

TESTIMONY BEFORE SENATE FINANCE COMMITTEE  
The Honorable Haley Barbour, Governor of Mississippi  
September 28, 2005

- I. General update on the recovery efforts.
  
- II. This Committee is doing a lot to help us. Thank you to Senator Grassley, Senator Baucus, and especially Senator Lott for all their efforts to help Mississippi. Some of these efforts are already law:
  - a. Worker Opportunity Tax Credit – essentially an empowerment zone (signed into law September 23<sup>rd</sup>). Provides a \$2400 tax credit for employees hired in areas eligible for both individual and public assistance.
  
  - b. Employee Retention Credit – a \$2400 tax credit through January 1, 2006, for every employee of a small business in counties eligible for both IA and PA which is inoperable. This is good, but it should be expanded to all businesses, not just small businesses.
  
- III. I know this Committee agrees with me that the real key to rebuilding the affected areas of South Mississippi and the Coast will be the private sector. Entrepreneurs, small businesses and large employers in the private sector will be the crucial re-builders. It is clear that Congress, this Committee and the administration

realize the private sector and the availability of capital will make the difference. The President's Gulf Opportunity Zone proposal is a good place to start.

- IV. Areas to focus on in a tax package to help us rebuild bigger and better than before:
  - a. Provide 50% bonus depreciation for all businesses in the affected area, as proposed by the President.
  - b. The President's "Gulf Opportunity Zone" doubles small business expensing from \$100,000 to \$200,000 for investments in new equipment. The \$200,000 cap should be eliminated for at least two years and it should not be limited to small businesses.
  - c. Authorize the issuance of \$15 billion in tax-exempt private activity bonds in Mississippi and expand the categories of allowable projects.
  - d. Zeroing out capital gains for capital investments in the GOZone
  - e. Increase the carryback period for net operating losses from two years to five years.
  - f. More than 68,000 homes were destroyed in Mississippi. We need to help people rebuild by create a \$50,000 tax credit for

any resident of the affected area who reconstructs or newly constructs a residence in the affected area after August 29, 2005, or who purchases for first use any reconstructed or newly constructed residence in the affected area after August 29, 2005.

- V. A separate major issue is that more than 1.2 million acres of timber was destroyed in Mississippi alone. For many people, the back forty was their retirement or their kid's college education. We need to help these people.
  - a. Since planting costs are very small relative to the value of timber, there is little or no basis in timber. Therefore, casualty loss for timber owners should be the value of the timber prior to the disaster, less the amount salvaged.
  - b. A timber product loss can not be properly absorbed as a tax loss in one year. A timber loss should be absorbed against income for 7 years forward and 3 years backward.
  - c. To encourage replanting, enact a reforestation tax credit for the region.
  
- VI. To help our local governments who face severe financial strain just in making their debt service payments, the federal government should change the law that allows only one advanced refunding of debt. This will help the state government, too.

- VII. The Grassley-Baucus health care package – “The Emergency Health Care Relief Act of 2005”
- a. There are many provisions in this bill, but the most important to my state is the 100% federal match for my Medicaid program until the end of 2006. Serendipitously, this amount equates to the approximate loss of revenue for our local governments and the state.
  - b. I’m against expanding eligibility for Medicaid. If the Congress and the Administration decide that’s necessary, any expansion in eligibility should be very narrow, very targeted, and very temporary. I appreciate the work in that regard of Senator Lott and others on this package.