

climb. In fact, I just received a solicitation today in the mail, 23 percent interest. So given the fact that the public is unlikely to see any benefits of this legislation, it seems only fair for those who will benefit to foot the bill.

Mr. Chairman, that bill is going to be substantial. While nobody really knows what the new collection system will cost, the CBO estimates a cost of \$214 million over 5 years, and that not including the \$40 million to \$80 million to cover the salaries and expenses of the 25 or 30 additional bankruptcy judges who would be needed to meet the huge increase in workload that would result from the bill. We heard testimony that absolutely underscored the fact that this would require not just simply additional judges but support personnel and trustees. There were estimates that were provided to members of the committee during hearings that, in fact, the costs could very well be double what they are now. According to the CBO estimate, that would bring the total to between \$254 million and \$294 million over 5 years, over a quarter of a billion dollars. Those costs should not be borne by the American taxpayer. My amendment would ensure that they would not be borne by the American taxpayer.

Mr. Chairman, I do not want to suggest that the credit industry has been miserly regarding this legislation. Far from it. Visa and MasterCard have spent hundreds of thousands of dollars to draft this bill.

All my amendment says, having been so generous with their financial largess up until now, they should make one more payment, to reimburse the American people for increasing their bottom line.

Mr. GEKAS. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, the fullest expectation we have for H.R. 3150 is that in the long run, the provisions that we are going to put into the law will reduce the increase for sure of filings for bankruptcy, and with great luck, with the economy continuing to buzz on as it is, that we will actually be able to reduce the number of filings total across the land. While we are doing that, a natural accompaniment to that will be lower costs, lower costs to the taxpayers, lower costs to the consumers, lower costs to the interest lenders and creditors, and an impetus to further expansion of the economy.

That is why we say, in opposition to this amendment, that it is premature to add on a fail-safe for a possible cost that may or may not occur. On that basis, if we were to adopt this amendment, we who proposed these reforms, who want to reform the bankruptcy system, are second-guessing ourselves. We are saying we do not know if it is going to work or not. We know it is going to work.

If the gentleman from Massachusetts at some future date comes up to me and says, with a big downturn, "I told you so, we should have anticipated

these rising costs and you should have listened to my amendment," I will relent, I will tell him that I am ready to accept fault for that, and we will work together at that time to correct whatever fee shortage or cost shortage or revenue shortage that might occur as a result of this legislation.

But for the time being, I wish he would join with us in endorsing a concept and the language of the bill before us, H.R. 3150, so that we can get about the business of improving our bankruptcy laws, making sure that people have the fullest opportunity to get a fresh start where required, and on the other side of the ledger, to give full opportunity to repay some of the debt where and when possible.

Mr. Chairman, I ask everyone to vote "no" on the amendment.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN pro tempore (Mr. CALVERT). The question is on the amendment offered by the gentleman from Massachusetts (Mr. DELAHUNT).

The question was taken; and the Chairman pro tempore announced that the noes appeared to have it.

Mr. DELAHUNT. Mr. Chairman, I demand a recorded vote.

The CHAIRMAN pro tempore. Pursuant to House Resolution 462, further proceedings on the amendment offered by the gentleman from Massachusetts (Mr. DELAHUNT) will be postponed.

It is now in order to consider amendment number 7 printed in House Report 105-573.

AMENDMENT NO. 7 OFFERED BY MR. PAUL

Mr. PAUL. Mr. Chairman, I offer an amendment.

The CHAIRMAN pro tempore. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 7 offered by Mr. PAUL:
Page 78, after line 2, insert the following (and make such technical and conforming changes as may be appropriate):

SEC. 152. PRIORITIES.

Section 507(a) of title 11, United States Code, as amended by any other provision of this Act, is amended—

(1) in paragraph (9), as so redesignated and amended by any other provision of this Act—

(A) by inserting "firstly of local governmental units, secondly of State governmental units, and thirdly of all other governmental units, after "claims";

(B) by striking "(9) Ninth" and inserting "(11) Eleventh"; and

(C) by transferring such paragraph so as to insert such paragraph at the end of subsection (a) of section 507;

(2) in paragraph (10), as so redesignated and amended by any other provision of this Act, by striking "(10) Tenth" and inserting "(9) Ninth";

(3) in paragraph (11), as so redesignated and amended by any other provision of this Act, by striking "(11) Eleventh" and inserting "(10) Tenth".

The CHAIRMAN pro tempore. Pursuant to House Resolution 462, the gentleman from Texas (Mr. PAUL) and the gentleman from Pennsylvania (Mr. GEKAS) each will control 5 minutes.

The Chair recognizes the gentleman from Texas (Mr. PAUL).

Mr. PAUL. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, my amendment is not a complicated amendment. It merely redesignates the priorities of governments as they line up in the receiving end of a bankruptcy. These are unsecured debts.

Basically the way the law states now and the way the bill is written is that the IRS is the top government agency that is going to receive the money, and then the State and then the local government. My suggestion in my amendment is very simple and very clear and makes a very strong philosophic point, is why should we hold the IRS in such high esteem? Why should they be on top of the list? Why should the money leave the local districts and go to Washington? Why should it go into the coffers of the IRS, funding programs that are basically unconstitutional when there are so many programs that we are not doing and take it out of our school districts?

If we reverse the order, the local government gets the money first, the money that would be left over from the bankruptcy, then the State government, and then the Federal Government. This merely states the point, which I hope we can get across someday in this Congress, that the priority in government should be local government, not a big, strong Federal Government.

Indeed, today there is a lot of resentment in this country against the IRS and the way we spend money up here, and this emphasizes a very important point, that money should be left in the district, money should be left in the States, and at last resort, the money should come here to the Federal Government.

One of the arguments used against this amendment is, "Uh-oh, it is going to cost the Government some money." Cost the Government some money by leaving the money in the State or locally, or leaving it in the pockets of the American people as that same argument is used in tax increases? Hardly would it be difficult for the small amounts, I do not even know the exact amount of money that might be lost to the Treasury because some of these funds might not flow here in this direction, but it cannot be a tremendous amount. But what is wrong with the suggestion that we just cut something? There are so many places that we can cut. Instead, all we do around here is look around for more places to spend money. Today we are even talking about increasing taxes by three-quarters of a trillion dollars on a tobacco program. We are always looking for more revenues and more spending programs and we are worried about paying for a little less revenues coming into the Federal Government.

Once again, this amendment is very clear. It states that in the order of designating these funds on unsecured

creditors, local government would get the money first, then State government, and then the Federal Government.

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In the 1980s, in the early 1990s, when Texas and California had trouble, money flowed up here in the middle of bankruptcies at the same time school districts were suffering, putting a greater burden on local school districts. So this is to me a very clear principled position to state that we should have local government, not Federal Government, that we should not enhance the power and the authority of the Federal Government and certainly should not put the IRS and the Federal Government on the top of the pecking order. They should be at the bottom where they deserve to be.

So I would ask my colleagues to endorse this legislation and this amendment to this legislation. I support the legislation. I am hopeful that this amendment will be passed.

Mr. Chairman, I reserve the balance of my time.

Mr. GEKAS. Mr. Chairman, I yield myself such time as I might consume.

Mr. Chairman, I rise in friendly opposition to the amendment because down deep I agree with the gentleman's contentions about the tax structure and the relevant priorities that we have for too long imposed upon the American public with respect to the balance between local taxation and local interests and States for that matter and vis-a-vis the Federal overplay in both taxation and regulation and all the gamut of items that have harmed private enterprise over the years and have harmed actually the rights of citizens. So from that standpoint, I am in full agreement with the gentleman.

The reservations that I have stem about my duty in handling this bill which is a bill in bankruptcy which is embedded in the Constitution. Therefore, the entire panoply of provisions that have to do with bankruptcy have a national flavor, a national aegis, a national emblem, and so concomitant with that goes the Federal revenues and Federal Treasury that is a part of the total bankruptcy law. I am afraid that if we reverse these priorities as they are now constituted, that we will be infringing upon the Federal jurisdiction of bankruptcy itself, and I can not do that.

What I want to do is to assure the gentleman that wherever we can in pursuit of the finalization of this bill, in conference and thereafter, that we take into account what the gentleman has said, and perhaps in another forum and in another committee jurisdiction, Ways and Means for instance, we can try to work out his set of priorities in a different way. But now I am constrained to fight for the preservation of our bill as we have constructed it with the Federal jurisdiction both in taxation and in bankruptcy courts remaining paramount, and for that rea-

son I would oppose the amendment at this juncture.

Mr. Chairman, I reserve the balance of my time.

Mr. PAUL. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I would just like to respond by saying I certainly do recognize responsibility of the U.S. Congress in dealing with national legislation dealing with bankruptcy and that bankruptcy laws should be uniform and fair. But this does not preclude us from thinking about the particulars of a piece of legislation designating the importance of the different governmental bodies, so everything I say about emphasizing local government over Federal Government is certainly legitimate and does not contradict in any way the notion that we should not deal with this at all because certainly we have this authority to do so.

And it still remains to be seen with much of a cost at all involved here; I happen to think not very much, but I would like to emphasize once again the importance of dealing with cutting spending rather than always resorting to say how do we pay something, pay for something, by merely raising taxes elsewhere if we happen to work in a benefit on a program such as this.

So I would say that it is very important that we do think about local government over Federal government, think about less taxes and less bureaucracy, because unless we change our mind set on this, we will continue to put the priorities of the Federal Government and the IRS up at the top. I want them at the bottom. That is where they deserve. They do not know how to spend their money. They do not know how to spend their money, and we ought to see to it that they get a lot less of it.

Mr. GEKAS. Mr. Chairman, I yield myself such time as I may consume.

The more I hear the gentleman speak, the more I am inclined to agree with him because he makes sense with respect to the priorities that we have allowed the IRS to grab for itself. But in any event, I will ask for a no vote with due honor to the proposition offered by the gentleman from Texas (Mr. PAUL).

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas (Mr. PAUL).

The amendment was rejected.

The CHAIRMAN. It is now in order to consider Amendment No. 8 printed in House Report 105—573.

AMENDMENT NO. 8 OFFERED BY MR. GEKAS

Mr. GEKAS. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment No. 8 printed in House Report 105—573 offered by Mr. PAUL:

Beginning on page 82, strike line 23 and all that follows through line 19 on page 83, and insert the following:

SEC. 182. LIMITATION.

Section 522 of title 11, United States Code, is amended—

(1) in subsection (b)(2)(A) by inserting "subject to subsection (n)," before "any property"; and

(2) by adding at the end the following:

"(n) For purposes of subsection (b)(2)(A) and notwithstanding subsection (a), the value of an interest in—

"(1) real or personal property that the debtor or a dependent of the debtor uses as a residence;

"(2) a cooperative that owns property that the debtor or a dependent of the debtor uses as a residence; or

"(3) a burial plot for the debtor or a dependent of the debtor;

shall be reduced to the extent such value is attributable to any portion of any property that the debtor disposed of in the 365-day period ending of the date of the filing of the petition, with the intent to hinder, delay, or defraud a creditor and that the debtor could not exempt, or that portion that the debtor could not exempt, under subsection (b) if on such date the debtor had held the property so disposed of."

The CHAIRMAN. Pursuant to House Resolution 462, the gentleman from Pennsylvania (Mr. GEKAS) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentleman from Pennsylvania (Mr. GEKAS).

Mr. GEKAS. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, from the very first moment that I began to become involved in the bankruptcy issue and intent on preparing a product which we have before us now which will do a great deal of good over the next 10–15 years, I always wanted to maintain the States' rights to describe their own set of exemptions, particularly homestead exemptions, because I felt that was necessary for a variety of reasons to honor the State's determination of what it wanted to grant as an exemption, and the first proposal that I made that became a part of this bill did so, it did honor that.

At the full Committee on the Judiciary, after an offer of an amendment was made by the gentleman from Massachusetts (Mr. DELAHUNT) to put in a \$100,000 figure that would be a cap that reflected what the Senate has done, that was adopted by the full committee mostly on the basis that it paralleled the Senate version, as I recall. At the same time I did indicate that I would not be bound, that I could reserve the right to change that when we came to the full floor. Hence we are here.

Mr. Chairman, I yield for a period of 2½ minutes to the gentleman from Florida (Mr. MCCOLLUM) to explain and to propound the amendment.

Mr. MCCOLLUM. Mr. Chairman, I thank the gentleman for yielding this time to me.

I want to explain this amendment. It strikes the \$100,000 homestead exemption cap that is in the bill and reverts back to current law in that respect. But it does a little more than that.

In addition it denies the right of homestead exemption to somebody who within a year of filing bankruptcy