

We are going to fight this battle on the tax credits, we are going to fight the battle in the way we count benefits as we go into welfare, and the thrust of our program, by having a balanced budget and by reducing taxes, to try to make people who are working hard that have been bearing the brunt of the economic growth and the job growth in America, to give them some breaks and let them keep some of their own money.

Mr. BOB SCHAFFER of Colorado. You know the middle class families of America feel left out primarily because the White House fails to acknowledge that they even exist. Listen to this:

The Treasury Department says that they will not calculate income based on something they call family economic income.

Now this is not the money you bring home. This is something else. This is how when you hear people talk about tax cuts for the rich, they are actually talking about just about everyone in America because congratulations, we are all rich now as a result of the calculation from the White House.

Listen to this:

They say income includes things like your IRA income, Keogh deductions, AFDC benefits, social security and one more thing, the imputed rent on an owner house.

Now what this means is that if you own a home, the Federal Government, the Clinton administration, is going to assume that if you could earn rent on your house, that that is going to be calculated as your income. That is how a family earning \$50,000 a year all of a sudden becomes in the rich category.

So when you hear about tax cuts for the rich that you hear this term a lot, this really does apply to the average American family who the liberals in Washington all of a sudden want to demonize by calling you exceedingly wealthy.

But you know these are the folks who we represent. This is my parents, my retired school teachers, my in-laws, the pipefitter, the Yates family in Mississippi, the Conklin family in Illinois, average American families who work hard every day making middle class incomes. We want to reduce their tax burden. The liberals in Washington want to call them millionaires somehow magically and suggest that they are somehow bad people who do not deserve a break.

WOMEN'S CAUCUS HOLDS HILARIOUS NEWS CONFERENCE

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Kentucky [Mrs. NORTHUP] is recognized for 5 minutes.

Mrs. NORTHUP. Mr. Speaker, I appreciate the opportunity to address the House tonight about the tax cut and about a rather humorous, if you have a broad sense of humor, news conference that was held today earlier by the Democratic Members of the Women's Caucus here in the House.

You know it must be very terrible if you have to find reasons every day to be against a tax cut considering their popularity, and today this group of Members said that this tax cut would hurt the women of our country. That is especially hilarious when you think that most women are growing up and sharing homes and lives with men. They either have a father, they have a son, they have a brother or they have a spouse, and these women share their economic opportunities, their lives, their incomes, their taxes with men. You do not have tax cuts for very many people that help the men or help the women. You have tax cuts that help homes, they help families.

And so most women get up every morning, and their lives are intertwined with the men, with their sons who they are raising, with their fathers who raise them, with their spouse with whom they are making a life, and they all are in the financial challenges together.

And so as families work out their economic challenges, as middle class families get up every morning, they take kids to day care, they go to work, they pay for a car payment, they pay for their rent, and they wonder if there is going to be any chance that there is going to be money left over this summer so that they can go on that camping trip and go to the State park that they have read about and know would be such a good opportunity for them to share with their family.

It is not the men, it is not the women, it is the families, and I think it is so bad in this country if we try to divide all of us who are in this country together on to teams, whether we have the teams that are the women, the other team that are the men, the team, the racial teams of the minority and the majority. If we, however we divide on teams, what we do is we deny the common goals, the common threads, the fact that we are all working together for common purposes. But we especially do that in tax cuts when we say that certain tax cuts, tax packages would be bad for women because we then begin to try to divide people against their own homes, against their own families, against their own relatives.

So I want to take this opportunity to say with pride how proud I am to be part of a group of people who have listened so carefully to the American people who all of ourselves care so much about our families and our struggles.

I have 6 children. Two of them are now completely on their own, and two in the next 2 years will be on their own. They struggle every day with their finances. Every time they need a new tire, they feel so frustrated and they feel set back, and to have the privilege to have been able to fashion a tax cut that will give their generation and their friends' generation and our friends the opportunity to have a better opportunity to spend their own money, to have government spend less,

has been something that I am very proud of.

And it is not a women's issue, it is not a man's issue; it is a family issue, it is an American issue, and the American people are very clear about where they are on this issue.

Mr. FOX of Pennsylvania. If the gentlewoman will yield, your comments are eloquent and certainly timely for this discussion in the House of tax reform. It is so important that we work together because the American people will win together when we reduced by \$500, we have the \$500 per child tax credit, we reduce inheritance taxes, we reduce the capital gains tax, we provide tax relief for students to go to college, and we are winning also because we have had an agreement with the White House. This is a bipartisan agreement. We have the Republican leadership working with the White House. President Clinton has seen the wisdom of working with us, and we are going to make positive changes, as you have described.

So your leadership here in the House and helping still accomplish real true tax relief for the American people is certainly a great testimony of why you were elected.

Mr. KINGSTON. Mr. Speaker, if the gentlewoman would yield, I want to point out for those who do not know you are a mother of 6 children; correct?

Mrs. NORTHUP. That is right.

Mr. KINGSTON. So when you say this is a family issue, you know firsthand what a family issue is about.

Mrs. NORTHUP. Mr. Speaker, I certainly understand too, as my children have started on their own, each one of them, they feel so poor, they feel so vulnerable. They go to work every day, and there is never enough money. My husband and I have depended on them to be completely financially independent. We think that is how they grow up. But we certainly hear from them about the cost of insuring their car, about a car repair, about the challenges they face, and we remember those days ourselves.

It is like 2 steps forward and 1½ steps backwards, and you wonder, everybody that goes to work wonders every week if they are making any progress financially. In fact very seldom could my husband and I ever see progress as we looked ahead. It is only after years of work that you can begin to see the progress.

CONCERN ABOUT APPARENT DIRECTION OF UNITED STATES DIPLOMACY IN THE REPUBLIC OF NAGORNO KARABAGH

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey [Mr. PALLONE] is recognized for half of the time remaining before midnight as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, I would like to address some of the issues related to the tax bill as well as the minimum wage this evening in the time

that remains. I listened to some of the statements that were made by my Republican colleagues over the last 45 minutes or so, and I know they are sincere, but I also think they are very wrong about the implications of this Republican tax bill.

But before I get into that I would like to spend about 5 minutes talking about another issue about a country that is far away from the United States but none the less where the United States, I think, can make a difference and where there is a great need for the United States to play a strong, but neutral, role in trying to resolve a conflict that has the potential for creating an even wider conflict if the United States does not address it in the proper way.

Mr. Speaker, I am talking about a region of the world that many of my colleagues and indeed most Americans may be unfamiliar with but which the United States has identified as an important area of interest, and this is the Republic of Nagorno-Karabagh which was established on September 2, 1991, and declared its independence on January 6, 1992. The State of Nagorno Karabagh is predominantly populated by Armenians which was formally part of the Soviet Union and Nagorno Karabagh fought and won a war with the neighboring Republic of Azerbaijan to gain its independence back in 1991. A ceasefire has for the most part held for the last 3 years, but Azerbaijan has refused to recognize the independence of Nagorno Karabagh and still insists that Karabagh is a part of Azerbaijani territory despite the fact that Karabagh is a functioning State with the government and the proven capacity for self-defense. Negotiations have been brokered by the organization for security and cooperation in Europe with the goal of achieving a political settlement, but so far those negotiations have failed to produce a diplomatic breakthrough.

And, Mr. Speaker, I wanted to mention this on the floor tonight to express my serious concern about the apparent direction of U.S. diplomacy in this region. The United States is a cochair of the OSCE's Minsk group or Minsk conference which is charged with negotiating a political solution to the Karabagh conflict. In this capacity we should be working along with our co-chairs, France and Russia, for a negotiated settlement that recognizes the self determination of the people of Nagorno Karabagh.

But based on media reports that I have recently been reading and recently have surfaced I am fearful that the United States may not be pursuing a neutral course and that U.S. negotiators may, in fact, be trying to impose unacceptable conditions on Nagorno Karabagh and Armenia, and I am calling on the State Department to clarify these reports and to confirm that the United States is working for a fair solution to this issue.

Mr. Speaker, earlier this month the House passed the Foreign Relations

Authorization Act, and that legislation included an amendment sponsored by myself and the gentleman from Michigan [Mr. KNOLLENBERG] which would help promote U.S. leadership and neutrality for a just and lasting peace in Nagorno Karabagh. The legislative language reaffirms the current United States position of neutrality, and our rational in offering this bipartisan amendment was that the U.S. has identified a resolution of Nagorno Karabagh conflict as a vital interest. We believed that Congress should play a positive role in jump starting the negotiating process by going on record in support of a negotiated settlement and by reaffirming U.S. neutrality.

But while it is ultimately up to the parties directly involved; that is, Armenia, Nagorno-Karabagh and Azerbaijan, to agree to a negotiated settlement, I believe that the power and the prestige of the United States can count for a great deal in moving things forward. But that power and prestige has to be accompanied by fairness, by the goal of being a honest broker and not impose solutions that one of the parties will not be able to accept.

President Clinton in a letter to the Armenian American community on March 26 of this year stated, and I would like to quote, Mr. Speaker; he said, quote, I can assure you that our consistent position of neutrality on the tragic Nagorno Karabagh conflict has not changed and will not change.

I have to say, Mr. Speaker, though that I am concerned by recent reports that have come from the media that suggest that the balance may be tilting against the people of Nagorno Karabagh. A report this week from Noyan Tapan, an English language newspaper in Armenia, suggests that the Minsk group, which again the United States co-chairs, may be trying to impose on Nagorno Karabagh a unacceptable solution. The newspaper reports that the proposed solution would require Nagorno Karabagh to withdraw its forces from the Azeri firing posts. These were places where the Azerbaijani forces fired on the people of Nagorno Karabagh, and basically what these newspaper reports say is that this proposed solution by the United States and others would force Karabagh to withdraw its forces from these firing posts. I will name them:

Kelbajar, Aghdam, Fizouli, Dzhebrail, Gubatly, Lachin.

Lachin is of course the corridor between Nagorno Karabagh and Armenia that was neutralized by Karabagh's self-defense forces, and also Shoushi, what has historically been part of Nagorno Karabagh for centuries, if not thousands of years.

And ultimately to dissolve the army, this is another one of the conditions, to ultimately dissolve the army, which is the only guarantee of security for the population of Nagorno Karabagh, and also to require that Karabagh remain an enclave within Azerbaijan with the danger of the deportation of the native

Armenian population, that danger will always exist as long as Karabagh is considered part of Azerbaijan. The newspaper reports that Karabagh would be granted the right to have its own Constitution, symbol, national anthem, flag, and national guard. This all sounds very nice, but, Mr. Speaker, these trappings, and that is what they are, trappings of nationhood would obviously be hollow symbols if the people of Nagorno had no way of protecting and maintaining their hard-won freedom and independence.

□ 2300

Combined with these newspaper reports, there was a news report last month on CNN that President of Azerbaijan, President Aliyev, was vowing to take control over Nagorno by force if necessary. The United States, and I believe very strongly, the United States must not be in the position of tacitly supporting, much less openly supporting, any government that still advocates the use of force to settle this controversy.

As I indicated, Mr. Speaker, I hope that the State Department will clarify its position and respond to these recent media reports. Deputy Secretary of State Strobe Talbot and our new special negotiator for Nagorno, Ambassador Lynn Pascal were recently in the region. As the cochairman of the Congressional Caucus on Armenia Issues, I am working to get the State Department to make clear where they stand on these negotiations, particularly in light of the fact that this House has gone on record in support of continued U.S. neutrality.

THE REPUBLICAN TAX BILL

Mr. Speaker, on another topic, I listened to some of the comments made by my Republican colleagues for the last 45 minutes or so about the Republican tax bill and also about the minimum wage issue, and I feel very strongly that it is necessary to respond. I am not going to take up the whole time that has been allocated to me tonight, but I am particularly concerned about some of the statements that were made with regard to the tax bill.

As I think my colleagues know, as part of the balanced budget resolution, there is a bill that would basically cut taxes and the issue is how to do it. Obviously, everyone would like to see a tax cut, but there is a major difference between the Republicans and the Democrats on who should benefit from these tax cuts. What I have maintained and my Democratic colleagues maintain, is that the majority of the tax cuts that have been proposed by the Republican leadership, and they of course are in the majority and are likely to hold sway, the majority of those tax cuts basically either favor the wealthy, either individuals who are rather wealthy or corporate interests.

Just to give some statistics, according to an analysis by the Treasury Department, two-thirds of the Republican tax breaks benefit those earning more

than \$100,000, and the richest 1 percent would receive an average tax break of more than \$12,000. More important, the Republican bill uses a number of gimmicks to hide the cost of tax breaks benefiting the wealthy which explode in costs in the second 5 years. The capital gains indexing provision, for example, raises \$2.5 billion in the first 5 years, but costs \$35 billion over 10 years.

Now, I think this is particularly dangerous, because remember, we are talking about the balanced budget resolution. The whole reason to come up, or the reason why the President agreed and the majority of the Democrats, including myself, voted for this balanced budget resolution, is because we felt it was going to balance the budget and eliminate ultimately the deficit that we have suffered under for a number of years.

Well, if in the course of passing this tax bill, 5 or 10 or 15 years from now the deficit starts increasing again and balloons to even greater than it is now, then obviously we have not accomplished our goal, and that is the fear that many of the Democrats have now, which is that simply that in the first few years, there is going to be an effort to save money, but in the long run, because of the level of tax cuts, particularly those for corporations and wealthy individuals, that in fact the deficit will increase once again.

Just some more information. The Republican bill gives large corporations a \$22 billion windfall by scaling back the corporate minimum tax that consistently denies or limits tax relief for working families. A working family with two children earning \$25,000 would not receive the \$500 child credit. Some working families who take a deduction for child care expenses would be penalized, losing half of every dollar they receive for the child credit. And the value of the HOPE education tax credit, this is the tax credit that would help families pay for their children's college education, well, that would be cut in half and would provide only 50 percent of tuition expenses for millions of students attending community colleges and other low-cost institutions.

Finally, the Republican bill threatens the security of low-wage workers by allowing employers to choose to pay their workers on a contract basis. Millions of workers could be reclassified as independent contractors so that employers can avoid paying the minimum wage and can avoid providing health care and pension benefits to their workers.

I just wanted to talk a little bit about the minimum wage provision, because again I listened to my colleagues earlier this evening and they seemed to suggest that it was the right thing to do to not require the minimum wage for those workers, again workers who are coming off welfare and are entering the work force now, because of the welfare reform bill that we passed in the last session of Congress. I just want to

talk a little bit about the ideology, if you will, of getting people off welfare.

The idea was to get people off welfare, off the Government assistance programs and to have them work. Well, I think we all know that people need an incentive to work. In other words, by staying on welfare they do better than if they are working, then why should they work? So when we talk about getting people to work, we want to make sure that they are getting a decent wage. A minimum wage is not really a decent wage, but at least it is something. We want to make sure that if they are parents and they have young children, particularly working mothers who do not have a spouse, that they have adequate child care, and of course we want to make sure that they have health care. Because if they stay on welfare and they get those benefits, but then when they work, they do not, there is no incentive for them to be working as opposed to being on welfare.

Well, a big part of that is to make sure they have the minimum wage, to make sure that they have a decent wage when they are working. In addition to that, if we make it more difficult for them to get child care because we do not give them the credit to get the child care, then again, they do not have the incentive to work.

So I think that by the Republicans saying that we are not going to provide minimum wage for these people coming off welfare or that we are going to make it more difficult for them to get child care, we are defeating the very purpose of the welfare reform bill.

The other thing that the Republicans have done, though, in their budget proposal is that they have created an exception not only for people coming off of welfare or in the workfare program to be exempt from the minimum wage, but also they have created this provision, it is called safe harbor for independent contractors, that basically expands the definition of independent contractors in the Tax Code and allows businesses to reclassify millions of workers as independent contractors rather than employees.

Now, what that means is in addition to being denied a number of benefits, they would lose the basic worker rights such as minimum wage. So here we are creating another big loophole, and I just think that it is wrong. If one group of people are entitled to the minimum wage and are working, then another group of people who are working and doing the same job should also be entitled to the minimum wage.

I just wanted to talk a little bit, if I could, about this message that again some of my Republican colleagues tried to deliver tonight where they were suggesting that their bill managed to make sure that people who were not paying taxes did not get a credit. Well, the reality is, what they are doing is cutting off a lot of people who are making under \$30,000 a year from getting any tax cut or tax credit,

even though they are paying a significant amount of taxes. I think we have to remember that people pay Federal taxes in a number of ways. They may pay taxes on their income, but they also pay what we call the FICA, or the payroll tax, which is a significant tax for people at almost every level, at every income level.

In addition to that, people pay all kinds of taxes: State taxes, property taxes, local property taxes. So to suggest that there are some people who are not paying Federal income tax and because they are not paying Federal income tax, that they should not get a tax break is very unfair, because they may be paying thousands of dollars in Federal payroll taxes, in property taxes, in other kinds of State and local taxes.

I just wanted to give some information in that regard, because I think that what my Republican colleagues are trying to do is give the false impression that the Democratic tax alternative is simply giving money back to people that do not pay taxes. In fact, just the opposite is true.

The tax legislation that I am talking about is the legislation that was adopted by the House Committee on Ways and Means and also proposed by the Senate Finance Committee. This is the Republican proposal, and it makes very significant changes in previous Republican proposals with regard to the child tax credit. The new version, this is the new Republican version which is different from their prior version, denies the credit to 4 million children, this is the child tax credit, in middle income families that would have received the credit under previous Republican tax proposals. The new version of the credit also reduces the size of the credit for several million additional children in middle income families. Most of these children live in families that owe Federal taxes. Their tax burdens often amount to several thousands dollars, even after the effects of the earned income tax credit are accounted for, and claims that these families owe no Federal tax are not correct. This is from the Center on Budget and Policy Priorities, and I just wanted to give a little more information about it.

Under the child tax credit that Congress passed in 1995, now remember, this was the Republican Congress, as well as under the child credit contained in the leadership tax package that was introduced this year by the Senate majority leader, a family would receive a credit of up to \$500 per child to be applied against the family's income tax liability. The child credit would be applied before the family's eligibility for the earned income tax credit is calculated.

Now, under the more restrictive version of this child credit, the one that the Democrats have been criticizing that has been proposed by Republicans now in the various committees, the child tax credit could be used only to offset any income tax remaining after

the earned income tax credit is applied. The family has no income tax liability left after the EITC is applied, the family would be denied the child credit, even if the family owes substantial amounts of other Federal taxes, such as payroll taxes.

What the Republicans are trying to do now is to justify the denial of this child credit to 4 million children by arguing that these children live in families that owe no Federal taxes. But it is not the case. The large majority of the families would either be denied under the child credit under the new proposal or have the size of the credit reduced. Those families do owe Federal taxes. They have large tax bills.

I just want to give an example. The families that would be denied the child credit or have the credit reduced have incomes between \$15,000 and \$30,000. For example, two-parent families of four with incomes between \$17,500 and \$27,000 will receive less under this Republican proposal than they would have received under the child credit proposal that Congress adopted in 1995, this is the Republican proposal from the previous year.

Just an example here. Under current law, the family's tax bill just from the income tax and the employee's share of the payroll tax equals \$1,700 after the EITC is subtracted. Under the 1995 Republican budget bill, this family would receive a child tax credit of \$975, which would have reduced the family's tax bill from \$1,700 to \$725. But under the new proposal, the family would not receive any child tax credit to help offset this tax bill.

So what we are seeing here is that middle income families, and I think families that are in this category between \$17,000 and \$27,000 are clearly middle income families, they are not going to be able to take advantage of this child tax credit, even though they may owe significant amounts of Federal taxes, not to mention the fact that most of them are probably paying a significant property tax and possibly other State and local taxes as well.

It is not fair to characterize these people with significant tax burdens, including Federal tax burdens, as people who are not paying taxes. That is what the Republicans are trying to do, and it is wrong. I think we need to constantly bring that up.

Now, I just wanted to, in the small time that I have left, I just wanted to talk about some of the other criticisms that I have of the GOP tax plan.

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I think it should be understood that the Democrats have an alternative. The Democrats are going to provide tax relief to middle-income working families, education tax credits, child tax credits, capital gains tax cuts for homeowners, a whole list of tax cuts, if you will, that will benefit middle-income families.

Mr. Speaker, if we look at the Republican tax plan, two-thirds of the capital

gains tax cut in their plan will go to the wealthiest 1 percent of families. It would give a windfall of \$1 million to many CEOs with big stock options, but only \$150 to the average working family.

What the Republicans are doing is looking at the capital gains tax and cutting it across-the-board for stocks, for bonds, for the whole portfolio of assets, if you will, that an individual may have. That person can be extremely wealthy.

What the Democrats are saying is if we are going to have a capital gains tax reduction, and we are in favor of it, it should be targeted to homeowners, because most people pay capital gains only when they sell their home. Under the Republican proposal, the wealthiest 1 percent of Americans, those making \$600,000 or more, would receive 40 percent of the tax cuts in the plan, nearly as much as the rest of the country combined. Two-thirds of the capital gains tax cut in the Republican plan would go to people with incomes of more than \$600,000 per year.

Again, I want to go back to what I was saying from the beginning. Compare the Democratic plan, compare the Republican plan. The Democratic plan is fair to working families. It is targeted to working families. The Republican plan is targeted essentially to the wealthy, but the worst part of the Republican tax plan, in my opinion, is that ultimately it will explode the deficit and not reached the balanced budget, which this is all designed to do.

The cost of the Republican tax cuts will explode in the same years that the baby boom generation starts to retire, and that is going to require, in other words, if we have this huge deficit and the costs explode, the only way we are going to eliminate it then is to do major cuts in Medicare, major cuts even in Social Security. So what the Republicans are doing is essentially putting us further into debt and causing future generations to have to pay double.

The Republicans claim that the tax bill would give everyone a \$500 per child tax credit, but millions of families that make less than \$50,000 would receive no credit at all, this is what I was talking about before, and the value of the credit would go down in future years. On average, the child credit would be worth only half of what the Republicans claim.

The Republican tax plan has many gimmicks and tricks designed to hide its real impact on the future, and disguise who it would really benefit the most. The public has not been told about the real long-term impact.

Many economists are saying that the Republican tax plan would undermine the new balanced budget agreement because of the hidden costs that would increase the deficit in later years. Essentially what you would have under this Republican plan is a \$1 trillion tax cut, an irresponsible policy which in many ways would hark back to the tax

cuts that we had in the 1980's, and would put us back on a path of large and growing deficits.

Mr. Speaker, I just want to conclude, if I could, by pointing to the two tax cuts that I think are the most contentious here in terms of the impact on the wealthy in the case of the Republicans, and the working person in terms of the Democrats.

With regard to the capital gains tax cut, the Republican plan rewards the rich with deficit-busting capital gains tax breaks. The Republican plan grants massive tax breaks to wealthy people who make money by selling their stocks, bonds, and other assets.

What the Democrats are saying is do not give these huge capital gains tax cuts to people with these stock portfolios. Provide a targeted capital gains tax break for homeowners, small business owners, and farmers, because those are the people that would benefit the most and where it would impact the average working family.

With regard to estate taxes, only 1.5 percent of families currently pay any estate taxes, and yet the Republican plan would simply expand the estate tax exemption to larger and larger estates, providing large estate tax breaks to very wealthy families. The Democrats are saying, yes, we will reduce the estate taxes, but we are going to target it for family-owned businesses. That is where the relief is needed the most.

So I think whether we look at the education benefits, we look at the capital gains cuts, we look at the estate taxes, we look at the child tax credit, in each case we have a limited amount of money. The Democrats are saying, target those tax cuts to the working people, and the Republicans are saying, no, let us give those tax breaks primarily to wealthy individuals, let us eliminate the tax burden of the corporations. And in the long run, the worst thing of all is that the Republican plan will balloon the deficit and be contrary to the very purpose of this whole process, which is to achieve a balanced budget.

REPORT ON RESOLUTION PROVIDING SPECIAL INVESTIGATIVE AUTHORITIES FOR COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

Mr. DREIER (during the special order of the gentleman from New Jersey, [Mr. PALLONE], from the Committee on Rules, submitted a privileged report (Rept. No. 105-139) on the resolution (H. Res. 167) providing special investigative authorities for the Committee on Government Reform and Oversight, which was referred to the House Calendar and ordered to be printed.