SUPPORT THE INTERSTATE CHILD SUPPORT ACT

HON. ROBERT MENENDEZ

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, January 26, 1995

Mr. MENENDEZ. Mr. Speaker, it is time for Congress to protect the rights of millions of children whose parents refuse to support them. This is a national disgrace. Our continued failure to act is eroding public support for helping families who most deserve our compassion. It is time for us to send a clear, unambiguous message: The American people will do what is necessary to protect our children. We will not let parents abandon their duty to the children they bring into the world.

I am therefore joining as a cosponsor of H.R. 95, the Interstate Child Support Act of 1995 introduced by Congresswoman BARBARA KENNELLY of Connecticut. This bill includes a long, tough list of enforcement measures recommended by the U.S. Commission on Interstate Child Support.

The bill would deny deadbeat parents occupational, professional, and business licenses, driver's licenses, and vehicle registrations. It would expedite the seizure of bank accounts and authorize the seizure of pensions, lottery winnings, and other public benefits. The bill would deny passports to deadbeats and deny them Federal jobs, benefits, loans, and loan guarantees.

The bill would improve enforcement of child support orders across State lines, strengthen paternity establishment, and improve recordkeeping by requiring Social Security numbers of marriage licenses, divorce decrees, parentage decrees, and birth certificates.

It would also set the stage for future reforms, by requiring a study of the feasibility of developing national child support guidelines, and of collecting past-due child support through the Internal Revenue Service. It would test alternative child support assurance strategies, publish information about effective approaches to increasing child support, and test programs providing jobs for unemployed noncustodial parents to enable them to pay what they owe.

I urge my colleagues to join us in enacting the Interstate Child Support Act of 1995.

INTRODUCTION OF H.R. 693

HON. RALPH M. HALL

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, January 26, 1995

Mr. HALL of Texas. Mr. Speaker, I rise today to explain a bill I am introducing for the fourth time. During the 103d session it was H.R. 3033. This session it is H.R. 693, and it deals with a very important issue, an issue that is so worthy of our attention that some Members of this body may find it odd that in 6 years no hearings have been held and no debate conducted on it. Some Members may even think it is futile to again bring this bill before the House. But that is not the case. This matter is too important; the case behind this bill is too just; the damage done to ordinary citizens is too egregious to leave this matter alone.

To assist the Members of this body in understanding the background of this bill, I would like to offer a brief explanation of the events which led up to its introduction.

In 1931, an Italian immigrant, Joe Zeppa, founded Delta Drilling Co. In doing so he was simply following the American dream. Joe was able to take part in the oil boom of the 1930's that helped bring east Texas out of the Great Depression and make the American dream a reality for many people like him. Organized as a closed corporation, Delta Drilling was modestly profitable until the early 1970's, when the energy crisis dramatically increased the company earnings. Increased profitability made the prospect of going public a very attractive option—and inspired Joe with a method of rewarding his many longtime, loyal employees.

Considering the possibilities of the company going public, Delta founder Joe Zeppa worried about the fate of employees should a takeover occur. In order to protect these ordinary, hard-working men and women and to reward them for their loyalty over the years, he initiated employee participation plans under which each employee—executives, managers, secretaries, and laborers alike—with at least 15 years of service with Delta was allocated participation units based on his or her annual compensation and years of service in excess of 15. Each participation unit was to be valued at the price of one share of Delta stock when the company went public. The plans were implemented in 1974 with 88 employees participating. In 1975, Joe Zeppa passed away and was succeeded by his son, Keating Zeppa. With revenues jumping from $38 million in 1974 to $161 million by 1980, Delta decided to go public.

On March 17, 1981, Delta Drilling Co. publicly offered 2,000,000 shares of common stock at $17.50 per share. The public offering triggered the participation plans and the exchange of participation units. Under the agreement with the underwriters for the public offering, however, the employees at Delta could not sell or transfer shares issued to them under these terms for a 120-day period after the commencement of the offering. Immediately prior to the public offering of stock the employees agreed to exchange their participation units for a combination of stock and cash. As a result, they received Delta stock equal to 70 percent of the value of their units and cash representing the remaining 30 percent. All told, 2,128,665 shares and $5,321,667 were distributed to the 87 remaining participating employees. An additional $10,643,333 representing 20 percent of the total value of their participation units was withheld for taxes.

Although Delta stock sold in the initial public offering at $17.50 per share, at the end of the 120-day transfer restriction period, the over-the-counter market price had plummeted to only $13.50. In January of 1982, the price fell below $9.00 and dropped to $6.625 per share by April 6, 1982. Due to circumstances completely out of the hands of Delta Drilling employees, the stock eventually became entirely worthless.

This wouldn't seem that bad, Mr. Speaker, because it was just a gift that they had not had before. Right? Wrong! Enter the IRS.

On April 15, 1982, the employees who received this gift of stock found themselves subject to an enormous tax burden. Under the IRS Code, the shares received under the plan were taxed as ordinary income at the rate of 50 percent and were valued at the initial public offering price of $17.50—regardless of when the employees disposed of their stock. Consequently the average tax burden for each employee was a staggering $300,000. In order to help the former plan participants, Delta provided them with an option to exchange each share of stock they received under the plan for one 5-year convertible bond valued at the then per-share market price of Delta stock, $6.625, which could then be used as collateral for loans to pay their taxes. Only 30 of the 87 employees who had received stock under the plans accepted the offer.

Delta, as a group, also sought relief directly from the Internal Revenue Service, and—after extended negotiations—several individuals were offered the opportunity to report receipt of each stock at $15.50 per share. Clearly, however, in no event could any employee have received more than $13.50 per share for their stock received under the plan—even if they had sold it on the very first day after the expiration of the 120-day transfer restriction period. Indeed, if all the employees had managed to sell their stock, the resulting flood of shares would have had a precipitous impact on the market. Further, as I said earlier these are ordinary people—the majority of the employees had little formal education, no training in finance, and few had been to college. Most had never previously owned stock and many did not even know how to go about selling it.

So you see, hard-working employees—many of whom had spent years with this company—were given a gift by their employer. He certainly had no malicious intent in setting up this program. In fact, it is one of the most generous gifts I have ever heard of an employer giving his employees. And the employees certainly stood to gain from his generosity. But instead, they were forced to pay income taxes on an income that they never received—and that is wrong.

The end result of this is that you have ordinary people—as I said earlier this includes janitors, secretaries, roughnecks, everyone—who have to pay more in taxes than they make working. It would have been a typical scenario for an employee of this company who made $25,000 a year to be told by the IRS that he or she owed $300,000 or more. In fact, many employees had to sell their homes and other possessions to pay taxes on a benefit they never had a legal right to enjoy.

This body is often referred to as the people's House. There has been a great deal of talk in this chamber about the forgotten middle class. With this legislation, we have the opportunity to assist ordinary people and correct an extraordinary wrong. The employees of Delta Drilling who were affected by this financial burden are not just the top managers and executives. Do not think this bill is some sort of loophole or tax break for a bunch of rich oilmen down in Texas. That is simply not the case. This bill changes a policy that has hit a small group of ordinary people in a bad way. That's what we are supposed to do here in the people's House—establish good laws that help good people and change bad laws that hurt good people. We must pass this good bill to help these good people and other people all across our Nation who have faced or may face this devastating situation.

I look forward to working with the new chairman of the Ways and Means Committee, my friend from Texas, Mr. ARCHER, and my other