

guided the crippled plane to a safe landing and passengers and crew had *nary* a scratch.

It seems eons ago that Berlin was a city divided and West Berlin was surrounded by communist East Germany. Captain Macdonald flew Pan American 727's that connected Berlin to its free countrymen in a years-long effort that kept hope alive for the united Germany we have today.

Over the years, Capt. Macdonald was selected for leadership positions by both his fellow pilots and his company. He served in top executive positions for the Airline Pilots Association and rose to be Chief Pilot for Pan American in Los Angeles. He held that position when Pan Am sold its Pacific routes to United Airlines and Capt. Macdonald was chosen to pilot the first United non-stop to Tokyo.

Mr. Speaker, on April 26, Capt. Macdonald will fly from our nation's capitol to San Francisco on his last trip as a commercial airline pilot. I ask my colleagues to join me in wishing George Macdonald and his co-pilot—his beautiful wife, Peggy—much love, health, and happiness in retirement.

#### INTERNAL REVENUE CODE'S COST RECOVERY RULES

### HON. E. CLAY SHAW, JR.

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, March 18, 1998*

Mr. SHAW. Mr. Speaker, as a Member of Congress, I am continually seeking sound policy changes that will make and keep our economy productive, create jobs and improve the overall quality of life for Americans. It is my belief that an important element of a productive economy is modern, efficient and environmentally responsible space for Americans to work, shop and recreate. In order to create and maintain such space, a building owner must regularly change, reconfigure or somehow improve office, retail and commercial space to meet the needs of new and existing tenants.

I believe that the Internal Revenue Code's cost recovery rules associated with leasehold improvements are an impediment for building owners needing to make such improvements. Therefore, I am pleased to introduce this legislation to change the cost recovery rules associated with leasehold improvements.

Simply stated, this legislation would allow building owners to depreciate specified building improvements using a 10-year depreciable life, rather than the 39 years required by current law, thereby matching more closely the expenses incurred to construct these improvements with the income the improvements generate under the lease.

To qualify under the legislation, the improvement must be constructed by a lessor or lessee in the tenant-occupied space. In an effort to ensure that the legislation is as cost efficient as possible, improvements constructed in common areas of a building, such as elevators, escalators and lobbies, would not qualify; nor would improvements made to new buildings.

Office, retail, or other commercial rental real estate is typically reconfigured, changed or somehow improved on a regular basis to meet the needs of new and existing tenants. Internal walls, ceilings, partitions, plumbing, lighting

and finish each are elements that might be the type of improvement made within a building to accommodate a tenant's requirements, and thereby ensure that the work or shopping space is as modern, efficient, and environmentally responsible as possible.

Unfortunately, today's depreciation rules do not differentiate between the economic useful life of a building improvement—which typically corresponds with a tenant's lease-term—and the life of the overall building structure. The result is that current tax law dictates a depreciable life for leasehold improvements of 39 years—the depreciable life for the entire building—even though most commercial leases typically run for a period of 7 to 10 years. As a result, after-tax cost of reconfiguring, or building out, office, retail, or other commercial space to accommodate new tenants or modernizing work places is artificially high. This hinders urban reinvestment and construction job opportunities as improvements are delayed or not undertaken at all.

Additionally, a widespread shift to more energy-efficient, environmentally sound building elements is discouraged by the current tax system because of their typically higher expense. For example, the Natural Resources Defense Council notes that commercial lighting alone consumes more than one-third of the electrical energy produced in the United States. If a greater conservation potential of energy-efficient lighting were to be realized, the demand for the equivalent of one hundred 1,000-megawatt power plants could be eliminated, with corresponding reductions in air pollution and global warming.

Reform of the cost recovery rules for leasehold improvements has been long overdue but we are making progress. Two years ago, Congress enacted legislation I sponsored, along with my colleague Mr. RANGEL, that would clarify that building owners are permitted to fully deduct and close out any unrecovered leasehold improvement expenses remaining at the time a lease expires and the improvements is demolished. Resolution of the "close-out" issue was an important reform step. Modifying the recovery period for improvements is the logical and reasonable next step in the reform process.

This legislation should be enacted this year. This would acknowledge the fact that improvements constructed for one tenant are rarely suitable for another, and that when a tenant leaves, the space is typically built-out over again for a new tenant. It is important to note that prior to 1981 our tax laws allowed these improvement costs to be deducted over the life of the lease. Subsequent legislation, however, abandoned this policy as part of a move to simplify and shorten building depreciation rules in general to 15 years. Given that buildings are now required to be depreciated over 39 years, it is time to face economic reality and reinstate a separate depreciation period for building improvements to tenant occupied space.

I urge all Members of the House to review and support this important job producing, urban revitalization legislation, and I look forward to working with the Ways and Means Committee to enact this bill.

#### TRIBUTE TO BROCKWAY TOWNSHIP'S SESQUICENTENNIAL CELEBRATION

### HON. DAVID E. BONIOR

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, March 18, 1998*

Mr. BONIOR. Mr. Speaker, the history of the United States is one of a colorful patchwork, stitched by people of diverse backgrounds and cultures. On March 22, the people of Brockway Township will celebrate their one-hundred and fifty years of history with a new township sign and an old-fashioned hoe-down.

In 1836, Lewis Brockway, John Grennell and James Haines were the first settlers of the area now known as Brockway Township. After 12 years, the Michigan legislature passed an act on March 17, 1848 to legally establish the township.

Brockway Township was blessed with fertile farming land and rich forests. Farming, lumber mills and woolen mills were the townships most successful occupations. In 1881, Brockway shifted to Brockway Center to take advantage of the railroads. It is said that people moved homes and business on skids to take advantage of the new technology.

Small midwestern towns are America's treasure. We are all drawn to the farmers markets, festivals, and parades that remind us of our heritage. Throughout the past one-hundred and fifty years, Brockway Township has witnessed the evolution from carriages to trains to automobiles; from wood planked, hand laid roads to the concrete freeways. But despite all the changes, it is the strong spirit of the citizens of Brockway Township that keeps the history alive and the hope for a successful future in the hearts of all who visit. On behalf of the people of the 10th District—Happy Birthday Brockway Township.

#### A TRIBUTE TO THE LEXINGTON DREAM FACTORY—"10 YEARS OF MAKING DREAMS COME TRUE"

### HON. HAROLD ROGERS

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, March 18, 1998*

Mr. ROGERS. Mr. Speaker, on Saturday, March 28th, a very special group of people will be gathering in Lexington to celebrate a very special anniversary.

March 28th marks the 10 year anniversary of the Lexington Dream Factory, a non-profit volunteer organization dedicated to making the wishes of critically-ill children in central and eastern Kentucky come true.

To commemorate the Dream Factory's anniversary, over 75 families of children who have been granted special wishes over the years will be gathering for a reunion celebration. This will be a time to come together, to rekindle friendships and start new ones, to find strength from others, and to celebrate the lives of the children.

Many of these families are from my congressional district, and I know how important the work of the Dream Factory has been to them. Families with children experiencing life threatening illnesses face what is perhaps the most tremendous and difficult challenge of