMPSON). Without objection, the previous question is ordered on the conference.

There was no objection.

The SPEAKER pro tempore. The question is on the conference report.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. FILNER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this question will be postponed.

GENERAL LEAVE

Mr. LoBIONDO. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on the conference report for H.R. 2443.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the Chair will postpone further proceedings today on motions to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote is objected to under clause 6 of rule XX.

Record votes on postponed questions will be taken later today.

□ 1445

TAX SIMPLIFICATION FOR AMERICA'S JOB CREATORS ACT OF 2004

Mr. PORTMAN. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4840) to amend the Internal Revenue Code of 1986 to simplify the taxation of businesses.

The Clerk read as follows:

H.R. 4840

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Tax Simplification for America's Job Creators Act of 2004".

SEC. 2. 2-YEAR EXTENSION OF INCREASED EXPENSING FOR SMALL BUSINESS.

Subsections (b), (c), and (d) of section 179 of the Internal Revenue Code of 1986 are each amended by striking "2006" each place it appears and inserting "2008".

SEC. 3. INDEXING OF GROSS RECEIPTS TEST FOR CASH METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 448(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

"(4) INFLATION ADJUSTMENT OF GROSS RECEIPTS TEST.—In the case of any taxable year beginning in a calendar year after 2003, the $5,000,000 dollar amount in paragraph (1) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

If any amount as adjusted under the preceding sentence is not a multiple of $100,000, such amount shall be rounded to the nearest multiple of $100,000.".

(b) CONFORMING AMENDMENTS.—

(1) Section 448(b)(3) of such Code is amended by striking "$5,000,000" both places it appears in the heading and text.

(2) Section 448(c) of such Code is amended by striking "$5,000,000" in the heading and the first place it appears in paragraph (1) thereof.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 4. SIMPLIFICATION THROUGH ELIMINATION OF INOPERATIVE PROVISIONS.

(a) IN GENERAL.—

(1) GENERAL BUSINESS CREDITS.—Subsection (d) of section 38 of the Internal Revenue Code of 1986 is amended by striking paragraph (3).

(2) CARRYBACK AND CARRYFORWARD OF UNUSED CREDITS.—Subsection (d) of section 39 of such Code is amended by striking paragraphs (1) through (8) and by redesignating paragraphs (9) and (10) as paragraphs (1) and (2), respectively.

(3) ADJUSTMENTS BASED ON ADJUSTED CURRENT EARNINGS.—Clause (ii) of section 56(g)(4)(F) of such Code is amended by striking "In the case of any taxable year beginning after December 31, 1992, clause" and inserting "Clause".

(4) ITEMS OF TAX PREFERENCE; DEPLETION.—Paragraph (1) of section 57(a) of such Code is amended by striking "Effective with respect to taxable years beginning after December 31, 1992, this" and inserting "This".

(5) INTANGIBLE DRILLING COSTS.—

(A) Clause (i) of section 57(a)(2)(E) of such Code is amended by striking "In the case of any taxable year beginning after December 31, 1992, this" and inserting "This".

(B) Clause (ii) of section 57(a)(2)(E) of such Code is amended by striking "(30 percent in the case of taxable years beginning in 1993)".

(6) GREAT PLAINS CONSERVATION PROGRAM.—Section 126(a) of such Code is amended by striking paragraph (6) and by redesignating paragraphs (7), (8), (9), and (10) as paragraphs (6), (7), (8), and (9), respectively.

(7) TREBLE DAMAGE PAYMENTS UNDER THE ANTITRUST LAW.—Section 162(g) of such Code is amended by striking the last sentence.

(8) CHARITABLE, ETC., CONTRIBUTIONS AND GIFTS.—Section 170 of such Code is amended by striking subsection (k).

(9) NET OPERATING LOSS CARRYBACKS AND CARRYOVERS.—

(A) Section 172 of such Code is amended—

(i) by striking subparagraph (D) of subsection (b)(1) and by redesignating subparagraphs (E), (F), (G), and (H) as subparagraphs (D), (E), (F), and (G), respectively,

(ii) by striking "ending after August 2, 1989" in subsection (b)(1)(D)(i)(II) (as redesignated by clause (i)),

(iii) by striking "subparagraph (F)" in subsection (b)(1)(G) (as redesignated by clause (i)) and inserting "subparagraph (E)",

(iv) by striking subsection (g), and

(v) by striking subparagraph (F) of subsection (h)(2).

(B) Section 172(h)(4) of such Code is amended by striking "subsection (b)(1)(E)" each place it appears and inserting "subsection (b)(1)(D)".

(C) Section 172(i)(3) of such Code is amended by striking "subsection (b)(1)(G)" each place it appears and inserting "subsection (b)(1)(F)".

(D) Section 172(j) of such Code is amended by striking "subsection (b)(1)(H)" each place it appears and inserting "subsection (b)(1)(G)".

(E) Section 172 of such Code, as amended by subparagraphs (A) through (D) of this paragraph, is amended—

(i) by redesignating subsections (h), (i), and (j) as subsections (g), (h), and (i), respectively,

(ii) by striking "subsection (h)" each place it appears and inserting "subsection (g)", and

(iii) by striking "subsection (i)" each place it appears and inserting "subsection (h)".

(10) RESEARCH AND EXPERIMENTAL EXPENDITURES.—Subparagraph (A) of section 174(a)(2) of such Code is amended to read as follows:

"(A) WITHOUT CONSENT.—A taxpayer may, without the consent of the Secretary, adopt the method provided in this subsection for his first taxable year for which expenditures

described in paragraph (1) are paid or incurred.''.

(11) AMORTIZATION OF CERTAIN RESEARCH AND EXPERIMENTAL EXPENDITURES.—Paragraph (2) of section 174(b) of such Code is amended by striking ''beginning after December 31, 1953''.

(12) SOIL AND WATER CONSERVATION EXPENDITURES.—Paragraph (1) of section 175(d) of such Code is amended to read as follows:

''(1) WITHOUT CONSENT.—A taxpayer may, without the consent of the Secretary, adopt the method provided in this section for the taxpayer's first taxable year for which expenditures described in subsection (a) are paid or incurred.''.

(13) ACTIVITIES NOT ENGAGED IN FOR PROFIT.—Section 183(e)(1) of such Code is amended by striking the last sentence.

(14) DIVIDENDS RECEIVED ON CERTAIN PREFERRED STOCK; AND DIVIDENDS PAID ON CERTAIN PREFERRED STOCK OF PUBLIC UTILITIES.—

(A) Sections 244 and 247 of such Code are hereby repealed, and the table of sections for part VIII of subchapter B of chapter 1 of such Code is amended by striking the items relating to sections 244 and 247.

(B) Paragraph (5) of section 172(d) of such Code is amended to read as follows:

''(5) COMPUTATION OF DEDUCTION FOR DIVIDENDS RECEIVED.—The deductions allowed by section 243 (relating to dividends received by corporations) and 245 (relating to dividends received from certain foreign corporations) shall be computed without regard to section 246(b) (relating to limitation on aggregate amount of deductions).''.

(C) Paragraph (1) of section 243(c) of such Code is amended to read as follows:

''(1) IN GENERAL.—In the case of any dividend received from a 20-percent owned corporation, subsection (a)(1) shall be applied by substituting '80 percent' for '70 percent'.''.

(D) Section 243(d) of such Code is amended by striking paragraph (4).

(E) Section 246 of such Code is amended—

(i) by striking '', 244,'' in subsection (a)(1),

(ii) in subsection (b)(1)—

(I) by striking ''sections 243(a)(1), and 244(a),'' the first place it appears and inserting ''section 243(a)(1)'',

(II) by striking ''244(a),'' the second place it appears, and

(III) by striking ''subsection (a) or (b) of section 245, and 247,'' and inserting ''and subsection (a) or (b) of section 245,'', and

(iii) by striking '', 244,'' in subsection (c)(1).

(F) Section 246A of such Code is amended by striking '', 244,'' both places it appears in subsections (a) and (e).

(G) Sections 263(g)(2)(B)(iii), 277(a), 301(e)(2), 469(e)(4), 512(a)(3)(A), subparagraphs (A), (C), and (D) of section 805(a)(4), 805(b)(5), 812(e)(2)(A), 815(c)(2)(A)(iii), 832(b)(5), 833(b)(3)(E), and 1059(b)(2)(B) of such Code are each amended by striking '', 244,'' each place it appears.

(H) Section 1244(c)(2)(C) of such Code is amended by striking ''244,''.

(I) Section 805(a)(4)(B) of such Code is amended by striking '', 244(a),'' each place it appears.

(J) Section 810(c)(2)(B) of such Code is amended by striking ''244 (relating to dividends on certain preferred stock of public utilities),''.

(15) ORGANIZATION EXPENSES.—Section 248(c) of such Code is amended by striking ''beginning after December 31, 1953,'' and by striking the last sentence.

(16) AMOUNT OF GAIN WHERE LOSS PREVIOUSLY DISALLOWED.—Section 267(d) of such Code is amended by striking ''(or by reason of section 24(b) of the Internal Revenue Code of 1939)'' in paragraph (1), by striking ''after December 31, 1953,'' in paragraph (2), by striking the second sentence, and by striking ''or by reason of section 118 of the Internal Revenue Code of 1939'' in the last sentence.

(17) ACQUISITIONS MADE TO EVADE OR AVOID INCOME TAX.—Paragraphs (1) and (2) of section 269(a) of such Code are each amended by striking ''or acquired on or after October 8, 1940,''.

(18) INTEREST ON INDEBTEDNESS INCURRED BY CORPORATIONS TO ACQUIRE STOCK OR ASSETS OF ANOTHER CORPORATION.—Section 279 of such Code is amended—

(A) by striking ''after December 31, 1967,'' in subsection (a)(2),

(B) by striking ''after October 9, 1969,'' in subsection (b), and

(C) by striking ''after October 9, 1969, and'' in subsection (d)(5).

(19) SPECIAL RULES RELATING TO CORPORATE PREFERENCE ITEMS.—Paragraph (4) of section 291(a) of such Code is amended by striking ''In the case of taxable years beginning after December 31, 1984, section'' and inserting ''Section''.

(20) TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLANS.—Section 409 of such Code is amended by striking subsection (q).

(21) FUNDING STANDARDS.—Section 412(m)(4) of such Code is amended—

(A) by striking ''the applicable percentage'' in subparagraph (A) and inserting ''25 percent'', and

(B) by striking subparagraph (C) and by redesignating subparagraph (D) as subparagraph (C).

(22) RETIREE HEALTH ACCOUNTS.—Section 420 of such Code is amended—

(A) by striking paragraph (4) of subsection (b) and by redesignating paragraph (5) as paragraph (4), and

(B) by amending paragraph (2) of subsection (c) to read as follows:

''(2) REQUIREMENTS RELATING TO PENSION BENEFITS ACCRUING BEFORE TRANSFER.—The requirements of this paragraph are met if the plan provides that the accrued pension benefits of any participant or beneficiary under the plan become nonforfeitable in the same manner which would be required if the plan had terminated immediately before the qualified transfer (or in the case of a participant who separated during the 1-year period ending on the date of the transfer, immediately before such separation).''.

(23) EMPLOYEE STOCK PURCHASE PLANS.—Section 423(a) of such Code is amended by striking ''after December 31, 1963,''.

(24) LIMITATION ON DEDUCTIONS FOR CERTAIN FARMING.—

(A) Section 464 of such Code is amended by striking ''any farming syndicate (as defined in subsection (c))'' both places it appears in subsections (a) and (b) and inserting ''any taxpayer to whom subsection (d) applies''.

(B)(i) Subsection (c) of section 464 of such Code is hereby moved to the end of section 461 and redesignated as subsection (j).

(ii) Such subsection (j) of such Code is amended—

(I) by striking ''For purposes of this section'' in paragraph (1) and inserting ''For purposes of subsection (i)(4)'', and

(II) by adding at the end the following new paragraphs:

''(3) FARMING.—For purposes of this subsection, the term 'farming' has the meaning given to such term by section 464(e).

''(4) LIMITED ENTREPRENEUR.—For purposes of this subsection, the term 'limited entrepreneur' means a person who—

''(A) has an interest in an enterprise other than as a limited partner, and

''(B) does not actively participate in the management of such enterprise.''

(iii) Paragraph (4) of section 461(i) of such Code is amended by striking ''section 464(c)'' and inserting ''subsection (j)''.

(C) Section 464 of such Code is amended—

(i) by striking subsections (e) and (g) and redesignating subsections (d) and (f) as subsections (c) and (d), respectively, and

(ii) by adding at the end the following new subsection:

''(e) FARMING.—For purposes of this section, the term 'farming' means the cultivation of land or the raising or harvesting of any agricultural or horticultural commodity including the raising, shearing, feeding, caring for, training, and management of animals. For purposes of the preceding sentence, trees (other than trees bearing fruit or nuts) shall not be treated as an agricultural or horticultural commodity.''

(D) Subsection (d) of section 464 of such Code, as redesignated by subparagraph (C), is amended—

(i) by striking paragraph (1) and redesignating paragraphs (2), (3), and (4) as paragraphs (1), (2), and (3), respectively, and

(ii) by striking ''SUBSECTIONS (a) AND (b) TO APPLY TO'' in the subsection heading.

(E) Subparagraph (A) of section 58(a)(2) of such Code is amended by striking ''section 464(c)'' and inserting ''section 461(j)''.

(25) DEDUCTIONS LIMITED TO AMOUNT AT RISK.—Paragraph (3) of section 465(c) of such Code is amended by striking ''In the case of taxable years beginning after December 31, 1978, this'' and inserting ''This''.

(26) NUCLEAR DECOMMISSIONING COSTS.—Section 468A(e)(2) of such Code is amended—

(A) by striking ''at the rate set forth in subparagraph (B)'' in subparagraph (A) and inserting ''at the rate of 20 percent'', and

(B) by striking subparagraph (B) and by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(27) PASSIVE ACTIVITY LOSSES AND CREDITS LIMITED.—

(A) Section 469 of such Code is amended by striking subsection (m).

(B) Subsection (b) of section 58 of such Code is amended by adding ''and'' at the end of paragraph (1), by striking paragraph (2), and by redesignating paragraph (3) as paragraph (2).

(28) ADJUSTMENTS REQUIRED BY CHANGES IN METHOD OF ACCOUNTING.—Section 481(b)(3) of such Code is amended by striking subparagraph (C).

(29) EXEMPTION FROM TAX ON CORPORATIONS, CERTAIN TRUSTS, ETC.—Section 501 of such Code is amended by striking subsection (q).

(30) REQUIREMENTS FOR EXEMPTION.—

(A) Section 503(a)(1) of such Code is amended to read as follows:

''(1) GENERAL RULE.—An organization described in paragraph (17) or (18) of section 501(c) or described in section 401(a) and referred to in section 4975(g)(2) or (3) shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction.''.

(B) Paragraph (2) of section 503(a) of such Code is amended by striking ''described in section 501(c)(17) or (18) or paragraph (a)(1)(B)'' and inserting ''described in paragraph (1)''.

(C) Subsection (c) of section 503 of such Code is amended by striking ''described in section 501(c)(17) or (18) or subsection (a)(1)(B)'' and inserting ''described in subsection (a)(1)''.

(31) INSURANCE COMPANY TAXABLE INCOME.—

(A) Section 832(e) of such Code is amended by striking ''of taxable years beginning after December 31, 1966,''.

(B) Section 832(e)(6) of such Code is amended by striking ''In the case of any taxable year beginning after December 31, 1970, the'' and inserting ''The''.

(32) PROPERTY ON WHICH LESSEE HAS MADE IMPROVEMENTS.—Section 1019 of such Code is amended by striking the last sentence.

(33) INVOLUNTARY CONVERSION.—Section 1033 of such Code is amended by striking subsection (j) and by redesignating subsection (k) as subsection (j).

(34) PROPERTY ACQUIRED DURING AFFILIATION.—Section 1051 of such Code is hereby repealed, and the table of sections for part IV of subchapter O of chapter 1 is amended by striking the item relating to section 1051.

(35) HOLDING PERIOD OF PROPERTY.—

(A) Paragraph (5) of section 1223 of such Code is amended by striking ''(or under so much of section 1052(c) as refers to section 113(a)(23) of the Internal Revenue Code of 1939)''.

(B) Paragraph (7) of section 1223 of such Code is amended by striking the last sentence.

(C) Paragraph (9) of section 1223 of such Code is repealed.

(36) PROPERTY USED IN THE TRADE OR BUSINESS AND INVOLUNTARY CONVERSIONS.—Subparagraph (A) of section 1231(c)(2) of such Code is amended by striking ''beginning after December 31, 1981''.

(37) SALE OR EXCHANGE OF PATENTS.—Section 1235 of such Code is amended—

(A) by striking subsection (c) and by redesignating subsections (d) and (e) as subsections (c) and (d), respectively, and

(B) by striking ''subsection (d)'' in subsection (b) and inserting ''subsection (c)''.

(38) DEALERS IN SECURITIES.—Subsection (b) of section 1236 of such Code is amended by striking ''after November 19, 1951,''.

(39) SALE OF PATENTS.—Subsection (a) of section 1249 of such Code is amended by striking ''after December 31, 1962,''.

(40) GAIN FROM DISPOSITION OF FARM LAND.—Paragraph (1) of section 1252(a) of such Code is amended by striking ''after December 31, 1969,'' both places it appears.

(41) TREATMENT OF AMOUNTS RECEIVED ON RETIREMENT OR SALE OR EXCHANGE OF DEBT INSTRUMENTS.—Subsection (c) of section 1271 of such Code is amended to read as follows:

''(c) SPECIAL RULE FOR CERTAIN OBLIGATIONS WITH RESPECT TO WHICH ORIGINAL ISSUE DISCOUNT NOT CURRENTLY INCLUDIBLE.—

''(1) IN GENERAL.—On the sale or exchange of debt instruments issued by a government or political subdivision thereof after December 31, 1954, and before July 2, 1982, or by a corporation after December 31, 1954, and on or before May 27, 1969, any gain realized which does not exceed—

''(A) an amount equal to the original issue discount, or

''(B) if at the time of original issue there was no intention to call the debt instrument before maturity, an amount which bears the same ratio to the original issue discount as the number of complete months that the debt instrument was held by the taxpayer bears to the number of complete months from the date of original issue to the date of maturity,

shall be considered as ordinary income.

''(2) SUBSECTION (a)(2)(A) NOT TO APPLY.—Subsection (a)(2)(A) shall not apply to any debt instrument referred to in subparagraph (A) of this paragraph.

''(3) CROSS REFERENCE.—

''For current inclusion of original issue discount, see section 1272.''.

(42) AMOUNT AND METHOD OF ADJUSTMENT.—Section 1314 of such Code is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(43) ELECTION; REVOCATION; TERMINATION.—Clause (iii) of section 1362(d)(3) of such Code is amended by striking ''unless'' and all that follows and inserting ''unless the corporation was an S corporation for such taxable year.''.

(44) AFFILIATED GROUP DEFINED.—Subparagraph (A) of section 1504(a)(3) of such Code is amended by striking ''for a taxable year which includes any period after December 31, 1984'' in clause (i) and by striking ''in a taxable year beginning after December 31, 1984'' in clause (ii).

(45) DISALLOWANCE OF THE BENEFITS OF THE GRADUATED CORPORATE RATES AND ACCUMULATED EARNINGS CREDIT.—

(A) Subsection (a) of section 1551 of such Code is amended—

(i) by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively, and

(ii) by striking ''after June 12, 1963,'' each place it appears.

(B) Section 1551(b) of such Code is amended—

(i) by striking ''or (2)'' in paragraph (1), and

(ii) by striking ''(a)(3)'' in paragraph (2) and inserting ''(a)(2)''.

(46) DEFINITION OF WAGES.—

(A) Section 3121(b) of such Code is amended by striking paragraph (17).

(B) Section 210(a) of the Social Security Act is amended by striking paragraph (17).

(47) CREDITS AGAINST TAX.—

(A) Paragraph (4) of section 3302(f) of such Code is amended—

(i) by striking ''subsection—'' and all that follows through ''(A) IN GENERAL.—The'' and inserting ''subsection, the,

(ii) by striking subparagraph (B),

(iii) by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively, and

(iv) by moving the text of such subparagraphs (as so redesignated) 2 ems to the left.

(B) Paragraph (5) of section 3302(f) of such Code is amended by striking subparagraph (D) and by redesignating subparagraph (E) as subparagraph (D).

(48) DOMESTIC SERVICE EMPLOYMENT TAXES.—Section 3510(b) of such Code is amended by striking paragraph (4).

(49) TAX ON FUEL USED IN COMMERCIAL TRANSPORTATION ON INLAND WATERWAYS.—Section 4042(b)(2)(A) of such Code is amended to read as follows:

''(A) The Inland Waterways Trust Fund financing rate is 20 cents per gallon.''.

(50) TRANSPORTATION BY AIR.—Section 4261(e) of such Code is amended—

(A) in paragraph (1) by striking subparagraph (C), and

(B) by striking paragraph (5).

(51) TAXES ON FAILURE TO DISTRIBUTE INCOME.—

(A) Paragraph (2) of section 4942(f) of such Code is amended by striking the semicolon at the end of subparagraph (B) and inserting '', and'', by striking ''; and'' at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D).

(B) Subsection (g) of section 4942 of such Code is amended—

(i) by striking ''For all taxable years beginning on or after January 1, 1975, subject'' in paragraph (2)(A) and inserting ''Subject'', and

(ii) by striking paragraph (4).

(C) Section 4942(i)(2) of such Code is amended by striking ''beginning after December 31, 1969, and''.

(52) TAXES ON TAXABLE EXPENDITURES.—Section 4945(f) of such Code is amended by striking ''(excluding therefrom any preceding taxable year which begins before January 1, 1970)''.

(53) RETURNS.—Subsection (a) of section 6039D of such Code is amended by striking ''beginning after December 31, 1984,''.

(54) INFORMATION RETURNS.—Subsection (c) of section 6060 of such Code is amended by striking ''year'' and all that follows and inserting ''year.''.

(55) CANAL ZONE.—Subparagraph (A) of section 6103(b)(5) of such Code is amended by striking ''the Canal Zone,''.

(56) ABATEMENTS.—Section 6404(f) of such Code is amended by striking paragraph (3).

(57) FAILURE BY CORPORATION TO PAY ESTIMATED INCOME TAX.—Clause (i) of section 6655(g)(4)(A) of such Code is amended by striking ''(or the corresponding provisions of prior law)''.

(58) MERCHANT MARINE CAPITAL CONSTRUCTION FUNDS.—Paragraph (4) of section 7518(g) of such Code is amended by striking ''any nonqualified withdrawal'' and all that follows through ''shall be determined'' and inserting ''any nonqualified withdrawal shall be determined''.

(59) VALUATION TABLES.—

(A) Subsection (c) of section 7520 of such Code is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(B) Paragraph (2) of section 7520(c) of such Code, as so redesignated, is amended—

(i) by striking ''Not later than December 31, 1989, the'' and inserting ''The'', and

(ii) by striking ''thereafter'' in the last sentence thereof.

(60) ADMINISTRATION AND COLLECTION OF TAXES IN POSSESSIONS.—Section 7651 of such Code is amended by striking paragraph (4) and by redesignating paragraph (5) as paragraph (4).

(61) DEFINITION OF EMPLOYEE.—Section 7701(a)(20) of such Code is amended by striking ''chapter 21'' and all that follows and inserting ''chapter 21.''.

(b) EFFECTIVE DATE.—

(1) GENERAL RULE.—Except as otherwise provided in paragraph (2), the amendments made by subsection (a) shall take effect on the date of enactment of this Act.

(2) SAVINGS PROVISION.—If—

(A) any provision amended or repealed by subsection (a) applied to—

(i) any transaction occurring before the date of the enactment of this Act,

(ii) any property acquired before such date of enactment, or

(iii) any item of income, loss, deduction, or credit taken into account before such date of enactment, and

(B) the treatment of such transaction, property, or item under such provision would (without regard to the amendments made by subsection (a)) affect the liability for tax for periods ending after such date of enactment,

nothing in the amendments made by subsection (a) shall be construed to affect the treatment of such transaction, property, or item for purposes of determining liability for tax for periods ending after such date of enactment.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Texas (Mr. SANDLIN) each will control 20 minutes.

The Chair recognizes the gentleman from Ohio (Mr. PORTMAN).

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, Americans are frustrated. They are frustrated with their current Tax Code, and they should be. The mountains of documents that they face are complicated, confusing, and sometimes contradictory. The effects of this complex code, by the way, are more than just frustration for those of us who are taxpayers. They include decreased levels of voluntary compliance, people cannot figure out the code and they are less likely to comply with it;

increased costs, of course, for the entire taxpayer system; reduced perception of fairness in the Federal tax system; and, of course, increased difficulties at the Internal Revenue Service as they try to administer this unwieldy code. Clearly, we need to make our Tax Code more user friendly, and we should take every opportunity to do so.

Over the last few years, we have done that in some cases, for instance, the expansion of the 10 percent tax bracket, and taking literally millions of taxpayers off the Internal Revenue Code altogether.

But today, Mr. Speaker, I would like to commend my colleague, the gentleman from Illinois (Mr. CRANE), for legislation that he has brought to the floor showing his commitment to tax simplification, and particularly focusing on the needs of our small businesses.

H.R. 4840, which is before the House today, the Tax Simplification For America's Job Creators Act, provides provisions that will provide tax relief and simplification for small businesses and small business owners as they plan for the economy, which is now growing.

First, the bill will extend the $100,000 expensing amount provided under what is called section 179 of the Internal Revenue Code. This is an extremely important incentive which was included in the President's 2003 tax relief bill, the Jobs Growth and Tax Relief Reconciliation Act.

It allows small businesses to deduct up to $100,000 immediately, to write that off, not depreciate it over time, as compared to $25,000, which was in law before the 2003 tax relief act. This is for new equipment up to 2006. Therefore, we want to expand that, we want to extend the legislation into 2006 and 2007, and the legislation offered by the gentleman from Illinois (Mr. CRANE) does that.

It also expands the definition of who qualifies. Before 2003, those companies who qualified were those that had $200,000 or less of capital purchases per year. We doubled that to $400,000 of capital purchases per year, making this provision something that is more usable for more small businesses.

Expensing, of course, allows small businesses to recover the cost of their investment immediately rather than writing it off over time and rather than requiring them to keep extensive records and track those deductions over several years. This helps reduce the cost of capital, which helps to expand plant and equipment. It also makes it simpler and less costly, less complicated for our small businesses to be able to comply with our Tax Code.

Again, today's bill will provide yet another vehicle that we can use to try to enact this important small business priority that has already passed the House in some other forms, and I commend the gentleman from Illinois (Chairman CRANE) for it.

Second, his bill also begins adjusting an important standard which affects small businesses' ability to use the cash accounting system. The cash accounting method is simpler, and it provides under this legislation to convert from the current $5 million threshold to $10 million. So we are expanding the amount that can be indexed for inflation, so that more and more small businesses are not forced into using the accrual method each year.

It is important to understand that forcing businesses into the accrual accounting method has real consequences for smaller companies. Not only must they begin calculating taxes using a different accounting method; they must actually pay tax on the difference in income as measured by the accrual and the cash methods. The bill before us rectifies this situation by indexing the limit so inflation will not force more and more small businesses into the accrual method.

This does not change the $5 million threshold. Mr. Speaker, I correct myself. Rather, it indexes that going forward to inflation to be able to increase that amount. This change will provide $120 million in tax relief to smaller businesses during the coming decade.

Finally, the bill eliminates a number of outdated references in the code. These are so-called ''deadwood provisions.'' This is also very important both because these deadwood provisions that have been identified by the Joint Tax Committee, by the Treasury Department, by others in their reports are important to get out of the code because they do not need to be in it, do not make any sense; but it also creates confusion at the IRS and confusion among taxpayers and has created downstream problems that are difficult to address.

H.R. 4840, in the end, Mr. Speaker, will cut taxes by approximately $1.2 billion for our small businesses, and that figure is over the next decade.

The bill is well within our House-passed budget, and I believe it is very worthy of our support as an important simplification method. I urge my colleagues to support this legislation to help our small businesses, our job creators, our risk takers, who are out there ensuring that this economic recovery continues, and continues strongly.

Mr. Speaker, I reserve the balance of my time.

Mr. SANDLIN. Mr. Speaker, I yield myself as much time as I may consume.

I thank my friend from Ohio for his work on this bill. Mr. Speaker, I rise today in support of tax simplification. There can be little doubt that taxpaying individuals and American businesses, particularly small businesses, spend far too much time, not just preparing their tax returns and paying their taxes, but in even figuring out just how to file or which forms to fill out, what tax preferences they qualify for, what they can deduct, and what elections they should make to best serve the interests of the business, its employees, and themselves.

On top of that is the anxiety that many small business owners experience when confronting the daunting complexity of the Tax Code and trying to make sound business and tax planning decisions with the prospect of taking a wrong turn in a numbing maze that makes tax lawyers and accountants shudder. Such complexity is both unnecessary and unhealthy, Mr. Speaker, for small business and our Nation's economy.

So, Mr. Speaker, I wholeheartedly support meaningful efforts to reform our tax system and to reduce an extreme burden on our small businesses and individuals and to ensure efficiency.

Moreover, I am pleased to rise in support of the legislation introduced by the gentleman from Illinois (Mr. CRANE). I am pleased to be a cosponsor of the legislation that somewhat eases the burden borne by America's small businesses, truly the engine that drives our economy.

Mr. Speaker, at a very modest cost, H.R. 4840 provides two valuable benefits to our Nation's small businesses.

First, the bill extends enhanced section 179 expensing for small businesses for 2 years. Last year Congress passed and President Bush signed into law legislation that increased the amount of equipment that small businesses may expense from $25,000 annually to $100,000 annually. The 2003 law also increased the phase-out range from $200,000 of capital expenditures to $400,000, significantly expanding the number of small businesses that qualify for section 179 expensing. Both amounts are indexed for inflation.

The bill the House considers today extends these improvements to section 179 for 2 additional years through 2007, thereby providing much-needed relief as our economy continues to recover and to grow.

Second, H.R. 4840 eases the accounting burden on small businesses by preserving the cash accounting method for more small businesses. Generally, under current law, businesses with $5 million or more in gross receipts must switch from the cash method of accounting to the accrual method. The bill offered by the gentleman from Illinois (Mr. CRANE) preserves the value of the $5 million limit by indexing it for inflation so that more small businesses will not be forced to use the more complicated accrual method.

Finally, but less directly beneficial, H.R. 4840 cleans up the Tax Code by eliminating outdated, rarely used and unnecessary provisions of the code. Repealing these deadwood provisions certainly has the effect of reducing clutter in our code, but its practical effects and benefits to small business are somewhat limited.

Mr. Speaker, H.R. 4840 is a fine bill. It is a good first step, and I am proud to support it. However, this Congress needs to do more to relieve the burden borne by America's small businessmen and -women and individuals.

Mr. Speaker, I reserve the balance of my time.

Mr. PORTMAN. Mr. Speaker, I appreciate the comments of my colleague from Texas. I agree with them.

Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois (Mr. CRANE), the author of this legislation on tax simplification.

(Mr. CRANE asked and was given permission to revise and extend his remarks.)

Mr. CRANE. Mr. Speaker, I thank my distinguished colleague from the Committee on Ways and Means, the gentleman from Ohio (Mr. PORTMAN), for yielding this time to me and for helping me in getting this bill explained and passed.

Mr. Speaker, I rise in strong support of H.R. 4840, the legislation I have introduced that will simplify the Tax Code for small businesses.

Nearly seven in 10 new jobs are created by small businesses, which are the backbone of our economy. The Tax Simplification For America's Job Creators Act helps small businesses in three ways:

First, it extends section 179, small business expensing, for 2 years, through 2007. This provision allows small businesses to immediately deduct the cost of up to $100,000 in expenditures for new equipment. Failure to extend this provision will result in an effective tax increase of about $1 billion on small businesses seeking to make critical investments that expand their businesses and create jobs.

Second, my legislation will allow small businesses to take advantage of the cash method of accounting. Under current law, subchapter C corporations cannot use cash accounting, which allows them to deduct expenses in the year paid and report income in the year received, if their gross receipts exceed $5 million. H.R. 4840 indexes the $5 million threshold for inflation, which ensures that more small businesses are not forced to use the more complex, costly, and time-consuming accrual method of accounting. This provision saves business taxpayers roughly $120 million.

Third, H.R. 4840 eliminates from the Tax Code a number of dead-letter provisions, which serve no purpose other than to clutter an already overly complex set of laws.

My constituents tell me that passage of this legislation will mean more jobs and increased economic growth in the Chicagoland area. I am also pleased that some of the Nation's leading small business associations, including the National Federation of Independent Businesses, the NFIB, the U.S. Chamber of Commerce, and the Associated Builders and Contractors, strongly support the bill.

Mr. Speaker, my legislation is not a panacea for small business. The government can only do so much. As always, it is the hard work and ingenuity of the American people that lead to expanded growth, job creation, and prosperity. However, taxpayers with business income pay about 55 percent of all income taxes. This bipartisan legislation will not only simplify the Tax Code; but by returning over $1 billion to business taxpayers, it will also let our job creators know that Congress means business when it comes to lowering their tax burden. It is the least we can do.

While I am extraordinarily pleased that we are acting today on much-needed simplification for small business, I want to take a moment to mention the need for greater simplification in the tax laws. I, for one, intend to be dogged in my pursuit of this goal.

To give one example, I have long championed an effort for many years to address a complex and unfair provision in the consolidated return rules. These rules were enacted so that corporate groups could pay tax on the net income of all their affiliated companies. Generally, the rules accomplish this goal, unless one of the affiliated corporations in the group is a life insurance company.

Twenty Members of the Committee on Ways and Means have cosponsored legislation I have introduced, H.R. 2228, that reforms the consolidated returns to address this inequity. Similar legislation passed both the House and Senate in 1999 as part of a larger tax bill that, unfortunately, was vetoed by President Clinton. I would expect that with the appropriate amount of effort, this legislation, as well as other meritorious simplification, can and will be enacted in the near future.

Finally, Mr. Speaker, to continue on the theme of tax simplification, in 2002, the IRS issued Revenue Procedure 2002–28 to allow subchapter S corporations to use cash accounting if their gross receipts do not exceed $10 million. That ruling provided useful clarification for taxpayers. I believe the service should go one step further and make this guidance a formal regulation so that in the future America's small business owners can rely on a simple method of accounting.

Mr. Speaker, I include for the RECORD a copy of the NFIB's petition to the IRS asking for a final rule to address this issue.

NFIB LEGAL FOUNDATION,
Washington, DC, July 20, 2004.

PETITION FOR RULEMAKING BEFORE THE INTERNAL REVENUE SERVICE

Hon. MARK W. EVERSON,
Commissioner, Internal Revenue Service, Washington, DC.

DEAR MR. COMMISSIONER: The National Federation of Independent Business Legal Foundation (''NFIB Legal Foundation'') submits this petition to the Internal Revenue Service (IRS) pursuant to 5 U.S.C. §553(e) of the Administrative Procedure Act, 5 U.S.C. §§551 et seq. Petitioners request a rulemaking to incorporate Revenue Procedure 2002–28, with three requested modifications, into a formal regulation. Pursuant to 5 U.S.C. §555(e), petitioners request prompt consideration and response to this petition.

The NFIB Legal Foundation, a 501(c)(3) public interest law firm, is the legal arm of the National Federation of Independent Business (NFIB), which is the nation's oldest and largest organization dedicated to representing the interests of small-business owners throughout all 50 states. The approximately 600,000 members of NFIB own a wide variety of America's independent businesses from restaurants to hardware stores to bowling alleys.

REVENUE PROCEDURE 2002–28

Revenue Procedure 2002–28 allows qualifying small business taxpayers with gross receipts of less than $10 million to use the cash receipts and disbursements method of accounting. This relieves qualifying small businesses from the more complex inventory and accrual method of accounting. Revenue Procedure 2002–28 also provides for qualifying businesses to obtain automatic consent to change from accrual accounting to cash accounting.

THE PROPOSED REGULATION—INCORPORATION OF REVENUE PROCEDURE 2002–28 INTO A FINAL RULE.

Petitioner requests that the IRS convert Revenue Procedure 2002–28 into a formal regulation. A formal rule would provide stability and prevent long-term confusion and wide-ranging interpretations of the current revenue procedure. While there are numerous revenue procedures that have been in effect for many years, nothing prevents a subsequent administration from modifying or withdrawing a revenue procedure. Incorporation into a formal regulation would make the components and intent of Revenue Procedure 2002–28 a more permanent fixture of the tax law thereby maintaining a predictable environment in which small businesses may operate.

FURTHER CHANGES ARE NEEDED IN A FINAL RULE

Petitioner applauds the IRS Small Business/Self-Employed Division's outreach to small business owners on this matter. In doing so, Revenue Procedure 2002–28 addressed many small business owners' concerns and provided much needed tax simplification for many taxpayers. Nevertheless, there are some outstanding issues that Petitioner would like to see incorporated into a final rule.

1. Provide one-year grace period to adjust income ratio or change accounting method

Section 4(.01) of Revenue Procedure 2002–28 allows a qualifying small business taxpayer to use a cash method of accounting for all of its trade or business if ''the taxpayer reasonably determines that its principal business activity is the provision of services, including the provision of property incident to those services.'' A taxpayer may determine its principal business activity using either (1) the gross receipts for its prior taxable year, or (2) the average annual gross receipts for its three most recent prior taxable years.

We support the inclusion of the three-year average test in Revenue Procedure 2002–28 for determining if a small business qualifies for use of cash accounting methods. By using a three-year average, qualifying businesses can maintain their customary cash accounting methods if, in one year, their service-to-produce income ratio changes to 55/45 rather than 60/40. Revenue Procedure 2002–28 addresses this issue in Example 6 by showing that a business with 57% of its income from services still qualifies for the cash accounting method. This practice is both practical and fair, and petitioner requests that the procedure and examples used in Revenue Procedure 2002–28 are incorporated into a regulation.

In addition, however, we request that a business should not be forced to immediately switch from cash accounting to accrual accounting when the business' principal business activity income ratio falls below the 60/

40 threshold percentage provided in the Revenue Procedure examples. Instead, businesses should be provided a one-year grace period to either adjust their income ratios or to change accounting methods. Allowing such a grace period would enhance stability and certainty for small business taxpayers by providing them with an opportunity to avoid having to switch from cash to accrual accounting from one year to the next.

2. Provide notice of changes to NAICS

Revenue Procedure 2002–28 applies to qualifying taxpayers who fit within the $1 million to $10 million gross receipts threshold. Businesses qualify if they derived their largest percentage of gross receipts in the prior tax year from an activity other than one in the following North American Industry Classification System (NAICS) codes: mining activities within NAICS codes 211 and 212, including oil and gas extraction; manufacturing within NAICS codes 31–33; wholesale trades within NAICS code 42; retail trade within NAICS codes 44 and 45; and information industries within NAICS codes 5111 and 5122, including newspaper, periodical, book, and database publishers and sound recording. The cash accounting method does not apply to farming businesses or those prohibited from using cash accounting by IRC Sec. 448.

Changes made to NAICS codes could obviously impact the ability of a business to qualify for the cash accounting method under Revenue Procedure 2002–28. The IRS should provide some form of notification to affected businesses when NAICS codes are changed, to ensure that business taxpayers remain aware of the impact on their accounting procedures.

3. Provide one-year grace period to businesses affected by changes to NAICS

Petitioner also requests that the IRS provide businesses affected by changes to the NAICS codes a one-year grace period to switch their accounting systems from cash accounting to accrual accounting. A grace period would provide business taxpayers time to adjust their business practices and change their accounting procedures.

AUTHORITY OF THE COMMISSIONER

The enhanced sense of permanence associated with a formal regulation as described above would provide certainty and stability for thousands of small businesses nationwide, allowing the business owners to do what they do best—run the businesses that are the backbone of our economy. Federal law provides ample authority to grant this petition and issue the requested final rule.

Respectfully submitted this 20th day of July 2004,

KAREN R. HARNED, Esq.,
Executive Director.

□ 1500

Mr. SANDLIN. Mr. Speaker, I yield myself such time as I may consume.

We appreciate the efforts of the gentleman from Illinois (Mr. CRANE) and clearly, there is a need for tax simplification. Today, the IRS now prints more than 1,000 publications, forms, and instruction booklets, and while the Tax Code was a mere 500 pages in 1913, financial publisher CCH says its Standard Federal Tax Reporter, which is the guidance for tax preparers, has grown to more than 60,000 pages today. The cost to individuals and business in America of the complexity of our code are staggering.

More than $100 billion a year in accounting fees and the value of taxpayers' time to complete their returns, according to Joel Slemrod of the University of Michigan, are used up each year. This is roughly equivalent to what our Nation spends to operate the Departments of Education, Homeland Security, and the Department of State each year. According to the IRS, small business owners are required to devote 60 hours, almost 8 full work days each year, to prepare their taxes.

While the bill we debate today is a good piece of legislation, it will not do enough to reduce this burden, and we must do more, working together.

Mr. Speaker, I yield 5 minutes to the gentleman from Washington (Mr. MCDERMOTT.)

(Mr. MCDERMOTT asked and was given permission to revise and extend his remarks.)

Mr. MCDERMOTT. Mr. Speaker, we are getting close to election again. The gentleman from Texas (Mr. DELAY) Congress says it is time for simplifying the Tax Code. But, Mr. Speaker, my colleagues know that ''tax simplification'' is just the term the Republicans use to start talking about the need for a flat tax or a sales tax. Every year at this time it comes up.

The Committee on Ways and Means had a host of hearings about this same issue in the mid-1990s under Chairman Archer. At one point during the hearings in 1995, the chairman said he was convinced that the Tax Code needed to go to a flat tax. He even said he was going to introduce legislation to do it. But, after all the hearings and all of the rhetoric, he never even introduced a bill.

Mr. Speaker, we can do two things with money: We can save it or we can spend it. Now, rich people have more to save than do poor people. If all that we do is impose taxes when people spend money, then poor people are going to spend the larger share of their paycheck on taxes than rich people are. I mean, anybody knows that. Poor people spend every dime of every paycheck; rich people spend some and then they put a whole bunch in the bank or in the stock market or in something else. A system based on consumption taxes hardly is fair at all.

Legislation has been introduced in the past to convert our tax regime to one that relies solely on consumption taxes. The gentleman from Georgia (Mr. LINDER) has introduced legislation to abolish the IRS, abolish it, and force the Federal Government to rely on a national sales tax, a proposal that the majority leader supports. This proposal would be a boon to the wealthy elite. His proposal would tax all purchases on goods and services in our economy, including food, health care, home rents, and new home purchases.

The Joint Committee on Taxation did an analysis of the Linder proposal. The study indicated that in order for the bill to be revenue neutral over 10 years, the estimated national sales tax rate would be between 36 and 57 percent. In other words, the price of blood transfusions, prescription drugs, and a pair of sneakers would increase between 37 and 57 percent. Does that sound fair to my colleagues?

How do we sell this proposal to simplify tax structure to the baby boomers of this country who are about to go onto a fixed income? We have this big bulge of people who are just about, in 2008, going to start going onto Social Security. You cannot, and that is why they call it tax simplification. It sounds like a good idea.

The Health Insurance Association of America states that one of the consequences of a flat tax bill is likely to be a rapid increase in the number of people without private health insurance coverage. One economist estimated that there would be 8 million more people without health benefits if a flat tax proposal were enacted.

James Poterba, an economist at MIT, estimated that eliminating the current tax law benefits for purchasing homes could result in a 17 percent decline in the value of the U.S. housing market.

Now, what about the payroll taxes? A flat tax proposal may eliminate the deduction that employers pay for their payroll taxes, amounting to a massive tax increase on businesses of all sizes.

The American public is not naive, Mr. Speaker. They know that when it is election time and the Republicans start talking about tax simplification, it really means they want a flat tax. If you just give us one more chance, we did not simplify it over the last 10 years that we have been in control. Give us another chance and we will get our flat tax in.

Now, when are they going to be honest about these goals for the people? When are they going to be honest and tell the American people that the Tax Code has only become more complex since they controlled the Congress and its tax-writing committees. They have 105 more days to run this charade, but it is coming. There is going to be a change, and not in the Tax Code, but in who runs this House.

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

I appreciate my friend from Washington's discussion on general tax relief. I suppose at the end he would say he supports this legislation before us because it is not a flat tax, it is not a sales tax, it is not even a fundamental reform. Rather, it is simplification and good, common-sense simplification at that, this one focused on small businesses. The next piece of legislation we will take up focuses more on individuals.

But it is hard to defend the current code. Again, my friend from Texas talked earlier about the compliance costs and referenced Professor Joel Slemrod's reports from the University of Michigan. I think the number is somewhere between 50 and 100 billion now. That is the consensus number; 85 seems to be the one most people are using. Mr. Speaker, $85 billion a year in compliance costs, and over 3 billion compliance hours.

Another interesting statistic is that every year now, tax compliance accounts for about 80 percent of the paperwork burden of the Federal Government. So we do need to do something.

Today is not the silver bullet, but it is a start. It is going into the current code and changing some unfair aspects of the code; in the case of section 179, helping businesses to be able to not just write off their purchases more quickly for equipment, but also to be able to reduce their compliance costs, because they do not have to keep those depreciation schedules over time.

It also takes out some deadwood provisions which come from the Joint Committee on Taxation recommendations, as well as Treasury Department recommendations, which say that these provisions of the code that have not been removed over time, and it must be done by statute by the way, not only cause confusion and complexity, but actually cause some taxpayers to make mistakes that then cause tremendous cost to the tax system over time.

This legislation also again helps some smaller businesses to be able to take advantage of cash accounting rather than the accrual method, which is a complexity. Therefore, this is a simplification as well.

So I appreciate the gentleman's comments, and what I would say is what we are doing today is, we are taking a very responsible step towards simplification. We are not providing again for the silver bullet. We need to continue to work on that, as we will every year, and I know as we are going forward in this Congress, should we be here on this congressional floor next year talking about these issues, hopefully we will have a more fundamental reform that we can agree on on a bipartisan basis, as we will agree today, I believe, on a bipartisan basis, on these simplifications.

Mr. Speaker, I reserve the balance of my time.

Mr. SANDLIN. Mr. Speaker, I yield such time as he may consume to the gentleman from Washington (Mr. MCDERMOTT).

Mr. MCDERMOTT. Mr. Speaker, I want to thank the gentleman for yielding me a couple more minutes. After listening to the gentleman from Ohio (Mr. PORTMAN), I always can think of things to say.

The gentleman tells us that this bill, that I am probably for it; the gentleman is right. This is nothing. This bill does not do anything except do what the gentleman told us he was not going to do. The gentleman said he was going to make the expensing for a while and then stop it. Now my Republican colleagues are making it permanent. It is just one more of those things.

But the real point here is, you say this is a start. It is not much. It is a start on the way to what?

I yield to the gentleman from Ohio (Mr. PORTMAN).

Mr. PORTMAN. Mr. Speaker, I appreciate the gentleman yielding.

I certainly never heard anybody say that section 179 expensing was temporary. What we said was that the bonus depreciation provision was temporary. Section 179, on our side, we have always intended to be permanent and we would certainly hope that it will be made permanent.

What we are doing today is, we are extending it for 2 more years, in 2006 and 2007, that is as compared to bonus depreciation, which was meant as a stimulus, just to correct the gentleman on those two depreciation provisions.

Mr. MCDERMOTT. Mr. Speaker, reclaiming my time, does the gentleman realize he just put everybody to sleep, who is watching this, with that stuff? You guys come out here to pass a bill because you cannot get through the military construction bill, and this is nonsense.

Every time we have had, since 1994 we have Archer talk about simplification, we had the majority leader, Mr. Armey, who campaigned against the tax system and said he was going to rip it out by the roots and have a flat tax. I mean, we have been hearing this stuff, and today we have this little bitty thing, and it does not do any harm, really; it does not do any good, really.

I mean, surely everybody would like to have their taxes cut, whoever they are, but the real issue is the working people of this country. They are paying payroll taxes, and nobody is talking about them. Nobody is talking about the fact that we took the tax structure and gave the bulk of the benefits to people above $1 million, or above $100,000, for that matter. Nobody is talking about that. Why do my Republican colleagues not talk about what you are doing for people on the bottom?

In India they ran a campaign and they said that "India is shining." That was the theme of the campaign in India. And the Congress Party ran one with a symbol that said, "The hand of Congress is with the common man." And, lo and behold, in spite of an 8.2 percent growth rate in India, they threw out the "India is shining" because it was not shining on the people at the bottom.

And you people have got to understand that. You can keep doing this kind of stuff and telling people, we are going to simplify, we are going to simplify. They do not believe you. They do not believe you. They have watched what you did for 10 years. So you can say it as many times as you want, but they have to figure out their taxes, and they know that it is not simplification.

So I know it is election time, and I appreciate that you have control of the Committee on Rules and can bring this kind of stuff out, but it is not making it any better for the common man in this country.

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume just to respond to my friend from Washington.

For him to say, this does not matter and does not help anybody, I hope he will talk to the small business people in the State of Washington as well as in the State of Ohio that I represent. This does help them.

I was with one of those small business people today talking about section 179 expensing and the importance of being able to plan. And he was absolutely delighted that this Congress is going to pass, once again, legislation to be sure that he can plan for being able to immediately write off not $25,000 a year, but $100,000 a year of new purchases in equipment. This is extremely important.

If the gentleman chooses to vote "no," that is his right, but for him to say it does not affect anybody, I think is inaccurate. That is not to mention the other provisions the gentleman from Illinois (Mr. CRANE) talked about, which are also important to small businesses.

To say that this is a bill that does not matter and that it is just something that we do around election time, I think, is not consistent with the fact that in 2003, this same legislation was passed by this Congress. We could not do it for as long a period of time as we wanted to, frankly, because of our friends on the other side of the aisle who did not believe that this legislation should be made permanent.

We would like to make it permanent. It is extremely important to our small business community. It is extremely important to the risk-takers, to the entrepreneurs, who, after all, are creating most of the jobs out there right now. And I would hope that on a bipartisan basis we could at least agree to these simplifications.

We can have the debate later as to whether the gentleman would like to defend the current code and continue to have, again, 3 billion hours a year in compliance costs, $85 billion a year in expenses related to compliance; or whether we do want to look at more fundamental reforms. That would be more controversial and they will need, again, the same kind of bipartisan work that has gone into this legislation here.

But at a minimum, let us at least go into the current code and make some responsible changes to make it simpler for small businesses, which is this legislation before us.

Mr. Speaker, I reserve the balance of my time.

Mr. SANDLIN. Mr. Speaker, I yield 4 minutes to the gentleman from Illinois (Mr. EMANUEL).

Mr. EMANUEL. Mr. Speaker, I thank the gentleman for yielding me this time.

It is interesting, to my colleague, the gentleman from Ohio, in the last 3½ years, while they have been in control, they have had 326 changes to the Tax Code, adding 10,000 pages to the Tax Code. So in his effort today at simplification, let us have a rendezvous

with the record: 10,000 new pages to the Tax Code and addendums.

□ 1515

That has been your record; and if you are in the business of being a tax lawyer, a tax accountant, there is a treasure chest out here in George Bush and the Republican majority's Tax Code. For middle-class families, it has become more complicated, burdensome, and unfair; and the complexity of this Tax Code directly relates to the inequities in this Tax Code. And that is what has happened to our middle-class families as we have shifted more and more of the tax burden onto work and people who work for a living rather than people who open up dividend checks for a living.

Let us see what has happened in the last couple of years to typical families. It now takes since 1994, since you have been in the majority, 7½ hours longer to fill out the tax form. Thanks for the contribution to simplification.

The child tax credits now on the code have five different breaks for families and children, each with a different definition. Now, I have three kids, and I will tell them there is only one definition for a child. We do not need five definitions for what a child is, but their Tax Code has done wonders in complicating the code.

Education tax credits, with a child in college, parents have to choose between two nonrefundable tax credits, the Hope or the Lifetime Learning, all the while in complicated forms that are long and duplicative. But guess what? If you are a corporation and you are filling out the Export-Import Bank loan, a page and a half. A kid filling out the FAFSA form trying to get a Pell grant, 108 questions. Now, what makes a corporation more important to America's future than that child? That corporation on average gets $200 million. That child gets $2,500. That child is as important to America's future, and it should be easier to get a college loan than it is to get an Export-Import loan agreement.

Increased tax preparation costs: as middle-class families struggle with the wage and benefit recession, costs for gasoline and food are going up. The last thing they need to deal with is tax preparation costs. Since 1995, 15 more million Americans have needed to hire a professional tax preparer to deal with the Tax Code and its increased complexity. The average cost is between $100 and $150. It can be a full day's pay for millions of Americans. If someone is an attorney or an accountant in the tax business, the Bush Tax Code is like Christmas every year. The abusive tax shelters used by corporations and the wealthy have increased exponentially in the last few years as the burden on middle-class families have grown increasingly.

The tax gap that is underreported by corporations and wealthy individuals is nearly $311 billion. Underreporting accounted for $249 billion. And that is the majority's refusal to work on this and crack down on this. Even their Treasury Department has asked for new enhancements in the laws.

Tax shelters have a corrosive effect, stacking the deck against ordinary taxpayers. While the special interests win shelters, loopholes, middle-class families have to play by the rules and are buried under a crushing burden by the IRS. The public's distaste for the current Tax Code is a direct result of the inequity.

And now they want towards election time this holy picture by passing this legislation. I will vote for it. It is their first step after adding 10,000 pages to the code and 326 changes to trying to do something for simplification.

I have offered my own piece of legislation to simplify family credit that condenses the child tax credit, the earned income tax credit and the dependent care into a single credit. It takes 200 pages down to 12 questions. It puts the Tax Code on behalf of work, on behalf of middle-class families trying to raise their children, and gives the same energy to those families that you have given to the wealthy and special interest in this country; and that is where we should put the Tax Code on behalf of the working families of our country.

Tax reform is more than a fiscal issue. It is also about our priorities. Our tax system should respect the values and the interests of the middle-class families.

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

I would remind my colleague from Illinois that some of the very issues that he raises are currently under consideration by the Congress, including the definition of a child. As he may know, I have introduced legislation to consolidate those definitions into one definition that is currently in the child tax credit conference between the House and the Senate. I fully expect he will have the opportunity to vote on that legislation in this Republican-controlled Chamber, if not this week, then in September; and that will be a major simplification.

I would also remind the gentleman that this complication of the Tax Code, which I agree with him on, is not just the province of one administration. I can remember when he was in the Clinton administration working on the Hope credit, working on the Lifetime Learning credit, working on many other ways to use the Tax Code to achieve social purposes which further complicated the code dramatically; and I would remind him that one of the pillars of the Bush administration tax relief was not just lowering rates for everybody, which is a simplification, not just lowering rates on capital gains which is a simplification, lowering rates on dividend which is a simplification, but also extending this 10 percent tax bracket.

That has focused exactly on the taxpayers that my colleagues are talking about. Lower-income taxpayers they say have got no benefit. Their benefit is total simplification, because 3 or 4 million Americans who are lower-income Americans now are no longer on the tax roles at all. They do not have to look over their shoulder at the IRS because they are off the Federal tax rolls. They pay no income tax at all, and that is simplification that George Bush put through this House and that most of us voted for on this side of the aisle.

With regard to EITC, I would remind my friend that we have actually, in the 2001 bill, streamlined the EITC, not as much as I would like, as we know, because we have talked about that; but their income tax credit has actually in this administration under this Congress been simplified.

So just to put a little bit of clarity around it and some perspective, today we are talking about section 179. We are talking about the expensing, the need to simplify that. I would remind him that the bonus depreciation provision that his colleague from Washington talked about as being temporary, that was also a simplification and simplification not just for small businesses but for all businesses.

So we have done our part in terms of making the code more complicated, both parties over the years; but if he looks back at the record over this Congress and over this administration, there are a number of items which have been very positive in terms of simplification, the most important of which is to take people off the rolls altogether, not having to worry about income taxes and the legislation before us today, again, bringing us back to where we are, taking us from the abstract to the practical.

We have an opportunity on a bipartisan basis to make some sensible changes to our Tax Code, to make it simpler for small businesses to comply with taxes. These are the risks takers. These are the people we want to help, and I commend my colleague from Illinois for bringing this legislation to the floor today.

Mr. Speaker, I reserve the balance of my time.

Mr. SANDLIN. Mr. Speaker, I yield 1½ minutes to the gentleman from Illinois (Mr. EMANUEL).

Mr. EMANUEL. Mr. Speaker, I do want to acknowledge one thing. The gentleman is right. We use the Tax Code to let middle-class families afford college education and lifetime learning so they can go back to community colleges, and the gentleman has used the Tax Code to ensure that people who want to buy Hummers get a tax deduction. The gentleman has used the Tax Code to ensure that a corporate executive gets only $300 for using a plane; and, yet, his corporation writes $30,000 off for using a corporate jet. Which is it, $30,000 that the taxpayers have to pick up, or $300 that the CEO gets to deduct from their taxes?

The gentleman is right. We have had our differences in how we have used the

Tax Code, one for higher education and access to college education, and another for corporate executives who want to discount their corporate jet use. So when it comes to complexity, I am glad that the gentleman is still working on simplification; but since 1995, they have been in control, and they have had many opportunities to reduce and simplify the code; and they have made it more complicated, more difficult for middle-class families, while they have alleviated the burden for the wealthy and the special interests in this town.

Mr. SANDLIN. Mr. Speaker, I yield myself as much time as I consume.

In 1996, then-Speaker Newt Gingrich stated the Tax Code over the years has become increasingly politicized and is seen less as a simple tool for raising revenues than as an instrument for social and economic engineering, exponentially increasing the complexity of the code.

The current system is indefensible. Clearly, the small business community in America has been subject to more tax law complexity year after year. For example, the Small Business Job Protection Act of 1996 makes 657 Tax Code changes which expanded the Tax Code by more than 50 pages. The Jobs and Growth Tax Relief Act of 2003 made 51 Tax Code changes and expanded the Tax Code by 12 pages. The IRS estimates that the average taxpayer with self-employed status has the greatest compliance burden in terms of preparation, 59 hours. And this is about 10 hours longer than in 1994.

Even the House-passed version of the FSC/ETI bill from this year has 109 tax changes. This will encompass at least 200 additional Tax Code lines and at least 50 new pages of statutory language and footnotes.

Mr. Speaker, America's small businesses are the engine powering the largest, most robust and most innovative economy in the world. They deserve a more meaningful effort by this Congress to ensure that valuable time and resources are better invested in the success of their business and not wasted in preparation of returns and to make sure that our business people, entrepreneurs, are not raked over the coals by a Tax Code that requires a lawyer, a CPA and a computer programmer to understand it. We can and must do better by our small business men and women and individuals in this country.

Mr. Speaker, again, I am proud to support and cosponsor this fabulous piece of legislation. I urge my colleagues to join with me in casting a vote for small business owners and their employees across this Nation. At the same time, however, I am hopeful that this legislation is the beginning of meaningful reform and not the end of the line.

Mr. Speaker, I yield back the balance of my time.

Mr. PORTMAN. Mr. Speaker, I think this has been a helpful debate to talk about the need for simplification. I am glad to see some of my colleagues on the other side of the aisle are agreeing with us with regard to this underlying legislation with regard to small businesses but also with the need to simplify our code. We have taken steps to simplify, and we need to continue to do that.

It is on the heels of major tax relief in 2001, 2002, and 2003 this administration inherited a failing economy, moving into recession. Then the tragedy of 9/11, the shock of the corporate scandals, the stock market boom busting, a lot of challenges to our economy. And our first focus was economic recovery; and, therefore, the stimulus and the economic recovery tax legislation provided needed tax relief to small businesses, to families, and to individuals around this country.

Now we are focused on that, as well as simplification; and it is very important given the fact that we do have an increasingly complex Tax Code and that the burden of compliance with that code is greater and greater, that we on a bipartisan basis focus on this compliance cost and, therefore, on simplifying the code.

Before us today we have a great piece of legislation. It is not the silver bullet, does not do it all; but it helps and it tells small businesses that if they want to go out there and buy new equipment to be able to expand their plant, to hire new people, to keep this economy moving, we are adding jobs, we have economic growth that is the best we have had in 20 years in this country, that we will enable them to write off $100,000 worth of new purchases rather than $25,000 worth of new purchases.

We are telling them that businesses that are a little bit smaller than the very smallest businesses would be able to take advantage of this as well by being sure that the definition of what businesses can qualify is expanded.

Now, this is good legislation. We are also telling small businesses they can use the cash accounting method, which saves them money, which saves them complexity in not having to hire accountants and additional professionals, rather than going to the accrual method. So we are saying we are going to index that to inflation to help small businesses. And, finally, we are saying that our Tax Code has too many provisions that are no longer relevant, deadwood provisions that cause complexity and confusion. We are going to get rid of those provisions in the code, particularly as they affect small businesses.

So, again, I commend my colleague from Illinois for bringing this legislation before us today. This is the first step in a long march towards simplifying our Tax Code, and I would hope that we will have support across the board on a bipartisan basis for this legislation.

Mr. BARRETT of South Carolina. Mr. Speaker, I rise in strong support of H.R. 4840 which encourages investment and simplifies bookkeeping and tax reporting requirements for small business owners. This legislation will not only allow small businesses to continue to expense $100,000 instead of dropping back down to $25,000, but will also allow more small businesses to be eligible.

We should be encouraging small businesses to buy technology, machinery, and other equipment so they can expand their businesses and in turn create more jobs. H.R. 4840 removes some of the redtape that increases the cost of doing business.

Mr. Speaker, it is the private sector, the small businesses throughout the Nation that create jobs, wealth and innovation. In fact, small businesses are responsible for creating two out of every three net new jobs.

Low taxes and sensible regulations are essential to helping the 25 million small businesses in America; that's why I urge my colleagues to vote in favor of H.R. 4840.

Mr. PORTMAN. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SIMPSON). The question is on the motion offered by the gentleman from Ohio (Mr. PORTMAN) that the House suspend the rules and pass the bill, H.R. 4840.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. SANDLIN. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

TAX SIMPLIFICATION FOR AMERICANS ACT OF 2004

Mr. PORTMAN. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4841) to amend the Internal Revenue Code of 1986 to simplify certain tax rules for individuals, as amended.

The Clerk read as follows:

H.R. 4841

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Tax Simplification for Americans Act of 2004''.

SEC. 2. HEAD OF HOUSEHOLD FILING STATUS CHANGED TO SINGLE HEAD OF HOUSEHOLD.

(a) IN GENERAL.—The following provisions of the Internal Revenue Code of 1986 are each amended by striking ''head of a household'' each place it appears and inserting ''single head of household'':

(1) Subsection (b) of section 1.

(2) Paragraphs (1) and (3) of section 2(b).

(3) The table in section 25B(b).

(4) Clause (iii) of section 151(c)(6)(B).

(5) Clauses (ii) and (iii) of section 151(d)(3)(C).

(6) Subparagraph (A) of section 6012(a)(1).

(b) OTHER CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 63(c)(2) of such Code is amended by striking ''head of household'' and inserting ''single head of household''.

(2) Section 1 of such Code is amended—