



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Sen. Chuck Grassley

Finance Committee Hearing

“Saving America’s Great Places: The Role of Tax Incentives in Preserving Rural Communities”

Wednesday, Aug. 25, 2004

I am very happy to be in Sioux City, Iowa today, to bring national focus on an issue that I find disturbing -- the continuous loss of our young people and our families from the rural Midwest. I see many people in this room that I have known for years. I met many more of you this morning, and I am pleased to see such a collection of talented, dedicated leaders of our communities. These are leaders not only from Iowa, but Nebraska and the Dakotas and several other surrounding states. All of you have come here with a common concern, that being how to stem this tide of rural out-migration.

Now I am the chairman of the Finance Committee of the United States Senate, and we have begun to examine the role of tax incentives in preserving rural communities. In some areas, tax laws are unfair to rural communities or don’t do enough to build economic growth. In other areas the tax code is out of date and needs to come into the 21<sup>st</sup> Century. Today we will discuss a series of proposals that address those issues. Specifically, the witnesses that have joined us today will focus on a bill that I introduced called the *Heartland Investment and Rural Employment Act*, known as HIRE. My goal with this legislation is to update tax laws and create new incentives that make sense for rural America.

Now don’t get me wrong, rural America has a lot to be proud of, but while the agricultural economy is showing strength that we have not seen in years, I think Congress should do its part to help bolster some of our successes. Just think, in the last 10 to 20 years, rural America has built 12 farmer-owned cooperative ethanol plants in Iowa, and several additional plants are under construction. Nationally we have 74 ethanol plants producing 2.9 billion gallons and 14 plants under construction to bring industry production to 3.4 billion gallons this year. To put this in perspective, the U.S. produced 10 billion bushels of corn in 2003. Of that, nearly 1.1 billion bushels of corn were used to produce the 2.9 billion gallons of ethanol. The ethanol industry has created rural jobs and economic diversity, not to mention decreased dependence on foreign oil. It is truly a hometown success.

What’s more, we have more rural success stories. Iowa ranks fourth in the nation in terms of installed wind generation capacity, generating enough electricity to serve over 300,000 homes. Rural America is clearly on the forefront of reducing our nation’s dependence on foreign sources of energy. But we need more of these success stories, and I believe a few changes to a very complex tax code could help make those stories come true.

Now let's talk about unfinished business. Today some of the things we'll talk about will sound familiar -- that's because we have been fighting for them for years. They are good ideas that enjoy strong bipartisan support and were actually approved in 1999 as part of the *Taxpayer Relief Act*, which then-President Clinton vetoed.

The first is a proposal I call FFARRM Accounts -- that stands for Farm, Fishing and Ranch Risk Management Accounts. These farmer savings accounts would allow farmers to contribute up to 20 percent of their income in an account, and deduct it in the same year. FFARRM accounts would be a very important risk management tool to help farmers put away money when there's actual income, so that in really bad times there would be a safety net.

The other proposal -- and my good friend Senator Sam Brownback of Kansas has taken the lead on fixing this problem -- is the unfair IRS decisions on self-employment tax on farmers who participate in the Conservation Reserve Program.

And of course, there is our ongoing effort to address the Dividend Allocation Rule, and end the unfair third level of tax on cooperative dividends. This provision has been included in my *Jumpstart Our Business Strength Act*, known as JOBS, which will be in conference with the House as soon as we return after Labor Day, so with any luck and a lot of hard work on the conference, we could have a bill to the President by October.

In addition, our witnesses today will be discussing the issues of out-migration and the potential effect the proposals of the *Heartland Investment and Rural Employment Act* could produce.

Now, before introducing our witnesses for today's hearing, I will be reading Senator Max Baucus' opening statement. He is in his home state of Montana and was unable to join us today. I know cooperatives are just as important to Max as they are to me.

We have included some of the important provisions from the *New Homestead Act*, which was originally sponsored by Senator Byron Dorgan of North Dakota and 12 original co-sponsors including Senators Chuck Hagel of Nebraska, Tom Daschle from South Dakota and Sam Brownback of Kansas. Senators Dorgan, Daschle and Hagel were unable to join us today, but their statements will be included in the record and copies are on the table for the audience to review. We have included these provisions in both the HIRE Act and the JOBS Act, which awaits conference with the House. Under current law, there is no special assistance for businesses in counties that are losing population. My good friend Senator Brownback has joined us today to more fully explain the motivation and tax policy behind the *New Homestead Act*. Even though Senator Brownback is not a member of the Finance Committee, he always shows leadership and insight on agriculture and rural economic issues, and I value his insight and support in these important matters. Senator Brownback, would you like to begin?