

Tanner, his children; and to Betty, his mother, Nancy and I sent heartfelt prayers on behalf of all New Mexicans as well as the appreciation of a grateful nation.

EXPATRIATING AMERICA TO AVOID U.S. INCOME TAXES

Mr. GRASSLEY. Mr. President, my friend and colleague from Texas, in a debate on Senator WELLSTONE's government contracting amendment, criticized a proposal the Finance Committee was scheduled to markup today. The Senior Senator from Texas characterized the proposal as an effort at "passing laws that sound like they're right out of Nazi Germany." Senator GRAMM went on to criticize: "(t)he idea that somebody can't leave America and take their property with them, that they've got to pay a tax in order to get their property out of America."

Mr. President, as the ranking Republican member of the Finance Committee and a participant in crafting this provision, I felt compelled to respond. First of all, I'm proud to serve on the Finance Committee. When someone characterizes a bipartisan Finance Committee proposal as something "right out of Nazi Germany," I'm going to be disturbed.

Tax-motivated expatriation activities are something that troubles me. All you have to do is look at the infamous case of Marc Rich. You will recall Mr. Rich's case came to light in the rush of pardon applications during the waning hours of the Clinton Administration. Mr. Rich reportedly left the U.S. to avoid U.S. taxation and sought a pardon with respect to criminal indictments on, among other things, criminal tax charges.

Mr. President, there is a major principle at stake here. A key premise in our tax system is that those individuals and corporations that derive financial benefits from economic activity that is, as the tax law says, "effectively connected" with the United States, should be taxable on that income no matter where their domicile is. Any alternative to this concept would result in U.S. persons bearing a larger burden of Federal taxation than a foreign person earning a livelihood here. America and her major trading partners recognize this principle. It is reflected in the tax laws of our trading partners and the international tax treaty network.

Let's take a look at current law. For individuals that expatriate, an income tax is imposed on appreciation in the assets of the expatriate, on a 10 year going forward basis, if the expatriate is leaving the U.S. with the "principal purpose" of avoiding U.S. income tax. For purposes of this current law rule, expatriates are deemed to have expatriated with a principal purpose of avoidance of U.S. income tax in two cases. In the first case, the deemed rule applies if the expatriate had, on average, \$100,000 of net income, for the five

years at the time of expatriating. In the second case, the deemed rule applies if net worth of the expatriate exceeds \$500,000. In the case of corporations, the appreciation in assets transferred offshore is taxable at the time of transfer.

So, Mr. President, it is clear that, under our current tax policy, individuals and corporations that attempt to either leave or transfer assets are taxable when they leave the U.S. Frankly, the Finance Committee views the so-called "inversion" transactions as a loophole that undercuts current law principles. It is on that basis, closing an insidious loophole, that the Finance Committee recently reported legislation to curtail inversion transactions.

Similarly, in 1995 and 1996, the Finance Committee, and full Senate, sought to plug the loophole on the individual expatriation level. A proposal virtually identical to the one criticized by Senator GRAMM today, was passed, on several occasions during those two years. That proposal did not become law because the Senate, with much reluctance, receded to the House in conference. The House proposal aimed to tighten the 10 year rule.

The Chairman and Ranking Member have revived the Finance Committee expatriation proposal because of concerns about the effectiveness of current law. In fact, the Joint Committee on Taxation's estimate of this proposal appears to confirm that the long-standing tax policy with respect to individual expatriation will be better served by the Finance Committee approach.

Under the Finance Committee proposal, individuals that expatriate would, as the Senator from Texas said, be taxable on gain in appreciation in U.S. assets when they leave America. This proposal would replace the current law regime described above. The Finance Committee proposal, is hardly "right out of Nazi Germany." It strengthens long-standing tax policy. The Senate has spoken favorably on it on many occasions.

So, Mr. President, let's keep our eye on the ball. Current law, not a putative Nazi regime, preserves the fairness of U.S. tax system. The Finance Committee proposal makes sure the fairness of the U.S. tax system is strengthened by closing loopholes.

SUCCESS AT VINCA

Mr. DOMENICI. Mr. President, I rise to remind my colleagues that an important milestone in our progress toward reducing the risks of proliferation of weapons of mass destruction took place about 2 weeks ago.

Events like September 11 would have been far worse if terrorists had access to weapons of mass destruction. Since September 11, appreciation of this threat has increased dramatically. Many of us have spoken on the need to rein in the forces of international terrorism and any possibility that they may gain the use of such weapons.

The milestone to which I refer is the successful removal of enough weapons-grade uranium from the Vinca Institute of Nuclear Sciences near Belgrade, Yugoslavia to make more than two nuclear bombs. This removal was accomplished through coordination among government and private groups, including contributions from Yugoslavia and Russia, the International Atomic Energy Agency, and the Nuclear Threat Initiative.

I especially salute the contributions made by the Nuclear Threat Initiative, headed by Ted Turner and our former colleague Senator Sam Nunn. This episode represents another critical effort from the NTL. I'm very honored to serve on the Board of the NTL, along with Senator LUGAR. There will always be aspects of international efforts that are difficult to handle through government channels, where the private resources of the NTL may be vital.

But even as we congratulate ourselves over this victory, we need to recognize that it is very small in the overall scale of the problem. Estimates are that weapons-grade uranium exists at over 350 sites in over 50 countries. Some of these have very small quantities, but many of these locations have enough material for one or more bombs. Some of these sites include research reactors, provided by either the United States or the Soviet Union, fueled by highly enriched uranium which could be diverted for weapons use.

And we also need to examine why it required such complex coordination to accomplish this work and explore how Congress can simplify the process in the future. This part of the puzzle has a much simpler solution, because the tools to accomplish this are now part of the Senate-House conference on the Armed Services authorizing legislation.

Let me briefly explain why the Vinca operation required so much coordination. The Yugoslavian government very logically required that any Vinca solution address both fresh fuel and spent fuel from their research reactor. The fresh fuel was highly enriched uranium, and our government was able to assist because it represented a proliferation threat for weapons of mass destruction. That cooperation is authorized through the 1991 Nunn-Lugar and the 1996 Nunn-Lugar-Domenici Legislation.

But the spent fuel at Vinca, which is not useful for making a nuclear weapon, could pose both an environmental concern as well as a dirty bomb threat, depending on its level of radioactivity. The former represents work that is clearly beyond the authorization of our Government's nonproliferation mission and the latter represents work that is not authorized.

Now since September 11, there have been volumes of testimony on the threat posed by highly radioactive materials and their potential use as dirty