

The assistant legislative clerk proceeded to call the roll.

Mr. GRAMM. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

A TAX CUT FOR PEOPLE WHO PAY TAXES

Mr. GRAMM. Mr. President, I understand our Democratic colleagues have been out today to proudly unfurl the banner proclaiming "redistribute the wealth." They have been looking at the tax cut that has passed the House and Senate, and they have discovered something that, to them, seems miraculous. I would like to take a few minutes this morning to address the issue. Our Democratic colleagues have discovered that the bottom 20 percent of all income earners in America do not get a tax cut under the tax bill that passed the U.S. Senate with 80 votes, and further that the top 20 percent of all income earners get a substantial tax cut. Our Democratic colleagues believe that this is grossly unfair and they want to do something about it.

Well, let me first set the record straight. It is true that, in our tax bill—at least the version that passed the House—the bottom 20 percent of income earners in America do not get much of a tax cut. It is also true that the top 20 percent of income earners will get a substantial tax cut.

But as Paul Harvey would say, let me tell you the rest of the story. The rest of the story is that, as a group, the bottom 20 percent of income earners in America pay no income taxes. The top 20 percent of income earners in America pay 78.9 percent of all the income taxes paid in America. So I do not understand why our Democratic colleagues are so shocked to learn that people who do not pay income taxes do not get an income tax cut when we are cutting income taxes. Nor can I understand why they are so shocked to learn that when 20 percent of the workers in America are paying 78.9 percent of all income taxes, it is that 20 percent which will benefit from a tax cut when we are talking about cutting income taxes.

Now, what our colleagues on the left would like to do, in following the President's proposal, is to take the tax cuts away from a working couple, both of them working full time, making a total of \$54,000 a year, and instead give it to people who do not pay any income taxes. Their argument is, if you are a working couple in America and you make a total of \$54,000 a year, then you are rich and, therefore, you ought not to get a tax cut. Our colleagues on the left believe that we ought to take away your tax cut and give it to people who pay no income taxes.

I reject that. I reject it because it is not fair. It is not fair because a tax cut is for taxpayers. If you do not pay income taxes, then when we are cutting

income taxes you should not expect to get a tax cut. Let me make it clear that I have voted for a lot of programs that provide benefits to people—over the past 15 years, we have substantially increased benefits to the very group that our Democratic colleagues have argued on behalf of here today. Let me just give you some figures. In 1981, the average payment that we were making to low-income workers—we actually give them money to work—was \$285. Today, that figure has risen to \$1,395. This is relevant because the last time we cut taxes on working families was in 1981. So our Democratic colleagues who have been out this morning talking about redistributing wealth say, look, we ought to take the tax cut away from families making \$54,000 a year as a joint income, and we ought to raise this so called earned income tax credit.

My point is that the last time working families who pay taxes got a tax cut, the earned income tax credit, on average, was just \$285.

Today the average beneficiary of this so-called earned income tax credit is getting \$1,395. In other words, we have had almost a 500-percent increase in subsidies for low-income workers since the last penny of tax cuts was provided for people who actually pay income taxes in America. The best data we have on the refunded portion of the earned income tax credit and after-tax income of taxpaying families is the following: Since 1986, the paid out portion of what we call earned income tax credit, a direct Government subsidy to low-income workers—which, by the way, I have supported—has risen by 860 percent since 1986.

Do you know what has happened to the after-tax income of working, taxpaying families since 1986? It has fallen .2 percent—from \$28,302 to \$28,249. So, while this subsidy to low-income workers has exploded—the paid-out portion has risen by 860 percent in the last 11 years—we have not had a tax cut in the last 11 years for taxpaying families, and during that time the after-tax income of working families has actually gone down.

What we have heard all morning is that we should take money away from taxpayers and give more subsidies to people who are not paying income taxes.

I believe that it is not unreasonable once every 16 years to have a bill that helps people who pay income taxes. What we are trying to do is to give a modest tax cut—\$85 billion in a \$7 trillion economy—and we are trying to give it to people who are actually paying income taxes.

I can not think of a more reasonable proposition.

Finally, let me say that we have this game going on where the White House wants to make everybody appear richer than they are so that in the process they can claim that it is only rich people who they would deny the tax cuts. Let me tell you how it works.

According to the Joint Committee on Taxation and according to the Census Bureau, the top 20 percent of income earners have a threshold income of about \$54,000 per family. But what the administration has done is they have inflated that income by over 70 percent. You think you are making \$54,000 a year, but the administration says, "Now, wait a minute. Do you not live in your own home? And you know, if you did not live in your own home, you could move out, live in a tent, and rent that house out." So they take what you could rent it for, and they add that to your income. They take unrealized gains, the cash buildup of your insurance policy, the value of your retirement program, private retirement programs, and they add all of that to your income. So your paycheck says, when you add yours and your wife's, that you made \$54,000. You did not feel too rich, quite frankly, making \$54,000. You are working hard to make ends meet. But the administration says your income is not \$54,000. They say if you moved out of your house and rented it out, and if you looked at the buildup of your life insurance policy, if you looked at the internal buildup value of your retirement program, you would have found that actually your income was over \$93,000, and that you are actually rich. Then they say, because you are rich, you do not deserve a tax cut so we are going to take it away and give it to someone who does not pay taxes.

Let me make two more points because I see several of my colleagues here who want to speak.

This whole debate pains me. I do not understand why, in America, anyone would try to pit people against each other based on their income. There is nothing more un-American, in my opinion, than trying to divide people up in classes based on how much money they make. We probably provide more generously than any society in history for people who are incapable of earning a living or people who are having trouble doing it. We are not debating those issues today.

What we are debating is when we finally, for the first time in 16 years, can afford to give reductions in income taxes, should those reductions go to people who pay income taxes, or do we have to pay tribute every time we try to help working families who pay income taxes by taking part of their tax cut and giving it to people who are not paying income taxes? That is the real debate.

Final point: If you are making \$54,000 a year, husband and wife working, maybe somebody at the White House thinks you are rich. Maybe there are people in Congress who think you are rich. But basically we are talking about middle-class, working Americans struggling to make a mortgage payment, struggling to pay for food and shelter, struggling to try to lead a quality life. It is just outrageous and

totally unacceptable for us to be talking about taking that working families' tax cut away to give more subsidies to people who are not paying income taxes.

To me, that is what this whole issue is about. It never ceases to amaze me when we look at these polls to see that people believe that the President is right, and that, in fact, we are talking about redistributing wealth to the wealthy.

The Tax Code in America is more progressive today than it was the day Ronald Reagan was elected President. Higher income Americans are paying a larger percentage of the tax—bearing more of the burden of taxes today than they were the day Ronald Reagan became President. Lower income Americans are bearing a lower share of the tax burden.

For those who want to complain about payroll taxes, let us remember who made a proposal 3 years ago to almost double payroll taxes to pay for national health insurance. It sure was not me. I am happy to count myself among the number who killed that proposal. That proposal was made by the same President who today laments the burden of payroll taxes when in fact 3 years ago he wanted to almost double it.

I do not like engaging in these kinds of debates, I do not think they are very productive. We should be talking about creating wealth rather than redistributing it. But since some of our colleagues spent an hour this morning talking about redistributing wealth, I felt obliged to come out and join others in trying to set the record straight.

I yield the floor.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

CONGRATULATIONS TO THE FCC

Mr. KERREY. Mr. President, during the last several weeks, I have taken the floor to discuss my concerns about the approach the Department of Justice has taken on mergers among and between large telecommunications companies.

I was particularly disappointed with the decision of the Department of Justice to approve the Bell Atlantic/NYNEX merger without any conditions.

Today, I take the floor to congratulate the Federal Communications Commission for doing what the Department of Justice was unwilling to do. This weekend the FCC announced that it had concluded an 11-page letter of agreement with Bell Atlantic and NYNEX on pro-competitive conditions for its merger.

While I continue to question the underlying competitive merit of the Bell Atlantic/NYNEX combination, the efforts of the FCC certainly mitigate the decision of the Department of Justice to approve the merger. It is only unfortunate that the Department of Justice

had not demonstrated the same commitment to competition.

The FCC negotiated a 4 year pro-competitive agreement with Bell Atlantic and NYNEX which includes the use of forward looking costs for competitive interconnection agreements, the use of uniform interfaces for interconnection, greater reporting requirements, access for competitors to efficient operating support systems, and performance guarantees. These commitments hold the promise of giving competition a chance to take root.

The use of forward looking costs within the 13 States which make up the Bell Atlantic/NYNEX region is especially significant in light of the Friday decision of the Eighth Circuit Court of Appeals to bar the FCC from setting interconnection prices. A nation grew from 13 colonies, perhaps a telecommunications revolution can grow from 13 States.

I applaud the FCC and Chairman Hundt for showing independence and a commitment to competition. The course of action chosen by the Commission highlights the importance of the FCC's political independence. As an independent regulatory body, the Commission was able to use its authority to protect the public interest to win pro-competitive concessions from Bell Atlantic and NYNEX, notwithstanding the failure of the Department of Justice to do so.

I urge my colleagues to give this case careful study as the Congress considers telecommunications policy. In the coming weeks and months, the Congress will consider confirming four new members of the Federal Communications Commission. At stake is whether the Congressional vision of competition and universal service which brings more choice, more investment, more jobs, and lower prices to the telecommunications market is fulfilled or not.

The success or failure of the Telecommunications Act of 1996 depends almost entirely on a new team of regulators at the Department of Justice and the FCC.

To succeed, they must have an unrelenting commitment to competition and universal service. Without that commitment, the act is doomed to failure. The result will be higher prices, greater consolidation and fewer choices.

Mr. President, I applaud the FCC for its action in this case. The Congress must assure that the new members of the FCC have the same courage to exercise their independence, as this Commission has done to protect the public interest.

Thank you, Mr. President.

Mr. GRAMS addressed the Chair.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. GRAMS. Thank you very much, Mr. President.

TAX CUTS

Mr. GRAMS. Mr. President, I come to the floor this morning after hearing

some of my colleagues earlier talking and debating about the proposed tax cuts that is now in conference. The question is always: Who qualifies for the tax cut? How much is that tax cut going to be? Who is going to receive what share of that tax cut?

I would like to start out by saying that it is kind of ironic to hear some on the floor arguing about these tax cut packages because these are the same individuals who, along with President Clinton, just 4 years ago were on this floor arguing for the largest tax increase on Americans in history.

When we look at this major tax increase of just 4 years ago, I would like to relate to the comments made by the minority leader, the Senator from South Dakota, earlier this week when he argued that the \$77 billion tax cut was not fair. That is what we have heard here this morning on the floor—it is not fair. While I don't believe it was fair in 1993 to raise the largest tax increase in history on Americans, they say, "Well, it was only aimed at the rich." But let me tell you.

Let me remind my colleagues what happened in 1993. After campaigning on middle-class tax relief in 1993, President Clinton turned around and then raised taxes by \$263 billion, again making that the largest tax increase in history. But he said it was only for the rich. But everybody paid more, including \$114 billion in new income taxes, \$24 billion in new gasoline taxes, \$35 billion in new business taxes, and \$30 billion in new payroll taxes. Then you add on top of that nearly \$25 billion more in Social Security taxes. In other words, if you work, if you are retired, if you drove a car, if you owned a business, or if you paid any kind of income tax, you paid for the 1993 income tax increase.

I heard also this morning that what we are talking about today in this tax package is that about \$77 billion so far of net tax relief is "substantial" tax relief. Well, when you get back only \$1 on every \$4 that was raised in 1993, I don't call this "substantial." This is a meager tax package that we are talking about. The reason that it is not fair, in my opinion, is because there is not enough in this tax package to go around.

It does not take a mathematician also to calculate that if taxes raised were \$263 billion 4 years ago and you get \$77 billion back now, that is not a good deal. If you look at since the tax reduction that everybody blames for the deficits, and that is the Ronald Reagan tax cut in 1981, they say since that tax cut it has resulted in all these deficits: We have these deficits today because of the Ronald Reagan tax cut. In fact, we have had 10 tax increases since 1981—10, over \$850 billion in new tax increases since 1981. And now we are talking about \$77 billion. This is less than \$1 on every \$10 of tax increases over the last 10 years.

We also hear about, well, who is going to be getting these tax breaks?