STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. SANTORUM (for himself and Mr. BAYH):

S. 2394. A bill to amend the Internal Revenue Code of 1986 to expand the expensing of environmental remediation costs; to the Committee on Finance.

Mr. SANTORUM. Mr. President, I am pleased to introduce with my colleague from Indiana, Senator BAYH, important legislation to encourage the cleanup of contaminated sites commonly known as ''brownfields.'' I urge all my colleagues to join Senator BAYH and me as supporters of this legislation and ask that they actively work with us toward its enactment.

The United States Environmental Protection Agency (EPA) defines brownfields as ''abandoned, idled, or under-used industrial commercial sites where expansion or redevelopment is complicated by real or perceived environmental contamination that can add cost, time, or uncertainness to redevelopment projects.''

Brownfields are not unique to my State of Pennsylvania, nor are they to Senator BAYH's State of Indiana. In every State in the Nation, there are areas blighted by run-down, abandoned properties and unsightly vacant lots. They are the shut down manufacturing facilities, deserted warehouses and gas stations that are all too familiar to us. On these properties once stood vibrant and productive enterprises, but changing times and events have drained their vitality. They are now in desperate need of revitalization and redevelopment. Compounding the problem is that over the years, the activities on these sites have left the soil and water tables contaminated with environmental pollutants.

The negative social and economic effects that these sites have on their surrounding communities are significant. There are serious financial impacts not only to the market values of the brownfield properties themselves, but also to property values in the surrounding neighborhoods. As middle class citizens are working to gain assets and potentially be able to borrow against, or even sell their homes in the future, property values become a very serious issue. A reduction of property values in brownfield neighborhoods hits hardest the families who can least afford it.

Brownfields have other serious repercussions, extending far beyond the pocketbook. The unsightliness of brownfields can lead to the characterization of entire neighborhoods as run-down and undesirable. The once vibrant spirit of these centrally located and thriving urban areas can be dampened as these eyesores drag down residents' morale and sense of connection with their community.

The U.S. Conference of Mayors and the Government Accounting Office estimate that there are over 400,000 brownfield sites across the country. According to a recent U.S. Conference of Mayors survey of 187 cities throughout the nation, redevelopment of their existing brownfields would bring additional tax revenues of approximately $2 billion annually and could create hundreds of thousands of jobs.

Many brownfields are located in prime business locations near critical infrastructure, including transportation, and close to an already productive workforce. Putting these sites back into use will generate good-paying jobs and affordable housing in areas where they are most needed. Rehabilitating and reusing these sites also serves to help prevent urban sprawl. We should encourage the cleanup and use of these brownfield sites rather than abandon them and instead always look to develop at new locations. A powerful example from my state of a successful brownfield revitalization effort and how it can have substantial and positive effects on a community is the City of Chester.

In the midst of a major revitalization, Chester is redeveloping its blighted and vacant waterfront district, including the former PECO power station. The City is striving to turn a former industrial site into a business center. Chester will be able to create new office space, and by working with a private developer Chester has received an initial commitment to move 2,000 jobs into the area. This initiative will help bring more business and infrastructure back to the community, adding to the area's prosperity and making Chester a safe and more pleasant place to live.

Unfortunately, a big reason that so many brownfield properties are languishing in a state of decay and disrepair is the substantial cleanup costs associated with them and the unfavorable tax treatment of those costs.

As part of the Community Renewal and Revitalization Act of 2000, Congress enacted Section 198 of the Internal Revenue Code, which allowed cleanup costs to be expensed in the year they were incurred. Prior to that, these costs had to be capitalized to the land, postponing any recovery of these costs for tax purposes until the property was sold.

This expedited write-off of cleanup expenses helps a redeveloper manage the cost of rehabilitating existing properties—which typically is much more expensive than developing new sites. Brownfield cleanup costs can be an imposing obstacle to redeveloping. While the price tag varies with each site, it is not unreasonable for the cleanup of a major site to run between $500,000 and $1 million.

We in the Senate, and our colleagues in the House, were wise to enact Section 198. It is the right policy. However, Section 198 expired at the end of 2003. Now, the law must be renewed retroactively. I am pleased that the pending FSC/ETI bill, S. 1637, at the behest of Chairman GRASSLEY and Senator BAUCUS, would renew Section 198 for two years. That is a start and the Administration supports it. But more needs to be done in this area.

The bill my colleagues and I are introducing today has three provisions. First, it makes Section 198 a permanent provision in the Code. Second, it broadens the definition of ''hazardous substances'' in Section 198 to include petroleum. Finally, it repeals the provision in the law requiring the recapture of the Section 198 deduction when the property is sold.

The tax policy of allowing the expensing of cleanup costs should be a permanent fixture in the Tax Code. Brownfields are a long-term problem and this solution will allow us to continue addressing this important task.

Furthermore, a shortcoming of the law passed in 2000 was the absent of petroleum as a contaminant that allowed a site to qualify as a brownfield under section 198. A large percentage of brownfields across the country are contaminated with petroleum. Extending the law to cover petroleum contamination makes more sense and the law more effective.

Finally, the provision in Section 198 that requires a taxpayer who uses the cleanup deduction to pay income tax on that amount when he or she sells the property is illogical. This sends a message to developers that if they undertake the worthy endeavor of remdiation of brownfield sites, they will be subjected to substantial tax penalties for doing so. This policy is counterproductive to the efforts we are trying to encourage and it should be repealed.

The benefits of brownfield cleanup are obvious. Remediation of these sites revitalizes our neighborhoods and communities, and I urge my colleagues to support this legislation.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON ARMED SERVICES

Mr. FRIST. Mr. President, I ask unanimous consent that the Committee on Armed Services be authorized to meet during the session of the Senate on May 7, 2004, at 11:45 a.m., in open session, to receive testimony on allegations of mistreatment of Iraqi prisoners.

The PRESIDING OFFICER. Without objection, it is so ordered.

CONCLUSION OF MORNING BUSINESS

Mr. FRIST. Mr. President, we will turn to business. I ask morning business be closed.

The PRESIDING OFFICER. Morning business is closed.

JUMPSTART OUR BUSINESS STRENGTH (JOBS) ACT—Resumed

The PRESIDING OFFICER. The clerk will report the pending business.

The assistant journal clerk read as follows: