

Statement of Rep. Carolyn B. Maloney
Maloney Amendment – Transportation-Treasury Appropriations
September 9, 2003

Mr. Chairman,
I have an amendment at the desk.

Before I speak on my amendment I would like to rise in strong support of the underlying bill.

I appreciate all of the work Chairman Istook and Ranking Member Olver have put into putting this bill together.

Specifically, I sincerely appreciate the work on transportation issues that directly impact New York City, including the Second Avenue Subway, Queens Plaza and East Side Access.

Millions of New Yorkers as well as millions of tourists from many of your districts will benefit from these needed improvements.

Mr. Chairman, I would like to thank my colleagues for their leadership on behalf of New York following the tragedy of 9/11.
I never saw Congress so determined and united.

We responded with a national commitment to help New York City rebuild.

Part of this rebuilding effort was federal grants to businesses and individuals in Lower Manhattan near Ground Zero.

These grants have been wonderfully helpful to many in need but they have not been without their fair share of problems

Just yesterday the New York Times wrote of problems getting all of the aid to those who needed it the most

But what is more disturbing is that after deserving victims of 9/11 got the aid, the IRS, in a surprise announcement decided to take part of it away in taxes

Many grant recipients accepted the aid and spent every penny, not knowing they would have to pay taxes on it when the IRS, in a surprise decision last November announced that they would tax the grants

Apparently the IRS
was secretly planning to impose
this tax for months before
their decision but did not have
the decency to consult with Congress

Had IRS consulted with Congress last summer
we would have been able to work
to correct this problem before they came out with
their decision

Sadly, if this grant money had gone through FEMA,
like what some in the NY Delegation wanted
it clearly would not have been taxed

Instead, this grant money was appropriated
through HUD which left it open for the
IRS to make this ridiculous decision

It is just unfair
for these cash-strapped businesses and individuals
to take another financial hit.

A financial hit that the Joint Committee on Taxation
estimates to be \$268 million dollars

The IRS is taking back \$268 million in federal aid that the

President pledged to New York and Congress appropriated.

This IRS decision has also had a ripple affect on other federal benefits that survivors of 9/11 may receive.

Since many agency rely on the IRS's definition of gross income, some recipient's eligibility for programs like medicare, medicaid and social security may be in jeopardy.

The amendment that I am offering today, along with my colleague Jerry Nadler, would bar the use of any funds for one year for the IRS to enforce their decision to collect taxes on these grants to Lower Manhattan.

After all, the Federal Government is supposed to be sending aid to disaster victims, not taking it away.

Taxing the grants violates the spirit of Federal disaster aid.

This is not the first action that I and others have taken to right this wrong. Actually, it is

the latest in a series of actions

I , along with others in the NY Delegation have written IRS and the Secretary of Treasury, we have written the President, Speaker Hastert and the leadership of the other body, I have introduced bipartisan legislation, the Ways and Means Committee is aware of the problem, the Congressional Research Service has done a memo, I have gone in front of the Rules Committee seeking to add it on as an amendment to HR 1308, the Increased Child Tax Credit Bill and I am on the Floor today with this amendment.

I ask my colleagues, who have the ultimate authority to decided what gets taxed for their help.

I am confident that it was never this Congress's intent to tax this aid

so please tell me how and when we are going to fix this and stop the IRS from taxing New Yorkers for the 9/11 money that we gave them?

Take as one example the story of Olga Diaz, the owner of a hair salon in the World Trade Center she lost \$300,000 in the attacks and received a

federal grant of \$37,000.

Ms. Diaz states that she learned about the taxation on the grants “after I invested it in rebuilding my business and I am now struggling to find ways to pay.”

My colleagues,
this amendment is a step in the right direction,
a step toward the
kind of compassionate bipartisan response
that Congress first demonstrated toward
the economic victims of 9/11.

Making this amendment subject to a point of order means that this Congress has made a decision to continue to tax this 9/11 aid two days before the second anniversary of these attacks.

If we can not fix this decision now, please tell me when because we are the only ones that can stop this taxation.

I urge my distinguished colleagues
to support this amendment
and do right by these victims of terrorism.

Thank you.

But something happened on the way to New York's recovery. Last November, the IRS ruled that some 9/11 recovery grants are subject to federal taxation. This

decree shocked grant recipients, who had been told that their disaster relief grants were to be tax-free.

With New York's economic future hanging in the balance, it is absolutely senseless that Uncle Sam should act like a three-card monte dealer, giving with one hand and taking away with the other.

Take one example I've learned about – that of Vincent Au, the President of a financial services and brokerage firm called Avalon Partners. His business reports losses of about \$900,000 as a result of the terrorist attack and its aftermath. And Avalon Partners has received approximately \$120,000 in federal grants. But now it will be obligated to send back \$40,000 to \$50,000 of the grant, even though the funds have already been spent.

Mr. Au summed it up best: “If they looked in the dictionary under ‘red tape,’ this would be it.”

In the last Congress and again this year, I have introduced legislation to remedy this ill-conceived IRS ruling. And I have urged my colleagues to co-sponsor HR 1620, my bipartisan bill to right this wrong.

I have also tried to offer this legislation as an amendment to other bills, and the Rules Committee has refused to rule in order.

I rise again today to urge my distinguished colleagues to