

Last year, Congress decided to eliminate the farm program which will leave farmers without a mechanism to recoup losses when the growing season is poor. One of the self-help mechanisms available to assist farmers in maintaining and increasing their incomes in farming is through the development and success of farmer cooperatives.

The success of agriculture ebbs and flows according to many circumstances outside the control of farmers. For instance, weather, disease, global market prices, and the economy all influence a producer's decisions. However, even with these influences on agriculture, the quality of the producer's goods increase and prices for consumers generally stay the same. Cooperatives benefit the farming community by allowing members to amass capital and maximize economic returns by enhancing the value of what farmers produce.

Farmers need bargaining tools in order to regain some influence over the prices they receive. With market concentration increasing, agricultural producers are finding fewer and fewer buyers for their products. Many farmers can only sell their product to a single processing company, and are forced to accept the price the company offers them. With empowered bargaining or vertical integration, farmers would have a greater opportunity to prosper and to share in the end-use profits their goods sometimes bring to others.

H.R. 2513 will provide for the nonrecognition of gain on the sale of stock in agricultural processors to eligible farmers' cooperatives. This provision will have the effect of encouraging agricultural processing facilities to work cooperatively with farmer cooperatives to maximize the work and profits of producers. The price paid to farmers for farm commodities represents less than 25 percent of the cost of the final product purchased by the consumer. It is imperative for the American farmer to increase his ownership stake in processing and refining in order to survive in an increasingly competitive market. Allowing farmers to become vertically integrated in their products will enable them to better adjust to fluctuations in commodity prices.

Mr. CRANE. Mr. Speaker, today, I want to express my support for H.R. 2513, legislation containing two important tax provisions, versions of which were contained in the landmark Taxpayer Relief Act of 1997. The provisions in question were line item vetoed by President Clinton on August 11, and today, we are endeavoring to pass slightly modified versions of the original proposals.

One provision of the bill relates to the sale of stock of a corporation that owns a processing facility of any cooperative which is engaged in marketing agriculture or horticultural products. This matter is of great concern and interest to the farm community in this country and it is hoped this version of the proposal can now be enacted.

The other item in this legislation, and the provision to which I would like to devote the bulk of my remarks, relates to foreign affiliates of U.S. financial services companies. Under the language contained in H.R. 2513, these affiliates including banks, securities firms, and insurance and finance companies would not be taxed by the United States on their active trade or business income until that income is repatriated to the U.S. parent company or shareholders. In other words, this bill would equalize the treatment of income earned by

U.S.-based financial services companies operating abroad with the active income earned by most other U.S.-based companies operating in international markets. As chairman of the Ways and Means Subcommittee on Trade, even more important to me is the fact that the bill will level the playing field for the U.S. financial services industry vis a vis their foreign competitors.

As one of the Members who worked to include this provision in the Taxpayer Relief Act, I was disappointed with the President's line item veto. Therefore, I very much would like to make progress in this effort to remove a competitive obstacle imposed by our international tax rules on the overseas operations of U.S. financial services firms. Language in H.R. 2513 is intended to replace the vetoed provision of the Taxpayers Relief Act that was designed to reform the antiferral rules of subpart F of the Internal Revenue Code. In vetoing this measure, the President stated that the "primary purpose of the provision was proper," but the manner in which it was written would have left room for abuses.

Although I disagree with the decision of the President to veto this important provision, I am pleased he recognized that reform of the antiferral rules of subpart F represents sound and prudent tax policy. Subsequent to the veto, the financial services firms affected by this bill have worked intensely and closely with the Treasury and the Committee on Ways and Means to address the concerns raised, and I applaud the cooperative effort to come up with an interim solution.

However, I must express my disappointment and concern that the bill, at the Treasury's insistence, unjustly singles our securities dealers. As currently drafted H.R. 2513 will force securities dealers to forfeit tax credits on foreign withholding taxes to which they are entitled under current law in order to obtain the benefits granted to other sectors of the financial services industry. These foreign tax credits are crucial to the role U.S. securities firms and banks play as global equities dealers, without which such dealers will not be able to remain competitive overseas.

When we adopted section 901(k) of the code in 1997, we did so to forestall abusive trafficking in credits for foreign withholding taxes. We excluded some securities dealers from section 901(k) because those dealers, in the legitimate, ordinary course of their businesses, would almost by necessity run afoul of the simple rules for identifying transactions with trafficking potential. At the same time, we gave the Treasury authority to deal with any abuses by dealers. I have not heard of any evidence that Treasury has in fact identified any problems with section 901(k) to date. Therefore, I frankly must conclude that Treasury's insistence on this trade-off in the current bill reflects an ulterior motive to overturn the dealer exception in section 901(k), although we recently approved that exception by enacting it.

Foreign tax credits and tax deferral for certain active overseas income have coexisted and should continue to do so, because each serves a different purpose. Foreign tax credits provide essential protection against double taxation of overseas income for U.S. businesses. Deferral does not provide such protection, but rather treats active overseas income of financial services firms consistently with such income of U.S. industrial firms, and

helps to level the playing field with respect to their foreign competitors. It is my firm belief that foreign tax credits and deferral are independent provisions of our international tax regime, and their co-existence is consistent with sound international tax policy.

Since the bill before us today would be effective for only 1 year, I strongly urge the Treasury to continue to work together with the securities and banking industries to reach a fair and lasting agreement on a permanent solution that can be enacted next year.

Mr. Speaker, I urge my colleagues to vote for H.R. 2513. This legislation represents sound policy that will enhance the ability of the financial services industry to compete in the global marketplace.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume to simply ask Members for their support on this bipartisan effort on H.R. 2513.

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

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from California [Mr. THOMAS] that the House suspend the rules and pass the bill, H.R. 2513, as amended, and lay on the table H.R. 2444.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended, the bill, H.R. 2513, as amended, was passed.

H.R. 2444 was laid on the table.

The title of the bill, H.R. 2513, was amended so as to read: "A bill to amend the Internal Revenue Code of 1986 to restore and modify the provision of the Taxpayer Relief Act of 1997 relating to exempting active financing income from foreign personal holding company income and to provide for the nonrecognition of gain on the sale of stock in agricultural processors to certain farmers' cooperatives, and for other purposes."

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on H.R. 2513.

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

There was no objection.

WAIVING TIME LIMITATION ON AWARDING MEDAL OF HONOR TO ROBERT R. INGRAM

Mrs. FOWLER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2813) to waive time limitations specified by law in order to allow the Medal of Honor to be awarded to Robert R. Ingram of Jacksonville, FL, for acts of valor while a Navy Hospital Corpsman in the Republic of Vietnam during the Vietnam conflict.

The Clerk read as follows:

H.R. 2813

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