

list of business organizations that are subject to the payment limitations.

Under current law, general partnerships and joint ventures are not listed under the definition of legal "persons" and are thus exempt from the payment limitations. This exemption gives farming operations a heavy incentive to structure their businesses under the aegis of a general partnership: the more "entities" included in the partnership, the more payments the operation can receive.

#### SECTION 4

This section would repeal the most flagrantly-abused provision in the payment limit laws: the "Three-Entity Rule."

This rule was passed by Congress in 1987 purportedly to limit the number of sources from which a farmer could receive payments. In reality, though, it has mostly been an invitation for farmers to structure their operations in such a way as to maximize payments.

This section would allow farmers to receive payments from any number of sources. But because of the strict \$35,000 limit we establish, and the direct attribution system, there will be few remaining incentives for farmers to form multiple corporations and "shell" entities that exist only on paper.

#### SECTION 5

For any payment limitation reforms to work, the loopholes in the rules defining who is "actively engaged in farming" need to be tightened. Otherwise, significant dollars will continue to flow to off-farm investors, and big operations will continue to flout the payment limits.

This section contains several sensible changes in the eligibility rules. Among others, it would:

Require any individual or majority shareholder(s) in a corporation to make a significant contribution of "active personal management" and "active personal labor." Current rules require only one or the other.

Require minority shareholders to contribute at least "active management" or "active labor" on the farm. Current rules allow too many passive stockholders to receive payments just by making a contribution of capital, land or equipment, i.e., money. If a minority shareholder does not meet this threshold, the corporation's payments will be reduced in proportion to that shareholder's stake in the venture.

Redefine "active personal management" to demand a regular and consistent presence on the farm during the growing season, to guarantee that payees are closely involved in the day-to-day operations of the farming venture. The current definition is exceedingly vague, requiring only that the contribution be "critical to the farm's profitability."

Toughen the requirements on landowners. Under current law, landowners are essentially exempt from the labor and management contribution requirements, as long as they are engaged in a true share-lease arrangement with a tenant. This provision would require that the tenant actually be "actively engaged" for the landowner to qualify for payments.

Lastly, this section would expressly prohibit individuals or shareholders from using their subsidy payments to account for their required capital contribution. Under current rules, farmers can apply their advanced deficiency payments toward their capital contribution, which undercuts the legal requirement that a recipient be at risk.

#### SECTION 6

This section would increase the penalties for engaging in a "scheme or device"—creating bogus corporations, etc.—and defrauding the government.

Under current law, any individual or entity found by the USDA to be engaged in a

scheme or device is prohibited from receiving payments for the rest of that crop year as well as the next crop year. This provision would ban payments for the succeeding five crop years. In addition, any individual or entity participating in commodity programs that is convicted of defrauding the government would be banned from receiving payments for the next 10 years. (There is currently no additional punishment for persons convicted of fraud.)

These steps are designed to create a real deterrent against attempts to milk the system and deceive the government. The existing penalties are clearly not having any impact.

#### SECTION 7

This section would establish the effective date of these changes as October 1, 1996. ●

### ADDITIONAL COSPONSORS

#### S. 545

At the request of Mr. BUMPERS, the name of the Senator from Hawaii [Mr. INOUE] was added as a cosponsor of S. 545, a bill to authorize collection of certain State and local taxes with respect to the sale, delivery, and use of tangible personal property.

#### S. 949

At the request of Mr. GRAHAM, the names of the Senator from Illinois [Mr. SIMON], the Senator from Connecticut [Mr. DODD], and the Senator from Arkansas [Mr. PRYOR] were added as cosponsors of S. 949, a bill to require the Secretary of the Treasury to mint coins in commemoration of the 200th anniversary of the death of George Washington.

#### S. 1095

At the request of Mr. MOYNIHAN, the name of the Senator from Illinois [Mr. SIMON] was added as a cosponsor of S. 1095, a bill to amend the Internal Revenue Code of 1986 to extend permanently the exclusion for educational assistance provided by employers to employees.

#### S. 1136

At the request of Mr. LEAHY, the name of the Senator from Illinois (Ms. MOSELEY-BRAUN) was added as a cosponsor of S. 1136, a bill to control and prevent commercial counterfeiting, and for other purposes.

#### S. 1200

At the request of Ms. SNOWE, the name of the Senator from New York [Mr. D'AMATO] was added as a cosponsor of S. 1200, a bill to establish and implement efforts to eliminate restrictions on the enclaved people of Cyprus.

#### S. 1326

At the request of Ms. FEINSTEIN, the name of the Senator from Pennsylvania [Mr. SANTORUM] was added as a cosponsor of S. 1326, a bill respecting the relationship between workers' compensation benefits and the benefits available under the Migrant and Seasonal Agricultural Worker Protection Act.

#### S. 1360

At the request of Mr. BENNETT, the name of the Senator from Wyoming [Mr. SIMPSON] was added as a cosponsor

of S. 1360, a bill to ensure personal privacy with respect to medical records and health-care-related information, and for other purposes.

#### AMENDMENT NO. 2942

At the request of Mr. BYRD, the names of the Senator from South Dakota [Mr. DASCHLE], the Senator from Virginia [Mr. ROBB], the Senator from Illinois [Mr. SIMON], the Senator from Minnesota [Mr. WELLSTONE], the Senator from Nevada [Mr. REID], the Senator from Arkansas [Mr. PRYOR], the Senator from Arkansas [Mr. BUMPERS], the Senator from New Mexico [Mr. BINGAMAN], the Senator from Massachusetts [Mr. KENNEDY], the Senator from Rhode Island [Mr. PELL], the Senator from Washington [Mrs. MURRAY], the Senator from Montana [Mr. BAUCUS], the Senator from Wisconsin [Mr. FEINGOLD], the Senator from West Virginia [Mr. ROCKEFELLER], the Senator from Hawaii [Mr. AKAKA], the Senator from Delaware [Mr. BIDEN], the Senator from Massachusetts [Mr. KERRY], the Senator from Louisiana [Mr. JOHNSTON], the Senator from Maryland [Mr. SARBANES], the Senator from Maryland (Ms. MIKULSKI), the Senator from Connecticut [Mr. DODD], the Senator from Wisconsin [Mr. KOHL], the Senator from Kentucky [Mr. FORD], the Senator from North Dakota [Mr. CONRAD], the Senator from Georgia [Mr. NUNN], and the Senator from California [Mrs. BOXER] were added as cosponsors of Amendment No. 2942 proposed to S. 1357, an original bill to provide for reconciliation pursuant to section 105 of the concurrent resolution on the budget for fiscal year 1996.

#### AMENDMENT NO. 2974

At the request of Mr. BYRD, the names of the Senator from Wisconsin [Mr. FEINGOLD], the Senator from Illinois [Mr. SIMON], the Senator from North Dakota [Mr. DORGAN], the Senator from Virginia [Mr. ROBB], the Senator from South Carolina [Mr. HOLLINGS], and the Senator from Arkansas [Mr. BUMPERS] were added as cosponsors of Amendment No. 2974 proposed to S. 1357, an original bill to provide for reconciliation pursuant to section 105 of the concurrent resolution on the budget for fiscal year 1996.

SENATE RESOLUTION 188—  
NATIONAL DRUG AWARENESS DAY  
Mr. GRASSLEY submitted the following resolution; which was referred to the Committee on the Judiciary:

#### S. RES. 188

Whereas illegal drug use among the youth of America is on the increase;

Whereas illegal drug use is a major health problem, ruining thousands of lives and costing billions of dollars;

Whereas illegal drug use contributes to crime on the streets and in the homes of this nation;

Whereas national attention has turned from illegal drug use to other issues, and support for sustained programs has decreased;

Whereas public awareness and sustained programs are essential to combat an on-gong social problem;

Whereas the answer to the illegal drug problem lies in America's communities, with local people involved in grass roots activities to keep their communities safe and drug free and to encourage personal responsibility;

Whereas the annual Red Ribbon Celebration, coordinated by the National Family Partnership and involving over 80,000,000 Americans in prevention activities each year, commemorates the sacrifices of people on the front lines in the war against illegal drug use;

Whereas substance abuse prevention, law enforcement, international narcotics control, and community awareness efforts contribute to preventing young people from starting illegal drug use; and

Whereas the American people have a continuing responsibility to combat illegal drugs use: Now, therefore, be it

Resolved, That the Senate designate October 30, 1995, as "National Drug Awareness Day".

## AMENDMENTS SUBMITTED

### THE BALANCED BUDGET RECONCILIATION ACT OF 1995

#### SPECTER AMENDMENT NO. 2985

Mr. SPECTER proposed an amendment to the bill (S. 1357) to provide for reconciliation pursuant to section 105 of the concurrent resolution on the budget for fiscal year 1996; as follows:

On page 539, line 16, strike all that follows through page 541, line 9.

#### SPECTER AMENDMENT NO. 2986

Mr. SPECTER proposed an amendment to the bill S. 1357, supra, as follows:

At the appropriate place in the bill, insert the following new section:

#### SEC. . SENSE OF THE SENATE.

(a) FINDINGS.—The Senate finds that—  
(1) The current Internal Revenue Code, with its myriad deductions, credits and schedules, and over 12,000 pages of rules and regulations, is long overdue for a complete overhaul;

(2) It is an unacceptable waste of our nation's precious resources when Americans spend an estimated 5.4 billion hours every year compiling information and filling out Internal Revenue Code tax forms, and in addition, spend hundreds of billions of dollars every year in tax code compliance. America's resources could be dedicated to far more productive pursuits.

(3) The primary goal of any tax reform must be to unleash growth and remove the inefficiencies of the current tax code, with a flat tax that will expand the economy by an estimated \$2 trillion over seven years;

(4) Another important goal of tax reform is to achieve fairness, with a single low flat tax rate for all individuals and businesses and an increase in personal and dependent exemptions, is preferable to the current tax code;

(5) Simplicity is another critically important goal of tax reform, and it is in the public interest to have a ten-lined tax form that fits on a postcard and takes 10 minutes to fill out;

(6) The home mortgage interest deduction is an important element in the financial planning of millions of American families and must be retained in a limited form; and

(7) Charitable organizations play a vital role in our nation's social fabric and any tax reform package must include a limited deduction for charitable contributions.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that Congress should proceed expeditiously to adopt flat tax legislation which would replace the current tax code with a fairer, simpler, pro-growth and deficit neutral flat tax with a low, single rate and limited deductions for home mortgage interest and charitable contributions.

#### GRASSLEY AMENDMENT NO. 2987

(Ordered to lie on the table.)

Mr. GRASSLEY submitted an amendment intended to be proposed by him to the bill S. 1357, supra, as follows:

Before “; and” at the end of sec. 2111 (a)(1)(D), insert the following: “; however, the payment of burial and/or funeral expenses of the individual shall be subject to 42 U.S.C. §§ 1382b(a)(2)(B) and 1382b(d)”.

#### BAUCUS (AND OTHERS) AMENDMENT NO. 2988

Mr. BAUCUS (for himself, Mr. ROTH, Mr. LIEBERMAN, Mr. WELLSTONE, Mr. BIDEN, and Mr. LAUTENBERG) proposed an amendment to the bill S. 1357, supra, as follows:

On page 272, strike line 21 and all that follows through page 293, line 22.

On page 161, strike line 3 and all that follows through page 178, line 7.

#### ABRAHAM (AND OTHERS) AMENDMENT NO. 2989

(Ordered to lie on the table.)

Mr. ABRAHAM (for himself, Mr. LIEBERMAN, Mr. DEWINE, and Mr. BREAU) submitted an amendment intended to be proposed by them to the bill S. 1357, supra, as follows:

At the end of title XII, add the following new subtitle:

#### Subtitle K—Enhanced Enterprise Zones

##### SEC. 12971. SHORT TITLE.

This subtitle may be cited as the “Enhanced Enterprise Zones Act of 1995”.

##### SEC. 12972. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress makes the following findings:

(1) Many of the Nation's urban centers are places with high levels of poverty, high rates of welfare dependency, high crime rates, poor schools, and joblessness.

(2) Federal tax incentives and regulatory reforms can encourage economic growth, job creation and small business formation in many urban centers.

(3) Encouraging private sector investment in America's economically distressed urban and rural areas is essential to breaking the cycle of poverty and the related ills of crime, drug abuse, illiteracy, welfare dependency, and unemployment.

(4) The provisions creating empowerment zones that were enacted in 1993 should be enhanced by providing incentives to increase entrepreneurial growth, capital formation, job creation, educational opportunities, and homeownership in designated enterprise communities and empowerment zones.

(b) PURPOSE.—The purpose of this subtitle is to increase job creation, small business expansion and formation, educational opportunities, and homeownership in economically depressed areas by providing Federal tax incentives, regulatory reforms, school reform pilot projects, and homeownership incentives.

#### CHAPTER 1—FEDERAL TAX INCENTIVES SEC. 12973. AMENDMENTS TO SUBCHAPTER U.

(a) IN GENERAL.—Subchapter U of chapter 1 (relating to designation and treatment of

empowerment zones, enterprise communities, and rural development investment areas) is amended—

(1) by redesignating part IV as part V,

(2) by redesignating section 1397D as section 1397F, and

(3) by inserting after part III the following new part:

#### “PART IV—ADDITIONAL INCENTIVES FOR EMPOWERMENT ZONES AND ENTER- PRISE COMMUNITIES

“Sec. 1397D. Empowerment zone and enterprise community capital gain.

“Sec. 1397E. Empowerment zone and enterprise community stock.

#### “SEC. 1397D. EMPOWERMENT ZONE AND ENTER- PRISE COMMUNITY CAPITAL GAIN.

“(a) GENERAL RULE.—Gross income does not include any qualified capital gain recognized on the sale or exchange of a qualified zone asset held for more than 5 years.

“(b) QUALIFIED ZONE ASSET.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified zone asset’ means—

“(A) any qualified zone stock,

“(B) any qualified zone business property, and

“(C) any qualified zone partnership interest.

“(2) QUALIFIED ZONE STOCK.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), the term ‘qualified zone stock’ means any stock in a domestic corporation if—

“(i) such stock is acquired by the taxpayer on original issue from the corporation solely in exchange for cash,

“(ii) as of the time such stock was issued, such corporation was an enterprise zone business (or, in the case of a new corporation, such corporation was being organized for purposes of being an enterprise zone business), and

“(iii) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as an enterprise zone business.

“(B) EXCLUSION OF STOCK FOR WHICH DEDUCTION UNDER SECTION 1397E ALLOWED.—The term ‘qualified zone stock’ shall not include any stock the basis of which is reduced under section 1397E.

“(C) REDEMPTIONS.—The term ‘qualified zone stock’ shall not include any stock acquired from a corporation which made a substantial stock redemption or distribution (without a bona fide business purpose therefor) in an attempt to avoid the purposes of this section.

“(3) QUALIFIED ZONE BUSINESS PROPERTY.—

“(A) IN GENERAL.—The term ‘qualified zone business property’ means tangible property if—

“(i) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after the date on which the designation of the empowerment zone or enterprise community took effect,

“(ii) the original use of such property in the empowerment zone or enterprise community commences with the taxpayer, and

“(iii) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in an enterprise zone business of the taxpayer.

“(B) SPECIAL RULE FOR SUBSTANTIAL IMPROVEMENTS.—

“(i) IN GENERAL.—The requirements of clauses (i) and (ii) of subparagraph (A) shall be treated as satisfied with respect to—

“(I) property which is substantially improved by the taxpayer, and

“(II) any land on which such property is located.