

them at a price that guarantees they can't make a profit here. They do it through controlled companies, so it is not real, just the way they price their transactions. Venetian blinds, 3 cents. How about a toothbrush for \$18? Or better yet, a tractor tire shipped to France for \$7.65?

All of this represents tax avoidance in sophisticated swindles designed to prevent the U.S. Government from taxing a profit as they would do with a domestic corporation.

The reason I mention all of this sophisticated tax avoidance that is that it is almost impossible to detect. When you have companies—a company wanting to do business in this country, in most cases it will be a large foreign-based corporation that creates a U.S. subsidiary.

They will do business with their own subsidiary. And to try to construct their transactions back to some reasonable market prices is like trying to connect two plates of spaghetti together. It is impossible. Yet, that is what the IRS is attempting to do. It doesn't do very well; can't do very well. Enforcement here is abysmal. In fact, depending on who you ask, the tax avoidance per year is \$40 billion, some say \$25 billion, and some say \$15 billion. There has been a study that says \$4 billion and the IRS says only \$1 billion. What is the truth? The truth is that it is far more than \$1 billion or \$4 billion that the IRS and Treasury are talking about. It is far closer to the numbers put together by Professors Pak and Zdanowicz.

Well, I will speak more about the amendment at some point during this week when I offer it. The amendment I will offer is very simple.

The amendment I will offer is to say the newly established IRS Oversight Board will review whether the IRS has the resources needed to prevent tax avoidance by companies using unlawful transfer pricing methods. In order to enable the board to carry out this duty, IRS shall conduct a study relating to its enforcement of transfer pricing abuses by multinational companies. Specifically, the IRS will review the effectiveness of current enforcement tools used by the IRS to ensure compliance under Section 482 of the Internal Revenue Code and determine the scope of nonpayment of U.S. taxes caused by both foreign and U.S.-based multinational firms operating in the United States.

Then the Board will report back to Congress its findings on the IRS enforcement of transfer pricing abuses and make recommendations for improving IRS enforcement tools.

I understand what the response to this is by corporations who are engaged in tax avoidance by transfer pricing. I understand what the response is by the Treasury Department and the Internal Revenue Service. Corporations will say: Well, none of this goes on, this doesn't happen. The Internal Revenue Service and the Treasury Department

will say: It happens, but we have done such a great job there is very little tax avoidance.

But, of course, neither is true. The fact is that we have a very serious problem in this area, one that needs to be corrected, and it will not be corrected with the current enforcement method used by the Internal Revenue Service and the Treasury Department. As we talk now about how to recast the Internal Revenue Service, develop new procedures, develop new protections for taxpayers, develop an IRS oversight board, I am asking that the Internal Revenue Service and the Treasury Department—especially at the direction of this new oversight board—take a fresh, new look at this issue and try to determine how we can do better.

In America, when someone decides to begin to do business and risk their capital in order to hold themselves out to do business and earn a profit, when and if they earn that profit, they must pay an income tax. The reason for that is, we tax profits and we tax income in order to pay for our common defense, in order to build roads, and do a whole series of things in this country that we need to do together. But we have some who do business in this country that pay no taxes. I especially point to the foreign-based multinational firms. The GAO report says they come to this country and approximately 74 percent of them doing business here pay no U.S. income taxes. Those who are listening to this will be surprised to learn that the brand names they are well familiar with every single day, often the brand names on foreign products sold in the U.S., mean that someone has done a lot of business here, made a lot of profit here, and ended up paying zero in income taxes. In my judgment this means they are unfairly competing in this marketplace.

U.S. businesses with whom they compete in this marketplace, if they are doing so only in the U.S., must pay a tax on their income, and so, too, should foreign-based corporations doing business in the United States through their subsidiaries.

Madam President, with that, I yield the floor and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Ms. COLLINS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. SESSIONS). Without objection, it is so ordered.

MORNING BUSINESS

Ms. COLLINS. Mr. President, I ask unanimous consent that there now be a period for the transaction of morning business with Senators permitted to speak for up to 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business Friday, May 1, 1998, the federal debt stood at \$5,501,155,718,728.09 (Five trillion, five hundred one billion, one hundred fifty-five million, seven hundred eighty thousand, seven hundred twenty-eight dollars and nine cents).

One year ago, May 1, 1997, the federal debt stood at \$5,338,453,000,000 (Five trillion, three hundred thirty-eight billion, four hundred fifty-three million).

Twenty-five years ago, May 1, 1973, the federal debt stood at \$456,190,000,000 (Four hundred fifty-six billion, one hundred ninety million) which reflects a debt increase of more than \$5 trillion—\$5,044,965,718,728.09 (Five trillion, forty-four billion, nine hundred sixty-five million, seven hundred eighty thousand, seven hundred twenty-eight dollars and nine cents) during the past 25 years.

MESSAGES FROM THE HOUSE RECEIVED DURING ADJOURNMENT

ENROLLED BILL SIGNED

Under the authority of the order of the Senate of January 7, 1997, the Secretary of the Senate, on May 1, 1998, during the adjournment of the Senate, received a message from the House of Representatives announcing that the Speaker has signed the following enrolled bill:

H.R. 3579. An act making supplemental appropriations for the fiscal year ending September 30, 1998, and for other purposes.

Under the authority of the order of the Senate of January 7, 1997, the enrolled bill was signed on May 1, 1998, during the adjournment of the Senate, by the President pro tempore (Mr. THURMOND).

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-4690. A communication from the Administrator of the Farm and Foreign Agricultural Services, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled "Dairy Indemnity Payment Program" (RIN0560-AF30) received on April 23, 1998; to the Committee on Agriculture, Nutrition, and Forestry.

EC-4691. A communication from the Administrator of the Farm and Foreign Agricultural Services, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled "Cooperative Marketing Associations" (RIN0560-AF33) received on April 23, 1998; to the Committee on Agriculture, Nutrition, and Forestry.

EC-4692. A communication from the Administrator of the Farm and Foreign Agricultural Services, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled "Subordination of Direct Loan Basic Security to Secure a Guaranteed Line of Credit" (RIN0560-AE92) received on April 28, 1998; to the Committee on Agriculture, Nutrition, and Forestry.