from Georgia, Mr. NEWT GINGRICH, and they are going as well to the minority leader, the gentleman from Missouri, Mr. GEPHARDT, to the majority leader, Mr. LOTT, in the Senate, and as well to the minority leader in the Senate, Mr. DASCHLE.

☐ 2145

We believe that the House version is a positive one for seniors, the one that should pass. We know in fact that it is best because it will make sure that we do not have means testing. We stop the co-pay increase for home health care and we make sure that the Medicare age is not raised from 65 to 67. So all seniors in America will be protected.

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

[Mr. DELAHUNT addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

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

[Mr. SCOTT. addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California [Ms. LOFGREN] is recognized for 5 minutes.

[Ms. LOFGREN. addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.]

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

[Mr. WATT of North Carolina addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

THE REPUBLICAN TAX PLAN

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, this week there is much discussion, there is much speculation about the negotiations that are ongoing between the President and congressional leaders in the House and Senate. Hanging in the balance, Mr. Speaker, are the prospects of a bipartisan balanced budget plan. Hanging in the balance are the prospects of staving off the impending bankruptcy for Medicare, our health care system for senior citizens. And hanging in the balance through these negotiations are the prospects for permanent tax relief for men and women all across this country, essentially whether or not we want to let moms and dads across this great land keep more of what they earn.

With the recent debate, Mr. Speaker, about tax relief centering more and more around detailed numbers and percentages and Treasury Department calculations, perhaps I should say Treasury Department miscalculations, it is easy to lose sight of what our tax relief package is all about, what it means to working families who have not had tax relief in nearly two decades.

I know that I am but a single voice crying out on behalf of hard-working men and women across this country, but I hope to include the pleas and the statements of those who came to Capitol Hill. Some working mothers in fact who came to Capitol Hill this month who quickly reminded us, gave us a reality check that tax relief is more than just abstract numbers. It is about take-home pay. It is about purchasing power. It is about freedom to make choices in raising a family.

For example, it is about Debra from Dale City, VA. Debra is the divorced mother of a 17-year-old, an 11-year-old and a 10-year-old. Keeping more of her money means being able to help her three children reach their dreams. The dream of Debra's college-bound daughter is to attend college and become a doctor. For Debra's middle daughter, she aspires to be a teacher. And although Debra is determined to help bring her daughters' dreams to fulfillment, it is not going to be an easy task.

Mr. Speaker, the House-passed version of the Taxpayer Relief Act a couple of weeks ago will make things a little bit easier for Debra and for her family. With the child and the education tax credits, for instance, Debra will get to keep more of what she earns, making it easier to send her kids to college and to fulfill their dreams. In fact, just with the child tax credit, the Republican version of the child tax credit, in calendar year 1998 Debra will get to keep $800 more of her own money next year and $1,000 more in the following years. She can save for her kids' education, putting money way in a dream savings account.

Our House plan also allows Debra to participate in education initiatives like the education credit for college deduction which helps defray the expenses, the out-of-pocket expenses for Debra's college age or college bound kids for tuition, for books and for fees.

That is what this tax relief is about. It is not about numbers; it is about real people. It is about Don and Carnetta from my home town of Columbia. Don and Carnetta are both in their senior years. Don recently retired from a career at Wal-Mart. Part of the compensation package that Don had during his career at Wal-Mart was that he was given shares of Wal-Mart stock as incentive to build for his pension, to put his nest egg away for he and Carnetta. He fervently hopes, anxiously is awaiting whether or not the President will sign our tax package into law because what it means to 2 million seniors that are in the 15-percent income tax bracket across this country is a capital gains cut from the 28-percent margin all the way down to 10 percent, if the President would enact and sign into law this much-needed relief effort. It is not about numbers. It is about people.

I happened to receive a letter in the last 2 weeks that I want to paraphrase just a bit, Mr. Speaker, if I can. It says, ''Dear Mr. Hulshof, I am a star-ranked scout in Troop 50. I will be a 7th grader at St. Peter's in Fulton, MO. I am 12 years old. I am in favor of the tax cut,'' says Michael, ''because if taxes are cut, people will have more money. When they have more money, they spend or invest more. Then if they spend more,'' Michael writes, ''more needs to be produced. This increased demand means more people are needed to produce and then employment goes up. Increased employment means people are working more and paying more taxes which increases revenue to the Government, which means fewer people collect entitlements from the government resulting in less expense to Government.''

Michael goes on to write, keep in mind, Mr. Speaker, Michael is a 7th grader, 12 years old at St. Peter's in Fulton, MO. Michael says, ''Every time I hear the Democrats or certain members of the press talk about tax cuts, they say, how will the Government pay for the tax cut? But they never ask how the employed taxpayers are going to pay for the tax increases. Thank you for all the hard work you do. Thanks for considering my input.'' Signed, Michael.

Well, Mr. Speaker, I think sometimes suffer ye unto the little children and out of the mouths of babes sometimes come pretty poignant points. I think Michael has somehow grasped something that we here in Washington from time to time forget. It is not our money. It is the American people's money. We are not giving it back to them. We are letting people keep it in the first place.

For instance, in my congressional district, in the 9th Congressional District of Missouri, if the President will sign into law the Republican-passed tax relief package, the child credit alone, there are 84,000 children in the 9th Congressional District of Missouri whose parents will qualify for the $500 per child tax credit. What that means is nearly $39 million get to stay in the 9th District of Missouri and do not have to be collected by the Government and sent here to Washington where oftentimes we spend it very unwisely. This is just one way that this tax relief package will help all Americans. It is not about numbers. It is about people.

I see my friend and colleague from Missouri, from the 7th Congressional District of Missouri, is in the well of the House.

Mr. Speaker, I yield to the gentleman from Missouri [Mr. BLUNT].

Mr. BLUNT. Mr. Speaker, I thank the gentleman for yielding to me.

I saw that same report, I think it was from the Heritage Foundation, about children in our districts. I was amazed that in the 7th District in southwest Missouri, the southwest corner of Missouri, 74,533 children, by that moment's count, and there are probably a few more children than that now that will benefit, would benefit, 74,533, over $34 million in one year alone will go back into our economy because of just the $500 per child tax credit. That does not count the other tax benefits in our economy and our district.

We do not understand, I think, how this process works as well as Michael, who you were referring to from St. Peter's at Fulton, a 7th grader who already understands that taking this money off of tax rolls may not reduce taxes because things happen in the economy when you let people keep their money. We constantly want to talk here in the Congress about giving people money, giving them a tax break. What we are really just doing is we are deciding not to take as much of their money. It is their money. They work for it.

We have an obligation as Members of Congress to do all we can to keep the money that working families have in their family checking account, in their family savings account, in their savings account for college, in their savings account to buy a home or buy a new car. We have an obligation to manage their money like they have to manage their money, where every penny has to count.

I think with this kind of new responsibility of leaving money with families, we are understanding again that they can spend their money on their behalf better than we can. Forty-one million children will benefit from the tax cut, the $500-per-child tax credit that the House has sent over to the Senate, 41 million children.

One of the things we did in our tax bill that I am particularly proud of is we expanded the children that would benefit. In the original package that came down from the President, you only got that tax credit until kids were 12. My children are beyond the range of this tax credit right now. They are 26 and 24 and 21. I do not recall that they got a whole lot less expensive when they moved from 12 to 13. In fact it might have been just the opposite. And we are covering millions more children than was originally proposed. Millions of families will benefit that would not have benefited otherwise.

Children born this year, between now and the time of their 18th birthday their family would have a $10,309 tax benefit to go toward college, to go toward expenses while they are growing up, $10,309 per child. You have got three kids in your family, that is $31,000 which you have over the life of those children between the time they are born and the time that they are 18, that you otherwise would not have, $31,000.

We heard earlier this evening here on the House floor about people who would get a benefit from this tax break. The tax break we have sent for the mother with a daughter who is 14, a son who is 16, she gets $1,000, who is working, she gets a $1,000 tax break. That is almost $100 a month. Under the President's proposal we want to remember that that mother may possibly, that single mother with the 14-year-old and the 16-year-old and all kinds of expenses and all kinds of life stress got no break because those kids were over 12. And so this is a significant thing for American families.

The first tax cut in 16 years. How great that the first tax cut in 16 years would have such a focus on families. We have a lot of ways in our country to say families either are not important or they are important. And in our welfare policies and our tax policies we really can take some massive steps to say again to Americans, young Americans and Americans who already have families, that this Government and this country value families.

We think families are important, and that is why the family tax credit for kids up to their 18th birthday and then help for college beyond that is such a focal point of what we are doing here. I want to say to the gentleman, I think this focus on families is such an incredibly important focus, this first tax break in 16 years. We are going to do better than that. If we did not do better than that, this would be the last tax break, based on our history, for that child born this year who is going to save $10,000 in money they send to the Government by the time they are 18. If we go back to the last 16 years of history, they would not have any other tax relief but this.

We are going to be looking I think in the future for what we can do to help families in greater ways, but a cornerstone of this Republican tax package that we got Democrats in the House voting for, too, so it is really a bipartisan tax package that we have sent to the Senate, the cornerstone is a cornerstone that says families matter and we are not going to take money from families because we know families can spend their money better than the Government can spend money on their behalf.

Mr. HULSHOF. Mr. Speaker, I appreciate the gentleman's comments. The fact is that even way back in the early part of this Congress, the first couple months as the negotiations were just beginning, as they were trying to hammer out this budget proposal, to establish the parameters of the balanced budget agreement, the numbers we were provided, an $85 billion net tax cut, a $125 billion gross tax relief over 5 years, with that amount of money then we were required in our committee on the Committee on Ways and Means then to fashion some sort of tax relief. This child credit is an income tax credit.

I know there has been a lot of discussion about whether or not we should expand this income tax credit, that is a credit for those families that pay Federal income taxes, whether or not we should expand that income tax credit to other families who pay no income taxes. I know the gentleman from South Dakota who joins us has been very outspoken on this point.

Mr. Speaker, I yield to the gentleman from South Dakota {Mr. THUNE].

Mr. THUNE. Mr. Speaker, I thank the gentleman from Missouri. I would simply say that in the context of this debate this evening, that this is in basketball what you would think of as the great three point play. It is historic. It is exciting. It is a win-win for everybody.

When you look at what is happening, for the first time in 30 years we are balancing the country's budget. For the first time in 16 years we are bringing tax relief to working men and women in America. And for the next 10 years we are restoring and saving the Medicare system, an important program on which many people in this country rely. Leave it to the liberals, leave it to liberals to try and rain on the parade.

☐ 2200

But this is historic, and the people of this country should be jumping up and down for what we have accomplished here in the last few weeks and that we are in the midst of trying to bring to finality in the next couple of weeks. It is good for South Dakota, it is for America, and the folks the gentleman represents in Missouri.

And when we look at all the things being said on the other side of the aisle, they have been hacking away again at the old same stilted and stale class warfare argument that has been drug out time and time again to create this perception of a bunch of haves and have-nots. But that is not what this is about. This debate is about improving the quality of life for all Americans.

Now, it has to be an honest debate, and the problem we are running into I think in this Chamber, as I have listened to the debate since this subject got underway, is that we are not having an honest debate because some people are using different numbers, phony bookkeeping.

We have heard a lot of claims about what the Treasury says about income, and our friend from Colorado, who is here, is going to I think point out very quickly here how we can find out if we are rich. But the Treasury has been suggesting that this is skewed towards people in the upper income levels because they have used a calculation of income which is very clearly phony.

I want to point out how they get at that, because the Treasury Department says there are 21.2 million families in America who make more than $75,000. Now that is double, double the number that the census department uses. They have doubled the number. The reason is they add in all kinds of things, like pension funds, even unreported income.

They assume that there are dishonest people out there who are not reporting income. So when they factor in their calculation for income, they include unreported income.

But the biggest winner of all is imputed rental income. Think about this. For those of us who live in houses, the last time that I talked to somebody when they paid their rent, they thought of it as an expense, not as income. The Treasury Department is suggesting that people who own a home, if they rented it out, would have income from that, and so they factor that in as part of their income.

Now, what that tells me is if we want to be really, really rich, we should just keep buying a bigger house and the Treasury will impute more and more income to us.

So they are using this false calculation on income to skew these numbers and to skew this debate and to create the discussion of haves and the have-nots and class warfare. I think that is counterproductive to where we need to go in terms of the policy in this country.

Mr. HULSHOF. Mr. Speaker, reclaiming my time for a second on that point. I find it somewhat ironic that the administration, through this debate and through these negotiations, this conference to balance the budget, to save Medicare and provide tax relief, they will accept the Census Bureau's numbers of adjusted gross income when it comes to the child credit, that is for phasing out the child credit for the upper income families. They will also accept the Census Bureau's numbers when it comes to those individuals that are seeking a modest reduction in capital gains. They are willing to accept and embrace that number, that very bottom line number when it comes to who is unable to qualify. But then when it comes to this distribution table, and when they start to skew the results with who is benefiting from this tax package as a whole, then suddenly they push away the adjusted gross income, the 1040 number that the gentleman and I fill out on our tax forms, and suddenly go to this family economic income model.

Mr. THUNE. The gentleman is exactly right. It is a classic case of people trying to use the numbers to get the result that they want to get. When it is convenient for them, they will use the census numbers, yes.

The point simply is when we hear this debate, and the American people who are listening to this debate about tax relief, it is important for them to know that this sort of shenanigan is going on and that this phony bookkeeping, this funky accounting system being used by the Treasury Department is totally unfair in terms of its characterization of people in this country and how the tax relief is distributed. I think that that is a point that needs to be made over and over and over again.

But I would simply say this evening that we are moving in the right direction. We are winning this debate. And my colleagues who are on the floor today, most of them came here like I did, because we were interested in things like balancing the budget, lowering taxes and making government smaller, and saving Medicare. Look at how far we have moved this administration.

The reason the President's approval ratings are where they are today is because he is operating on our agenda. The things he is doing, talking about balancing the budget and lowering taxes, are things that we believe in and are values that we share.

I think it does come down to a basic fundamental value that all of us here in the Chamber tonight share, and that is this, that we believe that individuals are in a better position to make decisions about their future when given the freedom and the opportunity to do so than is the government.

We believe as a fundamental premise as well that bigger is not necessarily better when it comes to government. We want a government that is responsive and effective, and we also want to make sure the people in this country who work hard get to keep more of what they earn.

South Dakota is filled with a lot of hard-working people. We have a lot of farmers, small business people. And as I travel, and I put on 2,200 miles in South Dakota over the 4th of July recess driving across my State, I never once heard somebody say this is about the rich and the poor, this is a class warfare argument that is trying to be used by their side. Their questions are very simple. They are, are we going to pass estate tax relief so we can keep the family farm; are we going to pass estate tax relief so we can keep the small business in the family? Are we going to do something in the area of capital gains for people who are in the farming business and small businesses, the people who comprise the rich heritage that is my State of South Dakota?

Those are the kinds of things that they are interested in, and those are the kinds of things that we are interested in trying to achieve for them so that we can encourage the very best in our society; things like self-sufficiency and independence and family and thrift and hard work.

We have a work ethic in South Dakota. People understand when they work hard they will see the fruits of their investment, and they do not want the heavy hands of government interfering and taking that away from them. So this debate is really about who do we want to control our future; do we want that control in the hands of individuals and families and people in their living rooms and on Main Street making their decisions about their family farms, or do we want the government to do it?

That, on a fundamental level, is what we are talking about in this debate, and that is why I believe we are winning the debate because what we are saying is resonating with the American people.

Mr. HULSHOF. I appreciate the gentleman's comments. And before we leave the part of the discussion about how the administration, specifically the U.S. Treasury, calculates one's income to determine whether one is well off or not, I see my friend from Colorado is here. There is some chart next to him, and I would be happy to yield to the gentleman from Colorado, [Mr. BOB SCHAFFER].

Mr. BOB SCHAFFER of Colorado. Mr. Speaker, I thank the gentleman for yielding to me.

This chart on my right is one I have used on the floor here on a number of occasions. I usually use it in a way that pokes fun at this whole notion of the Treasury Department inflating the actual income of the American family so that our tax cuts for middle-class families somehow appear to be tax cuts for the rich.

That is the claim that the Democrats frequently make here on the floor. It is the claim we see coming out of the White House. So I made this chart really to show the absurdity, I think, of this family economic income definition that they use. And I made this look like one of those cheesy get-rich-quick ads, or get-rich-quick schemes. And it simply says that we can learn the amazing secrets of the White House and get rich quick if we call the Treasury Department now, and the number, and this really is the Treasury Department's phone number, 202–622–0120. And I tell folks that operators are standing by.

Well, the reason I ask people to do this is because when I tell people back home how the Treasury Department has manipulated the numbers to make a $45,000 a year family, a family earning $45,000 a year all of a sudden become rich, in the rich category, people do not believe it. I walk them through the numbers and I ask them to call this number to find out how the Federal Government, the Democrats, the liberals here in Washington, believe that an average family gets rich quick overnight only when we talk about tax relief here on the floor of the House.

The gentleman from South Dakota mentioned the biggest way they do this, and let me just kind of walk everybody through this for a moment.

If we take an average family making, let us say, for example, $45,000 a year, this is their gross income. This is before they take out all of their payroll taxes and other sorts of deductions that they have on their paycheck. And they add to this something called imputed rent, that the gentleman from South Dakota mentioned.

Now, imputed rent is not anything that we receive. It is not cash we have. It is not really income tax. What imputed rent is is the rent that an individual could receive if they moved out of their house and rented their home to someone else.

Now, the Treasury Department really did not consider where an individual might live, whether in a tent, in the park, or whether they would move into the Treasury Department offices. I do not know where they would go, but they assume that the rent that the individuals could earn on their homes is part of their income.

So we can see for a family of $45,000 that imputed rent can be as high as $12,000 a year annually added to their rent. So we can see how we are taking an average family, that really is the object of our tax relief package, and slowly moving them up over the $75,000, $76,000, $77,000 range, because in addition to imputed rent, the Treasury Department also adds things like the benefits that an individual may receive at work; $600 for the parking space that they may have in the parking lot outside of their office building is also added to imputed rent.

They include several other things. They assume, as the gentleman from South Dakota mentioned, that we are just simply not reporting all of our income; that as Americans we somehow lie every year when we report our income to the Federal Government and comply with the tax law. So they just throw in a few thousand dollars to the family economic income to further bump the income up for the purposes of this debate here on the floor.

They also add the income that a child might earn in a summer job or the job that they may have after school. They figure that that has some kind of value to the average family. So they throw that in.

There are several other things. The anticipated income that an individual may receive on capital gains. Not for the capital gains that an individual achieves in one year, but for those assets that they might have and sell some year off in the future. They bring that to today and throw that into the family economic income.

This is how they bump the family income up so that they say the average American family is in fact rich. And since the average American family are the beneficiaries of our tax package, that is how they make the wild claim that our tax relief package is tax cuts for the rich.

Well, this is a bunch of baloney over here, this chart to the right. But I do urge people to call the Treasury Department at 202–622–0120 and ask them for the rundown on this calculation. It is called family economic income. That is the dirty little secret of the Democrats here in Washington. And I urge Americans to find out all about it and ask how it might apply to them.

I would point out that the fact of the matter is that American families have been overtaxed for too long. Back in 1950, this was the tax bite out of the American family budget. Six percent of our family budgets went to taxes in 1950. This is when my parents were starting out and trying to make a go of it as a brand-new family.

Well, over here on the right we can see that in 1994, the Federal tax burden on the family budget was 23 percent. Now, that is just the Federal burden. We also pay State taxes and we pay local taxes and all sorts of other taxes that go along with that. In 1995, the total tax burden was 39 percent. Almost 40 percent of a family's annual budget is confiscated in taxes of one sort or another.

This is what we really care about here in Washington as a Republican Party, and it is the object of our tax plan, and this is what we are trying to address. We are trying to get back to the days of 1950, when the tax burden was much, much less, much, much friendlier, and much more oriented toward liberty and freedom in our great country.

Mr. HULSHOF. If the gentleman would leave that chart up, the one entitled ''Family Tax Burden.'' I had a question at one time during a radio town hall meeting regarding tax relief and was taking a variety of calls. I mentioned that the average family in America today pays more in taxes than they do for food and for clothing and for shelter combined. And the gentleman on the phone asked me how is it that I could make this claim. And as the gentleman mentioned, the total tax burden is nearly 40 percent, 40 cents out of every dollar goes to the government.

Think about a typical day. When we wake up in the morning and grab our first cup of coffee, we pay the sales tax; when we drive to work, we pay a gas tax; when we get to work, we pay an income tax; when we flip on a light, we pay an electricity tax; when we flush the toilet, we pay a water tax; if we have cable TV, we pay a cable tax; if we drive home and we happen to have one of these homes the gentleman was talking about with imputed rent, we pay property tax. As the gentleman from South Dakota mentioned, when we die, the government is there taking up to 55 percent of the family farm or family business in death taxes.

Now, that is how it is that clearly we are paying much more in taxes than we should. The problem is not that we do not tax enough. The fact is that we here in Washington spend too much, and we are trying not to give back, but letting people keep more of their money.

Mr. BLUNT. If the gentleman would yield before we get away from the whole topic of how we calculate wealth in Washington. This is not the first time we have done this this way.

☐ 2215

The first time was 1993, when supposedly the biggest tax increase in the history of the country was only a tax increase on the very wealthy. Working Americans all over the country found out suddenly how wealthy they were when this massive tax increase hit them, hit their paychecks, this wealth that the gentleman from Colorado [Mr. BOB SCHAFFER] has talked about.

I call it stealth wealth because it is so stealthy they do not even know they got it. It is out there somewhere and they do not know it is there, they do not know they have that money to spend, but suddenly they become very rich Americans. And, in fact, if we look at the Treasury Department calculations, the kind of calculations that were used in 1993, if we look at those calculations, more than 50 percent of the people who have a school teacher in the family or an auto mechanic in the family or a construction worker in the family are among the very wealthy.

Now, if we want, if we will accept that as our definition, we very well may be having a tax increase for the wealthy if the wealthy includes school teachers and auto mechanics and construction workers. Not only this imputed value of their home, but if they have got a health care benefit, any benefit that they have got that their employer gives them, the capital gains calculated back over the time that they might average those out over 20 years.

I got to tell my colleagues, that does not help their budget much if they are the janitor at school and they mess around with a rental house every Saturday of their life to try to hold their money together, and suddenly someone says really this rental house some day is going to be worth, they paid $30,000 for it, 20 years from now with inflation it is probably worth $60,000. We need to take that $60,000 and divide it back up over these 20 years, and really they have got another $3,000 or so a year of wealth right there that they do not know anything about. All they know is that they are under that house on the coldest day of the winter trying to thaw out the water pipe.

And those are people that pay capital gains tax, another element of this tax. This is not stealth wealth for them. It is trying to hold the money together in an economy that has had too much inflation. It is trying to make something for their children that they did not have for themselves.

Forty percent of the capital gains taxes in America are made by families who have a total family income of less than $50,000. Now under the Treasury Department calculations they may have a total family income of $80,000. I do not know. But all they know is their checks add up, before the taxes are taken out, to $50,000. Those are the families that pay 40 percent of the capital gains taxes. They have absolutely no mechanism to avoid it. They do not have expensive accountants or lawyers. This is a tax break for them, as well.

The taxes that we talk about are taxes that really give a break to work and productivity and families. And what should we be encouraging in America? Work, productivity and families. And we ought to be at least talking about the right numbers. We ought to be talking about numbers that when we ask our neighbors, or maybe not our neighbors, maybe our son, maybe somebody that would tell us what they are making, probably should be willing to talk about that when we say, ''What do you make?'' they tell us that that is the number that we would look at in Washington.

Instead we come up with some number that nobody in their wildest mind would believe, and then we say and that means that this is a tax break for the wealthy because they are a school teacher and they are married to an auto mechanic or they are an auto mechanic and they are married to a construction worker, and they are now one of the wealthy Americans according to the way we calculate in Washington.

They do not calculate income that way anywhere else in America, maybe not anywhere else in the world. And we are trying to fool the hard-working people of America into believing that everybody else who works beside them at the job is rich. Because they know they are not rich. This stealth wealth issue is an issue we have to deal with. But if we only would deal with numbers that Americans have confidence in, they would have more confidence in the Congress.

Mr. THUNE. If the gentleman would yield, that is a wonderful point, and he did I think an excellent job in elaborating on why people are so confused about this argument. I think it is totally unfair to the people of this country, most of whom are going to benefit from this, to try and confuse the issue.

What happens is the other side is losing. And, so, in being crushed, in losing, they are dragging out the class warfare thing again. It is not fair when we start talking about the types of things that we have alluded to, and the gentleman from Colorado [Mr. BOB SCHAFFER] and his numbers. If my colleagues want to find out all those things and what they are, call the Treasury Department.

But we cannot have an honest debate on this issue unless we are dealing with the same set of numbers. And we are not doing that, and it is not fair to the people of this country.

One other point I would like to make before we leave this subject, because again the way this is being pitted, it is playing this tax relief for the wealthy type thing, which is an absolute misnomer. We just talked about some statistics earlier this evening with respect to family tax credit.

The people in this country who are eligible for it, and by the way, there are 136,000 kids in the State of South Dakota who are eligible and will qualify for the family tax credit, the families who qualified, are eligible, there will be 1.9 million, almost 2 million taxpayers in this country will have their income tax liability entirely wiped out simply because of the family tax credit.

These are hard-working people on the lower end of the income scale who are paying income taxes today, who because of the family tax credit are going to have their tax liability wiped out, almost 2 million people in this country. That is what we are talking about here. We are talking about helping people who are working hard, trying to make a living, people like in my State of South Dakota when I think, given the opportunity to understand the arguments that are being made here and understand clearly the types of numbers that are being used and the way that they are being inflated by the Treasury Department, when people understand what the issues are, they are hugely in favor of what we are doing. They are on our side.

We are on the right track and moving in the right direction. And hopefully, again, we have the opportunity and in future years will be able to come back again and say, ''We want you to keep even more of what you earned,'' because Washington, DC does not make very good decisions when it comes to spending money, and it is proven by the way they calculate income.

In this country, and only in a country where we have $5½ trillion in debt, and we are talking about different degrees, can we double someone's income just like that out of thin air; and that is what is happening.

I yield back.

Mr. HULSHOF. If the gentleman would yield, because I think there is also a lot of misinformation being distributed, originating from right here in the well of this House, about the $500 per child income tax credit and whether or not that income tax credit should be applied to those individuals in our country who are working that receive an earned income credit but that pay no income tax liability.

If we could take just a minute to explain the difference, because this is exceedingly important and I think the issues are being framed up, even as we speak, among the conferees. This is an extremely important debate.

The income tax credit, as my colleagues know, was first enacted back in 1975; and the purpose of the earned income credit was to provide public assistance in the form of an income supplement to low-income workers, something that the Republican side has continued to support.

In fact, the earned income credit I think has been modified and expanded. Back in 1993, the earned income credit was expanded even more. It has been indexed to inflation. We cannot get capital assets or estates indexed to inflation, but we indexed the earned income credit for low-income working families to inflation to make sure that their pay checks would keep pace with the rate of inflation.

So we got nearly 19 million Americans that have qualified and will qualify for the earned income credit, almost $28 billion in public assistance going to individuals that will not have to pay Federal income taxes. In fact, I think the gentleman pointed out a couple weeks ago when we were discussing this issue, 20 percent of the earned income costs actually are a refund of income tax that are paid by low-income people, but 80 percent of the $28 billion, 80 percent is in the form of supplemental public assistance that goes to working low income families. Eighty percent is a cash assistance program in excess of Federal taxes paid.

Now the other side talks about, well, what about the payroll taxes and what about taxes going to social security and to Medicare? And the fact is, when each of us at all ends of the income spectrum are working and paying payroll tax, that is for a future benefit. We are investing in social security, we are investing in Medicare that we are hoping to save for future generations.

So the fact is that we have to decide, within the very narrow parameters that we were given by the White House and congressional leaders, where are we going to target our tax relief? And right now we are trying to focus our tax relief on middle-income families with kids that are trying to make ends meet, that this tax burden, as the gentleman from Colorado, Mr. BOB SCHAFFER, mentioned, that are sending nearly 40 cents out of every dollar here to Washington. Those are the people that we are trying to aim and rifleshot this tax relief to.

Mr. KINGSTON. If the gentleman would yield, I know we were talking about this earlier, and I wanted to give an example of a woman, say Susan, she makes $20,000 a year. She has a 14-year-old and a 16-year-old.

Now under the Republican plan she would be getting $1,000 tax credit for those children. Under the Clinton plan she would get zero. But who would get the money instead is somebody who is not paying income taxes. And that person who is not paying income taxes may be already receiving public housing assistance, free health care for the kids, Medicaid, food stamps for the family, WIC for the children, supplemental security income, possibly the earned income tax credit, public assistance/welfare benefits, worth anywhere from $10 to $18 an hour. In addition to all those public assistance benefits, under the Clinton liberal Democrat plan they would get another $1,000 check because of having two children or children under 12 years old. And it is not punitive to say let us give the income tax credit to those who earn income, rather than let us just make it one more welfare benefit.

It was interesting, in the Washington Times today, it did say on the front page, Clinton admits that it is an expansion of welfare. So I think my colleague raised a good point. This tax relief proposal, the intent of it is not to expand welfare. The intent of it is to give tax relief to middle-income Americans.

Mr. HULSHOF. If the gentleman would yield, one additional point, and I think it is dead on with what the gentleman says.

One of the subcommittees that I serve on is the Subcommittee on Oversight of the Committee on Ways and Means, and we recently had testimony from the IRS, the Internal Revenue Service, about the earned income credit. Unfortunately, the earned income credit is rife with fraud and waste and abuse.

In fact, the IRS even estimates that the rate of fraud and error was over 20 percent. Essentially, out of every $5 then in the earned income credit that IRS that the Federal Government was giving to these families, $1 out of every $5 should not have been paid out because this error rate is so extremely high due to in some instances to fraudulent reporting but some instances just error in reporting.

The question I have is, given this high level of fraud and error rate found by the IRS, is it wise at this point to expand, to seek an expansion of this earned income practice until we can at least get a handle on or solution to the fraud and the waste and abuse in this program?

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

Mr. THUNE. We had this discussion on the floor before, as my colleagues know, and I think that the point that my colleague made earlier, 80 percent of that $28 billion is going out not in the form of a credit against taxes that are currently being paid but as a government check. The question that we are faced with, I think, in terms of this debate is whether or not we want to add to that government check $500 per child.

Now we talked a lot about statistics in this whole debate, and I would again mention that 75 plus, 76 percent of the tax relief in this proposal goes to people who are, families who are making less than $75,000. Now just by comparison, the taxes that are currently being paid in America today, 37 percent of the tax burden, the taxes being paid, are being paid by people making less than $75,000, and yet we are giving 76 percent of the tax relief to that group of people.

This is very targeted toward hardworking men and women, middle-class Americans in this country, and families. Sixty-three percent of the tax burden in America, according to IRS figures, is paid by people who are making more than $75,000, and yet, under our proposal, they would get somewhere in the neighborhood of 24 percent of the tax relief.

□ 2230

We look at who is paying the taxes today, who gets the relief and I think again we are faced with this question as to whether or not it makes sense, fiscal sense, to the taxpayers of this country for people who are already receiving 80 percent of the $28 billion in earned income credit going as a payment to people who are not currently paying income taxes. Do we add on to that payment $500 per child?

I think what we have said in our plan is that we want to apply the tax relief to people who are paying income taxes, and particularly given what the gentleman has just mentioned about the amount of fraud in the EITC. The earned income tax credit program is a program that is seriously in need of reform. I think it would be in our best interests and in the taxpayers' best interests to reform that program before we ever look at adding a $500-per-child tax credit.

Mr. BOB SCHAFFER of Colorado. This really defines the classic debate that we see here in Washington or the classic differences, I should say, between Democrats and Republicans, or liberals and conservatives.

It is the difference between the entitlement mentality that the Democrats fight for every day here, which if one is a Democrat makes perfect sense to them, versus our model of encouraging honest hard work, which if one is a conservative or a Republican, that of course makes sense to us. Because on one hand what the Clinton administration is proposing is within that entitlement mentality, that entitlement framework, where we just send cash. The cash actually comes to Washington and it is redistributed by politicians here in Washington. We take from some families, we take that cash and give it to the charity of the government's choice, which in this case would be the individuals who would qualify under the Clinton entitlement tax credit. Again, contrasting that with our model which suggests that the harder you work, the more you contribute to our economy, the more you are willing to try to work hard to strive for self-sufficiency and provide for your family, the more we want to encourage you. We want to help that. We want to take less away from you. We want to take less cash out of your family budget and allow you to keep it, not just so you can spend it on things, but also so you can be charitable.

This is the point that I think is frequently missed here. President Kennedy and President Reagan and many Presidents before that have shown us very directly that when you in fact reduce the tax burden on American families, charitable giving continues to climb. In fact, under the Reagan administration, charitable giving reached an all-time high. It was not until we undid the Reagan tax cuts under the Bush administration, and even taxed families more under the Clinton administration, that we saw charitable contributions begin to decline. These dollars, allowing families to keep more of their cash, to keep that cash within their family budget for their own discretion under their own judgment, to put toward their children, their schools, their communities, their churches, their synagogues, the charities of their choice is far better, I believe, and we all believe, than the liberal Democrat model of the entitlement mentality which suggests that everyone should send their cash to Washington and politicians here will spend it on the charity of the government's choice.

Mr. BLUNT. I have got a chart here that follows up on what the gentleman from South Dakota [Mr. THUNE] was saying and the gentleman from Colorado, Mr. BOB SCHAFFER, was talking about that shows exactly where these tax cuts are distributed. This is your income on this side. Under $20,000, almost 5 percent of the tax breaks are for those taxpayers. Between 20,000 and $75,000, almost 72 percent. Over 76 percent of the tax breaks are for people that make less than $75,000. We believe that to be a real add-your-paycheck-up figure, add your check stub up and see what you are making.

When families think about that, where I am from, $75,000 is still quite a bit of money. But if somebody in your family is making $2,000 a month and somebody else is making $41,000 a year, you are at $65,000 in your family income. This is a family income. This is your total family income. Seventy-six percent of the tax benefits here are for people who make less than $75,000, 5 percent are for people who make less than $20,000. These are real numbers. These numbers count.

As the gentleman from South Dakota [Mr. THUNE] has pointed out, the tax breaks are very much in disproportion in terms of the taxes being paid today, but they are in proportion to what the Members of this Congress think ought to happen right now to make American families work.

The gentleman from Missouri [Mr. HULSHOF] has talked about from the minute the alarm clock goes off until you set it again that night, you are paying somebody some kind of taxes. We are saying that is too much. We are going to have conservative Democrats, we are going to have Republicans voting again for this issue if we get to vote on this kind of issue again. Certainly we had those kind of votes when the Republican majority, helped by conservative Democrats, sent this tax bill over to the Senate.

Mr. HULSHOF. I think a point that needs to be made regarding the numbers on the chart that the gentleman from Missouri [Mr. BLUNT] has before him is that these numbers, this is not sham accounting. This is not cooking the books, as the gentleman from Colorado, Mr. BOB SCHAFFER, talked about the Treasury likes to do with this nebulous concept called family economic income. These numbers have come from the Joint Committee on Taxation, which is a bipartisan group that takes the effects, the true effects of any tax law and determines what is going to be the effect.

These numbers are what will happen over the next 5 years if the President will sign into law the measure, the tax relief measure that we have passed here in the House by an overwhelming majority. These numbers are good numbers. They are solid numbers of the Joint Tax Committee.

It might even be that those who come after us this evening, after our time is up, as it draws to a close, will talk about, well, 10 years from now these Republican tax cuts are going to explode the deficit, are suddenly going to balloon the deficit, and use these terms. I would challenge anybody that makes these spurious arguments. It is difficult enough for us to try to project a balanced budget plan for the next 5 years and to try to fashion some modest tax relief for the next 5 years. Certainly when we start looking in a crystal ball and predicting the future of what is going to happen 10 years down the road, I just think it is somewhat disingenuous to make an argument that these tax proposals in the next 10 years or in the next 15 years are going to do this or do that.

I do not think this House, if we look at its track record, those that have been in control of this House, I do not think necessarily that we can go to the bank, so to speak, on the numbers of the predictions that previous Congresses have had regarding the economic forecasts.

Mr. BOB SCHAFFER of Colorado. Mr. Speaker, I would like to point out for one minute, before we close here, I just want to reiterate what has been said over and over again, and I do not think we can make the point too often, that the real numbers that we have been working with and that we rely on show us that 76 percent of the tax relief that the Republicans are providing go to families earning between $20,000 a year and $75,000 a year. Again, that is 76 percent.

For those people who want to find out the real numbers for what the impact of this tax plan is going to be on their families, the Republican Party has provided a Web site that I would encourage people to visit. The address is right here. It is hillsource.house.gov. You can call there or visit us here. It is a GOP tax calculator. You impute your income, and the service here will help figure out what the impact on your family will be once this tax package is agreed to, is signed by the President.

The reason we do this is because we are very proud of it. We are convinced that when real families make contact with us and figure this out for themselves and apply our tax relief package to their family income, their average family income, they will see a dramatic reduction in the amount of cash which the Federal Government confiscates from your family budget. For that reason, we really encourage people to call.

This is a winning strategy for us as Republicans. The Democrats are scared to death because they know when the American families realize that this really does affect them and helps them, that it is to our advantage politically but, moreover, economically and for the country. That is what we care about most. Please visit us. We would love to show how our relief package is going to help you.

Mr. THUNE. I notice the gentleman made the comment there as he was pointing that out, that you impute your income. I was wondering if that was just a slip.

Mr. BOB SCHAFFER of Colorado. That was a slip of the tongue, right. You compute your income.

Mr. THUNE. I am glad to hear that. You input your income and it will give you the real number, not the imputed number.

Mr. BOB SCHAFFER of Colorado. Right.

Mr. BLUNT. The other thing to remember here, too, is that as hard as we have worked on that and as much debate as we have had about the dangers of giving this money back to the American families and the American people, we are only managing to give back in this tax cut a third, one-third, of the dollars that we increased taxes by in 1993, the biggest tax increase in the history of the country. I do not recall nearly this much concern in the Congress about taking three times as much money away from the American people as now we have letting them keep a third of their money.

We hear about giving them money, giving them a tax break. We are just again letting them keep their money, and still we have got a long way to go just to get the tax burden, the Federal tax burden back to where it was in 1993.

This is the first step, it is a big step, but I just remind people of the country who are thinking about this debate, how much debate did you really hear in 1993 as that big tax bill passed about how much money we were taking away from Americans, or whether we were going to explode the deficit at some mythical point in the future or what was going to happen? Were we going to explode the American family at some mythical point in the future, at a time when we were taking three times this much money away?

We are working very hard, I think we have taken a very important first step. We are just giving a third of that tax cut that is in very, very recent memory back to the people and the families of the country.

Mr. THUNE. I would just add because we are coming to a close here, but I am proud to be a part of this effort. I think most of us, I know our colleagues in our freshman class, the people with whom we joined the Congress, came here for a specific reason. It was because we believe profoundly and fundamentally that the people in this country, if given the freedom and the opportunity to make decisions that affect their lives, will do a better job than the government will. It is all about allowing people to keep more of what they earn, allowing government to become smaller and allowing people to be able to do more because government is doing less.

The gentleman from Colorado [Mr. BOB SCHAFFER] very aptly pointed out that when people have more of what they earn, they are willing to contribute more into their communities. That again is something that we want to encourage in this country because we have fostered a culture that has become very dependent upon government. We have an expectation in this country that government will do all things for you. That is, I think, a mentality that we need to get away from. I believe that this debate is moving us in that direction.

I would just make one point in closing, because we look at the breadth of this thing and the many component parts of it. In lowering the taxes on saving and job creation, investment, the capital gains tax, I had people when I was in my State last week ask me, when are you going to do something in capital gains; we want to sell the farm but we cannot afford to do it.

You look at the estate tax, the death tax. We believe that people in this country, when they die, should not have to see the undertaker and the IRS at the same time. Those are just fundamental values. Those are things that we stand for and believe in.

I am delighted to be a part of this effort and a part of this class and the commitment that we have to accomplishing the things that are good for the future of this country, for my kids and for the kids and grandkids in South Dakota and throughout America.

Mr. HULSHOF. Mr. Speaker, I appreciate my colleagues joining me this evening. I appreciate very much their eloquence and the sincerity with which we have approached this debate. Again, because of the parameters of the budget agreement, we are trying to focus tax relief, income tax relief to those families who pay income taxes. Certainly we want to help those on the lower income scales, to help pull themselves up; but because of the earned income credit, and especially because of the disturbing news from the IRS about the fraudulent rate or the error rate, I should say, regarding the earned income credit, the fact that of the $28 billion that nearly $6 billion next year will be wasted and paid out to individuals that perhaps do not qualify or who fraudulently apply for the earned income credit, again my question to those on the other side is, is this the time for us to be expanding that credit? Because of the parameters of the budget agreement, should we not be looking to those individuals that are paying more in taxes than for food and for clothing and for shelter combined?

Again, Mr. Speaker as our time is drawing to a close, this is more than about numbers, this is about choices. It is about people. We want men and women across this country to be able to earn more so that they can keep more, to do more. It is about improving the quality of life, as the gentleman from Colorado [Mr. BOB SCHAFFER] mentioned, as the gentleman from Missouri [Mr. BLUNT] mentioned, as the gentleman from South Dakota [Mr. THUNE] mentioned. The fact is that many couples right now, in order to make ends meet, have no other choice than to have both spouses working in order to put food on the table and a roof overhead.

□ 2245

We believe, the newly elected Members on the Republican side believe, that taxpayers should reap the rewards of their efforts and our efforts to shrink the size of the Federal Government. As we force Washington to balance its books, and as we hold government programs like the earned income credit accountable, and as we shape and force a smaller, smarter, more effective government, Washington does not need as much of the American people's money. The money should stay in the pockets of hard-working men and women across this country, not into this bloated bureaucracy or into any schemes to redistribute income. It is the American people's money. They have earned it, they should keep more of it. That is what this tax debate is all about. That is why it is so important.

THE TAX CUT DEBATE

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

Mr. PALLONE. Mr. Speaker, I wanted to start out this evening by pointing out that I believe most Americans now realize that the Republican tax cut strongly favor the rich, and when I hear my colleagues on the Republican side of the aisle constantly try to say that that is not true, I think it is because they realize that the word is getting out that the average American understands that this Republican tax plan is basically favoring the rich, and the media, the newspapers, are obviously making that point as well because they understand it.

In fact, two-thirds of the Republican tax cuts in the House bill go to households with incomes of more than $100,000, and I believe it is a disgrace that those Americans in the bottom 40 percent of the income; in other words, these are still working Americans paying taxes, essentially get nothing. The Republican tax scheme would deny the child tax credit to taxpaying working families but give big business and their country club buddies a tax break windfall.

Now I listened to what some of my colleagues on the Republican side said tonight in the last hour, and it was really interesting because basically what they were saying is that the more money you make, the bigger tax cut you should get, and they short of justify this by suggesting that the harder you work the more you earn; in other words, somehow that people who earn more work harder.

The problem is that is simply not true. Many middle-income people work harder than wealthy people. Some wealthy people do not work at all. They have just basically inherited their wealth in some cases. And what the Democrats are saying is that middle-income families should get the largest share of the tax cuts because they need it the most, and we have a limited amount of money to give back in tax relief because I would remind my colleagues on the other side that our basic goal with the budget bill is to eliminate the deficit.

So why should we not give the tax cuts to middle income working families primarily? That is all the Democrats are essentially saying. We put forth a plan basically that would truly benefit middle-income families. We are advocating a tax cutting plan that is fair and that helps the majority of Americans as promised in the original budget agreement that was reached this past May.

I believe very strongly that what the Republicans are doing here is reneging on the promise that they made when they signed with the President and said that as part of this balanced budget agreement most of the tax cuts would go to middle income working families, and unfortunately the Republican leadership is not honoring this agreement made on behalf of the American people. They are basically breaking the promise that was made to middle-income people.

Now, what we have tried to do as Democrats is to illustrate in human terms the implications of this Republican tax scheme, and I just wanted to mention, I have mentioned it before, but I wanted to mention an individual, a family from New Jersey, that wrote to me about a month ago now and also talk about this family and others in terms of the education benefits of the Democrat versus the Republican bill.

I have a chart here that talks about how a typical working family fares in 1998 under the GOP versus the Democratic proposals. This is a family that has an annual income of $24,000. The family has 1 child, age 10, and another child, age 19. The 19-year-old is attending his first year of community college with an annual tuition of $1200. Under the Republican bill the scholarship that would go to the student, to the child, that is in the community college basically is $600. Under the Democratic alternative it is a lot more, $1,100 phased up to $1,500 by the year 2001.

Even more or just as important is what happens with the child tax credit. This is this credit that the Republicans promised many times before would go to all working families if they had dependent children, but what they have done in their Republican tax plan is basically say that many families, including this one, which again is making an income of $24,000 a year, would receive no child tax credit because they do not qualify because of the earned income tax credit which some of my colleagues talked about tonight. Under the Democratic plan they would get the family $300 phased up to $500 by the year 2001.

Now that is the general statement that explains, I think, what the Democrats are complaining about when we say that the average person, in this case a working middle income family, are not getting a benefit of a child tax credit under the Republican plan and a reduced amount of money that is available for higher education.

But I just wanted to illustrate my New Jersey case again, if I could, and then I would like to yield to some of my colleagues who are joining me here this evening.

This is a woman, Deborah Hammerstrum, who is a resident of Toms River, NJ. She is a divorced mother of 2 children living on a single income, and she wrote to me, and I quote, ''to stress the importance of how a child tax credit would help to offset some of the financial burdens that come with raising a family on a single income.'' Ms. Hammerstrum earns $21,500 in her job as the benefits coordinator for Visiting Home Care Services of Ocean County, NJ. She pays $105 a week for child care, actually $5,460 a year, so that she can work. She is working.

Now, to quote again from her letter, she says, ''Unfortunately, the Republican child tax credit proposal is targeted against those who need it most, those who are just one step away from falling into the welfare system.'' She works, she pays for child care, she pays for food, a roof over her family's head, and nothing more.

The child tax credit should be given to financially benefit the child, and I think a child from a middle income family would benefit greatly by receiving this credit. She would get nothing under the Republican proposal, and the reason for this is because the Republican bill denies the $500 child tax credit to more than 15 million working families because it does not let them count the credit against their payroll taxes.

I heard my colleagues over and over again on the floor tonight say that the only people who should qualify for this child tax credit are people who pay income taxes; in other words, if the child tax credit, I mean, if with the earned income tax credit which we have on the books now, that person, in effect that earned income tax credit, goes above what their income tax liability is, that they should not be able to take advantage of the child tax credit that we are proposing. And that is simply unfair, Mr. Speaker, because basically what it says is that we are not going to count for this working family the fact that they pay payroll taxes, Federal payroll taxes, the fact that they pay Federal excise taxes or might pay local property taxes. These families, including Ms. Hammerstrum, are paying a lot of taxes, and it does not make sense to me to say that they should not get this extra $500 child tax credit.

I have other examples, but I do not want to use them right now because I wanted to have some of my colleagues