provision for those who have been denied training.

Mr. President, on Sunday, April 12, the Washington Post published an article on the benefits of retraining in the Pittsburgh area. I ask unanimous consent that the article appear in the RECORD at this point.

Mr. President, the legislation I am introducing will accomplish two things:

First, it will allow TAA-eligible workers who have not received their benefits, and who enter approvable training programs, to receive Trade Adjustment Assistance while they are enrolled in training.

Second, this bill will require the Department of Labor to notify TAA-eligible workers of their benefits, both by mail and by publication in general-circulation newspapers.

This legislation is only fair. We made a promise to trade-impacted workers that the Government would fund training and education services for them for up to 2 years, to help them rebuild their careers. That promise is broken.

Mr. President, I ask that the bill be published in the RECORD at the conclusion of my remarks.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1053

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. WAIVER OF CERTAIN TIME LIMITATIONS.

(a) IN GENERAL.—The provisions of sections 223(b) and 231(a)(1)(B) of the Trade Act of 1974, and of subsections (a)(2) and (b) of section 233 of such Act, shall not apply with respect to any worker who became totally or partially separated from adversely affected employment (within the meaning of section 247 of such Act (19 U.S.C. 2319)) during the period that began on August 13, 1981, and ended on April 7, 1986.

(b) TRAINING REQUIREMENT.—

(1) Any worker who is otherwise eligible for payment of a trade readjustment allowance under part I of subchapter B of chapter 2 of title II of the Trade Act of 1974 by reason of subsection (a) of this section may receive payments of such allowance only if such worker—

(A) is enrolled in a training program approved by the Secretary under section 236(a) of such Act,

(B) has, after the date on which the worker became totally separated, or partially separated, from the adversely affected employment, completed a training program approved by the Secretary of Labor under section 236(a) of such Act, or

(C) has received a written statement certified under paragraph (3) after the date described in subparagraph (B).

(2) If the Secretary of Labor determines that—

(A) a worker—

(i) has failed to begin participation in the training program the enrollment in which meets the requirement of paragraph (1), or

(ii) has ceased to participate in such training program before completing such training program, and

(B) there is no justifiable cause for such failure or cessation,

no trade readjustment allowance may be paid to the worker under part I of subchapter B of chapter 2 of title II of the Trade Act of 1974 on or after the date on which such determination is made until the worker begins or resumes participation in a training program approved under section 236(a) of such Act.

(3) If the Secretary of Labor finds that it is not feasible or appropriate to approve a training program for a worker under section 236(a) of the Trade Act of 1974, the Secretary of Labor shall submit to such worker a written statement certifying such finding.

SEC. 2. NOTIFICATION OF TRADE ADJUSTMENT ASSISTANCE TO WORKERS.

(a) IN GENERAL.—Section 225 of the Trade Act of 1974 (19 U.S.C. 2275) is amended—

(1) by striking out "The Secretary" in the first sentence and inserting in lieu thereof "(a) The Secretary", and

(2) by adding at the end thereof the following new subsection:

"(b)(1) The Secretary shall provide written notice through the mail of the benefits available under this chapter to each worker whom the Secretary has reason to believe is covered by a certification made under subchapter A of this chapter—

"(A) at the time such certification is made, if the worker was partially or totally separated from the adversely affected employment before such certification, or

"(B) at the time of the total or partial separation of the worker from the adversely affected employment, if subparagraph (A) does not apply.

"(2) The Secretary shall publish notice of the benefits available under this chapter to workers covered by each certification made under subchapter A in newspapers of general circulation in the areas in which such workers reside.".

(b) SPECIAL NOTICE.—The Secretary of Labor shall publish notice of the benefits available under chapter 2 of title II of the Trade Act of 1974 by reason of section 1 of this Act in newspapers of general circulation in areas in which workers who are likely beneficiaries under such chapter reside.●

By Mr. MITCHELL:

S. 1058. A bill to amend the Internal Revenue Code of 1986 to allow a deduction of at least $15,000 for interest paid or accrued on indebtedness incurred to acquire a 50 percent or more ownership interest in a corporation; to the Committee on Finance.

INVESTMENT INTEREST LIMITATION LEGISLATION

● Mr. MITCHELL. Mr. President, I am today introducing legislation to correct a problem with the new investment interest restrictions enacted in the tax reform bill. This legislation will reinstate the language of prior law section 163(d)(7) allowing a deduction for interest expenses incurred to acquire a 50 percent or more ownership interest in a corporation.

This subparagraph was repealed in the tax reform bill as part of the new limitations on deductions for investment interest expenses. Under prior law section 163, deductions for interest on debt incurred to purchase or carry property held for investment were generally limited to $10,000 per year, plus the taxpayer's net investment income. Section 163(d)(7) provided an additional $15,000 of annual deductions for interest expenses incurred to acquire a 50-percent interest in a corporation or partnership.

In the Tax Reform Act, the investment interest limitation was made more restrictive by, among other things, removing the $10,000 minimum amount. In addition, subsection (d)(7) was repealed thus removing the special rule for 50-percent-owned businesses.

Although there was a 50-percent-ownership test in prior law, this exception from the investment interest limitation was not based on any distinction between indebtedness incurred to operate a trade or business and indebtedness incurred to carry an investment. Instead, it was simply an ownership test; as long as a 50-percent interest was held, the exception would apply.

By its terms, section 163 applies to investment interest incurred to carry property held for investment whatever the character of that investment. The restrictions also apply to debt incurred to purchase stock in a corporation owned and operated by the taxpayer. The material participation of the taxpayer in the business is not relevant because it is the ownership of the stock as an investment that triggers the application of the investment interest limitation; not the degree of participation in the business by the owner of the stock. No such limitation applied to the same interest held directly in a partnership.

The effect of the prior law was thus to discourage entrepreneurs from taking on debt to acquire and actively run a business. That was tolerable as long as section 163(d)(7) at least permitted an exception for up to $15,000 of annual interest deductions. That was of benefit to modest borrowings to purchase small businesses.

The Federal income tax system should promote, not discourage, the formation of active business enterprises by individuals. However, the denial of interest deductions on debt incurred to acquire a corporation will make it more difficult for entrepreneurs to begin in business. Of course, with a little tax planning, individuals may structure a transaction in such a way as to utilize the interest deductions by placing the debt in the business or setting up the business as a passthrough entity.

But I see little reason for the tax system to encourage this kind of subterfuge and tax avoidance planning that forces taxpayers to structure transactions for tax reasons over business purpose.

More importantly, the abrupt repeal of the exception for debt used to ac-

quire a controlling interest in a corporation imposes an unfair retroactive effect on legitimate business transactions entered into under prior law. For that reason, I believe this issue needs to be addressed in legislation this year. I do not propose to dismantle the new investment interest limitations in the bill which are a cornerstone of tax reform. This bill is simply a minor adjustment that reinstates section 163(d)(7) for qualifying debt held as of the enactment of tax reform. I hope the Finance Committee will give serious consideration to this proposal.

I ask unanimous consent that a copy of the legislation be placed in the CONGRESSIONAL RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1058

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. ALLOWANCE OF ADDITIONAL $15,000 INVESTMENT INTEREST DEDUCTION ON INDEBTEDNESS TO ACQUIRE CORPORATION.

(a) GENERAL RULE.—Section 163(d) of the Internal Revenue Code of 1986 (relating to limitation on investment interest) is amended by redesignating paragraph (6) as paragraph (7) and by inserting after paragraph (5) the following new paragraph:

"(6) SPECIAL RULE FOR INTEREST ON INDEBTEDNESS OF 50-PERCENT OWNER TO ACQUIRE CORPORATION.—

"(A) IN GENERAL.—In the case of a 50-percent owner of a corporation, the amount allowed as a deduction under this chapter for investment interest for any taxable year shall not be less than the sum of—

"(i) the amount determined without regard to this paragraph and without regard to any investment interest described in clause (ii)(II), plus

"(ii) the lesser of—

"(I) $15,000 ($7,500 in the case of a married individual filing a separate return), or

"(II) the investment interest paid or accrued during the taxable year on indebtedness incurred or continued in connection with the acquisition of such corporation or partnership.

"(B) 50-PERCENT OWNER.—For purposes of this paragraph, the term '50-percent owner' means a taxpayer who holds 50 percent or more of the total value of all classes of stock of a corporation. For purposes of this subparagraph, stock held by the spouse or children of an individual shall be treated as held by the individual."

(b) CONFORMING AMENDMENT.—Section 163(h)(6) of such Code is amended by striking out "subsection (d)(6)(B)" and inserting in lieu thereof "subsection (d)(7)(B)".

SEC. 2. EFFECTIVE DATE.

The amendments made by this Act shall take effect as if included in the amendments made by section 511 of the Tax Reform Act of 1986.●

By Mr. MOYNIHAN:

S. 1059. A bill to terminate the application of certain Veterans' Administration regulations relating to transportation of claimants and beneficiaries in connection with Veterans' Administration medical care; to the Committee on Veterans Affairs.

VETERANS' ADMINISTRATION REGULATIONS

● Mr. MOYNIHAN. Mr. President, I rise today to offer legislation to rescind certain Veterans' Administration regulations pertaining to beneficiary travel. Specifically, I refer to those provisions published in the Federal Register on March 12, 1987, which became effective on April 13, 1987. Under these regulations, reimbursement for beneficiary travel to and from VA facilities will be drastically curtailed. Whereas, previous regulations allowed veterans reimbursement for travel to and from VA facilities so long as prior authorization was requested and the individual facility had sufficient funding, the new regulations take the flexibility out of the program and allow travel reimbursement only in cases where specialized modes of transportation are medically indicated, travel is to and from compensation and pension examinations, and that travel in excess of a 100-mile radius from the nearest VA medical care facility.

This is, of course, a cost-saving measure brought on by the necessity of controlling the budget and misplaced priorities as we scramble here in Washington to cut, and cut again. But in return for making accessibility that much more difficult to our eligible veterans, the VA foresees a savings of approximately $90 million. That is, travel reimbursement is expected to drop from $100 million per year to $10 million. Mind, in a large State like New York, where approximately 1,915,000 veterans reside, medical care is accomplished at only 12 medical centers. In California, the State with the largest veterans population, there are 10 medical centers. Travel is very much a part of a veterans ability to obtain the benefits he or she rates. And as I travel around New York I am often reminded that this is a program our veterans want.

I do not think anyone in this body requires a discussion of what this Nation's veterans have done, indeed, all but a few Members of this body are veterans themselves; some know all too well the cost of conflict. Let me just say, that as we move to control spending, veterans benefits is not where I would choose to look first, or at all. Therefore, I introduce this legislation today to rescind the new regulation. And should such a rescission directly threaten the quality of medical care we offer our veterans, then I would urge the Committee on Veterans' Affairs and the Senate to consider a supplemental appropriation to the Veterans' Administration budget so that we might continue beneficiary travel at an estimated cost of $90 million.

Mr. President, I ask unanimous consent that the full text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1059

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That, notwithstanding any other provision of law, on and after the date of the enactment of this Act, the final regulations relating to transportation of claimants and beneficiaries in connection with Veterans' Administration medical care, published and discussed on pages 7575 through 7577 of volume 52, number 48 of the Federal Register (dated March 12, 1987), shall no longer be in effect.●

By Mr. SASSER (for himself and Mr. GORE):

S. 1060. A bill to amend the Internal Revenue Code of 1986 to permit taxpayers to elect to deduct either State and local sales taxes or State income taxes; to the Committee on Finance.

INTERNAL REVENUE CODE AMENDMENT

● Mr. SASSER. Mr. President, today, along with my junior colleague, Senator GORE, I am introducing legislation to rectify one of the glaring inequities in the 1986 tax reform bill; the elimination of the deduction for State and local sales taxes.

Now, some of my colleagues will argue that eliminating the sales tax deduction was done in the name of fairness. Let's explore that point a bit. No other State or local tax deduction was touched in the tax reform bill. You can still deduct your State income tax, for example. And if you happen to live in a State which has no sales tax, you aren't affected at all. Where's the fairness in that approach, Mr. President.

The elimination of the sales tax deduction was blatantly unfair, particularly to States such as Tennessee which rely on sales taxes for much of their revenue. Sales taxes account for more than 50 percent of the revenue collected in Tennessee. And most of these tax dollars go to support public education in Tennessee.

There are those who have attempted to justify eliminating the sales tax deduction by arguing that Tennessee and other States should not rely so heavily on sales taxes for revenue. Mr. President, that argument not only misses the point of tax equity, it raises a very serious question about our Federal system. Should the Federal Government dictate to the States what their tax policy will or will not be? To do so would undermine a State's authority to establish its own fiscal policy. Yet, exactly this type of Federal intrusion into State affairs lies at the heart of the repeal of the sales tax deduction.

Let me also underscore the economic importance of the sales tax deduction. Before its elimination, this was the most used deduction among itemizing