# EXTENSIONS OF REMARKS

## RURAL ROADS FUNDING

### HON. NANCY L. JOHNSON

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, March 26, 1996*

Mrs. JOHNSON of Connecticut. Mr. Speaker, anticipating next year's reauthorization of the 1991 Intermodal Surface Transportation Efficiency Act [ISTEA], I am introducing legislation today that will provide rural area roads eligibility for a small percentage of funding under the Surface Transportation Program [STP].

The intent of ISTEA's STP program was to provide greater flexibility to State and local authorities for transportation needs by providing States with block grant-type authority. However, ISTEA regulations prohibit roads classified as local or rural minor collectors from receiving Federal-aid highway funding. Since most roads in rural areas fall under this classification, they are not eligible for funding and remain in severe disrepair.

Under ISTEA's current STP distribution formula, States are required to set aside 10 percent of their STP funds for safety programs and 10 percent for transportation enhancement programs. The remaining 80 percent of STP funding goes into a general purposes fund, with a remaining distribution account receiving 50 percent, and a statewide distribution account receiving 30 percent.

Under the remaining distribution account, funding is provided to areas over 200,000 population, while only a minimal level of funding is provided to rural areas under 5,000 population based on a fiscal year 1991 funding level. Unfortunately, congressional attempts to provide State flexibility do not ensure adequate and equitable distribution of Federal assistance to rural area roads.

Moreover, roads functionally classified as local or rural minor collectors are not currently eligible for the rural areas under 5,000 population funding and, since most rural roads fall under these two classifications, they are ineligible for Federal assistance.

My legislation would allow roads functionally classified as local or rural minor collectors eligibility for STP funds under the existing special account for areas under 5,000 population only. My legislation would not amend the road classification system. Rather, it would only modify 23 USC 133(c) to allow roads functionally classified as local and rural minor collectors STP funding eligibility under the areas under 5,000 population account 23 USC 133(d)(3)(B). Moreover, I propose that of the 50 percent to be obligated under the remaining distribution account, at least 20 percent, or the existing minimum requirement, whichever is greater, should go to the rural areas under 5,000 population account. Finally, my legislation would amend the statewide planning process by requiring States to also consider the transportation needs of rural areas, including local and rural minor collectors.

I urge my colleagues to support this necessary legislation. It will provide the flexibility ISTEA was intended to produce and will greatly improve our roadway system by allowing local and rural communities the opportunity to decide which roads should be repaired.

## MEDICAL SAVINGS ACCOUNTS: FANCY WORDS FOR NEW TAX SHELTER

### HON. FORTNEY PETE STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, March 26, 1996*

Mr. STARK. Mr. Speaker, medical savings accounts [MSA] will be voted on this week as part of the health insurance reform bill developed by the Republican leadership.

The MSA provisions should be deleted.

Everyone who thinks about them will quickly understand that they are destructive to the health insurance system, because they skim out the healthiest people in our society. Sicker and older people will be left behind in the traditional insurance pool, where rates will have to be raised to cover the costs of the more expensive people in that pool. These higher rates will, in turn, make insurance unaffordable to more people, thus increasing the number of uninsured in our society. MSA's may be good for individuals who are healthy at the present time, but they are bad for society that is trying to encourage health insurance for as many people as possible.

MSA's are an every-man-for-himself, to-hell-with-society philosophy.

What is not so clear is that they are a massive tax shelter.

I would like to include in the RECORD the portions of a paper by Iris J. Lav of the Center on Budget and Policy Priorities, which details how gross this new tax break is. Republicans talk about tax reform and tax simplification, but anyone who votes for MSA's is voting for tax complication and tax unfairness:

MSA PROVISIONS IN HEALTH CARE REFORM BILL CREATES TAX SHELTER AND CASTS DOUBT ON EXPANSION OF INSURANCE COVERAGE

(By Iris J. Lav)

The Medical Savings Account (MSA) provision in the House health care reform bill creates an extensive new tax shelter opportunity, the cost of which would grow over time. For people in good health, the MSA provision would be the equivalent of enacting a new Individual Retirement Account program—far more generous than the IRAs available prior to the Tax Reform Act of 1986.

Healthy, higher-income people who hope to retain for other purposes the tax-advantaged funds not needed for medical care would be attracted to use the MSAs with high-deductible insurance plans. People with less good health would find high deductible insurance plans less attractive and would be become segregated into conventional insurance plan, thereby raising the cost of such plans. As a result, it could become more difficult and less affordable for employers to offer adequate health insurance to employees most in need of it—potentially undermining the basic purpose of the health care reform legislation.

The potential problems caused by MSAs can be mitigated (but not eliminated) by limiting the ability of healthier people to use MSAs as a tax shelter for general purpose saving and investment. The tax shelter potential could be lessened by:

Significantly increasing the penalty for use of MSA funds for purposes other than paying medical bills.

Taxing interest earned on MSA accounts annually.

Recapturing foregone FICA (Social Security and Medicare) payroll taxes for amounts withdrawn from MSAs for purposes other than paying medical bills.

Raising the age at which funds may be withdrawn from MSAs for any purpose without incurring a penalty to age 65, so funds must remain available to expend on medical care until the individual qualifies for Medicare.

MSA PROVISIONS

Under the MSA proposal in the health care reform bill, qualified taxpayers (either directly or through their employers) are allowed to contribute yearly amounts to an MSA, up to a specified ceiling. To be qualified, taxpayers must have insurance coverage through a high-deductible health plan. Taxpayer (or their employers) may contribute the amount of the plan deductible of the MSA, up to $2,000 for an individual and $4,000 for a family.

Amounts individuals contribute to MSAs may be deducted on their income tax when determining adjusted gross income, which means they may be deducted whether or not the individual itemizes other deductions. If MSA contributions are made by employers on behalf of individuals (presumably even if salaries are reduced to allow the contributions to be made), the amounts contributed are not counted as wages or salary for purposes of computing income, FICA (Social Security and Medicare), or unemployment taxes. The interest earned on amounts accumulated in MSA accounts also is exempt from taxation.

Taxpayers may use the funds in their MSAs to pay any medical expenses that could qualify as itemized deductions on the taxpayers' income tax. Funds withdrawn from MSAs that are used to pay permitted types of medical bills are never taxed.

If funds are withdrawn from the MSA for non-permissible purposes, they are subject to income taxes as ordinary income in the year they are withdrawn. If the taxpayer is below age 59½, amounts withdrawn for non-permissible purposes also are subject to a 10 percent penalty. After the taxpayer attains age 59½, funds may be withdrawn from MSAs for any purpose without incurring a penalty.

MSA'S CREATE A TAX SHELTER

For higher-income taxpayers who anticipate remaining healthy, MSAs represent a new, tax-advantaged way to accumulate savings. Because contributions made by or through an employer are permanently exempt from Social Security and Medicare payroll taxes and are exempt from income taxes until withdrawn, and because the interest earned on amounts remaining in the MSA is allowed to compound without yearly taxation, the 10 percent penalty on withdrawals for non-permissible purposes is not

sufficient to prevent MSAs from becoming a tax shelter. Even after the penalty is paid, the after-tax return to savings in an MSA would under many circumstances exceed the return to conventional savings.

Figure 1 [not printed in RECORD] shows the difference to a taxpayer in the 36 percent federal income tax bracket between saving $3,000 of gross earnings under current law and saving the same amount in an MSA. In each case, the deposit is held at a three percent rate of interest. Under current law, the taxpayer would have $1,742 in after-tax funds to deposit in a conventional savings account. (The $3,000 gross earnings would be reduced by a 36 percent income tax, an effective state income tax of 4.5 percent after accounting for deductibility against federal taxes and a 1.45 percent Medicare tax. Taking away 41.95% of $3,000 leaves $1,742.) If those funds remain on deposit for 10 years with interest taxed yearly, they would grow to $2,079. Under the MSA provision, however, the taxpayer would deposit the entire $3,000 and interest would compound free of tax. After 10 years, the account would hold $4,032. The taxpayer could withdraw the funds for purposes other than medical care, pay income tax and the 10 percent penalty on the withdrawn amounts, and have $2,236 remaining.

In other words, after 10 years the value to the taxpayer of the funds saved in the MSA would exceed the value of conventionally-saved funds by 7.6%, even though a penalty was assessed for non-permissible use of the funds. If during those 10 years the taxpayer attained age 59½, no penalty would be assessed and the value to the taxpayer of the MSA savings would exceed the value of the conventional savings by more than 15 percent. As shown in Figure 1, the differential value of the MSA savings grows with the length of the holding period. After 20 years, an MSA withdrawal with penalty exceeds the value of conventional savings by 21 percent, while an MSA withdrawal after age 59½ exceeds the value of conventional savings by 30 percent. (It may be noted that the cost of the Treasury in foregone tax revenues also would increase over time, as growing amounts of savings are likely to be sheltered from taxation.)

## REGULATORY BURDEN FACING SMALL BUSINESS

### HON. DONALD A. MANZULLO

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, March 26, 1996*

Mr. MANZULLO. Mr. Speaker, I am a proud supporter of the Small Business Growth and Administrative Act, now retitled the Small Business Regulatory Simplification and Enforcement Act. This bill, as contained in the Contract With America Advancement Act, will:

First, require agencies to publish easily understood guides to assist small businesses in complying with regulations;

Second, require agencies to provide informal, nonbinding advice, about regulatory compliance to small business;

Third, create a Small Business Administration [SBA] small business and agriculture enforcement ombudsman to allow citizens to confidentially comment on SBA personnel;

Fourth, create independent boards to provide a greater opportunity to track small business regulatory enforcement and policy; and

Fifth, require agencies to develop programs to waive and reduce civil penalties for violations by small businesses.

I might note, Mr. Speaker, that these provisions unanimously passed the Senate by a 100-to-0 vote on March 19.

I am attaching an article that appeared in the Chicago Tribune last week about Perry Moy, who lives in the district I am privileged to represent and owns a Chinese family restaurant. This article explains the effect of regulations on small business. Regulators in the executive branch should heed his insights, and I urge a similar resounding vote of confidence in small business by my colleagues in the House.

[From the Chicago Tribune, Mar. 18, 1996]

RESTAURATEUR AWAITS RELIEF FROM ''WASTEFUL'' REGULATIONS

(By Wilma Randle)

McHenry County Restaurant owner Perry Moy spends his days doing a lot more than running his eatery. He also has to handle a lot of paperwork, much of it dealing with various governmental regulations.

Moy is the owner of the Plum Grove Restaurant, family-owned eatery in McHenry. And, he says the paperwork he has to deal with is something he really could do without.

Moy also served as a delegate at last year's White House Conference on Small Business where the issue of government regulations was a major concern for small business owners.

Thus, Moy is among the nation's small business operators who are watching with interest a bill currently being debated in Congress that would relieve small business owners of much of what they say is the burden of governmental regulations.

The ''Small Business Growth and Administrative Accountability Act'' would require federal agencies to periodically review regulations to determine whether they need changing, according to a recent notice distributed by the National Federation of Independent Business, a Washington-based association representing more than 500,000 small business owners around the country.

The NFIB contends government regulations force employers to waste billions of hours each year filing paperwork as well as billions in costs related to complying with different regulations. ''That time and money could be better used and spent expanding businesses and creating jobs,'' said Jack Faris, NFIB president.

Paperwork isn't costing Moy billions of work hours, but he says when you run a small business, any time that isn't devoted to running the business is time you really can't afford to waste.

''The amount of paperwork I have to deal with—just in my business—is immense,'' he said. ''I have to deal with everything from employee taxes to the health and liquor regulatory agencies. And it's not just federal agencies. There are all these state and local regulations too.''

So, he said, ''Whatever changes can be made to relieve the paperwork and regulatory burden on small business I would welcome. It's truly one of the drawbacks about running a small business.''

## TRIBUTE TO DADE COUNTY'S OUTSTANDING WOMEN

### HON. CARRIE P. MEEK

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, March 26, 1996*

Mrs. MEEK of Florida. Mr. Speaker, it is my great pleasure to pay tribute for Women's History Month by joining with the board of commissioners, department of parks and recreation and the citizens of Dade County in celebrating the achievements of 15 outstanding women.

Elizabeth Metcalf—a woman of lasting impact, who has touched many lives in her service as a psychologist, teacher, State representative and dedicated volunteer for many organizations such as the League of Women Voters, The Girl Scout Council of Tropical Florida, and the Dade Heritage Trust.

Olimpia Rosado—came to the United States as an exile from Cuba in 1961, and since that time she has dedicated her life to preserving Cuban heritage, writing a regular column for Diario Las Americas, supporting the Miami Dade Public Library Hispanic Branch, and her extensive volunteer service.

Francena Thomas—children have always been her first priority. Francena has served as a public schoolteacher, university administrator, and currently as a community liaison for Metro Dade Police. Francena has hosted radio and television programs, writes a column for the Miami Times, and has spent extensive time volunteering for agencies such as Metro-Miami Action Plan, Alternatives to Violence, and the Youth Crimewatch Advisory Council.

Frances Bohnsack—serving presently as executive director of the Miami River Marine Group, Fran has made a positive imprint in the south Florida community through her activities in many women's organizations such as NOW and the Feminist Alternative. She has also dedicated her life as a teacher, political activist, and advocate.

State Representative Larcenia J. Bullard—is a former educator and school administrator who has taken on a task to serve in the Florida Legislature, along with her extensive community involvement which includes the NAACP, South Dade Civitan Club, National Council of Negro Women, Women's Political Caucus, and the Miami-Dade Criminal Justice Council. Representative Bullard is widely respected for her leadership in the South Dade Community she represents.

Linda Dakis—Judge Linda Dakis has focused her professional and volunteer efforts toward the effects of domestic violence in our community. She has been a leader in dealing with this difficult issue, and is respected nationally for her extensive work through publications and media program that explore this pervasive evil called domestic violence.

Margarita Rohaidy Delgado—has served as a social worker, Florida Senate Legislative Aide and presently owns her own company, MRD Consulting. She has served the south Florida community through her involvement with many organizations, among them the City of Miami Off-street Parking Board, Dade County United Way Board of Trustees, and Metro-Dade County Health Policy Authority.

Tananarive Due—is well known through her career as a columnist for the Miami Herald, as a novelist, international scholar, Big Sister, and giving back to the community through the Miami NAACP ACT–SO Committee and Big Brothers-Big Sisters. She is the daughter of two infamous south Florida civil rights leaders.

Vickie Jackson—responding to the tragic domestic violence loss of her sister, Bridget Smith, Ms. Jackson founded the Domestic Violence Education and Prevention Project, Inc. She also volunteers her time to the Inner-City Children's Touring Dance Co. and many other arts programs for children.