ignoring students' needs. Therefore, it is important that public schools be given the resources to recruit and retain professional counselors and social workers who not only aid students in their academic planning but also provide support and consultation to those students who may suffer from depression or mental illness. Every child in Texas deserves this and nothing less.

As we chart our course in this new millennium, the education of all Texas children remains vital to our future. Texas Public Schools Week is the perfect opportunity to celebrate our past, our present, and our future.

TRIBUTE TO MS. JOAN KNISS

HON. BOB SCHAFFER

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 7, 2001

Mr. SCHAFFER. Mr. Speaker, today I pay tribute to Ms. Joan Kniss of Brighton, Colorado, the 2001 Colorado Teacher of the Year. This prestigious recognition is no small honor. This year brought 3,500 teachers throughout the State of Colorado into competition for this prestigious award. Ms. Kniss, I am proud to say, teaches English at Brighton High School which is located within the congressional district I represent.

The Colorado Teacher of the Year Program is Colorado's oldest and most prestigious honors program which recognizes the contributions of the classroom teacher. The nominee must be an exceptionally skilled, dedicated, and knowledgeable classroom teacher. The standards for the award are high. The Colorado Teacher of the Year must inspire students of all backgrounds and abilities to learn, have the respect and admiration of students, parents, and colleagues, play an active and useful role in the community as well as in the school, and demonstrate high levels of academic achievement for their students.

Mr. Speaker, I have no doubt the best teacher in the Great State of Colorado won in 2001. Ms. Kniss began her teaching career in Colorado in 1973 at North Junior High in Brighton, Colorado. For eight years, she worked within the school district on special assignment. Since 1984, she has served as a language arts teacher at Brighton High School. Mr. Speaker, through her many years as an interested teacher, Ms. Kniss has exemplified true dedication to Colorado's children and parents.

Every applicant for Colorado Teacher of the Year must submit an essay. Mr. Speaker, in her essay, Ms. Kniss wrote, ''[W]e must focus on partnerships: teachers must be learning partners with their students; teachers must be partners with parents, and teachers must form partnerships with community members.'' Mr. Speaker, interested parents and teachers produce successful students. Successful teachers, like Ms. Kniss, are those who look to the future knowing the basis for their students' success is a background of solid academics.

Again, today on the floor of the House of Representatives, I say congratulations thank you to Joan Kniss, the 2001 Colorado Teacher of the Year, for her many years of educating Colorado's students.

INTRODUCTION OF A BILL TO PERMIT THE CONSOLIDATION OF LIFE INSURANCE COMPANIES

HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 7, 2001

Mr. CRANE. Mr. Speaker, today I am introducing, along with Representatives MATSUI, ENGLISH, LEWIS, BECERRA, RANGEL, WELLER, SAM JOHNSON, COLLINS, RAMSTAD, MCNULTY, HULSHOF, SHAW, and NUSSLE legislation that would repeal a number of limitations contained in the consolidated return provisions of the Internal Revenue Code. These limitations, originally enacted in 1976, are a relic from a time when the financial markets were highly regulated and financial institutions were taxed very differently than they are today. The limitations serve no good purpose and yet they complicate the tax code for both the taxpayer and the Internal Revenue Service and they place affiliated corporations that include life insurance companies at a competitive disadvantage relative to other corporate groups.

I had hoped we could have addressed this problem long ago, and indeed, much of the bill I am introducing today was included in the 1999 tax bill vetoed by President Clinton. It is my hope that we can focus our attention on this problem again this year, either in the context of a tax simplification effort, an income tax system maintenance effort, or as part of tax relief for business.

BACKGROUND

The consolidated return provisions in the tax laws were enacted so that the members of an affiliated group of corporations could file a single tax return. The right to file a ''consolidated'' return is available regardless of the nature or variety of the businesses conducted by the affiliated corporations. The purpose behind consolidated returns is simply to tax a complete business entity and not its component parts individually. It should not matter whether an enterprise's businesses are operated as divisions within one corporation or as subsidiary corporations with a common parent company. If the group is one economic entity, it should be taxed as a single entity and file its return accordingly.

Corporate groups that include life insurance companies, however, are denied the ability to file a single consolidated return until they have been affiliated for at least five years. Even after groups with life insurance companies are permitted to file on a consolidated basis, they are subject to two additional limitations that do not apply to any other type of group. First, non-life insurance companies must be members of an affiliated group for five years before their losses may be used to offset life insurance company income. Second, non-life insurance affiliate losses (including current year losses and any carryover losses) that may offset life insurance company taxable income are limited to the lesser of 35 percent of life insurance company taxable income or 35 percent of the non-life insurance company's losses.

The historical argument against allowing life insurance companies to file consolidated returns with other, non-life companies was that life insurance companies were not taxed on the same tax base as non-life companies. This argument is unfounded today. Prior to 1958, life insurance companies were taxed under special formulas that did not take their underwriting income or loss into account. Legislation enacted in 1959 took a major step toward taxing life insurance companies on both their investment and underwriting income. In fact, at the same time the present rules were under consideration in 1976, the Treasury Department took the position that full consolidation was consistent with sound tax policy.

In 1984 and 1986, Congress reviewed the taxation of life insurance companies and made a number of substantial changes that have resulted in these companies paying tax at regular income tax rates on their total income. Today, life insurance companies are fully taxed on their income just like other corporations. There is no reason to treat them differently today, especially with respect to consolidation.

THE PROBLEM

The current restrictions place affiliated groups of corporations that include life insurance companies at a competitive disadvantage compared with other corporate groups and also create substantial administrative complexities for taxpayers and for the Internal Revenue Service. The five-year limitations, in particular, create irrational disparities between groups containing life insurance companies and other consolidated groups. For example: First, when a consolidated group acquires another consolidated group that includes a life insurance company member, the acquired group is deconsolidated. This means that, unlike other groups, intercompany gains in the acquired group would be recognized as current income while losses would continue to be deferred.

Second, for the five year period following a consolidated group's acquisition of a life insurance company, gains on any intercompany transactions are subject to current tax and cannot be deferred. However, gains of other groups that are allowed to file a consolidated return are allowed to be deferred.

Third, section 355 spin-off transactions raise questions concerning the five year ineligibility period for the spun-off company even if the group had existed and been filing a consolidated return for many years.

The ability to file consolidated returns is particularly important for affiliated groups containing life insurance companies. Many corporations in other industries can, in effect, consolidate the returns of affiliates by establishing divisions within one corporation, rather than operating as separate corporations. Unfortunately, state law and other, non-tax business considerations generally require a life insurance company to conduct its non-life business through subsidiaries. The inability to file consolidated returns thus operates as an economic barrier inhibiting the expansion of life insurance companies into related areas.

SOLUTION

There are no sound reasons to deny affiliated groups of corporations including life insurance companies the same unrestricted ability to file consolidated returns that is available to other financial intermediaries (and corporations in general). Allowing the members of an affiliated group of corporations to file a consolidated return prevents the business enterprise's structure, i.e., multiple legal entities, from obscuring the fact that the true gain or loss of the business enterprise is the aggregate of each of the members of the affiliated group. The limitations contained in present law