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## *House of Representatives*

The House met at 10:30 a.m.

### MORNING HOUR DEBATES

**THE SPEAKER.** Pursuant to the order of the House of January 21, 1997, the Chair will now recognize Members from lists submitted by the majority and minority leaders for morning hour debates. The Chair will alternate recognition between the parties, with each party limited to not to exceed 30 minutes, and each Member except the majority and minority leader limited to not to exceed 5 minutes.

The Chair recognizes the gentleman from Texas, Mr. SAM JOHNSON, for 5 minutes.

### REPEAL OF THE 16TH AMENDMENT

Mr. SAM JOHNSON of Texas. Mr. Speaker, believe it or not, today is tax day. It is on this day that every hard-working American sends more money than is necessary to the Federal Government, a day that most people probably would like to forget.

Most Americans are tired of big government, high taxes, the complexity of the current Tax Code and, guess what, the IRS. Well, I am too, and I plan on doing something about it.

Last week I introduced a bill that everyone can support and rally behind. It will unite Members and the public behind a common goal, eliminating the IRS and developing a new tax system. I think that is something every one understands and is energized about.

My bill is called the tax freedom bill and would repeal the 16th amendment to the Constitution. That is the amendment that authorizes the income tax. The tax freedom bill is designed to reverse one of the most destructive amendments, in my view, to the U.S. Constitution.

As most of my colleagues know, the 16th amendment was passed by Con-

gress in 1909, ratified in 1913, and upheld by the Supreme Court in 1916. It has been 81 years since the Supreme Court's approval and Congress, in all its wisdom, has developed a tax system that has become the most economically destructive and possibly complex, overly intrusive, unprincipled, dishonest, unfair, and inefficient system in this Nation's history. I do not think anybody can disagree with that.

The current Tax Code has become an uncontrollable and rampant institution with no regard for what has made this country great, individual freedom.

Mr. Speaker, there is a bill on the floor that we will consider today that illustrates the problems we face. The bill makes browsing or snooping through taxpayer files a crime, subjecting offenders to criminal penalties of up to \$100,000 and/or 1 year in jail. To me this is a serious violation of privacy, and I am greatly disturbed that has been allowed to occur within the IRS.

Mr. Speaker, this is just one more reason why the IRS should be abolished. It is time for us to stop tinkering around the edges, time for us to get serious and abolish the IRS and replace the current system.

The tax freedom bill is the first step to do that. I believe it will encourage an open, honest, and constructive debate about why our current tax structure has failed and what we should expect. By embracing the principles of freedom, we can create a system that is fair and simple, that reduces the bureaucracy, that encourages savings, that is efficient, that drives the economy, that creates opportunity for all and finally puts more money in our pockets.

The current system fails to meet these commonsense criteria. It is not fair or simple.

The current system has 480 different forms plus 280 more to say how to fill out the 480. Explain to me how the first

480 can do anything. The original Tax Code, by the way, only had 11,000-plus words in it. Today it has 7 million plus.

It does not reduce bureaucracy. The IRS staff is over 100,000, about 110,000, one of the most out-of-control big government staffs that we have, more people in the IRS getting into our pockets than there are immigration and customs agents on our borders.

The current system discourages savings and investment by taxing income when we earn it, taxes it when we save it, taxes us when we invest it, and taxes us again when we die.

It is not efficient. Complying with, I think, the Federal Tax Code costs taxpayers more than \$600 billion a year.

Replacing this system will cause interest rates to go down, by every testimony that we have had, and savings and capital investment to increase.

Finally, we have stifled opportunity by designing a system that picks winners and losers, one in which Washington decides what is best for the people instead of letting the people decide what is best for America.

As recently as 1982, Americans paid only 19.9 percent of their income in taxes. New data reveals that in 1995 Americans paid 31.3 percent of their income in taxes, the highest level in history, and that does not count local and State. If we add those in, we are paying nearly 50 percent, 51, I guess.

Mr. Speaker, those that say the system can be fixed are crazy, in my view. It has undergone 31 major revisions and 400 minor ones in the past 40 years. I believe any new system must be based on a vision of America that places the individual, not the Government, in charge.

### THE AMERICAN DREAM TAX FAIRNESS EQUITY ACT OF 1997

**THE SPEAKER** pro tempore (Mr. SNOWBARGER). Under the Speaker's announced policy of January 21, 1997, the

This symbol represents the time of day during the House proceedings, e.g.,  1407 is 2:07 p.m.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.



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gentleman from Montana [Mr. HILL] is recognized during morning hour debates for 5 minutes.

Mr. HILL. Mr. Speaker, I am planning to introduce a bill to reduce the high rate of capital gains and eliminate the current estate tax burden that falls disproportionately on farmers and small business owners.

My legislation will restore the American dream to hard-working citizens who choose to invest in or expand a business. It will give hope to those who wish to pass along their life's work to their children and grandchildren without fear that more than half of their estate will go to the Government.

Reducing the high rate of capital gains is vital to our ability to compete in the global marketplace and to expand our work force here at home. My bill will reduce the capital gains rate to a new, lower 15 percent rate on investments held 3 years or more. Taking this action would create a strong incentive to help establish a vibrant and growing economy. And a strong, growing economy will help us achieve a balanced budget.

Mr. Speaker, reducing the burdensome estate tax has long been a goal of mine. My bill will entirely replace the estate tax. At the time of death, the estate would pay a 15-percent capital gains tax rate on investments held 3 years or more in excess of the \$600,000 unified exemption credit and in excess of the tax basis. The gains on assets held less than 3 years would be taxed at the current 28 percent rate. Any assets without gains would be passed without tax.

By replacing the current estate tax with a lower capital gains tax, children of farmers and small business owners would not be forced to break up their inheritance to pay estate taxes. Unlike most other tax proposals, my legislation will pay for itself. It would simplify the tax law by establishing the same treatment for the taxation of trusts. A trust would pay a 15-percent capital gains tax and follow the same tax treatment as the estate tax on all capital assets.

My bill would create an even playing field between trusts, estates, and prior gifting. Life insurance proceeds would not be taxed and there would be no tax on cash transfers.

When the estate tax began in 1913, it was limited to 10 percent of one's inheritance. Today the tax has become exorbitant and punitive. With the highest marginal rate of 55 percent, more than half of an estate can go directly to the Government. It hinders passage of many family owned farms and small businesses to the next generation.

In addition, if the estate must be sold to pay the tax, application of current capital gains tax can further diminish the inheritance. Many observers rightly see this as double taxation of income from capital assets. And it does not end there. Families must often pay lawyers and accountants and planners for estate tax planning purposes, one of the

most complicated areas of our Tax Code.

According to the IRS, families average 167 hours complying with the maze of estate tax law. Further, even after the best tax planning, the IRS undertakes tax audits in nearly 40 percent of the estate returns compared to a mere 1.7 percent on normal income tax returns.

After all the money and effort spent on compliance, the estate tax contributes only 1 percent of our national revenues. The inefficiencies of the estate tax are further demonstrated in recent economic studies that indicate compliance and enforcement costs 65 cents of every dollar collected. Every IRS field office has separate estate and gift tax units to handle the more than 80 pages of the Tax Code and almost 300 pages of rules in the Federal Register that are devoted to enforcing this tax. The Federal courts are now clogged by 10,000 estate tax cases.

Mr. Speaker, the bill I will soon introduce reduces the capital gains tax rate, replaces the estate tax with a simpler, fairer tax on capital gains. It will revitalize the American economy and restore the American dream to hard working citizens who choose to pass their assets onto their children and grandchildren instead of pouring them into the Government's tax grinder.

The American Dream Tax Fairness Equity Act of 1997 will help level the playing field between estate tax, trusts and gifting. It will stimulate the economy, expand investment incentives and reinvigorate the American tradition of individual enterprise and risk taking. Unlike most tax proposals, it will pay for itself.

I urge my colleagues to join me in doing the right thing. Let us restore the American dream with an equitable estate tax policy and provide America the capital gains incentive she needs for competition in tomorrow's marketplace.

#### TAX DAY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from South Dakota [Mr. THUNE] is recognized during morning hour debates for 1 minute.

Mr. THUNE. Mr. Speaker, when most folks think about April 15, they think about somehow coming up with enough money to fend off the tax man. However, if the truth be told, April 15 is really about people subjecting themselves to government. In other words, it is about giving up your God-given freedom.

By forking over your hard-earned dollars, you are empowering the Government to decide how your money should be spent to help you, instead of you deciding how you should spend your own money to help yourself.

I am not suggesting for a moment that you should not pay your taxes.

You should. Nor am I suggesting that the Government should not collect taxes. It should.

However, Mr. Speaker, I am suggesting that average American families should not have to pay 40 percent of their income to the Government. That is way too much freedom for any one family to give up. Let us reduce taxes on saving and investment. Bring tax relief to families and pass the tax limitation amendment.

#### NO TAXATION WITHOUT RESPIRATION

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997 the gentleman from Colorado, Mr. BOB SCHAFER, is recognized during morning hour debates for 1 minute.

Mr. BOB SCHAFER of Colorado. Mr. Speaker, it is April 15, tax day, and I rise to speak about a grave matter. The American farmer, the owners of small businesses, the freedom-loving Americans across the land want to abolish one of the most offensive taxes of all. That is right, I am talking about the inheritance tax or the death tax as it has come to be known.

Mr. Speaker, let me be clear about what our policy ought to be. No taxation without respiration. The injustice of this tax, a tax that strikes at the hearts of the bond between generations, cannot be denied. It is offensive to the American ideal. This tax is a scandal among thousands in our Tax Code and, an outrage against the living and a crime against the departed.

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Mr. Speaker, what kind of sinister motives lie behind this tax? Who could conceive of such a scheme that assures that the Federal Government has more of a claim on our life's work than the family we have left behind?

I say death to the death tax. The tax man cometh already once, may the tax man cometh no more.

#### TAX LIMITATION AMENDMENT

The SPEAKER pro tempore (Mr. SNOWBARGER). Under the Speaker's announced policy of January 21, 1997 the gentleman from Washington [Mr. METCALF] is recognized during morning hour debates for 5 minutes.

Mr. METCALF. Mr. Speaker, we are all very much aware that today is April 15: Tax day. Millions of Americans are feverishly working to complete and mail their tax returns by midnight tonight.

With that in mind, it is very appropriate that today we will vote on the tax limitation amendment. I have joined with 118 colleagues from both parties to sponsor this amendment to the Constitution. It would require a two-thirds congressional appropriation for any new or higher taxes.

Mr. Speaker, in 1950 about 3 percent of the average American family's income went to taxes. Three percent in