

## CORPORATE RESPONSIBILITY

Congressman DeFazio had the foresight to oppose legislation that set the stage for the multiple corporate scandals that hit the headlines in 2001-2002. He has also been a vocal critic of corporate welfare and a vocal advocate of requiring corporations to pay their fair share of the federal tax burden.

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### In the 108th Congress (2003-2004)

- ▶ **DeFazio voted against a bill that would roll-back some of the landmark corporate reforms adopted in the 107th Congress.** DeFazio opposed H.R. 3574, the Stock Option Accounting Reform Act. This legislation would block an effort by the Financial Accounting Standards Board to require companies to expense stock options on their balance sheets.
- ▶ **Allegations of war profiteering on reconstruction contracts in Iraq led DeFazio to coauthor H.R. 3673, the War Profiteering Prevention Act.** This legislation prohibits fraud and excess profiteering in contracts awarded for relief and reconstruction in Iraq, increases penalties to \$1 million or twice the gross profits or proceeds (whichever is greater), and provides for jail terms of up to 20 years.
- ▶ **DeFazio cosponsored several bills to force corporations to pay their fair share of taxes** including: H.R. 737 to eliminate the ability of corporations to rent post office boxes that serve as headquarters in tax havens to avoid U.S. taxes; H.R. 1555 to eliminate corporate tax shelters used to hide income.
- ▶ **DeFazio introduced legislation, H.R. 1109, to regulate all over-the-counter (OTC) derivatives.** OTC derivatives are currently exempt from regulation. Enron was heavily involved in OTC derivatives, and used these financial instruments to hide billions of dollars in debt prior to its collapse. Enron also operated the largest online OTC derivatives exchange, which was also unregulated. Investor Warren Buffet has warned that derivatives threaten the financial integrity of many businesses and markets. The DeFazio legislation would extend regulation, including registration, recordkeeping and reporting requirements as well as collateral, capital and margin requirements, to energy and non-energy related OTC derivatives. These regulations already exist in other financial sectors, such as banking and securities dealing, which are economically indistinguishable OTC derivatives.
- ▶ DeFazio is a cosponsor of H.R. 414, the Life Insurance Employee Notification Act, which requires employers to notify employees if they take out a life insurance plan on the employee. This became an issue during the wave of corporate scandals when it was discovered companies were taking out life insurance policies on low-paid, rank-and-file workers in which the company, not the employees family, would benefit.

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### In the 107th Congress (2001-2002)

▶ **DeFazio voted in favor of the Public Company Accounting Reform and Investor Protection Act**, H.R. 3763, which was based on legislation drafted by Senator Paul Sarbanes (D-MD). The legislation sets up an independent oversight board to oversee the accounting industry. The board will have the power to set standards and discipline wayward accountants. The bill prohibits auditors from performing consulting services for the same companies they are auditing. Among many other provisions, the bill increases penalties for corporate fraud, ensures executives are treated the same as rank-and-file employees with respect to selling company stock, prohibits insider loans to executives, and requires executives to forfeit money received through fraudulent means as restitution to victims of the scam.

▶ DeFazio introduced legislation, H.R. 4038, to regulate all over-the-counter derivatives.

▶ **DeFazio cosponsored several bills to force corporations to pay their fair share of taxes** including: H.R. 3884 to eliminate the ability of corporations to rent post office boxes that serve as headquarters in tax havens to avoid U.S. taxes; H.R. 2520 to eliminate corporate tax shelters used to hide income; H.R. 4993 to prevent businesses that relocate abroad to avoid taxes, from taking advantage of international tax treaties; and H.R. 4831 to prohibit corporate tax dodgers from receiving government contracts.

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#### **In the 106th Congress (1999-2000)**

▶ Continuing his efforts to combat corporate welfare, DeFazio and Senator Tom Harkin asked the General Accounting Office to compile a list of procurement fraud cases among the top 100 defense contractors from January 1995 through September 1999. DeFazio offered an amendment to the 2000 Department of Defense Authorization bill to prohibit the DOD from entering into contracts with companies that violate the law more than three times and has introduced a bill, H.R.5439, to end taxpayer support of federal contractors that violate the law more than three times.

▶ DeFazio voted against the 1999 Financial Services Modernization Act which, for the first time since the Great Depression, allowed the merger of insurance companies, banks, and securities dealers. This bill resulted in the scandals at Merrill Lynch and other brokerage/financial services companies, where analysts knowingly touted failing stocks in order to pad the profits of the banking arm of their employer.

▶ DeFazio voted against the 2000 Commodity Futures Modernization Act, which exempted over-the-counter derivatives from regulation. Enron's heavy derivatives trading contributed to its collapse and to the run-up in energy prices in the West in 2000-2002.

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#### **In the 104th Congress (1995-1996)**

▶ DeFazio voted against the 1995 Securities Reform Litigation Act, which insulated accounting firms from virtually all investor lawsuits and led to an atmosphere in which companies and their

auditors felt free to cook the books and defraud investors.

- ▶ DeFazio also voted against the 1996 Telecommunications Act, which allowed a wave of consolidation in the phone, cable, television, and radio industries. This legislation ushered in a corporate takeover of the media and contributed to the collapse of telecom giants like Global Crossing and WorldCom.

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**In the 103rd Congress (1993-1994)**

- ▶ Author of H.R. 1997, legislation to eliminate a tax benefit for log exporting corporations (the foreign sales corporation benefit) and provide favorable tax treatment for the capital gains from the sale of timber sold for domestic manufacturing purposes. The Foreign Sales Corporation tax benefit was eliminated as part of the 1993 Budget Reconciliation bill, H.R.2264, enacted on August 10, 1993.

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**In the 102nd Congress (1991-1992)**

- ▶ DeFazio was one of only 60 Members of the House to vote against the Energy Policy Act of 1992. This legislation deregulated the wholesale electricity industry and contributed to the emergence of energy conglomerates like Enron, who were able to manipulate prices.