Congressman Pitts' Farm Report

July 27, 2004

Energy bill holds promise for farmers

Energy costs account for as much as one fourth of a producer's costs. On June 16, 2004, the House passed H.R. 4503, the Energy Policy Act of 2004, with my support by a vote of 244 to 178, marking the fourth time the House has passed such legislation since 2001.

Congressman Pitts explains farm policy to a farmer in Willow Street during his farm tour last year

The legislation includes provisions crucial to the agriculture sector including the Renewable Fuel Standard (RFS) and renewable energy tax provisions. The RFS will increase over time the contribution of ethanol and biodiesel, a clean-burning alternative fuel made from domestic renewable fuel sources, to our nation's fuel supply, so that by 2012, 5 billion gallons of renewable fuels would be required. The mandate would begin at 3.1 billion gallons in 2005.

It is estimated that the legislation, which would dramatically increase the use of renewable fuels, will reduce the nation's trade deficit by more than $34 billion, increase the GDP by $156 billion by 2012, create more than 214,000 new jobs throughout the entire economy, expand household income by an additional $51.7 billion, increase net farm income nearly $6 billion per year, create $5.3

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Latest on the Death tax, Capital Gains

On January 7, 2003, I introduced H.R. 159, the Open Space Preservation Act. This bill repeals capital gains taxes on all farms that are preserved in these farmland preservation covenants and are located in counties with a population of 100 persons or more per square mile.

Because of tax burden, farmers are often forced to sell their farms to developers simply to pay the exorbitant estate and capital gains taxes. This legislation gives these farmers the opportunity to keep their family farms and thereby preserve the open spaces of our beautiful nation. The Open Space Preservation Act creates real incentives for farm owners to keep their farms intact.

The 2001 tax cut included a repeal of the estate/ death tax. Senate Democratic opponents used a technical Senate rule that forced the tax cut law to sunset on Dec. 31, 2010.

On June 18, 2003, the House made the death tax repeal permanent by passing H.R. 8, the Death Tax Repeal Permanency Act of 2003. Having introduced similar legislation myself earlier this year, H.R. 158, I was pleased to be a co-sponsor of this important bill, which was introduced by Representative Jennifer Dunn on June 12, 2003.

Association Health Plans in jeopardy

H.R. 660, the Small Business Health Fairness Act, was introduced by Rep. (now Kentucky Governor) Ernie Fletcher. The bill would allow professional and trade associations to sponsor and provide health insurance to their membership. I cosponsored this important legislation, which passed the House with my support on June 19, 2003 by a vote of 262 to 162.

However, due to obstruction in the Senate, H.R. 660 was never brought up for a vote, and the House again tackled this important issue with new legislation. H.R. 4281, the Small Business Health Fairness Act of 2004, was introduced by Rep. Sam Johnson on May 5, 2004, after the Senate failed to act on H.R. 660. H.R. 4281 is nearly identical to the Fletcher bill and passed the House with my support, by a vote, of 252 to 162, on May 13, 2004.

AHPs allow affiliated groups to join together across state lines to provide health insurance at lower premiums. By allowing small businesses and other groups to join together to obtain the same economies of scale, purchasing clout and administrative efficiencies as large corporations, AHPs could reduce health insurance costs by 15 percent to 30 percent. New coverage option for the self-employed and small business workers will also promote greater competition and choice in health insurance markets.

During the 107th Congress, I also supported the Bipartisan Patients Bill of Rights, which supported the creation of AHPs.

Luke Brubaker shows Congressman Pitts around his farm in Mount Joy

Trade and Dairy Industry

Imports of milk protein concentrate (MPC) have grown more than 600% since 1995, flooding the market and displacing domestic producers. The cost of purchasing surplus nonfat dry milk displaced by the imports costs taxpayers approximately $200-$300 million per year.

H.R. 1160, of which I am a cosponsor, would impose tariff-rate quotas on certain casein and MPCs. The bill would also authorize the President to enter into trade agreements with foreign countries to maintain a general level of reciprocal concessions relating to the dairy trade. I believe that the same tariff-rate quotas that apply to related dairy products, like skim milk powder, should apply to MPCs and casein. This bill is currently before the House Ways and Means Subcommittee on Trade awaiting a hearing.

House acts to protect farmers from EU tariffs; Senate does . . . nothing

H.R. 4520, the American Jobs Creation Act, was introduced by Rep. Bill Thomas on June 4, 2004 and passed the House with my support on June 17, 2004, by a vote of 251 to 178. The bill provides tax relief for American businesses to further fuel economic growth and job creation in the United States.

The United States' Foreign Sales Corporation (FSC) and Extraterritorial Income Exclusion (ETI) export regimes have been declared illegal four times by the World Trade Organization (WTO). The United States is facing $4 billion in sanctions (100 percent tariffs) against some of our most vulnerable and essential industries (steel, agriculture, livestock, wood and paper products, apparel, jewelry, machine tools, appliances and electronics).

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Expanding access to foreign markets

The U.S. agricultural sector is increasingly reliant on its ability to export. At least one-quarter of our nation's agricultural production is destined for foreign markets. While the agricultural sector has enjoyed a trade surplus for several decades, imports are quickly closing the gap due to highly restricted export markets – agricultural exports for FY 2003 are forecast at about $59 billion and imports nearly $43 billion. I believe that the top priorities of Congress and the Administration must be to:

- Provide the Agriculture Department and the U.S. Trade Representative's Office the necessary resources to negotiate elimination of technical barriers to U.S. exports and monitor and aggressively enforce existing trade agreements.
- Address the inequities in the current level of tariffs, domestic support, and export subsidies employed by our trading partners. Any outcome should include the elimination of export subsidies, substantial reductions in tariffs, and an elimination of non-tariff barriers.
- Insure that any negotiated gains in market access are not offset by an increase in new barriers to U.S. exports (i.e., "non-trade concerns").

Congressman Pitts talks with farmers at Letort Valley Farms during last year's farm tour

Energy bill stalled

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billion of new investment in renewable fuel production capacity and displace more than 1.6 billion barrels of oil. Additionally, the legislation extends the production tax credit for alternative fuels to producers of electricity from wind, biomass (including livestock waste nutrients), and methane derived from farm wastes. Also, this bill has many provisions that allow for more domestic oil and natural gas exploration.

Passage of a comprehensive national energy bill is critical for rural America, job creation, and national security. It is imperative that the Senate take up this legislation immediately.

EU tariffs

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On March 1, 2004, the European Union began imposing retaliatory duties of 5 percent on selected U.S. exports in the dispute over U.S. compliance with a World Trade Organization (WTO) ruling involving the Foreign Sales Corporation (FSC) and its successor Extraterritorial Income Exclusion (ETI) export tax regime. Unless Congress repeals these export tax provisions, the EU plans to increase the tariff being applied to some 1,607 different products by 1 percentage point per month until it reaches 17 percent by March 2005.

H.R. 4520 removes tax impediments that hinder U.S. domestic manufacturers and workers, and it removes the tax impediments that put U.S. companies and workers at a competitive disadvantage both domestically and in global markets.

H-2A Visa reform necessary for farmers

The H-2A program provides for the temporary admission of foreign agricultural workers to perform work that is temporary in nature, *provided U.S. workers are not available.* In contrast to the H-1B nonimmigrant visa for professional specialty workers, the H-2A visa is not subject to numerical restrictions.

The current H-2A visa system, however, is inflexible, entails burdensome regulations, poses potential litigation expenses for employers, and is in need of reform. That is why I am among 112 other Members of the House cosponsoring H.R. 3142, the Agricultural Job Opportunity, Benefits, and Security Act of 2003 (AgJOBS). Supported by the U.S. Chamber of Commerce, Americans for Tax Reform, and the American Farm Bureau Federation, the bill would adjust the status of current agricultural workers to temporary and permanent resident status, and reform the temporary and seasonal agricultural worker program.

This legislation would reform the current agricultural guest worker program to allow agricultural employers unable to find American workers to hire immigrant farm workers. Additionally, the AgJOBS Act will potentially bring 500,000 workers out from the shadows and allow them to earn the right to work in America legally. This will help secure the homeland and create a more robust, safe and affordable food supply.

To date, however, the House Judiciary Subcommittee on Immigration, Border Security, and Claims has yet to hold a hearing or markup on this critical issue.

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