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## Senate

The Senate met at 9:30 a.m., and was called to order by the President pro tempore [Mr. THURMOND].

### PRAYER

The Chaplain, Dr. Lloyd John Ogilvie, offered the following prayer:

Dear Father, the best that can happen today is that we will experience deep fellowship with You and enjoy You. The worst that can happen is that we might become so busy or distracted by life's demands that we would miss this privilege of friendship with You. This puts into perspective our secondary goals for today or the glitches in our plans that might occur.

This is the day You have made. We will rejoice and be glad in You, not just in another day. You alone are the source of the joy of any day.

You have taught us that the secret of a truly great day is that You will show the way. You have plans for us today. We don't want to miss them. Make us sensitive to the surprises You send our way. So help us not to forget that You are with us and want to have a moment-by-moment dialog with us throughout the day about the crucial issues before us. Thank You for Your grace and guidance. Through our Lord and Saviour. Amen.

### RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The able acting majority leader, Senator GRASSLEY, is recognized.

### SCHEDULE

Mr. GRASSLEY. Mr. President, on behalf of Senator LOTT, the majority leader, I will make this announcement.

We announce that this morning, following morning business, at 10:30 a.m., the Senate will begin consideration of S. 39. That is the tuna-dolphin bill. Under a previous agreement, there will be 30 minutes for debate. It will be on that measure. Then it will be followed by a vote on the passage of S. 39.

Also under the order, a vote on the passage of S. 1048, the Transportation appropriations bill, will follow the tuna-dolphin vote. Therefore, Senators can anticipate two rollcall votes this morning. Hopefully that would be around 11 a.m.

As Members are aware, the House did file H.R. 2015, the conference report to accompanying the Balanced Budget Act of 1997; therefore, the Senate will hopefully begin consideration of that measure today at noon. Under the statute, there are 10 hours for debate on that conference report. And as always, Members will be notified as to when that rollcall vote can be expected.

Senator LOTT thanks our colleagues for their attention.

### MORNING BUSINESS

The PRESIDING OFFICER (Mr. INHOFE). Under the previous order, there will now be a period of morning business until the hour of 10:30 a.m., with Senator DASCHLE or his designee in control of 30 minutes, and Senator GRASSLEY or his designee in control of 30 minutes.

Mr. GRASSLEY addressed the Chair. The PRESIDING OFFICER. The Senator from Iowa.

### THE INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT

Mr. GRASSLEY. I have the privilege this morning, with our outstanding colleague, Senator KERREY of Nebraska, to announce my intention to introduce a piece of legislation, the Internal Revenue Service Restructuring Act, that is a product of the National Commission on Restructuring the IRS. That commission functioned for approximately 12 months. The success of the commission is a result of the leadership of Senator KERREY and Congressman ROB PORTMAN of Ohio.

As a member of the Commission on Restructuring the IRS, also as a current senior member of the IRS Over-

sight Subcommittee on the Finance Committee, and as the chief Senate sponsor of previous legislation that has been called the Taxpayers Bill of Rights I and the Taxpayers Bill of Rights II—and of course I am a taxpayer myself—I have been involved in several ways for many years in an effort to finally reach this point that we will make substantial changes, hopefully passing legislation, that will make substantial changes in the IRS and how it functions.

Congress is on the verge of a very major shift in power from the Federal Government to the people. The recommendations of this commission are a blueprint for the transfer of power. Understandably, there is much anxiety within the Federal Government at this moment. It is in anticipation of this loss of power. The anxiety is at the highest levels in the executive branch that I have seen it.

The American taxpayers have waited a long time for this to happen. They have suffered through decades of encounters with an agency that has been unaccountable, unresponsive, misleading, arrogant, and even abusive. The IRS has been granted enormous powers that at times seems to disrespect, even to undermine, civil liberties. The responsibilities to our citizens that go along with such power was not exercised by that agency.

Furthermore, IRS management seemed to have taken a vacation. Billions of dollars have been wasted. Performance failures were not met with discipline. Questionable activities were covered up by secrecy, mostly by abusing the authority of what we would all recognize as section 6103, the so-called privacy provisions. Congressional oversight of the IRS has been rendered all but impotent because of absurd 6103 restrictions. These restrictions make the Pentagon's highly secret and highly restrictive Joint Chiefs of Staff vault seem like a Freedom of Information office.

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.



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I urge my colleagues to seize the moment. IRS reform is long overdue and is very vital.

Mr. President, I want to highlight just a few important issues recommended by the commission.

To restore accountability to the taxpayers, the commission has made several recommendations.

The one attracting the greatest attention has been the commission's proposal for an independent board to oversee the IRS. The commission's belief is that an independent board will provide an infusion of talent from the private sector to set appropriate performance measurements and reward or discipline managers who either meet or fail to meet these performance measures.

In private meetings, the administration appears to be divided on another proposal, the proposal for an independent board to run the IRS. But it appears unfortunate that some who oppose this proposal are doing so only because it signifies a monumental power struggle that they stand to lose.

Treasury officials, who years ago could not find the IRS even if they were standing at the corner of 11th and Constitution, are suddenly in fits about losing some control over part of their budget and their bureaucracy.

They must be reminded that the IRS is one of the few Government agencies that has a significant impact on almost every American. The American taxpayer deserves a modern IRS that provides taxpayer customer service on a level equal to that provided by private financial institutions throughout this country.

We have seen a lot of promises of reform coming from the Treasury of late, wholly in response to the work of this commission. Treasury assures us that IRS reform is their top priority and their best people are on it. But if Congress turns its back now on reforming the IRS and listens to the siren song of the Treasury Department, I predict that a year from now Congress will face the justified wrath of the American taxpayer.

Treasury officials who are locked in this power struggle trying to preserve their bureaucratic empire would do well to remember the quote of the first Secretary of the Treasury, Alexander Hamilton, who said, "Here, sir, the people govern." That is the essence of what this commission would do, return power from the Federal Government to the people of this country.

I am also pleased that the commission did not call for the easy solution. The easy solution around Washington is just to give more money to some Federal bureaucracy. And the plea was made to us: More money is what is needed at the IRS. One Treasury official privately admitted recently that the IRS never would be serious about embracing reform as long as Congress kept throwing money at the bureaucracy.

Until 2 years ago, the IRS had seen continued increases in its budget for 40

years. This commission uncovered that hundreds of millions of taxpayers' dollars were being wasted. Clearly, the problem at the IRS is management, not money.

The commission made several findings and recommendations about protecting taxpayers and strengthening taxpayers' rights. I note that in the past, the Congress has focused its energies on giving rights to taxpayers who are in dispute with the IRS. The commission's recommendations build on this. We recommend a strengthening of taxpayers' rights in a number of areas, but I think of equal importance is the emphasis the commission has placed on protecting taxpayers, that is, preventing problems even before they ever happen by emphasizing quality of work and customer service by our IRS employees.

We all know the story of the small business owner who gets a notice from the IRS that he owes maybe \$2,000 in additional taxes. The business owner goes to his accountant, who says he does not owe the IRS \$2,000, but it is going to cost \$5,000 to fight the IRS. So what does the small businessperson do? He pays the \$2,000.

Why does this happen? Because the IRS puts such little emphasis upon quality control and upon taxpayers' rights. The IRS still measures its managers on dollars assessed, whether or not it is a proper tax owed.

Is it any surprise then that when a taxpayer does appeal, the IRS loses 72 cents on the dollar? It is wrong that many taxpayers have to spend millions of dollars fighting the IRS because there is no quality control.

I am pleased that the commission also emphasized the need for customer service. We recommend that taxpayers who are subject to examination or collection efforts or who simply try to contact the IRS to resolve a problem are provided a chance to comment on the service given. While revolutionary to the IRS, this is old hat for many State tax collection agencies as well as for business in the private sector. By measuring managers on customer service, we hope to begin to change the culture of the IRS and its employees.

Emphasizing quality service and customer service are ways to protect the taxpayers in the first place. It is also a way to measure the performance in an appropriate manner that will hold managers and employees at the IRS accountable for their action.

I suggest that the emphasis upon quality service and customer service is in keeping with what many saw as a mandate given to the Congress in 1994—moving power from Government to the people. The reforms suggested by the commission certainly emphasize that it is the taxpayer who comes first and it is serving the taxpayer as a customer that must be a top priority at the IRS.

Mr. President, I want to just briefly touch on a third point, the need for greater openness at the IRS. The com-

mission found that the IRS was a very closed and insular organization. The commission put forward a first step to make the IRS more open to the Congress, more importantly, to the press as a policing agency within our process of Government. If we are going to be at all successful in changing the culture of the IRS, a key ingredient must be greater openness at the organization.

To encourage openness and also ensure accountability, there are three areas.

One, the IRS must be timely in responding to Freedom of Information Act requests.

Two, the IRS should not abuse its authority under section 6103 to cover up embarrassing information about management mistakes. For example, the commission highlighted that the IRS had abused its 6103 authority to hide from the press the fact that the IRS had provided Congress false information.

Three, the IRS must maintain and preserve documents. The commission itself discovered first hand several times that the former IRS historian Shelly Davis is right—that the IRS doesn't preserve records. Many requests by the commission for documents and data were met with the response that the data no longer existed or the documents could not be found.

Addressing these three areas of openness may not be headline grabbing, but my experience has shown me that they will go far in bringing accountability at the IRS and changing its culture.

My final point is to emphasize the commission's findings on the need to simplify the Tax Code. We heard from countless witnesses, as well as hundreds of IRS employees and thousands of taxpayers that the complexity of the code is crippling to IRS management.

While I've spent a lot of my time here criticizing IRS, let me make clear that the complex code is not the fault of the IRS, it is a burden placed on IRS management by Congress and the White House. It is clear that if we wish to see improvements at the IRS in customer service and relations with taxpayers, steps must be taken to simplify the code.

This IRS Restructuring Act will lead to better management of the IRS and better customer service in the field. I encourage all of my colleagues to co-sponsor it.

Mr. President, before I yield the floor, my colleague is responsible for the tremendous product of this commission. It is not me. It is because he gave it the time it needed, the expert leadership it needed. I speak of Senator KERREY of Nebraska.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. KERREY. Mr. President, I am pleased to announce my intention to introduce the IRS Reform and Restructuring Act of 1997 with the senior Senator from Iowa, Senator GRASSLEY, who also was a day-to-day participant

in this effort and gave it a great deal of energy and expertise. As one can tell from listening to him, he has offered a tremendous amount of enthusiasm and orientation to the taxpayers concerned, the customers themselves, as well as the need to open the IRS up. He cited the example of Shelly Davis, who brought to the attention of the public, the taxpayers, the significant problems the IRS is having and found that, as her reward for doing that, she lost her job. I very much appreciate Senator GRASSLEY's leadership. I look forward to working with him on the Finance Committee to try to get this piece of legislation heard and marked up and, hopefully, on to final passage yet this year.

This legislation reflects the recommendations of the National Commission on Restructuring the Internal Revenue Service. My co-sponsor, Senator GRASSLEY, and I have been the Senate members of the National Commission for the last year, and have been part of the most unprecedented review of a government agency that an independent commission has ever conducted. Senator GRASSLEY and I will shortly introduce legislation based on this commission's work. The goal of this legislation is to make the IRS work for the American taxpayer.

This legislation is so important because there are twice as many people who pay taxes as vote. Citizens' faith that their government can be fair and efficient is dependent on a well functioning IRS. The days of the old-fashioned tax collector are over—the core of this legislation is based on a vision for a new IRS. We believe, in today's world, the job of the IRS is to operate as an efficient financial management organization. It is a myth that the bulk of the Federal revenue is generated through heavy enforcement. While the IRS must maintain a strong enforcement presence, its core and the core of the Federal revenue stream lie in a revamped, modern organization that can assist taxpayers promptly and efficiently, track account information, and send out clear notices. There is a breathtaking gap between the service levels of the IRS and those of the private sector.

The IRS has a 20-percent error rate for processing paper returns and expends an incredible amount of resources and focus to correct these errors. It captures only 40 percent of the data from returns and is still drowning in a sea of paper. It is typically 18 months before a return can be matched against 1099s. A private sector business that took on average 18 months to send someone a bill, certainly wouldn't stay in business very long.

This legislation offers both a realistic goal for those who will take charge of the agency and a credible plan for reaching that goal.

We spent the last year studying the problems and solutions for the IRS.

Clearly, our access to the IRS's operations and employees was unprece-

dent. We spent 12 days in public hearings, interviewed 300 IRS employees in field offices, and interviewed over 500 current and former officials from the IRS, the Treasury Department, congressional committees that oversee the IRS, and other IRS experts. We also commissioned consulting reports and internal reviews of IRS management, governance, work force, compliance, and customer service. Finally, we heard directly from citizens through town meetings and surveys. During all of this work, we continually asked the question: How can we make the IRS serve the American people?

There are many visible problems at the IRS that should be noted by all colleagues, especially those who take the view that perhaps we don't need to change. All of these visible problems dictate that we act and that we change the law.

The IRS has a law enforcement mentality, but the vast majority of its employees perform service functions including tracking finances, sending out notices, and assisting taxpayers.

In addition, the IRS has the general attitude that taxpayers are guilty, even though 90 percent of taxpayers are compliant.

Taxpayers also have a low opinion of service levels provided by the IRS and do not believe the IRS is trying to help make paying taxes easier.

Next, training is not a priority, and employees do not have the skills of their private sector counterparts.

Fifth, the IRS uses employee evaluation measures that do not encourage employees to provide quality service to taxpayers.

Next, the IRS management and governance structure makes strategic planning impossible and has caused a massive failure of the IRS' \$3.4 billion computer modernization program.

Further, IRS computer systems were developed during the 1960's and 1970's and lack the capability to provide taxpayers with quality service.

Wasteful inefficiencies and high error rates exist in the processing of paper forms.

The Treasury Department has basically left the IRS to its own devices, leaving a vacuum in executive branch oversight of the agency.

Congressional oversight of IRS is scattered and can send confusing signals to IRS that can be manipulated by the IRS to avoid accountability.

Last, complexity and constant changing of the tax code is a major obstacle that intensifies all of these problems.

We heard from witnesses who estimate that the American taxpayers spend nearly \$200 billion a year just to comply with the Tax Code. Complexity is a problem, not only in giving customer service, but as far as a drain on the U.S. economy.

A key problem identified by the Commission was a lack of a coherent, accountable structure to implement a long-term vision and goals. At the top

levels of the IRS and at Treasury there are murky lines of accountability, a lack of necessary expertise to operate in the new information age, and no people of authority with significant tenure to get the job done. The officials at the Treasury Department have expertise in tax law, but do not have the expertise in areas of customer service, technology, and management to oversee the IRS. Worse, they are not around long enough to ensure focus on multi-year projects like the tax system modernization [TSM] or changing the culture of the agency to be more responsive to taxpayers.

Additionally, Treasury does not coordinate its own oversight: The Commissioner of the IRS must deal with various assistant secretaries on budget, operations, computers, and others. At the end of the day, the IRS Commissioner really reports to the Deputy Secretary who also manages 11 other agencies—not to mention the economy. The recently retired Commissioner of the IRS, Margaret Richardson, told us that she reported to three different Deputy Secretaries during her 4-year tenure as IRS Commissioner. Aware of these glaring problems, the Restructuring Commission began developing ideas for a new governance structure. Our criteria for success were: First, clear accountability, second, expertise in running a modern customer-oriented organization, and third, continuity.

To provide for accountability, expertise, and continuity the legislation we will introduce will include:

First, an Internal Revenue Service Oversight Board, appointed by the President for staggered 5-year terms. The board will: Approve the mission, objectives, and annual strategic plans of the IRS; oversee the IRS management; have significant tenure to force change throughout the organization; and have unique public and private sector expertise in managing large service organizations.

Second, the Commissioner will be appointed for a 5-year term, so he or she will be around long enough to achieve real change.

Third, the Commissioner will be given greater flexibility to hire or fire his or her own team of executives, who will bring new expertise into the IRS. While the board will keep an eye on long-range strategic issues, the Commissioner will run the organization and be given greater authority to do so.

Fourth, congressional oversight will be coordinated among the authorizing committees, the appropriating committees, and the Government oversight committees. Our legislation codifies coordinated oversight, stating that committee leaders, majority and minority, meet regularly to ensure that the IRS receives clear guidance from Congress, and that Congress is given the proper information to oversee the IRS.

This legislation draws clear lines of accountability between tax policy and tax administration, leaving all tax policy matters to the Secretary of the

Treasury. The legislation makes the Secretary of the Treasury a member of this new board, recognizing the link between tax policy and tax administration. Additionally, the Secretary of the Treasury would continue to have final say over the IRS budget before it is sent to Congress. Under this legislation, the board would send Congress a copy of their budget at the same time they send it to the Secretary, giving Congress an independent view of how much money to appropriate. In short, our new structure will bring heightened accountability to the IRS and tax administration.

Mr. President, the American people know that the status quo is no longer tolerable and that the IRS needs fixing; \$3.4 billion was wasted on a failed modernization project. IRS operations are antiquated and outdated, and taxpayers—close to 90 percent of whom voluntarily pay their taxes—are generally, and unfairly, treated as if they are guilty of something when they contact the IRS.

The IRS's problems are rooted in the lack of strategic vision and focus, measures that do not encourage employees to treat taxpayers well, operational units that do not communicate with each other, and a systemic lack of expertise and continuity in management and governance. The legislation Senator GRASSLEY and I will introduce will put the IRS on the road to recovery with a reasoned, comprehensive approach to fixing these problems. When implemented into law, I am confident the result will be: Restored public confidence in the IRS; increased focus on customer service; cohesive oversight and governance; efficiency gains in IRS operations; and innovative compliance and customer service programs.

We hope for expedited action on our legislation so that the American people have the IRS they expect and deserve. Our work to restructure the IRS will go a long way toward restoring taxpayers' faith not only in our tax system, but in our Government, as well.

Mr. President, again, I congratulate and applaud and appreciate the dedicated service and expertise and leadership of the distinguished Senator from Iowa, Senator GRASSLEY.

Mr. FEINGOLD addressed the Chair.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. Mr. President, I yield to the Senator from Arizona such time as he may require.

The PRESIDING OFFICER. The Senator from Arizona is recognized.

#### CAMPAIGN FINANCE REFORM

Mr. MCCAIN. Mr. President, my colleagues and I have come to the floor this morning to briefly discuss the issue of campaign finance reform. It is our hope that during the August recess, discussions will progress and a plan developed to bring campaign finance reform before the Senate no later than the end of September.

Almost daily I have approached the majority leader and told him that we must move forward on campaign finance reform. The leader has been exceedingly gracious and shown much patience in listening to my missives. I want to thank the majority leader for his time and hope that soon, we can come to an agreement for floor time to debate campaign finance reform.

But I also understand that the leader is under great pressure to move many bills, and may feel constrained to commit at this time. I understand that situation. The leader has to deal with the wishes of 99 other Senators. However, my colleagues and I feel compelled to put the Senate on notice that the time to act on this matter is rapidly expiring.

We believe that we must begin the debate on campaign finance reform no later than the end of September, and therefore, if we cannot come to some agreement to bring the bill up free-standing, with an up or down vote on the bill itself, we will feel compelled to bring the bill to the floor by offering it as an amendment to some unrelated measure.

This is not an approach we relish. But we realize that we may have no other choice.

Delay no longer serves any purpose. Since before the last election, talk of campaign finance reform has dominated the American conversation. The public has a right to have this issue debated. Members have recognized this fact, and as proof of that recognition, have introduced over 70 campaign finance bills.

I recognize that many of those bills have laudable features. I want to sit down and work with the sponsors of those bills. And I further recognize that McCain-Feingold is far from perfect. As I have stated on numerous occasions, we have only two fundamental principles that are nonnegotiable:

First, we must seek to level the playing field between challengers and incumbents; and

Second, we must seek to lessen the influence of money in elections.

All else is negotiable.

Some of our colleagues in the House have begun discussing a scaled-down version of McCain-Feingold. I welcome those talks and want to state that if that is what is necessary to change our electoral system, then let's move in that direction.

Fundamentally changing the electoral system in order to restore the faith of the American people in our Democratic Government is our goal. We are open to compromise and negotiation. But we must act soon. It is our duty.

Last week the Economist published an editorial entitled "The Fear of Foreign Cash." Although the title is slightly misleading, I would like to quote from this editorial.

The answer, at least on the strength of the hearings so far, is straightforward: foreign money is worse only because it is not Amer-

ican. And two meanings can be read into that. One is xenophobia: that century-old American fear of little yellow mercenary men, scurrying round now at the behest of a newly menacing power on the world stage. And the second meaning is that foreign money provides a convenient distraction. While it is being comprehensively investigated, with CIA men parked behind screens and giant blow-up charts of the destinations of Mr. Huang's telephone calls, politicians can be left free to attend their dinners, go to their fund-raisers, and continue in all the ways they know best to let their consciences and their legislative proposals be shaped, like warm wax, by the promise of a cheque.

While Mr. Thompson's hearings have been getting into gear, in other parts of Congress some 57 separate bills to reform campaign finance have been dying for lack of interest. Should anyone really care how good clean American money flows through the machine of American democracy? Well, yes, gentlemen: someone should.

Mr. President, I ask unanimous consent that this entire editorial be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

#### THE FEAR OF FOREIGN CASH

For two drowsy weeks, Senator Fred Thompson's committee has been conducting hearings into campaign-finance abuses during America's recent election. As a result, Americans now know that there was a Chinese plot to influence the 1996 campaign, though not who masterminded it or how wide it went. They know that John Huang, who once worked for an Indonesian bank with ties to the Chinese government, was given a post at the Commerce Department because he was such a good fund-raiser for the Democrats; but they do not know quite what use he made of his office and his fax machine. They are aware that Bill Clinton appreciated Mr. Huang and his fellow-fund-raiser, Charlie Trie, at whose Chinese restaurant in Little Rock Mr. Clinton often packed away the dim sum. But they are not yet clear what orders, if any, came down from the White House, beyond the sort that could be filled in small aluminium trays.

The largest question to be answered, however, is a simpler one. It is this: why is foreign money, applied to elections, so much worse than the American sort? When the Democratic National Committee learned that this money was "illegal, inappropriate or suspect", officials instantly returned it, as if it would corrode their hands. Yet how much was involved here? A mere \$2.8m, out of \$2 billion spent by both parties on campaigning. Of that total, \$250m was "soft" money, subject to no limits, sent in by unions and corporations for the nebulous purpose of "party-building". Mr. Thompson's committee has undertaken to look into soft money later; but, meanwhile, how much of it has been returned as suspect? None, of course.

#### PERILS, YELLOW AND OTHERWISE

Democrats and Republicans alike will insist that the cases are not the same. Foreign contributions are illegal for good reason: outside powers may well be trying to weaken America, steal its secrets, compromise its security. Yet the supposed Chinese plot appears to have had nothing to do with national secrets, nor with persuading America to treat it kindly over trade. China just seems to have wanted to make friends in high places, as all lobbyists do; and it may well wonder why election money was so evil, when American congressmen have happily, and legally, availed themselves of \$400,000-