flower. ''We have been a model student for freedom, democracy and a market economy.''

''We don't mind if the United States has rapprochement with mainland China—we think it's good to bring the P.R.C. into the family of civilizations,'' he says of the People's Republic of China, which considers Taiwan to be a renegade province. ''What we ask is that the interests of Taiwan not be sacrificed.''

Because the United States has no diplomatic relations with Taiwan and has recognized the Communist government in Beijing as the sole representative of the people of China, Mr. Chen and his staff of nearly 200 are barred from the premises of the State Department.

They are not invited to diplomatic receptions at the White House, or to most of the dinner parties and glittery balls held at the embassies of nations that recognize Beijing.

When Taiwanese diplomats want to talk with Clinton administration officials, the meetings are often held in hotel coffee shops.

''We must meet in a neutral setting, that is the rule,'' says Mr. Chen, explaining the awkward logistics of the job.

Relations with China have been especially jittery since Taiwan's election last month of the new president, Chen Shui-bian, a former democracy activist who long advocated Taiwan's independence and whose victory ended half a century of Nationalist rule.

On the eve of the election, Chinese leaders all but warned of an invasion if Mr. Chen and his party were victorious. Since the election, both Mr. Chen and Beijing have softened their rhetoric, and Mr. Chen has recently insisted that he sees no need for an independence declaration.

Stephen Chen, who is not related to the new president, welcomes the moderated rhetoric from Taiwan's new government. The Communist leaders in Beijing, he says, would strike only '' if they should be unnecessarily provoked.''

''We have been dealing with them for more than 60 years,'' he said. ''We knew when they are bluffing, when they are not bluffing. If we don't give them an excuse, I don't think they're going to attack.''

Mr. Chen, who was born in the Chinese city of Nanjing, last saw the mainland in 1949, when his family was on the run from the victorious Communist forces of Mao Zedong. They fled to Taiwan, his father a diplomat in the service of the Nationalist leader, Chiang Kai-shek.

His father was assigned to the embassy in the Philippines when Mr. Chen was 15, and he remained there for more than a decade, attending college in Manila, marrying his Chinese-Filipino high school sweetheart and becoming fluent in English.

In 1960, he returned to Taiwan and passed the foreign service exam. He was first sent to Rio de Janeiro, and then to Argentina and Bolivia. In 1973, he was named consul general to Atlanta, where he remained until the United States severed relations with Taiwan and recognized Beijing six years later.

Mr. Chen said he can remember sitting in his living room in Atlanta, watching the televised announcement by President Carter that the United States would recognize the Communist government. ''I felt that I was being clobbered,'' he recalled. ''A baseball bat on the head.''

''It seemed very unfair,'' he continued. ''It was as if the United States wanted to reward a bad guy, the lousy student, and to punish the good student. That was my feeling.''

In the years since, he said, Taiwanese diplomats have learned how to innovate, especially in Washington, where they employ some of the city's most powerful lobbyists and retain close ties to many prominent conservative members of Congress.

Mr. Chen says his office has an annual budget for lobbying of about $1.2 million an contracts with 15 firms. ''They help open doors, they make appointments for us,'' he said. ''But we make the presentations.''

Under a 1979 law, Taiwan can continue to buy American weapons.

And Mr. Chen has been a frequent visitor to Capitol Hill in recent weeks as his government seeks Congressional approval for the sale of a wish list of sophisticated weapons. ''If we are deprived of basic defensive weapons, then of course we are thrown to the wolves,'' he said.

Mr. Chen is considering a visit to the lair of the wolves. After 40 years in the diplomatic service, he is nearing retirement, and he is planning a vacation on the mainland, which is now permitted.

''I tell you very frankly, I would like to see the Great Wall,'' he said. ''This belongs to the legacy of China. It has nothing to do with Communism.''

A BILL TO CLARIFY THE TAX TREATMENT OF CONTRIBUTIONS IN AID OF CONSTRUCTION

HON. WALLY HERGER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 13, 2000

Mr. HERGER. Mr. Speaker, I am introducing legislation today, along with Mr. MATSUI and Mrs. JOHNSON, to ensure that needless Treasury regulation does not add unnecessarily to the cost of housing.

The need for this legislation is brought about because the Department of Treasury has issued proposed regulations to provide guidance on the definition of CIAC as enacted under the Small Business Job Protection Act of 1996. Despite the fact that Congress specifically removed language concerning ''customer services fees'' in its amendment in 1996, the Department added the language back into the proposed regulation specifying that such fees are not CIAC. They then defined the term very broadly to include service laterals, which traditionally and under the most common state law treatment would be considered CIAC.

Because state regulators require all of the costs of new connections to be paid up front, these regulations will force water and sewerage utilities to collect the federal tax from homeowners, builders, and small municipalities. Because they collect it up front, the utility is forced to ''gross up'' the tax by collecting a tax on the tax on the tax, resulting in an over 55 percent effective tax rate.

This bill will clarify that water and sewerage service laterals are included in the definition of contributions in aid of construction (CIAC). It clarifies current law by specifically stating that ''customer service fees'' are CIAC, but maintains current treatment of service charges for stopping and starting service (not CIAC). Because this is a clarification of current law, the effective date for the bill is as if included in the original legislation (Section 1613(a) of the Small Business Job Protection Act of 1996).

Mr. MATSUI and Mrs. JOHNSON along with many of our colleagues here in the chamber, worked hard over the course of a number of years to restore the pre-1986 Act tax treatment for water and sewage CIAC. In 1996, we succeeded in passing legislation. It was identical to pre-1986 law with three exceptions. Two of the changes were made in response to a Treasury Department request. The third removed the language dealing with ''service connection fees'' primarily because of potential confusion resulting from the ambiguity of the term. The sponsors of the legislation were concerned that the IRS would use this ambiguity to exclude a portion of what the state regulators consider CIAC.

As part of our efforts, we developed a revenue raiser in cooperation with the industry to make up any revenue loss due to our legislation, including the three changes. This revenue raiser extended the life, and changed the method, for depreciating water utility property from 20-year accelerated to 25-year straight-line depreciation. As consequence of this sacrifice by the industry, our CIAC change made a net $274 million contribution toward deficit reduction.

It is my belief that the final revenue estimate done by the Joint Committee on Taxation on the restoration of CIAC included all property treated as CIAC by the industry regulators including specifically service laterals. In an October 11, 1995 letter to Senator GRASSLEY the Joint Committee on Taxation provided revenue estimates for the CIAC legislation. A footnote in this letter states, ''These estimates have been revisited to reflect more recent data.'' The industry had only recently supplied the committee with comprehensive data, which reflected total CIAC in the industry, including service laterals.

In urge my colleagues to join with us in sponsoring this important legislation in order to keep the Department of Treasury from further burdening the American Homeowner.

APRIL SCHOOL OF THE MONTH

HON. CAROLYN McCARTHY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 13, 2000

Mrs. MCCARTHY of New York. Mr. Speaker, I have named North Side Elementary School in East Williston as the School of the Month in the Fourth Congressional District for April 2000. Dr. James F. Newman is the Principal of North Side, and Dr. Carolyn S. Harris is the Superintendent of Schools in the East Williston School District. The school teaches children in grades Kindergarten through 4.

North Side Elementary stood out in my mind as an outstanding example of how early education is most successful when parents are involved. The school's programs teach our children the true value of education because it encourages community participation.

The North Side Elementary School Community is a close-knit body of parents, teachers, students, and administrators. Their goal is to ensure each child a stable early education through an enriched curriculum that keeps the children excited, and unique programs that appeal to a wide variety of younger children.

North Side combines parental involvement with exceptional programming. The children benefit when the community engages them in activities that extend beyond the traditional classroom setting.

One of the more popular programs among students is Books Alive, where staff and parents act out a selection of children's literature