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House of Representatives

The House met at 3 p.m.

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

Let us pray using the words of Sarah Taylor:

O God of light, Your word, a lamp unfailing, shall pierce the darkness of our earthbound way and show grace, Your plan for us unveiling, and guide our footsteps to the perfect day.

To all the world Your summons You are sending, through all the Earth, to every land and race, that myriad tongues, in one great anthem blending, may praise and celebrate Your gift of grace. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

PLEDGE OF ALLEGIANCE

The SPEAKER. Will the gentleman from Indiana [Mr. PEASE] come forward and lead the House in the Pledge of Allegiance.

Mr. PEASE led the Pledge of Allegiance as follows:

I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

THE MORAL CASE FOR TAX CUTS

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

Mr. GINGRICH. Mr. Speaker, I wanted to start by talking about the moral case for tax cuts, because I think we

don't talk often enough about why tax cuts matter and why we are attempting to not just balance the budget, but to balance the budget with a smaller Government so we can reduce taxes and offer tax relief for the American people.

We start with the premise that taxes are too high, that the Tax Code is too complicated, that it takes too much of the average American's time to earn the money to pay taxes, that it takes too much of the average American's time to fill out their tax forms, to keep the tax records, possibly to pay for an accountant or a tax attorney; and that the effect of our current very complicated Tax Code is to make life harder, particularly harder for small business men and business women who are particularly hard-hit by the complexities.

My older daughter, Kathy Lubbers, runs a little company called the Carolina Coffee Co. in Greensboro, NC, and she called me recently and said that they estimate that they have to have 7 days of sales just to pay their Federal, State, and local taxes, and that does not count the cost of redtape and the cost of filling out all the forms and keeping all the records.

So if we start with the notion that we are very committed to increasing the freedom of the American people, increasing the power that the American people have by allowing them to spend more time working for themselves and their families and less time working for the Government and working to fill out complicated tax forms, I think there is a strong moral case to be made.

I want to make it at three levels: Our role as parents and as children who might have older parents, our role as citizens in our local community, and our role in the economy in helping encourage economic growth. In all three areas, I believe one can make a moral case for reducing taxes to increase the

ability of citizens to do their job as parents, as citizens, and as job creators.

Let us start with the role of parents. As recently as President Harry Truman's time, in 1998 dollars, the tax deduction per child was \$7,500. So if one was married with two children, one had to actually have a \$30,000 income before one paid any income tax. The program was designed to strengthen families and strengthen parents by giving them the take-home pay so that they could take care of their children.

One of the reasons we feel so strongly about the \$500 per child tax credit and about the educational tax breaks that will help people get more education, is that these tax credits and tax breaks put more money in the hands of parents so that they can make decisions about the lives of their children.

It is a very simple choice. We believe that parents are better as providers for their children's future than are bureaucrats, and so we believe that there should be more resources in the parents' hands after taxes, whereas some of our friends believe in higher taxes with more money going to the bureaucracy. That is a very clear-cut choice of two very real differences in approaches.

Second, we believe in an America described by de Tocqueville in "Democracy in America," an America in which voluntarism, charities, private activities, play a major role in the lives of our communities. For example, I wear two pins, a Habitat for Humanity pin and an Earning by Learning pin. Both of those are charities that are engaged in helping the poor.

Earning by Learning helps poor children learn how to read, and Habitat for Humanity is a worldwide organization in 53 countries founded in America's Georgia, committed to the idea that if we help people build a home and we help grow their family, that they will be dramatically better off and be in a better position to lead a fuller life.

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

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



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They have to participate also, and in the Habitat model, the person who is going to be helped has to be worthy of being helped. They have to have worked, they have to have proven that they are trying, they have to be prepared to work 100 hours on somebody else's house and 300 hours on their own house, and they have to be prepared to take a 20-hour course on how to be a homeowner, so that they have truly earned the right to move into their Habitat house, and when they move in, they pay a mortgage, it is a no-interest mortgage, but for 20 years they pay every month, just like everybody else does, so that they truly have bought and earned their house. That creates dignity, independence, self-respect, and a sense that they are participating, and it is done by a private charity, which has been a great American contribution to how people organize themselves.

Well, if one has to spend all of one's time working at a second job to pay one's taxes, or as in many families, if the second member of the family has to go to work largely to pay the taxes, then that is time one cannot spend being a volunteer, that is time one cannot spend in a local charity, that is time one cannot spend helping people locally.

So we believe that high taxes, by both taking up one's income and taking up one's time, makes it harder for one to be involved in charitable work, harder for one to be involved as a volunteer, and harder for one to be involved in one's local community.

Third, not only do we believe lower taxes can make one a better parent and lower taxes can help one be a better volunteer, we believe that lower taxes increase economic growth. We think the real engine of economic growth is small business.

Small business is not helped by big government and big bureaucracy. Small business is helped when local people are able to be involved in creating jobs, in going to one's local store or one's local business, and we believe that the smaller the government, the more after-tax take-home pay one has, the greater one's chance to be involved in a small business.

We think this is particularly important to emphasize economic growth through small business at a time when we have welfare reform, because the fact is that our proposal for welfare reform, which is to move people from poverty to prosperity by moving them from welfare to work, that that proposal is very, very important, because it creates an environment in which people can improve their lives by getting off of welfare and working. It requires if one is going to move from welfare to work that one has work to move to.

The largest provider of work in America is small businesses. Small businesses hire far more people than do large businesses. So if we truly want to create a better future for America, we

want to increase the number of small businesses, and that is where people get hired, that is where jobs get created. Remember that companies like Microsoft may start very small, but those baby businesses can grow very rapidly into major creators of wealth and major creators of jobs for Americans.

So we want to have tax reduction, which encourages small business and which encourages people to feel comfortable in leaving a job in a corporation or in government to go out on their own, to be an entrepreneur, to create the next generation of jobs, and the next generation of opportunity.

□ 1515

We think that is another argument for cutting taxes, and in particular we are committed to trying to triple the number of black- and Hispanic-owned small businesses, because we think nothing would do more to improve the quality of life in minority communities than to have a dramatic expansion of the number of people who are out creating jobs, earning a living, meeting the marketplace, serving the customer and, therefore, coming to understand the realities of free enterprise.

In that setting, we believe that it is very, very important that we go through with this process that we are negotiating this week of cutting taxes and that we emphasize that the tax cuts be focused on people who pay taxes.

We do not think it is appropriate to have this begin to be primarily a bill which raises welfare payments to people who are not paying taxes. I think there is a very big difference here, and I want to emphasize this, we do not think it is appropriate for a tax cut bill to be used to increase money to people who are not paying taxes. That would be a welfare bill, and we are perfectly prepared to look at a welfare bill on its own merit. But a tax cut bill should be dedicated to cutting taxes for people who pay taxes, so the tax cut bill should be aimed at the taxpayers of America.

In particular, we think that when it has been 16 years since the last time we had a tax cut, that it is particularly appropriate that we have a tax cut on behalf of the taxpayers who, after all, have seen several tax increases in the last 16 years and have not had any tax relief.

Mr. Speaker, that is why we are committed to negotiating a tax cut bill that we believe will be helpful to working Americans, with a \$500 per child tax cut, and will be helpful to Americans who are going to go to college or graduate school or vocational-technical school, with tax credits and tax deductions; and helpful to family farms and small businesses by cutting the tax on estate when you die; and it will be helpful to creating jobs, to savings and investment, by cutting the tax on capital gains, so we are encouraging people to invest in creating jobs for the future.

All of those steps we think are in the right direction and all of those steps relate to cutting taxes for taxpayers. But I think that is a very, very important thing to realize.

The President for some reason has sent up a proposal which would actually give some people more money than they pay in taxes. Now that is clearly not a tax cut. That is clearly, in fact, a very different situation.

I found it fascinating that last week they had three people that were down at the White House in a press conference about the earned income credit. All three of these folks already are getting money. One was getting \$1,713 from the taxpayer. Another was getting \$1,291 from the taxpayer. The third was getting \$871 from the taxpayer.

Now, it seemed to us in that setting that it was inappropriate to talk about somebody who is already getting, as I said a minute ago, \$1,700 from the taxpayers to now give them more money in a tax cut bill, because they are not paying taxes. In fact, two of the three people, they actually are paying zero taxes at this point in a situation where we felt that it was just not correct.

Conversely, we think that people who are paying income taxes and who have been working hard paying income taxes deserve a chance to have a tax break. We are generally talking about people who are not getting any government money. So on the one hand we have folks who are already getting a thousand or more dollars in the earned income credit. On the other hand, we are talking about people who are not getting any money, but who are paying the taxes, carrying the load in the income tax, and that is why we favor focusing on cutting the income tax for people who are paying income taxes.

But let me make one other point about the earned income credit, because I think it is the largest example of fraud and error in the Federal Government; at least the largest I know of. There was a report by the Internal Revenue Service, which administers it, that the earned income credit had a 26-percent error in 1994. Think of this number. The earned income credit which is a program where if Americans are of very low income, they file a report and the Government sends them a check. So it is pure cash.

The earned income credit, according to the Internal Revenue Service which administers it, in 1994 had a 26-percent-error rate. Now, they have since had a series of reforms and they have improved the program, so today it is their estimate that they have a 21-percent-error rate. This is the reformed version, 21 percent mistakes, either fraud or just plain error. That means that every fifth dollar, \$1 out of every \$5 in the earned income credit program, is either fraud or error. Now, can we ask the taxpayers of America to subsidize a program which is so badly run by the government that it is 21 percent error or fraud?

Mr. Speaker, to put it differently, the current estimate is that \$4 billion a

year of the earned income credit program is fraud or error. That is, literally, we are throwing away \$4 billion a year. That is, over a 5-year period, over \$20 billion in fraud and error just in the earned income credit program.

I had hoped that the President was going to send up a reform proposal to help us get the fraud rate down to what should be the acceptable level, which is 1 or 2 percent. But to suggest that in a program where we have 21 percent fraud and error that we should actually increase the amount of extra money we are sending strikes me as just plain wrong, and it is wrong for the taxpayer.

Why should the taxpayer have to pay higher taxes just to be in a position to transfer money to people in a program where \$1 out of every \$5 that is transferred is going either to somebody committing fraud; that is, they are claiming they should get more money than they should get, or someone who has simply made a mistake?

We think that the earned income credit program needs to be overhauled, reformed, and improved before there is any conversation about shipping more money to people who are currently getting money under that program. But, in addition, we think it is particularly wrong in a tax cut bill to be transferring money to people who are, in effect, getting welfare, when the focus of the tax cut bill should be in cutting taxes.

Let me make one final point about this year's tax cut. There is pretty good reason to believe that because we have been very firm in our position on cutting spending, and because we have been very firm in our position on moving to a balanced budget, that we have had much lower interest rates than people expected. And, as a result, we have had more economic growth, and the result has been that we have more revenue coming into the Government. The more the economy grows, the more people go to work, the more take-home pay there is, the better off people end up being.

In that setting, I think it is very important that we look forward to next year. Not just this year's tax cut, but next year. And I simply want to propose that if the economy continues to grow, and if the Government gets more revenue than the budget agreement calls for, that the first claim on that additional revenue is to return it to the American people who earned it. That is, we should have next year, in 1998, an additional tax cut proposal to further lower taxes, to give tax relief to the American people, and to begin to simplify the Tax Code so that it is easier for small businesses and easier for individuals to fill out their tax forms with fewer regulations, less redtape, and less paperwork.

Mr. Speaker, I believe if we start down that road, that we can have a very dramatic effect and we can begin

to set up a pattern where the more the economy grows, the more we lower taxes, the more free time people have at home, the more time they can spend as parents, the more time they can spend as volunteers, and the more resources they have to invest in local small businesses to create even more jobs to then continue the same cycle.

So I hope we will complete this week, maybe by Friday or Saturday, the tax cut bill, the first tax cut in 16 years. I hope we will focus that tax cut bill on cutting taxes for taxpayers, and I hope that we will then be in a position to turn and begin to prepare for another tax cut and tax simplification bill starting next year to begin a series of annual tax cuts so that as the economy grows and jobs grow and take-home pay grows and revenue grows, we are then able every year to have one more step toward tax relief and tax simplification.

Mr. Speaker, I go back to the beginning. I think there is a moral case for cutting taxes that allows people to spend more time and resources as parents. It allows people to spend more time and more resources as volunteers in local charities. It allows people to spend more time and more resources helping create new jobs and new businesses. And for those three reasons, I think controlling the spending of the Government and returning money back home in tax cuts and having tax simplification and tax relief are morally correct for the country and will make America a better and a more prosperous society.

RECESS

The SPEAKER pro tempore (Mr. PEASE). Pursuant to clause 12 of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 3 o'clock and 25 minutes p.m.), the House stood in recess subject to the call of the Chair.

□ 2000

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore [Mr. LINDER] at 8 p.m.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 2158, DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS ACT, 1998

Mr. SOLOMON, from the Committee on Rules, submitted a privileged report (Rept. No. 105-180) on the resolution (H. Res. 184) providing for consideration of the bill (H.R. 2158) making appropriations for the Departments of Veterans

Affairs and Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1998, and for other purposes, which was referred to the House Calendar and ordered to be printed.

COMMUNICATION FROM THE OFFICE OF THE SERGEANT AT ARMS

The SPEAKER pro tempore laid before the House the following communication from the Office of the Sergeant at Arms:

OFFICE OF THE SERGEANT AT ARMS,
U.S. HOUSE OF REPRESENTATIVES,
Washington, DC, July 14, 1997.

Hon. NEWT GINGRICH,
Speaker of the House,
U.S. House of Representatives, Washington, DC.

DEAR MR. SPEAKER: 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 United States District Court for the District of Columbia.

After consultation with the General Counsel, I will make the determinations required by Rule L.

Sincerely,

PATRICIA A. SCHAAP.

REVISED ALLOCATION OF ADDITIONAL BUDGET AUTHORITY AND OUTLAYS FOR SECTION 8 HOUSING ASSISTANCE

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

Mr. KASICH. Mr. Speaker, pursuant to House Concurrent Resolution 84, the concurrent resolution on the budget for fiscal year 1998, I hereby submit for printing in the CONGRESSIONAL RECORD a revised allocation for the House Committee on Appropriations to reflect \$9,200,000,000 in additional new budget authority and \$3,436,000,000 in additional outlays for section 8 housing assistance.

Sec. 203 of House Concurrent Resolution 84 requires that the chairman of the Committee on the Budget make an adjustment " * * * after the reporting of an appropriation measure * * * that includes an appropriation for the renewal of expiring contracts for tenant- and project-based housing assistance under section 8 of the United States Housing Act of 1937 * * * not to exceed \$9,200,000,000 in budget authority and the appropriate amount of outlays."

The House Committee on Appropriations has reported H.R. 105-2158, a bill making appropriations for the Departments of Housing and Urban Development, Veterans Affairs, and related agencies for fiscal year 1998 which includes \$9,200,000,000 in budget authority for section 8 housing renewals. Outlays are being increased by \$3,436,000,000.

The adjustments are as follows: