U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Grassley Praises Committee Passage of Highway, Corporate Reform, IRS Bills

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today praised the committee's passage of legislation to finance highway improvements, rein in a tax perk for companies, and fix several tax code headaches for taxpayers.

Highway bill. Congress is considering legislation to re-authorize the federal highway program for the next six years. Several committees have jurisdiction over parts of this program. Grassley's committee was in charge of determining how the government raises the money to pay for the highway program. Today, the committee passed a bill that increases highway funding without raising taxes.

"We've funded the programs in a way that enables every state to have more transportation money," Grassley said. "These additional dollars are critical for maintaining and creating our nation's transportation infrastructure. The money also translates into more jobs, enhanced economic development for our cities and counties, safer highways, and less congestion. The financing mechanism approved today meets the targets we received from the other committees of jurisdiction. Our challenge was to get the most bang for the buck without asking taxpayers to pull more money from their wallets. We accomplished that goal."

An important mechanism toward meeting the funding target was modifying the method in which federal excise taxes are collected on ethanol-blended fuels. Grassley's *Volumetric Ethanol Excise Tax Credit (VEETC) Act of 2003*, S. 1548, generates more than $2 billion per year in additional Highway Trust Fund revenues while maintaining a key incentive for the use of renewable fuels.

Corporate-owned life insurance. The committee unanimously passed legislation to reform key aspects of this form of insurance. Currently, companies don't pay tax on proceeds from corporate-owned life insurance, or COLI, collected after their workers or former workers die. This is the case even if the proceeds don't go to the worker covered by the policy and even when the worker no longer works for the company.

"The majority of abuses dealing with COLI were dealt with in 1996 and 1997, when the Finance Committee acted then," Grassley said. "There were outstanding concerns that janitors or other hourly workers could be covered by COLI policies and not know about it. We've now dealt with those two issues: We've limited COLI to the top-level staff, and we've mandated notice and consent for the policy to have a tax benefit."

Passing the corporate-owned life insurance measure cleared Grassley's post-Enron pension protection legislation, the *National Employee Savings and Trust Equity Guarantee Act* (NESTEG), to proceed to the full Senate. The life insurance provision was part of the pension bill.

The Tax Administration Good Government Act of 2004. This legislation, passed unanimously, includes a series of reforms to make dealing with Internal Revenue Service easier for taxpayers. A key component is a new uniform definition of a child. For years, taxpayers have had to sort through five different definitions of "child" in the tax code. The dependency exemption, the child credit, the earned income credit, the dependent care credit, and head of household filing status all define a child or dependent differently.

"It sounds as if it would be simple, yet it's anything but," Grassley said. "You have to climb a mountain of paperwork and even then, you might not reach the summit of eligibility. Today, we've passed a uniform definition. It'll make more children eligible for tax benefits and save parents about $1.2 billion over the next decade."

The bill includes a provision to improve taxpayers' knowledge of the fees associated with refund anticipation loans. Now, taxpayers might take out the loans without realizing they will have to pay expensive fees for the service. The bill requires loan companies to disclose their fees to taxpayers.

The bill makes it easier for taxpayers to deal with the IRS through installment agreements to pay back taxes and to streamline IRS approval of offers in compromise for taxes owed. A backlog in the offers in compromise program is frustrating for participating taxpayers, Grassley said.

This bill also restricts the ability of companies to deduct certain fines, penalties and punitive damages, with an exception for restitution payments. Grassley and Sen. Max Baucus, ranking member, sought the change in part because of companies' ability to deduct the $1.4 billion global settlement reached by the Securities and Exchange Commission and state regulators involving flawed Wall Street research practices.