U.S. officials would not even publicly admit that the Saudis had recruited Schwartz; they told The Washington Post that Schwartz had not been hired by Saudi Arabia, but rather ''was only trying to be friendly and cooperative to a U.S. ally.''

The government's handling of the Schwartz case is particularly troubling in view of the many recent Saudi actions that fell far short of what one would expect from an ally:

Saudi Arabia refused to let the U.S. use its territory to launch the recent missile strikes against Iraq.

The Saudis rejected America's request to let the FBI interrogate four terrorists who were involved in last year's attack against U.S. Army personnel in Saudi Arabia.

The Saudi authorities prevented the U.S. from capturing one of the world's most wanted terrorists, Imad Mughniyah of the Syrian-supported Islamic Holy War group, who was responsible for the 1983 bombing that killed 241 American Marines in Lebanon. Mughniyah was on an airplane that was scheduled to land in Saudi Arabia, and the U.S. informed the Saudis that they intended to arrest him during the stopover. The Saudis responded by preventing the plane from landing, so that Mughniyah could escape.

I recently had the opportunity to speak with Jonathan Pollard by telephone, from his prison cell in Buttner, North Carolina. He is now in his 12th year of incarceration, although no other individual convicted of a similar type of spying for an ally of the U.S. has ever served more than five years in prison. Jonathan asked me: ''Why am I still in jail, while Michael Schwartz is walking free?'' Good question—one that Jewish leaders should be asking Clinton Administration officials at every opportunity.

THE INTRODUCTION OF ''THE ESOP PROMOTION ACT OF 1997''

HON. CASS BALLENGER

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, May 14, 1997

Mr. BALLENGER. Mr. Speaker, I come before the House today to introduce legislation to promote more employee ownership in America. I believe this is a modest proposal which can be deemed technical and clarifying in many respects. Entitled ''The ESOP Promotion Act of 1997,'' this bill is virtually the same, except for one new provision, as legislation I introduced in the 102d, 103d and 104th Congresses with bipartisan support. Nearly 100 sitting members of this House have cosponsored this legislation over the years and, if former members are included, the number is over 200.

Mr. Speaker, let me make the point that the last Congress repealed a modest tax law incentive that aided the creation of Employee ownership through Employee Stock Ownership Plans [ESOP's]. Since this provision affected the creation of about 25 to 40 new ESOP's a year, I believe it was a step backward by the last Congress. This action was taken in the Small Business Job Protection Act of 1996, Public Law 104–188, or the minimum wage bill, a legislative battle in which I was very involved.

So, I now encourage my colleagues in the 105th Congress to stand up for employee ownership and to create a positive record for one of the most positive economic trends in America today—ownership by employees of stock in the companies where they work through an ESOP. Allow me to explain each section of my bill:

Section 1: Names the bill ''The ESOP Promotion Act of 1997.''

Section 2: Corrects and clarifies the provision in last year's Small Business Job Protection Act that permits a subchapter S corporation to sponsor an ESOP. Last year's provision was added by Senator JOHN BREAUX in the Senate Finance Committee, and has been part of my ESOP bills since 1990. The effort to have these small businesses offer employee ownership to their employees started in 1987. Many private sector groups, representing both professionals and businesses, support permitting subchapter S corporations to sponsor ESOP's.

Unfortunately, the provision adopted last year was not perfected and literally is not workable. In addition, it does not permit the subchapter S corporation to sponsor an ESOP under the same ESOP promotion rules the C corporations do.

Section 2 extends the ESOP rules to subS ESOP's, and makes the technical changes necessary to have ESOP's operation in the context of a subchapter S company.

Section 3: From 1984 until 1989 there was a provision of the tax code, former Internal Revenue Code section 2210, that cost the Federal Treasury no more than $5 million per year, that was an effective way to create more employee ownership. The former law permitted certain small estates that had closely held stock owned by the descendent at time of death to transfer that stock, or some of it, to an ESOP of the closely held company, and the company would pay the estate tax on the value of the stock. No estate tax is being avoided here; it is just shifted from the estate to an American, closely held corporation that has employee ownership through an ESOP.

Section 4: This section actually is a simplification of how the current law provision permitting deductions on dividends paid on ESOP stock operates. Under current law, an ESOP sponsor may deduct the value of dividends paid on ESOP stock if the dividends are passed through to the employees in cash, or if the dividends are used to pay the loan used to acquire the stock for the ESOP, and if the employees get more stock equal in value to the dividends.

My proposal would permit the deduction if the employee in the ESOP has the option to get the dividends in cash, or if he or she directs that the dividends are reinvested in more stock of the company.

Why is this simplication? Because, under a very complex chain of events, that the IRS has approved in a series of letter rulings, the employee can have ''constructive receipt'' of the cash dividend, and then ''constructively'' take the dividend money back to the payroll office and reinvest it. Since the employee has received the dividend in cash, the deduction is allowed, although in reality it was reinvested.

My proposal says cut the chase. Where the employee has made clear a desire for the dividends to be reinvested, why have an expensive, confusing system that the IRS has to review after the ESOP sponsor spends dollars on designing the scheme? There is no reason.

Section 5: This section would correct what I feel is an anomaly in the current law. Under current law, Internal Revenue Code section 1042 permits certain sellers to an ESOP to defer the capital gains tax on the proceeds of the sale if he or she reinvests the proceeds in the securities of an operating U.S. corporation, and the ESOP holds at least 30 percent of the corporation at the conclusion of the transaction.

This provision plays a major role in the creation of over 50 percent of the ESOP companies in America. Currently it benefits owner-founders, and outside investors of closely held companies, but is not available for employees who own stock in the company due to their working for the company.

The anomaly arises due to some IRS letter rulings in the mid-1980's, and an out of date provision in section 1042 from 1984. The current law states that if an employee has stock because of exercising a stock option grant from the employer, that stock is not eligible for a 1042 treatment. The IRS has expanded this provision to prohibit all stock, even if bought for full market value by the employee to be ineligible for 1042.

My bill erases this prohibition; and for stock that was obtained with an exercise of a tax qualified stock option, if sold to the ESOP, the corporation is not permitted a tax deduction for the value of the option. This makes the provision fair, and prevents a double tax advantage—either the employee takes the 1042 treatment, or the corporation takes a deduction, not both.

This provision also corrects another technical anomaly in current law. As presently written, Code section 1042 provides that any holder of 25 percent of any class of stock in a company cannot participate in the ESOP with 1042 stock. My bill would change the measure so that the 25 percent would be measured by the voting power of the stock, or the value of the stock in terms of total corporate value. This kind of measure is used in other sections of the Code.

Section 6: My final section is another modest estate tax provision, that in prior years the Joint Committee on Taxation has estimated would cost the Treasury less than $1 million per year. This provision would help create employee ownership in those limited situations where an owner of a closely held business wants to ensure his or her spouse has income from the business during their remaining years, and then after his or her death the stock passes to the ESOP, as if it were eligible as a charity. With plenty of restrictions to ensure that there are no family beneficiaries of the ESOP created with the stock, this does not affect revenue because the decedent can create one of these trusts, called a charitable remainder trust for his or her spouse, and have its corpus go to charity in any event.

Mr. Speaker this explains my bill. This bill, except for the two estate tax provisions, was introduced by Senator JOHN BREAUX and Senator ORRIN HATCH on April 30 this year as S. 673.

I urge those of my colleagues who want to encourage employee ownership in America to join me, and to work hard to include these provisions in the tax bill that will soon be considered by the House Ways and Means Committee.

PERSONAL EXPLANATION

HON. XAVIER BECERRA

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, May 14, 1997

Mr. BECERRA. Mr. Speaker, on May 1, 1997, I was unavoidably detained during roll-call vote No. 98, the vote on agreeing to House Resolution 129, providing amounts for the expenses of certain committees of the House of Representatives in the 105th Congress.

Had I been present for the vote, I would have voted ''no.''

WITCZAK'S HARDWARE CELEBRATES 100TH ANNIVERARY

HON. ROBERT A. BORSKI

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, May 14, 1997

Mr. BORSKI. Mr. Speaker, I rise to recognize a Philadelphia business institution in my congressional district as it marks its 100th anniversary in providing a valuable service to the community.

On May 17, 1897, Stella and Stanislawa Witczak, two Polish immigrants seeking to serve the needs of a growing community in Philadelphia, opened the doors to Witczak's Hardware.

One hundred years later, Witczak's hardware is still serving the needs of this tightly-knit Port Richmond community. Its owner, Michael Witczak, is proud to be the third generation owner of one of one of the oldest privately owned hardware stores in a city that is steeped in history.

Mr. Speaker, Witczak's Hardware is a living example of what the American Dream is all about. For a century, the business has continued to provide the community with nuts, bolts, plumbing supplies, electrical items, spring plants, snow shovels, and a variety of other household and hardware items.

It has evolved in much the way the community it served has changed over a century. Where once customers would go to buy pull chains for water closets, coal oil and globe oil for lamps, customers now go for paints, keys, and window screens.

While the items have changed to meet the demands and expectations of a fast-paced society, the store itself hasn't changed much over the years. Customers are still old friends, the wooden floors are a familiar fixture and the owner can still help customers find that perfect gadget or tool to aid in home improvement projects.

This very presence is what is so important to a community and to the people it serves. Witczak's business, firmly rooted in the Port Richmond neighborhood, is an example for many generations to see.

These businesses provide examples for other future business owners that offering a service to a neighborhood is convenient, important and still needed in our country. It is the business strategy that made our Nation become the world economic leader it is and it is the hub in the wheel that made our neighborhood prosper.

At a time when, competition is at an all-time high and super stores and mega-malls are increasing, stores like Witczak's are facing tough obstacles. Nonetheless, their role as the ''little mom and pop'' stores once so prevalent in our neighborhoods are needed.

The immigrants who started these businesses are to be commended for the spirit and energy they displayed in making their American dream of prosperity come true.

Mr. Speaker, I ask you and my colleagues to congratulate Witczak's Hardware for serving as a fine example of an American business that blossomed, remains strongly entrenched in its community, and continues to provide a service to the neighborhood. May it stand as an example for future business owners that one family's vision can lead to a century of accomplishment.

LIMA-ALLEN COUNTY RADIOTHON

HON. MICHAEL G. OXLEY

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, May 14, 1997

Mr. OXLEY. Mr. Speaker, I rise today to offer my best wishes and support to the Lima-Allen County, OH, branch of the NAACP, as its members make their final preparations for their annual radiothon. The event, planned for May 24 at the Bradfield Community Center in Lima, will join the Lima-Allen County branch with other branches of the NAACP from across the Nation in an effort to attract new members from the Lima-Allen County community, as well as to inspire old members to renew their commitment.

The chapter president, Rev. Robert Curtis, and my friend, Malcolm McCoy, deserve special recognition for their work with the organization. I wish them success in their upcoming radiothon and particularly commend their positive influence on the young people of Lima-Allen County.

CRAIG THORN III RECEIVES COLUMBIA COUNTY ASSOCIATION'S DISTINGUISHED CITIZEN AWARD

HON. GERALD B.H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, May 14, 1997

Mr. SOLOMON. Mr. Speaker, on May 15, 1997, the Columbia County Association will bestow its Distinguished Citizen Award on Craig Thorn III. Anyone who knows him realizes how well-deserved this honor really is.

Mr. Thorn's career is notable for the degree to which he moved on the State and national political scene while maintaining his local business presence. Since Gov. Nelson Rockefeller's 1966 reelection campaign, Mr. Thorn has been actively involved in State politics. In 1968, he served as an advance man in Rockefeller's Presidential campaign. Later, he served as the upstate director of the Duryea gubernatorial campaign in 1978 and was the chief of staff for New York State Assembly Republicans from 1979 to 1982.

The creativity, enthusiasm and initiative that Mr. Thorn demonstrated in State politics also have been carried over into his civic activities. Currently, he serves as a vice chairman of the board of trustees of Columbia Memorial Hospital and chairman of the Columbia-Greene Community Hospital Foundation, which last year kicked off a Second Century of Caring Capital Campaign that already has secured $2 million toward a new emergency wing with surgical facilities.

Additionally, Mr. Thorn is a trustee of Columbia Economic Development Corp. and secretary of Hudson Development Corp. as well as a member of the board of managers of the Columbia Hudson Partnership, the umbrella economic development organization for the county and city. In this role, he has been an enthusiastic proponent of waterfront development in the city of Hudson and an active player in the complex negotiations that are now resulting in the removal of several longstanding oil tanks by the river, making way for a new public park.

Mr. Thorn also conceived and set in motion a Flag Day parade that will take place in Hudson on Saturday, June 14, and honor not only the American flag but the entire spectrum of volunteer organizations in Columbia County.

I could go on and list all of Mr. Thorn's other accomplishments, but I think I would run out of time and space. Needless to say, I commend the Columbia County Association's selection of Craig Thorn as the recipient of its Distinguished Citizen Award. His long record of serving his community and his State are a model for other citizens to follow.

TAKING A STAND FOR HEALTHY CHILDREN

HON. MARTIN FROST

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, May 14, 1997

Mr. FROST. Mr. Speaker, I rise today to salute the Stand for Healthy Children Day that will be held on June 1. All across the Nation groups will be holding community health fairs focusing on the needs of our children. Ensuring that our children are healthy should be a top priority in this country and an issue that requires attention at all levels.

The Children's Defense Fund, in cooperation with communities all over the Nation will be working with local officials to educate parents and renew their commitment to improving the quality of our children's lives. Prevention and education is the key to giving children the healthy start they need.

In step with this important nationwide movement I am proud to participate in the Stand for Healthy Children for the 24th district at the Resource Center in Fort Worth, TX. This family picnic, sponsored by the National Stand for Children and the Community Health Foundation, will focus on teaching kids and parents about preventative health and safety. Free children's health screenings will be offered, and officers from the Fort Worth Police Department will be making identification cards for children. In addition, kids from all over Forth Worth will be able to participate in fun-filled activities, like art contests, story-telling, and other events.

Bringing families together to talk about their children's health care is essential. By holding these health fairs, we can address concerns and work effectively to improve the quality of life for our children.