

1 EXECUTIVE COMMITTEE MEETING

2 THURSDAY, JANUARY 30, 1992

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

6 The meeting was convened, pursuant to notice,
7 at 10:00 a.m., the Hon. Lloyd Bentsen (Chairman of
8 the Committee) presiding.

9 Also present: Senators Moynihan, Mitchell,
10 Pryor, Rockefeller, Daschle, Breaux, Dole,
11 Danforth, Chafee, Durenberger, Symms, Grassley,
12 and Hatch.

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22 pp.

13 Also present: Vanda McMurtry, Staff Director
14 and Chief Counsel; Edmond Mihalski, Chief of
15 Staff, Minority.

16 Also present: Margaret Malone, Professional
17 Staff Member, Majority; Harry Gutman, Chairman of
18 Staff, Joint Tax Committee; Ken Gideon, Assistant
19 Secretary for Tax Policy, Treasury; Sam Sessions,
20 Chief Tax Counsel.

21 (The press release announcing the meeting
22 follows:)

23

24

25

1 The Chairman. If you will please be seated
2 and cease conversation, this hearing will get
3 under way.

4 What we have this morning is a mark-up on a
5 bill providing for extended unemployment benefits.
6 It is one that is going to be co-sponsored by the
7 Chairman of this committee, the Ranking Minority
8 Member, the Majority Leader, and the Minority
9 Leader; obviously, a bipartisan bill.

10 This morning I am asking the Finance Committee
11 members to support this legislation to help
12 American workers and their families continue to
13 get the help they need to pay the mortgage or the
14 rent; to clothe their children during some tough
15 times.

16 Last year, Congress passed legislation
17 extending unemployment benefits for workers who
18 had been rocked by this recession. But by the
19 middle of February, these benefits are going to
20 begin to run out for some 600,000 workers. And,
21 as those weeks pass, you are going to see more and
22 more Americans stricken from the rolls of
23 eligibility.

24 By next week, I am confident that Congress
25 will enact this proposal because it has to be a

1 priority. And we will send it to the President
2 for his signature. Working together, we can
3 ensure continued benefits for those workers who
4 are suffering through this, the longest period of
5 slow or no growth since World War II.

6 These benefits represent a sorely needed
7 helping hand as the economy continues to flounder.
8 And because it is a lagging indicator, we can
9 expect continued high unemployment for awhile
10 after the economy starts bouncing back.

11 Consumer confidence, which accounts for two-
12 thirds of the economic activity, remains low. The
13 Congress Board's Consumer Confidence Index,
14 released Tuesday, was down and at the lowest level
15 since May of 1980.

16 Consumers are worried about this economy.
17 They are reluctant to spend the money they have.
18 We are looking at a slow, muddled recovery once it
19 begins.

20 The gross domestic product for the fourth
21 quarter, released yesterday, showed most sectors
22 of the economy declining. Overall, the gross
23 domestic product is climbing by a tiny .3/10ths of
24 one percent. But consumer spending, investment
25 spending, and government spending were down in the

1 fourth quarter. And such economic forecasters as
2 the U.S. Chamber of Commerce and DRI say to expect
3 negative growth in the first quarter.

4 The Congressional Budget Office suggests there
5 will be virtually no improvement in the labor
6 market this year. Chances are unemployment is
7 going to remain at about seven percent, and
8 perhaps higher, before things get better.

9 But I am particularly pleased that we have
10 reached a consensus with the administration and
11 are ready to move forward without delay to help
12 Americans ride out these economic problems.

13 Let me state another one. As I think about
14 the members of this committee and I think about
15 the members of the Senate, there are many
16 different concerns that could be addressed in a
17 tax bill, as this one is, whether we are talking
18 about capital gains by some, or luxury taxes on
19 boats and airplanes, or a rainbow of different
20 concerns, and we would like to get them addressed
21 at the earliest opportunity. But I think we are
22 in a situation where if we start down that road, I
23 do not know where it stops.

24 I am delighted to see that the administration
25 says it will oppose all amendments -- all

1 amendments. And that is also the commitment by
2 the Majority Leader, the Minority Leader, by
3 myself, and by the Ranking Minority Member of this
4 committee.

5 This letter from the President says, "It is my
6 hope that the Senate Finance Committee will
7 approve the measure without amendments and that
8 the full House and Senate would quickly follow
9 suit."

10 So, I would urge that we move very quickly on
11 it. I would now defer to my colleagues for any
12 comments that they might have.

13 Senator Chafee. Mr. Chairman.

14 The Chairman. Yes. Senator Chafee.

15 Senator Chafee. Mr. Chairman, I am pleased to
16 join with you in the mark-up of this legislation.
17 It is extremely important to my State.

18 In our State, we have just been buffeted. We
19 started the year off with a tremendous budget
20 deficit in our State Government that required
21 cuts; we had a credit union crisis in which, just
22 a year ago on January 1st, our Governor had to
23 close all the State-chartered and State-insured
24 credit unions and banks.

25 Just last week, the Defense Department

1 announced that they were curtailing and
2 terminating the Sea Wolf Submarine program, which
3 is built at Electric Boat, the only oncoming
4 orders of submarines that the shipyard has.

5 They are the largest employer in our State,
6 with a big facility at Quonset Point, Rhode
7 Island, and the total employment at Electric Boat
8 is 9,000.

9 And at the start of next year, going through
10 this year, those individuals will be laid off
11 unless some changes are made in the defense
12 budget. So, we have got a lot of problems.

13 More than 10 percent of our State's work force
14 is receiving unemployment compensation benefits,
15 and these are individuals who want to go to work,
16 they are educated, they are qualified, but the
17 jobs are not there.

18 So, this measure will help tide them over
19 until the expected improvement in our economy
20 occurs.

21 Mr. Chairman, now I would like to move on to
22 another facet that you briefly touched on, and
23 that is adding on amendments to this bill.

24 I might say, Mr. Chairman, both Senator Breaux
25 and I--Senator Breaux obviously can talk for

1 himself on this--we are prepared to add to this
2 the repeal of the so-called luxury tax on boats.

3 As you know, Mr. Chairman--and I do not want
4 to sound like a Johnny-one-note on this--this has
5 been an absolutely devastating tax.

6 And the idea that it does something for the
7 rich, of course, is nonsense. The people it tags
8 are those who build the boats.

9 And, oddly enough, you would not know it, but
10 in the State of Rhode Island, up to this, built
11 more sailboat hulls than any State in the nation.
12 And this has been devastating.

13 You would think the small boats would survive,
14 but the record of recessions has been that small
15 boat sales fall off, but the bigger boats
16 continue. But now it has worked both ways; both
17 have been hurt. The large boat sales have ended
18 and the small boat sales have been badly hit.

19 So, Mr. Chairman, I have been subject to
20 considerable pressure from the White House, from
21 the Majority Leader, from the Minority Leader not
22 to offer our amendment.

23 And based on the comments that you made the
24 other day in which you indicated, one, that you
25 would bring this up at the earliest possible

1 opportunity; second, that you, yourself would
2 support it; and, third, you would make it
3 retroactive.

4 I would like to pursue that last part a little
5 further, if I might. And I might say, Mr.
6 Chairman, I spoke to the Majority Leader, who
7 wanted very much to be here today, and, indeed, he
8 might be here --

9 The Chairman. I would say, Senator Chafee,
10 there is no question that the Majority Leader has
11 the very same concerns you have as far as the
12 boating industry, and Senator Breaux has. You
13 have both spoken eloquently and persuasively.

14 Senator Chafee. And frequently.

15 (Laughter)

16 The Chairman. And frequently.

17 Senator Chafee. Well, Mr. Chairman, if we
18 could pursue this a little bit, let me just say
19 first, we are grateful for your support. We are
20 grateful that you will bring it up as soon as
21 possible.

22 On the retroactivity, that is a key thing,
23 because the big boat shows, as you know, Mr.
24 Chairman, take place in the end of January and in
25 February. The world's largest boat show is in

1 Miami, Florida in the middle of February.

2 The Chairman. February the 12th, I believe.

3 Senator Chafee. What?

4 The Chairman. I think it is February the
5 12th.

6 Senator Chafee. Well, that shows you have got
7 a keen interest in this subject and I hope you
8 will be a purchaser there.

9 (Laughter)

10 Senator Chafee. And, as a matter of fact, we
11 have a couple of models --

12 The Chairman. Senator, I am between boats.

13 Senator Chafee. Well, we need to have anybody
14 between boats.

15 (Laughter)

16 Senator Chafee. And the repeal of this
17 onerous, objectionable tax will, I think, entice
18 you to step up to the mark.

19 (Laughter)

20 Senator Chafee. And we have several models.
21 As a matter of fact, I might have several salesmen
22 call on you, absent those salesmen that never
23 called on me to sell me a car.

24 Well, here it is, Mr. Chairman. What I would
25 like--and I know Senator Breaux will be heard on

1 this subject--I would like this retroactivity to
2 go back -- last fall, as you recall, we talked --
3 I reviewed the record, and you did not say
4 anything, regrettably.

5 But I said, make it effective as of that bill
6 we had last fall, which, I think, was in
7 September. But the record shows that there was no
8 answer from the Chairman on my suggestion. Now we
9 would like to press this a little further.

10 I think January 1st might be a good date. It
11 would cover the boat shows. We do not know when
12 this is going to pass, and that is what I would
13 like to have. What is the record going to show?

14 The Chairman. And I would take it Senator
15 Breaux feels the same way, and I am sure Senator
16 Mitchell. Let me state that I will support that
17 as a retroactive date, assuming that that is
18 passed in the tax bill that we have up, and I will
19 be supporting it in the tax bill.

20 You know, I cannot commit as to what the
21 Congress is going to do, or the Senate is going to
22 do. But I can tell you what the Chairman of this
23 committee will try to do in support of it. So, I
24 will support a retroactive date to January 1st of
25 taking off the so-called luxury tax on boats and

1 on airplanes, too.

2 Senator Chafee. Thank you very much, Mr.
3 Chairman.

4 The Chairman. All right.

5 Senator Chafee. Here comes the airplane
6 delegation.

7 (Laughter)

8 The Chairman. Let me tell you, you heard me
9 add airplanes as I said that. All right. Would
10 the Minority Leader have any comment?

11 Senator Dole. I think Senator Chafee has
12 already taken care of my problem. But, no, I do
13 want to indicate what you probably already
14 indicated: we hope we can do this without
15 amendments --

16 The Chairman. Yes.

17 Senator Dole. -- and do it very quickly and
18 pass it next Tuesday.

19 The Chairman. Let us do that.

20 Senator Dole. And I am here just to indicate
21 my support for that effort, and thank the Chairman
22 and Senator Packwood.

23 The Chairman. I have stated that you and
24 Senator Mitchell, myself, Senator Packwood are co-
25 sponsors in opposing all amendments, and, with the

1 eloquent testimony of Senator Chafee and Senator
2 Breaux, the Majority Leader, and all others that
3 manufacture boats in their states, that I will
4 support, when we have a tax bill, the repeal of
5 the luxury tax on boats and airplanes, and that we
6 would make it retroactive to January the 1st. I
7 would be supporting that.

8 Senator Dole. It might even want to include
9 furs, jewelry --

10 The Chairman. Well, we will talk about that
11 when we get the tax bill.

12 Senator Chafee. Do not press our luck.

13 Senator Mitchell. Mr. Chairman.

14 The Chairman. Yes. The Majority Leader is
15 here.

16 Senator Mitchell. Well, Mr. Chairman, I just
17 want to express my strong support for the repeal
18 of the luxury tax on boats. I have discussed this
19 matter on several occasions with Senator Chafee
20 and Senator Breaux as recently as yesterday, and I
21 am grateful to you, Mr. Chairman, for your
22 expression of support and willingness to include
23 it in what we hope will be a comprehensive tax and
24 economic recovery package to be promptly enacted
25 into law and that the repeal of the boat and plane

1 tax would be made retroactive. And I am grateful
2 to you for that, and the President, for expressing
3 his support for the repeal.

4 The Chairman. Well, Mr. Leader, I had
5 recounted your support and your strong feelings in
6 that. But I am delighted to have you here.

7 Senator Mitchell. Thank you.

8 The Chairman. Now, let us get through an
9 explanation of this. Ms. Malone, if you would
10 start it, please.

11 Ms. Malone. Mr. Chairman, each member has in
12 front of him a mark-up document dated January
13 29th. The proposal that is described in this
14 document is the same as the proposal that is
15 expected to pass the House of Representatives next
16 week and has been endorsed by the President.

17 You will recall that last fall the bill that
18 was passed by the Congress provided 20 weeks of
19 benefits for workers in high unemployment States,
20 and 13 weeks of Federally-funded extended benefits
21 in States that have lower than the prescribed high
22 unemployment rates.

23 This bill will provide an additional 13 weeks
24 over and above those 13 and 20 weeks, so that an
25 unemployed worker could have a total of 59 weeks

1 in the high unemployment States, and 52 weeks in
2 all other States.

3 That total is composed of the 26 weeks of
4 regular State benefits, plus the additional
5 extended benefits provided under the legislation
6 last fall, and the 13 weeks of benefits provided
7 under this bill.

8 In addition to that, the effective date of the
9 current provision providing 13 and 20 weeks will
10 be extended from June 13th to July 4th. These new
11 additional benefits--the 13 weeks of benefits--
12 will be effective from the date of enactment to
13 June 13th.

14 On page two of your document, you will see a
15 brief description of a Railroad Unemployment
16 Insurance provision. You will recall that last
17 fall you tried to provide comparability for
18 railroad workers so that they would have extended
19 benefits that were equivalent to those that other
20 workers got.

21 This provision is being included at the
22 request of the Labor and Human Resources
23 Committee, which has jurisdiction over this
24 subject. And this provision would provide
25 continued comparability by giving railroad workers

1 an additional 13 weeks of unemployment benefits.

2 There is also a provision described briefly on
3 page three of your document which relates
4 basically to the State of Michigan.

5 Michigan employers recently were informed that
6 they would have a sharp increase in their payroll
7 taxes, triggered by the fact that Michigan has not
8 been able to make repayment to the Federal
9 Government of loans that it took out earlier in
10 the 1980s.

11 This provision does not forgive the payment,
12 but simply defers the payment from January 31st
13 until June 30th for those employers who are unable
14 to make the payment.

15 These employers will be excused from any
16 penalty payments, but will have to pay interest so
17 that the provision is budget-neutral. These
18 provisions, collectively, will be offset in two
19 ways. The total cost for 1992 is \$2.7 billion.

20 The offset will be \$2.2 billion, estimated by
21 OMB as having been achieved in pay-as-you-go
22 legislation enacted last year, and by an
23 additional \$500 million in additional revenues
24 that will result in a tax provision in this
25 package. And Mr. Gutman will describe that tax

1 provision for you.

2 The Chairman. Yes. I want to emphasize the
3 point that this provision, overall, is paid for.
4 And, Mr. Gutman, if you would comment on that.

5 Mr. Gutman. Mr. Chairman, the tax provision
6 which adds the additional \$500 million of revenue
7 is a change to the corporate estimated tax
8 provisions.

9 Currently, large corporations avoid penalties
10 for under-payment of estimated tax if they pay 93
11 percent of their current year's tax liability in
12 four equal installments.

13 That percentage, under current law, is
14 scheduled to increase to 94 percent in 1993 and in
15 1994, and then to 95 percent in 1994 and 1996.
16 The proposal would increase that safe-harbor
17 percentage to 95 percent in 1993.

18 The Chairman. Thank you. We are very pleased
19 to have the Assistant Secretary of the Treasury
20 for Taxes, Mr. Gideon, here.

21 Mr. Gideon, you have been a very productive
22 and helpful member on tax measures and I
23 understand will be leaving the Treasury in a very
24 few days.

25 This afternoon or this morning, I anticipate

1 that we will be discussing his successor, and
2 confirmation proceedings here on the committee.
3 But we would be very pleased to hear from you as
4 to the opinion of the administration on this
5 legislation.

6 Secretary Gideon. Thank you for your kind
7 remarks, Mr. Chairman. The administration, of
8 course, supports this legislation, as indicated in
9 the President's letter.

10 Ms. Malone. I should note, Mr. Chairman, that
11 the administration has sent up a letter saying
12 that this legislation would not trigger a
13 sequester.

14 Ms. Malone. And that is correct.

15 The Chairman. Yes. And I have that letter
16 here, for the record.

17 Are there further comments, questions? If
18 not, may I have a motion?

19 Senator Moynihan. I so move we adopt the
20 measure, Mr. Chairman.

21 The Chairman. Is there a second?

22 Senator Chafee. Second.

23 The Chairman. All in favor of the motion as
24 stated, make it known by saying aye.

25 (A chorus of ayes.)

1 The Chairman. Opposed, similar sign.

2 (No response)

3 The Chairman. And we do have a quorum. We do
4 have a majority, and the measure is passed. In
5 fact, is there any vote against it?

6 (No response)

7 The Chairman. It is unanimous.

8 Senator Moynihan. Mr. Chairman, you got this
9 done a little quicker than last time. Are you
10 learning?

11 The Chairman. There is an advantage to
12 seniority. I try to get that point across.

13 Senator Dole. We will get an agreement right
14 away.

15 The Chairman. Would the Senator from Missouri
16 care to make the motion to consider Fred Goldberg,
17 the President's nominee, to be an Assistant
18 Secretary of the Treasury for Tax Policy

19 Senator Danforth. I do make the motion.

20 The Chairman. All right. I second. All in
21 favor of the motion as stated, make it known by
22 saying aye.

23 (A chorus of ayes.)

24 The Chairman. Opposed?

25 (No response)

1 The Chairman. Motion carried.

2 May I have a motion for confirmation of the
3 nomination of Shirley Peterson as Commissioner of
4 the Internal Revenue?

5 Senator Pryor. I so move.

6 The Chairman. All right. All in favor, make
7 it known by saying aye.

8 (A chorus of ayes.)

9 The Chairman. Opposed?

10 (No response)

11 The Chairman. So carries. Thank you.

12 Congratulations.

13 Mrs. Peterson. Thank you, Mr. Chairman.

14 (Whereupon, the meeting was concluded at 10:55
15 a.m.)

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C E R T I F I C A T E

This is to certify that the foregoing proceedings of an Executive Committee Meeting, Committee on Finance, United States Senate, held on January 30, 1992, were transcribed as herein appears and that this is the original transcript thereof.

WILLIAM J. MOFFITT

Official Court Reporter

My Commission Expires April 14, 1994

Mr. Chairman; Mr. Chafee; Mr. Dole; Mr. Mitchell;
Mr. Moynihan; Mr. Danforth; Mr. ~~Da~~ Hatch
Mr. Pryor

UNITED STATES SENATE
COMMITTEE ON FINANCE

Executive Session

Thursday, January 30, 1992 - 10:00 AM
SD-215 Dirksen Senate Office Building

A G E N D A

1. I. To consider legislation to further extend unemployment compensation benefits.
- II. To hear and consider the nominations of:
 2. Fred T. Goldberg, to be an Assistant Secretary of the Treasury; and Shirley D. Peterson, to be
 3. Commissioner of Internal Revenue.

Goldberg - introduced by: Sen. Jack Danforth^{R.}
Peterson introduced by: Cong. Constance
Morella

STATEMENT BY
SENATOR JOHN H. CHAFEE
IN THE SENATE FINANCE COMMITTEE
ON THE REPEAL OF THE "LUXURY" TAX ON BOATS
JANUARY 30, 1992

Mr. Chairman, the bill we are marking up today will provide additional extended unemployment benefits to millions of Americans who are out of work. I believe it would have been appropriate to include in this bill a provision designed to put thousands of unemployed boatbuilders back to work -- the repeal of the so-called "luxury" excise tax on boats.

The "luxury" tax on bigger pleasure boats enacted by Congress as a symbolic "tax the rich" gesture, has turned out to be a real policy disaster. Unfortunately, this is not a tax on the people that buy these boats, it is a tax on the workers who build these boats.

After one year of experience with this tax, the results are: bad tax policy, bad jobs policy, bad export policy, an additional burden on the banking system, additional costs to the RTC bailout, and foreign investors are purchasing the U.S. industry (for possible relocation abroad) for 15 cents on the dollar.

I will be the first to admit that the boatbuilding industry was already losing sales as a result of the recession. However the industry has survived recessions that were much worse than the current one. The "luxury" tax has been the final blow that has devastated one of the few American industries that enjoyed a favorable balance of trade.

The boat-building industry receives the majority of its orders for new boats during the Fall and Winter boat show season. The largest boat show in the world will take place next month in Miami. It is absolutely necessary that the repeal of this excise tax be effective before the boat show season comes to an end.

I have been told by the remaining boatbuilders in Rhode Island that they have numerous interested buyers who will not sign a contract until the "luxury" tax is repealed. Therefore, we must have a solid commitment that the repeal will be retroactive to encourage buyers attending the Miami boat show to sign contracts to purchase new boats and put Americans back to work.

Repealing this unfair tax is very important to my home state, since the boatbuilding industry in Rhode Island has been devastated by this tax. However, in order to allow these extended benefits to be enacted quickly, I have agreed not to offer this amendment.

I am relying on the commitments of the Chairman of this Committee, the Majority Leader, and the Minority Leader that I will have their support to retroactively repeal this disastrous tax ^{IN THE} ~~on the~~ TAX BILL WHICH WILL SOON BE COMING THROUGH ~~next available revenue vehicle.~~ CONGRESS.

Thank you, Mr. Chairman.

STATEMENT OF SENATOR ORRIN G. HATCH

SENATE FINANCE COMMITTEE

JANUARY 30, 1992

"EXTENSION OF EMERGENCY UNEMPLOYMENT BENEFITS"

Thank you, Mr. Chairman.

This issue of extending federal emergency unemployment benefits has never keyed on an absence of compassion for unemployed Americans and their families. I have always perceived the debate to be over the ways and means to strike a responsible balance between compassion and a necessary fiscal responsibility.

There is nothing inconsistent to me in this dual expectation. It's like paying the mortgage while keeping the checkbook balanced. In tough times, it might not be an easy task, but that is what we were sent here to do.

As simplistic as that may sound, that is what the citizens of Utah tell me they expect.

I know that considerable discussion has taken place between the Administration and Members of both Houses of Congress to put together this proposal. The efforts of the Chairman, Senator Packwood, Senator Dole, and others, to work with all parties

concerned to strike this balance has been a very positive one. In that spirit, I congratulate the President, the Chairman, and all those who labored on this bill. While some may not consider it perfect, it is a timely and balanced proposal. I will be pleased to join as a cosponsor.

With that said, Mr. Chairman, I want to call the attention of my colleagues to a provision in the Emergency Unemployment Compensation Act of 1991 which was passed last November. The provision I am referring to is Title 4, Section 403. This section changes the estimated tax payment rules for individuals and limits the ability of many taxpayers to base quarterly estimated tax payments on their prior year's tax liability.

I am quite aware that at the time we passed last November's bill that we were facing some very hard choices concerning how we could pay for this legislation in a fashion consistent with the budget agreement. In this context, I did not bring up this concern. But, since that time, I have received many letters from citizens of Utah complaining about the complexity of this provision and the uncertainty that it has caused.

I know that both the Chairman and the President insist on reporting a clean bill out of committee as soon as possible. Under the circumstances, this is the right thing to do. So, I

will not pursue this matter today. But, I hope that we can look into this problem. I believe it merits some attention by this Committee.

STATEMENT OF SENATOR DAVE DURENBERGER

ON

EXTENDED UNEMPLOYMENT COMPENSATION BENEFITS HEARING

January 30, 1992

Mr. Chairman, I am pleased that the Committee is holding this mark-up on legislation to extend unemployment benefits so early in the year. Because it appears that the need for these benefits will exceed the current program's life, I believe that it is wise to ensure that the means to assist unemployed Americans is available as soon as the need arises. Last year, when extended benefits were originally enacted, this process dragged on entirely too long. Political games were played at the expense of unemployed Americans. I hope and believe that this is behind us.

I am encouraged that both the Administration and the leadership of the Congress have embraced as a high priority the extension of this valuable program and to doing it quickly. I hope that the Finance Committee will not delay the consideration of this bill to provide help to American workers who are unemployed through no fault of their own.

Like the extended benefits bill which preceded it last year, this legislation combines effective relief with fiscal responsibility. I commend its authors for the decision to abide by the pay-as-you-go requirements of the Budget Enforcement Act and to address the concerns of the Administration which delayed

passage last year. This decision leads me to believe that the lessons from last year's debate have indeed been taken to heart.

With an unemployment rate of 5 percent, my state has not been hit as hard as some other states. This is, however, of little comfort to the 121,000 Minnesotans who were without work last month. Extension of unemployment compensation benefits will go a long way toward meeting the real needs of this group of people whose numbers are expected to grow from the current level of 5 percent in the coming months. This extension will ensure that assistance is available throughout the recovery period.

While there has been an agreement to refrain from offering amendments to this legislation, I share the desire of many of my colleagues repeal the misnamed "luxury" tax on boats. This effort to sock it to the rich has been a disaster for the men and women who build boats in Minnesota and throughout the country. Regardless of who buys these boats, rich people are not the ones who build them. The significance of these so-called luxury taxes on boats, planes, jewelry and furs have all caused the same problems. I will join my colleagues in wholeheartedly supporting their repeal at the earliest possible occasion.

I am also pleased that the Committee has the opportunity to consider the nomination of Fred Goldberg to become Assistant Secretary of the Treasury for Tax Policy. From my experience with Fred, I know that he is a man of action and ideals. In his service at the Internal Revenue Service, he has tackled a difficult and often, unenviable job with grace and competence. I wish him great success in his new post.

Again, thank you Mr. Chairman for your prompt action on this important legislation.

January 29, 1992

MARKUP DOCUMENT
EMERGENCY UNEMPLOYMENT COMPENSATION PROPOSAL

I. Federal Emergency Unemployment Compensation

Present Law

A program of Federal emergency unemployment compensation benefits was enacted by P.L. 102-164 on November 15, 1991, and amended by P.L. 102-182 on December 4. Federally funded, emergency unemployment compensation benefits are paid to unemployed workers who have exhausted their 26 weeks of regular benefits. States with a total unemployment rate (TUR) of 9% or higher, or an adjusted insured unemployment rate (AIUR) of 5% or higher, are eligible to provide 20 weeks of emergency benefits; all other States are eligible to provide 13 weeks. The emergency benefit program began on November 17, 1991 and ends on June 13, 1992.

Proposed Change

The current emergency benefit program would be altered by increasing the number of weeks of benefits paid to unemployed workers and extending the expiration date of the program. All other provisions of the program would remain unchanged.

Weeks of Benefits. The number of weeks of emergency benefits that could be paid to an unemployed worker would be increased by 13 weeks, effective on enactment and ending on June 13, 1992. These additional weeks of benefits would be available to all unemployed workers found eligible for benefits under the current emergency benefit program.

As a result of this change, a total of 33 weeks of emergency benefits would be paid to workers in States with a total unemployment rate (TUR) of 9% or higher, or an adjusted insured unemployment rate (AIUR) of 5% or higher. Workers in all other States would be entitled to a total of 26 weeks of emergency benefits. Including the 26 weeks of benefits paid in the regular unemployment program, unemployed workers in States with high unemployment rates would receive a maximum of 59 weeks of unemployment benefits, and those in all other States would receive a maximum of 52 weeks. This compares with a possible maximum of 65 weeks available in some States during the recessions of the mid-1970s and early 1980s.

Duration of Program. The current emergency benefit program would be extended from June 13 to July 4, 1992. All other provisions of the program would remain the same as under current law, so that the total number of weeks of emergency benefits payable to unemployed workers who first became eligible for benefits after June 13 would be the same 13 or 20 weeks payable under the

present program. Workers who qualified for benefits before the July 4 expiration date would receive the full number of weeks to which they are entitled, even if some of those weeks fell after the expiration date.

II. Railroad Unemployment Insurance

Present Law

Workers in the railroad industry are eligible for a separate unemployment compensation program similar to the unemployment compensation programs for workers in non-railroad occupations. P.L. 102-164 provided 13 weeks of extended benefits to railroad workers who were not previously eligible because they had less than 10 years of service in the industry, effective from November 17, 1991 to June 13, 1992.

Proposed Change

A total of 26 weeks of extended benefits would be provided for all railroad workers eligible under current law for 13 weeks. This provision would expire June 13, 1992. The temporary program that provides 13 weeks of extended benefits for workers with under 10 years of railroad service would also be extended from June 13 to July 4, 1992. These changes are included at the request of the Committee on Labor and Human Resources.

III. Corporate Estimated Tax Payments

Present Law

A corporation is subject to an addition to tax for any underpayment of estimated tax. For taxable years beginning in 1992, a corporation does not have an underpayment of estimated tax if it makes four equal timely estimated tax payments that total at least 93 percent of the tax liability shown on the return for the current taxable year. The applicable percentage will be 94 (rather than 93) percent in 1993, 94 percent in 1994, 95 percent in 1995, and 95 percent in 1996. In addition, for taxable years beginning in 1992, a corporation may annualize its taxable income and make estimated tax payments based on 93 percent of the tax liability attributable to such annualized income. The applicable percentage for annualized estimated tax payments will be 94 (rather than 93) percent in 1993, 94 percent in 1994, 95 percent in 1995, and 95 percent in 1996.

A corporation that is not a "large corporation" generally may avoid the addition to tax if it makes four timely estimated tax payments each equal to at least 25 percent of its tax liability for the preceding taxable year (the "100 percent of last year's liability safe harbor"). A large corporation is one that had taxable income of \$1 million or more for any of the

three preceding taxable years. In addition, the first quarter's estimated tax payment for a large corporation may be based on 100 percent of the prior year's tax liability.

Proposed Change

The applicable percentage for a corporation that does not use the 100 percent of last year's liability safe harbor for its estimated tax payments would be 95 percent for taxable years beginning in 1993 and 1994 (rather than 94 percent). The proposal does not change the present-law availability of the 100 percent of last year's liability safe harbor for large or small corporations. The proposal does not affect taxable years beginning in 1992. It would be effective for estimated tax payments with respect to taxable years beginning after December 31, 1992, and beginning before 1995.

IV. Deferral of FUTA Taxes

Present Law

A State that borrows from the Federal Government to pay unemployment benefits may, under certain conditions, later take funds from balances in its unemployment trust fund to make the loan repayments. However, if the trust fund balance falls below the amount required to pay three months of benefits, as it did in Michigan last year, Federal law prohibits its use to make repayment and requires that the effective FUTA tax rate on employers in the State be raised to repay the loan. The IRS notified Michigan employers that they must make Michigan's 1991 loan repayment, which is due on January 31, 1992.

Proposed Change

Michigan employers unable to make the additional FUTA tax payment now required by January 31, 1992, may remit the payment by June 30, 1992 without penalty, but with interest. This change would be budget neutral.

IV. Compliance with the Budget Act

OMB estimates that the proposal would increase outlays for directed spending by \$2.7 billion in fiscal year 1992. These costs would be offset by using the \$2.2 billion in pay-as-you-go savings that OMB estimates were achieved in fiscal years 1992 and 1993 by legislation enacted last year, and by \$0.5 billion in revenues raised by the corporate tax provision described above.

The Administration has stated that OMB finds the proposal consistent with the Budget Enforcement Act in each of the fiscal years 1992 through 1995, and that no sequester would be triggered

by its enactment.

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OPENING STATEMENT

OF

SHIRLEY D. PETERSON

BEFORE THE

SENATE FINANCE COMMITTEE

JANUARY 30, 1992

Opening Statement
of
Shirley D. Peterson
Before the
Senate Finance Committee
January 30, 1992

Mr. Chairman, it is an honor to appear before you today as the President's nominee for Commissioner of Internal Revenue. I want to thank you and the other members of the Committee for taking time from your busy schedules to be present, and I am grateful to you for scheduling this hearing so promptly. I also wish to thank Secretary Brady for his support and the President for nominating me.

Before responding to your questions, I would like to say a few words about the man who has just preceded me before this Committee. Fred Goldberg has served with great distinction as Commissioner. I have no doubt that history will record him as a man of vision who charted a new course for the Internal Revenue Service. It is a course which I, if confirmed, will endeavor to follow. I share his views about the importance of simplification, about the need to reduce taxpayer burden, and about the imperative that the system should work fairly and efficiently for all of our citizens. And, like him, I am absolutely committed to the Service's ongoing effort to maintain and strengthen voluntary compliance--which is the cornerstone of the most successful system of taxation in the world.

I have had the honor of serving as the Assistant Attorney General in charge of the Tax Division since May, 1989. During my nearly three years in this position, I have had the privilege of working with many of the fine public servants who administer and enforce the tax laws. I have the greatest respect and admiration for those employees, who have dedicated their professional lives to making the system work for all of us. With your hoped-for blessing, I look forward to joining the fine group of dedicated public servants at the Internal Revenue Service. I am eager to undertake this new challenge and assure you that, if I am confirmed, the taxpayers will get their "money's worth" from this public servant.

I will be happy to answer your questions.

STATEMENT OF
SENATOR BOB DOLE
SENATE FINANCE COMMITTEE
MARK UP ON UI EXTENSION
JANUARY 30, 1992

BIPARTISAN COOPERATION

MR. CHAIRMAN, I JUST WANT TO SAY THAT I AM DELIGHTED TO SEE THE BIPARTISAN COOPERATION WITH WHICH WE ARE APPROACHING THIS MOST IMPORTANT PROBLEM.

IN HIS STATE OF THE UNION ADDRESS, PRESIDENT BUSH ASKED THAT REPUBLICANS AND DEMOCRATS PUT THEIR PARTISAN BICKERING ASIDE AND ACT AND VOTE ON WHAT IS GOOD FOR THE COUNTRY AND FOR ALL AMERICANS.

I AM PLEASED TO SEE THAT AT LEAST ON OUR FIRST TEST AFTER THE PRESIDENT'S SPEECH, IT LOOKS AS THOUGH CONGRESS IS GOING TO ACCOMMODATE THE PRESIDENT'S REQUEST.

WE ARE ALL IN AGREEMENT THAT THE RECESSION HAS TAKEN A GREAT TOLL ON MANY HARDWORKING AMERICANS AND THEIR FAMILIES.

WE ARE ALSO IN AGREEMENT THAT THE EXTENDED BENEFITS PROGRAM ENACTED LAST DECEMBER NEEDS TO BE EXPANDED TO HELP THOSE -- WHO THROUGH NO FAULT OF THEIR OWN -- ARE STILL OUT OF WORK.

AND THIS WE MUST DO QUICKLY FOR UNDER CURRENT LAW SOME OF THE UNEMPLOYED WILL EXHAUST THEIR EXTENDED BENEFITS AS EARLY AS FEBRUARY 15.

WHILE A DAY OR TWO OF DELAY MAY NOT IMPACT ANY OF US SITTING HERE THIS MORNING, IT MEANS A GREAT DEAL TO UNEMPLOYED AMERICANS WHO ARE TRYING TO FIGURE OUT HOW THEY WILL PAY THEIR BILLS AND PUT FOOD ON THE TABLE TOMORROW.

FAIR PROPOSAL

IN HER TESTIMONY BEFORE THIS COMMITTEE YESTERDAY MORNING, SECRETARY MARTIN STRONGLY ENDORSED THE PROPOSAL WHICH WE WILL BE CONSIDERING SHORTLY.

IT IS A FAIR PROPOSAL -- WHICH IN CONJUNCTION WITH CURRENT UNEMPLOYMENT AND EXTENDED BENEFIT PROGRAMS -- WILL ENSURE AT LEAST A YEAR OF UNEMPLOYMENT COMPENSATION TO NEEDY AMERICANS WHO ARE OUT OF WORK.

A KEY PART OF THE PROPOSAL IS THAT IT IS PAID FOR -- SOMETHING THAT THE ADMINISTRATION AND MY COLLEAGUES ON THIS SIDE OF THE AISLE HAVE PUSHED HARD WITH RESPECT TO ANY NEW PROGRAMS.

THE AMERICAN PEOPLE ARE DEEPLY CONCERNED ABOUT THE DEFICIT, AND I AM GLAD THAT THIS BIPARTISAN EFFORT IS RESPECTFUL OF THAT CONCERN.

QUICK PASSAGE

AND SO, MR. CHAIRMAN, I KNOW YOU SHARE MY DESIRE TO MOVE THIS LEGISLATION QUICKLY SO THAT IT IS ON THE PRESIDENT'S DESK BEFORE THE UPCOMING FEBRUARY RECESS. HE WILL SIGN THIS LEGISLATION. AND THEN WE CAN MOVE ON TO THE IMPORTANT TASK OF CREATING JOBS -- AND REVERSING THIS RECESSION SO THAT THIS GREAT NATION IS COMFORTABLY ON THE ROAD TO ECONOMIC RECOVERY.

**STATEMENT OF SENATOR JOHN H. CHAFEE
IN THE SENATE FINANCE COMMITTEE
EMERGENCY UNEMPLOYMENT COMPENSATION BENEFITS MARKUP
JANUARY 30, 1991**

Thank you Mr. Chairman. I am pleased that we are here this morning to mark up legislation to provide another 13 weeks of benefits to the long-term unemployed. While I would have preferred that we not need another emergency unemployment benefits bill, unfortunately the recession is continuing across the nation, and is especially severe in New England and my home state of Rhode Island.

Rhode Island has really been hit hard by the recession. Last year, the state was crippled by a credit union crisis which dealt a severe blow to an already troubled economy. Our boat building industry has been hit extremely hard by the onerous luxury tax. Business are continuing to fail and the unemployment rate has remained well above the national average.

The just-announced Defense Budget proposes termination of the Seawolf program, the largest private employer in Rhode Island. This action is yet another devastating blow to the workers in my state.

Handwritten notes:
RHUS ENDING CONTRACTS AT
employing 9000 Rhode Island workers
my state

The number of people who are participating in the permanent unemployment program in Rhode Island is 44 percent higher than it was just two years ago. More than 10 percent of the state's workforce is receiving unemployment benefits.

The sad fact is that there are many many people in my state who are well-qualified, well-educated, hard working but who, through no fault of their own, cannot find jobs. We need to help these people support their families through tough times, and this bill will provide that extra assistance.

So, Mr. Chairman, let me just say that I support this measure and I commend you, the President and my colleagues on both sides of the aisle for coming to rapid agreement on this much-needed bill. I am hopeful that we will be able to pass this bill quickly in both Houses and get those checks to the thousands of people who are in need. Thank you, Mr. Chairman.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

January 24, 1992

The President today announced his intention to nominate Fred T. Goldberg, Jr., of Missouri, to be an Assistant Secretary of the Treasury for Tax Policy. He would succeed Kenneth W. Gideon.

Since 1989, Mr. Goldberg has served as Commissioner of the Internal Revenue Service at the United States Department of Treasury in Washington, D.C. Prior to this, Mr. Goldberg served as a Partner with the law firm of Skadden, Arps, Slate, Meagher & Flom, 1986-1989; Chief Counsel for the Internal Revenue Service, 1984-1986; and a Partner with the law firm of Latham, Watkins & Hills, 1982-1984. From 1981-1982, Mr. Goldberg served as Assistant to the Commissioner of the Internal Revenue Service.

Mr. Goldberg was graduated from Yale University (B.A., 1969; J.D., 1973). He was born October 15, 1947 in St. Louis, Missouri. Mr. Goldberg is married, has five children and resides in Potomac, Maryland.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

January 24, 1992

The President today announced his intention to nominate Shirley D. Peterson, of Maryland, to be Commissioner of Internal Revenue. she would succeed Fred T. Goldberg, Jr.

Currently, Ms. Peterson serves as Assistant Attorney General for the Tax Division at the United States Department of Justice. From 1969-1989, she served as a Partner with the law firm of Steptoe & Johnson in Washington, D.C.

Ms. Peterson was graduated from Bryn Mawr College (A.B., 1963) and New York University School of Law (LL. B., 1967). She was born September 3, 1941 in Holly, Colorado. Ms. Peterson is married, has two children and resides in Bethesda, Maryland.

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