

sometimes receive care at military (VA & DoD) facilities. With the creation Medicare Subvention Demonstration sights, this will occur more often.

The computation of the AAPCC includes all Medicare beneficiaries in the denominator. However, since the facilities providing care to military eligible beneficiaries do not report Medicare costs to HCFA, the numerator of the AAPCC excludes any costs Medicare beneficiaries received in these facilities. This results in an understatement of the AAPCC wherever there are military health care facilities. States or counties with a significant military medical presence receive disproportionately low rates due to this methodology lapse.

While the national average military AAPCC understatement is 3%, in King County it is 4.3% and Pierce County it's 22.6%.

My legislation will revise the methodology to include both the Medicare beneficiaries and the costs for all their Medicare services—including those received in fee-for-service and at military facilities—in the AAPCC calculations.

Using accuracy as a means to boost AAPCC rates is both a policy-justified and a politically defensible way to begin addressing the geographic inequity in the Medicare system.

#### TRIBUTE TO LINDA MITCHELL

### HON. XAVIER BECERRA

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, July 1, 1999*

Mr. BECERRA. Mr. Speaker, I rise today to pay a heartfelt tribute to Linda Mitchell, a dear friend and tireless fighter for justice and equality. Linda died Tuesday, June 22, 1999 at her home in Pasadena, California. She was 52.

Linda Mitchell was born and raised in the State of Ohio. The third of five children, she received her Bachelor of Science Degree in Home Economics from Ohio State University. After completing her education, she moved to California, first living in San Diego and then in Los Angeles.

Linda was an individual with deep compassion and conviction. She used every bit of her energy and time to fight for the rights of all people, regardless of race, creed, or economic circumstances. She was respected and admired for her work on behalf of those less fortunate, in particular immigrants to the United States of America.

She always employed her expertise in public relations and communications to champion the causes of others. Linda chose her avenues of involvement carefully, working for many of the nation's most worthy organizations, including the Mexican American Legal Defense and Education Fund, United Way of Greater Los Angeles, Coalition for Humane Immigrant Rights of Los Angeles, Dolores Mission Women's Cooperative, and the International Institute. In her quest for justice, she served as a Board Member for the American Civil Liberties Union. Understanding the importance of the press in this country, she was a member of Fairness and Accuracy in Reporting.

Though small in size, Linda Mitchell was big of heart. When she walked into a room, you might not see her right away, but you could

feel her presence because she exuded warmth and love for her fellow human being. She helped set up parenting classes for refugees from the former Soviet Union and a support center for Alzheimer's disease victims and their families.

With health a constant challenge, Linda never let physical limitations prevent her from doing anything. She traveled beyond her hemisphere to Europe and to China. She wanted to learn as much as possible about the world so she could change it.

I have never met a person more grounded on the value of human dignity nor more dedicated to promoting its survival. Linda always had a way of extracting that extra effort from me to maximize my service to the public. She has been a partner in work, a counsel in policy and a model in ethics.

Linda is remembered by friends and colleagues for her selflessness, generosity, and integrity—a woman who was dedicated to the pursuit of justice and equality. She is also remembered for her love of children, her wonderful cats, and her scrumptious desserts.

A Memorial Service will be held on Thursday, July 1, 1999 at 3:00 p.m. at the Throop Unitarian Universalist Church in Pasadena, California. There will also be a Memorial Service in Marion, Ohio where Linda will be buried on July 10, 1999.

Linda is survived by her father and mother, Ted and Elaine Mitchell; two sisters Judy LaMusga and Karen Mitchell; one brother Alan Mitchell; two nieces Cindy and Katie Mitchell; and two nephews Rob and Michael Mitchell. Her brother Bob Mitchell is deceased.

Mr. Speaker, Linda Mitchell left us too soon, with so much to do and so much to teach. She epitomized all that is good about America. I feel deeply privileged to have known her. I will forever remember her fondly. It is with great pride, yet profound sorrow, that I ask my colleagues to join me today in saluting this exceptional human being.

#### INTEREST ALLOCATION REFORM ACT

### HON. ROB PORTMAN

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Thursday, July 1, 1999*

Mr. PORTMAN. Mr. Speaker, on June 17, 1999, joined by Mr. MATSUI of California, I introduced H.R. 2270, a bill to correct a fundamental distortion in the U.S. tax law that results in double taxation of U.S. taxpayers that have operations abroad.

The United States taxes U.S. persons on their worldwide income, but allows a foreign tax credit against the U.S. tax on foreign-source income. The foreign tax credit limitation applies so that foreign tax credits may be used to offset only the U.S. tax on foreign-source income and not the U.S. tax on U.S.-source income. In order to compute the foreign tax credit limitation, the taxpayer must determine its taxable income from foreign sources. This determination requires the allocation of deductions between U.S.-source gross income and foreign-source gross income.

Special rules enacted as part of the Tax Reform Act of 1986 apply for purposes of the allocation of interest expense. These rules gen-

erally require that interest expense incurred by the U.S. members of an affiliated group of corporations must be allocated based on the aggregate of all the U.S. and foreign assets of the U.S. members of the group.

The interest allocation rules purport to reflect a principle of fungibility of money, with interest expense treated as attributable to all the activities and property of the U.S. members of a group regardless of the specific purpose for which the debt is incurred. However, the present-law rules enacted with the 1986 Act do not accurately reflect the fungibility principle because they apply fungibility only in one direction. Accordingly, the interest expense incurred by the U.S. members of an affiliated group is treated as funding all the activities and assets of such group, including the activities and assets of the foreign members of the group. However, in this calculation, the interest expense actually incurred by the foreign members of the group is ignored and thus is not recognized as funding either their own activities and assets or any of the activities and assets of other group members. This "one-way-street" approach to fungibility is a gross economic distortion.

By disregarding the interest expense of the foreign members of a group, the approach reflected in the present-law interest allocation rules causes a disproportionate amount of U.S. interest expense to be allocated to the foreign assets of the group. This over-allocation of U.S. interest expense to foreign assets has the effect of reducing the amount of the group's income that is treated as foreign-source income for U.S. tax purposes, which in turn reduces the group's foreign tax credit limitation. The present-law interest allocation rules thus prevent the group from fully utilizing its available foreign tax credits, and lead to double taxation of the foreign income earned by the U.S. multinational group.

This double taxation of the income that U.S. multinational corporations earn abroad is contrary to fundamental principles of international taxation and imposes on U.S. multinational corporations a significant cost that is not borne by their foreign competitors. The present-law interest allocation rules thus impose a burden on U.S.-based multinationals that hinders their ability to compete against their foreign counterparts. Indeed, the distortions caused by the interest allocation rules impose a substantial cost that affects the ability of U.S.-based multinationals to compete against their foreign counterparts both with respect to foreign operations and with respect to their operations in the United States.

H.R. 2270 will reform the interest allocation rules to eliminate the distortions caused by the present-law approach. The elimination of these distortions will reflect the fundamental tax policy goal of avoiding double taxation and will eliminate the competitive disadvantage at which the present-law interest allocation rules place U.S.-based multinationals. A detailed technical explanation of the provisions of H.R. 2270 follows.

#### TECHNICAL EXPLANATION OF H.R. 2270

##### IN GENERAL

The bill would modify the present-law interest allocation rules of section 864(c) that were enacted by the Tax Reform Act of 1986. The bill embodies the provisions that were passed by the Senate in connection with the 1986 Act. Under the bill's modifications, interest expense generally would be allocated