Child Care Development Block Grant Program and transitional medical assistance for people who leave welfare for work. The bill extends funding for these programs for the next 3 months without any changes in current law. As the gentleman from California (Mr. HERGER) pointed out, this is the ninth temporary extension for TANF over the last 3 years.

I agree with those who say we should be doing much more. I think it is wrong we have not brought forward legislation that deals with the reality of what has happened in our communities over the past 3 years. We have seen a significant growth in poverty in this country, growing by 4.3 million people. In 2003 alone, almost another 800,000 children fell into poverty; yet we see no action by this body to deal with the realities in our community.

Regrettably, the long-term welfare reauthorization plan put forward by my Republican colleagues largely ignores this problem. The gentleman from California (Mr. HERGER) has pointed out that TANF has been remarkably successful, using his own terms; yet the legislation they bring forward radically changes the program by putting more mandates on States and less opportunity to tailor the program to meet the needs of individual States and fails to give the resources necessary in order to accomplish the task.

Instead, they have suggested that poverty is rising because welfare recipients are not working hard enough. However, this suggestion falls flat when Members consider one basic fact: the welfare rolls have been declining as we continue to see an increase in poverty. That points out the fact that there are just no jobs available. We are going through a recession; it is not that we have welfare recipients who are failing to work. They cannot find jobs; and when they do find jobs, these jobs do not pay enough. They need job training and help to move up the economic ladder.

Mr. Speaker, we should be providing more child care assistance, more job training, and a higher minimum wage; and yet in all three of these areas, the majority and President Bush have resisted such reforms. In fact, as the gentleman from California (Mr. HERGER) points out, the Subcommittee On Human Resources is scheduled to mark up legislation tomorrow which is nearly identical to the same bill we have been debating for the last 3 years. In baseball, it is three strikes and you are out. Unfortunately, that does not apply here; otherwise perhaps we would finally get a bill that would be worthy of bipartisan support. We do not seem to be getting that from the majority.

While we are doing this, the other body is working on legislation, which I am happy to report. As the gentleman from California (Mr. HERGER) pointed out, the Senate Finance Committee has given a road map by recently reporting a bipartisan bill to improve TANF. Let me underscore that. The Senate Finance Committee reported a bipartisan bill, a bill that represents give and take among all of the Members of the committee.

Mr. Speaker, I am not thrilled by all of the provisions in the bill that was marked up, but I think it does allow us to move forward to get a bill to the President's desk. It increases access to education rather than placing new limitations on education and training. It does not double work hours for mothers with young children. It does not include an open-ended superwaiver authority that could reduce protections for food stamps and housing benefits, and includes six times as much new child care funding compared to the bill that will be marked up tomorrow in our committee.

As I said, the Senate finance bill is far from perfect, and I hope it will improve when considered by the full Senate; but it represents a much better approach than the Republican bill in this body. I hope we can continue to work towards a long-term bill that reflects many of the improvements made in the Senate bill.

In the meantime, Mr. Speaker, I support this temporary extension of current law, hope we can work together, and hope we have a bill worthy of bipartisan support we can get to the President.

Mr. Speaker, I reserve the balance of my time.

Mr. HERGER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, in 2002 and 2003, this House passed long-term reauthorization legislation to encourage more work among welfare recipients and to provide more resources for States to assist low-income families. I am encouraged that last week the Senate Committee on Finance reported a welfare reform bill. Tomorrow, the subcommittee I chair will mark up long-term reauthorization, and it is my hope that over the next few months we can pass long-term legislation and send a bill to the President for his signature.

But until that happens, it is important that we continue these programs, so we do need to pass this bill. Therefore, I urge all my colleagues to support this legislation.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I am here today to support the extension of the Temporary Assistance for Needy Families Block Grant Program through June 30, 2005.

For the ninth time since September 2002, the U.S. House today is attempting to pass another short-term extension of the nation's welfare system, by approving the Welfare Reform Extension Act of 2004 under our suspension calendar.

For the sake of the millions of families that remain in the welfare system, we need a final agreement that will help Americans achieve independence and a brighter future. While I am glad that the House Ways and Means Committee is taking action, it is still disturbing that we must continue to pass extensions rather than create a comprehensive reform that will help families for generations to come.

The 1996 welfare reform law authorized Temporary Assistance for Needy Families and related welfare programs through September 30, 2002. The House passed comprehensive welfare reauthorization bills in 2002 and 2003. The Senate's failure to approve a comprehensive reauthorization bill has forced both bodies to fund welfare programs since September 2002 through a series of short-term extensions, without any further improvements. The last short term extension from March 2004 is set to expire on June 30, 2005, until the U.S. Senate can complete its work.

Every day that passes without a comprehensive agreement means more low-income families depending on governmental assistance. It means less work and job preparation by parents. It means fewer child care and child support resources available to help families. It means more poverty. And it means more families going into debt and creating more obstacles to financial freedom. It's time to deliver on this vital legislation.

As chair of the Congressional Children's Caucus, I know that many of the people that will suffer from lack of comprehensive benefits are children. These children are not the ones who are making decisions for the family, but are the ones that are suffering from it. The government must step in and take a proactive role to see that such imbalances are set right. As we reauthorize TANF today, let's go one step further and create a working assistance program that has long term solutions.

Mr. HERGER. Mr. Speaker, I yield back the balance of my time.

Mr. CARDIN. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. PETRI). The question is on the motion offered by the gentleman from California (Mr. HERGER) that the House suspend the rules and pass the bill, H.R. 1160.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. HERGER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 1160.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

AMENDING INTERNAL REVENUE CODE OF 1986 PROVIDING FOR PROPER TAX TREATMENT OF CERTAIN DISASTER MITIGATION PAYMENTS

Mr. FOLEY. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1134) to amend the Internal Revenue Code of 1986 to provide for the proper tax treatment of certain disaster mitigation payments.

The Clerk read as follows:

H.R. 1134

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. PROPER TAX TREATMENT OF CERTAIN DISASTER MITIGATION PAYMENTS.

(a) QUALIFIED DISASTER MITIGATION PAYMENTS EXCLUDED FROM GROSS INCOME.—

(1) IN GENERAL.—Section 139 of the Internal Revenue Code of 1986 (relating to disaster relief payments) is amended by adding at the end the following new subsections:

''(g) QUALIFIED DISASTER MITIGATION PAYMENTS.—

''(1) IN GENERAL.—Gross income shall not include any amount received as a qualified disaster mitigation payment.

''(2) QUALIFIED DISASTER MITIGATION PAYMENT DEFINED.—For purposes of this section, the term 'qualified disaster mitigation payment' means any amount which is paid pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (as in effect on the date of the enactment of this subsection) or the National Flood Insurance Act (as in effect on such date) to or for the benefit of the owner of any property for hazard mitigation with respect to such property. Such term shall not include any amount received for the sale or disposition of any property.

''(3) NO INCREASE IN BASIS.—Notwithstanding any other provision of this subtitle, no increase in the basis or adjusted basis of any property shall result from any amount excluded under this subsection with respect to such property.

''(h) DENIAL OF DOUBLE BENEFIT.—Notwithstanding any other provision of this subtitle, no deduction or credit shall be allowed (to the person for whose benefit a qualified disaster relief payment or qualified disaster mitigation payment is made) for, or by reason of, any expenditure to the extent of the amount excluded under this section with respect to such expenditure.''.

(2) CONFORMING AMENDMENTS.—

(A) Subsection (d) of section 139 of such Code is amended by striking ''a qualified disaster relief payment'' and inserting ''qualified disaster relief payments and qualified disaster mitigation payments''.

(B) Subsection (e) of section 139 of such Code is amended by striking ''and (f)'' and inserting '', (f), and (g)''.

(b) CERTAIN DISPOSITIONS OF PROPERTY UNDER HAZARD MITIGATION PROGRAMS TREATED AS INVOLUNTARY CONVERSIONS.—Section 1033 of such Code (relating to involuntary conversions) is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

''(k) SALES OR EXCHANGES UNDER CERTAIN HAZARD MITIGATION PROGRAMS.—For purposes of this subtitle, if property is sold or otherwise transferred to the Federal Government, a State or local government, or an Indian tribal government to implement hazard mitigation under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (as in effect on the date of the enactment of this subsection) or the National Flood Insurance Act (as in effect on such date), such sale or transfer shall be treated as an involuntary conversion to which this section applies.''.

(c) EFFECTIVE DATE.—

(1) QUALIFIED DISASTER MITIGATION PAYMENTS.—The amendments made by subsection (a) shall apply to amounts received after the date of the enactment of this Act.

(2) DISPOSITIONS OF PROPERTY UNDER HAZARD MITIGATION PROGRAMS.—The amendments made by subsection (b) shall apply to sales or other dispositions after the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Florida (Mr. FOLEY) and the gentleman from Maryland (Mr. CARDIN) each will control 20 minutes.

The Chair recognizes the gentleman from Florida (Mr. FOLEY).

GENERAL LEAVE

Mr. FOLEY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on the bill under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. FOLEY. Mr. Speaker, I yield myself such time as I may consume.

First, let me thank the gentleman from California (Mr. THOMAS), chairman of the Committee on Ways and Means, for his consideration and expeditious handling of this bill in allowing us to bring it to the floor. I will include for the RECORD the statement of the gentleman from California (Chairman THOMAS), but first let me read two paragraphs which crystallize the need for the debate.

The gentleman from California states: ''Mr. Speaker, I strongly support H.R. 1134 which embodies the President's budget proposal to provide tax relief to those who will and who have accepted Federal Emergency Management Agency disaster mitigation grants. The bill is necessary to promote effective use of the mitigation grants. These mitigation grants alleviate the severity of the damage caused by unpredictable but anticipated natural disasters. These grants save taxpayer dollars by reducing future Federal disaster relief payments resulting from such disasters.''

If I can read the last paragraph of the statement of the gentleman from California (Mr. THOMAS): ''H.R. 1134 will cut taxes by $105 million over the next decade. FEMA estimates that mitigation projects over the past several years have saved our Nation nearly $3 billion in disaster-related costs. Clearly, when one compares the price of H.R. 1134 with what we might pay in future relief efforts, this bill is worth moving forward and passing into law.''

Mr. Speaker, I rise personally in strong support of H.R. 1134. As a member of Florida who has experienced three hurricanes which made landfall in my district and a fourth which came through the panhandle, out across North Carolina, back into the Atlantic, and made its way back to my district, my congressional district in essence suffered four disasters this past year.

I strongly support H.R. 1134 and ask and thank my colleagues on both sides of the aisle for their help and efforts in bringing this to fruition on the floor. It is a very simple bill. It simply says those taxpayers who receive help under FEMA's hazard mitigation grant program will not be penalized under the Tax Code for receiving that help. It exempts these grants from being considered income for tax purposes.

The FEMA mitigation program has been around for 15 years. It has helped property owners who live in disaster-prone areas avoid future disaster damage through mitigation projects in conjunction with State and local government agencies. In its 15 years, it has helped more than 2,500 properties and saved $2.9 billion in property losses. Never once have these grants been taxed, nor were they ever intended to be.

But the IRS decided last summer that unfortunately nothing specifically in tax law allows the tax exemption, and it let people know these FEMA grants would be considered taxable unless Congress directed otherwise. Therein lies the urgency of our effort. That is why 87 Members of the House have signed onto H.R. 1134; and that is why we are here today, to ensure that those who participate in mitigation projects are not punished for doing so.

Mr. Speaker, these grants help save both property and lives from the wrath of tornadoes, hurricanes, floods, earthquake, and other disasters. They also help save the Federal Government money in the long run through emergency disaster spending. To penalize taxpayers for accepting help in mitigating future and costly property damage is simply penny wise but pound foolish. Fifteen years ago Congress authorized these programs, but unwittingly neglected to spell out that they are, indeed, tax exempt, like many, many other disaster grant programs. We are here today to correct that oversight.

Mr. Speaker, I reserve the balance of my time.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me start by thanking the gentleman from Florida (Mr. FOLEY) for his leadership on this issue, for bringing forward this legislation. It certainly is a bill that will help those who have been victims of natural disasters and a bill of which I am a cosponsor and strong supporter.

Thousands of Americans in all parts of our country have faced tragedy brought by natural disasters in the past year. Whether in the form of hurricanes in the Southeast, or torrential and resulting mudslides in the West, many Americans have had to deal with Mother Nature's forces and have faced the daunting task of reassembling their homes and lives in the aftermath.

H.R. 1134 aims to offer some relief to Americans who, as a result of these unpredictable natural disasters, will suffer personal and property losses.

FEMA helps those affected get through the difficult times following such disasters; but today, Congress is taking our own role, one step closer to helping these victims. I am proud to join my colleagues and 84 additional bipartisan cosponsors of H.R. 1134, which will allow an exclusion from taxes for relief payments made to tax-paying

Americans for efforts taken to mitigate some of the possible effects of natural disasters.

Mr. Speaker, this not only helps the victims because it gives them some relief from having the burden of paying the taxes on these funds; but it also encourages mitigation, which is by far the priority, to try to mitigate the future damages caused through unpredictable natural disasters.

Americans can benefit from taking steps to prevent the extent of damage that could occur during these times of natural disaster, and we should encourage such steps being taken. Today we have the opportunity to vote on H.R. 1134 and offer some additional assistance to Americans at a time when many might need that help the most.

I know this does not do everything for everyone, and we will certainly be hearing from my colleague from New York who has a valid point, but I urge my colleagues to take the step we have available today to help those receiving assistance through FEMA for mitigation funds so it becomes more of a reality to these victims. They have suffered enough. We can help through this legislation.

Mr. Speaker, I reserve the balance of my time.

□ 1515

Mr. FOLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. PORTMAN), a member of the Committee on Ways and Means.

Mr. PORTMAN. Mr. Speaker, I rise in strong support of the gentleman from Florida's legislation that would make clear that property owners who participate in hazard mitigation projects will not be taxed on the mitigation assistance. This legislation is very important because it reverses a June 2004 IRS ruling which determined that Federal FEMA hazard mitigation assistance represented taxable income to participating individuals and businesses.

I want to commend the gentleman from Florida for his legislation and for his leadership on this. I want to thank the gentleman from California (Mr. THOMAS) also for ensuring its expeditious consideration today on the floor. This legislation is very important to Ohio. Passage of it will encourage our disaster impacted communities and our citizens to seek out mitigation assistance and limit damage to property and to people.

Mitigation is absolutely crucial to ongoing disaster recovery efforts in my State of Ohio which in the past 18 months has had seven Federal disasters. In most cases mitigation assistance is used to elevate the homes to a better level of protection or move families out of harm's way. It is often the only hope for repetitive loss disaster victims. The intent is to prevent those homes from suffering future losses, protect the people and reduce the rate of Federal disaster response and recovery cost increases. Many of the people who have taken advantage of such assistance are people living in lower valued property in the flood plain who could not afford to move on their own.

In Ohio, the hazard mitigation grants through FEMA are administered by the Ohio Emergency Management Agency. Currently in southwestern Ohio there is one project in the district I represent, the village of Fairfax, and there is one right near my district in the city of Fairfield.

Through community support, both of these mitigation projects are in the process of removing people from repeated flooding areas and making homes more resilient to flooding. A total of 46 participants in these two projects include many families who will likely not have to suffer severe impact to their homes the next time it should flood, and it will flood again. They also, very importantly, would be unlikely to need any other Federal or State disaster assistance. The total cost of these projects is about $4.5 million. Taxing this investment into these communities and the lives of these homeowners like those in Fairfax will discourage future participation. If the IRS rule is allowed to stand, these communities will be hesitant to participate in mitigation because of that liability.

This IRS policy undermines our Nation's efforts to lower the costs of future disasters through mitigation. It also discourages individuals who are affected by repeated disasters from removing themselves from harm or taking action to prevent repeated damage loss and property loss, the very actions we are trying to encourage as the Federal Government. Today we have an opportunity to correct this disincentive.

Mr. Speaker, I strongly support H.R. 1134 and I urge my colleagues to support it.

Mr. CARDIN. Mr. Speaker, I am pleased to yield 6 minutes to the gentlewoman from New York (Mrs. MALONEY).

Mrs. MALONEY. Mr. Speaker, I thank the gentleman for yielding me this time and for his leadership. I am delighted to join my colleague from Florida (Mr. FOLEY) on the other side of the aisle in support of this legislation. The bill before the House does the right thing for the disaster victims of Florida and Louisiana, but it does wrong, truly wrong, for the New York victims of the September 11 terrorist attacks. I would like to appeal to my colleague on the other side of the aisle to join me in trying to reverse the unfair taxation on grants to the victims of 9/11, specifically the businesses, as we go forward.

When thousands of lower Manhattan small businesses were on the brink of complete failure as a result of September 11 and the terrorist attack against our country, these businesses accepted Federal recovery grants but were then told months later that those grants would be taxed and treated as income. That, in my opinion, wrongful taxation was the straw that broke the back of many small businesses in New York after 9/11 and it continues to this day to be a burden on small businesses who were forced to take out loans to pay taxes on disaster recovery grants. Granted it was not a FEMA mitigation grant but it was a disaster recovery grant, so it was in the same feeling or in the same purpose as the legislation before us.

What causes me so much concern today, Mr. Speaker, is that we have sought the same treatment, the exact same treatment for 9/11 victims for more than 3 years that the Members are seeking today for victims in their States. Along with the gentleman from New York (Mr. NADLER) and the bipartisan delegation of New York, I have introduced legislation to reverse taxation on the 9/11 aid grants. We have offered amendments to reverse this taxation with the active support of the gentleman from New York (Mr. RANGEL), Ways and Means members and others from the New York delegation. We have testified before the Committee on Rules, made numerous speeches before this body, sought hearings for the legislation and held countless events to seek action from House leaders to reverse this wrongful taxation on 9/11 aid grants. We have been trying for more than 3 years to have the small business victims of 9/11 treated fairly, but this body has not found a way as yet to advance that legislation. Again, I am appealing to my colleagues from Florida and Louisiana to help our constituents as they are helping theirs today.

Now, today, we are watching a bill sail to the floor for passage, without a hearing, without a markup in committee, without any of the months and years of effort that the New York delegation and business leaders from New York City have put into seeking redress for 9/11 disaster victims that were treated unfairly and wrongly.

Let me be absolutely clear that I find no fault with the repeal of wrongful taxation on the recovery grants for Florida and Louisiana victims of disaster. I feel they are entitled. The purpose of disaster relief is to relieve them, to get that money back in the community, to help them restore and be made whole, not to tax it. But I do find fault with the exclusion of 9/11 victims in this bill when we have fought so long and so hard to achieve the exact same fairness for them. If the Federal Government should not collect taxes on aid to hurricane victims, then it should not collect taxes on 9/11 relief grants which is truly the worst disaster that this country has ever suffered. It is an act of war. We are still suffering from that terrible, terrible action against innocent people.

I again want to make clear that I am supporting the legislation. I would like to place in the RECORD a report from the Joint Committee on Taxation where they estimated that approximately $268 million was sent back to Washington in the form of taxes on the relief grants following 9/11. It is unfair to New York and to those who suffered the most from the terrorist attacks against our Nation.

I call upon the authors of this legislation and the gentleman from Florida (Mr. FOLEY), whom I know has many friends in New York and has been a strong ally in working with the recovery of New York after 9/11, and I call upon the House leadership and appropriate committee chairmen to do the right thing for the 9/11 victims. I really implore my colleagues on the other side of the aisle to do the right and fair thing for the victims of 9/11 because of the wrongful taxation on their recovery grants and we call upon this body to treat them with the same attention and care that we are rightfully showing to the victims of disasters in other parts of our Nation today.

Again, I support this legislation. Again, I appeal to my colleagues on the other side of the aisle to give the like, same fair treatment to the sufferers and the victims and the grants for 9/11.

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON TAXATION,
Washington, DC, June 17, 2003.

Hon. CAROLYN MALONEY,
House of Representatives,
Washington, DC.

DEAR MS. MALONEY. This letter is in response to your request of June 9, 2003, for a revenue estimate of a proposal to exclude from gross income certain Federal funds granted as a result of the terrorist events of September 11, 2001.

In general, under present law, unless income is received for "general welfare" or for compensation for losses that are not otherwise compensated, grants from the Federal government are included in income. To the extent not already excluded under present law by the general welfare doctrine or otherwise, your proposal would exclude from gross income payments of certain Federal funds made as assistance on account of property or business damaged by, and for economic revitalization directly related to, the terrorist attacks on the United States that occurred on September 11, 2001.

Assuming that your proposal would be enacted on July 1, 2003, and effective for taxable years ending after September 11, 2001, we estimate that your proposal would have the following effects on Federal fiscal year budget receipts:

Fiscal years	*Millions of dollars*
2003	−24
2004	−135
2005	−61
2006	−30
2007	−11
2008	−5
2009	−2
2010	—
2011	—
2012	—
2013	—
2003–08	−266
2003–13	−268

I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,

GEORGE K. YIN.

Mr. FOLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Oklahoma (Mr. ISTOOK) who has been extraordinarily helpful in the promulgation of both this bill and, of course, working with the State of Oklahoma in creating safe rooms and other mitigation grant programs.

Mr. ISTOOK. Mr. Speaker, I appreciate very much the assistance of the gentleman from Florida (Mr. FOLEY), the actions of the Committee on Ways and Means and the gentleman from California (Mr. THOMAS), and I rise in support of this bill, H.R. 1134.

My home State of Oklahoma in the last 15 years has received some $60 million in mitigation grants to help people avoid potential injury from tornadoes through the construction of storm shelters and safe rooms. It is important that they not be told now that those are subject to taxation, when they are being told or had been told throughout this time that, no, this is not taxable, this is to protect you, because, after all, we know that although you can move out of the flood plain, you can move away from the coast, you can stay clear of an earthquake fault line but tornadoes hit everywhere and they have wind speeds of up to, in fact, in some cases over 300 miles an hour, twice as much as the wind speed you have in a hurricane. They occur in Oklahoma, but they also occur in Massachusetts. They occur in Wisconsin and Illinois and Missouri and Alabama and Ohio and Texas. You cannot mitigate in advance by moving someplace where you know that it cannot happen.

It is important that we not improperly subject people now from the construction of these shelters to taxation on them. Thousands of them have been constructed in Oklahoma and I do not want them to be subjected to taxation. It is important that we understand that although this bill says, from henceforth these are not going to be taxable, it is my understanding that the Treasury Department says that this change in the tax law will give them the authority to go back and declare the prior grants not to be taxable, also. We are expecting that letter from the Treasury Department after the passage of this bill, and I look forward to that.

I thank the gentleman from Florida for this legislation and I ask all of my colleagues to join with me in passing H.R. 1134.

Mr. FOLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Louisiana (Mr. JINDAL), a new Member of Congress who has been a very active participant in helping us bring this legislation to the floor.

Mr. JINDAL. Mr. Speaker, I want to applaud the gentleman from Florida (Mr. FOLEY), and I want to thank the gentleman from California (Mr. THOMAS) for allowing us to debate this very important bill. I would certainly urge support from all my colleagues to correct an injustice. Certainly there are many families impacted in Louisiana by this new tax ruling from the IRS.

I want to focus on two families in particular. To avoid repeating much of what has already been said, I want to focus on two families in particular that will be helped by the passage of H.R. 1134. First, I would turn your attention to the Guidry family. They live in Slidell, Louisiana. They are constituents of mine. They received $125,000 to mitigate flood damage and to protect them against future loss. A good thing, you might say, after their home was damaged in Hurricanes Isadore and Lili. Indeed, it was a good thing that our government stepped in to help them recover not only from this natural disaster but also to prevent future flood damage and to protect this family from future damage and also to protect the Federal Treasury. However, with this new ruling, this novel ruling from last year, this new ruling that their income tax would now have to increase, not only were they raised and put into a higher tax bracket but their son who is paraplegic and who attends college on a need-based Pell grant is now being faced with the prospect of losing his financial aid and having to drop out of school if we do not pass this bill. This same family, the Guidry family, is also facing the prospect of having to sell the home in order to pay the taxes for the grant they received to fix the home that they owned in the first place. Certainly this is not what this body intended when we provided assistance and recovery dollars to those that are impacted by natural disasters.

A second example. Mike Perkins, also from Slidell, received a grant back in 2001 to raise his home again to prevent future floods and also to save our Treasury from future damage claims. He finished construction 3 years ago, thought this was a closed issue, has been living in this home for over 3 years since he repaired his home, raised the home, until he got a letter from his local government in January saying that now, after the fact, he would have to pay higher taxes.

I am very pleased not only for the support from the gentleman from Florida (Mr. FOLEY) and from the gentleman from California (Mr. THOMAS) but also from the Treasury Department. I am also anticipating a letter from the IRS indicating that they do not intend to go back in time and retroactively apply these higher taxes, these surprise taxes to people who received grants in previous years, adding insult to injury to those who are recovering from natural disasters.

I urge my colleagues to support this bill.

Mr. FOLEY. Mr. Speaker, it is my pleasure to yield 2 minutes to the gentleman from Washington (Mr. REICHERT), a new Member and former sheriff of King County.

Mr. REICHERT. Mr. Speaker, I rise today to speak on a bill that quite frankly is common sense. Thousands of Americans reach out to the Federal Emergency Management Agency in times of disaster. Their homes have been battered and decimated by earthquakes, volcanoes, tornadoes, floods and more. In these moments of despair, they look to the Federal Government for help and we provide that help. Through FEMA, Americans are able to get back on their feet in financial situations where they normally would have no other resource. Emergency grants are just that, emergency funding, money to be spent in extreme circumstances, to get a roof back on a family's home, to put a missing wall back on a community resource center, to coordinate local outreach for first responders. These funds were never intended to be taxed.

The gentleman from Florida seeks to relieve an unfair tax provision today, to make sure that in times of crisis we are not looking to take these emergency funds and treat them as regular income.

□ 1530

FEMA disaster grants are lifesaving funds, not added income. This bill is critical. I thank my colleague for introducing this important legislation and urge the House to pass it as soon as possible.

Mr. FOLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania (Mr. FITZPATRICK), a member of the Committee on Financial Services, another active participant in our efforts to get the bill on the floor today.

Mr. FITZPATRICK of Pennsylvania. Mr. Speaker, I rise in support of H.R. 1134. The Federal Emergency Management Agency's flood mitigation program is one of the cornerstones of our country's disaster emergency management system. The flood mitigation program is the tangible manifestation of the Federal Government's ongoing effort to prevent damage and lessen the effect disasters have on persons' lives and property.

Through FEMA's measures such as building safely within the floodplains, buying endangered houses, relocating homes, designing and reengineering buildings and infrastructures, and elevating houses and businesses, the effect of floods, hurricanes, and other natural hazards on American lives and communities is lessened.

I congratulate the gentleman from Florida (Mr. FOLEY), whose Florida congressional district, like my district, has been ravaged by hurricanes and flooding, for sponsoring H.R. 1134. I also commend all of the House Members who have co-sponsored this bill and who have helped bring it to the floor today.

Mr. Speaker, H.R. 1134 is necessary legislation. It will amend the Internal Revenue Code so as to provide for the proper tax treatment of disaster mitigation payments. Currently, the IRS has taken a position that such disaster relief payments will be treated as taxable. In a heavy-handed fashion the IRS's fashion truly kicks people while they are down.

But H.R. 1134 does more. It not only provides tax relief to individuals who have suffered, often losing their homes and businesses from floods; it will encourage Americans to participate in FEMA's flood mitigation program.

Mr. Speaker, I know firsthand the necessity of H.R. 1134. In 1999 when hurricanes hit, I was a county commissioner in Bucks County, Pennsylvania. The rains and the flooding were devastating. The flooding along the Neshaminy Creek wiped out over 300 homes and over 100 businesses. I was on the ground dealing with FEMA and with other disaster agencies. We were there. We dealt with the individuals and the families. We encouraged the citizens to participate in these Federal programs that will reduce Federal programs and funding requirements in the future. The Federal Government assured my constituents, Mr. Speaker, that those proceeds would not be taxable.

So this is the right bill at the right time, and I urge the passage of H.R. 1134.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let me once again urge my colleagues to support this legislation. I was listening to my colleagues speak, and there is not a region in this country, there is not a State in this country that has been subjected to natural disasters. In my own State Hurricane Isabel left an indelible mark upon the people of Maryland, and I saw firsthand the people who suffered as a result of that natural disaster and the need to do mitigation and FEMA-providing resources in order to assist us to take action to prevent this type of devastation in the future. This bill will help in dealing with those types of circumstances.

And once again I want to congratulate the gentleman from Florida (Mr. FOLEY) for bringing this forward. This is strongly supported on both sides of the aisle, and we urge our colleagues to support the legislation.

Mr. Speaker, I yield back the balance of my time.

Mr. FOLEY. Mr. Speaker, I yield myself such time as I may consume.

Let me again personally thank the gentleman from Maryland (Mr. CARDIN) for both his co-sponsorship and his helping us in bringing this bill to the floor today. I want to thank the gentlewoman from New York (Mrs. MALONEY) in her considered comments. I want to thank the gentleman from Ohio (Mr. PORTMAN); the gentleman from Louisiana (Mr. JINDAL); the gentleman from Washington State (Mr. REICHERT); the gentleman from Pennsylvania (Mr. FITZPATRICK) for their comments; and of course the gentleman from Oklahoma (Mr. ISTOOK), who has worked with me side by side on this measure, bringing it to the floor today.

I think we have heard from all of the speakers the reasons for this important legislation; so I thank my colleagues for taking an active participating interest in this legislation. I thank the 87 co-sponsors who joined with us in urging the leadership to bring this measure to the floor. Again, thanks to the gentleman from Texas (Mr. DELAY) for allowing the bill to be scheduled for consideration; and of course the gentleman from California (Mr. THOMAS), the chairman of the Committee on Ways and Means, without whose guidance and help this bill would not be possible.

We know it is important. We believe it helps mitigate against future losses. The record is clear how much we save as a government by providing these mitigation grants that never were intended for taxable treatment. This bill makes that record clear. I underscore and underline the gentleman from Oklahoma's (Mr. ISTOOK) comments concerning reactivity. We believe once this bill is passed into law and signed by the President that those prior acts of governments working together to mitigate disasters will not be taxable items. That should be coming from the Treasury to instruct the IRS relative to that procedure.

Mr. Speaker, I want to also thank my staff, Liz Nicolson. I want to thank the Members of the Ways and Means staff: Bob Winters, Chris Giosa, Shahira Knight, Allison Giles; and of course my colleagues on the Senate side, Senators BOND and LANDRIEU, for their efforts in bringing this bill to the Senate.

Mr. DAVIS of Florida. Mr. Speaker, today I rise before this House as a proud Floridian. Over this past year the people if my home State have demonstrated an amazing amount of tenacity and the ability to help each other in their great time of need. Yes, it has been quite a few months since the Hurricane season of 2004 ravaged us, but the sight of blue tarps replacing roofs on homes and piles of debris are still all too rampant—and in only 12 weeks the Hurricane season of 2005 will be upon us. I am pleased to stand before this chamber in support of Congressman FOLEY's effort to ease the pain for those who were affected by the tragic events of this last hurricane season.

Sadly, the reality of these kinds of natural disasters is that many businesses never reopen and unemployment remains high long after the storms have gone. The Florida tourism industry is still very bruised because of canceled seasons and slower recovery times in certain areas of the State. By exempting hazard mitigation grants from being considered personal income for tax purposes, we are easing the path to recovery for a large number of Floridians.

While this legislation won't remove all of the obstacles that these storms have put in our way, it certainty will be a useful tool in the effort to fully recover.

Ms. ESHOO. Mr. Speaker, I'm pleased to rise today in support of H.R. 1134, a bill to exempt FEMA's mitigation grants from federal income taxes, as was Congress's original intent. I commend my colleagues for their swift, bipartisan action in addressing this issue.

These mitigation grants were created to give citizens a proactive way to prepare for future disasters, thereby minimizing the damage they cause. These grants have proved to be extremely successful, saving millions of dollars in post-disaster funding as well as lives lost to natural disasters. Despite this success, the IRS ruled in June of 2004, that these grants should be included in grant recipients' gross income and be subject to federal income taxes. Taxing this assistance effectively removes the incentive for citizens to participate.

Not only was this decision contrary to the intent of these grant programs, but the delay in notifying affected taxpayers has caused considerable alarm. I met personally with IRS Commissioner Everson to urge him to provide temporary relief while Congress worked toward a legislative solution, but without a reversal of the IRS ruling, it is essential that the House pass this bill today.

In Felton Grove, one of the affected areas of my Congressional District, there are 30 families, many of them low-income, who are facing an enormous and unexpected tax burden this year. Many of these constituents earn between $30,000 and $40,000 a year. With grant averages from $40,000 to $160,000, if this determination is allowed to stand, some of my constituents' annual gross incomes will grow from $40,000 to $200,000. For these unfortunate constituents, nearly all of their annual income will have to be paid to the IRS, and many will face financial ruin.

Mr. Speaker, on behalf of my constituents who are living in fear of the upcoming April 15th tax filing deadline, I urge my colleagues in the House to vote for this legislation so that it can become law.

Mr. BOUSTANY. Mr. Speaker, I rise today in support of H.R. 1134, which will amend the tax code to remove disaster mitigation payments from consideration as gross income. I would like to thank my colleague, Mr. FOLEY of Florida, and my colleague, Mr. JINDAL, for their leadership on this issue and introducing the legislation we consider here today.

The Seventh Congressional District of Louisiana provides an unsurpassed location for agriculture, energy, and petrochemical production. However with these benefits, which our Nation depends heavily upon, come risks because of its vulnerability to natural disasters including floods, tornadoes, and hurricanes. In 2002, Hurricane Lili made landfall just south of Abbeville, Louisiana. She caused over $850 million in damage and temporarily halted all oil and gas production in the Gulf of Mexico. The hard-working men and women of southwest Louisiana will continue to take risks for good of this country, and it is only fair to remove the tax burden suffered because of improvements made to their property which allow them to remain and prosper in this sometimes dangerous region.

Many homeowners who would like to participate in the grant and need to remove their homes from danger cannot currently afford to participate in the grants, and are either faced with increased flood insurance premiums or losing their homes. The current average cost to either elevate a slab structure or a second story conversion (all living area is moved to a new second story and first floor is gutted) is over $100,000 for a modest size home in Louisiana. Many of these projects approach $200,000. For the average homeowner to suddenly have to declare an additional $100,000—$200,000 as personal income will devastate most families. Tax liability should not discourage these people from accepting disaster mitigation payments intended to reduce injuries, loss of life, and damage and destruction of property.

America depends on resources and services that are provided by the people of southwest Louisiana. The men and women I represent must remain in harm's way to deliver for others. It is for this reason that I support H.R. 1134 which offers tax relief to those families needing disaster mitigation payments.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise today as a supporter of H.R. 1134 which would amend the Internal Revenue Code of 1986 to provide for the proper tax treatment of certain disaster mitigation payments. This legislation is vital to all Americans who live in areas that are more likely to encounter natural disasters. This legislation ensures that grants given to disaster victims to avoid future disaster damage will not be taxed on those grants.

FEMA has helped disaster victims avoid future disaster damage through a hazard mitigation program that has existed for about 15 years, helped more than 2,500 properties and saved $2.9 billion in property losses. These disaster prevention grants have never before been taxed nor were they ever intended to be. However, the IRS decided last summer that nothing in tax law specifically prevented taxation, and felt obliged to let people know they would be considered taxable unless Congress directed otherwise. Thankfully, this legislation alleviates the possible tax burden on those who accept these disaster prevention grants. Considering that these grants tend to number in the thousands of dollars, it is clear that the tax burden on these grants would be too much for the average individual to bear. H.R. 1134 allows individuals to accept these vital disaster prevention grants without fear of possible tax implications and that is quite clearly how the program is supposed to work.

H.R. 1134 will also be of great help to my constituents in the 18th Congressional District of Texas. Houston due to its location and geography has always been particularly vulnerable to flooding. In 1900 a major hurricane destroyed much of Galveston Island, killing more than 6,000 people. An elevated barrier, the Sea Wall, was later constructed to hold back future storm surge and flood waters, allowing the city to thrive. This is a clear example of how projects for disaster prevention can be tremendously successful in alleviating future damage. Houston was again devastated in 2001 when Tropical Storm Allison displaced thousands of Houstonians and left $5 billion in damage in the wake of its flood waters. I am thankful that the FEMA grants that were given to individuals after that natural disaster were not taxed, otherwise many individuals would have to reject these grants out of fear of an overwhelming tax burden. This legislation makes certain that no victim of a natural disaster has to choose between accepting federal disaster assistance or contemplating its tax implications.

Mr. THOMAS. Mr. Speaker, I strongly support H.R. 1134, which embodies the President's budget proposal to provide tax relief to those who will and who have accepted Federal Emergency Management Agency (FEMA) disaster mitigation grants.

The bill is necessary to promote effective use of the mitigation grants. These mitigation grants alleviate the severity of the damage caused by unpredictable but anticipated natural disasters. These grants save taxpayer dollars by reducing future Federal disaster relief payments resulting from such disasters.

Present law allows an income exclusion for amounts received by individuals as qualified disaster relief payments. This exclusion was enacted by Congress as a response to the disasters that occurred on September 11, 2001. This existing statutory exclusion applies only to amounts received by individuals as a result of a disaster that has actually occurred; thus, mitigation grants do not qualify. Given that an exclusion applies to payments made to victims after a qualified disaster, it is consistent to allow an exclusion for payments made to mitigate future disaster damage.

Prior to the award of any mitigation grant, a cost-benefit analysis is required to ensure that the cost of funding the project is less than the damages expected to be incurred in the event of an actual disaster (absent the mitigation). FEMA mitigation grants are only awarded if projects are determined to be cost effective. Because mitigation is more cost effective for the Federal government than repair after the occurrence of a disaster, the FEMA mitigation programs are intended to translate into net benefits for the government. So, unlike grants which have been made available as income replacements and would be considered taxable income as a result, accepting these funds means taxpayers will face fewer claims for disaster aid later on. FEMA mitigation grants help people avoid the loss of life and property due to natural disasters. Mitigation programs reduce the number of cases where taxpayers would pay for meaningful disaster relief. We want to encourage people to take advantage of these life-saving and cost-saving programs.

But recent IRS pronouncements that disaster mitigation grants are taxable income are discouraging people who live in flood-prone areas and elsewhere from accepting assistance needed to reduce the loss of life and property in future disasters. Some participants may not have the cash necessary to pay the tax imposed on the benefits provided by the mitigation grants. For people in potential disaster areas, the threat of immediate tax on something they have received in kind may be enough to keep them from accepting the help.

H.R. 1134 is relatively simple. If FEMA funds are used to improve a dwelling, for example, the funds (and what they pay for) would not be treated as income when the improvements are made, but the owner would also not be able to get a double benefit by adding the value of the improvements to the cost basis of his property. In some cases, FEMA actually funds buyouts of owners in dangerous areas. Here, H.R. 1134 gives the owner a choice: they can take the benefits which may be available under current law (for example, the exclusion of gains on a principal residence) or they can defer tax using involuntary conversion procedures.

The bill includes several provisions to ensure that the exclusion is not overly broad. Not only does the bill provide that there is no increase in basis on account of amounts excludable under the bill, the bill also provides that no additional deduction or credit is allowed with respect to amounts excluded from income. Amounts received upon the sale of property for purposes of hazard mitigation are afforded deferral of gain recognition, rather than an unlimited income exclusion.

The exclusion under the bill applies to payments made to businesses because, unlike other grants that are not excludable because they are in the nature of income replacement, FEMA mitigation payments received by businesses are made to ultimately benefit the local community and Federal government.

An income exclusion is appropriate for FEMA mitigation grants as such grants are distinctly different from other government grants. As mentioned, FEMA mitigation grants are only awarded if the projects are determined to be cost effective for the government. In addition, in the case of FEMA grants, if an exclusion is not allowed and individuals choose not to participate in the mitigation programs, the government may face increased spending, not only on behalf of one individual, but on behalf of entire communities in some cases. Finally, in the case of FEMA grants, present law imposes an illogical result in that mitigation grants are not excludable from income, but if mitigation grants are not accepted and a disaster subsequently occurs, payments made by the government to individual property owners could then be excluded from income.

Generally, the proposal would have a prospective effective date. However, with respect to past mitigation payments where the statue of limitations has not expired, the President's proposal provides that the Treasury Department will have administrative authority to apply the policy proposed in the budget and embodied in H.R. 1134 to such cases. I strongly urge the Department of Treasury and the IRS to resolve existing cases in a manner consistent with this legislation so that taxpayers who have already undertaken mitigation will not bear the unexpected burden of extra tax liabilities.

H.R. 1134 will cut taxes by $105 million over the next decade. FEMA estimates that mitigation projects over the past several years have saved our Nation nearly $3 billion in disaster-related costs. Clearly, when one compares the price of H.R. 1134 with what we might pay in future relief efforts, this bill is worth moving forward and passing into law.

Mr. COLE of Oklahoma. Mr. Speaker, I rise today in support of H.R. 1134. This important legislation prevents the IRS from taxing disaster mitigation grants provided by FEMA.

This legislation is necessary and urgent due to the IRS's recent decision that Federal grant money used to build tornado shelters is taxable. Oklahomans who received the grants were not given any prior notice that money received would be taxable. Nor did Congress ever express the intent that such grants were to be taxable. The IRS simply conjured up this decision out of thin air.

It makes no sense for the government to tax Federal money given to mitigate disasters. Disaster relief saves lives, limits damages and makes sense. Taxing the very grants that make this possible is not wise, and it is especially unfair given that this IRS decision will cost the taxpayers of Oklahoma $29 million over 5 years. These FEMA grants were given to thousands of Oklahomans with the average grant in the amount of $2,000. And, as I said earlier, the recipients were never advised that these grants would be taxable.

No revenue has ever been collected from taxing FEMA grants. The IRS's decision is without precedent and reflects poorly on the career bureaucrats who devised this action. H.R. 1134 reverses this senseless bureaucratic decision and prohibits these grants from being taxed.

I want to thank the gentleman from Florida, Mr. FOLEY, the gentleman from Louisiana, Mr. JINDAL, the Oklahoma delegation and the Ways and Means Committee for making consideration of this legislation possible. I would urge Members to support passage of this legislation.

Mr. FOLEY. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. PETRI). The question is on the motion offered by the gentleman from Florida (Mr. FOLEY) that the House suspend the rules and pass the bill, H.R. 1134.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

HOUSE DEMOCRACY ASSISTANCE COMMISSION RESOLUTION

Mr. BARRETT of South Carolina. Mr. Speaker, I move to suspend the rules and agree to the resolution (H. Res. 135) providing for the establishment of a commission in the House of Representatives to assist parliaments in emerging democracies.

The Clerk read as follows:

H. RES. 135

Resolved,

SECTION 1. SHORT TITLE.

This resolution may be cited as the ''House Democracy Assistance Commission Resolution''.

SEC. 2. FINDINGS.

The House of Representatives makes the following findings:

(1) Since its founding, the United States has championed the expansion of democracy around the world.

(2) Indeed, beginning with the Continental Congress and continuing through the modern Congress, representative institutions have served as a critical component through which the American people have expressed their views on policy issues and through which the power of other government branches has been balanced.

(3) In his second inaugural address on January 20, 2005, President George W. Bush declared: ''We are led by events and common sense to one conclusion: The survival of liberty in our land increasingly depends on the success of liberty in other lands. The best hope for peace in our world is the expansion of freedom in all the world. . . . So it is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world.''.

(4) Strong institutions, particularly national legislatures with proper infrastructure, are essential for democracies to mature and to withstand cyclical turnover in governments.

(5) Furthermore, the parliaments of emerging democracies are commonly comprised of new legislators, citizens from many walks of life, who face the challenges of creating new democratic systems without the benefit of previous legislative experience. The legislatures of these fledgling democracies often lack training, equipment, or resources to carry out their work effectively.

(6) Many parliaments do not possess the necessary technology, such as modern computer equipment, software, or access to databases and electronic resources, to facilitate the timely flow of legislative information to lawmakers and legislative staff.

(7) Parliaments in fledgling democracies also frequently lack trained staff to provide nonpartisan policy information, to draft legislation, and to advise legislators on policy matters.

(8) Newly democratic parliaments may lack the resources to establish internal libraries, reference materials, and archiving capabilities for use by legislators and staff.

(9) From 1990 through 1996, the United States House of Representatives, in conjunction with the House Information Systems Office (later known as House Information Resources) and the Congressional Research Service (CRS) of the Library of Congress, provided equipment and technical assistance to newly democratic parliaments in Central and Eastern European countries, including Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, and Ukraine, in an effort to develop and strengthen those institutions.

(10) This program, commonly known as the ''Frost-Solomon Task Force'', not only served the United States foreign policy goal of helping to establish democratic institutions in other countries, but also developed significant goodwill in the countries in which it was implemented. The program was designed to improve the efficiency of parliaments and the professionalism of their members and staff, as well as to increase transparency and accountability.

(11) A program similar to the Frost-Solomon Task Force would enable Members, officers, and staff of the House of Representatives to share their expertise and experience with their counterparts in other countries, in keeping with the declared policy of the United States to support the growth of democratic institutions, thereby undertaking what President Bush called ''the idealistic work of helping raise up free governments''.

SEC. 3. ESTABLISHMENT OF COMMISSION.

There is established in the House of Representatives a commission to be known as the House Democracy Assistance Commission (hereafter in this resolution referred to as the ''Commission'').

SEC. 4. MEMBERSHIP OF COMMISSION.

(a) NUMBER AND APPOINTMENT.—The Commission shall be composed of Members of the House of Representatives, the number of whom shall be determined by the Speaker of the House of Representatives, in consultation with the Minority Leader of the House of Representatives. Majority party members shall be appointed by the Speaker of the House of Representatives and minority party members shall be appointed by the Minority Leader of the House of Representatives.

(b) TERMS OF MEMBERS OF THE HOUSE OF REPRESENTATIVES.—Each member of the Commission shall be appointed for a term that is concurrent with the Congress in which the appointment is made. Such a member may be reappointed for one or more subsequent terms in accordance with the preceding sentence.

(c) CHAIRPERSON.—The Chairperson of the Commission shall be designated by the Speaker of the House of Representatives from among the members appointed by the Speaker of the House of Representatives under subsection (a).