was increased in 1986 from 20 to 28 percent, statistics show again, conclusively, that not only did it not raise the money that CBO said it would raise, but it acted as a wet blanket on the expansion of business. And that is what caught up with us beginning in 1988.

One of the red herrings that is brought by our friends on the Democrat side is that the rich get all the breaks from the capital gains. As the gentlewoman knows, who prepared taxes for people and businesses for years, and as this chart shows, 38.4 percent of the distribution of capital gains realizations, 38 percent of the money from capital gains comes from people under $50,000. So 38 percent of the tax break comes for people who make less than $50,000. That is the biggest single group of people who will benefit from the capital gains tax cut.

Of course, 22.4 percent make between 50 and 100. When you get to $100,000 to $200,000, which I consider a pretty good salary, it is only 13.8 percent of the people who pay capital gains there and 25,4 percent who make over $200,000.

So by far and away the benefits here are for people who are in the modest income category.

This is another issue here on this chart that has been, I think, mischaracterized by the other side of the aisle, the distribution of the $500 per child tax credit. We had this chart up here a few minutes ago when somebody else was speaking, and it shows clearly that 87.5 percent of the people who will benefit from this, the families earn less than $75,000 a year.

MIDDLE-CLASS TAX CUT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Massachusetts [Mr. OLVER] is recognized for 5 minutes.

Mr. OLVER. Mr. Speaker, I think that the discussion here that has been going on really is most appropriate because tomorrow we are going to be talking about the beginning of the debate on the middle-class tax cut.

We have all heard a great deal about the middle-class tax cut over the last couple of years, and the reason why we have been talking about a middle-class tax cut is that the middle class really is very anxious.

Jobs have been insecure for a number of years, for quite a few years. The cost of health care in the last 15 years has gone up by an enormous amount. The cost of educating your college-age kids has gone up tremendously, much faster than inflation.

In sum total, I think it can be summarized in this chart, which shows what has happened over the last 15 years or thereabouts, or at least the 15 years from 1979 to 1993 when for different parts of the electorate, different parts of the citizenry and the electorate, of course, the rate at which people's income has gone up has been very different from the rate at which inflation has gone up.

People's income, for people who are relatively low- and middle-income folks down here at the left side of the chart, has actually been going up slower than inflation for that 15 years, and so the broad middle class in here has seen their incomes erode for a long period of time. The very high-income people in the top 20 percent, these rightmost two bars representing the top 10 and the next 10 percent of all people's incomes in this country, they have seen their incomes in that 15 years go up considerably faster than inflation and have done pretty well in that period of time.

So we have heard, theretofore, a great deal about a middle-class tax cut in order to give people down in this region, which the middle of the American citizenry falls right in this region, who have lost a little bit in the last 15 years certainly, and those who are in the lower middle class and those who are low-income working people and down there have all seen their incomes go down, and so indeed they should be very anxious.

Well, so what do we have now coming up? We are going to be starting debate on a $190 billion tax bill. By the way, there is not a single economist who came before the Committee on the Budget in all of our hearings yet this year who suggested that we should be giving a tax cut of this sort when we are running the kinds of deficits, when we are running 200——

Mr. KINGSTON. Would the gentleman yield?

Mr. OLVER. No, I do not have time to yield.

Mr. KINGSTON. I will give you a minute of my time when it is my turn.

Mr. OLVER. Fine. I will yield if you would take less than a minute so I will not lose any of my time.

Mr. KINGSTON. We will time it.

I have a chart here. I do not know if you have seen it, but what this one shows clearly is that a lower tax rate actually increases revenue to the Federal budget and also that the economic——

Mr. OLVER. Lower tax break.

Mr. KINGSTON. A lower tax rate increases revenue to the Federal budget.

Mr. OLVER. If I may reclaim my time, I think that I am not sure exactly where that chart is from. It is hard for me to see it, but we tried that economics. It was called voodoo economics by the gentleman who was later the President of the United States and who had served as Vice President under President Reagan.

Mr. KINGSTON. Was that John F. Kennedy? I see that this goes back to 1960.

Mr. OLVER. Mr. Speaker, is this my time or not my time?

The SPEAKER pro tempore. The gentleman from Massachusetts has the time.

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Mr. Speaker, the idea that you can increase revenues was very thoroughly debunked in the 1980's, when tax reductions were given and when the deficits went right through the ceiling during that period. And during a 12-year period we saw more than a quadrupling of our national debt, with deficits year after year that ran between $200 and $350 billion per year, that economically have brought us to the sorry state that we are presently in.

But in any case, no economists agree that we should be doing this kind of tax break.

Now, let us look at the tax break that is going to be given, though, given that we might want to do something for people in this lower area, this left hand area who are middle-class people and whose incomes have been going down hill in the last few years.

I am going to show a second chart here which shows where the actual tax benefits under the contract that we are going to be starting to debate tomorrow will fall. This is a little different from the chart that some others of my colleagues have been showing because it is trying to show what happens while we are in the phase-in period in the next 5 years, rather than the out years.

During that phase-in period, more than 50 percent of all the tax break would go to the highest income, two groups here, and those are exactly, of course, the people who fall in these two categories out here who have done the best during the 1980's. More than 50 percent of all the tax break occurs there.

ON THE TAX BILL

The SPEAKER pro tempore (Mr. BILBRAY). Under a previous order of the House, the gentleman from Michigan [Mr. SMITH] is recognized for 5 minutes.

Mr. SMITH of Michigan. Mr. Speaker, just to continue with those charts, the first chart, this is the tax cut for working-class families. For those families earning less than $25 thousand, there is 100 percent tax cut. For those families earning less than $30,000, a 48 percent tax cut. For those less than $45,000 a 21 percent tax cut.

You see the tax cut continues to go way down. Those families with over a $200,000 income only have a 2-percent tax cut. So it must be tremendously frustrating for people to look at one side of the aisle and then the other side of the aisle as we go through these charts.

But if you look at what is going to happen in terms of the tax day. You know, the tax day is how much of the year you have to work so that work and that effort goes to the Federal Government to pay taxes. Currently, it is June 4. Under the budget proposal that was submitted by this president, that tax day increases to June 7.

Under this tax proposal that we are going to be considering for the next 2 days, it goes back to May 26 and, my colleagues, it even should be earlier than May 26.

There has been suggestions that the tax breaks go to big business. With all due respect, I suggest to you, Mr. Speaker, that taxes placed on business are passed on in the price of their products. Right now between the regulations and the taxes that we charge business, they are paying every year $750 billion. That is twice the amount that you are paying on increased costs of the goods and services you buy compared to what you spend in your tax bill. It is bad enough, in the next couple weeks, as you sit down and figures out your tax bill of what you have to pay this Federal Government to operate its huge, overzealous, overbloated government, but just think for a minute the price, increased price that you pay for the products in this country because of the regulations that cost $500 billion a year to that business that they pass on to you in increased costs of their products, to the additional $250 billion that we change those businesses in taxes.

If they are not successful in passing it onto you and I, the consumers of this country, then they go out of business. So I guarantee you, they price on that product.

Let me show you what we are doing to business in this country on taxes. On the far-right column, you see in the United States we charge our business on our capital gains tax rate the marginal rate is 28 percent. You compare that to France, it is 18 percent; Germany totally exempts their businesses; Japan is down to 20 percent; U.K. exempts the first 5,500 pounds and after that charges 40 percent.

We are overtaxing our businesses. We are losing businesses that, No. 1, go out of business; that, No. 2, decide to go to another country to operate. We cannot continue to place our businesses at a competitive disadvantage with what other countries in the world are doing.

I request my colleagues to look at this tax bill of what is good for business and jobs.

Mr. SAXTON. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Michigan. I yield to the gentleman from New Jersey.

Mr. SAXTON. I just want to be recognized to ask the gentleman a question. And that is, as you pointed out, correctly, our capital gains tax rate is high. Mr. SCHUMER was just talking about the alternative minimum tax.

When corporations or businesses are charged these taxes, how do they recoup the money that they have sent to the Government? Where do they get the money to send down here to Washington, DC for the politicians to spend?

Mr. SMITH of Michigan. They increase their price of toys and toothbrushes and automobiles and everything else. The only thing that that business can do is pass on that cost.

Mr. SAXTON. It is the consumer that ends up paying higher prices so businesses can pay taxes to send to Washington for the politicians to spend.

Mr. SMITH of Michigan. Yes, and I think the important point is, we cannot place our businesses at a competitive disadvantage with other businesses in the world. We have got to encourage them to buy the equipment and machinery that is going to make their employees more efficient. If you put good tools in the hands of our workers, they are going to outproduce anybody on Earth. And we have got to have a tax system that encourages that action by business.

Mr. KINGSTON. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Michigan. I yield to the gentleman from Georgia.

Mr. KINGSTON. I was on the board of directors of a corporation before I came here. I know from talking to other business people that generally you decide how much profit you are going to make. Everything else is overhead, your payroll, taxes, everything else. I think you can successfully argue that corporations are not going to pay taxes regardless of what the rate is because it is a pass-through cost, just as the gentleman from New Jersey and you have said. It all goes back to the consumer so we are just playing games when we say it is corporations.

Mr. SMITH of Michigan. It is a hidden tax.

EFFECTS OF THE TAX CUT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Colorado [Mr. SKAGGS] is recognized for 5 minutes.

Mr. SKAGGS. Mr. Speaker, we are now into the home stretch, I think to the relief of Members on both sides of the aisle, the home stretch of the 100 days. And as has been announced by the Speaker, we are able this week to appreciate in all of its glory the crown jewel of the contract, the tax bill that the Members of the Republican Party are going to bring to the floor later this week.

I think it is important for the country to understand in this week in which we are finally able to pull all of this together to understand who are the winners and who are the losers in this entire contract exercise.

Particularly with regard to the tax bill, we should be under absolutely no illusions that this bill certainly fulfills the promises that have been made over the months and years by the GOP to its supporters. That distribution is accurately reflected in the chart here to my right.

About half of the benefit from this tax legislation will go to the top 10 percent in this country, about a five-to-one return. The Wealthiest 5 percent get about a 7-to-1 return, getting about over a third of the benefits of this tax legislation. The wealthiest 1 percent, a 20-to-1 return.

I am sure that this nice return on investment was made possible in part, as we are learning more and more about the very intimate relationship between many special interest lobbyists in Washington and the drafting of legislation being brought to the floor by the new majority party, despite their protests about a new way of doing business, makes it all the more understandable why we had such a hard time at the beginning of the session getting them to take seriously the efforts that many Members on our side were trying to make to take up gift and lobbying reform.

I wish we would not be having these kinds of pie charts and demonstrations of exactly who gets the benefits from these tax breaks, if some of the very well-intended moderate Members on the majority side of the aisle had been more successful in getting their leadership to pay attention to the inequities in this bill.

Mr. SAWYER. Mr. Speaker, will the gentleman yield?

Mr. SKAGGS. I yield to the gentleman from Ohio.

Mr. SAWYER. Mr. Speaker, I rise because in fact as we are doing this, we are taking, in order to finance these kinds of tax breaks, at least $13 billion from the pockets of Americans who are trying to send their kids to school, to higher education. I would not raise this except for the fact that we have been here before.

This Nation a century ago made a fundamental decision, when we looked around the country and we saw 200 institutions of higher education largely for the sons of the very wealthy in this country and we saw the railroads expanding westward, we said that in order to build a nation as fast as we are expanding, we need to elevate our skills. And so we took from some of those expanding railroads and we invested those dollars in the largest single expansion of higher education this Nation has ever seen.

It did not quit even until today. And with it we have created the skills that have defined the American century.

Today we run the risk of reversing that decision, of giving back those dollars to those corporations in ways that they may not need and absolutely depriving Americans from the chance to continue, at a time when it has never been more important, the increasingly important effort to raise job opportunities and standard of living with the ability to bring skills to the American workplace. We have been here before, Mr. Speaker.

Mr. HOKE. Mr. Speaker, will the gentleman yield?

Mr. SKAGGS. I yield to the gentleman from Ohio.

Mr. HOKE. Here is my question for you——

Mr. SAWYER. I was in the middle of a sentence, but that is all right.

Mr. HOKE. Mr. Speaker, I apologize to the gentleman.

Mr. SAWYER. The fact of the matter is that today, the fundamental underpinnings of Federal aid to higher