these issues, and specifically, the technical order of benefits that workers will be expected to receive. I urge the Secretary to get this assurance to us immediately, so that our State can plan to meet the needs of workers who have exhausted or will soon exhaust their benefits.

It was my intent, and I understand it was the expressed intent of the drafters in the House, to provide the 13-week temporary federal UI benefit immediately after the expiration of regular State unemployment insurance benefits—which is typically 26 weeks.

While I am disappointed that the House language is not explicitly clear on this matter, as was the Senate bill, I am pleased to hear that the Department understands our intent and will reportedly carry out these provisions in keeping with that intent.

I will be watching to ensure that the Secretary follows through on this commitment and puts the Department's priority where it should be—on providing as much assistance as possible to the areas of this Nation that desperately need it—and to provide it in a timeframe that truly reflects the urgency of the situation.

Again, I appreciate the phenomenal work of the majority leader and the entire Senate in doing its work on this bill months ago; and now that the House has finally come to the table, I urge that we move quickly to get it enacted and get extended benefits out to workers who need it most.

Finally, I will add that I am pleased with the targeted business tax incentives contained in this stimulus package. By providing both bonus depreciation for capital investments, and increased write-offs for business losses, we encourage economic expansion and development. By giving workers the resources to invest in themselves through training, education and health care, we provide the means for this expansion.

Additionally, I am pleased that this package contains the so-called tax extenders that promote research and development across so many industries in our country.

The country is at an economic crossroads and the choices we make today will affect us for years. We must maintain our fiscal discipline and invest in the nation's future business, education and worker needs.

The package we are approving today invests in the next generation of our economy as businesses recover from the weakened economy.

## ECONOMIC STIMULUS IN THE NORTHWEST

Mrs. MURRAY. Mr. President, I rise today with my colleague from the State of Washington to impress on this body just how important elements of this legislation are to the workers in the Pacific Northwest and the Nation.

As my colleagues know, Washington and Oregon have the highest unemployment rates in the Nation right now.

The economy of the Northwest has been struggling for some time and September 11 only made things worse.

Last year, Boeing, Washington's largest employer, announced they would be cutting 30,000 jobs within a year. Most of those jobs would be out of Washington State. To date, 10,000 dedicated Boeing workers have been handed their pink slips. That number doesn't include the thousands of jobs that are being lost by those dependent on Boeing.

Washington State is also a high-tech dependent State. The downturn in that sector has left many in the Northwest without a job.

These massive lay-offs, uncertainty in the economy, and fear of another terrorist attack have crippled the economies of the Northwest.

We are expecting that the layoffs may reach 40 to 65,000 by the end of this year.

So the importance of the legislation is paramount—but the devil's in the details—and so we have worked to make sure that the language passed by the House will provide the maximum stimulus possible to workers throughout this Nation.

My colleague, Senator CANTWELL, has been diligent in monitoring this legislation and we have worked in tandem to ensure that States in such great need do not have their support decreased because those States have proactively made efforts to provide extended benefits to workers in advance of the passage of this legislation.

I understand that the majority leader has agreed to engage in a colloquy on this matter with myself and Senator CANTWELL so that we may clarify that the legislation will, in fact, have it's intended stimulative impact on our State.

At this time, I yield back to the majority leader and look forward to his response.

Ms. CANTWELL. If the majority leader yield for a question, I thank the majority leader and my colleague Senator MURRAY.

I am pleased to join her in support of this legislation.

My colleague shares my concern over the serious situation in our State and throughout the Northwest. In Washington State alone 42,070 workers exhausted UI claims from September 11 through the beginning of March; and 14 of Washington's 39 counties have unemployment rates above ten percent.

If this is not an emergency, I do not know what is.

That's why we have insisted for months now that the Senate pass a simple unemployment insurance extension of at least 13 weeks.

But, we do want to make explicitly clear how the bill will conform with state laws providing extended benefits, so that we preserve the intended purpose of this legislation.

I cannot emphasize enough how pleased this Senator is to have this legislation is finally approaching enactment. I am extremely pleased that the House has finally come to the conclusion that need this 13-week Federal support, and has finally decided to do the right thing for our workers, and our nation as a whole.

But we have meticulously worked to ensure that the language of this legislation would conform with the extended benefits offered by our State, so that one of the most heavily impacted States in the nation is able to fully benefit from what we're doing today.

The distinguished majority leader worked very hard with us last year and earlier this year to craft language that would achieve this purpose. The language passed by this body in February made very clear that the temporary federal benefits would begin immediately after the 26th week, across the board. The UI provision is crafted in a less clear manner in the House bill, but I am aware that the House Ways and Means chairman yesterday expressed his intent in drafting that language that the federal benefit would begin before wholly State-financed benefits.

We understand that the Department of Labor has promised to provide a letter of interpretation of the House-passed legislation that is expected to clarify these issues, and specifically, the technical order of benefits that workers will be expected to receive. This Senator urges the Secretary to get this assurance to us immediately, so that States can adequately plan to meet the needs of workers who have exhausted or will soon exhaust their benefits.

While I am disappointed that the House language is not explicitly clear on this matter, as was the Senate bill, I am pleased to hear that the Department understands this intent and will interpret the language accordingly.

We will closely be watching to ensure that the Secretary follows through on this commitment and puts the Department's priority where it should be—on providing as much assistance as possible to the areas of this Nation that desperately need it—and to providing it in a time frame that truly reflects the urgency of the situation.

Again, I appreciate the phenomenal work of the majority leader and the entire Senate in doing its work on this bill months ago; and now that the House has finally come to the table, I urge that we move quickly to get it enacted and get extended benefits out to workers who need it most.

At this time I ask the distinguished majority leader if it is his understanding that the intent of this legislation was to provide a Federal benefit immediately after regular state UI benefits, and I will yield back for his response.

Mr. DASCHLE. The Senator is exactly right, that is the intent of the legislation.

As I understand it, the House chairman did clarify yesterday that his intent in drafting the legislation conformed to the Senator's view that the

federal benefit start before any state-financed extended benefit.

As the Senators from Washington know, the Senate put forward a bill in February that provided a simple 13-week extension to all States, which would begin immediately after the exhaustion of regular UI benefits.

There are a number of States that did act in providing State-financed extended benefits before the House finally agreed to send us this compromise legislation, and those States deserve the maximum federal benefit.

This is about giving workers a chance to get back on their feet.

We have worked hard to recognize the technical concerns of the Senators from Washington and ensure that we were providing the maximum assistance to all States.

So I will say clearly that it was the Congress' intent to provide the federal benefit immediately after regular UI and I will work with the Senators to ensure that the Department conforms with that intent.

## INCOME FORECAST METHOD

Mr. DASCHLE. Mr. President, I would like to engage in a brief colloquy with the distinguished chairman and ranking member of the Finance Committee, Senator BAUCUS and Senator GRASSLEY, regarding a tax issue that I had hoped to clarify as part of this legislation, which will have serious economic ramifications for several important industries.

Recently, some uncertainty has arisen regarding the proper tax treatment of residuals and participations under the income forecast method of depreciation. I would ask the distinguished chairman and ranking member if they could clarify this issue.

Mr. BAUCUS. In 1993, the United States Court of Appeals for the Ninth Circuit held in Transamerica Corporation v U.S. that, for purposes of the income forecast depreciation method, the anticipated cost of participations and residuals should be included in a property's cost basis at the beginning of the property's depreciable life.

As the Ninth Circuit determined in Transamerica, inclusion of participations and residuals in a property's initial cost basis is necessary to properly match the income and expenses associated with the property and to clearly reflect income. Yet, it is my understanding that the IRS is not currently permitting such treatment. To eliminate the current uncertainty, Senator GRASSLEY and I have encouraged Treasury to consider regulations clarifying that participations and residuals may be included in a property's initial cost basis for purposes of the income forecast method of depreciation.

Mr. GRASSLEY. I agree with Senator BAUCUS. Excluding participations and residuals from a property's initial depreciable cost basis under the income forecast method results in a mismatching of income from the property and the expenses incurred in producing the property. The Ninth Circuit reached this conclusion in Transamerica. Moreover, I would note that including participations and residuals in the initial depreciable cost basis is consistent with industry standards in computing income for financial accounting purposes. We should remove this uncertainty to avoid needless disputes and to ensure the accurate reflection of taxpayers' income.

Mr. DASCHLE. I want to thank both of my distinguished colleagues for this important clarification. I understand that Treasury is considering this issue currently as part of its 2001 Priority Guidance Plan. For the record, I would note that Senators BAUCUS and GRASSLEY previously sent a letter to Treasury Secretary O'Neill asking him to consider regulations that eliminate the current uncertainty by clarifying that participations and residuals may be included in a property's initial cost basis for purposes of the income forecast method of depreciation. I agree with my colleagues and urge Treasury to issue such regulations.

Mr. BREAUX. Mr. President, I completely agree with the previous colloquy of my distinguished colleagues on the income forecast method of depreciation. The motion picture industry presently is facing a legal cloud that has serious economic implications for the industry. The cloud concerns the tax treatment of residual and participation payments under the income forecast method of accounting, the predominant method of accounting for the industry.

In 1993, the Ninth Circuit held in Transamerica Corporation v U.S. that participations and residuals are included in the initial cost basis of a property for purposes of the income forecast method. Yet, despite this clear result, I understand that the Internal Revenue Service is beginning to challenge that treatment. Simply put, this is wrong—as a matter of law, as a matter of policy, and as a matter of fairness.

The Transamerica decision continues to remain the proper result under present law. As the Transamerica Court found, the inclusion of participations and residuals in the film's costs is necessary in order to match income and expenses property and to clearly reflect income.

I believe we must quickly lift this cloud of uncertainty from one of our most critical industries. I am in agreement with my colleagues that Treasury should issue regulations which eliminate the current uncertainty this year as part of its 2001 Priority Guidance Plan.

## CLARIFICATION REGARDING THE FIVE-YEAR CARRYBACK OF NET OPERATING LOSSES

Mr. HATCH. Mr. President, the Job Creation and Worker Assistance Act of 2002, being considered by the Senate today, contains an important provision to extend the general net operating loss (''NOL'') carryback provision to 5 years (from 2 years) for NOLs arising in taxable years ending in 2001 and 2002. The Joint Committee on Taxation's Technical Explanation of the Act contains a footnote indicating that the NOL provision ''does not affect the terms and conditions that the Internal Revenue Service may impose on a taxpayer seeking approval for a change in its annual accounting period.''

I want to clarify with the distinguished chairman of the Finance Committee, Senator BAUCUS, that this footnote was not intended to limit the Internal Revenue Service's authority to alter or modify the terms and conditions that may have been imposed on taxpayers that had already received permission to change accounting periods, particularly under circumstances where the events of September 11, 2001, have resulted in unanticipated and severe hardships, and the waiver or modification would not result in the planning activity that the NOL Condition was intended to prevent.

Specifically, I want to clarify that the IRS has authority to permit an NOL incurred in a short taxable year to be carried back notwithstanding that the taxpayer may have agreed as a condition to securing the change to carry over the NOL only to future years.

Mr. BAUCUS. I would agree that the relevant footnote merely restates the Internal Revenue Service's present authority, and is not intended to limit that authority in cases where modification of an approval is sought, and such a modification would be consistent with the government's overall response to September 11.

## AIRCRAFT

Mr. BROWNBACK. Mr. President, I would like to engage my colleagues, Senator BAUCUS and Senator GRASSLEY in a colloquy. I have a question regarding the special depreciation allowance provisions of H.R. 3090, the ''Job Creation and Worker Assistance Act of 2002.'' Do the depreciation provisions in the bill cover all aircraft?

Mr. BAUCUS. It is our intention to cover all types of aircraft, including commercial, chartered, privately-owned, or crop-dusting aircraft, to the extent the aircraft is otherwise eligible for depreciation.

Mr. GRASSLEY. I agree with Senator BAUCUS' remarks. These special depreciation allowance provisions are intended to cover all aircraft.

Mr. BROWNBACK. I thank my colleagues for that clarification.

## HATE CRIMES: WHY WE CAN'T WAIT

Mrs. FEINSTEIN. Mr. President, if you were to walk past the driveway at 222 West Micheltorena Street in Santa Barbara, California today you would see a makeshift memorial of flowers and candles. On a tree nearby, you