

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.

ANOTHER LOOK AT ISSUES OF ECONOMIC GROWTH AND A CAPITAL GAINS TAX CUT

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

Mr. DREIER. Mr. Speaker, I know the hour is late, but I would like to take just a few minutes to discuss an issue that was being raised earlier by my friend, the gentleman from Pennsylvania [Mr. FOX] and a wide range of other Members who were here discussing the need for us to look at the issue of economic growth. And also I wanted to respond in part to some of the statements that were made just a few minutes ago by my friend, the gentleman from New Jersey.

As we look at the tax package that is moving forward, one of the things that has been discussed is the need for us to pursue a policy that does in fact encourage economic growth, and at the same time recognizes the need to increase the take-home pay of working Americans.

The fact is, there is an important part of this package which, frankly, I wish had gone further, but because of the constraints imposed by the budget agreement it did not go as far as I would like to see it go, and that is one that relates specifically to the capital gains tax.

On the opening day of the 105th Congress I was pleased to join with both Democrats and Republicans in introducing a bill that is numbered H.R. 14. The reason I remember it is that it takes the top rate on capital gains from 28 percent to 14 percent. Mr. Speaker, our goal was to recognize that the tax on capital is one of the most punitive taxes of all, that hurts most not those who are very rich, and I think we have pretty well succeeded in throwing that ludicrous argument out in which people have said reducing the tax on capital gains is nothing but a tax cut for the rich. We have, I believe, very successfully thrown that out because, as we look at the empirical evidence that we have, we have found that roughly 56 percent of those who are realizing capital gains have incomes that are less than \$40,000 per year.

If we look at those, those people are obviously not considered rich. What are they? They are people who have homes that may have appreciated in value, they have a mutual fund, they are retirees, they are small business men and women who are the backbone of this country.

I believe that reducing that top rate on the capital gains tax will in fact, based on evidence that we have, increase the take-home pay for the average family in this country by \$1,500. Why? It will come about because of the ensuing economic growth. We have got not just theory, which so many have people have said, oh, this is all based on theory, but we have actual facts.

Take this entire century, and go back to the early 1920's. Andrew Mellon

was the Treasury Secretary under President Warren J. Harding. At that time there was a reduction in tax rates, it anticipated the tremendous boom of economic growth that we saw through the 1920's, and, guess what, we even saw an increase in the flow of revenues to the Treasury.

Our great chairman of the Committee on Ways and Means, the gentleman from Texas [Mr. ARCHER] has referred to the fact that this capital gains tax cut is going to increase the flow of revenues to the Treasury. Why? Because of the fact that we do not simply subscribe to that view that the pie is one size and can only be cut up in those little pieces. We subscribe to the view that the pie can grow.

We are enjoying strong economic growth today, but I am convinced that it can be significantly stronger, because there are many Americans who have not been able to benefit from the economic growth that we have seen. Of course, I am referring to those who are in the inner cities in our country.

We see this great talk that has been coming forward from both the President and the Speaker of the House about the need for us to look at the very serious societal problem that we have as race, in race relations. It seems to me, Mr. Speaker, that one of the key things we should do is recognize that a problem that exists in the inner city is primarily due to a lack of capital investment. Reducing the top rate on capital gains is going to play a big role in encouraging investment in a wide range of areas, and I believe it will provide a real boost to those who are in fact in the inner city.

Mr. Speaker, reducing the top rate on capital gains is going to be a win-win all the way around. It is not a tax cut for the rich. It in fact is something that benefits working Americans and at the same time will encourage the \$7 to \$8 trillion that we have locked in from people who are literally afraid to sell because the tax rate on capital gains is so high today, they will be encouraged to move that.

That capital will play a role in providing the much-needed boost in many parts of this country where people have not been able to benefit, and we will see from that growth an increase in our attempt to move on our glide path towards balancing the budget.

Mr. Speaker, I just want to underscore the importance of this, and say that I hope very much that any of my colleagues who have not joined with the 160 to 165 Democrats and Republicans on board on this will in fact become cosponsors of H.R. 14, and continue to work towards a broad-based reduction in capital gains.

I yield to my good friend, the gentleman from Pennsylvania [Mr. FOX].

Mr. FOX of Pennsylvania. Mr. Speaker, I just wanted to take this opportunity to agree with the sentiments of the gentleman, because tax reform is the key to making sure that prosperity for all Americans will come about in this session.

COMMUNICATION FROM THE HONORABLE BOB WISE, MEMBER OF CONGRESS

The Speaker pro tempore laid before the House the following communication from the Honorable BOB WISE, Member of Congress:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, June 19, 1997.

Hon. NEWT GINGRICH,
Speaker, House of Representatives, The Speaker's Rooms, Washington, DC.

DEAR SPEAKER GINGRICH: This is to formally notify you pursuant to Rule L (50) of the Rules of the House that I have been served with a subpoena issued by the Circuit Court of Hardy County, West Virginia, in the case of *West Virginia v. Cook*, Crim. Action No. 97-F-20.

After consultation with the Office of General Counsel, I have determined that the subpoena relates to my official duties, and that compliance with the subpoena is consistent with the privileges and precedents of the House.

Very truly yours,

BOB WISE,
Member of Congress.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. ACKERMAN (at the request of Mr. GEPHARDT) for today after 4 p.m. and the balance of the week, on account of official business.

Ms. DEGETTE (at the request of Mr. GEPHARDT) for today and the balance of the week, on account of official business.

Mr. MANTON (at the request of Mr. GEPHARDT) for today before 12:30 p.m., on account of medical reasons.

Mr. POMEROY (at the request of Mr. GEPHARDT) for today and the balance of the week, on account of official business.

Mr. YATES (at the request of Mr. GEPHARDT) for today after 8 p.m., on account of personal reasons.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. KINGSTON) to revise and extend their remarks and include extraneous material:)

Mr. BOB SCHAFFER of Colorado, for 5 minutes each day, today and on June 25.

Mr. JONES, for 5 minutes, today.

Mr. HORN, for 5 minutes each day, on today and June 20.

Mr. METCALF, for 5 minutes, today.

Mr. SANFORD, for 5 minutes, today.

Mr. KINGSTON, for 5 minutes each day, on today and June 25.

Mr. FOX of Pennsylvania, for 5 minutes, today.

Mr. FORBES, for 5 minutes, today.

Mr. SOUDER, for 5 minutes, today.

Mr. GRAHAM, for 5 minutes, today.

Mr. EHRLICH, for 5 minutes, today.