



Committee On Finance

Max Baucus, Ranking Member

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BAUCUS PRAISES PASSAGE OF KATRINA TAX RELIEF LEGISLATION, ENCOURAGES IMMEDIATE HOUSE ACTION ON VITAL BILL

Washington, DC – U.S. Senator Max Baucus (D-Mont.), Ranking Member on the Senate Finance Committee, today praised Senate passage of legislation to provide tax relief to individuals, businesses and communities hit by Hurricane Katrina and other storms this year. Baucus, who worked with his Senate Finance Committee colleagues to advance a number of Katrina relief provisions this year, helped to complete negotiations on the legislation Friday morning and immediately called for its passage by the House of Representatives.

“Congress is one step away from finally doing the right thing by Katrina victims on tax relief, and the House needs to act right away,” said Baucus. **“The compromises have been made, the deal has been struck, and it’s long past time to get this help needs to communities in the Gulf Coast.”**

The legislation agreed to by the Senate contains a partial exclusion of tax benefits for some Gulf Coast businesses, including casinos, massage parlors, and liquor stores. However, that exclusion has been modified from original proposals. For instance, businesses such as hotels and restaurants will not be excluded from tax benefits simply because they are attached to casinos. The new Senate agreement also contains low-income housing assistance to help victims of Hurricanes Rita and Wilma.

Baucus particularly hailed the inclusion of several tax provisions he has championed for hurricane victims this year. A tax credit for employers trying to keep workers on the payrolls of Gulf Coast businesses has been expanded to cover businesses of any size, instead of being limited to small businesses alone. HOPE and Lifetime Learning credits are being doubled for students seeking to return to Gulf Coast schools. Nearly \$1 billion in New Markets Tax Credits are being extended to help small businesses access ready capital to rebuild.

Baucus also released the following statement today to explain provisions of the bill and support its passage:

Statement of U.S. Senator Max Baucus (D-Mont.) Encouraging Passage of Hurricane Katrina Tax Relief Legislation

Mr. President, shortly, we will complete legislative business and adjourn for the year. Senators will leave to spend the holidays with our families. Senators will travel to the comfort of our homes.

But there are still those in the Gulf Region who do not have homes.

Hurricane Katrina struck almost four months ago. We cannot, in good conscience, conclude our action for the year without passing tax relief for the Gulf Region. The legislation before us today is a good bill. We must pass it today.

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In September, I was pleased that Congress could come together and quickly pass emergency tax relief for victims of Hurricane Katrina.

Prior to passing that legislation, I promised that I would work with my Colleagues to draft a long-term tax relief package. And that is what we did.

We worked to create legislation that would help rebuild homes and businesses. We worked to create legislation that would pump money into local economies. And we worked to create legislation that would help distressed working families. Mr. President, we must come together again. We must pass this legislation today.

On November 18th, the Senate passed the tax reconciliation bill. We included hurricane tax relief. We included Alternative Minimum Tax relief. And we included more than a dozen important tax provisions that expire on December 31st, including the Work Opportunity Tax Credit and the Research and Development Tax Credit.

With the help of many, Chairman Grassley and I fit all of that legislation within the constraints of the budget resolution's instructions.

But the House did not take up our bill. Instead, the House passed hurricane relief and Alternative Minimum Tax relief outside of the budget reconciliation process. Then the next day, the House passed a tax reconciliation bill.

Why did the House need three bills to achieve what the Senate succeeded in passing in one bill?

The reason is simple. The reason is the capital gains and dividends tax cut.

I am disappointed in the House. I am disappointed that Congress could not pass all the important tax relief that the Senate did in one bill. And that is why we have the legislation before us today, the House hurricane tax relief bill.

The amendment that Chairman Grassley and I have crafted to this bill recognizes that to revitalize the Gulf region, the region must have a strong economy. We must encourage individuals to return. And that means that there must be jobs for them to return to. This legislation gives businesses help to create those jobs.

We would provide bonus depreciation. We would increase small business expensing limits. We would also provide new authority for tax-favored private activity and mortgage bonds.

We would also extend to victims of Hurricanes Rita and Wilma some of the tax relief that we provided to victims of Hurricane Katrina in September. This includes penalty-free early tax-free withdrawals from pensions and IRAs. We would allow victims to fully deduct casualty losses. And we would remove the cap on allowable corporate charitable contributions made in response to the hurricanes.

And thanks to the hard work and persistence of the good Senators from Florida and Texas, we have been able to forge an agreement to provide extra low-income housing benefits for the Rita and Wilma hurricane zones. My good friend from Florida, Senator Nelson, has made the convincing case that these devastated areas need more assistance with low-income housing, and I am pleased to say this bill will be providing that very help.

The substitute that Senator Grassley and I offer today provides \$8 billion in tax relief for the Gulf Region. We take the House bill, but we provide additional tax relief for employers and students to encourage people to return to the Gulf Region

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One item of particular importance to me is tax relief to employers who continued to pay their workers after the hurricanes struck. Employers located in the Katrina, Rita, and Wilma disaster zones will be able to take up to a \$2,400 tax credit on wages paid to employees during the period the business was shut down. These business owners have tapped into their savings to help out their workers. They deserve tax relief. We provided this relief in our first bill, but it was limited to small employers. I have always felt and argued strongly that any employer that helps out their workers while the business is shut down deserves this assistance. I am very pleased that we were able to eliminate this cap, and extend this relief for the Rita and Wilma zones as well.

Another priority item for me is a provision to encourage students to return to the Gulf Region. Many colleges and universities were forced to shut down after Hurricane Katrina and students have been scattered across the country. To encourage these students, and new students as well, to come back to the Gulf Region, we double the Hope Scholarship and Lifetime Learning tax credits. Students from around the country would be able to take a credit up to \$4,000 for tuition, room and board, books, and fees for attending college in the areas affected by Hurricane Katrina. I was very pleased that we could include this benefit in our Senate version and that we have retained it in this substitute. I think it will be extremely valuable to the colleges and Universities who have really suffered from this hurricane.

One further priority item for me is the additional \$1 billion in New Markets Tax Credit authority for the Katrina zone. I fought to get this credit in our Senate version because I am convinced this program works. The program provides access to capital for small businesses through established community development entities. Entities with a significant mission of rebuilding in the hurricane zone may access these additional tax credits in order to help these struggling businesses rebuild. These businesses may not be able to utilize some of the other tax benefits in the bill, but access to capital will help many of them stay in business and stay in the zone.

One last item that I would like to highlight is an employer credit for providing housing for workers and their families. My good friend from Louisiana, Senator Landrieu, offered this provision during our floor debate last month. And if I could just take a moment to point out to our colleagues the tremendous work she has done on this bill. She has truly been our compass during these negotiations and has been essential in conveying the true plight of her constituents.

She has told me about the many hurricane victims who still do not have housing in the Gulf Region. Under her provision, workers and their families receiving housing from their employers could exclude up to \$600 a month from their income for tax purposes, plus the business can receive a partial credit for this expense. Business leaders have told us that they simply cannot get back to work unless their workers have housing. The Landrieu Housing provision helps them immensely.

Finally, this bill provides that soldiers in Iraq and Afghanistan may include combat pay when calculating their earned income tax credit. This has been a priority item for our friend from Arkansas, Senator Pryor, who championed this fix for our military families serving in combat last year. We extend the benefit for another year in this substitute and I commend Senator Pryor for his tireless work on behalf of military families.

We have a good bill before us. It has been nearly 4 months. We are set to adjourn the Senate for the year. As Senator Lott, who has diligently pushed for this Gulf zone recovery package has stated, we need to come together and help those most in need. I urge my Colleagues to pass this legislation today.

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