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Senate

The Senate met at 9:30 a.m. and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

Sovereign Lord, help us to see our work here in government as our divine calling, our mission. Whatever we are called to do today, we want to do our very best for Your glory. Our desire is not just to do different things, but to do the same old things differently: with freedom, joy and excellence. Give us new delight for matters of drudgery, new patience for people who are difficult, new zest for unfinished details. Be our lifeline in the pressures of deadlines, our rejuvenation in routines, and our endurance whenever we feel exhausted. May we spend more time talking to You about issues than we do talking to others about issues. So may our communion with You give us deep convictions and high courage to defend them. Spirit of the living God, fall afresh on us so we may serve with fresh dedication today. In the Lord's Name. Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The able acting majority leader is recognized.

SCHEDULE

Mr. ALLARD. Mr. President, this morning the Senate will resume consideration of H.R. 2676, the IRS reform bill. Under the previous order, Senator ROTH will be immediately recognized to offer his so-called ''pay for'' amendment. It is hoped that after the Roth amendment is offered Senator KERREY will offer his ''pay for'' amendment and a short-time agreement can be worked out with respect to both amendments.

As a reminder, an agreement was reached yesterday limiting the bill to relevant amendments. Therefore, it is hoped that the Senate will make good progress on the IRS bill today in an effort to finish this important legislation by tonight or Thursday.

Senators should expect rollcall votes throughout today's session on amendments to the IRS bill, or any other legislative or executive items cleared for action.

I thank my colleagues for their attention.

UNANIMOUS CONSENT AGREEMENT—H.R. 2676

Mr. ALLARD. Mr. President, I ask unanimous consent that after Senator ROTH offers his amendment regarding offsets, the amendment be temporarily set aside; further, that Senator KERREY then be recognized to offer his amendment regarding offsets and there then be a total of 1 hour equally divided for debate on both amendments.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. KERREY. Mr. President, I wonder if the chairman of the Finance Committee would mind. We don't have the amendment quite prepared. We may need to modify it slightly in order to deal with the difficulty we are having. I wonder if the UC can be modified so we could be allowed to modify our amendment.

Mr. President, I ask unanimous consent that the unanimous consent request be modified so that we be allowed to modify our amendments with a relevant modification.

The PRESIDENT pro tempore. Without objection, it is so ordered.

INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998

The PRESIDENT pro tempore. The clerk will report the pending business.

The assistant legislative clerk read as follows:

A bill (H.R. 2676) to amend the Internal Revenue Code of 1986 to restructure and reform the Internal Revenue Service, and for other purposes.

The Senate resumed consideration of the bill.

Mr. ROTH addressed the Chair.

The PRESIDENT pro tempore. The Senator from Delaware.

Mr. ROTH. Mr. President, I further ask that at the conclusion or yielding back of time the Senate proceed to vote on the Roth amendment followed by a vote on the Kerrey amendment.

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

Mr. ROTH. Mr. President, before we begin debate today, I would like to offer some comments about the consent agreement that governs the offering of amendments. Basically, amendments that are to be in order must be relevant to the purpose of the IRS reform legislation, which covers three major areas.

First, it reorganizes, restructures, and re-equips the IRS to make it more customer friendly in its tax-collecting mission.

Second, it protects taxpayers from abusive practices and procedures of the IRS.

Third, it deals with the management and conduct of IRS employees.

These are the main purposes of the bill. While there are provisions dealing with electronic filing and congressional oversight, that is basically what this bill does.

Title 6 of the bill is an entirely different matter. That title contains technical amendments that run the breadth of the tax code. In the House of Representatives, this title was reported by the Ways and Means Committee as a separate bill—which, in fact, it is.

Title 6 is unrelated to IRS reform. It contains only technical corrections to previously enacted tax legislation that meet the following criteria:

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

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First, they carry out the original intent of Congress in enacting the provision being amended.

Second, by definition, the technical correction does not score as a revenue gain or loss.

Third, the policy has been approved by the Treasury Department, the Joint Committee on Taxation, and the majority and minority of both the House Ways and Means Committee and the Senate Finance Committee.

As a consequence, amendments which are relevant because of provisions in title 6 must meet a more difficult standard under the consent agreement. They must not only be relevant, but must be cleared but the two managers and the two leaders. And in clearing provisions that relate to title 6, I will apply the same criteria that the provisions of title 6 had to meet to become part of that title.

I hope this explanation provides a clearer understanding of the application of the consent agreement to possible amendments.

AMENDMENT NO. 2339

(Purpose: To ensure compliance with Federal budget requirements)

Mr. ROTH. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Delaware (Mr. ROTH) proposes an amendment numbered 2339.

Mr. ROTH. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 401, strike line 3, and insert: ''beginning after December 31, 1998''.

On page 415, between lines 16 and 17, insert:

SEC. 5007. CLARIFICATION OF DEFINITION OF SPECIFIED LIABILITY LOSS.

(a) IN GENERAL.—Subparagraph (B) of section 172(f)(1) (defining specified liability loss) is amended to read as follows:

''(B) Any amount (not described in subparagraph (A)) allowable as a deduction under this chapter which is attributable to a liability—

''(i) under a Federal or State law requiring the reclamation of land, decommissioning of a nuclear power plant (or any unit thereof), dismantlement of an offshore drilling platform, remediation of environmental contamination, or payment of workmen's compensation, and

''(ii) with respect to which the act (or failure to act) giving rise to such liability occurs at least 3 years before the beginning of the taxable year.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to net operating losses arising in taxable years beginning after the date of the enactment of this Act.

SEC. 5008. MODIFICATION OF AGI LIMIT FOR CONVERSIONS TO ROTH IRAS.

(a) IN GENERAL.—Section 408A(c)(3)(C)(i) (relating to limits based on modified adjusted gross income) is amended to read as follows:

''(i) adjusted gross income shall be determined in the same manner as under section 219(g)(3), except that—

''(I) any amount included in gross income under subsection (d)(3) shall not be taken into account, and

''(II) any amount included in gross income by reason of a required distribution under a provision described in paragraph (5) shall not be taken into account for purposes of subparagraph (B)(i).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 5009. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.

Subsection (c) of section 10511 of the Revenue Act of 1987 is amended by striking ''October 1, 2003'' and inserting ''October 1, 2007''.

The PRESIDING OFFICER. Under the previous order, the amendment is now set aside.

Does the Senator from Nebraska wish to offer his amendment?

AMENDMENT NO. 2340

(Purpose: To ensure compliance with Federal budget requirements)

Mr. KERREY. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Nebraska (Mr. KERREY) proposes an amendment numbered 2340.

Mr. KERREY. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under ''Amendments submitted.'')

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

The Senator from Delaware has 30 minutes under his control.

AMENDMENT NO. 2339

Mr. ROTH. Mr. President, I yield myself 5 minutes.

Mr. President, under the Senate's budget rules, the first year, first five years, and second five years of revenue losses in a tax bill must be offset with either mandatory savings or revenue increases.

When the Finance Committee marked up the underlying bill, the first five years of revenue loss were offset. The second five years of revenue loss were not fully offset. The IRS Restructuring bill was short in excess of $9 billion in the last five years. During the markup, I indicated that I would work with the Budget Committee to attempt to find offsets so that the bill would be fully paid for over the last five years.

Finding offsets was not an easy task. Every major revenue raiser I considered brought forth opposition from different members. After several weeks of reviewing options, I have developed a package, in consultation with the leadership.

Mr. President, this pay-for package contains three new revenue raisers and a change to a revenue raiser in the underlying bill.

The first revenue raiser comes from the Administration's budget. This proposal would tighten the definition of operating losses that are eligible for a special ten year carry back. Congress intended this treatment to be limited to a narrow category of activities. This proposal simply clarifies the types of losses eligible for this special treatment. This proposal is noncontroversial.

The second new revenue raiser relates to the rollover rules for Roth IRAs. Under current law, individuals or married couples with adjusted gross income over $100,000 cannot rollover a traditional IRA into a Roth IRA. For purposes of the $100,000 test, minimum distributions which are required when an IRA beneficiary reaches 70½ are counted as income.

This second new raiser would modify current law by excluding minimum distributions from the $100,000 test. The effect of this proposal is to allow more taxpayers, at age 70½ and above, to rollover from a traditional IRA to a Roth IRA. This proposal will enlarge the group of taxpayers who can enjoy the benefits of the Roth IRA.

The third new raiser would extend the current law user fees charge by the IRS for private letter rulings. This extension would be effective for four years.

Let me note that the IRS restructuring bill uses the balance on the pay-go scorecard of $406 million in the last five years as an offset. We have been informed by the Budget Committee staff that the use of the pay-go balance is appropriate in this instance.

Finally, this amendment modifies an effective date of a revenue raiser in the Finance Committee bill. The proposal modified is the proposal to limit the carry back period of the foreign tax credit. Under this amendment, the effective date of the foreign tax credit raiser has been moved out one year to tax years beginning after 1998.

Now, Mr. President, some on the other side may criticize the most significant new revenue raiser in this package. The target of their criticism is the proposal to allow more older taxpayers to convert to Roth IRAs.

As I see it, those criticizing the rollover provision have the objective of limiting retirement savings choices for taxpayers who reach the end of their working years. For taxpayers who reach 70½, the opponents of the rollover provision are saying those taxpayers should fall under a more restrictive rule than those taxpayers under 70½.

If you are over 70½ and you are a middle income person who has a healthy IRA or pension plan, the opponents of the rollover provision are arguing you should not have the choice of a Roth IRA.

Alan Greenspan says America's most important economic problem is its low savings rate. It is a problem that we must address. The rollover provision in this amendment is a small step toward resolving our number 1 economic problem.

Mr. President, I ask unanimous consent that a technical description of this amendment, and a revised revenue table for the IRS restructuring bill, prepared by the Joint Committee on Taxation, be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DESCRIPTION OF ROTH FINANCING AMENDMENT TO THE INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998 AS REPORTED BY THE SENATE COMMITTEE ON FINANCE

A. FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS (SEC. 5002 OF THE BILL)

Under the bill, the provision is effective with respect to credits arising in taxable years ending after the date of enactment. Under the modification, the provision would be effective with respect to credits arising in taxable years beginning after December 31, 1998.

B. RESTRICT SPECIAL NET OPERATING LOSS CARRYBACK RULES FOR SPECIFIED LIABILITY LOSSES

Present law

Under present law, that portion of a net operating loss that qualifies as a ''specified liability loss'' may be carried back 10 years rather than being limited to the general two-year carryback period. A specified liability loss includes amounts allowable as a deduction with respect to product liability, and also certain liabilities that arise under Federal or State law or out of any tort of the taxpayer. In the case of a liability arising out of a Federal or State law, the act (or failure to act) giving rise to the liability must occur at least 3 years before the beginning of the taxable year. In the case of a liability arising out of a tort, the liability must arise out of a series of actions (or failures to act) over an extended period of time a substantial portion of which occurred at least 3 years before the beginning of the taxable year. A specified liability loss cannot exceed the amount of the net operating loss, and is only available to taxpayers that used an accrual method throughout the period that the acts (or failures to act) giving rise to the liability occurred.

Description of proposal

Under the proposal, specified liability losses would be defined and limited to include (in addition to product liability losses) only amounts allowable as a deduction that are attributable to a liability that arises under Federal or State law for reclamation of land, decommissioning of a nuclear power plant (or any unit thereof), dismantlement of an offshore oil drilling platform, remediation of environmental contamination, or payments arising under a workers' compensation statute, if the act (or failure to act) giving rise to such liability occurs at least 3 years before the beginning of the taxable year. No inference regarding the interpretation of the specified liability loss carryback rules under current law would be intended by this proposal.

Effective date

The proposal would be effective for net operating losses arising in taxable years beginning after the date of enactment.

C. MODIFICATION OF MINIMUM DISTRIBUTION REQUIREMENTS TO DETERMINE AGI FOR ROTH IRA CONVERSIONS

Present law

Under present law, uniform minimum distribution rules generally apply to all types of tax-favored retirement vehicles, including qualified retirement plans and annuities, individual retirement arrangements (''IRAs'') other than Roth IRAs, and tax-sheltered annuities (sec 403(b)).

Under present law, distributions are required to begin no later than the participant's required beginning date (sec. 401(a)(9)). The required beginning date means the April 1 of the calendar year following the later of (1) the calendar year in which the employee attains age 70½, or (2) the calendar year in which the employee retires. In the case of an employee who is a 5-percent owner (as defined in section 416), the required beginning date is April 1 of the calendar year following the calendar year in which the employee attains age 70½. The Internal Revenue Service has issued extensive Regulations for purposes of calculating minimum distributions. In general, minimum distributions are includible in gross income in the year of distribution. An excise tax equal to 50 percent of the required distribution applies to the extent a required distribution is not made.

Under present law, all or any part of amounts held in a deductible or nondeductible IRA may be converted into a Roth IRA. Only taxpayers with adjusted gross income (''AGI'') of $100,000 or less are eligible to convert an IRA into a Roth IRA. In the case of a married taxpayer, AGI is the combined AGI of the couple. Married taxpayers filing a separate return are not eligible to make a conversion.

Description of proposal

The proposal would modify the definition of AGI to exclude required minimum distributions from the taxpayer's AGI solely for purposes of determining eligibility to convert from an IRA to a Roth IRA. As under present law, the required minimum distribution would not be eligible for conversion and would be includible in gross income.

Effective date

The proposal would be effective for taxable years beginning after December 31, 2004.

D. EXTENSION OF IRS USER FEES

Present law

The IRS provides written responses to questions of individuals, corporations, and organizations relating to their tax status or the effects of particular transactions for tax purposes in the form of ruling letters, determination letters, opinion letters, and other similar rulings or determinations. The IRS is directed by statute to establish a user fee program with respect to such rulings and determinations. Pursuant to this statutory authorization, the IRS establishes a schedule of user fees. The statutory authorization for the IRS use fee program is in effect for requests made before October 1, 2003 (P.L. 104–117).

Description of proposal

The proposal would extend the IRS user fee program for requests made before October 1, 2007.

Effective date

The proposal would be effective on the date of enactment.

ESTIMATED REVENUE EFFECTS OF H.R. 2676, THE ''INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998,'' AS REPORTED BY THE SENATE COMMITTEE ON FINANCE AND MODIFIED BY THE ROTH FINANCING AMENDMENT

[Fiscal Years 1998–2007, in millions of dollars]

Provision	Effective	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998–2002	2003–2007
Title I. Executive Branch Governance							*No Revenue Effect*						
Title II. Electronic Filing							*No Revenue Effect*						
Title III. Taxpayer Bill of Rights 3:													
A. Burden of Proof	eca DOE	(1)	−221	−232	−243	−256	−269	−282	−295	−311	−326	−953	−1,483
B. Proceedings by Taxpayers:													
1. Expansion of authority to award costs and certain fees at prevailing rate and CFR rule 68 provision with net worth limitation (includes outlay effects).	180da DOE	.....	−14	−15	−16	−17	−20	−21	−22	−23	−25	−62	−111
2. Civil damages with respect to unauthorized collection actions (includes outlay effects).	DOE	−2	−15	−25	−50	−30	−25	−25	−25	−25	−25	−122	−125
3. Increase in size of cases permitted on small case calendar to $50,000.	pca DOE						*No Revenue Effect*						
4. Expand Tax Court jurisdiction to include responsible person penalties.	pca DOE	−11	−15	−13	−7	−7	−7	−7	−8	−8	−8	−53	−38
5. Actions for refund with respect to certain estates which have elected the installment method of payment.	rfa DOE						*Negligible Revenue Effect*						
6. Provide Tax Court jurisdiction to review adverse IRS determination of a bond issuer's tax-exempt status.	pfa DOE	(1)	−5	−2	−2	−2	−2	−2	−2	−2	−2	−11	−10
C. Relief for Innocent Spouses and Persons with Disabilities:													
1. Innocent spouse relief—innocent spouses would be able to elect to be liable only for tax attributable to their income (assumes no interaction with any other proposal; includes anti-abuse rule; not innocent if have actual knowledge of understatement of tax).	iaa & ulb DOE	−58	−350	−288	−273	−346	−480	−608	−773	−910	−1,071	−1,315	−3,842
2. Reports on collection activity against spouses	bi 1999						*No Revenue Effect*						
3. Suspension of statute of limitations on filing refund claims during periods of disability.	(2)	−10	−70	−35	−15	−16	−17	−18	−19	−20	−21	−146	−95
4. Require the IRS to send separate notification to both spouses by certified mail.	−nma DOE						*No Revenue Effect*						
D. Provisions Relating to Interest and Penalties:													
1. Elimination of interest rate differential on overlapping periods of interest on income tax overpayments and underpayments.	cqba DOE	−(1)	−9	−28	−42	−54	−57	−60	−63	−66	−69	−134	−315
2. Increase refund interest rate to Applicable Federal Rate (''AFR'') + 3 for individual taxpayers (includes outlay effects) [3].	cqba DOE	−5	−51	−54	−56	−59	−62	−65	−69	−72	−76	−225	−344
3. Elimination of penalty on individual's failure to pay during installment agreements (for individuals and timely filed returns only).	iapma DOE	−29	−272	−287	−302	−317	−338	−354	−372	−390	−410	−1,207	−1,864
4. Mitigations of failure to deposit penalty cascading (all taxpayers)	dma 180da DOE	.....	−47	−64	−64	−65	−66	−66	−67	−68	−68	−240	−335

ESTIMATED REVENUE EFFECTS OF H.R. 2676, THE ''INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998,'' AS REPORTED BY THE SENATE COMMITTEE ON FINANCE AND MODIFIED BY THE ROTH FINANCING AMENDMENT—Continued

[Fiscal Years 1998–2007, in millions of dollars]

Provision	Effective	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998–2002	2003–2007
5. Suspend accrual of interest and penalties if IRS fails to contact taxpayer within 12 months after a timely-filed return (except for fraud and criminal penalties).	tyea DOE	.....	.....	−358	−428	−482	−514	−609	−615	−622	−628	−1,268	−2,988
6. Notices of interest and penalties must show computation	na 180da DOE						*No Revenue Effect*						
7. Require management to approve non-computer generated penalties (excluding failure to file, pay, or estimated tax payment).	pa 180da DOE						*Negligible Revenue Effect*						
E. Protections for Taxpayers Subject to Audit or Collection:													
1. Due process for IRS collection actions	caia 6ma DOE	.....	−45	−1	−1	−1	−1	−1	−1	−1	−1	−48	−5
2. Extend the attorney client privilege to accountants and other tax practitioners for tax advice of accountant and other tax practitioners.	DOE	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(5)	(5)
3. Expand the Taxpayer Advocate's authority to issue taxpayer assistance orders.	DOE	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(4)	(4)
4. Limitation on financial status audit techniques	DOE						*No Revenue Effect*						
5. IRS summons of computer source code	sia DOE & pfsib DOE	.....	−26	−32	−39	−45	−53	−61	−66	−72	−74	−142	−326
6. Prohibition on extension of statute of limitations for collection beyond 10 years with estate tax exception.	(6)	−6	−44	−38	−31	−25	−25	−25	−25	−25	−25	−144	−125
7. Notice of deficiency to specify deadlines for filing Tax Court petition.	nma 12/31/98						*Negligible Revenue Effect*						
8. Refund or credit of overpayments before final determination	DOE						*Negligible Revenue Effect*						
9. Prohibition on improper threat of audit activity for tip reporting	DOE						*No Revenue Effect*						
10. Codify existing IRS procedures relating to appeal of examinations and collections and increase independence of appeals function.	DOE						*No Revenue Effect*						
11. Appeals videoconferencing alternative for rural areas	DOE						*No Revenue Effect*						
12. Require IRS to notify taxpayer before contacting third parties regarding IRS examination or collection activities with respect to the taxpayer (does not apply for criminal cases).	180da DOE	.....	(4)	(4)	(4	(4)	(4)	(4)	(4)	(4)	(4)	(5)	(5)
F. Disclosures to Taxpayers:													
1. Explanation of joint and several liability	180da DOE						*No Revenue Effect*						
2. Explanation of taxpayers' rights in interviews with IRS	180da DOE	.....	−13	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(5)	(4)
3. Disclosure of criteria for examination selection	180da DOE						*No Revenue Effect*						
4. Explanations of appeals and collection process	180da DOE						*No Revenue Effect*						
5. Require IRS to explain reason for denial for refund	180da DOE						*No Revenue Effect*						
6. Statement to taxpayers with installment agreements	180da DOE						*No Revenue Effect*						
G. Low-Income Taxpayer Clinics													
H. Other Taxpayer Rights Provisions:													
1. Cataloging complaints of IRS employee misconduct	DOE						*No Revenue Effect*						
2. Archive of records of IRS	DOE						*No Revenue Effect*						
3. Payment of taxes to the U.S. Treasury[3]	DOE						*No Revenue Effect*						
4. Clarification of authority of Secretary relating to the making of elections.	DOE						*No Revenue Effect*						
I. Studies:													
1. Study of penalty and interest administration and implementation	9ma DOE						*No Revenue Effect*						
2. Study of confidentiality of tax return information	1ya DOE						*No Revenue Effect*						
J. Limits on Seizure Authority:													
1. IRS to implement approval process for liens, levies, or seizures	caca DOE						*No Revenue Effect*						
2. Prohibit the IRS from selling taxpayer's property for less than the minimum bid.	Soa DOE						*No Revenue Effect*						
3. Require the IRS to provide an accounting and receipt to the taxpayer (including the amount credited to the taxpayer's account) for property seized and sold.	soa DOE						*Negligible Revenue Effect*						
4. Require the IRS to study and implement a uniform asset disposal mechanism for sales of seized property to prevent revenue officers from conducting sales.	DOE & 2 years						*No Revenue Effect*						
5. Increase the amount exempt from levy to $10,000 for personal property and $5,000 for books and tools of trade, indexed for inflation.	cata DOE	(1)	−5	−5	−5	−5	−6	−6	−6	−6	−6	−21	−30
6. Require the IRS to immediately release a levy upon agreement that the amount is not collectible.	lia DOE						*Negligible Revenue Effect*						
7. Codify IRS administrative procedures for seizure of taxpayer's property.	DOE						*No Revenue Effect*						
8. Suspend collection by levy during refund suit	tyba 12/31/98						*Negligible Revenue Effect*						
9. Require District Counsel review of jeopardy and termination assessments and jeopardy levies.	taa DOE						*Negligible Revenue Effect*						
10. Codify certain fair debt collection procedures	DOE						*No Revenue Effect*						
11. Ensure availability of installment agreements	DOE						*No Revenue Effect*						
12. Increase superpriority dollar limits	DOE						*Negligible Revenue Effect*						
13. Permit personal delivery of section 6672(b) notices	DOE						*No Revenue Effect*						
14. Allow taxpayers to quash all third-party summonses	ssa DOE						*Negligible Revenue Effect*						
15. Permit service of summonses by mail or in person	ssa DOE						*No Revenue Effect*						
16. Provide new remedy for third parties who claim that the IRS has filed an erroneous lien.	DOE						*Negligible Revenue Effect*						
17. Waive the 10% early withdrawal penalty when IRA or qualified plan is levied.	la DOE	−1	−3	−4	−4	−4	−4	−5	−5	−5	−5	−17	−24
18. Prohibit seizure of residences in small deficiency cases	DOE						*Negligible Revenue Effect*						
19. Require the IRS to exhaust all payment options before seizing a business or principal residence.	aa DOE						*No Revenue Effect*						
K. Offers-in-Compromise:													
1. Rights of taxpayers entering into offers-in-compromise	DOE	(1)	(4)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(5)	(4)
2. Prohibit IRS rejection of low-income taxpayer's offer-in-compromise based on amount of offer.	osa DOE						*No Revenue Effect*						
3. Prohibit IRS rejection of an offer-in-compromise solely based on a dispute as to liability because the taxpayer's file cannot be located by the IRS.	osa DOE						*No Revenue Effect*						
4. Prohibit the IRS from requiring a financial statement for offer-in-compromise based solely on doubt as to liability.	DOE						*No Revenue Effect*						
5. Suspend collection by levy while offer-in-compromise is pending	tao/a 60da DOE						*Negligible Revenue Effect*						
6. Rejected offers-in-compromise and requests for installment agreements to be reviewed.	oara DOE						*No Revenue Effect*						
7. Appeals review of rejected offers-in-compromise	osa DOE						*No Revenue Effect*						
L. Additional Items:													
1. Prohibit using tax enforcement results to evaluate IRS employees	DOE						*No Revenue Effect*						
2. IRS notices must contain name and telephone number of IRS employee to contact.	60da DOE						*No Revenue Effect*						
3. Require approval of use of pseudonyms by IRS employees	DOE						*No Revenue Effect*						
4. National Office conferences without field personnel	DOE						*No Revenue Effect*						
5. Require the IRS to end the use of the illegal tax protestor label	DOE						*No Revenue Effect*						
6. Modify section 6103 to allow the tax-writing committees to obtain data from IRS employees regarding employee and taxpayer abuse.	DOE						*No Revenue Effect*						
7. Publish telephone numbers for local IRS offices	1/1/99						*No Revenue Effect*						
8. Alternative to Social Security numbers for tax return preparers	DOE						*No Revenue Effect*						
9. Expand Alternative Dispute Resolution; binding arbitration pilot program.	DOE						*No Revenue Effect*						
10. Treasury can not implement 98–11 regulations for 6 months, with no inference about transition rules.	DOE	−8	−36	−10	−6	−3	−3	−2	−1	−1	−1	−63	−8
11. Require IRS to notify all partners of any resignation of the tax matters partner that is required by the IRS, and of the identity of any successor tax matters partner who was appointed to fill the vacancy created by such resignation.	tyba 12/31/98	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	−1	−1	

ESTIMATED REVENUE EFFECTS OF H.R. 2676, THE ''INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998,'' AS REPORTED BY THE SENATE COMMITTEE ON FINANCE AND MODIFIED BY THE ROTH FINANCING AMENDMENT—Continued

[Fiscal Years 1998–2007, in millions of dollars]

Provision	Effective	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998–2002	2003–2007
Subtotal of Taxpayer Protections		−137	−1,251	−1,499	−1,592	−1,742	−1,957	−2,225	−2,442	−2,635	−2,849	−6,223	−12,110
Title IV. Congressional Accountability for the IRS		*No Revenue Effect*											
Title V. Revenue Offsets:													
A. Repeal Schmidt Baking with Respect to Vacation and Severance Pay	tyea DOE	603	1,141	1,160	141	148	156	163	172	180	189	3,193	860
B. Allow Taxpayers to use foreign Tax Credits to Reduce Income for 1 Year Back and Carryforward 7 years.	ftcai tyba 12/31/98	.....	84	546	487	454	424	394	271	267	263	1,571	1,619
C. Clarify and Expand Math Error Procedures	tyea DOE	.....	12	25	26	27	28	29	39	31	32	90	150
D. Freeze Grandfathered Status of Stapled or Paired-Share REITs	tyea 3/26/98	(8)	1	3	6	10	14	19	26	35	45	20	139
E. Make Certain Trade Receivables Ineligible for Mark-to-Market Treatment With Spread.	tyea DOE	33	317	500	333	117	70	73	77	81	85	1,300	386
F. Add Vaccines Against Rotavirus Gastroenteritis to the List of Taxable Vaccines ($0.75 per dose).	vpa DOD	.....	1	2	3	4	5	6	6	6	7	10	30
G. Authorize the Federal Government to Offset a Federal Income Tax Refund to Satisfy a Past Due, Legally Owing State Income Tax Debt.	rda DOE	2	2	3	3	3	3	3	4	4	4	13	18
H. Restrict Special Net Operating Loss Carryback Rules for Specified Liability Losses.	NOLgi tyba DOE	.....	.....	15	32	42	43	41	40	41	42	89	207
I. Disregard Minimum Distributions in Determining AGI for IRA Conversions to a Roth IRA.	tyba 12/31/04	.....	.....	.....	.....	.....	.....	.....	2,362	2,854	2,812	.....	8,028
J. Extend Fee for IRS Letter Rulings	10/1/03	.....	.....	.....	.....	.....	.....	64	67	71	75	.....	277
Subtotal of Revenue Offsets		638	1,558	2,254	1,031	805	743	792	3,055	3,570	3,554	6,286	11,714
Title VI. Tax Technical Corrections		*No Revenue Effect*											
Title VII. Pay-Go Surplus[3]		.....	.....	.....	.....	.....	29	61	93	97	126	.....	406
Net total		501	307	755	−561	−937	−1,185	−1,372	706	1,032	831	63	10

[1] Los of less than $1 million.
[2] Effective for periods of disability before, on or after the date of enactment but would not apply to any claim for refund or credit which (without regard to the proposed provision)
[3] Estimate provided by the congressional Budget Office
[4] Loss of less than $5 million.
[5] Loss of less than $25 million.
[6] Effective for requests to extend the statute of limitations made after the date of enactment and to all extensions of the statute of limitations on collections that are open 180 days after the date of enactment.
[7] Loss of less than $500,000.
[8] Gain of less than $500,000.

Legend for ''Effective'' column: aa=actions after; bi=beginning in; caca=collection actions commenced after; caia=collection actions initiated after; cata=collection actions taken after; cqba=calendar quarters beginning after; dma=deposits made after; DOE=date of enactment; eca=examinations commencing after; ftcal=foreign tax credits arising in; iapma=installment agreement payments made after; la=levies after; laa=liability arising after; lia=levies imposed after; na=notices after; NOLgi=net operating losses generated in; nma=notices mailed after; oara=offers and requests after; osa=offers-in-compromise submitted after; pa=penalties after; pca=processings commencing after; pfa=petitions filed after; pfsib=protection for summonses issued before; tia=penalties imposed after; rda=refunds due after; rfa=refunds filed after; sia=summonses issued after; soa=seizures occurring after; Soa=sales occurring after; ssa=summonses served after; taa=taxes assessed after; tao/a=faxes assess on or after; tyba=taxable years beginning after; tyea=taxable years ending after; ulb=unpaid liability before; vpa=vaccines purchased after; 1ya=1 year after; 6ma=6 months after; 9ma=9 months after; 60da=60 days after; and 180da=180 days after.

Note.—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.

AMENDMENT NO. 2340

Mr. ROTH. Mr. President, I would now like to turn to the amendment offered by the Senator from Nebraska, Mr. KERREY.

Senator KERREY is offering an alternative pay-for package. I must oppose Senator KERREY's package.

The Kerrey amendment contains revenue raisers similar to the Roth amendment. There are a few additional items that I had considered in crafting my pay-for amendment.

There, is, however, one very controversial revenue raiser in the Kerrey amendment. I think it is important that my colleagues focus their attention on it.

Rather than modifying the rollover rules for Roth IRAs, which would allow more taxpayers to enjoy the benefits of the Roth IRA, the Kerrey amendment would reinstate the expired Superfund taxes.

It is an undisputable fact that the present Superfund program needs immediate, substantial reform. I am a longstanding supporter of the Superfund program. It is critical that Superfund sites be cleaned up. It is a shame that the program has floundered over the past several years. Every Senator should feel the responsibility to get the Superfund program back up and running at full speed.

The Superfund trust fund received its revenues from excise taxes on domestic crude oil and imported petroleum products, certain chemicals and imported derivative products, and a corporate environmental tax.

These taxes expired a couple of years ago. If the taxes are extended, they will provide the necessary resources for Superfund cleanup activities.

It is important to maintain the ''connection'' between the Superfund taxes and the Superfund program. It is the view of our Senior Republican colleagues on the Environment and Public Works Committee that this connection is important for both the politics and policy of Superfund.

Our distinguished colleagues from the Committee on Environmental and Public Works, in particular, Senator SMITH and Senator CHAFEE, have worked long and hard on Superfund reform legislation.

They produced a bill, passed it out of committee, and have asked me to extend the expired Superfund taxes to cover the authorization period. Senators SMITH and CHAFEE should be commended for moving Superfund forward, not undercut here on the Senate floor.

I intend to support Senators SMITH and CHAFEE's efforts. As they have communicated to me, unless the Superfund taxes are enacted directly in connection with a Superfund reform bill, any hope for the long-needed changes in this environmental program would be dashed.

In deference to Senators SMITH and CHAFEE, the Finance Committee did *not* include an extension of the Superfund taxes in either the IRS Reform bill that passed our committee unanimously or in the Roth amendment. I agree with Senators SMITH and CHAFEE that the appropriate vehicle for extension of the Superfund taxes is their Superfund bill.

As chairman, let me be clear—I pledge to work with Senators SMITH and CHAFEE on Superfund with respect to the issues within Finance Committee jurisdiction.

It is my hope that will move forward with a viable Superfund reform proposal. The recent progress made by the Environment and Public Works Committee is encouraging.

If you are for Superfund reform, as I am, you need to support Senators SMITH and CHAFEE. For this reason, I respectfully urge my colleagues to oppose the Kerrey amendment.

I reserve the remainder of my time.

The PRESIDING OFFICER. Who seeks recognition?

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. KERREY. Mr. President, first of all, the choice that the Senate will be making today really is, the first choice we have to make is do we want to put another $9 billion of spending in this bill. That is what the Finance Committee did. And as a consequence we are now trying to find a pay-for of some kind. I believe it is a perfectly good bill without that $9 billion worth of additional expenditure, but that is the threshold question. Do you want to spend an additional $9 billion? And if you do, the question is, how do you get the money? Where do you get the money to pay for it?

What we have done in our amendment is included two provisions that

were included by the chairman of the Budget Committee. The Chairman of the Budget Committee, Senator DOMENICI, has advocated these two provisions as reasonable provisions, and we have included them as a pay-for. The alternative must be described here in a little more detail.

It is essentially an accounting gimmick that will be used by people over the age of 70½ that will basically enable them to pass to their heirs, tax free, assets that they currently own. That is what it is. Members need to know who will be affected by this.

I ask unanimous consent a letter from the Joint Committee on Taxation be printed in the RECORD.

There being no objection, the memorandum was ordered to be printed in the RECORD, as follows:

JOINT COMMITTEE ON TAXATION,
Washington, DC, May 5, 1998.

To: Mark Patterson.
From: Lindy L. Paull.
Subject: Estimated revenue effects of proposal included in Roth financing amendment to modify rules relating to Roth IRA conversions.

Included in the proposed Roth Financing Amendment to the IRS Restructuring bill currently pending on the Senate floor is a proposal to modify the definition of adjusted gross income (''AGI'') for purposes of determining the income limitation of conversions of IRA balances to Roth IRAs, effective for taxable years beginning after December 31, 2004. The following describes the analysis of the staff of the Joint Committee on Taxation in preparing estimated revenue effects of this proposal.

DESCRIPTION OF PROPOSAL

Under present law, uniform minimum distribution rules generally apply to all types of tax-favored retirement vehicles, including qualified retirement plans and annuities, IRAs other than Roth IRAs, and tax-sheltered annuities (sec. 403(b)).

Distributions are required to begin no later than the participant's required beginning date (sec. 401(a)(9)). The required beginning date means April 1 of the calendar year following the later of (1) the calendar year in which the employee attains age 70½, or (2) the calendar year in which the employee retires. In the case of an employee who is a 5-percent owner (as defined in section 416), the required beginning date is April 1 of the calendar year following the calendar year the employee attains age 70½. In general, minimum distributions are includible in gross income in the year of distribution.

Under present law, all or any part of amounts in a deductible or nondeductible IRA may be converted into a Roth IRA. Only taxpayers with AGI of $100,000 or less are eligible to convert an IRA into a Roth IRA. In the case of a married taxpayer, AGI is the combined AGI of the couple. Married taxpayers filing a separate return are not eligible to make a conversion.

If a taxpayer is required to take a minimum required distribution from an IRA, the amount of the required distribution is includible in gross income, and cannot be rolled over into a Roth IRA.

The proposal would modify the definition of AGI to exclude the required minimum distribution from the taxpayer's AGI solely for purposes of determining eligibility to convert from an IRA to a Roth IRA. As under present law, the required minimum distribution would not be eligible for conversion and would be includible in gross income.

REVENUE ESTIMATION ASSUMPTIONS

The proposal targets a fairly narrow, well-defined taxpaying population who have attained or will attain age 70½ during the budget period. For purposes of the revenue estimate, it is assumed that the proposal would be utilized by a subset of this population. Two classes of taxpayers who become eligible for the conversion to a Roth IRA as a result of the proposal have been identified.

(1) *Taxpayers who are currently over age 70½, are taking a minimum required distribution, and who have AGI in excess of $100,000.* When the proposal becomes effective, some taxpayers whose AGI would fall below $100,000 if the minimum required distributions were disregarded would convert to a Roth IRA. In addition, some taxpayers whose AGI would not fall below $100,000 under the proposal but who have income that could be shifted easily from one tax year to another would convert to a Roth IRA. It is assumed for estimating purposes that some of these taxpayers would utilize this income shifting technique under present law to take advantage of the conversion to a Roth IRA; however, taxpayers whose minimum required distributions are substantial would be less able to utilize this technique under present law.

(2) *Taxpayers whose AGI exceeds $100,000 and who will attain age 70½ during the budget window.* These taxpayers are currently not eligible to convert to a Roth IRA; some of these taxpayers have income which could be shifted easily from one tax year to another and might be expected to do such income shifting in order to make a conversion to a Roth IRA under present law. Other taxpayers would not be able to shift income easily and would not be able to utilize the conversion to a Roth IRA under present law.

Approximately 500,000 taxpayers would be eligible for the conversion under the proposal during the budget years 2005 through 2007. Of those eligible, we estimate that approximately 170,000 taxpayers would convert to a Roth IRA.

Mr. KERREY. The Joint Committee on Taxation said, as we all know, it only affects Americans with retirement income over $100,000 a year. That is who is affected. So ask yourself how many people in your State have incomes over $100,000 a year, because that is who it is going to affect. The Joint Committee on Taxation is saying 170,000 of those individuals—that is what they are saying, 170,000 of those individuals—will convert to a Roth IRA. What does that mean? That means they are going to pay $50,000 each to convert. In order to get $8 million, you have to have an average of $50,000 of taxes paid by each of these 170,000 people to convert.

You ask yourself, why are they doing it? Love America? Love their country? Get teary-eyed when they watch the flag go by? No, sir. What they are doing is saying they would rather pay that extra $50,000 because they know their heirs will not pay any tax on this asset when it is transferred. That is what happens. It is a substantial reduction in tax revenue in the 10- to 15-year period at the very moment that this Senate and this Congress is going to be facing a tremendous problem of growing entitlements. They are going to force us into a situation where we will have to be reducing the cost of entitlement programs. While we are reducing the cost of entitlement programs, the heirs of very wealthy Americans are going to be receiving income on which they are paying no tax. That is what this is all about. This is not about Americans who are under the gun. Remember, of all of the nearly 40 million Social Security beneficiaries, almost 70 percent of them have 50 percent of their income being Social Security only; that is $745 a month.

This is about people over the age of 70½ with retirement incomes over $100,000 taking an IRA, converting it to a Roth IRA, paying, on an average, $47,000 per person for taxes so their heirs don't have to pay any taxes at the very moment that this Senate is going to be facing cutting back on benefits to the middle-income Americans. That is the choice that this proposal presents to us.

We are saying, first of all, on this side we would prefer that we not add to the cost of the bill. We have. Second, if we are saying we are going to add to the cost of the bill, let's find something that is more appropriate than providing a tax break to people right now who, frankly, not only are they not asking for a tax break, I think it is very difficult to justify that they need one. Our offset includes a provision that was recommended by the chairman of the Budget Committee.

In addition, our proposal, our amendment, includes some requests.

I ask unanimous consent a letter sent to the chairman of the Finance Committee from Commissioner Rossotti be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF THE TREASURY,
INTERNAL REVENUE SERVICE,
Washington, DC, March 31, 1998.

Hon. WILLIAM V. ROTH, Jr.,
Chairman, Committee on Finance,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: I am writing to provide the Senate Finance Committee information about provisions under consideration as part of the IRS restructuring bill which, in order to implement, will require changes in IRS computer information systems.

As is noted in one of the provisions of the restructuring bill, it is essential that the work needed to make the IRS computer systems comply with the Century Date Change be given priority. If these changes are not made and tested successfully, computer systems on which the IRS directly depends for accepting and processing tax returns and tax payments will cease to function after December 31, 1999. In order to accomplish this change, a massive effort is underway now and will continue through January 2000. This project, one of the largest information systems challenges in the country today, is estimated to cost approximately $850 million through FY 1999 and requires updating and testing of about 75,000 computer applications programs, 1400 minicomputers, over 100,000 desktop computers, over 80 mainframe computers and data communications networks comprising more than 50,000 individual product components. In addition, the data entry system that processes most of the tax returns must be replaced.

Most of the work to repair or replace these individual components must be done prior to the tax season that begins in January 1999,

and thus is at its peak during calendar 1998. During this peak period, the IRS must also make the changes necessary to implement the provisions of the Taxpayer Relief Act of 1997 which are effective in tax year 1998. These changes are still being defined in detail but are currently estimated to require about 800 discrete computer systems changes.

The most critical systems to which these changes must be made are systems that were originally developed in the 1960's, 1970's and 1980's, and many are written in old computer languages. A limited number of technical staff have sufficient familiarity with these programs to make changes to them. Furthermore, the IRS suffered attrition of 8% of this staff during FY 97, which attrition has continued at the same or higher rate until recently. In part, this attrition reflected the very tight market for technical professionals as well as a perceived lack of future opportunities at the IRS.

This extraordinary situation has required the IRS to commit every available technical and technical management resource to these critical priorities and to defer most other requests for systems changes at least during calendar year 1998.

For these reasons, it will not be feasible to make any significant additional changes to the IRS systems prior to the 1999 filing season, pushing the start of all additional work to about the second quarter of calendar 1999. Furthermore during 1999, a major amount of additional work will be required to perform the testing to ensure that all the repaired or replaced components work as expected prior to January 1, 2000. Given the magnitude of the changes, it is likely that additional work will be required to repair defects and problems that will be uncovered during the testing in the second half of 1999. Thus, while some capacity to make systems changes is projected to exist in 1999, there is considerable uncertainty about how much capacity will in fact be available even during calendar 1999.

With this context in mind, we have attempted to identify the provisions in the restructuring bill that require significant changes to computer systems and estimate how much staff time would be needed to implement these changes. Based on this very preliminary analysis, we have prepared a list of recommended effective dates if these provisions are adopted. In all cases, we would strive to implement the provisions sooner if possible. In addition, two provisions entail both significant systems and policy issues. For these items, which are discussed first, we suggest an alternative approach.

ALTERNATIVE APPROACH

1. Require that all IRS notices and correspondence contain a name and telephone number of an IRS employee who the taxpayer may call. Also, to the extent practicable and where it is advantageous to the taxpayer, the IRS should assign one employee to handle a matter with respect to a taxpayer until that matter is resolved.

Concern: We agree with the objectives of this proposal, but are concerned because it would entail a total redesign of customer service systems and would actually move the IRS away from the best practices found in the private sector. We do support the proposal that the IRS should assign one employee to handle a matter with respect to the taxpayer where it is both practicable and where it is advantageous to the taxpayer.

The proposal would affect the Masterfile, Integrated Data Retrieval System (IDRS), and any system supported by IDRS (including AIMS and ACS). In addition, the proposal is likely to decrease the customer service we are trying to improve through our expansion of access by telephone to 7 days a week, 24 hours a day. The assignment of a particular employee for a taxpayer contact could actually increase the level of taxpayer frustration as the named employee may be on another phone call, working a diffrent shift, or handling some other taxpayer matter when taxpayers call. In addition, consistent with private sector practices, we are currently installing a national call router designed to ensure that when a taxpayer calls with a question, the call can be routed to the next available customer service representative for the fastest response possible.

Proposal: Require that the IRS adopt best practices for customer service with regard to notices and correspondence, as exemplified by the private sector. Require that the IRS report to Congress on an annual basis on these private sector best practices, the comparable state of IRS activities, and the specific steps the IRS is taking to close any gap between its level and quality of service and that of the private sector. Furthermore, the IRS could be required to put employee names on individual correspondence; it could require all employees to provide taxpayers with their names and employee ID numbers; and, finally, it could record, in the computer system, the ID number of the employee who takes any action on a taxpayer account.

2. The proposal would suspend the accrual of penalties and interest after one year, if the IRS has not sent the taxpayer a notice of deficiency within the year following the date which is the later of the original date of the return or the date on which the individual taxpayer timely filed the return.

Concern: We agree with the objective of the proposal to encourage the IRS to proceed expeditiously in any contact with taxpayers, however, our systems are currently unable to accommodate some of the data requirements with the speed necessary to make this proposal workable. In addition, we are concerned that the proposal could have the perverse incentive of encouraging taxpayers to actually drag out their audit proceedings rather than work with the IRS to bring them to a speedy conclusion. Our administrative appeals process, which is designed to resolve cases without the taxpayer and the government incurring the cost and burden of a trial, could also become a vehicle for taxpayers to delay issuance of a deficiency notice.

Proposal: Require the IRS to set as a goal the issuance of a notice of deficiency within one year of a timely filed return. Mandate that the IRS provide a report to the Congress on an annual basis that specifies: progress the IRS has made toward meeting this goal, measures the IRS has implemented to meet this goal, additional measures it proposes toward the same end, and any impediments or problems that hinder the IRS' ability to meet the goal. In addition, the proposal could reemphasize the requirement that the IRS abate interest during periods when there is a lapse in contact with the taxpayer because the IRS employee handling the case is unable to proceed in a timely manner. The IRS could be required to provide information on the number of cases in which there is interest abatement each year in the report.

EFFECTIVE DATES

We propose the following effective dates for specific provisions. These dates are driven by the capacity of our information technology systems, not the impact of the policy. Some of these provisions would be fairly easy to implement, but in total—and in conjunction with all the other demands on our information technology resources—it is simply not feasible to implement them until the dates proposed. If the situation changes, we will strive to implement the provisions sooner.

The effective date for many of these changes is January 31, 2000. Given that all of these changes must be made compatible with the Century Date Change, we believe we will need the month of January 2000 to ensure all the Century Date Changes are successful before implementing the provisions listed below.

Allow the taxpayers to designate deposits for each payroll period rather than using the first-in-first-out (FIFO) method that results in cascading penalties. Effective immediately for taxpayers making the designation at time of deposit. Effective July 31, 2000 for taxpayers making the designation after deposit.

Overhaul the innocent spouse relief requirements and replace with proportionate liability, etc. Effective date: July 31, 2000. The IRS has no way of administering proportionate liability with our current systems. This provision would require significant complex changes to our systems and is likely to be cumbersome and error-prone for both taxpayers and the IRS.

Require each notice of penalty to include a computation of penalty. Effective date: Notices issued more than 180 days after date of enactment.

Develop procedures for alternative to written signature for electronic filing. The IRS is already preparing a pilot project for filing season 1999. Subsequent roll out of alternatives to written signatures for electronic filing will depend on the success of the pilot.

Develop procedures for a return-free tax system for appropriate individuals. This provision should be interpreted as a study of the requirements of a return-free tax system and the target segment of taxpayers. Actual implementation will be based on the findings and conclusions of the study.

Increase the interest rate on overpayments for non-corporate taxpayers from the federal short-term interest +2% to +3%. Effective date: July 31, 1999.

Do not impose the failure to pay penalty while the taxpayer is in an installment agreement. Effective date: January 31, 2000.

Require the IRS to provide notice of the taxpayer's rights (if the IRS requests an extension of the statute of limitations). Require Treasury IG to track. Effective date: January 31, 2000.

Require IRS to provide on each deficiency notice the date the IRS determines is the last day for the taxpayer to file a tax court opinion. A petition filed by the specified date would be deemed timely filed. Effective date: January 31, 2000.

Require the Treasury IG to certify that the IRS notifies taxpayers of amount collected from a former spouse. Effective date: January 31, 2000.

Require the IRS to provide notice to the taxpayer 30 days (90 days in the case of life insurance) before the IRS liens, levies, or seizes a taxpayer's property. Effective date: 30 days after date of enactment for seizures; January 31, 2000 for liens and levies.

Require the IRS to immediately release a levy upon agreement that the amount is ''currently not collectible.'' Effective date: January 31, 2000.

Waive the 10% addition to tax for early withdrawal from an IRA or other qualified plan if the IRS levies. Effective date: January 31, 2000.

The taxpayer would have 30 days to request a hearing with IRS Appeals. No collection activity (other than jeopardy situations) would be allowed until after the hearing. The taxpayer could raise any issue as to why collection should not be continued. Effective date: January 31, 2000.

IRS to implement approval process for liens, levies, and seizures. Effective date: implement procedures manually 60 days after

date of enactment; implement system for IG tracking and reporting January 31, 2000.

The following items were proposed in the Administration's FY 1999 Budget. In conjunction with the other proposals in this bill, they will also require significant systems changes:

Eliminate the interest rate differential on overlapping periods of interest on income tax overpayments and underpayments.

Prohibit the IRS from collecting a tax liability by levy if: (1) an offer-in-compromise is being processed; (2) within 30 days following rejection of an offer; and (3) during appeal of a rejection of an offer.

Suspend collection of a levy during refund suit.

Allow equitable tolling of the statute of limitations on filing a refund claim for the period of time a taxpayer is unable to manage his affairs due to a physical or mental disability that is expected to result in death or last more than 12 months. Tolling would not apply if someone was authorized to act on these taxpayers' behalf on financial affairs.

Ensure availability of installment agreements if the liability is $10,000 or less.

Finally, we would attempt to immediately implement the cataloging of taxpayer complaints of employee misconduct and would stop any further designation of ''illegal tax protesters.'' However, there may be some systems issues with regard to these proposals that could delay certain changes until some time in early 1999.

I look forward to working with you, the Finance Committee, and the Congress as we strive to restructure the Internal Revenue Service.

Sincerely,

CHARLES O. ROSSOTTI.

Mr. KERREY. Our amendment includes something that I urge my colleagues to consider. My hope is Senator MOYNIHAN will offer this as a free-standing amendment later. Mr. Rossotti, quite appropriately, says we have about 600 days before the 31st of December 1999. No one is more eloquent than the Senator from Utah, Senator BENNETT, talking about the problems that the year 2000 is going to create as a consequence of having to rewrite all of our computer codes. The computers will think it is the year 1900 and everything is going to end up getting shut down, a huge problem for the IRS. Mr. Rossotti is very much worried. Right now the IRS is a bit behind. He sent us a letter asking us to delay some of these provisions.

We have not been able to get these scored yet from Joint Tax. I regret that. It takes a little longer out of Joint Tax than we would like. We will get that scored before we are through with this debate and we will be able to reduce some of the offsets in other areas. But I am urging Members have an opportunity to put themselves on the side of honoring the request of Mr. Rossotti, who is saying we are not going to be able to meet that year 2000 problem if a whole series of additional things are imposed upon us that we have to do.

Understand, we pass the law but the IRS has to implement it. We change the law, whether it is a Tax Code or some other area of the tax law, and the IRS is the one that has to organize human beings to get the job done.

We have an offset in here that has been endorsed by the chairman of the Budget Committee. We have an offset that does not have us saying to people with retirement incomes over $100,000 a year here is a way for you to shelter that income for your heirs. And we have a provision in here that enables Senators to say we have taken a step to make certain that at least the IRS is not, in the year 2000, going to cause all kinds of additional hardships to the American taxpayers as a consequence of not having their computer system and their software Y2K compliant.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 5 minutes to the distinguished Senator from New Hampshire.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. SMITH of New Hampshire. Mr. President, I thank the distinguished chairman of the Finance Committee, Senator ROTH, No. 1, for recognizing me, but more importantly for supporting the provision that we should not use these environmental income taxes, and oil and chemical excise taxes, for anything but Superfund. I know it was a difficult decision. I support the Senator fully on the IRS reform which he has done such a tremendous job on, and on which he has exerted such great leadership. I commend him for understanding, also, there is another issue here with Superfund.

This, essentially, with the greatest respect to my colleague from Nebraska, will just totally destroy the Superfund reform that we have worked on for some 3½ years. In order to make the things happen that we need to make happen in the Superfund Program, these taxes would have to be reinstituted and used strictly and exclusively for the Superfund Program. So I vehemently oppose the Kerrey amendment.

I am certain the majority of this body, and I think the majority of the American people agree that IRS and Superfund have a similarity. They are both badly broken. They both need to be fixed. But they don't have to go against each other to do that. These are two separate and distinct issues.

I support the IRS reform the distinguished chairman is pursuing and I also support reforming the Superfund Program. It is inappropriate to utilize Superfund taxes to pay for the cost of IRS. Superfund taxes should be used to fix Superfund.

For those who have been anxiously waiting for the reform of the program, help is on the way, I hope, if the Senate will be supportive. Working with the distinguished chairman of the Environment and Public Works Committee who is on the floor, Senator CHAFEE, and through his leadership we were able to pass a bill out of committee. I am hopeful the majority of our colleagues will allow that bill to be brought to the floor and fully debated. Within the next few days the committee's report will be complete. There are differences on the bill. But I think clearly no one should be of the opinion that we should use Superfund taxes; that is, the environmental income tax and the oil and chemical excise tax, for anything other than to reform that program.

I don't want to get into a full debate now on the problems associated with Superfund. I will have that opportunity when we get the bill to the floor. But I just want to say, when Congress established this program in 1980, the consensus was it would take a few billion dollars to clean up what we thought were around 400 sites. In order to fund this program, revenues were collected through these taxes. We reauthorized the program in 1986, extending the taxing authority. What has happened is we spent $20 billion of taxpayers' money and we have only cleaned up about 160 sites; that is 160 sites were removed from the NPL.

These folks who pay the environmental income taxes, who pay the oil and chemical excise taxes, rightfully say this program isn't working. We are paying all this tax money and it is going to lawyers and it is being wasted and we are not cleaning up sites. Our Superfund bill clearly expedites cleanup, gets the money away from lawyers and towards cleanup. To take that money away from this program and provide it for some other use is simply unconscionable. Although maybe well intended, it is a serious mistake in terms of the bipartisan consensus that we have to fix a broken program.

So I am hopeful—I wish the Senator would reconsider his amendment and I hope this will be defeated.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. KERREY. First of all, as to ''unconscionable,'' we are just following the lead of the chairman of the Budget Committee who apparently is unconscionable as well. He had the same proposal in his budget.

Second, let me say this is not to fund the operation of the IRS. This basically funds a tax cut. That is what we are talking about. We have new innocent spouse provisions in this bill and a burden of proof shift that will result in a reduction of taxes of some American taxpayers. That is what this pay-for is set up to do.

Let me say these taxes are not imposed until the year 2002. This gives the Environment and Public Works Committee nearly 3 additional years. They had 3½ years now already since this bill expired. My presumption is 3 years is plenty. I can find an additional offset, perhaps, and push it back to 2003 if you want an additional year to get this bill authorized.

This takes care of a second 5-year problem. Again, I say to colleagues, we are having to deal with this because the Finance Committee decided to spend $9 billion more, and that $9 billion is being spent to reduce some people's taxes who are going to pay higher

taxes as a result of the innocent spouse provision and the burden-of-proof issue.

We are reducing taxes in one area and we have to find an offset. It seems to me, Mr. President, that Senator DOMENICI's recommendation is correct. By delaying this until 2002, we take away the argument the distinguished Senator from New Hampshire had about destroying the Superfund Program. This gives the Environment and Public Works Committee 3½ years to finish their job.

Mr. CHAFEE addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield 10 minutes to the distinguished Senator from Rhode Island.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. Mr. President, I thank the distinguished chairman of our Finance Committee for yielding me some time on this matter.

I rise to oppose the amendment offered by the Senator from Nebraska. This amendment offers the Senate an alternative to the Finance Committee's plan to pay for the tax relief provided in the IRS reform bill, but the reality is that the Kerrey amendment would prevent meaningful Superfund reform. The amendment, I believe strongly, should be rejected.

I oppose this amendment, obviously, but let me tell you what I do support. I support reimposition of the Superfund taxes. I also support reasonable Superfund reform. We will need to reimpose the three Superfund taxes—namely, the corporate environmental income tax, the excise taxes on crude oil and the excise tax on chemical feedstock—to provide the revenue to pay for a fairer Superfund Program.

Why do I keep talking about Superfund? Mr. President, the Committee on Environment and Public Works reported a Superfund bill to the floor 6 weeks ago. Just yesterday, the committee received CBO's estimate on the bill. As we expected, we will need to reimpose the Superfund taxes in order to pay for the Superfund reforms and the Superfund reauthorization. In other words, if we gobble up this money now in connection with the IRS reforms, the money won't be there for the Superfund bill which we are moving along now and which has used in the past these very funds; in other words, these are Superfund taxes.

The Kerrey amendment, if adopted, would prevent meaningful reform of the Superfund Program. I could discuss at length the numerous problems that plague Superfund. There is no question it has a lot of difficulties. I am prepared to explain the solutions we propose in our comprehensive Superfund bill that is on the floor now, but it is not necessary to do that today.

While the Environment and Public Works Committee reported our Superfund bill on an 11-to-7 vote—there are 18 members of our committee, 10 Republicans and 8 Democrats—the bill was reported out in really a nearly partisan vote by 11 to 7 with only one Democratic Senator in support. However, there is bipartisan consensus that the Superfund has to be reformed.

There wasn't, obviously, agreement with the way the Republicans on the committee wanted to proceed, but, nonetheless, there is agreement that the Superfund legislation needs to be reformed. Indeed, I see the ranking member of the committee now, and he devoted many hours of his time to this effort for reform.

He also knows it will be necessary to offset the spending in any Superfund reform by reimposing these Superfund taxes. This was the case when Senator BAUCUS chaired the committee and reported a Superfund bill in 1994, and it still remains the case today. If we are going to have Superfund reform, we are going to need these moneys that now are apparently being seized or attempting to be seized by Senator KERREY to use for this other purpose; namely, the IRS changes.

The Kerrey amendment would preclude any meaningful reform of the Superfund Program. In other words, how are we going to pay for the thing? We wouldn't be able to if this Kerrey amendment is adopted.

The real issue before us is whether the Senate wants to abandon Superfund reform. If we do, then go ahead and vote for the Kerrey amendment. If you don't, if you want Superfund to take place and do something about the brownfields redevelopment, for example, we have to have these moneys. There aren't other revenues around that we can use. The Kerrey amendment would preempt reform. The amendment would frustrate any Superfund reform efforts. I believe it is bad public policy to take these taxes and use them to pay for tax relief in the absence of Superfund reform.

Mr. President, I strongly hope this amendment will be rejected and that we can all agree we are saving these Superfund taxes. They will have to be reimposed at sometime when we get a reauthorization of the Superfund legislation, but let's save them for that purpose, the purpose they have been used for in the past and the purpose I believe they should be used for in the future.

I thank the Chair, and I urge my colleagues to support the ROTH amendment and to reject the Kerrey amendment.

Mr. BAUCUS addressed the Chair.

The PRESIDING OFFICER (Mr. ENZI). Who yields time?

Mr. KERREY. I yield such time as necessary to the Senator from Montana.

The PRESIDING OFFICER. The Chair recognizes the Senator from Montana.

Mr. BAUCUS. Mr. President, I thank my friend from Nebraska.

I strongly support the Kerrey amendment for several reasons. First, the funding mechanism provided for in the manager's amendment to the underlying bill, while creative and it meets the technical requirements of the budget rules, it is also very misleading. The rollover provisions in the managers' amendment do raise $8 billion in the first 5 years that the provision will be in effect, but that same provision loses $7 billion in the second 5 years—a clear revenue loss.

Here we are in the underlying amendment saying, ''OK, early on, we'll raise the revenue,'' but we don't tell the rest of the world, particularly the Congress and Senators who are voting on this, that we are going to lose $7 billion in the next 5 years.

Part of our efforts in the Congress, I hope, have been truth in budgeting not just in the first 5 years, but also beyond, in the next 5 years. Too often, this Congress has, unfortunately, hoodwinked people—the President has been part of it, both administrations, in the last 10 to 15 years—by saying, ''OK, we will meet the budget requirements in the first 5 years, but we won't tell everybody what we are doing in the next 5 years,'' and often in the next 5 years, if not disastrous, it is inimical to the American people because it tends to increase deficits rather than decrease. That is a fact. To the credit of this administration, it has tried to be truthful not only in the first 5 years, but also the next 5 years, and so has the Congress.

Here we are with an underlying amendment which goes totally against that effort on the part of good, solid statesmanlike Senators to be truthful not only in the first 5 years, but the next 5 years.

This amendment increases the deficit because it costs $7 billion more in the next 5 years. That is not right. We shouldn't be doing that. That is what this amendment does. This is a gimmick. It is purely and simply a gimmick, and that is why it is a bad idea.

The Kerrey amendment, on the other hand, raises revenue in several ways. One is by postponing some of the effective dates of the provisions. Why is that important? Not only because it raises revenue, that is only of minor importance, but the major reason is because we all know, Mr. President, this country faces a massive problem in the next year or two with the fancy term Y2K. It is computer conversion to the next millennium.

We know that most computers in our country, whether it is in the IRS, whether it is in the companies, have a system where they have two digits for the date, two digits for the month, and two digits for the year. What is today? Today is May 6, 1998. So it would be 05–06–98.

That is how the computers record today's date. All computers do that. So we get to December 1999—12–30–99, 12–31–99, and next is 01–01–00. Now, we like to think that is January 1, 2000, but most computers today will record that as January 1, 1900, because two zeros are treated as 1900, not 2000. Massive problems.

It is going to cost the IRS, to convert these computers just to meet this conversion problem, $1 billion—$1 billion just to convert. That is to say nothing of all the other costs to comply with new changes in the law.

So the Kerrey amendment is very, very logical. It is safe. Maybe a little on the conservative side. It says, let us delay the effective dates of some of these new provisions. Why? Because we do not want to further complicate the conversion problem.

This IRS restructuring bill is going to further complicate the conversion problem—further complicate it—not lessen, but further complicate it. So Senator KERREY says, well, let us not do the gimmick, let us delay the effective date a little bit, and let us also delay the effective date to take care of the Y2K problem, the conversion problem.

The underlying amendment, the manager's amendment—I have the highest regard for my friend from Delaware, the chairman of the committee—does not delay, therefore, further causes a problem for the IRS to convert and is much more expensive. It also comes up with a way to get revenue, which is a gimmick.

Some on the floor have said that extending the Superfund tax will prevent the enactment of Superfund. That is not true, just basically is not true. What is the advantage of using the extension of the Superfund tax? I will give you several.

One, it is not a gimmick. It is straight. It is right there. People know what it is. It is not a gimmick. Second, it is a tax that everybody knows about, is comfortable with. Sure, it expired a couple years ago, but everybody knows who pays the tax, what the tax is; and it would be extended I think to the year 2000, which means that the revenue is there.

Let us say Congress does enact Superfund. And I sure hope it does. I say, Mr. President, we have been working on Superfund for a long time. Let us say we enact Superfund. I hope we do. That does not mean it cannot be enacted because previously we extended the Superfund tax. Not at all. The Superfund tax we talk about here is not offset against the Superfund. It is not offset against—it is there. It is revenue and held in a pot to pay for the bill.

We can still enact Superfund. And, frankly, the underlying tax bill still pays part of Superfund. The Superfund bill will still go to the Finance Committee. The Finance Committee is pretty creative in figuring out ways to find the additional revenue, which will not be very much, basically to pay for the orphan share, the effect of the later date. There is no rocket science in the choice of the standards we have before us.

On the one hand it is the underlying amendment, which is a gimmick, which is deceiving the taxpayers, which will require this body to come up with $7 billion more revenue than otherwise is the case because we are widening the budget deficit, not decreasing it in the second 5 years.

Also, on that amendment—let me say it again. First is the underlying amendment. It further complicates the conversion problem. It is a gimmick. That is one choice. The other choice is to enact a revenue measure which is not a gimmick and which will not further complicate the conversion problem. That is the case.

Mr. President, I think the choice is pretty simple. I think it is pretty straightforward. I think, accordingly, we should put politics aside. I know the majority party is going to vote for the amendment because that is what they are told to do. That is the drill. You vote for that one. But if you step back and think a little bit about what is really going on here, I hope both parties can find a way to come together, find a way not to further complicate the conversion problem and to pass a revenue-raising measure that is not a gimmick.

Believe me, Mr. President, the Kerrey amendment is certainly the beginnings of that. Maybe with further modifications we can come together to finally get this thing passed.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Nebraska.

Mr. KERREY. I thank you, Mr. President.

First, I want to make it clear again what we are doing here. We are trying to come up with an offset for $9 billion worth of additional cost that the Senate bill has that the House bill does not. It is $9 billion worth of additional loss of revenue, $9 billion of loss of revenue that occurs as a consequence of changes that we are making in the tax law. Somebody will pay less taxes. That is essentially what this amounts to.

Mr. President, we tried to ascertain who was going to benefit from these changes. I think it is very important as we look at our tax law that we ask ourselves—since the vast majority of our taxes come from middle-income Americans and there is a significant concern on their part as to whether or not they are paying their fair share, we tried to get some distributional analysis on this thing to find out who is going to benefit from the innocent spouse provisions, the burden of proof shifts, and the Tax Court. Not many Americans go to Tax Court. There is a provision in here as well that has to do with interest being accumulated.

Unfortunately, Joint Tax was not able to give us a distributional analysis. So we are flying a little bit blind and not able to describe who is going to benefit from these provisions. The underlying issue for us, though, is we now have to find $9 billion.

We have a proposal. Chairman ROTH has a proposal. I alert colleagues, by the way, what I think will likely happen. My guess is the majority will all vote for the Roth amendment and that will pass. And if it does pass, I will not insist on a rollcall vote on the alternative amendment. There are other alternatives that we can come up with.

The baseline question is going to be for us, after the Roth amendment is accepted: How comfortable do you feel with the provisions in it? So, you will have rejected the alternative amendment, fine. Let us reject the alternative amendment. But remember this: This law now is going to contain a provision in there that is going to do something for certain taxpayers. Approximately 170,000 taxpayers will be affected by this provision in the law.

How will they be affected? That is the question we have to ask ourselves. The answer is, they are going to be entitled to pay more taxes early on, approximately—the estimate is $47,000 per taxpayer. They will pay about $8 billion total. And then they will not pay any taxes in the outyears. When they convert, they will not pay any taxes. We are trying to ascertain what the outyear costs are going to be for this program, Mr. President.

I ask unanimous consent that a response from Joint Tax to this question be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON TAXATION,
Washington, DC, May 5, 1998.

To: Mark Patterson.
From: Lindy L. Paull.
Subject: Revenue Request.

This is in response to your telephone request of May 5, 1998, for a revenue estimate of a proposal which would expand the eligibility for conversions to Roth individual retirement arrangements (''IRAs'')

Under present law, uniform minimum distribution rules generally apply to all types of tax-favored retirement vehicles, including qualified retirement plans and annuities, IRAs other than Roth IRAs, and tax-sheltered annuities (sec 403(b)).

Distributions are required to begin no later than the participant's required beginning date (sec. 401(a)(9)). The required beginning date means April 1 of the calendar year following the later of (1) the calendar year in which the employee attains age 70½, or (2) the calendar year in which the employee retires. In the case of an employee who is a 5-percent owner (as defined in section 416), the required beginning date is April 1 of the calendar year following the calendar year the employee attains age 70½. the Internal Revenue Service has issued extensive regulations for purposes of calculating minimum distributions. In general, minimum distributions are includible in gross income in the year of distribution.

Under present law, all or any part of amounts in a deductible or nondeductible IRA may be coverted into a Roth IRA. Only taxpayers with adjusted gross income (''AGI'') of $100,000 or less are eligible to convert an IRA into a Roth IRA. In the case of a married taxpayer, AGI is the combined AGI of the couple. Married taxpayers filing a separate return are not eligible to make a conversion.

If a taxpayer is required to take a minimum required distribution from an IRA for a year, the amount of the required distribution

is includible in gross income, and cannot be rolled over into a Roth IRA.

The proposal would modify the definition of AGI to exclude the required minimum distribution from the taxpayer's AGI for the year of the conversion for purposes of determining eligibility to convert from an IRA to a Roth IRA. The required minimum distribution would not be eligible for conversion.

The proposal would be effective for years beginning after December 31, 1997. We estimate that the proposal would change Federal fiscal year budget receipts as follows:

Fiscal Years:

	Billions
1998	(*)
1999	$2.6
2000	3.1
2001	3.1
2002	−0.9
2003	−1.0
2004	−1.2
2005	−1.4
2006	−1.5
2007	−1.7
1998–2002	7.8
1998–2007	1.1

(*) Gain of less than $50 million.

Note: Details do not add to totals due to rounding.

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON TAXATION,
Washington, DC, May 5, 1998.

To: Nick Giordano and Maury Passman.
From: Lindy L. Paull.
Subject: Request for Distributional Effects.

This is in response to your request dated April 23, 1998, for the distributional effects of provisions contained in H.R. 2676, the ''Internal Revenue Service Restructuring and Reform Act of 1998'' relating to: (1) the burden of proof; (2) innocent spouse relief; and (3) the suspension of accrual of interest and penalties if the Internal Revenue Service (''IRS'') fails to contact the taxpayer within 12 months after a timely filed return.

We can not provide analyses of the distributional effects of these types of proposals. In general, the information used to prepare estimates for these types of proposals does not come from statistical samples of taxpayer return information, but from various operational data bases within the IRS collectively referred to as administrative data. Administrative data does not contain the type of taxpayer income information necessary to prepare a distributional analysis. Moreover, often the data are in an aggregate form so that individual taxpayers can not be identified. As a result, there would be an enormous amount of uncertainty involved in characterizing the income distribution of taxpayers contained in this type of data. Should you wish to discuss this request any further, please feel free to contact me.

Mr. KERREY. Mr. President, what happens is that in the first 5 years that this provision is in effect, Joint Tax is estimating there will be $2.6 billion of additional revenue coming in year 1; $3.1 billion in year 2; $3.1 billion in year 3. Americans with incomes over $100,000, who are 70.5 years of age or older, $100,000 of retirement income or more, they will be converting existing accounts into Roth IRA accounts, and paying, on average, $47,000 for the privilege of doing that. In the year 2002, we will lose $1 billion; in 2003, we will lose $1 billion; in 2004, it goes to $1.2 billion we lose; in 2005, we lose $1.4 billion; in 2006, we lose $1.5 billion; and in 2007, we lose $1.7 billion. The trend line is up.

I remind my colleagues, in the year 2010, we will see the beginnings of the retirement of 77 million Americans called baby boomers. If you look at the cost, the outyear cost of our mandatory programs, you can see clearly what is going to happen.

In order to fund a tax cut for Americans who have $100,000 a year of retirement income and up, because their heirs or whoever is converting and not going to pay any taxes on this income, in order to fund a growing tax cut for these individuals, we are going to be cutting programs for middle-income Americans. It is an inescapable thing that we will be facing.

So, again, I want my colleagues to understand, issue No. 1 is, do you want to spend another $9 billion to reduce the taxes of Americans who have been affected by innocent spouses who go to Tax Court or who have other problems that are identified in this bill? If the answer is yes, then you have to find an offset. And what we have is the chairman's proposal to reduce the taxes of upper-income Americans, or more likely their heirs, at some point out in the future, and that point is the very point when our mandatory programs are going to be squeezing all of our discretionary programs even worse than they are today.

My expectation is the majority will come down and vote for the amendment that the Senator from Delaware has offered, the chairman of the Finance Committee. As I said, I will not insist on a rollcall vote on ours.

Colleagues, I hope both Republican and Democrats will look at this pay-for. It will not be too late for us to change it. We can still change it on this floor. We can change it in conference. I don't think when you examine the details of this pay-for that you will be very comfortable going home to Nebraska or other States, first of all, finding somebody who has over $100,000 worth of retirement income and saying, ''Congratulations, your heirs won't pay any taxes on whatever asset you convert to a Roth IRA.''

Mr. DORGAN. Will the Senator yield?

Mr. KERREY. I am happy to yield to the Senator.

Mr. DORGAN. I venture to say most Members of the Senate are not very familiar with this issue because the bill was brought to the floor and a mechanism to pay-for—it is brought to the floor this morning; I guess it was disclosed yesterday.

As I looked at it, it seems to me it is exactly as the Senator from Nebraska described. But even more than that, it is a device by which you bring some money here and say this is really paid for but. In fact, the cost in the outyears is very substantial.

It is just a timing issue, kind of a clever timing issue, but in my judgment not a very thoughtful way to do this bill.

Mr. KERREY. The Senator from North Dakota is exactly right.

I hope colleagues will look at this letter from the Joint Tax Committee. This is the tip of the iceberg. The tax only scores 10 years out. They are saying, yes, Americans with over $100,000 in retirement income converting to a Roth IRA pay $47,000 in taxes each, and that will add to $2.6 billion by year 1, 2, 3, but after that it starts to cost more and more money as the individuals convert and don't pay any tax on their income. That is basically what will happen—and it grows.

I say to the Senator from North Dakota, not only are you exactly right, but in the fourth year it costs $900 million and in the 10th year it is $1.7 billion. It is going up. This is less taxes that upper-income Americans will pay on these retirement accounts. As I said, it is apt to be the heirs.

Who will pick up the slack? We know who will pick up the slack. If this amendment is accepted, which I suspect it will, I hope colleagues will look at the details of it. If you want to spend another $9 million in the second 5 years to pay for all the things that we added in the Senate Finance Committee, most of which are good and reasonable, if you want to add those provisions, the question is how will you pay for it. My hope is that we will find an alternative to this.

Mr. DORGAN. If the Senator will yield, I think I understood the Senator to say you were not able to get any burden tables or distribution tables to determine who gets the benefit of this proposal. That is troublesome because when ideas are brought to the floor as late as this, you are unable to get information about who this is going to benefit and how.

Mr. KERREY. The Senator is right.

Title 3 of the bill is called the taxpayer rights provision. I worked very hard on those provisions. We extended lots of new taxpayer rights. In the bill that Senator GRASSLEY and I introduced in the Finance Committee—and I voted for it—we added some additional rights.

The problem is we don't know who will benefit from those tax reductions. We know three principal provisions cost us money. One is the shifting of burden of proof in Tax Court. For citizens, they need to ask themselves, do they go to Tax Court? If they don't go to Tax Court and don't have the experience on a regular basis in Tax Court, they will not bill.

The second provision is called innocent spouse relief. They have to ask, will that affect me? Seventy percent of Nebraskans do not itemize their deductions. They will not be impacted by the second one.

The third one, the suspension of the accrual of interest and penalties if the IRS fails to contact the taxpayer within 12 months after a timely filed return. Again, ask yourself who will be affected by this? We were unable, I regret, to get from the Joint Tax Committee an answer to that. We don't know who will benefit from those three additional provisions, but that is what is costing us the money. That is why we have to find some kind of an offset.

As I said, I understand the die is likely to be cast and we will probably have 55 votes for the Roth amendment and 45 votes against. I will not ask for a rollcall vote on our alternative, but I appeal both to Republicans and Democrats on the floor to examine what it is we are about to do and ask ourselves, do we want to open up a hole in revenue in the outyears as a consequence of these conversions that will benefit a relatively small number of Americans who have retirement income in excess of $100,000 a year.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Delaware.

AMENDMENT NO. 2339

Mr. ROTH. Mr. President, as I mentioned earlier, Alan Greenspan says that America's most important economic problem is its low savings rate. With that, I agree. As a practical matter, I have done my very best the last several years to try to build the kind of incentives into the tax picture that would promote savings on the part of the American people. The rollover provision in this amendment is a small step toward resolving our No. 1 economic problem.

Just let me point out what we are saying. What we are proposing is letting older people keep the money that they have saved. We are not asking them to do anything that others are not able to do. As a practical matter, the way the system now works, it discriminates against the older people. The problem is that if you are under the age of 70½, there is no requirement that you make withdrawals from your IRA. It is only when you reach 70½ that you are required to do so under the deductible IRA. So there is a built-in discrimination against the senior citizens. I think that is wrong.

Again, let me emphasize what we are talking about. What we are proposing is to treat these older Americans, those that are over 70½, to have the same kind of treatment as those that are younger than 70½. As I said, if you are under 70½ there is no requirement of withdrawals, and of course the basic problem is that if you have income in excess of $100,000 you are not entitled to this benefit.

Let me correct one further point that has been made. My distinguished friend and colleague, Senator KERREY, has said that the purpose of the IRA rollover provision is to allow heirs to escape payment of estate taxes. That is just not the case. If the IRA is part of the estate, then the individual who passes on is subject to the estate tax. If he or she tries to give it during the lifetime to someone else, and it is a permanent irrevocable gift, then it is subject to the gift tax. So there is no escaping of estate taxes by this provision.

Let me just say, as we all know, the Roth IRA has become a very popular savings vehicle. A taxpayer, as I said, who has a regular IRA may convert their regular IRA into a Roth IRA as long as the taxpayer and the taxpayer's spouse have adjusted income of $100,000 or less. Again, let me repeat, older Americans are now required to receive minimum distribution from their regular IRA on an annual basis beginning in the year following the year they attain the age of 70½. Those required distributions must be counted, under current law, as part of the older taxpayer-adjusted gross income, which in some instances will cause these older Americans to become ineligible to roll over their IRAs.

My amendment gives these older taxpayers the opportunity to roll over their IRAs into Roth IRAs by not counting these required minimum distributions toward $100,000 adjusted growth income.

It is only fair, in my judgment, that these older taxpayers are given the same ability to roll over their IRAs and not be penalized because they must take distribution from their regular IRA solely because of their age.

Let's be clear here, the revenue cost by this provision comes from taxpayers who will pay tax on their regular IRA when they convert to the Roth IRA. These conversions are entirely voluntary on the part of the taxpayers.

Mr. President, I ask the Members of this distinguished body to support the Roth amendment because I think it brings equity into the picture and only treats the senior citizens the same as the younger.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. KERREY. Mr. President, as I said, the die is cast on this thing. This amendment is going to be accepted. The question is, Will we have any reexamination moment? We will reexamine what we are about to do?

Again, this affects people with incomes over $100,000 in retirement income. To get $100,000 in retirement income, I am probably going to have to have a million or more dollars in liquid assets that are earning this income. I would probably have tax-exempt bonds that I own as well. This is a very select group of people. We are not penalizing them; we are treating them like everybody else. I am capable of feeling sympathy for low- and moderate-income seniors who are struggling to pay for health care bills, and about making certain that Americans have the opportunity to save. But we are not helping Americans who are struggling to save with this. These are Americans who have accumulated a substantial amount of wealth.

If we want to help struggling Americans, we ought to cut the payroll tax, as Senator MOYNIHAN is proposing, giving Americans an $800 billion cut in taxes; that would go immediately into savings. That is exciting to me. And 98.5 percent of Americans die with estates under $600,000. We are talking about 1.5 percent of the American people who have estates over $600,000. You have to have an estate over a million dollars in order to generate $100,000 worth of income.

Please don't tell me that tax lawyers and tax advisers can't figure out a way to transfer this to your heirs. If that assertion is made by a colleague, let's bring a tax adviser in before one of our committees and ask them. It darn sure can, and they darn sure will.

This provides a benefit for a very small amount of Americans, and, frankly, it is very difficult to make the case that they need a benefit. They are not treating them in a fashion that is equal; they are treating them unequally with other Americans who are in the workforce and might be looking to retirement accounts as well.

Mr. President, this pay-for ought to be rejected by this body; it is going to be accepted nonetheless. I hope we have some "morning after" doubts about this, after examining whom it is going to benefit and the dilemma it will pose to us down the road. I don't know how many in this body expect to be here 6, 7, 8 years from now, but if you are here, one of the questions you are going to have to answer is: Why did you give away $2 billion a year back in 1998 to less than 1 percent of the American public, who are not struggling, who are not foraging in the alley for food, and they are not trying to figure out how to make ends meet? They will use this change in the law to transfer an asset to heirs, and their heirs won't pay any taxes as a consequence.

Mr. President, as I say, I know when it is time, if not to accept defeat, to acknowledge it. I expect 55 Republican votes for this amendment. I do not intend to ask for a rollcall vote on the substitute, but I hope my colleagues, as they begin to examine what this amendment does, will ask that we come back and revisit the pay-for for the second 5 years.

I yield back whatever time I have.

AMENDMENT NO. 2340, AS MODIFIED

Mr. KERREY. Mr. President, as I indicated earlier, I have to ask for one modification. It is a date on page 2, line 2. In the earlier unanimous consent request, I indicated that I might need to modify our amendment.

I send the modified amendment to the desk, as described.

The PRESIDING OFFICER. The amendment is so modified.

The amendment (No. 2340), as modified, is as follows:

Beginning on page 277, line 4, strike all through page 279, line 25.

On page 280, line 1, strike "**3105**" and insert "**3104**".

On page 282, line 11, strike "**3106**" and insert "**3105**".

On page 286, line 1, strike "**3107**" and insert "**3106**".

On page 309, lines 7 and 8, strike "the date of the enactment of this Act" and insert "September 1, 1998".

On page 399, line 24, strike "the date of the enactment of this Act" and insert "December 31, 2001".

On page 400, lines 4 and 5, strike "the date of the enactment of this Act" and insert "December 31, 2001".

On page 415, between lines 16 and 17, insert:

SEC. 5007. CLARIFICATION OF DEFINITION OF SPECIFIED LIABILITY LOSS.

(a) IN GENERAL.—Subparagraph (B) of section 172(f)(1) (defining specified liability loss) is amended to read as follows:

''(B) Any amount (not described in subparagraph (A)) allowable as a deduction under this chapter which is attributable to a liability—

''(i) under a Federal or State law requiring the reclamation of land, decommissioning of a nuclear power plant (or any unit thereof), dismantlement of an offshore drilling platform, remediation of environmental contamination, or payment of workmen's compensation, and

''(ii) with respect to which the act (or failure to act) giving rise to such liability occurs at least 3 years before the beginning of the taxable year.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to net operating losses arising in taxable years beginning after the date of the enactment of this Act.

SEC. 5008. PROPERTY SUBJECT TO A LIABILITY TREATED IN SAME MANNER AS ASSUMPTION OF LIABILITY.

(a) REPEAL OF PROPERTY SUBJECT TO A LIABILITY TEST.—

(1) SECTION 357.—Section 357(a) (relating to assumption of liability) is amended by striking '', or acquires from the taxpayer property subject to a liability'' in paragraph (2).

(2) SECTION 358.—Section 358(d)(1) (relating to assumption of liability) is amended by striking ''or acquired from the taxpayer property subject to a liability''.

(3) SECTION 368.—

(A) Section 368(a)(1)(C) is amended by striking '', or the fact that property acquired is subject to a liability,''.

(B) The last sentence of section 368(a)(2)(B) is amended by striking '', and the amount of any liability to which any property acquired from the acquiring corporation is subject,''.

(b) CLARIFICATION OF ASSUMPTION OF LIABILITY.—Section 357(c) is amended by adding at the end the following new paragraph:

''(4) DETERMINATION OF AMOUNT OF LIABILITY ASSUMED.—For purposes of this section, section 358(d), section 368(a)(1)(C), and section 368(a)(2)(B)—

''(A) a liability shall be treated as having been assumed to the extent, as determined on the basis of facts and circumstances, the transferor is relieved of such liability or any portion thereof (including through an indemnity agreement or other similar arrangement), and

''(B) in the case of the transfer of any property subject to a nonrecourse liability, unless the facts and circumstances indicate otherwise, the transferee shall be treated as assuming with respect to such property a ratable portion of such liability determined on the basis of the relative fair market values (determined without regard to section 7701(g)) of all assets subject to such liability.''

(c) APPLICATION TO PROVISIONS OTHER THAN SUBCHAPTER C.—

(1) SECTION 584.—Section 584(h)(3) is amended—

(A) by striking '', and the fact that any property transferred by the common trust fund is subject to a liability,'' in subparagraph (A),

(B) by striking clause (ii) of subparagraph (B) and inserting:

''(ii) ASSUMED LIABILITIES.—For purposes of clause (i), the term 'assumed liabilities' means any liability of the common trust fund assumed by any regulated investment company in connection with the transfer referred to in paragraph (1)(A).

''(C) ASSUMPTION.—For purposes of this paragraph, in determining the amount of any liability assumed, the rules of section 357(c)(4) shall apply.''

(2) SECTION 1031.—The last sentence of section 1031(d) is amended—

(A) by striking ''assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability'' and inserting ''assumed (as determined under section 357(c)(4)) a liability of the taxpayer'', and

(B) by striking ''or acquisition (in the amount of the liability)''.

(d) CONFORMING AMENDMENTS.—

(1) Section 351(h)(1) is amended by striking '', or acquires property subject to a liability,''.

(2) Section 357 is amended by striking ''or acquisition'' each place it appears in subsection (a) or (b).

(3) Section 357(b)(1) is amended by striking ''or acquired''.

(4) Section 357(c)(1) is amended by striking '', plus the amount of the liabilities to which the property is subject,''.

(5) Section 357(c)(3) is amended by striking ''or to which the property transferred is subject''.

(6) Section 358(d)(1) is amended by striking ''or acquisition (in the amount of the liability)''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers after the date of the enactment of this Act.

SEC. 5009. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.

Subsection (c) of section 10511 of the Revenue Act of 1987 is amended by striking ''October 1, 2003'' and inserting ''October 1, 2007''.

SEC. 5010. EXTENSION OF HAZARDOUS SUBSTANCE SUPERFUND TAXES.

(a) EXTENSION OF TAXES.—

(1) ENVIRONMENTAL TAX.—Section 59A(e) is amended to read as follows:

''(e) APPLICATION OF TAX.—The tax imposed by this section shall apply to taxable years beginning after December 31, 1986, and before January 1, 1996, and to taxable years beginning after December 31, 2001, and before January 1, 2008.''

(2) EXCISE TAXES.—Section 4611(e) is amended to read as follows:

''(e) APPLICATION OF HAZARDOUS SUBSTANCE SUPERFUND FINANCING RATE.—The Hazardous Substance Superfund financing rate under this section shall apply after December 31, 1986, and before January 1, 1996, and after December 31, 2001, and before October 1, 2008.''

(b) EFFECTIVE DATES.—

(1) INCOME TAX.—The amendment made by subsection (a)(1) shall apply to taxable years beginning after December 31, 2001.

(2) EXCISE TAX.—The amendment made by subsection (a)(2) shall take effect on January 1, 2002.

SEC. 5011. MODIFICATION OF DEPRECIATION METHOD FOR TAX-EXEMPT USE PROPERTY.

(a) IN GENERAL.—Subparagraph (A) of section 168(g)(3) (relating to tax-exempt use property subject to lease) is amended to read as follows:

''(A) TAX-EXEMPT USE PROPERTY.—In the case of any tax-exempt use property, the recovery period used for purposes of paragraph (2) shall be equal to 150 percent of the class life of the property determined without regard to this subparagraph.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property—

(1) placed in service after December 31, 1998, and

(2) placed in service on or before such date which—

(A) becomes tax-exempt use property after such date, or

(B) becomes subject to a lease after such date which was not in effect on such date.

In the case of property to which paragraph (2) applies, the amendment shall only apply with respect to periods on and after the date the property becomes tax-exempt use property or subject to such a lease.

SEC. 5012. EXTENSION OF REPORTING FOR CERTAIN VETERANS PAYMENTS.

The last sentence of section 6103(l)(7) (relating to disclosure of return information to Federal, State, and local agencies administering certain programs) is amended by striking ''September 30, 2003'' and inserting ''September 30, 2008''.

On page 260, line 14, strike ''shall develop'' and insert ''shall, not later than January 1, 2000, develop''.

On page 305, lines 3 and 4, strike ''the date of the enactment of this Act'' and insert ''June 30, 2000''.

On page 305, lines 10 and 11, strike ''the date of the enactment of this Act'' and insert ''June 30, 2000''.

On page 308, line 13, strike ''the date of the enactment of this Act'' and insert ''June 30, 1999''.

On page 309, lines 7 and 8, strike ''the date of the enactment of this Act'' and insert ''December 31, 1999''.

On page 310, strike line 19, and insert ''December 31, 1999''.

On page 312, lines 15 and 16, strike ''the date of the enactment of this Act'' and insert ''December 31, 1999''.

On page 314, lines 3 and 4, strike ''the 180th day after the date of the enactment of this Act'' and insert ''December 31, 2000''.

On page 315, line 11, strike ''June 30, 2000'' and insert ''December 31, 2000''.

On page 324, strike lines 9 through 12, and insert:

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to collection actions initiated after December 31, 1999.

On page 343, after line 24, insert:

(c) EFFECTIVE DATE.—This section shall apply to collection actions initiated after December 31, 1999.

On page 345, lines 6 and 7, strike ''the date of the enactment of this Act'' and insert ''December 31, 1999''.

On page 348, line 6, strike ''December 31, 1998'' and insert ''December 31, 1999''.

On page 351, lines 13 and 14, strike ''the date of the enactment of this Act'' and insert ''December 31, 1999''.

On page 357, lines 6 and 7, strike ''the date of the enactment of this Act'' and insert ''December 31, 1999''.

On page 357, lines 9 and 10, strike ''the date of the enactment of this Act'' and insert ''December 31, 1999''.

On page 357, strike lines 16 and 17, and insert:

(B) December 31, 1999.

On page 362, lines 12 and 13, strike ''the 60th day after the date of the enactment of this Act'' and insert ''December 31, 1999''.

On page 370, lines 17 and 18, strike ''the date of the enactment of this Act'' and insert ''January 1, 1999''.

On page 371, line 11, insert: ''This subsection shall apply only with respect to taxes arising after June 30, 2000, and any liability for tax arising on or before such date but remaining unpaid as of such date.'' after the end period.

On page 374, lines 4 and 5, strike ''180 days after the date of the enactment of this Act'' and insert ''July 1, 2000''.

On page 379, line 15, insert '', on and after July 1, 1999,'' after ''shall''.

On page 382, line 2, strike ''60 days after the date of the enactment of this Act'' and insert ''on January 1, 2000''.

On page 383, line 14, insert '', except that the removal of any designation under subsection (a)(2)(A) shall not be required to begin before January 1, 1999'' after ''Act''.

On page 385, lines 7 and 8, strike ''the date of the enactment of this Act'' and insert ''January 1, 2000''.

AMENDMENT NO. 2339

The PRESIDING OFFICER. The Senator from Delaware has 4 minutes remaining.

Mr. ROTH. Is the Senator ready to yield the balance of his time?

Mr. KERREY. Yes, sir.

Mr. ROTH. Mr. President, I yield the balance of my time.

The PRESIDING OFFICER. All time is yielded back.

Mr. KERREY. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Under the previous order, the question is on agreeing to the ROTH amendment No. 2339.

The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from North Carolina (Mr. HELMS) is necessarily absent.

Mr. FORD. I announce that the Senator from Hawaii (Mr. AKAKA) is absent due to a death in the family.

The PRESIDING OFFICER (Mr. FRIST). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 56, nays 42, as follows:

[Rollcall Vote No. 120 Leg.]

YEAS—56

Abraham	Faircloth	McConnell
Allard	Frist	Moseley-Braun
Ashcroft	Gorton	Murkowski
Bennett	Gramm	Nickles
Biden	Grams	Roberts
Bond	Grassley	Roth
Brownback	Gregg	Santorum
Burns	Hagel	Sessions
Campbell	Hatch	Shelby
Chafee	Hutchinson	Smith (NH)
Coats	Hutchison	Smith (OR)
Cochran	Inhofe	Snowe
Collins	Jeffords	Specter
Coverdell	Kempthorne	Stevens
Craig	Kyl	Thomas
D'Amato	Lott	Thompson
DeWine	Lugar	Thurmond
Domenici	Mack	Warner
Enzi	McCain	

NAYS—42

Baucus	Feinstein	Leahy
Bingaman	Ford	Levin
Boxer	Glenn	Lieberman
Breaux	Graham	Mikulski
Bryan	Harkin	Moynihan
Bumpers	Hollings	Murray
Byrd	Inouye	Reed
Cleland	Johnson	Reid
Conrad	Kennedy	Robb
Daschle	Kerrey	Rockefeller
Dodd	Kerry	Sarbanes
Dorgan	Kohl	Torricelli
Durbin	Landrieu	Wellstone
Feingold	Lautenberg	Wyden

NOT VOTING—2

Akaka	Helms

The amendment (No. 2339) was agreed to.

Mr. ROTH. Mr. President, I move to reconsider the vote.

Mr. KERREY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

VOTE ON AMENDMENT NO. 2340

The PRESIDING OFFICER. Under the previous order, the question occurs on amendment No. 2340.

The amendment (No. 2340) was rejected.

Mr. ROTH. Mr. President, I move to reconsider the vote.

Mr. KERREY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BYRD addressed the Chair.

The PRESIDING OFFICER. May we please have order. The Senator from West Virginia is recognized.

Mr. BYRD. Mr. President, this request has been cleared with the leaders on both sides.

I ask unanimous consent that the distinguished Senator from Texas, Mrs. HUTCHISON, and I may proceed for not to exceed 35 minutes as in morning business for the purpose of introducing a bill and speaking thereon.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from West Virginia is recognized.

(The remarks of Mr. BYRD and Mrs. HUTCHISON pertaining to the introduction of S. 2036 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

Mr. BYRD. Mr. President, I understand that Senator KOHL wishes a few minutes on another matter.

Whatever remaining time remains under our request, I ask that the Senator from Wisconsin, Mr. KOHL, have the remaining time.

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

The Senator from Wisconsin is recognized.

Mr. KOHL. Thank you, Senator BYRD.

Mr. President, I rise today in strong support of the IRS Reform bill. There is no doubt that this bill will count among the most important pieces of legislation that we will pass in the 105th Congress. A great deal of thanks and appreciation is due to Senators ROTH and MOYNIHAN for their work sheperding this bill through the Finance Committee, and most especially to my friend from Nebraska, Senator BOB KERREY, whose efforts on the Restructuring Commission and tireless advocacy brought us here today.

We have all been struck by the stories of abuse of taxpayers by overzealous or self-serving IRS employees. And all of us have received calls of concern and outrage from constituents who feel they have been treated unfairly by an agency that wields a tremendous amount of power in the daily lives of Americans.

We have also learned of retaliation against honest IRS employees who worked hard and wanted to do the right thing by speaking out against abuses. This legislation will go a long way towards addressing these problems.

It will also go a long way toward making the agency more effective in its policy mission and more responsive to budget constraints. We have all witnessed the $4 billion debacle of the IRS computer modernization effort and want to ensure resources are allocated responsibly in the future.

As ranking member of the Treasury Appropriations Subcommittee, I have had the opportunity to meet the Commissioner of the IRS, Mr. Rossotti, and am encouraged by his strong background in management and information technology. The legislation before us will provide the Commissioner with tools to put together a high-quality team to run the agency, and award those who do their jobs well.

This bill also includes new sources of outside oversight of the agency, such as the Oversight Board and the new Treasury IG's Office for Tax Administration. Coming from the business world, I know the importance of accountability and constant self-examination. Management and employees should always be looking for ways to do their jobs more effectively and be open to constructive criticism.

But for too long, the IRS has operated as if it were a class by itself, somehow above the standards of efficiency and customer service that any American business must follow to survive.

We have witnessed the effects of this problem in my home state of Wisconsin. For the past two and a half years, we have worked to address allegations of misconduct and discrimination at the Milwaukee-Waukesha IRS Offices. These allegations were discussed at length at the Committee hearings last week, and were so serious that some IRS employees felt the need to sneak into my office in Milwaukee to report on abuses.

Employees feared retaliation and alleged again and again that management was allowing, if not promoting, a hostile work environment. Such a deplorable situation of fear and intimidation is unacceptable, must be stopped, and must be prevented from happening in the future.

This bill sets up a confidential means through which honest employees can report allegations of abuses. In addition, I am offering an amendment with my colleague, Senator FEINGOLD, to ensure that oversight of the Milwaukee office is a top priority of the new IG. This legislation will prevent abuses in the future, but we must also be vigilant in dealing with serious problems that have yet to be resolved in the present.

Mr. President, while taking time to mention only a few of the many important provisions of this bill, I want to urge my colleagues to support this legislation.

We have a historic opportunity to right future wrongs and be party to the creation of a more consumer-friendly, efficient and responsible IRS. Let us seize that opportunity with enthusiasm and without further delay.

Mr. BYRD. Mr. President, I yield back the balance of the time.

Mr. BOND addressed the Chair.

The PRESIDING OFFICER. The Senator from Missouri is recognized.

Mr. BOND. Mr. President, I will rise to introduce an amendment, but I will defer to my colleague from Delaware if he wishes to ask for a time agreement.

Mr. ROTH. Mr. President, I say to the distinguished Senator that I do want to ask for an agreement on the 40 minutes, but I have to wait for Senator KERREY to return. I will raise that when he comes.

Mr. BOND. Mr. President, I rise in support of the Internal Revenue Service Restructuring and Reform Act that we are now considering. Over the past several months Senator ROTH and his Finance Committee have done an exemplary job of reviewing the legislation sent to us by the House and identifying ways to improve and strengthen that bill. And it's been well worth the wait. I also commend my colleague from Delaware and his committee for including a number of the proposals that I introduced as part of my Putting the Taxpayer First Act, earlier this year. They represent suggestions that I received from Missourians and small business owners across the country, who have called, written, and stopped me on the street to stress the need for IRS reform and greater taxpayer rights.

While I believe we have made substantial progress toward that goal, one aspect of this bill continues to trouble me—the creation of the so-called oversight board. As currently proposed, a majority of this board will consist of six individuals who must split their time between watching over the IRS and running their private-sector businesses—each of which can be more than a full-time job. And even if these individuals can dedicate sufficient time, their ability to make real changes for the benefit of taxpayers amounts to little more than advice to the Commissioner, which he may or may not decide to take.

Despite these issues, the creation of a part-time board has been portrayed by many as the linchpin of solving the problems at the IRS. But when has such a part-time advisory board ever turned around a governmental agency as vast as the IRS and with such a poor record of service to millions of Americans? I have searched for a comparable success story within our government, and came up dry. And while some point to Canada's Revenue Office as an example, Canada's part-time board is still on the drawing board. Consequently, I think we are placing too much reliance on the untested and unproven concept of a part-time board to bring fundamental change to the IRS.

If we are going to create a board to steer the IRS back on course, let's do more than add some window dressing to this troubled agency. America's taxpayers deserve a well-managed agency committed to service. The amendment I offer today establishes the framework to accomplish that goal.

Mr. President, my amendment creates an independent, full-time Board of Governors for the IRS, which will exercise top-level administrative management over the agency. The Board of Governors will have full responsibility, authority, and accountability for the IRS' enforcement activities, such as examinations and collections, which are often at the heart of taxpayer complaints about the IRS. In addition, the Board will oversee the Office of the Taxpayer Advocate and the new independent appeals function required by the bill.

Under my amendment, the Board of Governors will consist of five members appointed by the President and confirmed by the Senate, each with a staggered five-year term. Four of the members will be drawn from the private sector. Overall these members will bring private-sector experience critical to the management of an agency like the IRS. Of equal importance, they will bring the perspective of the diverse group of taxpayers the IRS must serve, including individuals and small and large businesses. The fifth member of the Board will be the Commissioner of Internal Revenue, who will also serve as the Chairman of the Board of Governors.

The board I envision through this amendment corrects the major weaknesses of the bill's part-time advisory board. First, my full-time Board of Governors is a permanent solution to the management difficulties that have plagued the IRS for years. It seems like little more than a token gesture to create an oversight board for the IRS and have it expire after 10 years, as set out in the bill. If a board is expected to turn the IRS around, wouldn't it make sense to continue the reason for that success story?

Second, my full-time Board of Governors will have real authority to make a difference. The Board's direction is to ''oversee the Internal Revenue Service in the administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws or related statutes and tax conventions to which the United States is a party.'' The only exception to this broad authority is that the Board will have only a consultative role in developing tax policy.

In contrast, the part-time advisory board recommended by the Finance Committee starts with broad authority but is quickly whittled down essentially to an advisory role. For instance, the part-time board would have no responsibility or authority with respect to tax policy. In my view, good tax policy must take into account more than just revenue and collections; it must consider the burdens that the law imposes on the taxpayers and the corresponding burdens involved in administering and enforcing those laws. A full-time Board of Governors managing the IRS will be uniquely qualified to provide critical perspective and feedback to the Treasury Department in crafting future tax proposals.

Similarly, the bill's part-time board would have no responsibility or authority over specific IRS law enforcement activities or personnel actions.

These restrictions fly in the face of the testimony that the Finance Committee received just last week, not to mention to committee's hearings last fall. Each of us was shocked by the taxpayers and IRS employees who came forward with accounts of poor service and abuse, and many of these cases involved IRS examination or collection activities. Moreover, these horror stories merely echo the countless letters and calls that each of us receives from taxpayers embroiled in disputes with the IRS in our home states.

Can any of us suggest, with a straight face, that creating a part-time advisory board will ''fix'' the IRS when that board cannot know about or address specific enforcement or personnel problems? While I am not suggesting that the IRS board should address every taxpayer grievance, the board should be able to take action with respect to specific types of examination and collection problems and those that involve IRS personnel.

Some will argue that the expansion of the taxpayer-confidentiality rules addresses this issue. I must disagree. The information that the part-time board will receive under this provision is dependent on the discretion of the Commissioner and the Treasury Inspector General. For too long, ''section 6103'' has been a convenient shield for the IRS to hide behind, and it will be too easy for that practice to continue leaving the board in the dark about the types of problems described all too clearly in the Finance Committee's hearings. In addition, limited access to taxpayer information won't help the board address personnel problems in the agency, which is critical if we are to restore credibility to the term ''service'' in its name.

My amendment resolves this problem. As full-time employees, the four members of the Board of Governors drawn from the private sector will have access to the same information available to the Commissioner. Moreover, the Board under my amendment will have authority to address personnel issues. As a result, their hands will not be tied when it comes to restoring taxpayer service and respect in all IRS enforcement activities.

The bill's part-time advisory board also starts out with authority to review and approve reorganization plans for the IRS. Yet tucked away at the end of the effective date section is a provision barring the part-time board from approving the current plan to reorganize the IRS along customer lines. This contradiction simply defies reason.

I am a strong advocate of reorganizing the IRS into divisions that serve

particular taxpayers with similar needs, like individual taxpayers and small business owners, and I included such a plan in my Putting the Taxpayer First Act that I introduced. IRS Commissioner Rossotti has also embraced this approach. With so much support, why should we restrict even a part-time advisory board from approving such a fundamental restructuring of the IRS but require its review and approval for all future plans? The full-time Board of Governors under my amendment would be required to evaluate and sign-off on all plans to reorganize the agency—it only makes sense!

Mr. President, besides giving the IRS board real authority to run the agency and make critical changes, my amendment also ensures that the members of the Board of Governors are sufficiently committed to the task. Having been governor of my state of Missouri, I have some appreciation of the time and energy it takes to run a large organization. But I can't begin to imagine how I could have hoped to make a difference if I spent only a few days a year commuting to our capital, Jefferson City, to govern the state, and spent the rest of my time running a successful business or even a not so successful law practice. That is the trap we will create with a part-time advisory board for the IRS.

The IRS has over 100,000 employees spread across the country and around the world. The agency has a budget of over $7 billion, and it collects more than $1 trillion each year from millions of taxpayers. It is an imposing task for even a full-time Board of Governors to reform an institution of this size—common-sense suggests it is an impossible task for a part-time advisory board.

What's more, the proponents of the bill contend that its part-time board will improve accountability within the IRS. But take, for example, a part-time board member who is an executive in a major corporation headquartered on the west coast. He flies to Washington several times a year as part of his IRS oversight responsibilities. How can he be accountable for the daily actions of this enormous organization when he is little more than a hostage to its bureaucracy on his occasional visit to Washington? If we are going to make changes to the IRS' management structure, we should give them a real chance for success and give the taxpayers confidence that reform can be achieved.

Mr. President, while not everyone will agree with my proposal, let's take a moment to look at some arguments I've heard so far. Some have commented that we won't get the best people to serve on the IRS board if they have to leave their private-sector jobs for a tour of government service. As an example that just the opposite is true, I point to our current IRS Commissioner. In my assessment, Commissioner Rossotti has outstanding credentials and has been very successful as a business owner in the private sector. In addition, I think most of my colleagues would agree that he has done an exceptional job during his short tenure at the helm of the IRS.

This criticism also rings rather hollow when we look at the individuals who have served on similar full-time boards and commissions throughout the government, like the Federal Reserve, the Federal Trade Commission, and the Securities and Exchange Commission, to name a few. I've never heard it suggested that we scrape the bottom of the barrel to find people qualified to serve in these full-time positions. Just the opposite is true. As Commissioner Rossotti, Treasury Secretary Rubin, and many others have demonstrated, there are business leaders in this country who are willing to take leave from their private-sector lives to serve the public.

Others have argued that the IRS Commissioner doesn't need a full-time board to run the agency, especially since the bill gives the Commissioner broader authority to bring in senior management talent. If that's true, why do we need a board at all? Why not have just Alan Greenspan run the Federal Reserve or Arthur Levitt oversee the securities markets? Surely the same arguments would apply to those boards and those commissions.

I believe there is value in having a core group of individuals who bring important talents and experience to complement the Commissioner's management of an agency like the IRS. Just as with other boards and commissions throughout the government, these individuals can share the top-level management burdens and allow the Commissioner to focus on the most pressing issues completely and quickly.

A third issue raised by my opponents is that a full-time board with real authority will make the IRS too independent. So what exactly is the problem? Sadly, there have been allegations in recent years that the IRS is being used for politically-motivated audits. Whether true or not, such assertions severely undercut any efforts to instill confidence in our tax-administration system. While I applaud the provision in the bill that prohibits Executive Branch influence over taxpayer audits, we can further ensure that result by establishing a board with representatives of both political parties, as my amendment requires. In the end, there should be nothing partisan about helping taxpayers to comply with the tax laws in the least burdensome manner possible.

Mr. President, my amendment offers a straight forward, common-sense solution for the management of this troubled agency and it cures the inherent weaknesses of the part-time advisory board called for in the bill. With a vast number of agencies across this city, including the city itself, managed under full-time boards and commissions, we have ample evidence that this structure can work for the IRS. In my opinion, if we want more than window dressing on the current management structure, a full-time, full authority, full accountability Board of Governors is the answer.

A part-time advisory board will not make a difference in how the agency is run. If we need a board, we need a full-time board. We don't need a part-time advisory board. Otherwise, if we do not want to have a full-time board, let's leave the agency's management alone, because when has a part-time advisory board ever turned an agency around? I suggest never.

AMENDMENT NO. 2341

(Purpose: To strike the Internal Revenue Service Oversight Board and establish a full-time Board of Governors for the Internal Revenue Service)

Mr. BOND. Mr. President, I send my amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Missouri (Mr. BOND) proposes an amendment numbered 2341.

Mr. BOND. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. ROTH. Mr. President, as I indicated before the distinguished Senator from Missouri spoke, we had a tentative agreement of 40 minutes for this amendment, with 20 minutes to a side. I ask that we unanimously agree to that with the time that the distinguished Senator used to discuss the amendment being deducted from the 20 minutes. I understand that is roughly 13 minutes. Is that satisfactory?

Mr. BOND. I ask for 10 minutes, because there are others on this side who may wish to speak.

Mr. KERREY. Mr. President, I wonder if the Senator from Delaware would agree—Senator REID has an amendment he wants to bring right after this—that we stack these votes, and have a UC to have both of these votes stacked.

Mr. ROTH. That would be fine.

The PRESIDING OFFICER (Mr. BURNS). Is there objection?

Mr. KERREY. We would have to get a time agreement.

Mr. ROTH. Let's agree on the Bond amendment first; the agreement being 40 minutes divided between the two sides, and that Senator BOND would have the remaining 10 minutes.

Mr. BOND. That is correct. Mr. President, 20 minutes for the side in opposition, and 10 minutes.

Mr. ROTH. And no second-degree amendments.

The PRESIDING OFFICER. Could I ask the Senator to restate the unanimous consent request.

Mr. ROTH. Mr. President, what we are proposing for unanimous consent is 40 minutes for consideration of the amendment to be divided between the

two sides, that it be agreed that the distinguished Senator has 10 minutes remaining on his side of the 20 minutes.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. ROTH. And I would also add there would be no second-degree amendment.

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

Mr. KERREY. Could we modify it so we go to Senator REID'S amendment next and have rollcall votes not before 1:15?

Mr. ROTH. Let's wait on the rollcall votes. We can go ahead with the Reid amendment.

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

Mr. BOND. President, I ask for the yeas and nays on this amendment.

The PRESIDING OFFICER. Is there a sufficient second? There appears to be a sufficient second.

The yeas and nays were ordered.

Mr. BOND. Mr. President, I ask unanimous consent that there be a minute on each side for the proponents and opponents to state their case on the amendment since the vote is going to be stacked later.

Mr. ROTH. That is fine.

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

Mr. ROTH. I yield 10 minutes to the distinguished Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa is recognized for 10 minutes.

Mr. GRASSLEY. Mr. President, I, unfortunately, oppose the amendment by the Senator from Missouri. I say ''unfortunately'' because the Senator from Missouri has good motives in offering his amendment. They come from the fact that he has been an outspoken advocate for small business in the Senate. He has made a career of promoting an environment very good to small business, and obviously we all know that sometimes the Internal Revenue Service is one Government agency that tends to be anti-small business. We had a lot of information coming out of our hearings that IRS agents are told to go after the small people—forget about the bigger, wealthier people—because smaller people do not have the resources to fight.

That is particularly true of small business where you have accumulated some wealth in a small business but you do not necessarily have a lot of income. And so you do not have the resources to fight the IRS. So I do not find fault with the motives behind what Senator BOND is trying to do.

I definitely believe this bill we have before us, including the provisions for an advisory board, has been well thought out. The National Commission on the Restructuring of the IRS created the concept of this Board. We assessed the various pros and cons of separating the IRS from the supervision of the Secretary of the Treasury and making it more independent. We decided that it needed more independence. Next, we had to decide how the independent operation should be governed. To answer this, we came up with the Oversight Board.

So I thank Senator BOND for his advocacy for small business and his concern about this important legislation. But at the same time I think I must rise in opposition to this amendment. The Commission came up with this idea of having an oversight board for the IRS after months and months of discussion and consideration. It was a recommendation that we on the Commission put in our report because we thought it would keep the IRS on track and improving in the right direction. The Senator from Nebraska and I made this board one of the centerpieces of our legislation, S. 1096, which, of course, was the first comprehensive IRS reform legislation introduced in the Senate.

The National Commission on Restructuring of the IRS—Senator KERREY and I, two members of the House of Representatives, and 13 other people served on this Commission. Ten of the members were nongovernmental, private sector people who knew about the problems that the private sector was having with the IRS. We fully considered adopting a full-time oversight board at one time, but we came to the conclusion that it was not an advisable thing to do. We decided that this part-time board would be more effective, and I will give you the reasons for that.

First of all, the purpose of the board is to be advisory, not to manage the IRS. It is meant to function like a corporation's board of directors. It is not intended to get involved in the day-to-day operations of the IRS because the IRS already has a leader—the commissioner. And by the way, this is the first nonlawyer and more specifically nontax lawyer who has been head of the IRS. Mr. Rossotti, or somebody with his background from private sector management, brings to the management of the IRS a person who is consumer oriented, customer oriented. His own private sector corporation had to satisfy his consuming public for the services that he sold or he would not have been in business. He would not have developed a successful business. So to have a nontax attorney for the first time running the IRS is very, very good because it brings somebody in there who knows that organization ought to serve the taxpayers and not be a master of the taxpayers. He has already led the organization in some important changes and I have great confidence that he will continue to make productive changes. He will do a better job because of this legislation.

In addition, it seems to me that a full-time board would not attract the people who we want to attract to this board. A full-time board too often in this town attracts inside-the-beltway, Washington career people. That is not the type of person we want on the board.

What the IRS needs is guidance from people who come from the real world of work, people outside the beltway, people who are real Americans. It needs experts in business, management and customer service. It needs people who are willing to take the time in the name of public service to help guide the IRS, through this recovery period it is now in. The IRS does not need people who consider the full-time job of being on the IRS board a good career move. The fact is the people we want to serve on this board will not give up their full-time jobs to do it.

This bill is not intended to create more bureaucracy. We have too much bureaucracy already. This is generally true throughout Government. But we found it is definitely the case in the IRS. A full-time board would just be one more layer in an organization with way too many layers of bureaucracy already. For these reasons, I ask my colleagues to join me in opposing this amendment. If we want the IRS to be customer friendly, like a corporation must be, we must give it a corporate-like board.

I thank the Chair. I yield back the remainder of my time to be reserved.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 5 minutes to the distinguished Senator from Nebraska.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. KERREY. Mr. President, let me first do as the Senator from Iowa did, Senator GRASSLEY, and compliment the intent of the distinguished Senator from Missouri. I started out exactly where the Senator from Missouri is, considering that a full-time board would be best. What I have concluded is that over time, examining what this board is going to be doing—and let nobody doubt, by the way, this board has substantial powers. This is not an advisory board. There are a number of things that we specifically say they cannot do, in order to avoid conflict of interest with procurement and with personnel and with confidentiality, but this board oversees the IRS in its administration, its management, its conduct, its direction, and its supervision of the execution and application of the IRS law.

It has substantial powers in making recommendations to the President as to who the Commissioner ought to be and has the power to recommend the Commissioner ought to be terminated. I urge colleagues to look at section 1102 of the proposed legislation.

I share the conclusion Senator GRASSLEY has just iterated in his opposition to this amendment; that is, that a full-time board would actually restrict our capacity to go out and get the people with the kind of talent that we need to be on this board in the first place. There are an awful lot of Americans who have expertise in management, have expertise in computers, have expertise in the operation of a large organization. They especially

have expertise in restructuring, which is going to be a very, very important piece of work that Mr. Rossotti will have the authority to do, restructuring and changing the nature an organization.

We need people with all those kinds of expertise. And if you require the individual to serve full time, my conclusion, strongly felt, is you will exclude large numbers of citizens who would say: If it is part time, I'm prepared to sit on this Board as a consequence of my desire to improve the way this IRS is operated. My desire to improve it is strong enough to serve part time, but I can't possibly do it full time. We are going to reduce the list if we make it full time, of citizens who could serve this in this way.

In addition, I point out this board sunsets in 2002; thus, Congress would have the opportunity to revisit and make a determination as to whether or not, as a result of the experience that we have had, this board needs to be full time.

So I urge those who were concerned about this board being part time, on the one hand to consider we are going to restrict our ability to get the kind of expertise that is needed on this board, and, second, we will have an opportunity, after 5 years, to revisit this issue. If the experience of this board is that they are recommending to us that full time would be better than part time, we will have ample opportunity to make that judgment.

I urge my colleagues, with great respect to the Senator from Missouri and his intent, to vote against this amendment.

The PRESIDING OFFICER. Who yields time?

Mr. BOND. Mr. President, I yield myself such time as I may require. I thank my colleagues from both Iowa and Nebraska for their very thoughtful comments. As I said earlier, I appreciate so much the excellent work the Finance Committee has done on restructuring of the IRS. Truly, it is a very important issue.

Primarily, I hear them raising the point that we can't get people to serve if we have a full-time board. We are making it a small board. We need four individuals who want to serve.

Some say you can have part-time people who can come in and get the big picture authority. The problem is, we need them to work on specific law enforcement activities and personnel actions. We are not talking about somebody giving them the big picture; we are talking about somebody taking management responsibility. If individuals would serve, is their question. They say we can't get good individuals to serve.

We have the Commissioner of the IRS. He came from the private sector. He was willing to move in. Private-sector individuals have served, and have served with great distinction, in related areas, where they do an excellent job. Why should we think it is harder to get people to serve on the IRS board than it would be to serve on the FTC board or on the SEC? These are issues that I think are very closely related. If we can't get good people to serve on that board, I would be very much surprised. We would not see a part-time advisory board dealing with actual cases of taxpayer abuse. They would have to do so only when the Commissioner or the Treasury Inspector General said they could.

Let's just take an example—the alarming revelation last week that former Secretary Howard Baker and former Congressman James Quillen were the targets of a vendetta by a rogue IRS agent. Even more troubling, more troubling is that the agent's activities were covered up by numerous officials in the IRS district office.

This case clearly demonstrates a pattern of bad behavior in one office, but it may be indicative of structural or procedural defects throughout the agency. Are we really going to tie the hands of the IRS board and only permit it to review such problems as the Commissioner or the Treasury IG permit it? I say not. If we are going to do the job, we ought to do it right. Without this authority, the board will only find out about the problems like the rest of us—when the press points them out or when we have to go through a congressional hearing.

The problems of the IRS are well known. Now we need to make sure we fix them, not just tinker around the edges. The Bond amendment replaces the IRS management structure of a Commissioner plus a part-time limited authority board with an independent full-time board of governors, including the Commissioner. It is not an accident, as I have said earlier, that the SEC, the FTC, the Federal Reserve, are all run by boards or commissions. These agencies carry out sensitive regulatory and enforcement duties, and they must be insulated from political motives. Insulation from political motives is one of the objectives we must achieve in this IRS restructuring. The American taxpayer deserves the same level of protection as the people who are governed by and are subject to the rules and regulations of the SEC and the FTC and the FCC.

Who has not heard of the allegations that the IRS has targeted out-of-favor groups or those who seem to have nothing in common but their opposition to various White House policies? No American should have the enforcement powers of the IRS unleashed on them because they don't agree with the White House on an issue. I think that is simply why my amendment is so necessary. Under the current bill, the only way the part-time board would have known about the abuses we learned about last week is the same way the rest of us did when we watched Senator ROTH's hearing on television. That is how limited the authority of the part-time board is.

We need real reform of how the IRS does its business. I believe putting a full-time, independent board in place to run the agency is the best way to do that. I say to those people who really want reform, if you really believe a board is essential to restructuring the IRS, then I say let's get out and run with the big dogs; let's get a full time, independent board. Otherwise, get back up on the porch, because a part-time advisory board is not going to even have a large bark; it will have a minor meow.

If we are going to put some teeth into it, we need to have the teeth that a full-time, independent board governing the IRS can give to managing the agency, to make sure it does not abuse taxpayers.

Mr. President, I reserve the remainder of my time and yield the floor.

Mr. SHELBY. Mr. President, I rise in support of Senator BOND's amendment to establish a full-time IRS Board of Governors. I firmly believe that oversight of an agency with the equivalent of 100,000 full-time employees, a requested fiscal year 1999 budget of almost $8.2 billion, and a history of wasting $4 billion in an attempt to modernize the tax collection system, is, without question, a full time job.

Furthermore, rigorous oversight will be critical to ensuring that the reforms that Congress has in store for the agency will be carried out effectively and expeditiously. I think the prudent strategy is to keep the agency on very short leash given the shocking stories that have come to light from the recent Finance Committee hearings. I have my own ideas as to how to liberate the taxpayer from the IRS—namely the implementation of my flat-tax proposal. But short of comprehensive tax simplification, I strongly support Senator BOND's efforts.

Mr. President, the IRS is a very troubled agency that demands the highest level of scrutiny. I strongly urge my colleagues to support this amendment. I feel we owe it to the American taxpayer.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, how much time do I have?

The PRESIDING OFFICER. The Senator from Delaware has 10 minutes.

Mr. ROTH. Mr. President, I yield myself such time as I may use.

Mr. President, I, too, join my colleagues in paying my respects to the distinguished Senator from Missouri. He brings a wealth of background and experience, so his comments are always welcomed and listened to with great care. While I completely agree that the IRS oversight board must be adequately structured, I respectfully urge my colleagues to oppose this amendment which would make the IRS oversight board a full-time board.

In my judgment, the board should be a part-time board. The purpose of the board is to provide ''big picture'' oversight over the IRS, provide specific expertise to IRS management to ensure

accountability at the IRS, as well as to ensure that taxpayers are being treated and served properly.

The purpose of the board is not to micromanage the IRS. Commissioner Rossotti is a management expert, unlike his predecessors who were experts in tax law. As I have said many times on the floor, I think we are very fortunate in having an individual of his qualifications, his expertise, not only in management but high tech as well. I believe we should support the manager and provide a board that will help him turn the troubled agency around.

It is my judgment a full-time board would destroy the delicate balance we tried to include in this legislation. The Commissioner, not the board, should manage the IRS.

A full-time board would bog down in details, diffuse accountability, and I fear very much probably not include the type of individuals, the experts, the background, and vision that are necessary on the board. Also, I have to say that I would doubt that Commissioner Rossotti might remain with the IRS if the board were full time.

The very basic question is what would be the point? While I agree with my colleague's objectives, I do not believe that a full-time board would enhance the prospect of turning this agency around. In fact, making the board full time could very well undermine the purpose of this legislation.

As my distinguished colleague, the Senator from Nebraska, has pointed out, the board is sunsetted. There will be an opportunity in the future to see how this board is functioning, whether it is working in the manner that we hope and believe it will.

I urge my colleagues, Mr. President, to vote against the full-time board. I reserve the remainder of my time.

Mr. BOND addressed the Chair.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. BOND. Mr. President, I, again, commend my colleague from Delaware for his outstanding leadership. I will only say that Commissioner Rossotti is going to leave sometime. I think it is important for us to make a structure which gives us the possibility of real reform in the IRS. An advisory board, in my experience in dealing with advisory boards, cannot and will not make a difference in the day-to-day management, the selection of IRS audits and the running of the agency which is the issue on the minds of American taxpayers. We need to do the job right, and I believe we need to make the change now.

Mr. President, if the distinguished manager of the bill has no further people wishing to speak—the ones who wanted to speak in support of the amendment are otherwise occupied—I am prepared to yield back the remainder of my time. We have 1 minute on each side prior to the vote. If the manager is finished with his speakers, I will join him in yielding back whatever time remains.

Mr. ROTH. Yes, Mr. President, I am pleased at this time to yield back the remainder of our time.

Mr. BOND. I yield back the remainder of time on our side. I thank the distinguished Senator from Delaware.

The PRESIDING OFFICER. All time has been yielded back.

Mr. ROTH. Mr. President, I ask unanimous consent that following the expiration or yielding back of time on the pending Bond amendment, it be temporarily set aside and a vote occur on, or in relation to, the Bond amendment at 1:15 p.m. today.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. ROTH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

PRIVILEGE OF THE FLOOR

Mr. REID. I also ask unanimous consent that a congressional fellow, Alan Easterling, be allowed privileges of the floor during this issue that is now before the Senate.

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

AMENDMENT NO. 2342

(Purpose: To amend the Internal Revenue Code of 1986 to eliminate payments for detection of underpayments and fraud)

Mr. REID. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Nevada [Mr. REID] proposes an amendment numbered 2342.

Mr. REID. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

At the end of subtitle H of title III, add the following:

SEC. . ELIMINATION OF PAYMENTS FOR DETECTION OF UNDERPAYMENTS AND FRAUD.

(a) IN GENERAL.—Subchapter B of chapter 78 is amended by striking section 7623.

(b) CONFORMING AMENDMENT.—The table of sections for subchapter B of chapter 78 is amended by striking the item relating to section 7623.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of this Act.

Mr. REID. Mr. President, as Members of this body know, I have worked long and hard with other Members of this body to change how the IRS functions. The first speech I gave on the Senate floor after being elected in 1986, was on the Taxpayer Bill of Rights. As I presented my remarks that day, presiding was Senator David Pryor of Arkansas. At the time, he was chairman of the Subcommittee on Finance that dealt with the Internal Revenue Service. Also, that same day in the Chamber was CHARLES GRASSLEY of Iowa, a longtime proponent of changes within the Internal Revenue Service.

I received a note from Senator Pryor after I finished my remarks that a page delivered to me, indicating he wanted to work with me on the legislation that I talked about. That same day, I received word from Senator GRASSLEY he wanted to work with me.

This was bipartisan legislation. The bill that I wrote, the Taxpayer Bill of Rights—because of these two Senators; the Senator from Arkansas, the Senator from Iowa; a Democrat and a Republican—we were able to move this bill through the Senate. It passed in 1988 and became law. It was really a significant change. The Taxpayer Bill of Rights changed the way the taxpayers dealt with the tax collectors. It put the taxpayer on a more equal footing with the tax collector. It was the beginning of some major changes in the way we deal with the Internal Revenue Service.

The Taxpayer Bill of Rights No. 2, in 1996, was also a change. But we are here now because of H.R. 2676, the IRS Restructuring and Reform Act of 1997. I say to the chairman of the full committee, the senior Senator from Delaware, I appreciate his working hard on this issue. I think the hearings have been informative to the American public and indicate that we need to do more. The Taxpayer Bill of Rights No. 1 and No. 2 were important, but we need to go further.

I was one of those initial sponsors of this legislation in the Senate. Senator KERREY of Nebraska, Senator GRASSLEY of Iowa, and I held a press conference where we talked about this legislation. At that time we didn't have a lot of support. But the support has built, and now we have support from the administration, and it is once again bipartisan legislation.

I look forward to the opportunity to speak in favor of the speedy passage of this much needed and long overdue reform.

What I want to talk about today in my amendment is one of the things that leads to the bad press, the bad feelings that the American public has about the IRS. What I want to prohibit the IRS from doing in the future is continuing with a program that I refer to as the ''Reward for Rats Program.'' This is a program where the IRS, in effect, has a contingent fee, much like a lawyer gets in a personal injury case. They say, ''If you have somebody who will snitch on a neighbor, an ex-wife, or business partner, and this will lead to our collecting money, then we will give you part of that money.''

I believe anyone who owes money to the Internal Revenue Service should pay it. But I think it should be collected in a way that is in keeping with the American system, not go into people's personal lives, where you have a wife—former wife or former husband

who just completed a long divorce, and the IRS contacts one of them and says, ''Hey, if you can give us a little information on your ex-spouse, then we will give you part of the money we collect.''

I think this is wrong, and I think we should stop it. There is nothing specifically in the statute which allows this. The problem is, there is nothing that disallows it. That is what this amendment would do. It is a practice which, if it isn't corrected, will be permitted under this legislation now before the body.

Last week, the Senate Finance Committee, under the leadership of the senior Senator from Delaware, conducted hearings in the cases of abusive practices by employees of the IRS. Witnesses before that committee provided testimony which describes an organization prepared, I am sorry to say, to use virtually any means to collect this Nation's taxes.

Again, I think the taxes should be collected but it should be in a fair way. An organization apparently prepared to take advantage of individual greed or desire for revenge to identify, rightly or wrongly, citizens who have failed to pay their taxes is something we need to do away with.

Last week, we learned of a restaurant owner whose life was ruined on the basis of no more than a tip from a vengeful informant. As recently reported in the press, we learned of a tax accountant who snitched on a client, motivated only by the expectation of payment for betraying a confidential relationship. In both cases that I have just provided, the information was false.

Such informants, most of the time, are not acting in some sense of civic duty. They don't act from a selfless interest in the Nation's well-being. They act against friends, relatives, employers, and associates because the IRS pays them to do so.

Under section 7623 of the Internal Revenue Code of 1986, they are authorized to pay sums, as required, to informants in order to bring to trial violators of Internal Revenue laws. In plain English, the IRS pays snitches to act against associates, employers, relatives, and others—whether motivated by greed or revenge—in order to collect taxes. I find this activity unseemly, distasteful, and just wrong.

Under the current IRS program, these informants are paid up to 15 percent of the money recovered as a result of their tips, but no less than $100. In a recent change to the so-called Snitch Program, the Service increased the maximum allowable reward to $2 million—a powerful incentive to anyone interested in becoming rich at the expense of a neighbor, former business associates or business associate, former wife, former husband.

As if the desire for revenge alone hasn't been responsible enough for ruined lives, the Service has a $2 million jackpot to sweeten the payoff. For the nosy neighbor, the alienated spouse, or the wronged partner, the odds of seeing that payday may appear better than anything the State can offer. This program is unethical, it is contrary to taxpayer privacy, and inconsistent with the spirit of the Taxpayer Bill of Rights.

Let's assume that someone comes to an accountant with a tax problem—under the present law, there is no confidentiality; we are trying to change that, of course—comes to an accountant with a tax problem, thinking, of course, you have to get this thing worked out with your accountant; and the accountant walks out after the meeting and calls the IRS and says, ''I have somebody you can get a real good chunk of money from, but of course I get 15 percent of it.''

I think that is wrong. It is contrary to taxpayer privacy and inconsistent with the spirit of the Taxpayer Bill of Rights which was passed previously.

The IRS would have you believe that these programs—this snitch program is warranted because of the millions of dollars it is able to collect through the snitches. This simply demonstrates that the IRS is relying upon others to do its work. It shouldn't be up to friends, families, coworkers, and neighbors to ensure taxes are being paid; it is up to the IRS. We should not be paying private citizens to perform the job the IRS employees are expected to carry out.

I think this program should come to an end. To that purpose, I propose this amendment, which will eliminate the payments for detection of underpayment and fraud. The amendment to eliminate the reward of greed and invasive action against honest taxpayers should pass.

I propose that in the process of reforming and restructuring the Internal Revenue Service, we join together to eliminate the ''Reward for Rats Program.'' It is time that this snitch program be eliminated and that we restore greater civic order to the manner in which the IRS conducts itself.

The amendment is considered important because it reforms the IRS, it fundamentally overhauls the manner in which they conduct business, and it serves the customers and also allows a more orderly way of collecting money. This amendment addresses an unethical and destructive program employed by the IRS in the collection of revenues. In that the amendment eliminates the program, it must be considered consistent with the spirit of this bill.

I ask unanimous consent to have printed in the RECORD a story from the Los Angeles Times dated April 15, 1998, entitled ''Rewards-for-Snitches Program Comes Under Fire,'' which illustrates what the problem is we are trying to correct.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Los Angeles Times, Apr. 15, 1998]

IRS ''REWARDS-FOR-SNITCHES'' PROGRAM COMES UNDER FIRE

(By Ralph Vartabedian)

WASHINGTON.—Americans voluntarily hand over most of the $1.3 trillion owed to the Internal Revenue Service each year, but a tiny fraction of tax collections depends on an obscure and increasingly controversial IRS program of using paid informants.

Motivated by a combination of greed and revenge, informants are typically business associates, employees, acquaintances, neighbors or ex-spouses of tax cheats. Many experts say the program is one of the most unseemly parts of the U.S. tax system.

However, IRS officials say they exercise great care in handling the informants, weeding spurious allegations, and that the rewards play an important role in the nation's tax enforcement system.

The IRS pays the informants up to 15% of the taxes it recovers from their tips—up to a maximum of $2 million—though the vast majority of informants end up empty-handed.

After a series of recent congressional disclosures about widespread taxpayer abuses, watchdog groups are growing concerned about the ethics of the agency's informant reward program.

''We should refocus our efforts on good citizenry, not bribing people to answer questions,'' said John Berthoud, president of the nonpartisan National Taxpayers Union, who called on the IRS to end the program in an interview with The Times.

The program has been sharply criticized by individuals who say they were victimized by bogus allegations, and even by informants, such as Mary Case of Sherman Oaks, who say the IRS has stiffed them on their rewards.

The Senate Finance Committee, which has been broadly investigating IRS abuses over the last year, is expected to unveil new evidence later this month that taxpayers have been devastated by aggressive IRS investigations based on phony information from snitches.

ONE TAX ACCOUNTANT SNITCHED ON HIS CLIENT

Tax attorneys and accountants generally decry the informant reward system, asserting that the government is on thin ice in offering money to taxpayers to turn each other in. They argue that a cornerstone of the U.S. tax system is the protection of taxpayer privacy and that the IRS is wrong to encourage people to breach confidential business or family relationships. In one case, a St. Louis tax accountant informed on his own client.

''It smacks of communism, turn in your parents if you catch them cheating,'' said San Francisco tax attorney Frederick Daily, author of the book ''Stand up to the IRS.''

Bruce Hockman, a top Los Angeles tax attorney whose clientele includes the rich and famous, refuses to help clients snitch to the IRS. ''I have had people come in and ask me to take them downtown to IRS district headquarters,'' Hockman said. ''I say no way. The Nazis did it, turn people in. It is unseemly.''

Of course, Congress authorized the IRS to create the informant reward program in the first place. Former IRS historian Shelley Davis says her research indicates that informant rewards date back to the Civil War ear.

Tipsters are one of the important parts of the IRS toolbox for enforcing tax compliance, says Thomas J. Smith, assistant IRS commissioner for examination and chief of the agency's informant reward program.

93% OF SNITCHES' TIPS END UP IN TRASH CAN

IRS figures for 1996, the last year for which data are available, show that 9,430 Americans sought rewards. Of those, the IRS acted on just 650—meaning that 93% of the tips

ended up in the IRS garbage can. The IRS paid out about $3.5 million in rewards and recovered $103 million in taxes.

''If you look at the last three years, we have had 2,000 cases closed, resulting in taxes of $797 million,'' Smith said. ''So, in terms of dollars, most people would judge that as reasonably significant. It does supply a very useful source of information for us.''

The IRS has a national informant hotline (1–800–829–0433), though many informants walk in or call in to the IRS' 33 district offices or 10 regional service centers, Smith said.

With little fanfare and with no explanation, the IRS last year decided to substantially boost the maximum allowable award to $2 million from $100,000. It also set a minimum reward of $100, eliminating a lot of penny ante payments.

In 1996, the agency's largest award was a jackpot-size $1.06 million. (The agency does not disclose who gets the awards or what cases they involve.) The agency's smallest was just $18—less than the typical reward advertised in newspapers for lost dogs.

Under the new guidelines, rewards range from 1% to 15% of the tax recovered, depending on the assistance provided by the informer. But all awards are at the ''discretion'' of IRS officials, who make their decisions behind closed doors. Of course, the rewards are taxable income.

The IRS takes a low-key approach, not seeking to send the message that the federal government is actively recruiting paid stool pigeons. The agency does not make Form 211, which informants must fill out to claim a reward, widely available. It isn't even kept in the IRS national headquarters lobby, where the agency has almost every form on display.

Asked if the IRS encourages Americans to inform on others, Smith said he could offer no advice and suggested that individuals do what they feel is right. But former IRS officials are more blunt.

GARBAGE INFORMATION COMES STREAMING IN

''Informants rewards are pretty distasteful to everybody except the person who gets one,'' said Phillip Brand, a tax expert at KPMG Peat Marwich LLP and former IRS chief of compliance. ''People have a different feeling about informing when they do it as good citizens.''

Another problem with paying for information is that the IRS gets a lot of garbage information. Brand recalled a tipster once sought a reward for the disclosure that a secretary of State was dealing drugs to Queen Elizabeth II and not reporting the sales on his taxes.

But week allegations are less humorous when the IRS pursues them against innocent taxpayers. That apparently happened to John Colaprette of Virginia Beach, Va., whose home and two restaurants were raided in 1994 by armed IRS agents after his bookkeeper, Deborah A. Shofner, made phony allegations.

The bookkeeper was later arrested and charged with stealing from a Colaprette restaurant, the Jewish Mother. She was sentenced to 6 years and 11 months in Virginia.

''This case was investigated for just one and a half days before they obtained a search warrant, which was then executed 12 hours later,'' said Colaprette, who is expected to testify this month before the Senate Finance Committee's hearings on IRS abuses.

Although the committee is saying little about its planned hearings, it is expected to focus on the IRS' criminal investigation division, which handles most of the paid informants and conducts a wide range of undercover operations.

Since the raid on the Jewish Mother, the IRS has never assessed any back taxes or made any changes to his tax returns, Colaprette said. He has a $20-million suit against the IRS.

''Why do we have an agency that nobody controls?'' Colaprette asked.

It isn't unusual for the IRS to deal with informants who violate confidential relationships. Like Colaprette's bookkeeper, when St. Louis tax accountant James Checksfield informed on his own client in 1989, he was discredited. The government dropped its tax evasion case against the client and the accountant lost his license.

Smith, the IRS chief of exams, said he could not discuss any specific cases because of privacy laws. But he said the IRS carefully screens allegations and is mindful of the potential for bogus information.

''It is a concern that we take very seriously,'' Smith said. ''We absolutely try to be very careful about looking at returns with the greatest probability of error.'' Smith added that 89% of the returns examined as a result of a tip end up with changes.

While it isn't surprising that the targets of allegations feel abused, informants also are often frustrated over how the agency treats their claims.

IF CASE ISN'T CLOSED, NO REWARD IS PAID

Case, the Sherman Oaks woman, tipped the IRS in 1985 to Stanley D. Hexom, a San Jose real estate broker later accused of swindling millions of dollars from elderly California investors in fraudulent real estate deals. She has never received a reward from the IRS, but neither has the agency closed her case.

As Hexom's bookkeeper, Case provided IRS agents boxes of evidence, including copies of doctored tax returns and locations of bank accounts, as well as testifying to a federal grand jury.

Under IRS guidelines, an informant who provides such specific information is supposed to get 15% of the back taxes. But a big caveat is that the IRS has to actually collect the back taxes. So, if the agency comes up empty-handed, so does the informant.

There is no doubt that the IRS went after Hexom, who was convicted on two counts of bank fraud and one count of preparing a false tax return. IRS agents tried to collect from Hexom's wife, though she may have escaped assessment by claiming she was an innocent spouse, said Richard Blos, Hexom's attorney in San Jose.

Hexom was released from prison in 1993 and is currently living in the Phoenix area. He could not be reached for comment.

Smith acknowledged that the agency is often criticized for taking too long time to pay rewards, but he added that 13 years is an abnormally long time for an informant to be kept waiting.

Other informants say the agency's criminal investigation division takes all the credit for big money cases and undermines the role played by informants.

Joseph Pinnavaia, an Oceanside gemstone expert, helped the IRS crack a tax fraud ring in the early 1980's, in which worthless stones were being donated to museums for big tax write-offs.

Pinnavaia died last November, but not before completing a manuscript, entitled, ''The Most Corrupt Agency in the Federal Government: The Internal Revenue Service,'' which detailed how the agency mishandled his case.

With Pinnavaia's help, the IRS went after a doctor in Florida who had donated an allegedly worthless blue topaz gem to the Smithsonian Institution. By 1979, the IRS was receiving 10,000 tax returns a year with deductions for gemstones, it was later discovered.

Though Pinnavaia was awarded $11,000 for his help in the case, he asserted that the IRS cheated him by claiming it already knew about the larger nationwide fraud ring. The manuscript, a copy of which was provided to The Times, includes a variety of internal IRS documents, in which criminal division agents downplayed his role in the case.

''He felt the $11,000 didn't even cover his expenses,'' said Mathew D. Pinnavaia, his son. ''They tried to deny he played any role.''

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. KERREY. First of all, let me say to the Senator from Nevada, long before I got on this issue of taxpayer rights, the Senator was there, working on Taxpayer Bill of Rights 1 and Taxpayer Bill of Rights 2. This legislation in title III is a continuation of your work. And I appreciate very much your early support of this bill that enabled us to fashion this legislation in a bipartisan way, which I think allows us to make certain that we can extend the rights and power and authority to the taxpayer and stop abuses that we see within the IRS's capacity to collect money that this Congress authorizes is to be collected.

I appreciate, specifically, the problem you are identifying with your amendment. It is a problem that, thanks to Chairman ROTH, we heard before our committee. We saw the problems that can occur when you offer somebody, essentially, a reward to inform; you can get abuse from that. As the Senator knows, as I have heard him talk about this as well, the dilemma is, how far do you go? We have this mechanism being used throughout law enforcement and there are many times when it works and when it is not abuse.

I am wondering if the Senator would allow to us modify his amendment so it can require the commissioner to do a thorough analysis of this problem. Commissioner Rossotti has had this brought to his attention. It would require him to do a thorough analysis of this problem and then come back to us and say, how can we change the law so as to make certain that you are able to use this system when appropriate, but we can get rid of some of the abuses that are quite obviously not the intent of this Congress.

Mr. REID. Mr. President, I say to my friend from Nebraska that I appreciate the kind comments about my work on the Internal Revenue Service tax issues generally in the past. I also want to say that but for the Senator from Nebraska, we would not be on the floor today. The people of Nebraska should understand, as I am sure they do, the tenaciousness of the senior Senator from Nebraska. The work that he has done on this issue—when the history books are written about tax reform in this country, one of the chapters has to be dedicated to him. I personally appreciate, on behalf of my constituents from the State of Nevada, the work that you have done on this issue. I also think the work done on the underlying legislation, giving the commissioner of the Internal Revenue Service the power to do some things for a change will allow the commissioner to take a good look at this program and make some

suggestions, which in the past fell on deaf ears because he had no power and authority to do anything. So I think we have a good commissioner. I am willing to have my amendment modified. I think it is a step in the right direction. There may be some things that I don't understand having only gotten——

Mr. ROTH. Mr. President, if the Senator yield. I find it very difficult to hear what the distinguished Senator is saying.

Mr. REID. Mr. President, I am happy to talk a little louder. I say to my friend from Delaware that this has always been one of my habits. I can remember when I first started trying case, there was a judge named Marshall—and Las Vegas only had 3 or 4 judges at the time—and he was hard of hearing. I would get up and talk to the jury and he could not hear what I was saying, so he would get upset at me. He thought I was saying things I didn't want him to hear. That wasn't the case then and it's not the case now. I will try to be more direct to the Senator from Delaware.

What I was saying is that I think this underlying legislation gives the commissioner of the IRS power he didn't have before, which is good. One of the problems we have had in the past is that the commissioner of the IRS has had no power to make changes in the way the Service operates. This legislation certainly gives him power to do that.

So, as I said to my friend from Nebraska, and I say again, I am willing for my amendment to be modified to have the commissioner report back to us within a reasonable time as to whether or not this program should be terminated in its entirety, or whether it should be modified. There may be instances when there may be a need for some type of a contingent fee. I am not aware of any, but there may be. I have enough confidence in the underlying legislation, which will be in effect in a few weeks, we hope, and in the commissioner of the IRS that I am willing to allow my amendment to be modified.

Mr. ROTH. Mr. President, I say to the distinguished Senator from Nevada that that is a very positive step, a very sound way of addressing the problem. It has been the practice in Government, as he well knows, that contingent fees are sometimes made available, not only in the IRS, but I believe in other areas of activity as well. As we all witnessed last week, this practice was used in an extremely abusive manner—a manner that should be dealt with. So I can understand the Senator's concern and interest in this matter.

I appreciate it and would find it acceptable, as far as I am concerned, if he would modify this to make a study, and within a limited time come back. I think we do have a new commissioner that is very effective and is bringing about change. This would help give him direction, and we think this is a matter of critical importance.

Mr. REID. If the Senator from Delaware will yield. I say to the manager of the bill, I think also that we focused attention, through the hearings that you have held, newspaper articles written, and through this amendment, on this practice that I am sure the commissioner will have enough information to come back to us as to whether or not this practice should be continued, modified in some way or, as I said, eliminated. So I would be happy to modify this amendment so that the commissioner could report back to us within a reasonable period of time.

Mr. ROTH. Mr. President, I think I will make a point of order that a quorum is not present and try to reach agreement on the specific language.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mrs. MURRAY. Mr. President, I rise today in strong support of H.R. 2676, the Internal Revenue Service Restructuring and Reform Act. We have waited too long for the opportunity to debate this issue and move this legislation. Senate action is coming six months after the House overwhelmingly passed this legislation and almost a year after the Kerrey/Portman Commission issued their recommendations for improving and reforming the IRS.

It is no wonder the American taxpayer is frustrated and angry. What kind of penalty or interest would the IRS levy against a taxpayer who was six months late in filing their taxes?

Mr. President, the IRS is an agency out of control. I hear this from people all across my state. They want the IRS reformed. And they want it done now.

What has this six month delay meant to taxpayers? Since November 5, 1997 the date the House voted on H.R. 2676, more than 17 million taxpayers have received a collection notice from the IRS; more than 34 million Americans have contacted the IRS to request assistance or information—of these calls, more than 16 million did not go through and close to 2 million Americans did not get correct answers.

This is unacceptable. Had we acted back in November, the impact on these families would have been dramatically different. We did not need more hearings, we needed action.

Since November 1997 I have heard from close to 1,200 taxpayers from my state who have written in support of systemwide reforms at the IRS. They have told me of their experiences and frustrations—and I have to say, some are quite disturbing.

Mr. President, I want to read some excerpts from a few of these letters—which have come from every corner of my state. They really highlight the abuses taking place by the IRS.

This comes from a constituent in Moses Lake, Washington. She says:

> We are people who obey the law. If there were things on our tax return which were in error or were questionable, we have no problem with being called to account for it. Nor do we take issue with paying more taxes if we legitimately owed more. However, the way we were treated by a representative of the IRS should never be allowed in any country, let alone ours, which is supposed to be based on presumption of innocence.

Another letter comes from a constituent in Seattle:

> In 1993, my husband and I bought a franchise and opened our business as sole proprietors. (If we had incorporated, our suffering would be over now). My husband, Craig, had plenty of knowledge and experience in carpentry and built a strong, thriving closet remodeling business. He did not, however, have business tax and accounting training, and he made mistakes in the paying of taxes and filling our paperwork to the IRS. As soon as he recognized his mistake, he alerted the IRS and began to try to make amends.
>
> It seemed he had awakened a vicious sleeping dog.

He goes on to say:

> Along with everything else, the IRS randomly cleaned out our bank accounts, as well as those of our children.
>
> It seems the IRS has an incentive program for their employees which persuades them to take quick, harsh action, trying to ''get what they can'' and ask questions of the ''customer'' later.

Finally, from a constituent in Kirkland, WA:

> For the past seven years both my husband and I have lived our lives under the tormenting cloud of the IRS.
>
> We had a lien put on our home and the letters began to come of companies wanting to help us with our troubles with the IRS. This was so devastating as we were just starting what we thought would be a beautiful life together. One day I came home to 12 different notices from the IRS I needed to sign for at the Post Office. That is a great way to spend taxpayers' money, don't you think?

These heavy-handed tactics by the IRS are not acceptable.

But this is not the first time I have heard from constituents about problems with the IRS. I knew reform was long overdue. It was not until the release of the Kerrey/Portman Commission report that I realized that it was not just a few bureaucrats abusing their position, but rather an agency out of control. An agency with management practices that encouraged abuse of taxpayers; managers who rewarded the most aggressive and unbending employees; and an agency that viewed taxpayers as the enemy.

Why is it so critical to enact IRS reform? We can all name many reasons why reform is necessary and important, but I think we all have to remember that taxpayers are only trying to meet their responsibilities in a democratic society. They are not turning to the IRS to apply for benefits or for assistance. They are attempting to honor their financial obligation and commitment to a democratic and progressive society. They are not asking for anything in return but to be treated fairly.

Unfortunately, this is not the experience of most taxpayers. This frustration with the IRS jeopardizes compliance with the tax code and undermines the faith taxpayers have in our system.

Currently, honest taxpayers and businesses pay an average of $1,600 per person for those who do not meet their financial obligations. An estimated $120 billion a year goes uncollected. We do not need to add to this by encouraging more taxpayers to give up.

The great thing about this legislation is that it keeps the taxpayer's interest in mind. It simply levels the playing field between the taxpayer, both large and small, and the IRS. What's more effective than forcing the IRS to work in a more fair and evenhanded manner?

I am particularly pleased this legislation provides relief for ''innocent spouses'' who find themselves liable for taxes, interest, or penalties because of actions by their spouse. This has become a severe problem for many women and children. Following a divorce many women are left to fight the IRS to save their homes and their children's future. Spouses who engaged in illegal activities or misrepresented their income to the IRS simply flee and leave. The IRS then attempts to collect from the innocent spouse—who is often easier to locate—as she has custody of the children. It is a little difficult to hide when you have children.

The IRS then aggressively pursues these innocent spouses for a debt that they never knew about. If only we could be as aggressive in tracking down the billions of dollars in uncollected child support.

I urge the Senate to do the right thing today and pass this legislation. No more delays and no more excuses. The American taxpayer deserves better.

Thank you, Mr. President. I yield the floor.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. GREGG). The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

AMENDMENT NO. 2343

(Purpose: To provide electronic access to Internal Revenue Service information on the Internet)

Mr. KERREY. Mr. President, I send an amendment to the desk, an amendment offered by Senator LEAHY and Senator ASHCROFT. It has been cleared on both sides. I ask that this amendment be agreed to.

The PRESIDING OFFICER. The clerk will report the amendment.

The bill clerk read as follows:

The Senator from Nebraska [Mr. KERREY], for Mr. LEAHY, for himself and Mr. ASHCROFT, proposes an amendment numbered 2343.

Mr. KERREY. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 262, after line 14, add the following new paragraph:

''In the case of taxable periods beginning after December 31, 1998, the Secretary of the Treasury or the Secretary's delegate shall establish procedures for all Tax Forms, Instructions, and Publications created in the most recent 5-year period to be made available electronically on the Internet in a searchable database not later than the date such records are available to the public in printed form. In addition, in the case of taxable periods beginning after December 31, 1998, the Secretary of the Treasury or the Secretary's delegate shall, to the extent practicable, established procedures for other taxpayer guidance to be made available electronically on the Internet in a searchable database not later than the date such guidance is available to the public in printed form.''

Mr. LEAHY. Mr. President, I commend Chairman ROTH and Senator MOYNIHAN for their outstanding work on legislation to reform the Internal Revenue Service (IRS). It is time for the IRS to deliver better service to the American people. Our nation's taxpayers deserve no less.

Today, Senator ASHCROFT and I are offering an amendment to H.R. 2676 based on the Taxpayers Internet Assistance Act of 1998, S. 1901. Our bipartisan legislation requires the IRS to provide taxpayers with speedy access to tax forms, publications and other published guidance via the Internet.

Mr. President, I want to praise the Senate Finance Committee, Chairman ROTH, Senator MOYNIHAN, Senator KERREY and Senator GRASSLEY for their leadership in moving the IRS reform legislation to the full Senate. I strongly support the bill approved by the Finance Committee.

As the Senate prepares to debate IRS reforms, we must use technology to make the IRS more effective for all taxpayers. What better way to do that then to require the IRS to maintain online access to the latest tax information. Every citizen in the United States, no matter if he or she lives in a small town or big city, should be able to receive electronically the latest published tax guidance or download the most up-to-date tax form.

The IRS web page at >http://irs.ustreas.gov< provides timely service to taxpayers by increasing electronic access to some tax forms and publications. I commend the IRS for its use of Internet technology to improve its services. More information and services should be offered online and not just as a passing fad. Our legislation is needed to build on this electronic start and lock into the law for today and tomorrow comprehensive online taxpayer services.

For Tax Forms, Instructions and Publications, our legislation provides for online posting of documents created during the most recent five years, the same period of time that the IRS now keeps these documents on CD-ROM for Congressional offices. With these common sense requirements, the IRS will be able to enhance its web page with comprehensive tax guidance in a matter of days at little cost to taxpayers under our bipartisan bill. In fact, the Congressional Budget Office has scored our legislation as adding no new direct spending.

Thomas Jefferson observed that, ''Information is the currency of democracy.'' Let's harness the power of the information age to make the IRS a truly democratic institution, open to all our citizens all the time. We strongly believe that the IRS must prepare itself for the next millennium now.

I thank Senator ASHCROFT for his support and urge my colleagues to support our amendment.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

The amendment (No. 2343) was agreed to.

Mr. KERREY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

AMENDMENT NO. 2342, AS MODIFIED

Mr. REID. Is the Reid amendment still the pending business?

The PRESIDING OFFICER. The Reid amendment is the pending business.

Mr. REID. I send a modification to the desk.

The PRESIDING OFFICER. The amendment will be modified.

The amendment (No. 2342), as modified, is as follows:

At the end of subtitle H of title III, add the following:

SEC. . STUDY OF PAYMENTS MADE FOR DETECTION OF UNDERPAYMENT AND FRAUD.

Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury shall conduct a study and report to Congress on the use of section 7623 of the Internal Revenue Code of 1986 including—

(1) an analysis of the present use of such section and the results of such use, and

(2) any legislative or administrative recommendations regarding the provisions of such section and its application.

Mr. KERREY. Mr. President, this amendment addresses a very important problem that we saw in the oversight hearings that the chairman conducted, and that is sometimes the payment made to induce an individual to provide evidence against a taxpayer who is violating the law becomes an incentive to provide evidence that is faulty and the taxpayers end up being abused as a consequence. Normally, a request for a study would not necessarily go very far. In this case, Commissioner Rossotti has already launched an investigation by the Criminal Investigation Division, using Mr. Webster,

former FBI Director, as the lead who has indicated he wants to get to the bottom of this problem as well. So I believe this modification is a good modification. I am prepared to accept it on this side.

Mr. ROTH. Mr. President, we have reviewed the proposed change in this amendment. As I understand it, it requires a study to be made on informant payment, that the study must be completed within a year. As I said earlier, we found there are some serious problems in this area, and the modified amendment is satisfactory to this side.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

The amendment (No. 2342), as modified, was agreed to.

AMENDMENT NO. 2341

The PRESIDING OFFICER. The question recurs on the BOND amendment with 2 minutes equally divided.

Mr. BOND addressed the Chair.

The PRESIDING OFFICER. The Senator from Missouri.

Mr. BOND. Mr. President, we all know the problems of the IRS. They are well known. This is a troubled agency. It needs to be turned around. This is a good bill, but I think we need to do one thing to make it better. When has a part-time board ever turned around a troubled agency? A part-time board will not do the job. We need a full-time board if they want to change the culture of the agency. A full-time board such as the FTC, the SEC, even the Federal Reserve, can draw the people from all walks of life across the country to make sure the culture of the IRS is changed.

If you want to do something about the IRS, you have to put into the field a big dog that can back up his bark. Otherwise you have a little puppy on the porch that is meowing with the cats. It is not going to change the IRS to put a toothless puppy in as an advisory board. I believe a full-time board can give us the strength we need for vital reform. I ask for support of my amendment.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. KERREY. I was concerned as to where that animal analogy was going to go. Again, I appreciate very much what the Senator from Missouri is trying to do. I think the intent is shared both by myself and the chairman of the committee. We believe very strongly that this amendment would actually reduce the President's ability to find qualified people to come and bring their considerable expertise to assist the Commissioner who will be granted new authority to manage the Internal Revenue Service to restructure and improve customer service, improve the use of technology, and increase the satisfaction that customers of the IRS get.

So although it is well intended—I actually started out where the Senator from Missouri is—I believe it will make it more difficult for us to get the kind of people the Commissioner needs to serve on this board.

The PRESIDING OFFICER. The question is on agreeing to the Bond amendment. The yeas and nays have been ordered. The clerk will call the roll.

The bill clerk called the roll.

Mr. FORD. I announce that the Senator from Hawaii (Mr. AKAKA) is absent due to a death in the family.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 25, nays 74, as follows:

{Rollcall Vote No. 121 Leg.}

YEAS—25

Abraham	Faircloth	McConnell
Ashcroft	Frist	Nickles
Bond	Gramm	Shelby
Burns	Hollings	Smith (NH)
Campbell	Hutchinson	Stevens
Coverdell	Inhofe	Thomas
Craig	Kempthorne	Thurmond
D'Amato	Kyl	
DeWine	McCain	

NAYS—74

Allard	Ford	Lugar
Baucus	Glenn	Mack
Bennett	Gorton	Mikulski
Biden	Graham	Moseley-Braun
Bingaman	Grams	Moynihan
Boxer	Grassley	Murkowski
Breaux	Gregg	Murray
Brownback	Hagel	Reed
Bryan	Harkin	Reid
Bumpers	Hatch	Robb
Byrd	Helms	Roberts
Chafee	Hutchison	Rockefeller
Cleland	Inouye	Roth
Coats	Jeffords	Santorum
Cochran	Johnson	Sarbanes
Collins	Kennedy	Sessions
Conrad	Kerrey	Smith (OR)
Daschle	Kerry	Snowe
Dodd	Kohl	Specter
Domenici	Landrieu	Thompson
Dorgan	Lautenberg	Torricelli
Durbin	Leahy	Warner
Enzi	Levin	Wellstone
Feingold	Lieberman	Wyden
Feinstein	Lott	

NOT VOTING—1

Akaka

The amendment (No. 2341) was rejected.

Mr. ROTH. I move to reconsider the vote.

Mr. KERREY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. GREGG addressed the Chair.

The PRESIDING OFFICER (Mr. BURNS). The Senator from New Hampshire.

Mr. GREGG. Mr. President, I know there are a number of Members who wish to speak, so I will keep my comments brief. But first I want to congratulate the chairman of the committee, Chairman ROTH, for bringing forward this really excellent bill to try to address what have been some extraordinary abuses which have been testified to before his committee and testified to in other arenas.

In my own case, I held a meeting in New Hampshire—a number of meetings, and found that we have had over 75 cases involving complaints involving the Internal Revenue Service since I have been in the Senate, which is an extremely high percentage.

We held a number of meetings. In one of the meetings, we had a presentation that was really disturbing—two presentations, in fact. The first was a fellow who practiced tax law and tax preparation for over 27 years who brought in a memo, an actual memo that he had taken off the desk of an agent. And the memo stated very bluntly that the IRS agents in that arena, in that area, were to collect a specific amount of dollars. Not only were they to collect a specific amount of dollars, but they were to collect a specific amount of dollars every month. In fact, it went further. It said how much they were supposed to collect every day, almost down to every hour—how much money the agents in that area were supposed to collect. It was not collection on the basis of people who legitimately owed taxes; it was collection on the basis of a quota system. It was outrageous that such a memo should exist or such direction should occur with this agency.

The second instance, which was even more disturbing because it led to a death, involved a fairly well known case now in New Hampshire of Mrs. Barron and Mr. Barron. Mrs. Barron's husband was essentially driven to suicide as a result of the abusive and totally inappropriate tactics that the Service, and a specific member of the Service, used in pursuing Mr. Barron for collection of taxes that were owed.

It was so terrible and so outrageous that it did lead to Mr. Barron's death and has disrupted and destroyed really Mrs. Barron and her family. As of today—in fact, I believe it will be announced today—Mrs. Barron has now finally received, after 5 or 6 years, some slight recompensation from the Internal Revenue Service in that they have dropped all action against her and against her husband's estate, and stated that they will no longer pursue the liability which they originally alleged was due and which drove this family into such despair. The manner of the collection was just horrific. The way in which they proceeded was horrific.

Of course, we have seen testimony before the Senate committee on which Chairman ROTH has been holding hearings which reflected agents coming into slumber parties and forcing young children to get dressed in front of them, at gunpoint essentially, and throwing a household into chaos in that manner.

Even a former majority leader of this Senate, Senator Baker, was subject to what amounted to extortion as a result of the activities of what I think was then a rogue agent pursuing Senator Baker.

The instances go on and on. And almost every Member of this Senate, I suspect, has cases in their home State of abuse, of action taken by specific agents which went beyond anything which we in a democracy should tolerate.

Thus, this bill is absolutely appropriate because this bill puts the taxpayer back on a level playing field. Instead of treating the taxpayers as if

they are guilty until proven innocent—just the exact opposite of the way our culture proceeds—this bill puts the burden back on the Internal Revenue Service, where the taxpayer can present a reasonable case.

In addition, this bill says to the spouse, who is just a bystander, that they will not end up being treated unfairly or abused as a result of the misdeeds of their husband. And in most instances where the spouse simply signs the return, the innocent spouse language in this bill is very, very appropriate. And the chance to recover from the IRS for damages which are caused as a result of excessive activity on the part of agents who may act outside the reasonable course of collection of taxes is also very appropriate in this bill.

So this is truly a strong bill. It is dedicated to the purpose of trying to rein in the Internal Revenue Service management activities and make the Internal Revenue Service a more responsible agency as it deals with our citizenry. Because the bottom line, quite honestly, in our tax collection service, in our tax collection system as a democracy, is that people have to have confidence; they have to have confidence in the system. They have to have confidence that when they pay their taxes, they are paying, No. 1, their fair share and, No. 2, they are going to get fair treatment in the manner in which their taxes are reviewed. And as people lose that confidence, we will lose compliance.

What we have seen basically is that people have lost their confidence in the manner in which the Internal Revenue Service pursues the collection of taxes in this country. This bill will hopefully move a large step down the road towards reestablishing faith in the collection process that we pursue in this Nation for our tax obligations.

It does not get to the underlying problem, of course, which is that the tax laws have become far too complex, far too intricate, have gotten to a point of legal mumbo jumbo that very few people can understand what the tax laws actually say or can even comply with them without the assistance of professionals. That issue we also need to address as a Congress.

We need to simplify, make fairer, make flatter our tax system; make it a more comprehensible and understandable tax system. Pending doing that, which I hope we will do in the next year or so, this bill is a major stride forward in giving the taxpayers fairer and better treatment under the Internal Revenue Service procedures and allowing taxpayers to be treated like citizens of a democracy rather than citizens of a police state.

Mr. President, I yield back such time as I may have.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I ask Senator ALLARD, do you want to proceed with your comments?

Mr. ALLARD. Thank you, Mr. Chairman.

The PRESIDING OFFICER. The Senator from Colorado is recognized.

Mr. ALLARD. Mr. President, I rise in support of H.R. 2676.

Mr. President, I also want to talk about reform of the Internal Revenue Service. The Senate Finance Committee examined this issue last year, and they recently conducted a careful reexamination. I commend my colleagues, particularly the chairman of the Finance Committee, for their vigilance on this issue.

They have worked very hard to identify problems with the Internal Revenue Service and to craft legislation to correct the problems that were pointed out during committee hearings.

As we saw in the hearings last fall, the IRS has lacked accountability for years. The most recent hearings remind us of the importance of reforming this institution.

No one can dispute the fact that we must end business as usual at the IRS.

We must bring accountability and integrity back to the IRS.

American citizens should not live in fear of their government.

Certainly most IRS employees work diligently and honestly to insure that they administer the nation's tax laws accurately and fairly.

But as we have seen, the IRS as an institution has fostered a culture that tolerates and at times even encourages those few who operate outside the law.

We desperately need reforms to bring to justice those agents and elements within the IRS that have so far flauted the law.

The best way to curtail the power of the IRS is to simplify our nation's tax laws.

Congress is the principal entity responsible for the tax code.

Frankly, I believe Congress should scrap the current tax system and start fresh with a simple and fair system.

The federal tax burden on hard working Americans is excessive and overly intrusive, and reform is long overdue.

By striking at the heart of the problem with a fairer, flatter tax system, Congress will put an end to abusive IRS practices.

Until Congress is able to pass substantive changes to the nation's tax system that the President is willing to sign, we must reform the IRS.

Senator ROTH's bill would create an independent oversight board that would redefine IRS accountability.

The board would provide desperately needed oversight of the management and operation of the IRS, as well as its enforcement and collection activities.

Taxpayers have a right to expect honesty and integrity in their dealings with the IRS.

In fact, the mission statement of the IRS calls on its employees to perform in a manner warranting the highest degree of public confidence in their integrity, efficiency, and fairness. Let me repeat that. The mission statement of the IRS calls on its employees to perform in a manner warranting the highest degree of public confidence in their integrity, efficiency, and fairness.

When this fundamental trust is breached, taxpayers must have adequate recourse.

The Senate IRS reform bill gives them the necessary recourse.

Taxpayers would have expanded ability to collect damages and expenses when they are the target of improper IRS actions.

Also, agents who take improper actions, such as improper seizures we have heard on this floor, false statements under oath, which was heard in the committee, falsifying documents, we heard those before, violation of taxpayer confidentiality, and even harassing a taxpayer, would be terminated under the Senate bill.

While it is important to make whole those who have been injured by the IRS, it is even more important to prevent abuses from ever happening.

Senator ROTH's bill would provide this important protection for taxpayers.

Innocent spouses could no longer be held liable for the tax debts of their spouse, and spousal liability would be limited on joint returns.

Thanks to this bill, taxpayers will finally receive due process in their dealings with the IRS, which I think is a significant part of this bill.

IRS agents would have to follow specific procedures before seizing assets or filing liens, and they would be prevented from seizing someone's home for a minor tax liability.

The IRS would also be subject to the same Fair Debt collection standards that all other bill collectors in America are required to follow.

This year I have met with citizens in all 63 counties of Colorado.

In many of those meetings I had, I constantly heard about how frustrating and intimidating it can be to deal with the IRS. The Senate IRS reform bill would make it easier for citizens to communicate with the IRS.

The bill would require all IRS notices and correspondence to include the name, phone number, and address of an IRS employee that the taxpayer should contact regarding the notice.

It would also be easier to contact the IRS with general questions since they would finally be required to publish local phone numbers and addresses in the phone book.

Unfortunately a few agents have elected to use the IRS as their personal weapon, but the abuse of taxpayers must stop.

The IRS must recommit itself to serving the taxpayers.

The Senate IRS reform bill is a significant step towards that goal.

According to Judge William Downes,

> The conduct of our Nation's affairs always demands that public servants discharge their duties under the Constitution and the laws of this Republic with fairness and a proper spirit of subservience to the people whom they are sworn to serve. Respect for the law can only be fostered if citizens believe that those responsible for implementing and enforcing the law are themselves acting in conformity with the law.

I conclude by saying Congress must pass this legislation to end abusive practices and restore American confidence in the IRS.

I yield the floor.

The PRESIDING OFFICER. The Senator from North Dakota.

AMENDMENT NO. 2344

(Purpose: To examine the transfer pricing enforcement efforts of the Internal Revenue Service)

Mr. DORGAN. Mr. President, I rise to offer an amendment on behalf of myself and Senator REID from Nevada. I believe the amendment has been worked out.

Let me describe it briefly. As I describe this amendment, let me say that the issue that is addressed in this bill dealing with the behavior of the Internal Revenue Service is an important issue. Stories with respect to hearings that have been held here in recent months, stories of abuse and taxpayer harassment, are stories that reflect horrible mismanagement, in my judgment, at the Internal Revenue Service.

This bill serves notice that that kind of behavior will not ever be tolerated at the Internal Revenue Service. This piece of legislation gives taxpayers some muscle to fight back when and if this occurs, and this piece of legislation makes some management changes at the Internal Revenue Service, some structural changes, to make sure the mismanagement does not occur again.

Now, there is another issue, however, that is important and this issue has not been the subject of hearings. That is the issue of enforcement. You must have a tax system to collect the money to do the things we need to do as a country—provide for our common defense, to pay for roads, to pay for health research, to pay for food safety, to pay for environment protection. So who pays those taxes? What kind of agency collects them and who pays the taxes?

We want to make sure our tax laws are enforced sufficiently so that some of the largest economic interests are not getting by paying zero taxes while the working families, who get out, go to work and work all day, and have a salary or a wage and have withholding taken out of their check, pay their taxes because they have no choice and no flexibility.

A recent study done by the GAO says foreign-controlled corporations doing business in the United States and not paying taxes equal 73 percent of all foreign corporations doing business here. Let me say that another way. If you think of the brand names of foreign products that you purchase in this country, just the most common brand names of companies who sell billions of dollars' worth of products in this country, and make billions of dollars in net income in this country, you can be sure that some of those names you just thought of are part of this 73 percent who do business here, make money here, and pay no taxes here—none, none at all. Seventy-three percent of foreign-controlled corporations doing business in the United States pay zero in Federal income taxes.

Now when they come here and compete against a U.S. corporation that does business only here and must pay taxes only here, they are engaged in unfair competition because they do business here tax free while our domestic business pays a tax to our country. This deals with tax enforcement.

The reason I offer this amendment is I want to just describe in a moment how tax avoidance occurs in this area and why it is important to have an Internal Revenue Service that is making sure these corporations pay their fair share of taxes in this country as well.

There have been a number of studies—a GAO study, a Treasury study, an IRS study, a study by two professors from Florida, Pak and Zdanowicz. Let me show Members what these studies have told us. Corporations, in this case foreign corporations doing business in this country, can simply inflate the cost of what they are selling to their U.S. subsidiary that they wholly own, and when they inflate the cost of the product they are selling to their wholly owned subsidiary, their subsidiary in the United States ends up doing a lot of business but ends up paying no taxes because they say they made no profits.

Let me give you an example of pricing. Tweezers. A pair of tweezers for $218. You have been to a drugstore or a grocery store and bought tweezers. Did you pay that for tweezers? I don't think so. Tweezers are priced at $218 so that a foreign corporation can overcharge to the domestic subsidiary and, therefore, take all the profit out of that subsidiary and claim they made no profit in the United States.

How about safety pins for $29 each? That is $29 for a safety pin. That is another way to price your profit out of the United States and show no income and pay no taxes to the United States.

How about a toothbrush imported into the United States from France for $18 apiece? Has anybody here bought a toothbrush for $18 apiece lately?

There is another way to do this, by the way, which is that corporations can have a foreign subsidiary in another country and they underprice their export to that foreign subsidiary, and that tends to move profits away from the United States as well.

Let me tell you what they do there. How about a piano, selling a piano to a company in Brazil for $50? Or what about tractor tires, selling a tractor tire to France for $7.69? Do you think U.S. farmers are able to buy a tractor tire for $7.69? How about a bulldozer for $551? You all know what a bulldozer looks like. Do you think you can buy that for $551? How about a missile-rocket launcher for $58? That is the way you move income around and end up not paying income tax to the United States of America, when all the rest of the taxpayers here pay the tax.

My point is very simple. How do you enforce what is called arms-length transactions between related corporations? Well, you take all their transactions and try to put them back together and measure whether they are priced in a way that would represent fair market prices. That is like taking two plates of spaghetti and trying to attach the ends of the spaghetti. It cannot be done. The result is billions and billions and billions of dollars—some estimates are over $40 billion a year—are lost to the U.S. Treasury through massive tax avoidance, while we are worried about whether people who go to work every day pay their taxes—and they do pay them because they don't have any flexibility; they can't get out of it and they can't overprice tweezers to $18 and tractor tires to $7.60. They pay their tax.

I want the IRS to worry about enforcement of our tax laws with respect to those who are doing business here to the tune of tens of billions of dollars, earning income here to the tune of tens of billions of dollars, and paying zero to this country in taxes. American firms that do business here must pay taxes; so too should foreign companies.

The amendment I offered is very simple. It simply requires the Internal Revenue Service Oversight Board that we are creating to conduct a study of whether the IRS has the resources needed to prevent the tax avoidance by these companies. In other words, do they have the resources to enforce in this area, No. 1; and No. 2, to analyze how much we are losing in this area of tax avoidance.

It is, in my judgment, scandalous. I refer anybody who is interested to the study by Pak and Zdanowicz, released not long ago. They are two Florida doctors who say that the U.S. Government was cheated out of $42.6 billion in tax revenues in 1997. That is a huge area.

I heard all this discussion on the floor about the IRS targeting low-income folks. That represents a different sort of enforcement. That deals with the earned-income tax credit. That is why that is happening. What about targeting the folks doing business here and not paying taxes here, who are earning billions of dollars every year in the United States in profits and using price transfers to price their income out of this country and shield it from the U.S. taxpayer? Shouldn't they have to pay income tax on their profit as well?

My amendment requires the oversight board to do certain things and report back to Congress within a year. I hope that perhaps this will stimulate some activity to take a look at this area and to see if we can't get the taxes that are owed this country by foreign corporations doing business in this country, making a great deal of money and paying nothing—literally zero—in Federal income taxes. My understanding is that this amendment has been cleared on both sides and, if so, I would only need a voice vote.

Mr. KERREY. Mr. President, we are prepared to accept this amendment. It

requires a study to be done. I think it is a very important amendment. I appreciate the Senator bringing it onto this bill and bringing it to our attention. There is a problem with noncompliance; it is a big problem. Indeed, there is a problem in the IRS with noncompliant taxpayers, and Americans believe a problem with the IRS is that people who are complying are being harassed by the IRS. We have spent a lot of time, as is appropriate, dealing with the second category. I appreciate what the Senator is asking for very much.

Mr. ROTH. Mr. President, likewise, I am willing to accept the amendment of the Senator from North Dakota.

The PRESIDING OFFICER (Mr. HUTCHINSON). Will the Senator call up his amendment?

Mr. DORGAN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from North Dakota [Mr. DORGAN], for himself and Mr. REID, proposes an amendment numbered 2344.

Mr. DORGAN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 394, between lines 15 and 16, insert:

SEC. 3803. STUDY OF TRANSFER PRICING ENFORCEMENT.

(1) IN GENERAL.—The Internal Revenue Service Oversight Board shall study whether the Internal Revenue Service has the resources needed to prevent tax avoidance by companies using unlawful transfer pricing methods.

(2) ASSISTANCE.—The Internal Revenue Service shall assist the Board in its study by analyzing and reporting to the Board on its enforcement of transfer pricing abuses, including a review of the effectiveness of the current enforcement tools used by the Internal Revenue Service to ensure compliance under section 482 of the Internal Revenue Code of 1986 and to determine the scope of nonpayment of United States taxes by reason of such abuses.

(3) REPORT.—The Board shall report to Congress, not later than 12 months after the date of enactment of this act, on the results of the study conducted under this subsection, including recommendations for improving the Internal Revenue Service's enforcement tools to ensure that multinational companies doing business in the United States pay their fair share of United States taxes.

Mr. DORGAN. Mr. President, I urge adoption of my amendment.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

The amendment (No. 2344) was agreed to.

Mr. REED. Mr. President, I ask unanimous consent to proceed as in morning business.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. KERREY. I wonder if the Senator would specify an amount of time. Senator GRAHAM of Florida is going to offer an amendment, and we would like to keep moving on the bill. Do you have a period of time in mind?

Mr. REED. I will finish within 10 minutes, or maybe much less.

Mr. KERREY. Fifteen minutes is fine with me.

Mr. REED. Mr. President, it will be way under that.

MANAGED CARE

Mr. REED. Mr. President, today we are engaged in a very important debate about the reform of the IRS, but there is another very crucial debate that we also must consider and recognize, and that is the debate about the future of our health care system in the United States—particularly the managed care health care system, which is becoming so prominent in America today.

I am particularly concerned that children should also be part of this debate and that they deserve the same consumer protections that many have talked about in the context of adult health care plans. Managed care, as we all recognize, plays a very important and critical role in our health care delivery system and has provided many benefits. But we also hear repeatedly about instances in which patients—particularly children—are not served as well as they should be by managed care.

I recall one child who was brought to my attention in Rhode Island. A young child, Morgan Smith, was born in Rhode Island November of 1993. Shortly after her fourth birthday, Morgan was diagnosed with Rhabdomyosarcoma, a cancer that attacks any smooth muscle in the body, including blood vessels. They detected this cancer in Morgan's brain. She was indeed faced with a critical, life-threatening brain tumor.

We are fortunate in Rhode Island because we have an excellent children's hospital, Hasbro Children's Hospital in Providence, which is the hospital where Morgan was diagnosed. The pediatric oncologists there determined that the best treatment for Morgan would be to go to the New England Regional Medical Center in Boston for specialized chemotherapy. Now, her mother, obviously, was willing to do anything to treat her child and have the best benefits for her child.

At that point, the insurance company denied her the ability to bring her child to Boston and requested that they get a second opinion. They got that second opinion; it was the same as the first opinion. However, the HMO still refused to authorize the treatment necessary for that 4-year-old child to receive life-saving therapy in Boston.

Mrs. Smith literally had to wage war against the HMO to make her point. At the time, she was absolutely crushed by the prospect of her young child being stricken with a life-threatening brain tumor. She determined on her own to go to Boston regardless of the consequences, risking her financial future, risking all of the resources that she had, while also having to provide for her other children. Nevertheless, she was bound and determined to provide for Morgan.

Fortunately, this story has a happy ending. About a month after pleading by Mrs. Smith, and by others, the insurance company relented and she was granted permission to have the treatment conducted in Boston. And the child is doing very well.

That is merely one example of the stories we are hearing constantly about managed care and its inability at times to provide the kind of care that most parents think they should get when they pay good money, or their employer pays good money, for these managed care plans.

There have been studies in parts of the country suggesting that the managed care plans are not best suited, in many cases, for children. A study in California by Elizabeth Jameson at the University of California compared managed care plans with the State's Medicaid plan for children. Medicaid plans are sometimes stereotyped as the low-cost and, by inference, low-quality health care. This study, however, found that in many respects children in California's Medicaid Program were getting better pediatric care than those enrolled in managed care plans in the State.

The study found, for example, that some of the managed care plans imposed restrictions on referrals to pediatric specialists. They also found that many plan providers were attempting to deal with very complicated pediatric conditions with which they had little experience.

As a result of the anecdotal evidence, as a result of the statistical studies and surveys that have been done in parts of the country, I have introduced S. 1808, the Children's Health Insurance Accountability Act. It is designed to provide an opportunity for children's health to be considered and focused on in a managed care plan. This act would provide common sense protections for children in managed care plans—protections, for example, that would ensure that a family has access to necessary pediatric services; that they would have appeal rights and special conditions with respect to children; that they would have quality programs that measure outcomes with respect to children and not just to adults; that there would be utilization review rules that be geared toward children and not just to adults; that there would be child-specific information in terms of the sale of these plans on care provided to children.

There are so many parents who buy plans and think they have coverage for their kid, only to discover in a time of crisis that the coverage is not what they thought it was. My legislation would put that information up front.

What I have done with respect to children is consistent with a much broader class of legislation that is attempting to reform managed care for