

THE FAIRNESS, SIMPLIFICATION  
AND COMPETITIVENESS FOR  
AMERICAN BUSINESS ACT OF  
2000

**HON. AMO HOUGHTON**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, April 10, 2002*

Mr. HOUGHTON. Mr. Speaker, today I am introducing the "Fairness, Simplification and Competitiveness for American Business Act of 2002". It would address a number of tax issues facing U.S. multi-national corporations and provide a way to comply with a ruling of the World Trade Organization that our present tax law provides a prohibited export subsidy to these companies.

Much has been made about multinational corporations avoiding U.S. corporate income taxes by all sorts of arrangements, including use of offshore entities, re-incorporations/inversions, agreements to avoid loss of foreign tax credits, earnings stripping, sales/lease-backs of assets, etc. There is nothing inherently illegal in what is being done. Does it go to the edge? Probably. I believe much of this activity is motivated by our outmoded international tax laws. We have known for some time that the laws are far behind and out of sync with our trade policy. In fact, our international tax policy seems to promote consequences that may be contrary to the national interest. Ours is a terribly complex system of worldwide taxation, with exceptions for deferral of taxes on certain income earned abroad, and a foreign tax credit system that attempts to minimize double taxation.

At the same time, we have tried to alleviate the disadvantage to our multinationals by such provisions as the Domestic International Sales Corporation, replaced by the Foreign Sales Corporation, then replaced by the Extraterritorial Income Exclusion Act of 2000. All of these provisions were aimed at leveling the field for U.S. multinationals, as contrasted to foreign multinationals. The latter typically operate under territorial and value added tax systems that provide tax relief for exporters. The FSC and ETI provisions have been estimated to reduce U.S. tax revenues by over \$4 billion annually.

The ETI system was enacted after the U.S. lost its appeal of the WTO ruling that the FSC was a prohibited export trade subsidy. A case was brought on the new ETI, and it too was held to be an export trade subsidy. Again, the U.S. lost on appeal. So what do we do now?

The bill introduced would do two things. It would provide a number of international tax fairness and simplification changes to the Internal Revenue Code. The bill would include all of the provisions of a bill introduced on March 20, 2002, H.R. 4047, as well as provisions to improve the interest allocation rules and provide a permanent subpart F exception for "active financing" income (the current exception expires for tax years beginning after December 31, 2006). In addition, the bill would repeal the ETI. These changes would be effective January 1, 2003).

The goal is to promote fairness, simplification and competitiveness in the U.S. international tax provisions to benefit U.S. multinational corporations, and to pay for those changes with the revenue generated from repeal of the ETI provisions.

I believe this approach would result in a number of benefits. It would settle the WTO dispute, provide benefits in our present system to the U.S. multinationals, and would not preclude future changes to our entire corporate system, if that is the desire of Congress. I would welcome my colleagues' support of this legislation.

ON THE 100TH ANNIVERSARY OF  
STEWART AND STEVENSON

**HON. KEVIN BRADY**

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, April 10, 2002*

Mr. BRADY of Texas. Mr. Speaker, today it gives me great pleasure to call attention to one of my constituent companies that celebrated its 100th anniversary on April 5th, and would like for the rest of the House to join me in offering congratulations to Stewart & Stevenson Services, Inc., of Houston, Texas.

Stewart & Stevenson Services, Inc., provides power systems, parts and services to the following industries: Military, Marine; Oil & Gas; Agriculture; Industrial; Highway & Transit; and Airline Ground Support as well as being the designer and manufacturer of the Family of Medium Tactical Vehicles (FMTV) with more than 16,000 built to date for the U.S. Army.

The company traces its roots in wheeled vehicle manufacturing and support to its beginning when blacksmith C. Jim Stewart and carriage-maker Joe R. Stevenson formed the company in 1902 in Houston. The company's wheeled vehicle products have evolved from this modest beginning as the technology has progressed through the 20th Century leading to the world's premiere medium tactical military truck—the FMTV.

During a series of celebrations at their Houston headquarters as well as at their truck assembly facility in Sealy, Texas, and other locations in the United States, S&S employees and their guests will join in honoring one hundred years' of contributions to their military and commercial customers. It is great having them as constituents, and I wish them another one hundred years of success.

Mr. Speaker, I won't go into all the details now, but I ask unanimous consent to include a history of Stewart & Stevenson in my remarks.

HISTORY OF STEWART & STEVENSON SERVICES,  
INC.

Stewart & Stevenson Services, Inc., a technology-driven, billion-dollar, century old corporation headquartered in Houston, Texas, has long been a leader in the design and manufacture of specialty equipment for the oilfield, airline, defense, and power generation industries. A major distributor of industrial engines and equipment to a broad spectrum of businesses worldwide, the company provides complete 24-hour parts and service support of all of its product lines.

The company was founded in 1902 when two enthusiastic, young craftsmen committed their talents and resources—\$300 each—to form a partnership. C. Jim Stewart, a blacksmith, and Joe R. Stevenson, a carriage maker, signed a contract and began business as C. Jim Stewart & Stevenson, Houston's first "carriage repair and horseshoeing parlor".

The venture thrived with hard work, integrity and a dogged determination to get the

job done right, even when others said it couldn't be done. The original partnership agreement clearly defined these principles, as well as the duties of each "partner." Stewart was to do the blacksmith work and Stevenson the woodworking, with the provision that "both shall do such things in and about said business which shall be necessary."

The business expanded steadily and more craftsmen were added to perform the ever-increasing workload. The two partners made sure that the people they hired were not only experts in their fields but willing to pitch in and help out wherever needed, establishing a hiring policy that still serves the company today.

Handcrafted carriages, buggies and wagons were the pride of the new organization. In 1905, the company was presented the first opportunity to work on an automobile, a 24-horsepower Dixie Flyer roadster built by Southern Motor Car Co. which had been badly burned. The damage was so extensive that a new, wooden four-door body was handcrafted and installed. This job marked the transition from horseshoes to horse power, and reminds today's employees of how essential innovation and versatility are to Stewart & Stevenson's past and to its future.

By 1938, Stewart & Stevenson had built many vehicle bodies and become a distributor for General Motors' trucks and Detroit Diesel engines. The company became proficient at coupling diesel engines to various pieces of equipment to supply the agricultural, industrial, petroleum and marine markets.

One of Stewart & Stevenson's first government contracts was to supply mobile diesel generators, capable of running on Russian M-4 heavy fuel and operating in severe weather conditions. The company was the second-largest supplier of diesel generators under the "Lend-Lease" Program during World War II. Other wartime projects included the overhaul of thousands of U.S. Army trucks and jeeps and the remanufacture of 4,000 diesel engines from Sherman Tanks.

Throughout its history, Stewart & Stevenson has been involved in mobile equipment and wheeled vehicles. From overhauling Jeeps and tanks during World War II to building sophisticated truck-mounted petroleum exploration systems and the Family of Medium Tactical Vehicles and rugged airport ground support equipment, the company has established a solid foundation based on a true, wheeled vehicle heritage.

Today, Stewart & Stevenson is a billion dollar corporation that consists of four major business segments: Specialty Wheeled Vehicles, which consists of Stewart & Stevenson Tactical Vehicle Systems, LP (TVS) and Stewart & Stevenson TUG; Power Products, Petroleum Equipment, and Strategic Operations. TVS manufactures the U.S. Army's most reliable and capable off-road multipurpose trucks—the Family of Medium Tactical Vehicles (FMTV). These include 2.5- and 5-ton troop carriers, wreckers, cargo trucks, vans, dump trucks, and a variety of specialty vehicles. Stewart & Stevenson TUG manufactures aircraft ground support equipment that includes aircraft tow tractors, pushback tractors, baggage tow tractors, belt loaders, air start units, air conditioning units and container loaders, as well as mobile railcar movers, which are sold under the "Rail King" trademark.

The Power Products segment designs, manufactures and sells specialty equipment that utilizes power components for numerous industries: petroleum, marine, on-highway, transit (bus), power generation, and agriculture. The company serves as distributor