



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Resumption of Floor Debate on the JOBS Act  
Opening Statement of Chairman Grassley  
Monday, May 3, 2004

Mr. President, today we return to the Jumpstart our Business Strength Act – the JOBS Act. This will be the third time we have attempted to move this bill. To paraphrase the famous debate quip from President Reagan, “Here we go again.”

But this time, things are going to be different. This time, the EU sanctions are firmly in place and are freezing U.S. companies out of European markets.

This time, there is an agreement on the political message amendments that will be addressed on this bill, even though those amendments have nothing to do with the measures contained in the bill.

And this time will finally reveal, with absolute clarity, whether some on the other side of the aisle are ready to drop the political posturing and pass this bipartisan bill to remove EU sanctions against our farmers and manufacturing workers.

In Sunday’s Washington Post, there was an article saying that Senate partisanship is the worst in memory. It spoke about the long list of legislation stalled in the Senate over political posturing.

The article mentioned the bill that is before us today. It said “Foreign tariffs have been imposed on many American products while the Senate dawdled over [today’s bill] to substitute corporate tax cuts for subsidies that have been outlawed by the WTO.”

“Dawdled.” That is no compliment. It is, unfortunately, an accurate description of what opponents to passing the JOBS bill have achieved.

It is an accusation that all of us will hear back home if we continue to allow the EU to sanction our agriculture, timber, and manufacturing exports. I’ll have more to say about those sanctions later.

There is no excuse for allowing partisanship politics to hold up this bill.

I will remind everyone one more time: this bill passed the Senate Finance Committee on a bipartisan vote of 19 to 2. Only two senators, both from my side of the aisle, voted against the bill.

Sen. Kyl and Sen. Nickles voted against it. They have a different philosophy on what we should do in this bill, and they may offer an amendment reflecting that view. But these senators are not

standing in the way of passing the JOBS bill just because they have a different way of doing things.

You see, that is the difference here. Senators have a right to their own opinions on this bill and are free to file amendments to change it. But that is a far cry from trying to delay this measure just to score points on completely unrelated political issues.

This is a bipartisan bill that reflects everyone's concerns, both Republican and Democrat.

You do not play political games with a bipartisan bill that affects the jobs of manufacturing workers across this land.

I'd like to describe once again the history of this bill. The JOBS Act is a bipartisan bill from the ground up.

The framework was laid when Sen. Baucus was Chairman of the Finance Committee.

It began with a hearing in July 2002 to address the FSC-ETI controversy within the World Trade Organization.

We heard from a cross section of industries that would be damaged by repeal of ETI.

We also heard from U.S. companies that were clamoring for international tax reform because our tax rules were hurting their competitiveness in foreign markets.

Their foreign competitors were running circles around them because of our international tax rules.

During this hearing, Sen. Bob Graham of Florida and Sen. Hatch expressed concern about how our international tax laws were impairing the competitiveness of U.S. companies. After some discussion on forming a blue-ribbon commission to study this problem, we all decided that decisive action was more important than a commission.

During that hearing, Chairman Baucus formed an international tax working group that was joined by Sen. Graham, Sen. Hatch, and myself, and was open to any other Finance Committee senator that was interested in this issue.

This bipartisan Finance Committee working group developed the framework that forms the basis of the bill that is before us today.

We directed our staff to engage in an exhaustive analysis of the many international reform proposals that had been offered.

We sought to glean the very best ideas from as many sources as possible.

Senator Baucus and I also formed a bipartisan, bicameral working group with the Chairman and Ranking Member of the Ways & Means Committee in an effort to find some common ground on dealing with repeal of FSC-ETI. That effort did not go so well.

But it did inspire Sen. Baucus and me to continue our Senate bipartisan development of a FSC-ETI

repeal and international tax reform package.

We continued our efforts in cooperation with Sen. Hatch, Sen. Bob Graham, and other members of the Finance Committee who wanted to do what was fair and right in complying with the WTO ruling.

We continued our bipartisan efforts when I became Chairman in 2003. In July 2003, we held two hearings on the FSC-ETI and international reform issues.

One hearing focused on the effect of our tax policies on business competition within the United States and the other on international business competition.

These two hearings led to the bipartisan bill that is before us today.

And let me again emphasize that there is not one provision in this JOBS bill that was not agreed to by both Republicans and Democrats. Not one.

We have acted in good faith to produce a bill that protects American manufacturing jobs and ensures that our companies remain the global competitors that we want them to be.

And we did this in a fully bipartisan manner, which is what the American people expect us to do on such an important issue as manufacturing jobs and our nation's economic health.

Let's review what is in this bill.

The core part of this bill repeals the current FSC-ETI provisions that are in our tax laws.

FSC-ETI reduces the income tax on goods manufactured in the U.S. and exported overseas, by as much as 3 to 8 rate points. That is, if the corporation's tax rate is 35%, the tax rate on export income is 27 to 32%, instead of 35%.

It lowered the U.S. corporate rate on goods made in the U.S. and sold overseas.

The WTO has determined that FSC-ETI is an impermissible export subsidy and has authorized the European Union to impose up to \$4 billion a year of sanctions against U.S. exports until we get rid of FSC-ETI.

Those sanctions began on March 1st. They started as a 5% Euro tax on U.S. exports, and will increase 1% for each month that we don't repeal FSC-ETI. Because of our inaction, our exporters now confront an additional 7% Euro tax.

This is a very serious threat for all members because the sanctions are hitting commodity products, such as agricultural goods, timber, and paper.

Presently, about 89% of FSC export benefits go to the manufacturing sector. Repealing FSC-ETI raises around \$55 billion over 10 years.

If that money is not sent back to the manufacturing sector, it will be a \$5 billion tax increase on manufacturing. It is mathematically impossible for it to be anything else.

That is why our bipartisan JOBS bill takes all \$55 billion of the FSC-ETI repeal money and sends it back to the manufacturing sector in the form of a 3 point tax rate cut on manufacturing income. This rate cut is for manufacturing in the U.S. -- it is not for manufacturing offshore.

We start phasing in those cuts this year, if the Senate will pass the JOBS bill this year.

The cuts apply to sole proprietors, partnerships, farmers, individuals, family businesses, multinational corporations, foreign companies that set up manufacturing plants in the U.S.

In total, this bill provides \$75 billion of tax relief to our U.S.-based manufacturing sector to promote factory hiring in the United States.

We also include international tax reforms, mostly in the foreign tax credit area, and most of which benefit the manufacturing sector.

The international tax reforms largely fix problems our domestic companies face with the complexities of the foreign tax credit.

These reforms are necessary if we are to level the playing field for U.S. companies that compete with our trading partners.

You will hear arguments this week that the international reforms provide an incentive to move jobs offshore. I adamantly disagree with that allegation.

We have carefully selected, on a bipartisan basis, the international reforms that do not provide offshore incentives. I will have much more to say about that later.

Our bill also includes the Homeland Reinvestment Act, which will temporarily reduce tax on foreign earnings that are brought into the U.S. for investment here at home, instead of overseas. This provision is sponsored by Sen. Ensign, Sen. Boxer, and Sen. Smith. It has broad support in the House and Senate.

The JOBS bill extends the R&D tax credit through the end of 2005.

This is a domestic tax benefit that generates research and development in the United States. That translates to good, high-paying jobs for workers here in America – not overseas.

The JOBS bill extends for two years many tax provisions that expired in December 2003 or that will expire during 2004.

These items include the work opportunity tax credit and the welfare-to-work tax credits. The JOBS bill will make the merger of those credits permanent.

We include a provision that allows naval shipbuilders to use a method of accounting which results

in more favorable income tax treatment.

There are enhanced depreciation provisions to help the ailing airline industry.

There are New Homestead provisions. These are rural development provisions to create businesses in counties that are losing population. For example, they provide incentives for starting or expanding a rural business in a rural high out-migration county.

The JOBS bill also includes a New Markets Tax Credit for High Out-Migration Counties. These credits help economic development in rural counties that have lost over 10 percent of their population.

The JOBS bill includes Brownfields Revitalization provisions which help tax-exempt investors that invest in the clean up and remediation of qualified brownfield sites.

The JOBS bill includes a mortgage revenue bonds measure which repeals a current rule that doesn't allow mortgage revenue bond payments to be used for issuing new mortgages.

There are 70 Senate co-sponsors of this mortgage revenue bond provision, and we included it in our bill.

We allow deductions for private mortgage insurance. This benefits people struggling to afford a home. I hope no one votes against this idea.

The JOBS bill includes a tax credit to employers for wages paid to reservists who have been called to active duty.

We have extended and enhanced the Liberty Zone Bonds provided for the rebuilding of lower Manhattan.

We also include \$200 million in new tax credits to be used on rail infrastructure projects in the New York Liberty Zone.

The bill contains Renewal Communities provisions.

In the JOBS bill, we increase small business industrial development bond levels to spur economic development in rural areas.

We have bonds for rebuilding school infrastructure, the so-called QZAB bonds.

We have included Tribal Bonds in the JOBS bill, which allow the same rules that apply to tax-exempt bonds for states and local governments to also apply to Native American tribes issuing tax-exempt bonds to finance facilities on a reservation.

We have included Tribal School Bonds. Under current law, there is no class of bonds designated for the purpose of encouraging school construction on Indian reservations. These bonds fill that void.

We have a new Tribal New Markets Tax Credit, which would add \$50 million a year for economic development on reservation land.

We have included the Civil Rights Tax Fairness Act.

The JOBS bill contains a change to section 815. The provision suspends application of the rules imposing income tax on certain distributions to shareholders from the policyholder's surplus account of a life insurance company.

We have a special dividend allocation rule that benefits farm coops.

We have other farm provisions that give cattlemen tax-free treatment if they replace livestock because of drought, flood, or other weather-related conditions.

We included a provision that allows payments under the National Health Service Corps loan repayment program to be exempt from tax. This is an important measure to enhance the delivery of medical services to rural areas.

We included Passenger Rail Infrastructure Tax Credits that provide \$500 million for intercity passenger rail capital projects. We also include the so-called short-line credits as well.

We have included a provision to allow taxpayers to apply their bonus depreciation against AMT credits.

A provision benefiting Oldsmobile dealers whose franchises are being terminated is included. The proposal will provide tax-free treatment to Oldsmobile dealers for termination of franchises when they convert to a different franchise.

How many times have we heard members talk about the need to make broadband available to rural communities? We know it is essential to the economic competitiveness of rural America. It is in the bill.

The JOBS bill contains Forestry Bond provisions which allow nonprofits to use tax-exempt bond financing to acquire forest land to achieve better balance between the goals of conservationists and the timber industry. Up to \$1.5 billion in bonds may be issued under this program. That is a lot of conservation money.

The JOBS bill includes a proposal that would allow employers to take a 50% tax credit against their FICA taxes for wages paid to first responders who are called to active duty.

We added a measure to allow farmers and ranchers to take a 30% credit for the installation of irrigation equipment which reduces water use. The credit would be limited to land that has received drought assistance during the past three years.

The JOBS bill contains the energy tax provisions that were voted out of the Finance Committee and that have been previously approved by the full Senate.

In fact, the Energy Tax package that we have included in the JOBS bill is essentially the exact bill that was originally cosponsored at the beginning of this Congress by myself and senators Baucus, Domenici, and Bingaman, representing the first time that the Chairman and Ranking Member of both committees of jurisdiction, Finance and Energy crafted on a bipartisan basis the Energy Tax provisions. That represents the business of the American people.

It is balanced in all segments of our Nation's energy needs – it expands all of our provisions for renewable electricity, to include wind and biomass; it promotes conservation of energy and alternative cars and fuels, but it does not abandon our tried and true energy performers like traditional oil and gas production, and a newer cleaner coal provision for electricity.

And the best thing about the entire energy package is that it is a Jobs bill all by itself.

The volumetric ethanol excise tax credit, or VEETC, provision in this package would add up to \$14.2 billion in revenues to the Highway Trust Fund over the six-year life of the transportation bill that is pending before Congress. This provision alone could create as many as 674,000 new jobs across the country.

The energy tax package also includes a new incentive for the production of renewable biodiesel. This provision means jobs in the Heartland – renewable fuels have directly generated over 150,000 new jobs. In fact, in 2004 alone, this industry will add 22,000 new jobs.

Another provision to create a tax incentive for the production of super energy-efficient appliances is critical to the 95,000 employees in the U.S. home appliance industry.

The bill also includes a provision to accelerate the production of natural gas from Alaska and the construction of a natural gas pipeline from Alaska to the lower 48 states. According to the U.S. Department of Labor's Bureau of Economic Analysis, construction of the Alaska natural gas pipeline would create nearly 400,000 jobs in construction, trucking, manufacturing, and other service sectors.

The JOBS bill provides all of this tax relief, nearly \$170 billion worth, but remains revenue neutral.

Let me repeat that. This bill does not add one dime to the present deficit.

The tax relief in this bill is paid for in full by extending customs user fees, shutting down abusive tax shelters, and attacking the abusive tax strategies used by Enron, which we unearthed during the Finance Committee's Enron investigation.

Last October, the Finance Committee held hearings on the status of abusive tax shelter activities. During that hearing, we receive anonymous testimony from a leasing industry executive describing how U.S. corporations are able to take tax deductions for the Paris sewer lines and the New York subway system.

Major corporations are claiming tax deductions on tax-payer funded infrastructure located both in the U.S. and overseas. Imagine our surprise to learn that the U.S. taxpayer is subsidizing the cost of electric transmission lines in the Australian Outback. The JOBS bill ends this abuse, and I will have more to say on this matter later.

It was shortly after the attacks of 9-11 that we saw a beginning exodus of U.S. companies moving their corporate headquarters to tax havens in order to evade U.S. taxes.

It was the events of 9-11 and the ensuing stock market plunge that provided companies with a cost-efficient way to get out of the U.S.A. just to cheat on their taxes.

You may recall the videotape of a Big 4 accounting firm partner saying that U.S. companies were resistant to this scheme out of a post-9-11 sense of patriotism and national duty. But she said that patriotism would have to take a back seat when they see their improved earnings per share.

Well, in the JOBS bill, patriotism will not take a back seat.

The JOBS bill includes measures to shut down corporate expatriation and to limit the tax benefits for those corporate cheats that managed to get out “under the wire,” before Congress could enact legislation. We will shut down that abuse in this bill. We just have to convince some here in the Senate that this bill needs to get passed.

Mr. President, there is a great deal of good in this bill. We can rescue the manufacturing sector. We can end EU sanctions. We can respond to the recent rise in gas prices. And we can shut down every known tax abuse.

But we cannot do any of this without enough support to pass this bill. It is unbelievable to me that this bill has been held up for so long over political gamesmanship. It is time to put the adults back in charge.

It is time to pass this very, very important bill to aide our manufacturing sector, remove tariffs off our farmers and workers, and to place the Senate back on its footing to do its job and move legislation that benefits the American people.