

1 EXECUTIVE COMMITTEE MEETING
2 WEDNESDAY, JANUARY 23, 1991
3 U.S. Senate
4 Committee on Finance
5 Washington, D.C.

ORIGINAL

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6 The meeting was convened, pursuant to notice, at 10:37 a.m.,
7 in Room SD-215, Dirksen Senate Office Building, the Hon. Lloyd
8 Bentsen (Chairman) presiding.

9 Also present: Senators Moynihan, Baucus, Boren, Bradley,
10 Mitchell, Pryor, Daschle, Breaux, Danforth, Chafee, Heinz,
11 Durenberger and Symms.

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

14 Also present: Sam Sessions, Chief Tax Counsel; Barry Wold,
15 Legislative Counsel, Joint Tax Committee; Denise Roy, Tax
16 Counsel, Majority; Nina Ovedo, Tax Counsel, Minority.

17 (The press release announcing the meeting follows:)
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1 The Chairman. If you will please be seated. We have a
2 quorum present. We will get underway.

3 The first order of business or the first business meeting of
4 the Finance Committee of the new Congress is to approve the
5 Committee rules. The Committee rules have remained virtually
6 unchanged over the years, but I am going to ask the Committee to
7 make one minor change.

8 We have been advised by the Senate legal counsel that our
9 quorum rules have in part a conflict with the Senate rules. We
10 have stated that to start the meeting that seven members have to
11 be present in order to constitute a quorum, but that after the
12 meeting had started that we could drop to five members in order
13 to keep a legal quorum.

14 We have been advised by the Senate counsel that we have to
15 retain it at one-third throughout in order to retain a quorum,
16 which means seven members. We would have to have that.

17 So I would ask that I have a motion to that effect.

18 Senator Moynihan. I so move, Mr. Chairman.

19 The Chairman. Is there a second?

20 Senator Baucus. I second it.

21 The Chairman. All in favor of the motion as stated --

22 Senator Moynihan. Mr. Chairman, I so move with no very
23 great enthusiasm.

24 The Chairman. All right. So noted.

25 All in favor of the motion as stated make it known by

1 stating aye.

2 (A chorus of ayes.)

3 The Chairman. Opposed, similar sign.

4 (No response.)

5 The Chairman. Would you include in that the adoption of the
6 rules?

7 Senator Moynihan. So moved, Mr. Chairman.

8 The Chairman. All right.

9 All in favor make it known by saying aye.

10 (A chorus of ayes.)

11 The Chairman. Opposed, similar sign.

12 (No response.)

13 The Chairman. The next item on the Committee's agenda is
14 the selection of the members of the Finance Committee to go on
15 the Joint Tax Committee. I propose that the following members
16 be reappointed to the Joint Committee on Taxation. They are
17 Senators Bentsen, Moynihan, Baucus, Packwood and Dole.

18 May I have a motion to approve the nominations?

19 Senator Moynihan. I so move, Mr. Chairman.

20 The Chairman. Is there a second?

21 Senator Baucus. Second.

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

24 (A chorus of ayes.)

25 The Chairman. Opposed, similar sign.

1 (No response.)

2 The Chairman. Motion carried.

3 Next is a piece of legislation that was motivated by a bill
4 introduced by Senator Dole and a bi-partisan group of Senators
5 and that was S.8 on January 14. That included the Majority
6 Leader, myself and 11 members of this Committee. It is to
7 address a concern that has been on the minds of our troops in
8 the Middle East, a concern that ought to be the last thing they
9 have to worry about at a difficult time like this. That concern
10 is their taxes.

11 I want to commend Senator Dole for taking the lead on that
12 effort. He responded quickly to solve a problem that's very
13 important to our troops and I am privileged to be working with
14 him, the Majority Leader, and members of this Committee in that
15 regard.

16 Now since the introduction of S.8 war has, of course, broken
17 out. So we have worked to make some modifications with the
18 Treasury Department, the Department of Defense, to take account
19 of the outbreak of the war, to ensure that the new rules make
20 sense in light of what we have done for veterans of previous
21 conflicts, and to provide the most generous treatment possible
22 under the time and revenue constraints that we are working
23 under.

24 So the Chairman's mark before you is the result of that kind
25 of an effort. We have set aside disagreement about policy,

1 tactics and timing; and dealing with the aggression of Saddam
2 Hussein. The country and the Congress are united behind the
3 troops and the President in the Middle East; and we are
4 unanimous in regard to one important issue, that we all stand
5 behind them and their effort there to wish them a very early
6 success and an early return home to America.

7 But they are coping with significant hardship and great
8 danger and they need our support even more in the days ahead.
9 The least we can do is recognize this extraordinary disruption
10 in their personal lives and relieve them of the burden of filing
11 tax returns when they are bearing a much greater burden on our
12 behalf.

13 The current law allows Armed Forces personnel serving in a
14 combat zone to suspend their tax obligations during the period
15 of combat service. That is including any time when they are
16 hospitalized abroad due to combat, plus an additional 180 days.
17 In addition, the Tax Code provides an exemption from Federal
18 income tax for certain compensation for service in a combat
19 zone.

20 Now the President has issued an Executive Order designating
21 the Persian Gulf area and surrounding waters as a combat zone
22 effective as of January 17. That designation triggers the
23 deferral and the exclusion rules that I have just described.

24 However, there are certain changes in the Tax Code that have
25 to be brought about to give them peace of mind where their taxes

1 are concerned. I am going to ask the staff to describe the
2 Chairman's mark in greater detail, but I will highlight the main
3 changes in the law.

4 First, the mark extends the military service qualifying for
5 deferral of tax obligations to include service in the Persian
6 Gulf and Operation Desert Shield as well as service in a combat
7 zone. That means that the deferral period will start on August
8 2, 1990 rather than January 17, 1991.

9 Second, the Chairman's mark says that interest on income tax
10 refunds due our soldiers in the Middle East will accrue after
11 April 15, 1991, even if the refund for taxes is filed later.

12 And finally, the mark continues to provide relief for those
13 hospitalized in the United States as a result of Desert Shield
14 or Desert Storm for a period of up to five years. Of course, it
15 would cover them also if they are in a hospital in a foreign
16 country.

17 Now I want to say also that today the Ways and Means
18 Committee will be meeting on this and they are marking up their
19 bill and expect to have it out, and expect to have it passed
20 sometime this afternoon. I have talked Chairman Rostenkowski
21 and breakfast this morning I talked to the Majority Leader in
22 the House, Mr. Gephardt. He thought that late this afternoon
23 they would have it passed.

24 We would hope to bring it up on the floor of the Senate this
25 afternoon if we get it reported out this morning.

1 I know there is a great temptation to try to offer other
2 amendments. There are many other things that can be addressed
3 and should be addressed insofar as the concerns of the men and
4 women who are serving overseas. But I would strongly urge that
5 you not offer them this morning or on the floor of the Senate.

6 We are operating under these kinds of rules: That under the
7 rules of the House if the amount of money involved exceeds \$50
8 million then you have to cite the Joint Tax Committee in the
9 legislation showing how much they estimate that to be. In this
10 instance we are talking about something that is approximately
11 \$10 million, far below the \$50 million limitation.

12 The President of the United States has also said that if
13 that piece of legislation citing the Joint Tax Committee report,
14 if that is in it, that he would veto legislation. So we ought
15 to avoid that kind of a controversy. We ought to address the
16 other issues involved in trying to assist whether we are talking
17 about foreclosures, whether we are talking about raising the
18 amount of money that commissioned officers will have exempt from
19 taxes which is now \$500. There are some that are thinking,
20 Senator Glenn, for example, and others are talking about, that
21 has not been changed to reflect inflation since the time it was
22 set at \$500 and it ought to be moved up to something like
23 \$2,000.

24 Frankly, I am sympathetic to that. But if we try to do that
25 on this piece of legislation there is no question but what we

1 slow it down. I would urge that we not attach any amendments.
2 We have the agreement of the leadership on the House side. We
3 have bi-partisan support for the legislation. And we have bi-
4 partisan support and leadership support for it here on the
5 Senate side.

6 I would like to avoid any conference if we can and get this
7 one accomplished this week.

8 Now, are there comments? I see the Majority Leader here. I
9 defer to him for any comment he wants to make.

10 Senator Mitchell. Mr. Chairman, thank you very much for
11 your courtesy; and I thank my colleagues for permitting me to
12 make these brief comments.

13 I thank you, Mr. Chairman, for holding this meeting on an
14 expedited basis. I would also like to thank and pay recognition
15 to the role of Senator Dole as the principal sponsor of this
16 legislation which I, the Chairman, and others are co-sponsoring.

17 When this nation is engaged in armed conflict in the Persian
18 Gulf as it is today, all Americans feel a deep sense of
19 obligation and gratitude to the young men and women whose lives
20 are now on the line as part of the Desert Storm Operation. They
21 face many difficult and dangerous days in the near future and it
22 is important that they know that the American people are fully
23 behind them.

24 The legislation we consider today is a modest, yet important
25 effort to assist them in being secure in the knowledge that

1 their tax obligations are well taken care of.

2 I traveled to Saudi Arabia in November and in December.
3 There I met with a great many American service men and women.
4 They were busy preparing for war, but they were also thinking
5 about the lives they left behind. And one matter of concern
6 that they expressed to me -- I know they expressed to Senator
7 Dole and others -- on those trips was their obligation to file
8 tax returns by April 15.

9 The President's Executive Order declaring certain areas in
10 the Middle East a combat zone triggers current law rule
11 providing for the suspension of tax filing requirements similar
12 to those provided in the legislation. But other issues remain,
13 including the treatment of personnel prior to the start of
14 hostilities, the payment of interest, and the application of
15 these provisions to personnel transferred to hospitals in the
16 United States.

17 These are matters which should not be a concern of our Armed
18 Service men and women. For that reason I am pleased this
19 Committee is moving this legislation today.

20 Following consultation with the Chairman and with Senator
21 Dole, it is my decision and my intention to bring this bill to
22 the floor as soon as it passes the House and becomes available
23 for full consideration. As I announced last evening, I hope
24 that we can have a reported vote on this measure sometime during
25 the day tomorrow. That we can bring it up as early as today and

1 have the vote tomorrow noon.

2 I understand the version we are considering today is
3 identical to that being considered in the House and I join the
4 Chairman in urging that we enact this without amendment so that
5 we may ensure the swiftest possible passage of this important
6 bill.

7 Mr. Chairman, thank you.

8 The Chairman. Thank you, Mr. Leader.

9 I want to reiterate that -- Senator Packwood is not here --
10 we worked with Senator Packwood, his staff. It is a true bi-
11 partisan effort; and up to this point has been agreed to by the
12 leadership in both bodies. And if we report it out this morning
13 the Majority Leader is ready for us to bring it up this
14 afternoon and we will be pleased to do that.

15 Are there further comments? Yes, Senator Chafee.

16 Senator Chafee. Mr. Chairman, I have a question here on
17 page 3 of the description that has been given to us, and I am
18 not quite clear. I am on the top item. "Exclusion for combat
19 pay." And then it just says, "Gross income does not include
20 certain combat pay of members of the Armed Forces." Then it
21 says, "If enlisted personnel serve in a combat zone during any
22 part of a month, military pay for that month is excluded from
23 gross income."

24 What are we talking about? Are we saying that if they serve
25 in a combat zone no pay whatsoever is taxed or combat pay is not

1 taxed?

2 The Chairman. My understanding is that none of the enlisted
3 man's pay is included. But let me get to the details of that.

4 Senator Chafee. And then following that question would be,
5 "In the case of a commissioned officer, exclusions from income
6 are limited to \$500."

7 The Chairman. That is correct.

8 Senator Chafee. So what we are going to end up with is you
9 could well have an enlisted -- Well, if no pay is counted for
10 enlisted personnel and his pay could well be over \$500, yet an
11 officer you exempt only \$500. I am not quite clear of the
12 rationale.

13 The first question is: Do you exempt the total pay of the
14 combat pay?

15 Ms. Roy. You exclude all compensation for active service in
16 the combat zone. I don't believe there is actually a pay that
17 is called combat pay, per se. It is any of the military
18 compensation while serving in the combat zone that would be
19 excluded.

20 Senator Chafee. Well there, as I understand it, that
21 currently it is I believe \$125 a month extra they receive and
22 that is so-called combat pay for being there. Now is that what
23 we are excluding or are we excluding all of the pay?

24 Mr. Wold. Senator Chafee, in the case of an enlisted man,
25 the entire military pay is excluded. It is the entire pay, not

1 just the additional pay for being in a combat zone.

2 Senator Chafee. So that could be well be, let's say, he
3 could well be getting \$1,000. Let us say he is receiving \$1,000
4 a month plus \$125, so he is getting \$1,125 a month. That
5 totally is excluded?

6 Mr. Wold. That is correct.

7 The Chairman. Senator Chafee, I think that without a
8 question that results in an inequity for a commissioned officer.
9 But what I am urging -- Senator Glenn and others have talked to
10 me about it and they are talking about coming back with an
11 amendment that may be as much as \$2,000 for commissioned
12 officers and there are a number of other issues that will fall
13 within the jurisdiction of the Finance Committee that I want us
14 to address involving these folks overseas to see where we can be
15 of help.

16 But I would urge that we try to get this one passed now and
17 we come back and address all of those.

18 Senator Chafee. Well, I just want to understand and see if
19 I have understood this correctly. So with an enlisted man you
20 could well have \$1125 more totally exempt, with the officer it
21 would be \$500?

22 Mr. Wold. That is correct. The \$500 number was set in 1966
23 and has not been adjusted. And an adjustment for inflation
24 would amount to a number approximating the number that the
25 Chairman has mentioned in the \$2,000 range. That has been

1 proposed but is not part of this legislation as I understand it.

2 Senator Chafee. And what is the total estimate in the cost
3 of this, Mr. Chairman?

4 The Chairman. \$10 million.

5 Senator Chafee. \$10 million for a year?

6 The Chairman. Yes.

7 Mr. Sessions. The cost of this bill is \$10 million, not the
8 cost of the proposal to increase the exclusion for officers.

9 The Chairman. No, I understand that.

10 Senator Chafee. I understand that.

11 The Chairman. That is what he was asking.

12 Senator Chafee. Just a question. Have we ever done this
13 before, exclude the total pay?

14 Mr. Wold. Yes. That has been the general rule since World
15 War I, Senator. The enlisted man's pay has been historically
16 excluded in full and the commissioned officer's pay has been
17 limited by an amount going back a number of decades and having
18 been raised, as I say, to \$500 most recently in 1966.

19 The Chairman. Senator Durenberger?

20 Senator Durenberger. Mr. Chairman, I am one who has a
21 couple of amendments which I will be pleased to withhold at your
22 request. But I must ask Michael a question, if I may, that
23 deals with tax exempt status of organizations.

24 Most of us are having the experience now in our home States
25 of meeting with families and of people that are over there.

1 When I came back with several members of this Committee from the
2 Gulf the 1st of September, there was already an organization in
3 Minnesota called the "Support our Country's Military," which
4 has become the umbrella group in our whole State for families to
5 relate to it. They do practically everything on a voluntary
6 basis for these families.

7 In November at my suggestion they applied for a tax-exempt
8 status. The IRS deposited their check in December. But when my
9 staff called down to the IRS yesterday to find out why can't we
10 get approval of it, they said, well, it is in line with
11 everything else in this place. We will get at it 120 days from
12 now. And if Michael can promise to help out this organization
13 and expedite that it would sure help a lot.

14 Mr. Wold. I can promise to speak to the Commissioner about
15 that.

16 Senator Durenberger. Please. Thank you.

17 Mr. Wold. It is not in my portfolio. But I will speak to
18 the IRS about it.

19 Senator Durenberger. Thank you.

20 The Chairman. Senator Breaux?

21 Senator Breaux. Just very quickly, I strongly support the
22 legislation, Mr. Chairman. But just as a clarification to make
23 certain National Guard's men and women would also be included if
24 they fit into the other circumstances.

25 Ms. Roy. Yes, that is correct.

1 Senator Breaux. Okay. Thank you.

2 The Chairman. Well, we have an excellent quorum here and I
3 know a number of members have other commitments.

4 Senator Boren?

5 Senator Boren. Mr. Chairman, just a brief question. I
6 agree with you. I have joined with Senator Glenn and Senator
7 Nunn on some other proposals. But I think we should all
8 withhold so we can move this very, very speedily.

9 As I understand this, this will, as opposed to the Executive
10 Order be able to let us do some additional things. Rolling the
11 deadline for the suspension back to August 2 as opposed to
12 January 17; and as I understand it, it would also mean that we
13 would not suspend interest due and owing to members of the Armed
14 Forces which otherwise might be suspended by the general action
15 of the Executive Order.

16 So that if interest were owed by the Government on refund
17 amounts due back that military personnel will be still assured
18 that they will get that interest.

19 I gather also that if they are hospitalized in the United
20 States as opposed to being hospitalized in the theater of
21 operations that they will also be covered.

22 Am I correct that those are three of the major differences
23 between what we can do under the Executive Order -- and we are
24 all pleased that had been issued -- but what this bill will
25 allow us to do in addition to help young men and women in

1 uniform? Are those correct statements?

2 Ms. Roy. Yes, Senator, that is correct.

3 The Chairman. That is right. Those are the differences and
4 the changes as cited by the Chairman at the beginning of the
5 meeting.

6 Are there other comments? Senator Moynihan?

7 Senator Moynihan. Mr. Chairman, if there is no further
8 comment, I would move that we report out the legislation as
9 proposed by you, sir.

10 The Chairman. All in favor of the motion as stated make it
11 known by saying aye.

12 (A chorus of ayes.)

13 The Chairman. Opposed?

14 (No response.)

15 The Chairman. Motion carried, supported out.

16 Thank you very much for your attendance in the beginning of
17 the action of the Finance Committee this year.

18 (Whereupon, the meeting was adjourned at 10:57 a.m.)

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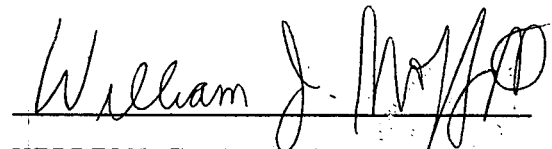
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C E R T I F I C A T E

This is to certify that the foregoing proceedings of a meeting of the Executive Committee, Committee on Finance, United States Senate, held on January 23, 1991, 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.