INTRODUCTION OF THE SAVER ACT

HON. HARRIS W. FAWELL

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 17, 1997

Mr. FAWELL. Mr. Speaker, I am very pleased to join with my colleague DONALD PAYNE, the ranking Democrat on the Employer-Employee Relations Subcommittee, as well as 25 other Democrats and Republicans from across the political spectrum, in introducing bipartisan legislation addressing a critical national problem: the lack of individual retirement savings.

America faces a ticking demographic time bomb that requires increased retirement savings. Today we introduce the Savings Are Vital to Everyone's Retirement Act of 1997, the SAVER Act, as a first step in defusing the retirement time bomb. The SAVER Act initiates projects to educate American workers about retirement savings and convenes a National Summit on Retirement Savings.

Through this bill, we hope to facilitate a public-private partnership to educate the public on this serious and underreported national problem. Workers need to know the importance of saving for the future, and of saving as soon as possible. As a survey released this year by the Employee Benefit Research Institute [EBRI] reveals, there is much work to do. Less than a third of Americans have even tried to calculate how much they need to have saved by retirement. Furthermore, less than 20 percent are very confident they will have enough money to live comfortably throughout their retirement. Far too few Americans—particularly the young—have either the knowledge or the resources necessary to take advantage of the extensive benefits offered by our retirement savings system.

We know the old adage that you feed someone for life by teaching them to fish. We need to apply this principle to retirement savings. The same EBRI survey found that while only a quarter of workers expressed confidence in their ability to map out a retirement savings strategy, an encouraging 50 percent said they would stick to a plan if they had one. We must find ways to get the information and skills out to workers to harness this latent energy.

The SAVER Act directs the Department of Labor [DOL] to maintain an ongoing program of education and outreach to the public through public service announcements, public meetings, creation of educational materials, and establishment of a site on the Internet. The information to be disseminated will include a means for individuals to calculate their estimated retirement savings needs, a thorough description of the types of retirement savings arrangements currently available to both individuals and employers, and an explanation for employers, in simple terms, of how to establish different retirement savings arrangements for their workers.

The SAVER Act also convenes a National Summit on Retirement Savings at the White House, cohosted by the executive and legislative branches, to be held by April 15, 1998, and again every 4 years thereafter. The National Summit would advance the public's knowledge and understanding of retirement savings and facilitate the development of a broad-based, public education program; identify the barriers which hinder workers from setting aside adequate savings for retirement and impede employers, especially small employers, from assisting workers in accumulating retirement savings; and develop specific recommendations for legislative, executive, and private sector actions to promote retirement savings among American workers.

The national summit would bring together experts in the fields of employee benefits and retirement savings, key leaders of government, and interested parties from the private sector and general public. The delegates would be selected equally by the majority and minority leaders of the two Houses of Congress and would represent the diversity of thought in the field without regard to their political affiliation. The national summit would be largely funded through the existing educational appropriations for the DOL and by contributions from the private sector.

The lack of adequate retirement savings will only become a more pressing problem as the baby boomers begin to retire. It does not take a mathematician to recognize that in the future retiring Americans will have to rely less on Social Security and more on pensions and other personal savings. But make no mistake, we have known of this problem for a long time. Sixteen years ago President Carter's Commission on Pension Policy reported that a serious crisis existed in our retirement income programs, and that baby boomers will place severe strains on an already overburdened system. It's 16 years later and the problems have only gotten bigger as they have come closer. The American people can afford to wait no longer.

I hope that the SAVER Act can be a first step in a truly bipartisan effort to reverse the long course of neglect of this vital issue, and help American workers better prepare for a comfortable and secure retirement.

HONORING THE CONTRIBUTIONS AND SACRIFICES BY THE MEN AND WOMEN OF THE U.S. SPECIAL OPERATIONS COMMAND

HON. IKE SKELTON

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 17, 1997

Mr. SKELTON. Mr. Speaker, today I ask all Members of the House to join me in honoring the limitless contributions, valorous acts, and tremendous sacrifices demonstrated daily by the men and women of the U.S. Special Operations Command [USSOCOM]. As we observe the 10th anniversary of the creation of USSOCOM, we should make note of the unique military capability provided to our National Command Authority.

The immeasurable achievement of USSOCOM since its birth—a scant 10 years ago—is testament to the vision, forethought, and dedication of those who have come before us in service of our Nation. We should also recognize the work of our former colleagues Sam Nunn, Bill Cohen, and the late Dan Daniel, effort essential for the existence of this command. Their efforts led to passage of the Nunn-Cohen amendment to what is known as the Goldwater-Nichols Defense Reorganization Act.

The special operators of USSOCOM—''the quiet professionals''—are truly dedicated men and women. They provide a unique, unmatched, and necessary capability to our Nation in the areas of contingency response, counterterrorism, and unconventional warfare. Whether conflict erupts in Panama, Southwest Asia, Somalia, Liberia, Haiti, Bosnia, or some other unnamed site around the globe, we should gain comfort knowing they stand ready to serve our national security objectives. I hope my colleagues can join in recognizing their tradition. God bless them all.

LEGISLATION TO CLOSE A CORPORATE TAX LOOPHOLE

HON. BILL ARCHER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 17, 1997

Mr. ARCHER. Mr. Speaker, several recent news reports describe corporate acquisition transactions in which one corporation distributes the stock of one—or more—of its subsidiaries to its shareholders in a so-called spinoff and, pursuant to a prearranged plan, either the distributed subsidiary or the old parent corporation is acquired by another, unrelated corporation. Often, the corporation that is to be acquired borrows or assumes a large amount of debt incurred prior to the spinoff, while the proceeds of such indebtedness are retained by the other corporation.

For Federal income tax purposes, taxpayers take the position, and the IRS apparently rules, that the initial distribution is tax-free pursuant to section 355 of the Internal Revenue Code and the subsequent acquisition is tax-free pursuant to one of the various reorganization provisions described in section 368. Such positions are consistent with the holding in the case of *Commissioner* v. *Mary Archer W. Morris Trust,* 367 F.2d 794 (4th Cir. 1966) and published IRS rulings.

Congress did not intend that section 355 apply to insulate these transactions from tax. Section 355 was intended to permit tax-free restructurings of several businesses among existing shareholders, with limitations to prevent the bail-out of corporate earnings and profits to the shareholders as capital gains. The recent transactions that raise concerns have very little to do with individual shareholder tax planning. Rather, they are prearranged structures designed to avoid corporate-level gain recognition. In essence, these transactions resemble sales. If such transactions were treated as sales for tax purposes, the remaining corporation would recognize gain with respect to the stock of the acquired corporation.

Today's introduced legislation is intended to treat transactions occurring after April 16, 1997, the general effective date of the bill, as sales at the corporate level.

A technical explanation of the legislation is provided below. This legislation affects complex transactions and additional or alternative legislative changes also may be appropriate. For example, it may be appropriate to amend or repeal present-law section 355(d) and to treat certain asset acquisitions as stock acquisitions. Written comments on the issues raised by this bill are welcome.

DESCRIPTION OF PROPOSAL—ACQUISITIONS OF DISTRIBUTING OR CONTROLLED CORPORATIONS PURSUANT TO PLAN

The proposal would adopt additional restrictions under section 355. Under the proposal, if