one reads: ''The Tavistock Institute and the European Commission are working on a feasibility study to research the affect of using Smart Cards in competence accreditation. The study will be carried out in the USA and parts of Europe.'' The project involves assessing and validating students' skills, with information placed on personal skills Smartcards, which ''become real passports to employment.''

If without a passport one cannot enter a country, does this mean that without a skills passport one may not be able to get a job in the future?

In October 1997, the Tavistock Institute (and Manchester University) completed the final report for the European Commission, and described in a report summary were the relevancy of Goals 2000, SCANS (U.S. Department of Labor ''Secretary's Commission on Achieving Necessary Skills'') typology with its ''profound implications for the curriculum and training changes that this will require,'' valid skills standards and portable credentials ''benchmarked to international standards such as those promulgated by the International Standards Organization (ISO).''

The report summary went on to say that ''there is increasing attention being focused on developing global skill standards and accreditation agreements,'' and there will be ''partnerships between government, industry, and representatives of worker organizations . . . (and) a high degree of integration . . . embedding skills within the broader context of economic and social activity, and specifically within the areas of secondary education, work-based learning and local and regional economic development. . . . The NSSB, Goals 2000, STW Program are all combining to act as a catalyst to promote the formation of partnerships to develop skills standards. In this regard, a system like O*Net can be seen as the 'glue' that holds everything together.''

O*Net is a new occupational database system sponsored by the U.S. Department of Labor's Employment and Training Administration, and is being piloted in Texas, South Carolina, California, New York and Minnesota. It includes information such as ''Worker Characteristics'' (abilities, interests and work styles) and ''Worker Requirements'' (e.g., basic skills, knowledge and education).

INTRODUCTION OF THE CRIMINAL WELFARE PREVENTION ACT, PART III

HON. WALLY HERGER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 25, 1998

Mr. HERGER. Mr. Speaker, I rise today to announce the introduction of ''The Criminal Welfare Prevention Act, Part III''—the third in a series of legislative initiatives I have sponsored to help cut off fraudulent federal benefits to prisoners in state and local jails.

Because of the original ''Criminal Welfare Prevention Act''—legislation I introduced during the 104th Congress which was enacted as part of welfare reform in 1996—an effective new incentive system is now in place that enables the Social Security Administration (SSA) to detect and cut off fraudulent Supplemental Security Income (SSI) and Social Security (OASDI) benefits that would otherwise be issued to prisoners. That provision established monetary incentives for state and local law enforcement authorities to enter into voluntary data-sharing contracts with SSA. Now, participating local authorities can elect to provide the Social Security numbers of their inmates to the Social Security Administration. If SSA identifies any ''matches''—instances where inmates are fraudulently collecting SSI benefits—SSA now cuts off those benefits and the participating local authority receives a cash payment of as much as $400. Participation in these data-sharing contracts is strictly voluntary; they do not involve any unfunded federal mandates. According to a recent estimate by SSA's Inspector General, this initiative could help save taxpayers as much as $3.46 billion through the year 2001.

Mr. Speaker, on June 4th of this year, the House passed my follow-up legislation, ''The Criminal Welfare Prevention Act, Part II.'' This proposal would encourage even more sheriffs to become involved in fraud-prevention by extending the $400 incentive payments to intercepted Social Security (OASDI) checks as well. This provision—included as Section 7 of ''The Ticket to Work and Self-Sufficiency Act''—is now awaiting action in the Senate.

Despite this important progress, Mr. Speaker, our work is still not complete. In addition to establishing the new system of monetary incentives, the original Criminal Welfare Prevention Act also authorized the SSA to share the agency's augmented prisoner database with other federal agencies so that similar inmate fraud could be prevented in other federal and federally-assisted benefit programs. In April of this year, President Clinton issued an executive memorandum directing the SSA to act on its newly-granted authority and to make its database available by November 1st. This action, if faithfully executed, could potentially uncover a tremendous number of fraudulent benefit checks that would otherwise be issued to prisoners by the Departments of Agriculture, Education, Labor, Veterans' Affairs, and others. In fact, according to Administration estimates, this could save taxpayers an additional $500 million over five years.

Mr. Speaker, I want to take this opportunity to congratulate the President for joining this important fight against fraud in our nation's federal programs. However, because fraud prevention has not historically been a top priority at the SSA, I believe that Congress should nonetheless move to codify this administrative action into law.

The Criminal Welfare Prevention Act, Part III is quite straightforward. It would simply require the SSA to share its prisoner database with other federal departments and agencies to help prevent the continued payment of other fraudulent benefits (i.e., food stamps, veterans' benefits, education aid, etc.) to prisoners. I would urge all of my colleagues—on both sides of the aisle—to cosponsor this important legislation and to remind criminals that crime isn't supposed to pay.

INTRODUCTION OF REMEDIAL ANCSA SETTLEMENT TRUST LEGISLATION

HON. DON YOUNG

OF ALASKA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 25, 1998

Mr. YOUNG of Alaska. Mr. Speaker, today I am pleased to introduce legislation which will enable Alaska Native Settlement Trusts to achieve the goals envisioned for them by the Congress in the original authorizing legislation: to encourage Alaska Native Corporation to use their own assets to provide segregated, protected funds to ''promote the health, education, and welfare of . . . (Settlement Trust) beneficiaries and preserve the heritage and culture of Natives.'' Settlement trusts have been impeded from achieving the laudatory goals originally envisaged because of deficiencies in the original legislation and impediments arising from certain IRS interpretations as well as inflexibility in current tax administration with regard to the trust.

In recent years I have written to the Chairman of the Ways and Means Committee informing him that what has started as a simple proposition, promoted by Congress in the Settlement Trust legislation—to provide aid from a protected source to Alaska Natives who often have very little in other available assets to sustain them and in particular in their retirement years—had become a complex and bewildering situation which frustrated the use of the settlement trust provisions in law. This result stems from an IRS interpretation calling for the immediate taxation to potential beneficiaries when these trusts are established by Alaska Native corporations which have earnings and profits, as opposed to taxation when the money is actually received by the beneficiaries. Put simply, in the case of some beneficiaries, particularly the elderly, who have to prepay taxes in order to receive their benefits and, if they die prematurely, they will not even receive the amount of their prepaid taxes back. Needless to say, this is a substantial impediment to setting up and continuing such beneficial trusts.

But those Native corporations having favorable tax situations which enable them to make contributions to trusts which are not immediately taxable to their beneficiaries face other impediments. The IRS has taken the position that there is no authority to withhold tax from beneficiary payments, which prevents a simple way for a Native to pay his or her tax. The IRS requires that trust reporting to beneficiaries be accomplished via the complex so-called ''K-1'' form as opposed to the simple 1099 form, so familiar to most of us. As you can imagine, the requirement to use the former, particularly in rural areas in the state of Alaska where accountants may not be readily available, presents major reporting problems. We believe the IRS internally has been supportive of such a change but has advised in the past that it would need to be accomplished by statute.

Finally, the original authorizing legislation failed to provide a mechanism to encourage sustaining the longevity of these trusts dedicated to the goals enumerated. Such trusts are currently treated as regular trusts and penalized for accumulating income with an assessment of the highest marginal tax rate. Accordingly, from the standpoint of a settlement trust, it currently makes good tax sense to distribute all income to the beneficiaries rather than leaving it to be taxed at the current trust tax rate. This, however,does not make good social sense and encourages the opposite result one would envision for these entities, whose goal is to sustain the funds on a long-term basis in order to fulfill the objective envisioned for Settlement Trusts.

Accordingly, Mr. Speaker, Congressman MILLER and Congressman HAYWORTH, and I are today introducing legislation today which will rectify these problems and facilities settlement trusts functioning in a manner more in keeping with the underlying goals of the Alaska Native Claims Settlement Act. In general, this legislation provides that:

1. Contributions to settlement trusts will not result in immediate taxation to beneficiaries. In the case of ANCSA corporations which have earnings and profits at the time of transfer, any and all distributions from the trust of either principal or interest, will be taxable as ordinary income to the beneficiaries when received up to the amount which would have been subject to taxation under present IRS rulings. This replicates the taxation presently imposed by the IRS but delays it from the establishment of the trust to the distribution to beneficiaries, which is clearly the proper point of taxation. It should be noted that currently, the distribution of principal is not taxable. This provision provides for the taxation of such distribution as part of the overall balance worked into the bill.

2. A settlement trust will be able to defer taxation of up to 45% of its current income in order to ''inflation proof'' and not dissipate the principal. However, when this deferred income is ultimately distributed to beneficiaries, they will be taxes at ordinary income rates rather than at more favorable capital gains rates or, in some cases at present, not taxed at all.

3. Beneficiaries of settlement trusts will be able to have up to 15% of their distributions by the trust withheld to satisfy their anticipated federal income tax obligations. This will obviously speed up and help insure IRS collections.

4. A settlement trust will be able to issue form 1009's to beneficiaries which should greatly simplify their reporting and again enhance tax collections.

Mr. Speaker, in the development of this bill, a serious effort has been made to address concerns raised during discussions with Department of Treasury officials as well as with representatives of the Joint Committee on Taxation. Substantial information has been provided already to the Joint Tax Committee to help permit the committee to make a realistic revenue estimate. In this regard, it is our belief that by providing offsetting tax measures in the bill and speeding up and otherwise enhancing the collections of tax, we believe that the legislation we introduce today should be essentially revenue neutral.

In sum, such trusts were intended to provide for the segregation of Native assets, to immunize such assets from potential dissipation through business ventures (or premature distributions) or otherwise and to provide a fund which would remain intact fort a substantial period of time and hence contribute to the health, education, welfare, heritage and cultural objectives in the current settlement trust statute for years to come. Unfortunately, general tax interpretations and policy, established for far different reasons, have hampered these Congressional goals and objectives.

Therefore, I am pleased that, on a bipartisan basis, I can join with my colleague and Ranking Minority Member on the Resources Committee, Mr. Miller, and my other distinguished colleagues Mr. Hayworth to introduce this important remedial legislation.

NARRATIVE EXPLANATION FOR SETTLEMENT TRUST TAX LEGISLATION

BILL SECTION 1(A)

Identification of ANCSA Settlement Trusts As Eligible To Elect Tax Exempt Status

This provision of the draft legislation permits settlement trusts organized under the Alaska native Claims Settlement Act, 43 U.S.C. 1601 et seq. (ANCSA), to elect tax exempt status.

BILL SECTION 1(B)

Detailing Tax Treatment For Settlement Trusts And Their Beneficiaries

This new subsection amends the Tax Code to add a new section 501(p), which is comprised of six paragraphs clarifying the tax treatment of ANCSA settlement trusts.

Paragraph (1) provides that contributions to ANCSA settlement trusts are not deemed distributions to the ANCSA corporation's shareholders—the conveyance to the trust does not trigger taxation to the beneficiaries. Paragraph (1) applies whether or not a settlement trust has made the (p)(2) election, and alters an existing IRS ruling posture which has operated as a disincentive to contributions to settlement trusts by taxing beneficiaries prior to their receipt of distributions. However, as noted below, the draft legislation further provides that if an ANCSA corporation has earnings and profits for the taxable year of a contribution, those earnings and profits (up to the amount of the contribution) must be transferred to the trust. Subsequent distributions by the trust will produce ordinary income to the beneficiaries, until these transferred earnings and profits are exhausted. This transfer of earnings and profits eliminates the possibility that settlement trusts could be used to bail out corporate earnings and profits.

Paragraph (2) provides the basic mechanism by which a settlement trust elects tax exempt status. In general under the legislation an electing settlement trust must meet two requirements to be tax exempt. First, the trust must timely file for the election as prescribed. Second, the beneficial interests in the trust must abide by alienation restrictions which prohibit transfers of trust units in the same manner that transfers of ANCSA corporate stock are prohibited; failure to do so results in revocation of the election. If an electing trust violates the alienation restrictions at any point during a taxable year, the section 501(p) election will be automatically revoked for that year and all subsequent years. Once the section 501(p) election is evoked, that trust would not be able to re-elect.

Paragraph (3) provides the distribution requirements for an electing trust in the amount of 55% of adjustable taxable income. If an electing trust fails to meet this requirement, it is taxable at the maximum individual tax rates (presently 39.6%) on whatever amount it would have had to distribute to meet the 55% requirement. As an example, if an electing trust distributed only 50% of its taxable income for a given year, then 5% (55% requirement less 50% actually distributed) would be subject to tax.

Paragraph (4) describes the taxation of the beneficiaries of settlement trusts. Subparagraph (4)(A) applies to electing settlement trusts and imposes a rule that distributions by such trusts are automatically taxable as ordinary income regardless of the source of those distributions. This would include amounts retained without tax incidence at the trust level which are subsequently distributed to beneficiaries. Subparagraph (4)(B) applies to trusts which have not made the new subsection 501(p)(2) election. If the ANCSA corporation does not have earnings and profits for tax purposes when a contribution is made to a settlement trust, subsequent distributions by that trust are taxable to the beneficiaries under the existing rules of Subchapter J of the Code. In general, under existing law the character of income earned by the trust would flow out to the beneficiaries and distributions of capital and accumulated income are tax free.

On the other hand, if the ANCSA corporation has earnings and profits when a contribution is made to a settlement trust, further rules apply. The contribution is deemed to transfer the corporation's earnings and profits up to the amount of the contribution to the settlement trust. Subsequent distributions by the trust to its beneficiaries will be deemed to come from these transferred earnings and profits and produce ordinary income to the beneficiaries, the same as would occur if the ANCSA corporation had distributed those earnings and profits directly. This treatment continues until the trust has fully distributed the amount of the transferred earnings and profits. Only thereafter is taxation of the beneficiaries controlled by Subchapter J.

Paragraph (5) permits beneficiaries to elect to have up to 15% of their distributions by the trust withheld from their ongoing trust distributions to satisfy their anticipated federal income tax obligations. This paragraph applies whether or not a settlement trust has made the 501(p)92) election.

Paragraph (6) defines a settlement trust with reference to ANCSA.

BILL SECTION 1(C)

Information Reporting

Section 1(c) provides a mechanism to permit beneficiary reporting under form 1099. Annual information reporting on form 1099 reporting is advantageous for all settlement trusts, even where taxability for beneficiaries is determined under Subchapter J (i.e. as to non electing trusts which have no transferred earnings and profits). In the case of a non electing settlement trust, the 1099 would differentiate among the different types and character of income being distributed. Also, 1099 reporting would be in lieu of the existing requirement that a non electing settlement trust attach a copy of beneficiary K–1s to its own tax return.

BILL SECTION 1(D)

Effective Date

The provisions of the bill are applicable to taxable years beginning and contributions made after December 31, 1996.

IN SUPPORT OF RIGHT-TO-WORK LEGISLATION

HON. HOWARD COBLE

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 25, 1998

Mr. COBLE. Mr. Speaker, there is an issue that affects my constituents in North Carolina's Sixth District as well as all hard working citizens across America.

It is important to remember that small businesses keep America strong. This Congress must be cognizant of the significant impact small business has on our economy. Congress should take the necessary steps to ensure that our economic system is not endangered by legislation that tightens compulsory unionism. I have always been a strong supporter of North Carolina's right-to-work laws. H.R. 59, which I cosponsored, would protect employees and employers throughout our nation from the economically-crippling effects of