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Opening Statement of Sen. Chuck Grassley
Before the Senate Committee on Finance
Mark-up of the *Armed Services Tax Fairness Act of 2002*
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Chairman Baucus and I have called this meeting to focus on an issue on which Republicans and Democrats all agree -- tax equity and fairness for members of the uniformed services and foreign service personnel. The war on terrorism continues one year following the tragic events of Sept. 11, 2001. As a result, we could not have selected a more appropriate time to address the issues which are the subject of today's committee meeting. The members of our uniformed services and their reserve components are the backbone of the initiatives against war on terrorism and the first line of defense in any homeland security effort.

We need to provide incentives for our military personnel to continue their service to our country. Moreover, we need to provide adequate and fair compensation for our military personnel by ensuring that those men and women are treated fairly and equally under the provisions of the Internal Revenue Code. For those reasons, I am committed to moving forward our military tax bill as quickly as possible. We are here to mark up a substitute package for H.R. 5063, the *Armed Forces Tax Fairness Act*, which passed the House unanimously on July 9, 2002. We have taken the two tax provisions incorporated into that legislation related to death gratuity benefits and capital gains from the sale of personal residences and incorporated five additional tax military initiatives related to the Homeowners Assistance Program, filings for those in contingency operations, reservist expenses, veteran organizations and child care expenses.

One of the most important additions to our Senate alternative is Senator DeWine's proposal for an above-the-line deduction for unreimbursed travel expenses incurred by members of the reserve components of the United States armed forces. Numerous Iowans have contacted me to emphasize that reservists often must subsidize their own military training. This happens because 75 percent of the population (including numerous reservists) do not itemize on their tax returns, and for reservists who do itemize, unreimbursed travel expense deductions are limited to those expenses in excess of 2 percent of their adjusted gross income.

I think it is worth noting that reservists have become an increasingly important part of our military regime over the last 10 to 12 years. Reservists were involuntarily activated only four times over the 45 years from 1945 to 1990 -- approximately 85 percent of those to assist in the Korean War during the 1950s. By contrast, since 1990, reservists have been involuntarily activated six times -- in some cases related to peace-keeping and nation-building exercises in Haiti, Bosnia and Kosovo but also related to armed conflicts such as those with Iraq and the current military operation against terrorists.

Another provision of relative importance in this legislation is the proposal that would permit uniformed service personnel and members of the Foreign Service to suspend the two- and five-year periods necessary to exclude gain on the sale of a personal residence for service-mandated relocations. Like many of the provisions in this bill, the issue is one of fairness, and it is important to ensure that our military personnel are eligible for the same tax incentives for home ownership available to all Americans.

In closing, I would like to thank those men and women who continue to serve in the United States military and provide us with the freedoms that we so frequently take for granted. I urge my colleagues to support the package of military tax initiatives under consideration in this committee session.