lot of congratulatory backslapping because of this great increase. And it truly is a commendable step for Congress, but sadly one which fulfills less than half of the promise. Even with this increase, the federal share rises to only 18.2 percent of the 40 percent. I am sure the people of Berlin will appreciate the few thousand extra dollars they will get as a result of this increase. But the reality is that they need is the hundreds of thousands of extra dollars that is owed to them.

As a former teacher, member of a school board, State Senator, and now Congressman, I have constantly heard a clear message from local educators and administrators that more resources must be committed to provide fair and adequate educational opportunities to children with special needs, and that the federal government must meet its commitment under IDEA. In the past, ''fully funding'' IDEA has generally been a theme for a handful of others who purport to fully fund IDEA but would take ten long years to do so. My bill recognizes that 25 years is enough to wait and mandates this federal funding now.

Let us be clear, this is a constitutional right. Local school districts do not have the discretion to not fulfill their obligations to children with special needs. Where does the approximately $10 billion in unfulfilled Federal pledges to the States come from? It has to be made up somewhere and will most likely come from other important, but not constitutionally mandated, priorities. This is the real cost of our inaction. It is either a tradeoff in spending or a property tax increase. Ultimately, the Federal Government must choose: either to support it's commitments or stop making them. We cannot afford to continue down this path of broken promises any longer. It does not have to be this way, of course. And I believe our local educational districts, the states and the American people deserve better from us.

THE LIFE INSURANCE TAX SIMPLIFICATION ACT OF 2003

HON. AMO HOUGHTON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, February 13, 2003

Mr. HOUGHTON. Mr. Speaker, I am pleased to join my colleague from Massachusetts, Mr. NEAL, together with a number of our colleagues in introducing our bill, ''The Life Insurance Tax Simplification Act of 2003.'' The bill repeals two sections of the Internal Revenue Code, which no longer serve valid tax policy goals. Except for the effective date, the bill is identical to the one we introduced in the 107th Congress.

Congress has taken a major step forward in rewriting the regulatory structure of the financial services industry in the United States. This realignment is having a positive impact on the way life insurance companies serve their customers, conduct their operations and merge their businesses to achieve greater market efficiencies. Unfortunately, the tax code contains several provisions which no longer represent valid tax policy goals, and, in fact, are carry-overs from the old tax and regulatory regimes that separated the life insurance industry from the rest of the financial world and differentiated between the stock and mutual segments of the life insurance industry. Today, the lines of competition are not between the stock and mutual segments of the life insurance industry. Rather, life insurers must compete in an aggressive, fast moving global financial services marketplace contrary to the premises underlying these old, outmoded tax rules.

The bill would repeal section 809 that imposes a tax on the policyholder dividends of mutual life insurance companies, and section 815 that applies to policyholder surplus accounts of stock-owned life insurance companies. Both of these provisions are vestiges of an outdated tax scheme developed in 1984 when the lines of competitive balance existed between stock and mutual life insurance companies.

Section 809 was added to the Code in 1984, in part, to address a perceived imbalance between the tax treatment of stock and mutual companies. In 1984, there were over 100 mutual life insurers, including many large mutual companies, accounting for about one-half of industry activity. Today, about 40 mutual life companies remain, including only a few large companies, and mutual insurers account for only about 10 to 15 percent of the industry. Stocks as well as mutuals agree that section 809 is not now needed to provide competitive balance.

Both mutual and stock life insurers believe that their policies provide superior value to consumers. Repeal of section 809 would result in more nearly neutral taxation of stock and mutual companies and allow consumers to focus more on nontax considerations in selecting their insurance provider. As a result, repeal of section 809 is one of the few corporate tax relief measures endorsed by the Consumer Federation of America and the National Cooperative Business Association.

Section 815 was added to the Code as part of the 1959 changes to the life insurance companies tax structure. Before 1959, life insurance companies were taxed only on their investment income. Underwriting (premium) income was not taxed, and underwriting expenses were not deductible. The change provided that all life insurance companies paid tax on investment income not set aside for policyholders and on one-half of their underwriting income.

The other half of underwriting income for stock companies was not taxed unless it was distributed to shareholders (so-called ''policyholders surplus account or PSA''). The 1959 tax structure sought to tax the proper amount of income of stock and mutual companies alike and the PSA mechanism helped implement that goal.

In 1984, Congress rewrote the rules again. Both stock and mutual companies were subjected to tax on all their investment and underwriting income. In this context, dividend deductions for mutuals were limited under section 809, and the tax exclusion for a portion of stock company's underwriting income was discontinued. Congress made a decision not to tax the amount excluded between 1959 and 1984. Rather the amounts are only taxed if one of the specific events described in the current section 815 occurs (principally dissolution of the company).

The bill would repeal the obsolete section 815 provision. Since 1984, the Federal government has collected relative small amounts of revenue with respect to PSAs as companies avoid the specific events which trigger PSAs taxation. There is not a ''fund'', ''reserve'', ''provision'' or ''allocation'' on a life insurance company's books to pay PSA taxes because, under generally accepted accounting principles, neither the government nor taxpayers have ever believed the significant amounts of tax would be triggered. Nevertheless, the continued existence of the PSAs does result in a burden on the companies in today's changing financial services world—a burden based on bookkeeping entries made from nineteen to forty-three years ago to comply with Congress' then vision of how segments of the life insurance industry should be taxed.

The repeal of these two provisions, sections 809 and 815, would provide certainty, less complexity, and remove two provisions from the Internal Revenue Code, which no longer serve a valid tax policy goal in the life insurance tax structure of the Code. We urge our colleagues to join us in cosponsoring this legislation.

TRIBUTE TO LLOYD CHAVEZ

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, February 13, 2003

Mr. McINNIS. Mr. Speaker, it is with a great sense of pride that I honor Lloyd Chavez. Mr. Chavez's continuous dedication to the automobile industry, as well as his philanthropic endeavors in Denver, Colorado, have made him a valuable asset to the community.

Lloyd was bom in Denver, Colorado, one of five children. He served in the Navy, and soon after, married his high school sweetheart. They had three children. After finishing his degree at the University of Denver, Lloyd began to work as a salesman at Burt Chevrolet in Englewood. Little did he know, fifty-one years later, that he would own the Burt Automotive Network, a successful and influential business in Colorado.

Mr. Chavez is a successful business owner, and has garnered many awards and recognitions for his endeavors in business. In 1993, Lloyd was recognized as the Top Hispanic Businessman in the U.S., and, in 1994, as the National Hispanic Businessman of the Year. Burt Automotive Network has also been recognized as the top Minority-Owned Business in Colorado for the past four years.

In addition to Lloyd's success in the business community, he also is involved in various community groups. He has donated cars to Craig Hospital's occupational department, sponsored children's sports teams, and donated cars to the Littleton Public School's Driver Education Program. Lloyd's life has been marked by significant contributions to his community.

Mr. Speaker, it is with privilege that I recognize Lloyd Chavez before this body of Congress and this nation today. Mr. Chavez's success in the Denver business community, as well as his generous donations to the people, have been immeasurably beneficial in the lives of many.