

great middle core of the American people, the middle class in America, and they get 36 percent of the tax cut.

The further great irony about this is Member after Member from the Republican Party has stood up tonight and talked about class warfare. Well, there is nothing that shows the class warfare better than to show that graph that shows 64 percent of the tax reduction in their plan going to one family, the wealthiest family out of every six families in the country. That is the class warfare that is involved. And the great irony is here that it goes even beyond that, because if we take this group of five out of six families over there in the blue piece on the left, the part that are going to get 36 percent of the tax reduction divided among them, it turns out that two out of those five, two families out of those five whose income is less than \$25,000 a year, they are going to get nothing from the plan. That is the extent of the class warfare which is involved in this legislation which we will take up tomorrow.

#### TAX RELIEF FOR AMERICANS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from Missouri [Mr. HULSHOF] is recognized for 60 minutes as the designee of the majority leader.

Mr. HULSHOF. Mr. Speaker, obviously the topic of choice is the upcoming vote. I have been sitting here patiently for about an hour and a half waiting our turn for this special order and have consistently heard on the other side of the aisle about these tax breaks which we will have a chance to visit about and hopefully get the rest of the story out there, because I think unfortunately, too much rhetoric has been spewing out and we want to set the record straight.

I want to start this time that we have, Mr. Speaker, and relate to my colleagues something that happens on a regular basis when I go back to the Ninth Congressional District of Missouri. Hardly a day goes by, when I make it back every weekend, when I am not stopped at the supermarket or at the church or at some function back in Missouri, and a constituent comes up and says, Mr. HULSHOF, I am working longer, I am working harder than ever, and yet I barely have anything left over in my checkbook at week's end. When is Washington going to give me a break?

Well, Mr. Speaker, I am happy to announce that if tomorrow goes as we hope, we want the American people to know that tomorrow is the day they get a break. Tomorrow is the day that we let the American people know that we have been listening to them. We have heard them loud and clear.

I want to take these few minutes that we have, and some other colleagues in the Republican freshman class, and others to talk about some of the specifics. It is easy to paint pic-

tures with a broad paintbrush. I think we need to talk about more specifics in this tax package and why it is good for middle America, why it is good for small business, why it is good for family farms.

For too long, Mr. Speaker, Washington has continued to spend and waste billions of dollars of Americans' tax money. From midnight basketball to dance lessons for convicts to \$500 toilet seats for the Pentagon, Washington's spending has been out of control for too long. It is time for us here in Washington to spend less and to tax less. That is right. It is time for Washington to give hardworking Americans some much-needed tax relief.

□ 2000

Mr. Speaker, we have over a dozen colleges and universities in the Ninth District, and a lot of times, Mr. Speaker, I am invited to address or speak to some of the political science classes at the universities; in fact, some of the middle schools, elementary schools, and high schools that I have had the great opportunity to address.

One simple question that I get, oftentimes, is what is the difference between the two parties? What is the difference between the Democrats and the Republicans? I think the answer is somewhat simple. I have been here almost 6 months, and I tell those young people, soon to be voters, that both parties believe very passionately in democracy. Both parties, I believe, honestly are trying to achieve a better America.

I just think oftentimes, though, our vision on what will get us to a better America, that is what is the difference. Probably the single greatest difference between the two parties is the fact that we Republicans deeply believe that America is an overtaxed Nation. We believe it is a matter of principle that hard-working men and women in this country should be able to keep more of what they earn. We believe it is time for Americans who happen to be tuning in tonight, that they should not have to work so hard for the government to spend so much. We believe in tax relief for every stage of one's life.

For instance, do the American people really understand that they pay more in taxes than they do for food, clothing, and shelter combined? Do the American people understand that almost half of their income goes to a government tax of some kind?

Think about that, just for a minute. In your normal daily activities, when you wake up in the morning, grab that quick cup of coffee on the way to work, you have paid a sales tax on that cup of coffee. When you drive to work, you pay a gas tax. When you are at work, you are paying an income tax. Flip on a light and you are paying an electricity tax. Flush the toilet, there is a water tax. Get home at night, you pay a property tax. If you turn on television, sometimes you are going to pay a cable tax. When you die, many of us are going to have to face a death tax.

It is just too much, and it has to stop. If we have this vote tomorrow, Mr. Speaker, we will have a much-needed step in the right direction.

Why is it, when anybody talks about allowing working families to keep more of their money—in fact, earlier tonight colleagues on the other side of the aisle said, when we were talking about keeping more of their money, they talk about ballooning the deficit, or wrecking the economy. Why is it that we never hear "It just can't be done" when it comes here in Washington to spending less of Americans' tax money? Why is it always unwise or risky if you want to keep what is rightfully yours, but it is never unwise or risky if Washington wants to spend more?

That is, Mr. Speaker, what I think we have accomplished today, and what we are going to accomplish tomorrow in this much-needed tax relief package.

I see that some of my colleagues are here, especially my friend, the gentleman from New Jersey [Mr. PAPPAS], who has been a champion particularly as it relates to tax relief for those who are trying to make a go of it in their homes, particularly with the home office deduction. I am not sure if that is specifically what he wants to talk about tonight, but I am happy to yield to my friend, the gentleman from New Jersey [Mr. PAPPAS].

Mr. PAPPAS. Mr. Speaker, I thank the gentleman for yielding to me, and for focusing on this special order and focusing on such a fundamental issue for the people of our country.

No, I want to talk about the death tax. Why I want to talk about the death tax, Mr. Speaker, is yesterday I received almost 30 letters from farmers in the Twelfth District of New Jersey, central New Jersey. Some of them, as Members can see, Mr. Speaker, were handwritten, some of them were typed, some of them obviously used laser printers, some used rather old typewriters.

But I would like to just briefly read a few of the sentences from some of them, without using any names, but I think really it describes very, very vividly what so many people in our country are feeling about their hope for the future of their farm and the opportunities that their children would have to continue the tradition of the family farm in the United States.

This is addressed to me:

Dear Congressman Pappas: My wife and I own a farm in Hopewell Township. We were originally a dairy farm, but now raise crops such as wheat, corn, and hay. Seventy years ago I was born on this farm and have been working on it all my life. It has been in our family for almost 100 years, and is our major source of inheritance to give our children.

Please repeal the Federal estate tax so all our hard work of keeping this farm will not be in vain. We want our children to have a better life without worry than we have had, because when we inherited the farm we had to pay heavy estate taxes. This should not be taxed again.

Another letter states:

We own a farm in Pittstown which we have worked hard to maintain. We have paid the taxes on our land. We have paid income tax on the profits we have made, on improvements, and on the farm machinery necessary to keep it running. It is unfair to impose yet another tax on the value of our property when we die. This should not be legal.

Please consider this letter as our vote to do away with the death tax. We do not wish our heirs to have to sell the family farm in order to send more money to Washington. If our farm were to be sold, it would undoubtedly become just another housing development in our already overcrowded State. Please do not let this happen. Vote to abolish the estate tax.

There are two more, if I may.

I have been a dairy farmer in Hunterdon County for over 60 years. During the past several decades I have witnessed the near extinction of family farms in the State of New Jersey and their replacement with hundreds of residential developments. Many reasons exist for the decline in farming, but a major obstacle to the continuity of farming from one generation to the next is the Federal estate tax. Family farms are being forced to sell off major portions of their land to pay these taxes.

I am writing to request your support for the repeal of the Federal estate tax. I would like to be able to keep my farm in the family and to offer my son and my grandson the opportunity to continue to farm into the next century.

Dear Congressman Pappas: This letter is asking for a repeal of the Federal estate tax. This is unfair to families like myself, where the farm has been in the family for 200 years. It is a break-up of the mom and pop farm which has made this country what it is. Entire families have helped, from children who put stones on fences, as my husband did, who picked potato bugs off potato plants, as my uncle did, who put corn husks in hired hands' bedding, as I did.

The last one, which is just two sentences I would like to refer to, is from a lady who says, "Dear Congressman, I write this letter to you in memory of my husband. Our farm is located in Tewksbury Township, Hunterdon County, New Jersey. My husband was a dairy farmer and crop farmer for 50 years. He devoted his entire life to farming.

Please repeal the Federal estate tax. Our son has the hope in his heart to continue farming. To repeal the Federal estate tax will make this hope a reality. Thank you so much for your consideration of this letter.

I would just like to hold this letter up, without showing the name, but she has a photocopy of her late husband as a young man sitting on his tractor, with a poem about him and what the farm meant to him.

Mr. Speaker, my colleague from Missouri, and now I see my colleague from Kansas, this is absolutely critical to allow family farms to continue to exist in our country.

Mr. HULSHOF. Mr. Speaker, in addition to the letters and support of relief from this punitive estate tax, has the gentleman received any letters urging us to continue the estate tax? Has the gentleman received any letters from his district in New Jersey urging us to put a heavier tax burden on family farmers or family businesses?

Mr. PAPPAS. If the gentleman will continue to yield, Mr. Speaker, abso-

lutely not. This is, I believe, the single most important thing we can do to see the American dream a reality be continued, to have family-owned businesses, family-owned farms to be passed from one generation to the next.

The American dream for many people has become the American nightmare. Decisive action by this Congress to work towards incrementally raising the exemption but to eventually eliminate this estate tax, we owe it to the American people.

Mr. HULSHOF. Mr. Speaker, I appreciate the gentleman's comments, and I look forward to moving toward repeal. I know that the tax package that we have tomorrow, Mr. Speaker, does not accomplish the entire repeal of this very punitive tax.

Early in this Congress, as Members know, I introduced a bill with the gentleman from Illinois [Mr. CRANE] to repeal the death tax. We are moving in the right direction. What I want to do, I see my friend, the gentleman from Kansas, here, but before yielding to him, I know, and I cannot recall which speaker on the other side of the aisle misspoke, and I am sure it was an inadvertent misspeak, regarding what this tax package actually does. We phase up the exemption.

Right now the \$600,000 exemption that precludes estates from being taxed was first instituted, I think, in 1987, and has not been indexed for inflation. What we are going to do is increase the exemption with tomorrow's tax relief package up to \$1,000,000, not in 17 or 20 years, as I think the gentlewoman from Carolina mentioned, but actually over the next 10 years. We will phase it in, \$650,000 in 1998 up to \$750,000 in 1999, and then eventually up to \$1 million by the year 2007.

I know the Federal death tax is something my friend, the gentleman from Kansas, is interested in. I am happy to yield to the gentleman from Kansas [Mr. MORAN].

Mr. MORAN of Kansas. Mr. Speaker, I appreciate the gentleman from Missouri yielding time to me. I did not necessarily know what I was going to speak about tonight, but I can certainly join in the remarks of the gentleman from New Jersey, because estate taxes are clearly a problem in our economy.

As I have listened over the last 6 months as a new Member of Congress, as I listened in 6 months of campaigning for this office to the people who live in the 66 counties of the western three-fourths of the State of Kansas, taxes are at the top of the list. They are at the top of the list because we have sapped the possibility of growing this economy, of creating new jobs, of creating a family lifestyle that is conducive to mom and dad both being at home.

So much of our effort as parents now goes into making ends meet, and so tomorrow when we debate and vote and hopefully pass a significant tax reduction, this may be the vote on the House

floor that in the 6 months that I have served in this Congress may actually cause me to feel the best about my voting, because it is so important to us. It is so important to America, to its families, to its individuals, to our workers, to our business, to send a message that we hear loud and clear what the tax and regulatory environment created by Washington, D.C. does to America.

The death tax that the gentleman from New Jersey mentions is a perfect example. It destroys the hope, the hope of many American small business men and women, the hope of the family farmer, to pass on that farm or that small business to the next generation. It destroys the hope that the next generation can continue to earn a living, particularly in rural America.

My district is composed of people just like that, people whose incomes are not very high, but who have worked hard to develop each and every business and farm into as successful an operation as it can be, and to develop and to create wealth for the next generation.

Where I come from people are not knocking on our doors to take over that family business or that family farm. They are hoping that they can scrimp and save and create enough wealth that the next generation, that son or that daughter, has the opportunity to continue that farming operation or that small business, and unfortunately for Kansans and for Americans, for farmers and small business men and women, the death tax makes that very difficult.

Mr. Speaker, I did not realize until I got to Congress that the death tax raises only 1 percent of the Federal revenue. For all the havoc it creates on businessmen and women, on families, and on farmers, it is amazing to me that it only generates 1 percent. We go through so much pain and agony for \$16 billion.

I come from Kansas, where \$16 billion is still a heck of a lot of money, but in the overall scheme of this Federal budget we have created a nightmare for next to nothing. Worse than that, 65 percent, Mr. Speaker, of every dollar that we raise in estate taxes goes to collect and enforce the tax.

In fact, the Small Business Administration in 1992 actually estimated that 75 cents of every dollar collected went to collect and enforce the tax. What a crazy system, that would suggest we are going to spend 75 cents to collect \$1. This tax really does need to be abolished. I know tomorrow we do not accomplish that, we do not accomplish everything we want in this regard, but it is a step in the right direction.

Who would think that we would be talking about reducing taxes? As I sat at home in Kansas and watched Congress over the last decade, we have talked about tax reductions year after year after year, we have talked about capital gains tax rate reductions, and increasing the exclusion for estate tax. We have talked and we have talked and

we have talked. Now, for the first time in 16 years, we actually have the possibility of making a difference, and it will be more than talk hopefully after tomorrow.

This tax is so deadly, it kills business. Seventy percent of all family businesses do not survive the second generation. Eighty-seven percent of all businesses, small businesses, are not passed on to the third generation. Clearly, the \$600,000 exemption is outdated. That exemption has been in place for 10 years, since 1987. If it was indexed for inflation, we would be talking about an exemption of \$840,000.

□ 2015

This tax is bad for business. Sixty percent of businesses say they would add jobs in the coming year if it were not for the death tax. The economy would be \$11 billion more productive without death taxes, according to the Heritage Foundation. And unfortunately this tax is good for attorneys and accountants. We certainly want them to have success in their businesses as well but think of the amount of resources and energy that goes into trying to avoid this tax. We spend almost \$11,200 on the average, people do, in order to avoid this death tax by estate planning. So people who have access to professionals, people who plan their affairs, they fare better perhaps, having spent all that money to succeed. But think of all the people who do not know that is an option. Think of how inefficient it is that we spend money. So many people in this country do not have the opportunity to do what they know is right for them, for their personal finances, for their business success because they have to worry about estate taxes.

We need to get a tax system, we need to eliminate taxes that create so many impediments to people just doing what they know in commonsense everyday judgment would be good for them, their families and their businesses.

Forty-three percent of death taxes are paid on estates that are less than a million dollars. This is not a tax reduction that benefits the wealthy. And like the gentleman from New Jersey, I selected at random comments from my constituents. These are not people who are paid lobbyists who presumably sit outside the door and tell us how to vote on tax issues. These are people from home who face every day problems in trying to make ends meet and trying to pass on assets to the next generation, to their own sons and daughters. Many of them are farmers, many of them are small businesses.

Dear Jerry. This is a letter to the President, Mr. President, consider that 2,000 acres of farm ground in our family farm is worth about \$500 an acre. You add in equipment and cattle, you are already up to a million dollars. After talking to a couple of implement dealers, they discovered that in 1986, a combine cost \$139,000. Today it costs \$14,000. A tractor that went for \$45,000

just about 10 years ago is now \$105,000. Take into account all those things and how do you save enough money to pay the estate tax upon your death? The answer is, it cannot be done and, therefore, the land, the cattle and the equipment will be sold in order to pay the taxes, leaving my son, my daughter, without the opportunity to continue in what already is a very difficult and risky business.

These people say, since the time that the \$600,000 exemption was put into place, the costs to get in and stay in the farm business have greatly increased. This makes it very difficult for a father who wants to let his son continue the family farm after his death to leave him enough land, machinery and capital to continue to operate. We have watched young farmers have to sell their land to pay the taxes after their fathers die and not have enough money for a viable farming operation.

This person understands that the tax only raised 1 percent of Federal revenue. One percent of tax revenue flowing into the Treasury causes more trouble and grief to family business owner survivors than it is worth. Amen. That is true. The tax remains a burden on the family for years after death. Many farms have enough difficulties managing the loss of the primary owner, and then to have to pay taxes at a marginal rate of 55 percent, which when this tax was started the marginal rate, the highest rate was only 10 percent, today it is 55 percent, this violates the fundamentals of capitalism on which this country was founded.

With three generations actively farming, the repeal of the estate tax would allow us and other family farms and businesses to spend our time dealing with the challenges of the changing competitive world market instead of limiting our abilities due to the uncertainty of future tax burdens. Please repeal this cancer that cripples also the entrepreneurial spirit exhibited by small businesses across this great country.

This lady: Why should one work most of her life in building up her farm business and other assets to have it taken by the estate tax? The amount allowed today is too low, because with the inflated prices one is still subject to paying large taxes.

These are letters from Smith Center, Kansas; Elkhart, Kansas; Jamestown, Kansas; Jetmore, Kansas. These are people who understand on a day-to-day basis how difficult it is to succeed in business, to succeed on the farm and it is time that we move forward toward making their lives a better life for them and future generations.

I worry, Mr. Speaker, that we have not done what we need to do to convince the American people. We hear their problems, we understand that if we do not make changes today, they and their children will not have the opportunities that I and my parents had because they lived in a different world

where government did not take the tax bite, time and time again, from birth to death.

Mr. Speaker, I rise in support of elimination of the death tax. I rise in support of our efforts tomorrow to begin the process. I hope that before the day is over, we could have smiles on our faces and the American people will know that we heard their message loud and clear.

Mr. HULSHOF. Mr. Speaker, the letters that you have with you and I think probably each of us have received from our individual constituencies typical letters of that; this is America, the backbone of our economy, small business, family farms who are crying out for relief. I had a unique experience today, running out of the office for our last vote and I bumped into a very nice woman, not a constituent but from Indiana, who had come 600 miles simply because we were getting ready to vote on this tax package tomorrow. She hand-delivered to me a letter. She is hand-delivering letters to almost all the Representatives and Senators here in Washington. And she visited with me a little bit about her plight. She retired as a court reporter to take care of her mother who needed some care, retired from her business and then her mother unfortunately passed away, I think in September of 1996, and then suddenly she had to face the reality of coughing up additional moneys to pay this heavy tax burden, this very punitive tax.

The letter that she gave me, and I would love to read it, but in the interest of time, I see my friend from Montana here as well, this sentence sums up everything when it comes to the Federal death tax. Quote, the time has come when death should not be a taxable event. Amen.

Mr. Speaker, I yield to the gentleman from Montana [Mr. HILL].

Mr. HILL. Mr. Speaker, I thank the gentleman from Missouri. I want to echo the comments of the gentleman from Kansas about the estate tax. I have had over 40 meetings since January in Montana. At every one of those town meetings people asked me about the death tax. The death tax today is the largest single threat to the family farm or ranch. What is happening in Montana, families are having to sell or liquidate their farm and ranch. In many instances they are being forced to subdivide those family farms and ranches in order to pay this tax. We have to keep in mind that this is not a tax on the heirs. This is a tax on the deceased. As the gentleman mentioned, it is time that death was not an event that created a tax burden.

I also want to point out that there is a link between the estate tax reform and capital gains tax. Because one of the things that many people do in planning their future, planning their estate is to in some combination give the property to their children, leave it in an estate or sell part of it in order to secure their own retirement. That is

why it is so important for us to start with the capital gains tax reduction, which of course is part of the tax reform package that we are going to pass tomorrow.

I would just like to point out to my friends here in the hall and our colleagues that there are some arcane parts of this tax reduction program tomorrow, too. There is one that was particularly important to me because it was the first bill that I introduced as a Member of the Congress. That is to deal with the unfair alternative minimum tax calculation on deferred payment contracts for people in agriculture. I know that the gentleman from Missouri is familiar with that because he is on the Committee on Ways and Means. The IRS determined that those people who sell grain, for example, on a deferred payment contract were going to be obligated to pay the tax even though they had never received payment. And not only did they decide that they were going to have to do that, they decided that they were going to have to retroactively have to do it to 1986.

What in the world can a person do today to control their income that they received in 1986? It was an incredibly unfair decision on the part of the IRS. The first bill I introduced was a bill to rescind that decision. That is part of the House package on tax reform. There are other provisions, too. One of the unique provisions of this is that small businesses who invest in plant and machinery, who have a high depreciation because they are aggressively trying to have their business grow, can run into an alternative minimum tax problem. That is, they could be losing money and have to pay taxes under the alternative minimum tax because of the amount of depreciation, because they are too aggressively investing in their business, because they are too aggressively trying to create opportunities for people to go to work.

This bill helps deal with that problem, too. It eliminates the use of depreciation as triggering the alternative minimum tax. Those are small provisions, but they are all part of what we are trying to accomplish here, and that is to create an incentive for people to invest in creating new jobs, to increase the rate of growth in our economy and to raise the living standard of Americans and American workers.

Before I leave this subject, I also want to point out, it was important to me throughout my campaign and throughout my service here that we have got to help working families. Today, as the gentleman pointed out earlier, the gentleman from Missouri, the average working family is spending 40 percent of their income in taxes. They have one job in the family to support the government and a second job to support the family.

We make a down payment in reducing taxes for those working families with the \$500-per-child family tax credit as well as some tuition tax credits.

That will mean that a child born today under the provisions of this bill that we are going to vote on tomorrow, their family will save about \$10,000 in taxes if they decide to go to higher education after graduating from school.

I am proud to be a part of the effort to pass this legislation. From my perspective, this is only a down payment on tax reduction. I know also that we are going to see more economic growth. We are going to see more opportunities. We are going to see a rising living standard, and the result of that is more revenues for government that are going to allow us to even reduce taxes further in the future.

I thank the gentleman from Missouri for allowing me to join him in this discussion this evening.

Mr. HULSHOF. Mr. Speaker, I appreciate my friend from Montana and his eloquent words, particularly with the AMT provision as it was penalizing farmers, the IRS, as you pointed out, changing rules in the middle of the game. I know that this actually occurred in a case up in Washington State where a farm family was audited. And because the IRS decided that if you defer your contract payments, in other words, when you take your grain to market and you get the check at the grain elevator, normally that is when income is derived according to the cash basis accounting system; that the IRS decided, no, not when you deliver your grain to market but when you enter into the contract in the preceding calendar year, that is when that deferred payment is subject to income.

Mr. HILL. Mr. Speaker, the gentleman is absolutely correct.

As a matter of fact, in 1986, Congress asserted in the law that agriculture would retain the cash basis accounting method. That meant that when you got the cash you paid the tax in that year. But the IRS determined by executive action, I guess, if you would call it, that Congress did not know what it was talking about. So it decided they would use the alternative minimum tax method of determining whether or not that was income or not.

The result was people were having to pay taxes on income they did not receive, clearly unfair. And I am proud of the fact that this measure that you worked so hard on in the committee is going to deal with this problem.

Mr. HULSHOF. Mr. Speaker, I appreciate the gentleman's comments. Certainly we tried to, in this package, not only help families, which we will have some time to visit with here in a minute, I see my friend from Texas is here as well.

The farm community is getting much-needed relief in tomorrow's tax package. We talked about the AMT provisions. We fought very hard to make sure that the pro-ethanol tax incentives, they are intact in tomorrow's package. There will be no anti-ethanol provision. That was quite a battle we had in our Committee on Ways and Means.

But fortunately, the package tomorrow that we have will not have any anti-ethanol provisions. I know we talked about the death taxes, which will help family farms. I was fortunate to have a farm co-op bill that will actually help the sale of processing facilities to farmer-owned co-ops, so that is in this tax package as well. So agriculture is getting some help in tomorrow's relief bill.

Mr. HILL. Mr. Speaker, I think it is important also to understand that this bill is going to restore the home office deduction, which is something that I fought for, another bill that I was a co-sponsor on. Also it begins the process of helping us redefine independent contractors. That has been an issue in Montana, because we have so many self-employed people who offer services to others as an independent contractor. And the tax law is so confusing between State and Federal tax law.

This is an effort to simplify that and allow both the person offering those services and the person accepting those services to know that they are truly an independent contractor. So they are not going to have the IRS come out later and determine that there was some other status.

The important provision there is what we call a safe harbor provision; that is, that if you entered into an agreement with a person or offered your services in agreement with a person and there was a reasonable expectation that that was done in concurrence with the law, then there is a safe harbor. The IRS cannot come out and later say, no, we will reinterpret this and impose penalties and fines.

□ 2030

The record is clear. When the IRS does that, it usually puts the people out of business because the penalties can be so severe. It is not fair to people who employ independent contractors, and it deters people from starting a business where they are going to offer services.

I pointed out before to my colleagues that we have some unique kinds of people offering services in Montana. We have farriers, and we have ditch riders, and in agriculture and around, I have sheep shearers in Montana, people that go from ranch to ranch or from farm to farm offering their services; and there is a question whether or not those people are independent contractors.

This will create a safe harbor and makes the test so much simpler, so that is an important provision. It has not been reported widely in the press. But it is important to the people, the people of my State and the State of the gentleman from Missouri [Mr. HULSHOF] as well.

Mr. HULSHOF. Mr. Speaker, reclaiming my time, I am glad the gentleman from Montana [Mr. HILL] mentioned home office deduction.

A couple months ago I was able to participate in a field hearing that was actually conducted by the gentleman

from Missouri [Mr. TALENT], who is the chairman of the Committee on Small Business. This was a field hearing in St. Charles, Missouri.

We had testimony at that field hearing from four women just regarding the home office deduction and why it was so essential that we give them some help. Right now, the IRS takes a very dim view of those who take a deduction that have offices in their homes, and I think this tax package tomorrow will help those women or those families and just restore some fundamental fairness.

For instance, if the gentleman had an office that he rented in his next door neighbor's home and he had a telephone line and fax machine and had some other things, and he paid rent in his next door neighbor's home for an office in that home, he could take that as a fully deductible expense. But if he had those same things in his home, the telephone line, the fax machine, he cannot in most instances take that deduction.

Of course, many women who want to rejoin the work force, their families have grown or their kids are going to school, they like to have the flexibility to stay home and yet be able to rejoin the work force, or start businesses and run them from their homes. So I think this tax package is very friendly to those individuals, men and women, that seek to use their homes and put offices in their homes.

Mr. HILL. If the gentleman would yield, I think it is important for us to remember that Henry Ford built the first Model A in his garage and Bill Gates started Microsoft in his garage. People start many small businesses today in their home or in their garage, and one of the things they need more than anything is cash flow in order to grow their business.

We are not talking here about providing people a deduction, a loophole. We are talking about people being able to deduct a legitimate expense in the conduct of their business. But by virtue of the fact that they operate it in their home, they may not be allowed that. Under this bill that would change. The people that start these businesses in their home would be able to be protected, not to pay taxes that others would have to pay.

Why is that important? Well, it is important because today most people start a business in their home. As the gentleman started out, most of the people starting these businesses today are women. This is one of the ways that we are creating more entrepreneurial opportunities for women, is by allowing them to have this deduction. It is extremely important.

It does not have a lot of impact on the budget, but it is going to have a lot of impact on our communities and on the future of this country, because many of those businesses also grow into very prosperous enterprises employing a lot of people. That is what this is about.

Mr. HULSHOF. Reclaiming my time, I appreciate the work of the gentleman

on that home office deduction and the other tax measures that he visited about.

Our friend, the gentleman from Texas [Mr. BRADY], has been apparently waiting in the well. I will be happy to yield to him.

Mr. BRADY. I thank the gentleman from Missouri [Mr. HULSHOF] for yielding and for his leadership of our Republican freshmen class; and I appreciate the gentleman from Montana [Mr. HILL] talking about tax relief and how it is so needed for our family farms and independent businesses, who, I think it is genuinely agreed, bear the brunt of taxes and regulation in this country but are, in fact, the backbone of them.

In Texas we have a very proud entrepreneurial spirit, and we also have a very proud spirit of agriculture production and processing. We believe that for our State and for job creation for our families, that we have an opportunity this week of making two major improvements that will leave more money in the pocketbooks of our families and our communities.

I was thinking that I was 14 years old the last time we balanced the Federal budget in America. I am not that old today necessarily, but I do not want to wait until I am 114 years old or my grandkids are 14 years old before we see a balanced budget again. Like many of us, I would love to see it balanced right now. I would like to see double the tax cuts and double the spending cuts. But, in fact, we are making real improvement over where we are today.

My goal is to produce a balanced budget for America that is a true balanced budget, which does not borrow from the Social Security trust fund, does not take from highway trust funds or aviation trust funds or the military retirement trust fund, but stands on its own as a balanced budget just like our businesses or our families have to do.

In this country we have been, unfortunately, running deficits for decades. And today, if you talk about balancing the budget without using any of those funds, people look at you like you are crazy. It just seems to be too far distant a vision.

This 5-year balanced budget agreement gets us to the first step, gets us within sight of a true balanced budget. And from there we have the opportunity to balance our budget, as our businesses and our families do, to look our constituents in the eye and let them know that we are living within our means and we are not taking from our retirement programs to do so.

And if we balance the budget, we have an opportunity for real savings for people. The average American family, as I understand it, if we balance the budget and continue to balance the budget, will realize a savings of about \$1,200 a year off their mortgage. Just about \$100 a month less, then, they will be paying in their mortgage. Their auto loan will be about \$180 a year less, and their student loan that they are paying off, \$216 a year less. So just by

living within our fiscal means and bringing about a balanced Federal budget, we have a chance of giving people tax relief.

When we add that onto tax relief from this bill that we are voting tomorrow, we have the opportunity to give families the \$500 tax credit that they desperately need. We do need to eliminate the death tax because it is truly the most un-American tax we have today.

It is remarkable that, in a country built upon our heritage, hard work, entrepreneurship, that those families and businesses who risk the most, who work the hardest of any group, whether they are wealthy or poor, who put together a nest egg for their family so that they can pass it down to the next generation, that they would be prevented from doing so by our American tax laws. Whether it is independent business competing in the marketplace over decades to build that nest egg, or a family farm as stewards of the land for centuries to build that nest egg, we ought to be encouraging that type of behavior, not punishing it.

So while this tax bill is a good start on the inheritance tax and capital gains, we all, I believe, know that this is the first step and that we are going to continue to work to eliminate the death tax, to try to encourage more jobs and more investment, and that is going to produce results for us.

Today it also seems incredible that in Missouri, in South Dakota, Kansas and Texas, across this country, that most of us, our tax burden is such in America that in a two-parent family we have one parent working full time just to put food on the table and pay the electric bill, and we have another parent working full time just to pay their taxes. It is a process that, if we allow it to go unchecked, will damage and destroy this country.

Finally, too, we have an opportunity in this tax relief to also preserve Medicare, which, as my mom grows older, as your mom grows older, as our population ages, we do not have a choice anymore about preserving Medicare and making those changes. We have to do that or it will go bankrupt.

We have an opportunity, through the Republican proposal, to give our seniors choice, the same type of health care supermarket that Members of Congress, the President, that our Federal employees and their retirees receive, the same type of flexibility and an opportunity to root out the fraud and abuse that is running the cost of our health care up. We have an opportunity this week through these tax cuts and through our continued efforts on balancing the budget to make a real difference in this country.

I, for one, am committed to it. And I know, Representative HULSHOF, that in your leadership in the freshmen class you have been constantly pushing on deeper cuts. More spending and tax cuts move us quicker to a balanced

budget and make all our efforts directed that way, and I am hopeful in the end that we will prevail.

Mr. HULSHOF. Mr. Speaker, reclaiming my time, I thank the gentleman from Texas [Mr. BRADY], and especially for his remarks and his work here in this body.

As we were awaiting this special order, I know there were at least half a dozen colleagues on the other side of the aisle who, again, were trying to turn this whole debate into class warfare. The facts are simple.

Mark Twain, his birth place is Hannibal, MO, which is in my district, I think Mark Twain once said that "There are lies. There are damn lies. And then there are statistics."

Rather than just give some vague percentages with bar charts, what I have got here, Mr. Speaker, is not on a percentage but the actual amount of money, of tax relief that is going back to certain income classes.

As my colleagues can see, if we will consider for those under \$20,000 up to \$75,000, clearly almost \$90 billion in tax relief; 76 percent of this tax relief package is going to those who make less than \$75,000 of annual income.

In fact, if you want to take a look at the amount of relief going to those under \$20,000, over \$5.5 billion. And those at the upper end of over \$200,000 adjusted gross income get \$1.4 billion. Clearly, we are trying to focus and target the relief to those on the lower end of the scale.

Now our friends on the other side talk about how it is that we are helping the wealthy. Well, it happens that part of this package is a capital gains relief targeted specifically to lower-income people. For instance, those that are in the 15-percent income tax bracket will see capital gains cut down to 10 percent.

This will help 5 million Americans. Two million Americans are senior citizens, like Don and Carnetta in my district. Don worked for 30 years for Wal-Mart and accumulated stock over the 30 years he worked for Wal-Mart; and he cannot afford to pay right now, under current law, the tax hit he is going to get if he sold those capital assets. We are giving him and his wife some relief, and they are not wealthy by any stretch of the imagination.

We have a \$500-per-child tax credit. Heritage Foundation ran the numbers on this, and it happens that in the Ninth District of Missouri alone there are 89,493 children whose parents are going to benefit with this phased-in \$500-per-child tax credit, nearly 90,000 kids whose parents are going to get to keep more of their money. That is almost \$40 million that is going to stay in the Ninth District, that is going to stay in the pockets of those constituent parents that are trying to do best for their kids.

How is that, I ask anybody, how is that, by allowing that relief to go to those whose incomes are under \$75,000, how is that a tax break for the

wealthy? I submit to my colleagues it is not.

I am happy to yield to the gentleman from South Dakota [Mr. THUNE].

Mr. THUNE. Mr. Speaker, I want to thank the gentleman from Missouri, [Mr. HULSHOF] and my friend from Texas, [Mr. BRADY] as well, who has ties in South Dakota, I might add. So even though he has moved out of our fair State, we still accept him as part of our South Dakota family, so to speak.

But I would like to pick up on what he was just talking about. We had a former President who once said, "Facts are stubborn things." I think sometimes when we have these discussions about this particular subject, balancing the budget and tax relief for American families and individuals and businesses, we lose sight of the facts.

But if we look very simply at what some of those facts are, fact No. 1, it has been mentioned earlier: 76 percent of the tax relief in this agreement goes to people who are making less than \$75,000. In fact, \$254 billion over a 10-year period goes to bring relief to families in this country who have been overtaxed.

A second point I would make is, and I think this is one that gets lost sometimes, too, and that is, in order to have tax relief, you have to be paying taxes. Now we have we had people on the other side who have suggested that somehow this is tilted toward people on wealthy end of the spectrum. But the fact of the matter is, you cannot have tax relief unless you are paying taxes.

Now there are those who would suggest that, under our particular proposal, the per-child tax credit is not added on as an additional payment to the earned income tax credit that people are already receiving. Eighty percent of the earned-income tax credit is a payment, it is not a credit.

□ 2045

I think if we are going to say that you are going to get the \$500 per child tax credit, it is important to note that you have to have income in order to have credit, to offset that income, to get the credit. It would be like if my 10-year-old daughter, if I told her there was going to be a \$500 per child tax credit for people with red hair, and because she has red hair, she would be eminently qualified for that. But the fact of the matter is she does not pay taxes, so you cannot get a tax credit until you pay taxes. That is a fundamental misnomer that is being spread around here, and I think it is something that we all need to set straight.

The other thing I would say, this is a historic day, and I think we ought to be just bubbling with enthusiasm about what is happening around this place. This is the first time in 30 years that we have had a balanced Federal budget. This is the first time in 16 years that we are lowering taxes on American

families and individuals. I think that as we go toward Independence Day, this ought to be a joyous occasion for the people in this country because for the first time in a long time, we are going to be able to declare independence for them from the shackles of big government.

I think it is very important that we make clear as well not only what we are for, but why we are for it. I think when we start talking about why we are for what we are for, it comes down to the fundamental issue that everything we are doing here, balancing the budget, lowering taxes, saving Medicare for the next generation, comes back to the basic premise that we want to see less power in Washington, D.C., and more power back on Main Streets in South Dakota, in Missouri and in Texas, and in the living rooms of the families of this country, so they have the freedom to make the decisions about their futures. I happen to believe that if they have the freedom to make those decisions that they will exercise those freedoms responsibly.

We have a lot of people in this country who would like to teach that you can have freedom from responsibility, but the fact of the matter is in order to have freedom, you have to have responsibility. We have a lot of hardworking men and women in America today who deserve the freedom to be able to exercise responsibly that freedom in a way that allows them to keep more of what they earn, in a way that puts more power and control, more decision making in their hands and less in Washington, DC, and that is why we are for what we are for.

That is the point I think that we need to make to the American people and why I hope that as this Independence Day rolls around, they have an opportunity to declare independence in this country and to hopefully enjoy the benefits of tax relief that is coming their way.

We have talked a lot as well about entitlement programs. I think it is important in this discussion, too, that we talk about what is being done to preserve and protect Medicare for another 10 years. How do we do that? Again by taking the power out of the government bureaucracy in Washington and putting it back in the hands of our senior citizens, by enabling them to choose medical savings accounts, by enabling them to get into provider sponsored organizations, managed care, not just health maintenance organizations but provider sponsored organizations, by giving more options, more choices.

That is what this is all about. It is about putting more power and more freedom in the hands of individuals in this country. I think that as we conclude this debate tomorrow, today we passed the entitlement reform side of it, the spending side, tomorrow we will pass the tax part of it, I think it is incredible what we are achieving here. I came here to do most of these very

things, as did the gentleman from Missouri, as did the gentleman from Texas [Mr. BRADY], to accomplish things that we think are meaningful to the future of this country: Balancing the Federal budget, lowering taxes, saving Medicare, and putting more power back in the hands of the people in this country and less power in Washington, DC.

We have done all this. These are things that are incorporated. These are the principles upon which all the things that we voted on today and we will vote tomorrow, those are the principles on which we stand. I think it is important that the American people know not only what we are for, lower taxes, a balanced budget, but why we are for it, and that is to give them more freedom, more power, more control, more decision-making.

This is an incredibly historic occasion for us in this country, and I would hope that it is not lost on the American public what is happening in this institution for the first time in 30 years. It is amazing. It is good for my kids and for your future kids and grandkids and for the people in America who have held the promise for a long time that we would come down here and do something that is meaningful, about protecting their future and making sure that they have access and are not deprived of the American dream. As we continue to pursue this, this is the first step, but I hope it is the first step on a long journey to putting more power back in the hands of individuals and not in Washington, DC.

Mr. HULSHOF. I think the gentleman has enunciated very eloquently what it is we stand for and why it is that we sought office and what we are doing to accomplish the goals that many of us stood for and campaigned on. It is especially poignant, I think, when we look just a couple of years ago when we had a President who, with the liberals in control of this body, passed a tax hike.

There was a discussion about ever-expanding government bureaucracy, universal health care, and then suddenly the stark contrast, that we are returning power to the people, getting it out of this city and giving it back to the Main Streets and the local chambers of commerce and civic clubs all across this great land. I agree with the gentleman that this Fourth of July will certainly be a day to celebrate.

Mr. BRADY. If the gentleman will yield, as I was listening to the gentleman from South Dakota [Mr. THUNE], I was reminded of a quote attributed to your former famous constituent Mark Twain, who said "Nothing makes liars out of more honest citizens than the income tax." It is not simply because it is so complicated and people do not think it is fair. It is because when they are struggling so hard to make ends meet in South Dakota and make ends meet in Missouri, they do not believe the Federal Government is doing the same. Every dollar that we can cut taxes is a dollar we have not

sent to Washington, that we are leaving back in our States and our communities. I am convinced most Americans are not seeking a safety net under them. They are objecting to the tax net that we have thrown over them. If we will provide them the relief that we have scheduled for this week, that they so desperately need, I am convinced we are going to get support across this country for deeper tax cuts and less spending and more local control, as the gentlemen have both stated so eloquently.

Mr. HULSHOF. I especially appreciate the comment the gentleman made earlier because again waiting for the special order to begin, barrage after barrage from our friends on the other side, particularly our Democratic colleague from Arkansas who talked about the earned income tax credit and how it was that the family that he mentioned, he had a nice portrait, a beautiful portrait of this family that was struggling, but yet who bore no tax liability because the earned income tax credit eliminated any tax liability. In other words, that family in Arkansas did not have to pay taxes to the Federal Government. And because we do have limited resources, this targeted tax relief is going to those people that have tax burdens. I think the gentleman pointed that out a few moments ago.

Mr. THUNE. If the gentleman will yield on that, I think it is incredibly important to make the distinction here that we are trying to bring tax relief to people who pay taxes and not increase payments for people who do not. That is a fundamental distinction that needs to be made.

Mr. HULSHOF. Our colleague from Arkansas further pointed out that this family in the portrait that he had, that they paid the payroll taxes and certainly paid taxes toward Medicare and somehow that that ennobled the family to receive these income tax credits. But the fact is that paying Medicare taxes and paying the payroll taxes entitles that family to reap the benefits of Medicare down the road or to reap the benefits of Social Security. So the fact that that family is paying those payroll taxes and Medicare taxes, those benefits will come and inure to that family at the appropriate time. But because we have limited resources and tax relief, we are trying to give tax relief to those Americans who most need it.

Mr. THUNE. If the gentleman will yield further on that, it is interesting again to see the irony here in that we are talking about not counting Social Security and Medicare payments toward a future benefit and yet when it comes to computing income to declare someone as being wealthy, we add retirement benefits, capital gains and imputed income from rental payments and everything else. There are a lot of things being done here with the numbers which I think we need to continue to put the facts out, and if we do, the people will agree with us.

Mr. HULSHOF. Mr. Speaker, I recognize we are down to our final minute or so. Let me just sum up that what we believe and especially in this vote tomorrow and the debate that we have on this tax relief package, letting Americans keep more of their money sounds like common sense to most of us, especially those of us who are newly elected Members. That seems to be a pretty radical idea here in Washington, DC. People in Washington should never ever forget that tax money belongs to the taxpayers and not to the government. It would be a big change from how things used to operate, but that change which comes tomorrow is long overdue. It is true and we have already heard it. We have gone back to the old divisive style of debate, this class warfare politics. I would hope and pray that we are beyond that. Instead of dividing Americans and pitting groups against each other, we should be working together to face our national challenges. We have a moral responsibility to ourselves and to our children not to tolerate such acts. We have a moral imperative to make it possible for everyone to climb the ladder of success.

Mr. Speaker, let me say to the parents who are struggling to make ends meet, the parents that are burning the candle at both ends to put food on the table and keep a roof overhead, the parents that are sacrificing their own needs and giving everything they have got to make sure that their children have every opportunity for a brighter future, we hear you. For those who believe that we spend too much in Washington, we agree. For those who believe that we tax too much in Washington, we agree. For those who believe we must balance the budget, cut wasteful Washington spending and provide permanent, real, meaningful tax relief, we agree. And for those that demand that we here in Washington do better than we have done in the past, we agree. If we can pass this tax package, Mr. Speaker, the next week and the Fourth of July will truly be a day that we can all celebrate our independence.

#### TRIBUTE TO SECRETARY OF VETERANS AFFAIRS JESSE BROWN

The SPEAKER pro tempore [Mr. TIAHRT]. Under the Speaker's announced policy of January 7, 1997, the gentlewoman from Florida [Ms. BROWN] is recognized for 60 minutes as the designee of the minority leader.

Ms. BROWN of Florida. Mr. Speaker, I rise today to pay a special tribute to someone that I feel is one of the brightest stars in President Clinton's administration, Secretary Jesse Brown. But before I begin, I would like to say a word about a woman who is in Washington today, a member of the Russian Duma, Mrs. Svetlana Go Voyz Da Va is the deputy chief of the Economic Policy Committee in the Russian Congress. During our visit this afternoon, we have agreed to set up an international conference where elected