



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Remarks of Sen. Chuck Grassley, Finance Committee Chairman
to The Tax Executives Institute
Monday, April 2, 2001

This is my first opportunity as chairman of the Finance Committee to directly address the tax concerns of the corporate business community.

As I'm sure you have observed, the primary focus of the President's tax proposal is tax relief for individual taxpayers. As individual taxpayers, most of you should be pleased with the individual tax initiatives the Administration has put forth.

As business taxpayers, my guess is that most of you are wondering, what if anything, will take place this year. Much of that will be determined by the Budget Resolution, which will be brought to the floor this week by Senator Domenici.

As you may have heard, the Democrats are fomenting procedural roadblocks to tax relief. At the behest of Senate Democrats, the Senate Parliamentarian may not allow the tax bill to move under reconciliation protection. Obviously, this complicates our floor strategy, and will require us to first call up the House-passed resolution and then amend it to substitute the Senate version.

Senator Domenici has stated that he may offer an amendment that allows one or two tax cut bills. He may also include instructions to provide another \$60 billion in immediate economic stimulus out of the Fiscal Year 2001 surplus.

We are committed to the President's call for tax relief for all taxpayers, and we hope to find a way to do that. And we don't plan to leave town this week until the budget resolution is done.

Today, I would like to walk through some of the major corporate tax issues that we are considering, and give you an assessment of their current state of play.

Last fall, the Finance Committee unanimously reported out a retirement security improvement package.

This package contained a combination of business and individual tax incentives for retirement security.

Clearly, most of your companies will benefit because you will be able to offer more tax-favored retirement benefits to your employees.

This package will also pump more money into the stock market and help with our dangerously low national savings rate.

Shortly, Senator Baucus and I will introduce a bill similar to last year's Finance Committee package. It is a priority for both of us.

One corporate tax issue that is awaiting congressional action is depreciation. In recent years, Congress has deferred action on several depreciation proposals because the Department of Treasury was working on a comprehensive depreciation study.

Well, for better or for worse, the Treasury study was finally released last summer.

I know that many of you are disappointed that the study did not include concrete suggestions for modernizing the depreciation provisions in our tax code, most of which were enacted in the last 15 to 20 years, and are in need of updating.

The study did acknowledge that there are inequities and unnecessary complexities in the current system, and that many of today's industries and manufacturing techniques did not exist at the time the rules were written.

I look forward to working on this important area during the upcoming year.

I also think that as we review the depreciation methods, we should look at your INDOPCO concerns as well.

You are all well aware that the climate at the moment is focused on individual tax issues, not business tax issues. The Administration has clearly set this tone for its current tax legislative initiative.

It is, therefore, no small feat that a permanent Research & Experimentation tax credit made it into the President's tax proposal. This provision is the only corporate tax provision in the President's tax plan.

The fact that the R&E credit has gotten this far is a testament to how hard many of you have worked to make this provision a priority.

It is very likely that the Finance Committee will address electronic commerce issues this year.

The present federal moratorium on the states' ability to tax Internet transactions expires this fall.

The challenging issues involved in the interstate and international aspects of Internet transactions will certainly be part of the Finance Committee's upcoming slate of projects.

There are also some expiring provisions, such as the work opportunity tax credit, that will have to be addressed in a timely fashion.

As supportive as I am of your tax concerns, however, I must also be quite frank with you concerning a corporate activity of which I do not approve -- and that is tax shelters.

The tax shelter business is a menace to our tax system. It tears at the fabric and integrity of voluntary tax compliance. And we need to address it.

The Finance Committee is continuing to work on this issue, in cooperation with Treasury and the taxpayer community. We are studying ways to effectively address tax shelter abuses, but without interfering with legitimate business transactions.

The international tax area is also ripe for attention. A very important issue will be the Active Financing Exception, which expires this year. This has been an important provision for many companies, and will need to be extended or made permanent by Congress this year.

While the Active Financing provision can be dealt with in an extender package, many other international tax provisions require a longer-range review. I believe that it is important for the Finance Committee to continue its work in the international tax area in order for the United States to remain competitive in the global economy.

In December 2000, the Treasury Department released its long-awaited study on Subpart F. As you know, there are many problems with the current Subpart F rules. Now that the Treasury has completed its study, the Finance Committee should initiate a review of possible Subpart F reforms.

Congress should also continue in its international simplification efforts. We passed several simplification provisions in the 1999 Taxpayer Refund and Relief Act. We understand that interest allocation and foreign tax credit simplification are high priorities for the business community.

Senator Hatch and Senator Baucus are presently working on their international simplification bill, and we look forward to receiving that bill for further consideration.

Many of you have been closely following last year's legislation repealing the foreign sales corporation provisions.

It appears the WTO will not issue a decision until this summer. Be assured that the Finance Committee is following the WTO case closely and is prepared to respond if necessary.

And last but not least, be assured that I intend to address your concerns regarding simplification issues. It is time to improve the clarity of our tax code.

With that, I would like to close by assuring you that I am committed to making our tax code fair for both individuals and companies alike. I look forward to working with you to achieve this goal.