



Committee On Finance

Max Baucus, Ranking Member

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Finance Committee Passes Highway Funding Package by 17-4 Vote *Grassley-Baucus Bill Set to Move Quickly to Senate Floor*

(WASHINGTON, D.C.) The U.S. Senate Finance Committee today passed the revenue portion of the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2004 (SAFETEA), the highway and transit bill that reauthorizes the 1998 Transportation Equity Act (TEA-21).

U.S. Senator Max Baucus, ranking member of the committee, and Finance Chairman Chuck Grassley have worked together on the highway and transit legislation and reached agreement on an effective bill that will add \$35 billion to the Highway Trust Fund over the next six years to help states pay for highway and transit projects.

"This bill is more than just a highway bill - it's a jobs bill," Baucus said. "Highway and transit spending creates thousands of jobs and provides valuable new opportunities in communities where manufacturing jobs are disappearing. TEA-21 accounted for 11,000 good paying jobs in my home state of Montana and I know SAFETEA will have the same positive effect. I commend the efforts of Chairman Grassley and my colleagues on the Finance Committee in pushing this legislation through the committee."

The current transportation funding bill, TEA-21, expired on September 30, 2003 and was extended until February 29, 2004. If SAFETEA is not passed before that date, states will no longer be able to obligate federal funds for transportation projects and the U.S. Department of Transportation will not have authority to pay certain employee salaries.

With jurisdiction over the Highway Trust Fund, the Finance Committee is responsible for authorizing the taxes that make up the balance of the Trust Fund and determining how these funds may be spent.

Funding provisions in the Finance Committee SAFETEA legislation, in addition to gasoline tax receipts, include:

- **Volumetric Ethanol Excise Tax Credit:** Under current law, the excise tax on gasoline is 18.4 cents per gallon and 13.1 cents per gallon on ethanol-blends, with a majority of the funds first being deposited to the General Fund and then transferred to the Highway Trust Fund. Under the Finance Committee bill, the ethanol excise tax going to the Highway Trust Fund would increase to 18.4 cents per gallon. A credit would then come from the General Fund rather than the Highway Trust Fund to reimburse the difference between 13.1 cents and 18.4 cents per gallon.

- **Fuel Fraud Prevention:** Under the Committee-passed bill, new registration and reporting requirements are included on all taxable fuels to help crack down on fuel fraud. For example, fuel excise taxpayers would be required to file monthly statements identifying all fuel removed from a terminal. Additional provisions are included to eliminate fraud on aviation and dyed fuels.
- **Excise Tax Reform:** SAFETEA would raise additional funding through the reform of a number of excise taxes, including highway excise taxes, aquatic excise taxes, aerial excise taxes, alcoholic beverage taxes, and sport excise taxes.

“We've put together a strong package that will provide approximately \$35 billion in funding, plus additional funding from gas tax receipts,” Baucus said. “Now that the bill has passed the Finance Committee, it's vital that we move smoothly and expediently on the Senate floor to pass the bill before the Feb. 29 expiration date. We've worked together to produce a good bill that will help create jobs and strengthen our infrastructure. ”

In addition to passing the highway and transit funding package, the Committee today also took up a pension-related provision involving Corporate Owned Life Insurance (COLI). Last year, the Finance Committee passed the "National Employee Savings and Trust Equity Guarantee Act," but left the option open to come back and reexamine the COLI provisions in the bill.

Today, the Committee reached agreed to make COLI payments subject to tax unless certain qualifications are met, such as the employee worked for the company in the year preceding their death or the employee was a highly compensated employee. The agreement also ensures that employees must be notified, and voluntarily consent to the purchase, before a company purchases a COLI policy on their behalf. With passage of the COLI provisions today, the "National Employee Savings and Trust Equity Guarantee Act" is now headed for the Senate floor.

The Committee today also passed the "Tax Administration Good Government" bill. The goal of the Good Government bill is to provide taxpayers with additional safeguards, improve tax administration, simplify tax laws and modernize the U.S. Tax Court. The legislation was crafted after consultation with groups such as the Internal Revenue Service, the National Taxpayer Advocate, taxpayer groups, and the Joint Committee on Taxation.

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Sen. Baucus Committee Statement Attached:

**Statement of U.S. Senator Max Baucus
Finance Committee Markup of Corporate-Owned Life Insurance (COLI), Safe,
Accountable, Flexible, and Efficient Transportation Equity Act (SAFETEA), and
Tax Administration Good Government Act**

“We have before us today an important trio of bills, covering corporate-owned life insurance, highway financing, and tax administration. Our agenda today reflects the variety of issues that makes the Finance Committee the interesting place it is.

COLI

The first piece of business before the Committee involves Corporate Owned Life Insurance — or COLI. Based on a unanimous consent agreement that we reached last October, the Committee will reopen the pension bill — solely to address COLI and related provisions. The Committee has wrestled with this issue for months. A great deal of discussion, analysis, and hard work has gone into finding an appropriate solution.

Members on both sides of the aisle have worked together. And the legislation that is before us today represents an agreement among Members of the Committee. The legislation before us makes COLI payments subject to taxation, unless a few key exceptions are met.

- If the individual covered by the insurance policy worked for the company during the year preceding the individual’s death, then the insurance policy’s payments are not subject to tax.
- If the company uses the insurance policy’s payments to purchase the company shares of the deceased individual, then they are not subject to tax.
- If the death benefits go the employee’s family or estate, then they are not taxed.
- And if the employee was a director or a highly-compensated individual, then the payments are not subject to tax.

But more importantly, the legislation ensures that if a company plans to purchase a policy on an employee’s life, then the company has to notify the employee. And the employee has the opportunity to say “No, I don’t want you to buy that policy.” If the employee doesn’t consent, then the proceeds will not be tax-free.

This bill also includes a requirement that a company report annually the number of employees insured under these policies, and the total face amount of those policies. At the hearing in October, we heard that information was not available on the amount of COLI that is in force. This bill addresses that information deficit. I believe that this bill is the right answer to the questions that we have faced on COLI. And I want to thank all my Colleagues who have put so much time and effort into getting us to where we are today.

Now, I know that there are some differences of opinion among the Members of this Committee. Nonetheless, Members have shown a great deal of cooperation to get to this point. I especially want to thank Chairman Grassley, Senator Bingaman, and Senator Conrad. I am pleased that we will get this section of the pension bill worked out today so that we can move on and report the

bill. The pension bill will provide some very important participant protections. We need to get it moving.

Highways

The second item on our agenda today is the revenue title of the highway bill. But this is more than just a highway bill. It's a jobs bill.

The Finance Committee has the honor of having jurisdiction over the Highway Trust Fund. Our responsibilities are threefold: First, we authorize the taxes that make up the balance of the Trust Fund. Second, we extend taxes payable to the Trust Fund. And third, we determine how money can be spent from the Trust Fund.

But it is not just the jurisdiction of this Committee to fund the highway reauthorization, it's also our responsibility. With a stagnant economy and high unemployment rates, one would be hard pressed to find another single piece of legislation that will help as much as the highway bill. For every billion dollars spent on highways, 48,500 jobs are created. That is what this bill is about. And, to me, that is why it is so important. I have worked on transportation issues for a long time. As the senior Democrat on the Senate Environment and Public Works Committee, I played a central role on both ISTEA and TEA-21.

TEA-21 accounted for 11,000 good-paying jobs in my state of Montana. And highway dollars have a ripple effect in the economy - creating jobs for everyone from highway construction crews, to sand and gravel distributors, to contractors, and down the line. And these jobs provide valuable new opportunities when manufacturing jobs are disappearing.

In my state of Montana, the highway program is a jobs program. I know this is true for many members of this Committee - Iowa, Wyoming, Utah, and Arkansas, North and South Dakota, and others. Rural states rely on the highway program to create and sustain jobs in their states. But all states need highway money for their economy and their way of life.

TEA-21 passed overwhelmingly in 1998 because it provided, on average, a 40 percent increase in funding. In addition to the 4.3-cent gas tax that was transferred to the Trust Fund from the general fund, that 40 percent increase was primarily derived by the new budgetary treatment for highways and the "protected" status of the Highway Trust Fund. It is crucial to this program to maintain those budgetary firewalls.

So TEA-21 reauthorization really comes down to this: In order to pass a bill, we will need more money. That's where the Committee comes in. In addition to the expected gas tax receipts, we have looked for additional revenue.

We will be making the changes to ethanol taxation that I proposed over three years ago. This Committee has passed these changes twice already, in what we call the Volumetric Ethanol Excise Tax Credit (VEETC) bill. These changes have passed the Senate. Both Leader Frist and Speaker Hastert have assured me that those changes will be enacted this time.

Those changes remove the burden of the ethanol subsidy from the Highway Trust Fund. The subsidy is a good idea. It is good agriculture policy and good energy policy. But as a matter of highway policy, the roads receive the same wear and tear from vehicles regardless of the fuel they use. So it should not be the Highway Trust Fund that loses revenue.

By the same token, there are several subsidies from the federal gas tax that certain groups receive that are not connected to highway policy. These subsidies are received as refunds from the general fund.

The problem is that the general fund gets reimbursed by the Highway Trust Fund. Why?

With all the talk about the general fund transferring money to the Trust Fund, the real truth is that the Trust Fund actually transfers money to the general fund. It is time to set the accounts straight.

I don't oppose these subsidies. But I don't believe that our highway dollars should pay for them. The mark today contains proposals that will remove the burden of these exemptions from the Highway Trust Fund.

Also in this bill, we are dealing with the issue of fuel tax evasion and how to prevent it. Senator Grassley and I introduced a bill that would close a lot of loopholes in the tax code and catch some of the bad guys, the ones who are dishonest and defrauding the federal government.

We are also proposing the continuation of current law regarding the Mass Transit Account of the Highway Trust Fund. That means that the Mass Transit Account will continue to receive 2.86 cents from every gallon of fuel taxed - even the new gallons that we recouping. This mark funds transit at a level directly related to the receipts it receives under current law.

And today we are also marking up excise tax reform legislation. This Committee has considered these provisions on several occasions. This package repeals the Civil War-era occupational tax on establishments that sell alcoholic beverages. And it makes several improvements to the excise taxes paid on sporting equipment. I am pleased that the Chairman has included these items in his mark.

Tax Administration

The third bill that we will address today is the Tax Administration Good Government bill. Mr. Chairman, more than 5 years ago, Congress passed legislation to reform the Internal Revenue Service. To date, significant progress has been made to implement that legislation and to improve the quality of service to taxpayers. But much work remains to be done.

This afternoon, the Committee will consider a package of good government proposals to further improve the operations of the IRS and strengthen taxpayer protections. The Chairman's Mark

will afford taxpayers additional safeguards in their dealings with the IRS, improve tax administration, reform the interest and penalty regimes, modernize the U.S. Tax Court, and simplify our tax laws.

Congress's responsibility for the tax system, however, does not stop after we pass tax laws. We have a responsibility for oversight to ensure that taxpayer rights are protected and that our laws are administered according to congressional intent.

The mark builds on S. 882, the Tax Administration and Good Government Act, which Chairman Grassley and I introduced last April. Since that time, we have worked closely with taxpayer groups, practitioners, the Administration, the Internal Revenue Service, the National Taxpayer Advocate, and the Joint Committee on Taxation to develop additional provisions. We have also consulted closely with members of this Committee to incorporate their ideas. The Chairman's Mark reflects these efforts.

This is a good, balanced, and important package of good government reforms that won't attract a lot of headlines, but will help a large number of taxpayers. I want to thank the Chairman for including this package as part of today's markup. And so, Mr. Chairman, I support these three bills before the Committee today, and urge that we report them favorably."

