

I know they have a challenge before them today. I wish to compliment them, incidentally, on the work that they have done in the last 3 months putting both bills together, both the Balanced Budget Act and the Tax Relief Act that we will be passing later today. They worked unbelievable hours. I compliment them for their very fine work. I thank all of my colleagues for their cooperation in allowing us to pass this bill so quickly this morning.

I thank my colleagues, and I yield the floor.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The clerk proceeded to call the roll.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

#### TAXPAYER RELIEF ACT OF 1997— CONFERENCE REPORT

The Senate continued with the consideration of the conference report.

Mr. ROTH. Mr. President, I yield such time as he may consume to the junior Senator from Utah.

The PRESIDING OFFICER. The Senator from Utah is recognized.

Mr. BENNETT. Thank you, Mr. President.

I thank the Senator from Delaware for his courtesy and consideration in allowing me to take this time. I also congratulate both the Senator from Delaware and the Senator from New York for their ability in crafting this particular piece of legislation.

When I ran for the Senate in 1992, I made tax reform one of my primary goals. I must confess that this bill does not meet all of my expectations and promises as I ran in the campaign, because one of the things that I was most devoted to was a determination to make the Tax Code less complex, easier to understand, and tax returns, perhaps, filed that are the size of a postcard.

This bill does not accomplish that, and I still hold that out as a goal for the future. But if this bill does not make the Tax Code less complex, it at least makes the Tax Code less burdensome—less burdensome for middle Americans, middle-class Americans who have not received a significant tax break for a long, long time. There have been tax breaks at the other ends of the Tax Code, yes, at the bottom end for people who received the earned income tax credit and, some would argue, too much at the top end. But there has not been the kind of middle-class tax relief talked about in the 1992 campaign until this bill.

So while it is not everything that I would want—and there is still much unfinished business to be taken care of in terms of tax simplification—it is a

step in the right direction that we should apply. I intend to vote for it enthusiastically and urge all of my colleagues to do the same.

When I came here in January 1993, the atmosphere was completely different than the one we find on the floor today. At that time, there was a determination to see that spending would grow and that taxing would grow. I am delighted to have been able to be a part of an effort that has brought us to a case where spending is going down, at least in percentage terms, and taxes are going down, in terms of the burden that they are placing on the American people.

So I congratulate all connected with this effort, including, yes, Mr. President, the President of the United States. I know it is not common for people on my side of the aisle to stand up and say nice things about this President, and I have said my share of unkind things in areas where I feel he has done things that I think are inappropriate. But as I have said to the President when I have been to the White House on occasions, "When you are right, Mr. President, I will back you. When I think you are wrong, I will oppose you." I owe it to him and to those in his administration who have worked with him on this agreement to publicly acknowledge that this time I think he has been right. I congratulate him and those who work with him for their willingness to do this. I must say that I still had hoped that Senator Dole would be elected President. I think if he had been, we would be here discussing the tax simplification that I believe in as well as some tax reduction. We had our opportunity to make that case in the campaign. For one reason or another, it didn't fly, and it will have to wait for another day. But I congratulate all those who have put partisanship aside and worked together for the good of the people and made a compromise with which perhaps none fully agree, but for which the American people, overall, will ultimately be grateful.

For that reason, Mr. President, I am grateful to the two Senators for allowing me to take this brief time to make these expressions. I conclude as I began, with my congratulations to them and to their colleagues on the Finance Committee, to the leadership of both Houses in both parties, for their ability on the legislative side to work out an agreement with the President and his associates in the executive branch to give us at least this first step in the direction of making the Tax Code less burdensome and less onerous on the American people.

I yield the floor.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. ROTH. Mr. President, I yield myself such time as I may use.

Mr. President, when the 105th Congress began, a promise was made to the American people. They were concerned

about Washington's addiction to spending, and the high deficits that were a consequence of that spending. We promised to give them a balanced budget. They were overburdened by rising taxes. They had been shackled with a record-setting increase in 1992, and were paying more to government than they were for their own food, shelter, and clothing. We promised them relief. Our American families were concerned about the education of their children—about the rising costs of post-secondary schools, and their ability to help their children enter our colleges and universities to learn and to prepare for productive futures. We promised to make education more accessible.

Young Americans, just out of school—many of them starting families—were finding it increasingly more difficult to buy a home. As a proportion of their income, they discovered that a mortgage today is twice as much as it was for their parents. Valiant small businessmen and -women were finding it increasingly more difficult to build successful companies. They had lost their home office deductions, the deductibility of their health insurance, and then—when their company, despite these and other challenges, proved successful—they had to fear losing it to death taxes. Again, we promised relief. We promised peace of mind to senior Americans who were worried about Medicare and its future. We promised to provide future generations the opportunity to become more self-sufficient through enhanced individual retirement accounts, and less dependent on government for their support in the years to come. And we promised that we would do something to increase health care coverage for America's children—for America's future.

These, of course, Mr. President, were bold promises. For years, the Republican Party had advocated these measures, but in a city built on promises—the majority of which unfortunately go unfulfilled—it was reasonable that Americans felt that these, too, would remain empty. But today, Mr. President—today, we can say that these promises made, are promises kept.

For the first time since 1969, Americans have a balanced budget—a balanced budget that will be realized within 5 years. For the first time in 16 years, Americans have real and meaningful tax relief. For the first time ever, our families will have tax-free education savings accounts, and for the first time in a decade, we are bringing back the student loan interest deduction. And these, Mr. President, are not our only firsts. We are allowing penalty-free withdrawals from IRA plans to make first-time home purchases.

We are eliminating the capital gains taxes on \$500,000 of gain for a couple that sells their home. We are strengthening and preserving Medicare by introducing choice and competition to that program. We are giving States

greater flexibility and authority to administer Medicaid, and we are increasing health care coverage for millions of children.

These are all firsts, Mr. President, but there is another first—one that is more philosophic in nature. For the first time since President Johnson's Great Society exploded the size and costs of Federal programs, Americans have a government that is focused on doing more with less.

When historians look at what has been accomplished here these past few months, I believe our work will mark the beginning of a new era—an era which the Republicans have long promised and which President Clinton articulated when he said that the days of big government are behind us.

This budget reconciliation package is a strong first step toward realizing that promise. It is a bipartisan effort—one that could not have been accomplished without a spirit of cooperation between Republicans and Democrats, between the Senate and the House, and between Congress and the President. I'm proud of what we've accomplished. Members in both Houses of Congress, and on both sides of the aisle, have reason to be proud, as does Bill Clinton.

Certainly, there are differences between the parties—those differences can be valuable in the battle of ideas. But this package represents a collective effort, an effort that is a far cry from the acrimony, Government shut-downs and the vetoes that attended past budget debates. I believe our work here demonstrates a coming together on fundamental issues. Taxes have been too high.

They are still too high. In fact, as a percentage of our GNP, they haven't been higher than they are right now since 1960. Government has grown too big, become too inefficient, too overbearing and costly. Too much power has been taken from our people—from our States—and it's been centralized here in Washington.

Yesterday we addressed the changes that will take place in Government programs—especially in entitlements like Medicare and Medicaid. We explained how this reconciliation package will deliver greater flexibility to the States for them to administer Medicaid in a more cost-effective, a more efficient manner.

Today, we focus on the major tax provisions included in our plan, and how those provisions will provide relief for Americans of all ages—for our youth, going away to college, for our young families looking to buy their first home and raise their children, for older families running small businesses and preparing for retirement, and for those Americans who are already retired and looking to find comfort and security on fixed incomes.

This reconciliation package provides relief for all of these. It includes a \$500-per-child tax credit for families with children under the age of 17. The credit will be available to the working poor

through an enhanced earned income credit. It will cover middle-class families, couples earning up to \$110,000 a year. At \$110,000 it will begin to phase out. And this tax relief will begin next year with a \$400 per child credit in 1998, and the full \$500 credit in 1999 and thereafter.

We also provide relief to hard-working, middle-class Americans by enhancing the individual retirement account. We raise the income limits on traditional IRA's and create a new back-loaded IRA. In this back-loaded IRA, the contributions are not tax deductible, but the build-up and withdrawals are tax-free if the account is held for 5 years and the account holder is at least 59½. The income limits for the new back-loaded IRA will be \$95,000 for singles and \$150,000 for married couples. Our new IRA will allow penalty-free withdrawals for first-time home purchases. Another very important change to the IRA is that we allow homemakers—below certain family income—to save a full \$2,000 annually in an account, regardless of their spouse's pension plan.

Mr. President, I have worked for years to strengthen individual retirement accounts for working Americans. These changes will go a long way toward helping Americans prepare for retirement. They will encourage self-reliance and provide incentive for saving.

This is, indeed, an idea whose time has come. It will be a blessing to countless Americans as they prepare for the future. And beyond helping individual families, these expanded IRS's will promote investment, capital formation and economic growth.

Another important provision of this reconciliation package—one that will not only provide tax relief, but will, along with our IRA's, promote investment and jobs, is our capital gains tax cut.

Here, we drop the top rate to 20 percent on investments that are held for at least 18 months. The rate will drop to 18 percent for assets purchased after 2000 and held for at least 5 years. For joint filers with incomes less than \$41,200, the top capital gains rate will be 10 percent of assets held for at least 18 months, and 8 percent for assets held for at least 5 years. Our package does away with capital gains taxes on the sale of a home, as long as the home is \$500,000 or less for joint filers and \$250,000 or less for single filers.

The benefit of capital gains tax relief will be felt not only by our families, but by America at large. According to economist Lawrence Kudlow, in a recent Wall Street Journal editorial,

The budget's lower capital gains tax rate will help maintain U.S. global economic leadership in the 21st century. This is especially important in relation to the fast-growing economies of the Pacific rim, with China looming not far behind. Most of the Asian tigers have lower tax burdens on capital formation than the U.S.

America, Mr. President, needs this capital gains tax relief. It is long overdue.

However, the tax relief contained in this package does not end here. Families will also benefit by the way that this bill offers relief from the estate tax—the tax that can rob a family of its farm or business when a father or mother passes away.

To help these families, we raise the unified credit to \$1,000,000 per estate by 2006; and we provide tax-free treatment for family-owned farms and small businesses for up to \$1.3 million. I can't overstate how important this estate tax relief will be to our families and small businesses. In 1995, delegates to a convention on small business survival, ranked killing the estate tax among the top five priorities on a list of 60 recommendations to the President. This is because many small business men and women fear the enterprises they have worked their lives to create won't be around to pass on to their children. The estate tax relief provided in this package offers a strong first step toward allaying that fear and providing families the protection they deserve.

Beyond offering relief for estate taxes, this package also benefits America's small businesses by accelerating the phase in of the self-employed health insurance deduction, raising that deduction all the way to 100 percent, and by clarifying the deductibility of the home office business deduction. These, Mr. President, are important provisions. They will promote economic growth, jobs, and family security. They naturally complement the overarching objective of this legislation to provide immediate tax relief and to create conditions that will prepare America and Americans for a bright and prosperous future.

Just how important this objective is can be seen by the fact that a full 80 percent of the tax relief we offer in this package is directed at the \$500 credit for children and provisions that will promote education. These education-related measures will go a long way toward assisting students and their parents in affording the cost of post-secondary education.

They include the Hope scholarship tax credit, a \$2,500-per-year student loan interest deduction, and penalty-free withdrawal from IRA's. We can't overstate just how important these measures will be to American families, to America's students, and to our future. I had hoped that we could have gone even further in promoting the educational aspects of this bill. For example, I wanted to maintain a provision that would offer tax-free treatment for State-sponsored prepaid tuition plans, a permanent extension of employer provided education assistance, and a comprehensive education IRA, but in these areas the White House was unwilling to compromise.

And this brings up a point I would like to make—a point I touched upon yesterday. No one received everything they wanted with this package. That, Mr. President, is the nature of compromise. Another lesson we learn from

compromise is that it tends to add complexity to the package under consideration.

We learned how when you have three parties involved in the process—the Senate, the House, and the administration—each compromise made in negotiations rendered the final product that much more complex.

Having said this, let me be clear that I am generally pleased by the outcome. Certainly, I could be more pleased. But the bipartisan effort that produced this reconciliation package is something to be appreciated. We accomplished what we set out to do. We provided tax relief for middle-income families; we provided tax relief to promote education; and, we provided tax relief that will stimulate economic growth, opportunity, and jobs.

Let me show just how that relief will affect typical American families. When I first brought the Senate Finance Committee tax relief package to the floor—about 6 weeks ago—I introduced three hypothetical families from Delaware: a single mother named Judy Smith, a farming family—the Wilsons—and a young professional couple, John and Susan Jones. Let me show you how this package—in its final form—will benefit them:

Let's begin with Judy. She has two young children and works as a legal secretary in Wilmington, making \$35,000 a year. Currently she pays over \$3,000 in Federal income taxes—over \$3,000. When President Clinton signs this bill, Judy's taxes will be cut by \$800 next year and by \$1,000 the year after. Why? Because of the child tax credit, Judy will be able to spend that savings as she wants, or she can put it in an enhanced individual retirement account for her future.

Jim and Julie Wilson, our farming family with three children and an income of \$55,000, now pay over \$5,500 in Federal income taxes. When President Clinton signs this bill, their taxes will be cut by \$1,200 in 1998, and by \$1,500 in 1999 and beyond, as they will receive \$500 for each child. Julie Wilson will be able to set up a homemaker IRA to save for her retirement. Looking far ahead, if the farm prospers, Jim and Julie will be able to pass it on to their children free of the burden of the estate tax—all because of the middle-income tax relief contained in this bill.

Finally, Mr. President, let's look at John and Susan Jones. They live and work in Dover, DE. College graduates, John is a veterinarian and Susan is a physical therapist. They make \$75,000 and have one young child. Under current law, the Jones family pays about \$11,500 in Federal income taxes. Because of this legislation, they will receive a \$400 tax credit next year, and \$500 each year thereafter.

Susan will be able to take the home office business deduction, as her practice is located within their home, and she will be able to accelerate the phase-in of the self-employed health insurance deduction. John and Susan will

also be able to deduct a portion of the interest on their student loans, and they'll be able to set up new back-loaded IRA accounts for their retirement.

This is how our work will affect these three families, Mr. President. It will provide relief—much needed relief. As I have said, today the taxes paid by our families are higher as a percentage of GNP than they've been since 1960. This bipartisan tax relief effort will do something about that. It will provide relief as part of a budget reconciliation package that will lead our Nation to a balanced budget in 2002. Having said that, however, I want to add that I consider this only a beginning. Americans not only need tax relief; they need tax reform. They need tax reform that really does simplify the Tax Code.

They need reform that focuses on fairness. They need reform that maintains and promotes strong economic growth—growth that will lead to continued job creation. And they need reform that promotes American exports and our competitiveness in the global economy.

This is what we will turn our attention to next. And it is my hope that the same level of cooperation that sustained us in this debate will attend us as we move from tax relief to tax reform. I appreciate my colleagues on both sides of the aisle who have been active, involved, and given to a spirit of willingness throughout this process. I am particularly grateful to Senator MOYNIHAN—my friend and a thoughtful, well-esteemed leader.

And again, Mr. President—as I did yesterday—I thank the professional, capable staff of the Senate Finance Committee for their countless hours and lost sleep. This was, indeed, a heroic effort.

I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER (Mr. BURNS). The Senator from New York.

Mr. MOYNIHAN. Mr. President, I have the honor now to respond to my revered chairman, who brought this extraordinary legislation to the floor and in a very few hours from now will see it sent to the President to become law.

By day's end, the U.S. Senate will have voted overwhelmingly to reduce Federal taxes by a net total of \$95 billion over 5 years and \$275 billion over 10 years. Whatever one's view of this legislation as a matter of tax policy, there can be absolutely no doubt that without the dominant influence of the chairman of the Committee on Finance, we would not be here today. Absent Senator ROTH, we would not be here today. This conference agreement is a singular achievement for him, and we congratulate him.

Among other provisions in the legislation, the Roth IRA will soon be as well-known as the Pell grant. It is a fitting tribute to Senator ROTH's long, persistent, indomitable commitment to encourage savings by Americans.

For those interested, this is in section 302, Individual Retirement Ac-

counts, section 408(a), Roth IRAs. It is there in what I think others across the park in the Supreme Court call black letter law. There, sir, it is.

There is another aspect of this legislation which has not been commented on and, I hope, might be. Without perhaps entirely intending it, and not quite in the mode of how others have done it, after a half century of discussion, we are, in fact, establishing a children's allowance in our social policies.

I have had occasion to write about this over the years. We are the only industrial democracy in the world that does not have a children's allowance—just a routine thing, a feature of social policy that goes back to the beginnings of the century. It had various motivations in Sweden. There was a time when the Swedes thought they were dying out as a race and needed to encourage more children. So they gave family allowances. Sometimes called a family allowance. The French much the same. In places like Canada, just a good social policy.

During World War II, the late Senator Neuberger was working on the Alaska-Canada highway—ALCAN highway, as we knew it in those days—and interested in what the Canadians were doing, came upon the family allowance, the children's allowance, and introduced legislation when he became Senator after the war. And John F. Kennedy was much interested in this and cosponsored the legislation. And I can say from the days of the early Kennedy administration there was an active interest in this possibility—the elemental proposition that if you have children, it is going to cost money, and a family raising children needs a little support. We are giving it. Instead of a direct grant, we are providing a direct tax credit. The end result will be the same, and a rather extraordinary bit of social policy is before us which has never been debated as such, but as I get on in years I begin to think the more you debate social policy, the less social policy you get, and so we could perhaps count our blessings in this regard.

But now my friend from Delaware has heard his ranking member say on many occasions that if it were up to this Senator, we would have no tax cuts at this time, given the extraordinary condition of our economy just now, a condition for which many believe the deficit reduction law enacted in 1993, OBRA 1993, is largely responsible.

I continue to be concerned about whether cutting taxes might undo the astonishing progress we have made over the last 4 years, because OBRA 93 took hold when we did it. It was, indeed, the largest tax increase in history, and it has produced extraordinary increases in wealth in our Nation because it sent a signal to the economy that this Government was going to get hold of its financing, pay its bills in sound dollars, not monetize the debt, as the phrase is among economists, inflate the currency and get rid of your

debt in that mode. Those are profoundly important signals to the markets, and we have seen, I believe, the result.

The deficit for fiscal year 1992 was \$290 billion and growing. It was strangling us. We had no prospect whatever of getting out of it. What earlier on, President Reagan's Director of OMB, David Stockman, had said, \$100 billion deficits as far as the eye can see, had become \$300 billion deficits as far as the eye could see. And we turned it around. We stopped it.

As a result of this aggressive deficit reduction program put in place by a Democratic Congress in 1993, the deficit for the current fiscal year could be less than \$30 billion, which is about one-third of 1 percent of gross domestic product, a matter of no consequence in the large sphere of things. The Federal budget is on the verge of balance at this very moment and for the first time in three decades, and it would get there without any changes in law. I would estimate that we might have a balanced budget in the fourth quarter of the next fiscal year, a year from now. We would have it without change in law. Now we are putting the date off until the year 2002. I hope that does not become a fateful mistake. I am not here to alarm anyone, but I think it needs to be said for the record if the time comes when we have to make changes. Given the previous success of our action 4 years ago, we may come to regret what we have done today, but there is not a majority for that view. There is a very small minority for that view. The congressional leadership and the President have agreed that there will be tax cuts this year, and so, given that reality, I joined with the other Democratic members of the Finance Committee in working with Chairman ROTH in a bipartisan mode.

He has been generous enough to point out, as did earlier in the day the majority leader, that the Finance Committee was unanimous in reporting out the measure that we voted on just an hour ago on spending, and there was an 18 to 2 vote in our Committee on the bill before us now.

Yesterday, Senator DOMENICI, the distinguished chairman of the Budget Committee, said it was the bipartisan solidarity of the Finance Committee which gave the real impetus to getting the budget agreement put in place, and I think that is so and nothing, no further tribute is possible to Senator ROTH for having presided over that event.

It is a phenomenon which I hope, and I know he hopes, we might see in the future. We found that we could do things on a bipartisan basis that could amaze you. We could raise taxes on tobacco. We could provide the largest incremental initiative in health care since Medicare and Medicaid were enacted in 1965—just like that, just in 2 days. Again, perhaps because it was not debated for a year, we were able to get it done in an afternoon. I would like to

explore that possibility sometime. Is there an inverse ratio between the amount of debate and the legislation that emerges? I think you have seen some of that in the past many years.

I would take the time of the Senate to point to several measures in the bill which are surely praiseworthy and equally important. One that has not been commented on anywhere that I have seen in the press is that the bill before us removes the present \$150 million cap on the issuance of tax-exempt bonds by universities, colleges and non-hospital health facilities. It sounds like an esoteric matter. What could this mean? Well, it goes to something that is as important to American life as anything I know, and it is as characteristic of American democracy as anything I know.

We are the only democratic nation in the world that has a private sector in its higher education—not just a few Jesuit colleges here or every so often a special arrangement in the north of Sweden or the south of France, and so forth. No, our system of higher education began as private denominational matters, and we continue to have just about an equal balance between the great private institutions and the great public institutions. You could go out to California, in the San Francisco Bay area, and you would see it is exemplary of Stanford University, named for a great railroad magnate who gave his money in the name of his son who died prematurely, and Berkeley, the University of California at Berkeley, a great State institution.

Now, we have earlier on enabled the private universities, colleges, and non-medical health facilities to borrow money on a tax-exempt basis, which puts them partially on an equal footing with the State institutions which obtain money directly from the taxpayers, from tax revenue, and can issue tax-exempt bonds because they are public institutions.

We capped that amount, and more and more of our institutions have reached it. And having done that, they are no longer in a position to build what you could call the capital-intensive science facilities and suchlike facilities that you need in the area of research on the edges of knowledge in this country today. And we are the center of such research. You could hypothesize, if you like, a future where if we did not do what we are doing, there would come a time when the finest law school on the west coast would be at Stanford—law schools are not expensive; you have to add 50 books a year in the library—but all the physics would be done at Berkeley. Physics is expensive. All the chemistry, all the great research in astronomy, the outer edges of the universe to the very core of the Earth itself, all that would be in public institutions. And the competitive urges and the range of variety of the private institutions—the University of Chicago, Rice University, go right down the list of them—that would be lost.

The University of Pennsylvania, New York University, Columbia and, as I say, across the Nation, those institutions are precious. There is no reason why Americans should know that the universities and colleges in the United Kingdom are all public institutions, but it is important to know that we are singular in this regard, and this legislation responds to that need. It may just be that no one is interested enough to care, to take note, but I can assure you the universities involved are very attentive and are very pleased.

We also extend for 3 years the provision for exclusion from income of employer-provided educational assistance, which is section 127 of the Internal Revenue Code. This is a wonderfully unintrusive piece of social policy. It is probably the single-most successful tax incentive for education we have. In a world of continuing education, of continuing developments in science and technology, we have arrangements whereby an employer can send an employee to school to learn something special being taught—at night or weekends, whatever—get a degree, bring the skills back into the workplace. They will be paid more money, and they will get more income. We will get more revenue. Everyone wins all around. We in the Finance Committee made this absolutely easy, workable, a successful program. We made it permanent.

For reasons I cannot understand, and I don't think the chairman could possibly understand either, the Finance Committee language, which made it permanent and applied it to graduate school, was dropped in conference. We had legislation in the Senate to do just this, Senator ROTH and I, with 50 cosponsors. What is the matter with people who can't see what elemental good sense this makes? The firm that wants to send a chemist to do postgraduate work in a new field that is just opening up so he can come back and do it in the private sector of the economy is just so elemental. That it was not done is disturbing. Perhaps we will get back to it. I can't imagine why it was not accepted, but we had no success.

The conferees included another salutary measure by extending for 1 year the deductibility, at fair market value, of charitable gifts of appreciated stock to private foundations. Absent this, we would have seen a needless dropoff in charitable giving. And, again, we are trying to encourage the private sector, that private sector of education we try to support, the private sector of employer-provided educational assistance, into giving to private charities.

Now, to another matter of concern—of large concern—just beginning to be noted. I observed in the Washington Post this morning a comment on it, and also in the New York Times.

The Senate-passed bill included a measure written by our chairman and supported by this Senator and others to provide \$2.3 billion in critically needed funding for Amtrak, the National Railroad Passenger Corporation,

the last hope of rail passenger service in America. The distinguished CEO of the corporation, Mr. Tom Downs, said to me, as he would say to anyone who called and asked, that if he did not get this \$2.3 billion, the corporation would be bankrupt in February or March.

I say to you, Mr. President, that's what this period will be remembered for, that we did not do this. We had it in the bill. The Senate voted 80 to 18 for the provision that the chairman provided. And it was dropped. It was dropped owing to a dispute over other matters altogether—job protections and outside contracting by Amtrak. It is provided in this bill that \$2.3 billion is there, but it is not available to Amtrak until some very controversial legislation is adopted making job protection and such like matters subject to collective bargaining.

I will be blunt. This could mean the end of Amtrak, the National Railroad Passenger Corporation. Bankruptcy for Amtrak is an outcome we should surely do everything in our power to prevent. It would be a national calamity. I wish to be emphatic in saying that the possibility is now real, and I hope the administration will join in the effort to bring about a resolution.

I was surprised, in the often intense debates of this last week on this matter, that nowhere did we hear from the Secretary of Labor. Nowhere did we hear from the Secretary of Transportation. What do we have Cabinet officers for? I don't mean to be critical of any individual. It occurs to me that they were not invited in. I'll tell you, I was once an assistant to Secretary Arthur J. Goldberg when he was Secretary of Labor during the Kennedy administration. We had rail strikes and soon thereafter, in the Johnson administration, disputes in the steel industry. Arthur J. Goldberg would have been right in the middle of it, seeing that workers were protected and that the public was protected.

This remains to be done. I hope I have sounded an alarm. If I sound alarmist, Mr. President, may I put it in the RECORD that I am and I intend to be alarmist.

Another matter on which we have made an error, in my view, was the hurtful provision revoking the tax-exempt status of the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, known as the TIAA-CREF, a 2-million-member retirement system that serves 6,100 American colleges, universities, teaching hospitals, museums, libraries and other nonprofit educational and research institutions. TIAA was founded by Andrew Carnegie in 1918. It has been tax exempt ever since. It is a nonprofit charity, and properly not taxed.

In 1937 it was incorporated under the laws of the State of New York to "forward the cause of education and promote the welfare of the teaching profession"—"forward the cause of education and promote the welfare of the teaching profession." The law further

states that the purpose of TIAA—this is the New York statute—is "to aid and strengthen non-profit-making colleges, universities and other institutions engaged primarily in education or research." And it has done just that. It has long been recognized as a model of such programs.

As a somewhat unanticipated result, it brought to American higher education portability of pensions. You did not have to start out in one institution and after a certain point stay the rest of your life because you had to have some retirement benefit. It has a great value to our educational system for the simple reason that it enables a young person at, say, a 2-year college or a local college, who shows great promise, does good work, to end up at Chicago or Stanford or Duke, because they can move. This is part of the agility of American higher education. There is no reason to tax this, and the Finance Committee said don't tax it. We never have. The Senate said don't tax it. But somehow or other we have decided to do so.

Revoking TIAA-CREF's 79-year-old tax exemption will cost the average retiree who receives \$12,000 a year about \$600 in income. You know, librarians are not highly paid. Perhaps that is not widely known. A \$12,000 pension would be quite normal. A \$600 reduction would be 5 percent right away. Future retirees currently accumulating benefits are likely to face reductions of 10 to 15 percent.

Why make the lives of librarians and assistant professors and teachers in community colleges harder? Why do we do this? Why wasn't this something that people said no to? The Finance Committee said no to it. But we were not successful.

Two closing points. In an era in which the most recent Presidential campaign was captivated—at least sectors of it—by the idea of a flat tax, it deserves pointing out that this 820-page piece of legislation will add hugely to the stupefying complexity and mass of the Internal Revenue Code and its accompanying regulations.

Mr. President, this is not an exercise here in physical therapy. For as long as I can, I would like to hold it up to show it to you. I dare not hold it up any longer. If I should drop it, there would go my right ankle. Did that thump on the desk make itself heard?

In 1986, in the Tax Reform Act of that year, we moved toward the idea of simplicity in the Tax Code by a broader base and lower rates. Just an anecdote, the late beloved Erwin Griswold, sometime dean of the Harvard Law School, sometime Solicitor General of the United States, was a friend. He used to write me each April describing how long it took him to complete his tax returns, which he persisted in preparing himself. Now, mind you, Dean Griswold was perhaps the Nation's foremost authority on the subject of tax law. He almost began the subject.

He wrote the first text. He describes himself as being a young attorney, graduate of Harvard Law in the 1920s, in the Solicitor General's office, and some matters concerning taxation came to him. He, as he put it in a wonderful address to the bar association tax section, said, "I thought of going to the Solicitor General to tell him I didn't know anything about tax law, but I decided to go to the library instead." And he wrote the text.

In his last letter to me, dated April 12, 1994, 7 months before he died, he wrote that his 1993 tax return took him almost 100 hours to complete—100 hours for Erwin Griswold to prepare his not very complicated financial affairs. He was a teacher and a lawyer, Government employee, and he knew all these matters—yet it took him 100 hours. It would be 110 were he alive into the next tax season.

Let me say, just as an example, a family with three children, two in college and one under age 17, could be required to calculate the new child tax credit, a Hope scholarship tax credit for one college student, and a separate lifelong learning credit for the older child. Each of these different provisions will have different eligibility rules and complicated income phase-outs that will have to be calculated on different worksheets and reported to the Internal Revenue Service on a variety of forms.

It is no exaggeration, sir—I don't believe it is an exaggeration—to say that anybody who could fill out the forms necessary to qualify for these tax benefits would already be an accountant of advanced experience and achievement and would have no need for the benefits.

I do want to point out that in the statement of the managers accompanying this conference report, it says, "The conferees anticipate that the Secretary of the Treasury will determine whether a simplified method of calculating the child credit, consistent with the formula described above, can be achieved." So there is hope. But I wouldn't hope too much.

President Ronald Reagan, our much-loved President Ronald Reagan, liked to say the Republicans are the party of the Fourth of July and Democrats are the party of April 15th. With the passage of this legislation, I think Democrats can no longer take all the credit for April 15th.

A second and final point. This will be the first-ever tax bill subject to the line-item veto, which gives the President, "limited authority to cancel specific dollar amounts of discretionary budget authority, certain new direct spending, and limited tax benefits."

Limited tax benefits are those that provide, a Federal tax deduction, credit, exclusion, or preference to 100 or fewer beneficiaries.

In January of this year, I joined Senators BYRD, LEVIN and former Senator Hatfield in a legal challenge to the line-item veto on grounds that it violates the presentment clause in article

I, section 7, of the Constitution. The U.S. District Court for the District of Columbia agreed and promptly declared the statute unconstitutional.

But later, on June 26, the Justice Department took the matter to the Supreme Court itself, and the Court held that we, as legislators, had no standing to challenge the law, clearing the way for the President to exercise his new authority.

Now, just 2 days ago, on July 29, the Joint Committee on Taxation met to consider the list of limited tax benefits in this bill, a list prepared by the committee staff, that would be subject to the line-item veto. It was the first time we had done this under the new law, and I am pleased to report, upon being presented with the 6-page list totaling 79 separate provisions in this bill subject to the line-item veto, some members of the joint committee began to display a visible lessening of enthusiasm for the concept itself.

I have a list here, Mr. President, and take the liberty of asking unanimous consent that it be printed in the RECORD, so the administration will have an opportunity to look up the items, veto them and then the injured parties can arrive across the park at the Supreme Court with standing and the Constitution will be preserved.

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

**TITLE XVII—IDENTIFICATION OF LIMITED TAX BENEFITS SUBJECT TO LINE ITEM VETO**

**SEC. 1701. IDENTIFICATION OF LIMITED TAX BENEFITS SUBJECT TO LINE ITEM VETO.**

Section 1021(a)(3) of the Congressional Budget and Impoundment Control Act of 1974 shall only apply to—

(1) section 101(c) (relating to high risk pools permitted to cover dependents of high risk individuals);

(2) section 222 (relating to limitation on qualified 501(c)(3) bonds other than hospital bonds);

(3) section 224 (relating to contributions of computer technology and equipment for elementary or secondary school purposes);

(4) section 312(a) (relating to treatment of remainder interests for purposes of provision relating to gain on sale of principal residence);

(5) section 501(b) (relating to indering of alternative valuation of certain farm, etc., real property);

(6) section 504 (relating to extension of treatment of certain rents under section 2032A to lineal descendants);

(7) section 505 (relating to clarification of judicial review of eligibility for extension of time for payment of estate tax);

(8) section 508 (relating to treatment of land subject to qualified conservation easement);

(9) section 511 (relating to expansion of exception from generation-skipping transfer tax for transfers to individuals with deceased parents);

(10) section 601 (relating to the research tax credit);

(11) section 602 (relating to contributions of stock to private foundations);

(12) section 603 (relating to the work opportunity tax credit);

(13) section 604 (relating to orphan drug tax credit);

(14) section 701 (relating to incentives for revitalization of the District of Columbia) to the extent it amends the Internal Revenue Code of 1986 to create sections 1400 and 1400A (relating to tax-exempt economic development bonds);

(15) section 701 (relating to incentives for revitalization of the District of Columbia) to the extent it amends the Internal Revenue Code of 1986 to create section 1400C (relating to first-time homebuyer credit for District of Columbia);

(16) section 801 (relating to incentives for employing long-term family assistance recipients);

(17) section 904(b) (relating to uniform rate of tax on vaccines) as it relates to any vaccine containing pertussis bacteria, extracted or partial cell bacteria, or specific pertussis antigens;

(18) section 904(b) (relating to uniform rate of tax on vaccines) as it relates to any vaccine against measles;

(19) section 904(b) (relating to uniform rate of tax on vaccines) as it relates to any vaccine against mumps;

(20) section 904(b) (relating to uniform rate of tax on vaccines) as it relates to any vaccine against rubella;

(21) section 905 (relating to operators of multiple retail gasoline outlets treated as wholesale distributors for refund purposes);

(22) section 906 (relating to exemption of electric and other clean-fuel motor vehicles from luxury automobile classification);

(23) section 907(a) (relating to rate of tax on liquefied natural gas determined on basis of BTU equivalency with gasoline);

(24) section 907(b) (relating to rate of tax on methanol from natural gas determined on basis of BTU equivalency with gasoline);

(25) section 908 (relating to modification of tax treatment of hard cider);

(26) section 914 (relating to mortgage financing for residences located in disaster areas);

(27) section 962 (relating to assignment of workmen's compensation liability eligible for exclusion relating to personal injury liability assignments);

(28) section 963 (relating to tax-exempt status for certain State worker's compensation act companies);

(29) section 967 (relating to additional advance refunding of certain Virgin Island bonds);

(30) section 968 (relating to nonrecognition of gain on sale of stock to certain farmers' cooperatives);

(31) section 971 (relating to exemption of the incremental cost of a clean fuel vehicle from the limits on depreciation for vehicles);

(32) section 974 (relating to clarification of treatment of certain receivables purchased by cooperative hospital service organizations);

(33) section 975 (relating to deduction in computing adjusted gross income for expenses in connection with service performed by certain officials) with respect to taxable years beginning before 1991;

(34) section 977 (relating to elective carryback of existing carryovers of National Railroad Passenger Corporation);

(35) section 1005(b)(2)(B) (relating to transition rule for instruments described in a ruling request submitted to the Internal Revenue Service on or before June 8, 1997);

(36) section 1005(b)(2)(C) (relating to transition rule for instruments described on or before June 8, 1997, in a public announcement or in a filing with the Securities and Exchange Commission) as it relates to a public announcement;

(37) section 1005(b)(2)(C) (relating to transition rule for instruments described on or before June 8, 1997, in a public announcement or in a filing with the Securities and Exchange Commission) as it relates to a filing with the Securities and Exchange Commission;

(38) section 1011(d)(2)(B) (relating to transition rule for distributions made pursuant to the terms of a tender offer outstanding on May 3, 1995);

(39) section 1011(d)(3) (relating to transition rule for distributions made pursuant to the terms of a tender offer outstanding on September 13, 1995);

(40) section 1012(d)(3)(B) (relating to transition rule for distributions pursuant to an acquisition described in section 355(e)(2)(A)(ii) of the

Internal Revenue Code of 1986 described in a ruling request submitted to the Internal Revenue Service on or before April 16, 1997);

(41) section 1012(d)(3)(C) (relating to transition rule for distributions pursuant to an acquisition described in section 355(e)(2)(A)(ii) of the Internal Revenue Code of 1986 described in a public announcement or filing with the Securities and Exchange Commission) as it relates to a public announcement;

(42) section 1012(d)(3)(C) (relating to transition rule for distributions pursuant to an acquisition described in section 355(e)(2)(A)(ii) of the Internal Revenue Code of 1986 described in a public announcement or filing with the Securities and Exchange Commission) as it relates to a filing with the Securities and Exchange Commission;

(43) section 1013(d)(2)(B) (relating to transition rule for distributions or acquisitions after June 8, 1997, described in a ruling request submitted to the Internal Revenue Service submitted on or before June 8, 1997);

(44) section 1013(d)(2)(C) (relating to transition rule for distributions or acquisitions after June 8, 1997, described in a public announcement or filing with the Securities and Exchange Commission on or before June 8, 1997) as it relates to a public announcement;

(45) section 1013(d)(2)(C) (relating to transition rule for distributions or acquisitions after June 8, 1997, described in a public announcement or filing with the Securities and Exchange Commission on or before June 8, 1997) as it relates to a filing with the Securities and Exchange Commission;

(46) section 1014(f)(2)(B) (relating to transition rule for any transaction after June 8, 1997, if such transaction is described in a ruling request submitted to the Internal Revenue Service on or before June 8, 1997);

(47) section 1014(f)(2)(C) (relating to transition rule for any transaction after June 8, 1997, if such transaction is described in a public announcement or filing with the Securities and Exchange Commission on or before June 8, 1997) as it relates to a public announcement;

(48) section 1014(f)(2)(C) (relating to transition rule for any transaction after June 8, 1997, if such transaction is described in a public announcement or filing with the Securities and Exchange Commission on or before June 8, 1997) as it relates to a filing with the Securities and Exchange Commission;

(49) section 1042(b) (relating to special rules for provision terminating certain exceptions from rules relating to exempt organizations which provide commercial-type insurance);

(50) section 1081(a) (relating to termination of suspense accounts for family corporations required to use accrual method of accounting) as it relates to the repeal of Internal Revenue Code section 447(i)(3);

(51) section 1089(b)(3) (relating to reformations);

(52) section 1089(b)(5)(B)(i) (relating to persons under a mental disability);

(53) section 1171 (relating to treatment of computer software as FSC export property);

(54) section 1175 (relating to exemption for active financing income);

(55) section 1204 (relating to travel expenses of certain Federal employees engaged in criminal investigations);

(56) section 1236 (relating to extension of time for filing a request for administrative adjustment);

(57) section 1243 (relating to special rules for administrative adjustment request with respect to bad debts or worthless securities);

(58) section 1251 (relating to clarification of limitation on maximum number of shareholders);

(59) section 1253 (relating to attribution rules applicable to stock ownership);

(60) section 1256 (relating to modification of earnings and profits rules for determining whether REIT has earnings and profits from non-REIT year);



(61) section 1257 (relating to treatment of foreclosure property);

(62) section 1261 (relating to shared appreciation mortgages);

(63) section 1302 (relating to clarification of waiver of certain rights of recovery);

(64) section 1303 (relating to transitional rule under section 2056A);

(65) section 1304 (relating to treatment for estate tax purposes of short-term obligations held by nonresident aliens);

(66) section 1311 (relating to clarification of treatment of survivor annuities under qualified terminable interest rules);

(67) section 1312 (relating to treatment of qualified domestic trust rules of forms of ownership which are not trusts);

(68) section 1313 (relating to opportunity to correct failures under section 2032A);

(69) section 1414 (relating to fermented material from any brewery may be received at a distilled spirits plant);

(70) section 1417 (relating to use of additional ameliorating material in certain wines);

(71) section 1418 (relating to domestically produced beer may be withdrawn free of tax for use of foreign embassies, legations, etc.);

(72) section 1421 (relating to transfer to brewery of beer imported in bulk without payment of tax);

(73) section 1422 (relating to transfer to bonded wine cellars of wine imported in bulk without payment of tax);

(74) section 1506 (relating to clarification of certain rules relating to employee stock ownership plans of S corporations);

(75) section 1507 (relating to modification of 10-percent tax for nondeductible contributions);

(76) section 1523 (relating to repeal of application of unrelated business income tax to ESOPs);

(77) section 1530 (relating to gratuitous transfers for the benefit of employees);

(78) section 1532 (relating to special rules relating to church plans); and

(79) section 1604(c)(2) (relating to amendment related to Omnibus Budget Reconciliation Act of 1993).

Mr. MOYNIHAN. I thank the President, and particularly thank him for affording that the Constitution be preserved.

Finally, as I have said, I would have preferred the Senate-passed bill, in many respects, but committees of conference work by compromise, and we have a compromise before us which I will support, again with great thanks to the chairman, to Lindy Paull and to Frank Polk, and to Mark Patterson and Nick Giordano. I yield the floor.

Several Senators addressed the Chair.

The PRESIDING OFFICER (Mr. ROBERTS). Who yields time?

Mr. WELLSTONE. Mr. President, I defer to the chairman. I am hoping to get a chance to speak.

Mr. MOYNIHAN. Mr. President, I believe the chairman would like to make a comment in response.

Mr. ROTH. Yes, I will be very brief. First of all, I just want to publicly recognize and thank Senator MOYNIHAN for the role he has played. I think his statement today is another example of his towering intellect. We are very fortunate to have an individual who is renowned throughout this country for his ability to analyze, to study, and come up with constructive proposals. Certainly, we have all benefited from his rare intellect.

I would just like to comment on two or three things that he spoke about in his opening remarks. First of all, I share the pride and satisfaction in our higher educational system. I have often thought there are few countries that have anything like ours. They may have one or two outstanding schools—Oxford and Cambridge in the British Isles; in Japan they have the University of Tokyo. But we have so many outstanding schools. My only criticism of what Senator MOYNIHAN said is he failed to mention the University of Delaware which, I must confess, is really a hidden jewel. But I share the pride, and I think it is important that we do everything that we can to strengthen this, both the private and public sector, in these days where knowledge and technology is of even greater importance than any other time.

I would also like to speak very briefly about Amtrak, because it seems to me we have our last clear chance to do something about it. I have to tell you that for the last several months, I have fought tooth and nail to try to bring about a solution. Mr. President, I cannot imagine the leading industrial nation of the world, the only superpower not having a modern passenger rail system. It is just unconscionable for that to happen, particularly in these times when we are running out of—I don't know about the State of New York, but I can tell you, in my little State of Delaware, we are running out of land. How many highways can we build? How many planes can fly over? What are we going to do about the environment? This is a critical matter, not only to the Northeast but to the entire country.

I couldn't agree more with Senator MOYNIHAN than when he calls upon the Secretary of Transportation and the Secretary of Labor to provide some leadership. This can still be salvaged, it still can be saved, but it means that the parties that are involved and interested are going to have to get together and bring about the kind of reform that assures a sound future for our rail system.

This, again I say, is our last clear chance. We have the funds in there. They are available. Now it is up to those who have the voice on reform to get together and compromise and work together, just as we did in our committee.

I again express my appreciation to the distinguished Senator for his contributions and cooperation.

Mr. MOYNIHAN. Mr. President, can I just say thanks once again to the chairman, and add that there is every reason to think that Amtrak is on the verge of financial stability, with a new rail system, fast rail system, and just when we are about to succeed, we can thwart the whole enterprise. I hope we will not do that.

Mr. President, I yield the floor. I find my friend has been waiting so very patiently. The floor is now his.

Mr. WELLSTONE. I thank both colleagues. Mr. President, I ask unani-

mous consent to take 15 minutes off the time that has been given to Senator BUMPERS, and I ask Senator MOYNIHAN whether I might get 10 minutes from his time, if that would be OK.

Mr. MOYNIHAN. Mr. President, the Senator most surely can. I wish he would.

Mr. WELLSTONE. I thank him.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. WELLSTONE. Mr. President, let me, first of all, say to Senator ROTH and Senator MOYNIHAN, since my comments will be in disagreement, that I have tremendous respect for all the work that they have done. Both of them represent the very best of public service. But I can't, as a matter of principle, vote for this budget agreement. I support balancing the budget through a process which observes basic principles of economic and social justice and embodies the notion of shared sacrifice in pursuit of the common good, the common interest, the people's interest. But despite the cheers of its supporters, this deal fails miserably those tests.

In the midst of all the cheering over this deal, we face a quiet crisis. It is not a war, it is not a broad economic calamity, but it is a crisis, nonetheless. This is, by the averages and the indicators, a prosperous time for our country. It is a time of sustained economic growth and low inflation, of a booming stock market and low unemployment. There is no blare of bugles, no moan of universal distress, no loud hordes of protesters clamoring in our streets. But averages are misleading. They tell nothing of the end of the curve, the height at the top or the depth at the bottom, and that is where our crisis resides. It is a quiet crisis of money, power, and injustice. It is the crisis of a nation in danger of abandoning the principles of equality and justice that are so fundamental to our resilience and to our future together.

The principle of economic justice in this bill has been eclipsed. I fear it will accelerate growing inequalities in our country that we all should be committed to combat. We have moved in recent years back to a darker time. It is a more stratified America. It is really two Americas: one America with mounting access to the things that make life richer in possibility; the other caught in a constant struggle to make ends meet.

One able to purchase the security of gated communities and private schools; the other beset by the dangers of a decaying social fabric.

One America swiftly navigating the information superhighway, the other lacking the rudimentary skills needed to navigate an ever-more complex society.

One enriched by a rising stock market; the other at the uncertain mercies of the job market.

One wondering when to take a vacation to Europe or Asia; the other hoping to save enough to take a family to a ball game.

This other America, this second America is not inhabited by just the poor or neglected minority. It is, in fact, the residence of the American majority. It is the homeland of most of our workers, most of our families, most of our children, and it is precisely this America that the budget agreement fails to serve fully and fairly.

I would support a deal that required truly shared sacrifice while investing in our future, but shared sacrifice is not what this package is all about. Instead, it is about working families sacrificing and Wall Street investors and big companies garnering the lion's share of the benefits.

Balancing the short-term budget fairly is a responsible and it is a worthwhile goal, made easier by our recent economic boom. But building a strong economy, preserving a shared prosperity, ensuring social and economic stability for the next generation by investing in their health and their skills and their character, our children, this is a far loftier and far more difficult goal for which we should have been striving in this budget agreement, and this agreement falls short of those goals.

First, the agreement is unfair. At times, it is grossly unfair, I say to my colleagues, to the vast majority of working Americans who deserve real tax relief but will not get it in this bill, because most of the benefits go to the wealthiest 3 to 4 percent of the taxpayers and the profitable companies.

Second, this agreement is shortsighted, starving our Nation's investment needs, investments critical to our future economic and social prosperity, in order to pay for large, unfair, and unwarranted tax cuts.

Third, and perhaps most ironically, since its ostensible purpose is to balance the budget, it is fiscally irresponsible. By locking into place hundreds of billions of dollars in tax cuts for the wealthy, as far as the eye can see, many of which will grow larger and larger over time, it will cause the deficit to explode just as the baby boomers are expected to retire and begin to draw on programs like Social Security and Medicare.

While this agreement has been hailed by some Democrats because it partially preserves funding for certain health care, education, and other programs that Republicans have been trying to slash for almost 3 years, and it is hailed by Republicans because it contains the huge tax cuts for the wealthy for which they have so long fought and sought, a closer look is called for in the midst of all this cheerleading.

As a legislator, I have discovered that too often if the deal appears to give all things to all parties, as this one does, something is not quite right.

Americans should take a closer look at the details of this package. When they do, they will be very troubled by what they see. Even with the marginal improvements which were forced by the President and the Democratic col-

leagues in the Congress, it still is a deeply flawed agreement which mortgages the economic futures of our children for the short-term political benefit which some will derive by claiming to have balanced the budget.

Unless we revisit this deal soon, it will lock us into a program of huge tax cuts, mainly going to the wealthiest of people, funded by equally large spending cuts in virtually every single basic function of Government—environmental protection, airline safety, crime control, science and health and technology research, health care for the frail and the elderly and the poor.

And, Mr. President, it will do so while continuing the Republican Congress tradition of stuffing more money into the Pentagon than even the Pentagon has requested, more B-2 bombers and ships and fighters than we need, mostly to preserve jobs in key congressional districts.

As one of my colleagues observed, this bill sacrifices tomorrow's hopes for today's headlines. That is a mistake for which we will all pay for years to come, just as we did for the mistakes of the early 1980's and its exploding deficits.

Mr. President, the President of the United States said, among other things, he would only sign on to a deal that was fair, fiscally responsible, with no exploding deficits in the next 10 years or so. These were the basic tests that he said he would apply to any final agreement. But this agreement clearly fails the fairness test. The sad fact is that low-income families get virtually nothing—nothing—from this tax cut bill, working families get very little, and the wealthy are the big winners in this tax bill.

While the ink is barely dry on the deal—and so we do not have any official information about its actual distributional impact—we are asked to vote on this without getting any official information about who exactly is going to benefit and who is going to be asked to sacrifice.

Preliminary analysis suggests a disastrously lopsided approach skewed to the very rich, those making over \$200,000 a year annually. That is not the middle class in America. The non-partisan group, Citizens for Tax Justice, has run the numbers through a fairly sophisticated distributional model. And they found that the tax package delivers about half of its benefits to the top 5 percent of the taxpayers.

Half of the benefits go to the top 5 percent of the taxpayers. The average tax cut for middle-class working families and individuals, when you figure in all the tax hikes and cuts together, is about \$200. For the richest 1 percent, it is about \$16,000. I had hoped for substantial tax relief for working families. This bill only offers about one-fourth of its overall relief to those making under \$100,000 a year. I think working families should not have to settle for scraps from the tax cut table. They

should have been the first in line for relief. But that is not the case.

But just a few examples.

The alternative minimum tax was passed in 1986. With tax fairness, large companies ought to pay, large profitable companies ought to pay at least some tax. That has essentially been gutted. The Treasury Department estimates that these changes would take 76,000 profitable corporations completely off the tax rolls, and to the tune of \$18 billion over the next 10 years.

Another example. While this budget provides little or no relief for working families, it gives wealthy Americans huge capital gains tax cuts. The vast majority of these benefits from the cuts in capital gains go to big investors, people making \$200,000, \$300,000, and \$400,000 annually. Hardly tax fairness.

Mr. President, not only is this deal unfair, it is shortsighted, it ignores our most critical needs as a nation, including repairing and rebuilding our crumbling schools. Not one penny is invested in our crumbling schools, including dealing with our crumbling inner cities, our underdeveloped rural areas.

Through its spending controls, it provides for huge and still unspecified cuts in Federal investments that my colleagues apparently do not like to talk about much, an estimated \$272 billion in such nondefense cuts over the next 10 years while it claims to "protect" some priority programs.

I am very skeptical. There is not a penny here for crumbling schools to secure educational opportunities for children. How come that was not a priority program? There is too little for job training for dislocated workers, for workers struggling to move off welfare into good jobs, and there is too little by way of reinvesting in our inner cities, the environmental protection, in basic key investments critical to our Nation's future.

Mr. President, I voted against the spending bill. And I will vote against this tax bill. I do not understand how my colleagues can basically view these matters separately. They are part of one package and one deal. And I will just give some examples.

We now have huge, significant cuts in Medicare and Medicaid. And they are being used to pay for the tax cuts in this deal, which disproportionately go to the top 1, 2, 3 percent of the population that need the assistance the least. That is part of the tradeoff.

Mr. President, Medicare will be cut by \$115 billion over the next 5 years. And the proposal assumes \$385 billion in cuts over 10 years. In Medicaid, we will be cutting \$13 billion over the next 5 years.

Mr. President, in rural Minnesota, where the hospitals and the clinics are not greedy—a small profit margin—60, 70, 80 percent of the patient payment mix is Medicare and Medicaid. Please, do not have any illusions about this.



The cuts to the providers will make it difficult for some of these hospitals and clinics to go on. When they no longer exist, that hurts our rural communities.

Mr. President, the cuts in medical assistance disproportionately hurt our children's hospitals and disproportionately hurt our inner-city hospitals which are safety net hospitals for the poorest Americans—including children—in America.

My colleagues say to me, "Well, but this overall agreement, it's not that bad, after all." And I say, "Compared to what?" To the earlier Republican bills, which the huge majority of American people rejected, this is an improvement. We did not go forward with a \$5 copay, even though it passed in the Senate, for elderly people for home health care visits.

We have done better by way of graduate medical education. And, yes, Mr. President, we have \$24 billion more in children's health care. And it includes also some additional parity, non-discrimination for children and families struggling with mental illness. I thank my colleague, Senator DOMENICI. It is a labor of love to work with him on this.

But, Mr. President, we still do not know at the State level how much of this will reach the children. We hope it does. There are 10 million children without coverage. I have seen projections anywhere from 1½ million to 5 million will be covered, though it is block granted to the States. And we do not have the ironclad guarantees that we need. We need to fulfill our goal of providing adequate and complete care for all children in America.

But, Mr. President, irony built upon ironies. My colleagues say it is not that bad, we are doing better for children. I give credit where credit is due. But last Congress we cut \$25 billion in the major food nutrition program for children. It ultimately will be a 20-percent cut in food stamps, and about 70 percent of the recipients are children. Almost all of them are in working families, usually families with incomes under \$7,000 a year. This directly affects the quality of their health care. I did not see any restoration of any funding for the major child nutrition program in the United States of America.

Mr. President, my colleagues say we did better for legal immigrants. We restored some of the supplemental security income for those immigrants that have been in this country, but, Mr. President, we eliminated all of the food nutrition assistance. So if you have an elderly Hmong woman in Saint Paul, and she has \$450 of SSI and another \$75 in food stamps, and that is her total monthly income—and that is exactly the figure for many people—we did not restore any, we did not restore one penny of food nutrition assistance. It is not that bad but, Mr. President, this piece of legislation is also not that good.

Mr. President, I do not understand exactly what the concept of justice is

here. I do not know what happened to the principle of justice and fairness. Not only do we have the tax cuts going disproportionately to the top 5 percent of the population, but even when we say we are going to help children and families, we decide that we will do nothing for the poorest.

The child tax credit is refundable. And now we say it is refundable to families with incomes over \$100,000 a year. But if you are a family with an income of under \$18,000 a year, you are not eligible at all. We decided that families with over \$100,000 a year needed the assistance. But since we have the earned-income tax credits, we decided that families with incomes under \$18,000 a year would not be eligible for a child credit at all. What kind of standard of justice is that?

I spent a lot of time with those families. I see their struggles. Don't tell me that those families, families in America with incomes under \$18,000 a year, could not also have benefited from the tax credit so they could have provided their children with a little bit more. Don't tell me they would not have benefited. What concept of justice justifies a tax credit for families with incomes over \$100,000 a year, but zero, no assistance, for families earning under \$18,000 a year?

Mr. President, on higher education, we have seen a great deal of discussion. I find it difficult to say this, but I am going to because 20 years of my life was devoted to higher education. Some of this is a bit hyped. Some of it is a bit hyped. Some of it is a bit of hype.

Mr. President, I am grateful for the tax deductions. I am grateful for the tax credits which are nonrefundable, but every single financial aid officer you want to talk to, everyone involved in financial aid will tell you we should have expanded the Pell grants. The statistic that is unconscionable is that a flat 8 percent, since 1979, of those families with incomes under \$20,000 a year, only a flat 8 percent have been able to graduate, men and women from those families, with affordability being a key problem. There are other problems but that is the major problem. There is really nothing in this piece of legislation for them.

We expanded the Pell grant by \$300, but the Pell grant is now meeting at best about 16 percent of the student's overall need. We could have expanded the Pell grant program up to \$5,000 a year. It would have reached middle income as well for the same price tag as to what we did here with the tax deduction and the tax credits.

But, Mr. President, the tax credits are nonrefundable. The tax credits are not refundable. I will just tell you that if you spend any time at the community colleges, you will find that most of the students are older and going back to school, and they have incomes of around \$25,000, \$26,000 a year. They are ineligible because they do not have the tax liability. And we are making the claim that this is essentially 2

years more of free education? It does not hold up. It does not hold up.

Mr. President, we say we protected priority programs. We have hundreds of billions of dollars in tax cuts, which will increase with every year, disproportionately going to the top 5 percent of the population, and altogether, Mr. President, we came up with not \$5 billion that we were going to leverage for some investment in rebuilding crumbling schools, but we threw in \$10 million at the end, \$10 million for all of America. Mr. President, what kind of priorities are these? How could the administration have bargained this away?

I was down in Delta City, MS, in Tunica, MS. I visited a school. This was an all-black school. The ceiling was kind of crumbling in. The toilets were decrepit. If you had wanted to wash your hands after going to the bathroom, you would not have been able to.

But, Mr. President, I was in Chicago on Monday visiting with some of the housing projects, and I saw the same kind of schools. You look at these schools, they are so uninviting. They are crumbling. And we tell our children we put no value on them when we send children to such schools. The General Accounting Office tells us it costs \$110 billion if we want to invest in rebuilding these crumbling schools. We have not invested anything in rebuilding crumbling schools—not really—just \$10 million for the whole Nation. That is a joke, and it is a cruel joke. How can we say that we have protected our major priority programs when we don't invest anything in rebuilding crumbling schools in America?

Mr. President, it is not just Chicago and Mississippi; it is North, East, South, and West. I say to my colleagues, if you say you are committed to education, we can have a debate about educational standards. Maybe they are good, maybe they are not. We can debate about how you measure academic performance. We can have all those debates. But this is simple: Don't send children to schools where the ceilings are falling in and the stench of urine is in the hallways and the buildings are decrepit and expect those children to do well. We say that this budget agreement protects our major priorities. What about these children? Aren't they our major priority?

Mr. President, I was in Chicago on Monday in the Pilsen neighborhood with Congressmen GUTIERREZ and BOBBY RUSH at the Robert Taylor Home Housing Project. St. Augustine had a wonderful Head Start Program. It was a great program. I was inspired by their work. But, Mr. President, they could take 30-some children at the site we visited, and they have 335 children who want to participate—335 children who could be given a head start if we fully funded this program.

Altogether we have added \$324 million. We have 4 million children in the United States of America, from birth

to age 5, who were not served by the Head Start Program, and we have invested a measly \$324 million, which we claim—and it doesn't hold up under scrutiny—will lead to an additional 1 million children. Why don't we fully fund Head Start? If the program does what it says it does, which is to give children a head start, why give the tax benefits to the wealthiest of people and, at the same time, not the investment in rebuilding crumbling schools and not an investment in Head Start? Everywhere I go, all across the United States of America, whether it is rural or urban, I see the successes with kids, I see men and women who work with these children. They should be famous. They make too little money as Head Start teachers or as teacher assistants. We say these are the critical years, and we say the very early part of children's lives is the most critical time, and we invest \$324 million, and that is it.

Mr. President, many of my colleagues support this bill and they call it, on balance, a good piece of work. I simply cannot join them in their enthusiasm because I am too painfully aware of the people this bill leaves behind. Mr. President, the benefits are skewed toward America's very wealthy, and when working families find this out, they will not be pleased.

Mr. President, this piece of legislation, this budget deal, leaves too many Americans behind. We can and we should balance the budget fairly and responsibly, observing the principle of shared sacrifice and economic justice, making the Tax Code fairer, simpler, and flatter in the process, and investing in our Nation's future. We could have done that because the economy is booming and it is much easier to do it now than a few years ago. But with this bill, Mr. President, we have failed in that effort at fairness.

If this balanced budget agreement is to be the great accomplishment of 8 years of Democratic Presidency, then history will judge us harshly. With a budget that we already have, that is essentially in substantial balance because of the policies of the past 4 years, this agreement today is really a triumph of the past rather than a bridge to the century to come.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield 10 minutes to the distinguished Senator from New Hampshire.

The PRESIDING OFFICER. The Senator from New Hampshire is recognized.

Mr. GREGG. Mr. President, let me begin by congratulating the Senator from Delaware for the extraordinary job he has done in putting together this tax reduction package, which is directed primarily to assisting American families, working families of middle-income means, to make it easier on them to meet the day-to-day expenses of raising a family. It takes giant strides in assisting especially the

American middle-income family in dealing with the cost of education, which is absolutely critical. The effort that was put into this by the Senator from Delaware in leading this initiative and pulling this together and getting it passed is nothing short of extraordinary. It will go down as one of the finest hours, I think, in this body and certainly in this Congress. I congratulate him for it.

I wanted to speak briefly about a couple of areas in the bill that I think are especially positive and for which I thank the Senator from Delaware for working so hard on them.

First is the area of estate tax reform. We have heard a lot about how this bill greatly helps especially the small businessperson and farmer in being able to retain their business and pass it on to their heirs—their children, in most instances—so they can continue to run the business, so that all the years of sweat equity put in on building a family farm or a small business won't be lost or confiscated on the death of the primary owner of the estate, but rather will be passed on to his or her family, and the tax burden on that small businessman or farmer is dramatically reduced.

But there is another item in this bill that has not been talked about at all, which I think is especially important in places like New Hampshire, and that is the conservation tax—a tax break for people who leave their land or keep their land in conservation, or in the silviculture activities, upon the death of the primary owner of the estate. This section of the bill, which was initiated by myself and Senator CHAFEE from Rhode Island, is basically directed at addressing a problem which we see especially in New England. There is tremendous pressure on our forest areas to convert those areas to development. Many people in New England—especially in New Hampshire—run very small tree farms, or operate a lumber business, or a logging business, or a business that in some way uses the forest lands. In addition, there are a lot of people who, just for the purposes of being good citizens, keep their lands open. They don't develop them. They keep their lands in a natural, or fairly close to natural, state, and their lands in many instances are used for recreation or are used for hunting and used, obviously, to maintain the environment.

Unfortunately, when these folks pass on, because of the nature of New England today and the heavy populations that we have and the expansion of population that we have, in most instances these pieces of land aren't valued for the purposes of running a tree farm or maintaining wood lots. They usually are valued for some higher use, defined by the terms of cost, such as a mall or, in many instances, a housing development of some nature. The result of that is that the property in the estate ends up being valued at an extraordinarily high level. The heirs who re-

ceive the land have no option but to sell the land, develop the land, and as a result, convert the land from forestry use into some sort of commercial or construction use, which has two events. First, it obviously ends the ability of the forestry industry to use that land for the purposes of maintaining forest and silviculture activity. Second, it ends up developing land. That changes the character of the State in many ways.

There are a lot of people who would rather not develop the lands. A lot of heirs are willing to keep the land as a production for forestry activities, or as a conservation area, but they can't afford to do that because the taxes are so high. So in this bill, as a result of the efforts of the chairman of the committee, myself, and Senator CHAFEE, there is now a new deduction that allows people, who agree to do it, to retain their land as a conservation easement when they receive it from an estate and, thus, keep it as land that is protected for the purposes of keeping it in a fairly natural state—using it for timbering if they desire to do so. There will be a deduction relative to the value of that land of about 40 percent, which is a major plus. It is a major commitment to the community, a major commitment, obviously, to the individuals who will be receiving the land, that the Federal Government isn't going to force people to sell their land in order to pay their taxes by putting a value on the land that is so high that they have no option but to sell their land. That is good news.

Now, this only applies to certain types of land. It applies to land which lies within a certain distance of a national forest or an urban forest. So it doesn't apply to all of the land in New England or all of the land in the country. It does apply to land which is basically in the same area as the area which has already been protected for the purposes of maintaining its pristine qualities. That only makes sense that that type of land should be the land that we are targeting, so that we don't end up with large commercial developments surrounding our national forests and urban forests.

As a result of this language being put in the bill and the way it was put in, it will actually apply to about 90 percent of New Hampshire because so much of it is a national forest. We have the largest national forest, I believe, east of the Mississippi. Certainly, we have the largest national forest in the Northeast, or the most visited in the Northeast, the White Mountain National Forest, which takes up about 17 percent of the State, I believe. Therefore, it has a very significant land mass within the State. So this is good news for those of us who believe very strongly that maintaining the character of the land, in the State of New Hampshire especially, is critical. This will allow those folks who receive land coming out of an estate to keep that land as forest land, if they desire to do

so, and not be forced to sell in order to pay taxes. That is a very big plus.

The second element I want to congratulate Senator ROTH for deals with retirement provisions in this bill. There is a very positive expansion of the ability of people to save for retirement in this bill. Of course, there is the famous Roth IRA accounts, which we heard a fair amount about, which are a series of expansions of IRA accounts. More important, this is a whole series of initiatives which came out of a working group I chair, the leadership task force on retirement reform. Thirteen of those items are in this bill. They give the small businesspeople in this country much more flexibility in putting in place retirement accounts and gives individuals much more flexibility in the area of being able to participate in saving for their retirement, and they are very strong initiatives.

I will say a few words about what this tax bill will mean to American families and to their ability to save for retirement.

Earlier this year I was named to chair a Republican Retirement Security Task Force. We introduced a series of reforms as S. 883.

Senator ROTH's contribution to the task force's work was vital. I also appreciate his willingness to work in favor of many of these provisions in this tax legislation.

This Nation faces a dire need to expand retirement saving to meet the retirement needs of an aging 21st century population.

But behind this general national picture are the real-life concerns of millions of hard-working American families, who are concerned about their prospects for retirement. This bill will significantly increase their chances to achieve a dignified and secure retirement.

I would like to describe some of these provisions and the effect that they would have for families.

Consider a family, John and Mary Smith, where John is a full-time paid employee, and Mary is working within the home. Or, perhaps Mary is working full time, and John is working within the home. Between them, they earn \$50,000. And suppose that John, but not Mary, is able to participate in a pension plan at work.

Under the old law, this couple could not make a deductible contribution to an IRA. But under this bill, now Mary can make a fully tax-deductible \$2,000 contribution to an IRA.

And the same is true whether this family earns \$50,000 or \$60,000 or \$70,000—on up to \$150,000. Because of this tax legislation, a huge number of families will now be able to participate in tax-deferred IRA accounts.

An article in the Washington Post this morning indicated that fully 7 million new IRA accounts will be opened because of this measure alone. Think of what that will do for a couple's retirement security—if they are able to put away \$2,000, tax-deferred, every year.

Consider another couple: Michael and Susan Jones. Suppose they have a family farm. And because of the fortunes of farming, their income goes up and down from year to year. Perhaps one year they earn \$50,000—and the next year they only earn \$30,000.

Under current law, this couple is going to be very concerned about whether they can save in an IRA. They don't know whether their contributions will be tax-deductible or not. One year it is, the next year it isn't. It's very difficult for them to know, as the year progresses, whether they can afford to put the money in.

Under this legislation, we have created something new for them—the back-loaded IRA. Now Michael and Susan can make contributions to an IRA without worrying about whether they will get the tax benefits—because those tax benefits will come at the end of the road. They don't get the tax deduction now, when they contribute to the IRA, but they know that at the end of the game, they will have tax-advantaged earnings through the IRA. This legislation gives them a new way to gain tax advantages from savings.

And, this legislation also vastly expands traditional IRA accounts—doubling the income limits for tax deductibility over the next 5 years. As a result, millions of Americans will find it easier to save for retirement.

This legislation also contains many of the pension reform provisions which we worked so hard to create in S. 883.

This legislation increase the security of employer-provided pensions—by increasing the amount of employer funding to meet those pension liabilities.

Under current law, Mr. President, most employers do not have enough funding in these pension plans to meet eventual liabilities. Not because the employers won't do it—but rather because the Government won't let them. We had sharply limited the amount of funding that employers may put in these pension plans.

So when Frank Williams goes to work, there is often only enough funding in his pension plan to support benefits that he would receive if he and everyone else in the company retired today. Frank hopes to work longer, to accrue a larger pension benefit someday, as does everyone in the company. And the liabilities of the pension plan will eventually be much larger, because everyone working there will someday be entitled to much higher benefits than are accounted for in current measures of liability.

Under this legislation, we will raise the limits on employer funding of pensions—from 150 percent of current liability to 170 percent. Employers will be permitted to fund at a level that is closer to their projected liability. This means greater retirement security for all Americans. It means that there will be more funds in Frank Williams' pension plan.

Now consider the case of another hard-working American, Walter Tay-

lor, an aspiring entrepreneur, starting his or her own business. Under the old law, if he started a pension plan, and he was therefore paying both the employer match and the employee contribution for his own pension benefits, he would not get the same tax treatment that other employers get. This legislation will create a level playing field for the self-employed, and says that they too will receive the same tax treatment of their matching contributions that other employers receive.

This will be a tremendous benefit to small businesses, which is where we most need to expand pension coverage.

This legislation will also make it easier and more convenient for families to save through IRA's—by facilitating automatic payroll deductions into IRA's.

This legislation will also make it easier for State and local government plans to operate, by exempting them from the cumbersome nondiscrimination rules that were not intended for Government plans.

This legislation will streamline and simplify paperwork and reporting requirements. It will eliminate the need for obsolete and unnecessary forms, and will also facilitate the use of electronic technology to replace old paperwork.

Finally, the legislation will make a number of technical corrections to the law, straightening out inconsistencies between tax and regulatory treatment of pension contributions, inconsistencies that have frustrated employers and pension administrators alike.

I am pleased to have been the principal sponsor of these provisions, and I commend and thank those who have worked to bring us closer to enacting them into law.

Mr. President, I thank the Senator from Maine for allowing me to precede her. I thank the Senator from Delaware for allowing me to speak and for his extraordinary effort.

Mr. ROTH. Mr. President, I want to thank the distinguished Senator from New Hampshire for his very gracious remarks.

#### PRIVILEGE OF THE FLOOR

Mr. ROTH. Mr. President, I ask unanimous consent that the Joint Committee on Taxation staff members named on the list I send to the desk be granted floor privileges for the duration of the consideration of the conference report on H.R. 2014.

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

The list is as follows:

#### STAFF MEMBERS—JOINT COMMITTEE ON TAXATION

Angus, Barbara M., Business Tax Counsel.  
 Arkin, Steven D., Legislation Counsel.  
 Barthold, Thomas A., Senior Economist.  
 Hartley, H. Benjamin, Senior Legislation Counsel.  
 Kies, Kenneth J., Chief of Staff.  
 Killelea, Kent L., Legislation Counsel.  
 Mann, Roberta F., Legislation Counsel.  
 Matthews, Lauralee A., Senior Legislation Counsel.  
 McDaniel, Alysa M., Legislation Counsel.

Mikrut, Joseph M., Associate Deputy Chief of Staff.

Navratil, John F., Economist.

Nega, Joseph W., Legislation Counsel.

Owens, Judy K., Legislation Counsel.

Rock, Cecily W., Senior Legislation Counsel.

Schmitt, Mary M., Deputy Chief of Staff/Law.

Schwarz, Melbert E., Accountant.

Smith, Carolyn E., Associate Deputy Chief of Staff.

Wold, Barry L., Legislation Counsel.

Terry, Maxine, Legislation Counsel.

Mr. ROTH. Mr. President, I am now pleased to yield 15 minutes to the distinguished Senator from Maine.

The PRESIDING OFFICER. The Senator from Maine is recognized.

Ms. COLLINS. Thank you, Mr. President. I thank the chairman, Senator ROTH, for the extraordinary work he has done to bring this before us today for passage.

Mr. President, I rise today in strong support of the conference report on the Taxpayer Relief Act of 1997, the first major tax cut for the middle class that the Congress has passed since 1981.

This historic tax cut bill, along with the companion Balanced Budget Act, represents very good news for the American people. These measures put the Federal Government on the road to a balanced budget, and will provide much-needed tax relief for middle-class families in Maine and across the Nation.

There are several small business and education provisions that I am particularly pleased to see included in the legislation before us today. These proposals have been among my highest priorities since coming to the Senate.

In fact, the very first bill I introduced as a Senator was designed to provide tax relief for family-owned businesses and farms. I am, therefore, delighted that the Taxpayer Relief Act will provide substantial estate or death tax relief for family-owned businesses and farms, the backbone of our economy in Maine. Effective in January of next year, these businesses and farms will be eligible for a \$1.3 million exemption from Federal estate taxes, more than double the current \$600,000 exemption.

Mr. President, I cannot tell you how strongly I feel about providing this relief. Time and again family business owners in Maine have told me of their painful decisions to dismember their companies, to sell them to large out-of-State corporations, in order to avoid saddling their children with enormous debt to pay the estate tax. The tax is wrong. It is simply unfair. We ought to be encouraging family businesses to prosper and to continue from generation to generation.

Given that family businesses will create two-thirds of the new jobs in the future, our Tax Code should encourage their creation, expansion, and continuation. The current estate tax structure penalizes job creation and, according to several studies, has actually cost our Nation as many as 220,000 jobs—220,000

jobs lost because of this onerous tax. Passing the estate tax relief provisions of this bill will allow family business owners to invest in their companies, rather than in a platoon of attorneys, accountants, and insurance agents attempting to alleviate the estate tax bite.

Adopting this proposal will mean that these businesses and farms can stay in the family, and be passed from generation to generation, from parents to their children, instead of being sold in order to pay taxes as happens all too frequently under the current estate tax laws. These reforms will help keep the family in our family businesses and good jobs in our communities.

In addition, the tax package contains some very important reforms that will help make a college education more affordable for middle-income families, another of my top priorities.

Mr. President, prior to serving in the Senate, I worked at Husson College, a small college in Bangor, ME, whose students primarily come from lower and middle-income families. Most Husson students are the first members of their family to attend college.

At Husson, I came to appreciate the critical role that Pell grants and student loan programs play in making college available to many students, but I also learned that our current programs do far too little to help many middle-class families who have to carry the heavy burden of college costs for their children largely by themselves.

This is a very serious problem. I am pleased that this legislation contains several provisions that are specifically designed to make it easier for middle-income families to save for their children's education and to help graduates pay back their student loans.

For example, families will be allowed to establish tax-deferred education IRA's that reward them for planning and saving for their children's college education.

Especially important, this legislation allows students to deduct up to \$2,500 annually in interest on their student loans. Many college graduates are faced with daunting debts that will strain their finances for years. We currently do not do enough for those for whom the road to college ends not with a pot of gold but with a pile of debt. Many college graduates are faced with daunting debts from their student loans that will strain their finances for years.

Many students in my home State of Maine, when confronted with this dilemma, either decide not to pursue a college education at all, or decide to drop out of college. That is one important reason why Maine ranks a dismal 49th out of the 50 States in the number of high school graduates going on to college. That is why this student loan interest deduction is so critical to bringing college within reach of many middle-income families.

Mr. President, these proposals—the education savings account and the tax

deduction for student loan interest—were included in legislation I introduced earlier this year, the College Access and Affordability Act of 1997. I am very pleased to see that they were included in the conference report. Making higher education more accessible and affordable is essential if we are to have a high-quality work force able to compete in a global marketplace in the 21st century.

Finally, Mr. President, I want to note several other important provisions that will help our small businesses—the job creators in this country. This legislation will make health insurance more affordable for the 82,000 people in Maine who are self-employed. They include our lobstermen, our hairdressers, our electricians, our plumbers, and many owners of our small mom-and-pop stores that dot the communities throughout our State.

Under this package, self-employed workers will be able to deduct 100 percent of their health insurance premiums by the year 2007. Establishing parity of health insurance costs between the self-employed and those working for large businesses is a matter of basic equity, and it will also help to reduce the number of uninsured, but working, Americans.

Finally, another important provision for small businesses is the restoration of the home office tax deduction, which was nullified by a Supreme Court ruling several years ago. Home-based businesses are exploding all over Maine. This bill will enable many entrepreneurs in Maine and throughout the Nation to once again deduct the very legitimate expenses associated with working out of their homes.

Mr. President, in closing, I want to once again commend the distinguished chairman of the Finance Committee, Senator ROTH, the distinguished majority leader, Senator LOTT, and Senator NICKLES, Senator MOYNIHAN, the ranking minority member, and all of those who have played such a vital role in crafting such historic legislation. It will provide tax relief to our families, to our small businesses, to our family farms, and to our students—to our entrepreneurs.

It is a terrific bill that deserves broad bipartisan support. This legislation has my enthusiastic support, and I appreciate very much being able to speak to my colleagues on this issue.

Thank you. I yield the floor.

Several Senators addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. CONRAD. Mr. President, I yield myself such time as I might consume off Senator MOYNIHAN's time.

The PRESIDING OFFICER. The Senator is recognized.

Mr. CONRAD. I thank the Chair.

I say to my colleague, Senator HAGEL, that I think they are under an informal understanding of going back and forth. I would be glad to hold off, if the Senator has another responsibility elsewhere. I would be happy to stand down and allow him to proceed.

Mr. HAGEL. My friend and colleague is very generous. My only other responsibility, after just a couple of brief comments, would be to preside over your insightful commentary on the floor of the Senate. If I might take advantage of the Senator's generosity, I would not need more than 5 minutes at the most.

Mr. ROTH. Mr. President, I yield 5 minutes to the distinguished Senator from Nebraska.

Mr. HAGEL. I thank the chairman, and to my friend and colleague from North Dakota, I thank him.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. HAGEL. Thank you, Mr. President.

Mr. President, I would like to take a couple of minutes to give some perspective about what this body has been doing the last few months, culminating in a vote shortly today or tomorrow on the Tax Relief Act, and what we have just done this morning in the balanced budget amendment.

Four years ago almost exactly, the Congress of the United States passed the largest tax increase in the history of America. I bring that point to the front because, Mr. President, the agenda has changed. The issues have changed. We are now talking about cutting spending, cutting taxes, balancing the budget, and actually stepping up to the short-term and long-term challenges in our entitlement programs. I might add as well that this is a bipartisan effort. The vote that we just held this morning on the balanced budget amendment was 85 to 15 with strong bipartisan support—Democrats and Republicans working together.

As we approach a new century—a hopeful, dynamic, energetic, new century full of great promise for our next generation—it is very appropriate that we take in this body the responsibility to focus on fiscal change and infrastructure change to prepare us as we go into this next century. We cannot hope to compete in a global economy when we overtax, overspend, and overregulate. I believe that all of us in this body have come to that conclusion.

The House overwhelmingly last night passed the balanced budget amendment. They, too, will vote on the tax act, as we will shortly. But sometimes in the rush of the activity and the heat of the moment and the passion of the politics, we tend to forget what has been accomplished here. This has been a remarkable accomplishment. Imperfect? Of course. Tax cuts—not deep enough. Spending cuts—not deep enough. This body is on record in going further on dealing with some of the tough, tough issues that we are going to have to deal with in Medicare and entitlements. But what is important is that we have made a beginning—a very strong, substantive beginning. It is due to the efforts of both sides of the aisle and all in this body who have helped to make this happen.

I listened to my colleagues this morning walk through some of the spe-

cifics of the tax bill. I think they are worthy of what we have done because, as you frame it up and understand it, what we have done is, for the first time in 16 years, we are about to bring real tax relief to Americans. By our vote this morning we have started to begin to harness the energy and the resources that we have in this country with showing some fiscal responsibility—balance the budget and, again, in a bipartisan way. Those are elements that should not be forgotten or dismissed easily when both sides of this debate talk about what we have done and what we have not done.

So I, Mr. President, appreciate the opportunity to bring some general perspective to this, because occasionally we don't step back enough and understand what really has happened here and how this will strengthen this country and the opportunities for our young people as we go into the next century.

Again, imperfect, more to do, strong beginning. And I, for one, Mr. President, as a new Senator to this body, am proud to have voted for the balanced budget amendment this morning, and I intend to vote for the Tax Relief Act when it comes to this floor.

I appreciate the time which my distinguished colleague from North Dakota and the chairman of the Finance Committee have given me.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. CONRAD addressed the Chair.

The PRESIDING OFFICER (Mr. HAGEL). The Senator from North Dakota is recognized.

Mr. CONRAD. I yield myself such time as I might consume off the ranking member's time.

I thank the Chair.

Mr. President, first of all, I want to acknowledge the efforts of the chairman of the Budget Committee, Senator DOMENICI, and the very great contribution of the ranking member of the Budget Committee, Senator LAUTENBERG. In addition, I want to recognize the exceptional efforts with respect to the tax bill of the chairman of the Senate Finance Committee, Senator ROTH, and Senator MOYNIHAN, the ranking member.

First, let me say with respect to Senator ROTH, that he conducted the Finance Committee as I hope all committees of Congress would be conducted. He was absolutely fair. He conducted that committee with a bipartisan spirit. I think it made a great difference in bringing us to this point.

I think for too long in Congress on both sides there have been those who conducted themselves in a very partisan way. Senator ROTH chose to conduct himself in a bipartisan way. That did not mean Senator ROTH gave up his long-held views on taxes and spending. He certainly did not, nor did others of us who may disagree. We had a full and fair debate, and all of us took principled positions that were ones we deeply hold. But there is no reason we

cannot have full and fair debate and treat each other with respect. That occurred in the Finance Committee, and Senator ROTH and Senator MOYNIHAN deserve great credit. I want to say that at the outset. I hope that serves as a pattern of how we conduct ourselves going forward in the Senate. I think that is the model of how people in this country would like to see us conduct our business. So I want to say to Senator ROTH, thank you for being a gentleman and conducting yourself with grace.

Mr. President, I, too, am proud to have voted for the provisions that we passed this morning that will finish the job of balancing the unified budget. I am also going to be proud to vote for the tax bill. While it is not precisely as I would have written it if I were given a free hand, none of us can be given a free hand. We are part of a legislative body, 100 on this side, 435 in the House and, of course, we have the White House to consider because the President can exercise a veto.

We worked together to fashion a result that is a compromise. I think it is a very principled compromise. I think it is a fair result. Frankly, I would have done more by way of deficit reduction. I wish we had been more ambitious. I wish we would have done more in long-term reform of entitlement programs. But that was not to be. That is for another day.

Mr. President, we have made progress. This package in total does not reduce the deficit as much as I would have liked. But nonetheless there is solid deficit reduction here, about \$175 billion of net deficit reduction over the 5 years.

I have been part of a group of centrists, a group of 25 Senators evenly divided between Democrats and Republicans. We had a more ambitious package of deficit reduction, I would say perhaps twice as much. I would like to have seen that package passed. We also supported in the Finance Committee on a bipartisan basis more far-reaching entitlement reforms, especially with respect to Medicare, but others in the House would not vote for those changes. Notwithstanding the fact that I would like to have seen a different package, a more ambitious package, the fact is this package is worthy of support. It does further reduce the deficit. It does bring us to unified balance. I want to make certain we all understand the difference between unified balance and what I would consider a true balanced budget. But it also provides expanded educational opportunity for our children. There is provided in the previous legislation we passed this morning a broader coverage for children in health care. It provides for tax relief. There are a whole series of provisions that I think are going to be useful, including child tax credits and educational credits. There is also tax reform in a number of other areas, including estate taxes. Estate tax relief will be especially important in a State

like mine where we have many small businessmen and farmers. We have a package of increased savings opportunities. Nobody is more responsible for those than Senator ROTH of Delaware. He has had a passion for expanding IRA's and they will provide an incentive, I believe, for further savings and investment.

There are also capital gains changes that will be welcome in many circles. I personally would not have favored the extent of capital gains changes passed here. I would have favored a more targeted approach. But nonetheless, we did reach an agreement, and as I said earlier, this agreement is worthy of support.

I, too, want to put this in perspective. I may have a different perspective than the occupant of the Chair as he expressed it a few moments ago. I remember 1993 very well. The deficit was \$290 billion, and every projection that we had said the deficit was going higher. The Democrats at that time had just been elected to the White House. Democrats had control of the Senate and the House. We had to produce an economic plan, a 5-year plan, and we did. We passed that plan without any votes from the other side of the aisle, not one.

In that plan, it is true, we raised taxes. I would not agree that it was the largest tax increase ever. I believe the tax increases that were passed in the early 1980's were larger in terms of relationship to the size of our economy. But nonetheless, we did raise taxes, raised income taxes on the wealthiest 1 percent in this country. We also cut spending—\$250 billion of spending cuts—over 5 years.

That package worked. Some on the other side said that if we passed that package it would crater the economy, that it would increase unemployment, that it would increase the deficit, that it would reduce economic growth. Well, the record is now in. The record is clear. Our friends on the other side of the aisle were simply wrong. That package did not increase unemployment. Precisely the opposite occurred. We had the creation of 12½ million new jobs in the last 5 years. Inflation is at a 31-year low. Unemployment is at a 24-year low. We have had remarkable economic growth. We have had business investment expanding at a rate of 10.5 percent a year. We have had the largest reduction in poverty in our history. This has been an economic plan that has worked remarkably well. So that is my perspective on how we get to where we are today.

I will just show this chart. It shows the 1997 budget agreement is only possible because of the savings generated by the 1993 plan. Interestingly enough, if you look at the years from 1994 to 2002, the 1993 plan generated over \$2 trillion of deficit reduction—\$2 trillion. The plan we are talking about today will further reduce the deficit, but it will produce less than \$200 billion of net deficit reduction through 2002. So

most of the heavy lifting was done by the 1993 plan.

I am extremely proud to have been part of that plan because it took courage to pass that plan. It was controversial and it was difficult, but it worked.

Mr. President, today we are talking about a tax plan that, as I indicated, has many important elements. One of the elements that I think is very important in this debate is we are able to extend the child credit to people who are paying payroll taxes that do not have further income tax obligation.

Some said it would be welfare to give a child tax credit to those who do not have an additional income tax obligation but are paying payroll taxes. I am very pleased that we were able to prevail in that debate because the reality is we have tens of millions of people in this country who are paying more in payroll taxes than they are paying in income taxes. In fact, 73 percent of the people in this country pay more in payroll taxes than they pay in income taxes. Those payroll taxes are not just being used to finance Social Security and Medicare. They are also being used to finance the ongoing operations of Government, because every year we are taking the Social Security surpluses and spending them. We are spending the Social Security surpluses to support the ongoing operations of Government.

I will display this chart because it shows what has happened with payroll taxes. They have increased dramatically. They now make up about 35 percent of the revenue of this Government; and, again, 73 percent of the people in this country are paying more in payroll taxes than they are paying in income taxes. So I think it is entirely appropriate that we extended the child credit to offset payroll taxes for those folks who earn less than \$30,000 a year.

I might say, in my State, that is very nearly a majority of the taxpayers.

The other provisions of this tax bill are also critically important. I am especially pleased with the education component because we have made an enormous investment in American families being able to send their kids on to higher education. That is good news for American families. The good news does not stop there. We have also expanded the incentives for people to save and invest. Again, I want to acknowledge the role of Senator ROTH in that regard.

In my State of North Dakota, we have tens of thousands of small businessmen and farmers who have looked at the estate tax provisions of current law and said, Senator, these have not been adjusted for decades. We are still stuck at \$600,000, and it is time for an adjustment. I am especially pleased that in this legislation small businessmen and farmers next year are going to see that basic estate tax provision raised to \$1.3 million. That is going to make a real difference in the ability of small business people in my State and the State of the occupant of the Chair

to pass on their businesses or their farms to family members.

I think that is what we want to do in this country. We do not want to break up a small family business or a small family farm. Someone may be listening and thinking, is a small family farm, 1.3 million? Given what's happened to land values in parts of our State and other parts of the country, as urban pressures have grown, absolutely that can be a small family farm. You can have a land value of \$1.3 million and have people who are cash poor. I have friends who are in farming. If you went to their homes, you would find them living very modestly, very modestly, indeed—driving old cars, living in homes that have not had much done to them in maybe 20 years. Yet they have a land value of \$1.5 million. But they have very little in the way of cash income. Yet the current estate tax works to break up those family operations. That is not what we want to be doing. These estate tax changes are going to be very positive.

Mr. President, I want to end as I began by saying this has been a bipartisan effort, it has been a constructive effort, and it has brought us to this result. It is a good result. I also want to say that we have more work to be done. When we talk about balancing the unified budget, what that means is that we are taking Social Security surpluses and counting those in order to achieve balance. It is not my idea of a real balanced budget. I will really celebrate the day that we are no longer counting Social Security trust fund surpluses in order to say that we have balanced the budget.

Let me just show this last chart, because this shows what has happened to the so-called unified deficit. It is the blue line. It shows back in 1992 we had a deficit of \$290 billion. It has gone down every single year since the 5-year plan that we put in place in 1993.

This year the projection is \$67 billion. I think when the new figures come out in the next couple of weeks they will show that the deficit this year, instead of being \$67 billion, as is the current projection, will be down even substantially from that, perhaps as low as \$45 billion. Some are even now saying the deficit this year will be as little as \$30 billion.

We have had a cumulative deficit of only \$11 billion in the first 9 months of this year. That is a remarkable success, from a deficit of \$290 billion in 1992 to a deficit this year that may be as little as \$45 billion. Then, under this plan we bump up next year. We don't know what the new projections will show. Then we are on a steady, declining path to unified balance in 2002.

But the red line shows something else. It shows that while the deficit is in fact declining each and every year, we will still be left with a \$109 billion deficit in 2002, when one includes the Social Security trust fund surpluses. So I think it is fair to say that this plan does balance the unified budget, it



does provide tax relief, it does do other things that are very helpful to the American people. But I think it is also important to remind ourselves we still have progress that needs to be made. Because in 2002 we will still have a real deficit, when we consider those Social Security trust fund surpluses that are being thrown in the pot to claim balance.

Even with that said, the fact is this package does represent progress at further reducing the deficit. It does represent tax relief. It does represent the other things that I referenced earlier, like expansion of educational opportunity for our families. It also provides, in the earlier legislation passed, a dramatic expansion of health care coverage for kids in this country who need it.

With that, I yield the floor. I again thank my colleagues who have worked on a bipartisan basis to achieve this result.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, before yielding time to the distinguished Senator from Ohio, I would like to thank my good friend and colleague from North Dakota for his knowledge, his background, and contributions to this effort. No one has, I think, greater expertise in such matters as these than this distinguished Senator. I just wanted it to be publicly known that I appreciate his contribution and look forward to continuing in a bipartisan spirit.

I am now pleased to yield 10 minutes to the distinguished Senator from Ohio.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. DeWINE. Mr. President, I thank the chairman of the committee, Senator ROTH, for the fantastic job that he has done. I congratulate also our majority leader, the chairman of the Budget Committee, Senator DOMENICI, as well as the Chairman of the House Budget Committee, JOHN KASICH, and the Chairman of the House Ways and Means Committee, BILL ARCHER—all of the people who have been involved in this really historic piece of legislation. I rise today in strong support of this conference report, the Taxpayer Relief Act. This historic budget agreement is an important step forward for fiscal responsibility, fiscal responsibility that will balance the budget for the first time in 30 years. And it will provide much-needed tax relief for working families.

When we implement this budget agreement, the result will be the first balanced budget since 1969. That is great news for the U.S. economy as well as for the working families who will see a decline in the interest payments they have to carry. This bill will give working families some long-needed, much-needed, much-deserved tax relief—\$90 billion of tax relief over the next 5 years. Today, the working families of Ohio and the rest of America are paying record-high taxes. All across America, total taxes eat up 38 percent of the typical family's budget—38 per-

cent. That is more than the typical family spends on food, clothing and shelter combined. On these family necessities they only spend 28 percent of their income.

The people who are particularly helped by this are the lower middle class, the middle class, the working American. A family of four, two children, two adults, with an income of \$30,000, will see tax savings of 53 percent—53 percent. A family with a \$40,000 income, that same family, would receive a 30 percent tax savings. That same family, at \$50,000, would still receive a 21-percent tax savings. That is real money. That is very, very significant.

The education tax incentives will also help the next generation. It will help Ohio families, it will help American families. We all know education is getting more and more important as we move to a skill-based economy. We also know it is very expensive. This tax relief bill will help Ohio's families save and pay for their children's education. It will expand the IRA's available for education and create tax-free prepaid tuition plans. It makes interest on student loans deductible from Federal taxes. It also encourages employers to invest in the education of their workers by giving them a tax deduction for employee training and employee education.

This historic tax bill will help families make ends meet over the short term, and will help them educate their children over the long term. In my view, this is a modest bill, but it is a very important bill. It is a historic bill. It is important because it helps America as a nation reverse course. Mr. President, 50 years ago Americans paid 2 cents out of every dollar they earned to the Federal Government. Today they are sending 25 cents to Washington alone, and that is not counting all the other State and local taxes. That's going in the wrong direction. What we do with this bill is change course and begin to go in the right direction. The \$500 per child tax credit, in particular, will help ease the burden of working families who need to hold down two or more jobs to make ends meet.

The tax relief in the agreement will also do a great deal for small business men and women. The capital gains cuts and the lowering of the estate tax will help promote economic growth and help preserve family owned and operated businesses. All of these policy changes in my view are extremely positive. They represent substantial progress over where we are today.

I hope that we soon will address the long-term problem, though, of runaway entitlement spending. We begin to make progress with this bill. Clearly we have to go further. To balance the budget by the year 2002, as the budget agreement would in fact do, is very, very important. In fact, it's a prerequisite for any other progress we intend to make in economic policy. However, while it is essential, it is only a first step. We need to view what we are

doing today, really, as just that, a first step. Our next necessary step is to prepare the Federal budget for the fiscal tidal wave that will occur when the baby boomers start to retire and become eligible for Social Security and for Medicare. In my view, we have to start reforming the entitlements in a responsible and bipartisan way. Congress has been talking about this for years. It is essential that we make it happen and we make it happen as soon as possible.

But, for today, this bill and its companion measure are an excellent step forward, a first step. I am proud to vote yes on both of these historic conference reports.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. DORGAN. Mr. President, I yield myself as much time as I may consume of the time allocated to our side.

I come to the floor today to say I intend to vote for this conference report and am pleased with the work that has been done in the Congress, and especially the work that has been done by so many people who invested so many hours to try to do the right thing.

The Senator from Delaware, Senator ROTH, who heads the Senate Finance Committee, has disproved the old adage about what a committee is, which is: A group of the unwilling chosen from the unfit to do the unnecessary. This committee, under this chairman's leadership, and the men and women from the Republican and Democratic caucus who were assigned to that committee, I think have done some very substantial work that will engender a substantial vote in the U.S. Senate, a bipartisan vote. I am glad to stand on the floor in this circumstance and say, finally, we have reached a point where both parties have come together to say that we fashioned something that we think will work for this country.

We have a very different view of how we got here. I heard some remarks earlier. Some of that is probably typical and traditional rhetorical comments from both sides about where we have been and where we are going. I can remember 4 years ago on the floor of this Chamber when the deficit was going up, up, up and out of control, following a decade in which the description by the new economic guru to previous administrations was, "Well, let's double defense, cut taxes and things will be just peachy." Defense spending doubled, taxes were cut, and we nearly choked on deficits in this country.

We came to an intersection in 1993, 4 years ago, with a new President and a Congress, and this President said, "Let's take a hunk out of that deficit and tackle that Federal deficit," and we voted for it and did it by one vote—one vote.

I can recall the cries of alarm on the floor of the Senate:

"You're going to throw this country into a recession."

"You're going to ruin this country's economy."

No, we didn't do that. We were willing to stand up and vote for harsh medicine to say this fiscal policy has been out of control, we need to get it back into control and play no more games. We cut some spending, we increased some taxes, yes, and we cut this deficit down, down, down and down, and guess what happened as a result of it? Unemployment plummeted. More people are working, inflation is down, the deficit is down, the economy is growing, and it is a better place because of it, and only because we are standing on the shoulders of those in 1993 who cast that vote, some of whom are not here, because we took a clobbering for that medicine in 1993. Only because of that tough decision are we now able to do the rest of the work and say to the American people, this country is moving ahead, moving in the right direction, and economic growth is sufficient so that now we can provide some tax cuts, as well as some spending cuts, and not only tackle the rest of the budget deficit problem, but also provide some much-needed relief to overburdened American families.

Carl Sandburg said once:

I see America not in the setting Sun of a black night of despair ahead of us, I see America in the crimson light of a rising Sun, fresh from the burning creative hand of God. I see great days ahead, great days possible to men and women of will and vision.

My attitude about where we are in this country is we are headed in the right direction. As I said, unemployment is down, jobs are up, crime is down, the country is growing. Is everything perfect? No, not at all. We have a lot of changes ahead of us. Is everything in this bill perfect? No. If I had written it, I would have made some changes. But have we come together at this juncture, together with a Democratic and Republican Party, a Democratic President, a Republican Congress, men and women of both parties to do something that is good? Yes, I think so.

In this legislation, today we say to the American people we think education is critically important and we are going to not only invest in education in the bill we passed yesterday, we are going to provide significant new tax cuts to relieve the tax burden on families who are sending their kids to college. The effort that is made in this piece of legislation to value education is critically important because this country's future is in educating its kids.

Yesterday, we talked about expanding Head Start to a million new American children. That is a significant achievement.

Today, we say that families—45 million children in this country—will receive ultimately a \$500-per-child tax credit, which I think will be a significant benefit to American families.

In addition to the significant achievements in education and the significant achievements in investing in jobs and other things, inducing savings and the things that, I think, have great merit for the future of this country, this legislation provides some specific things I want to mention just very briefly.

One, there has been a lot of controversy about estate tax reform. People say if you provide estate tax reform, that affects a small slice of people with an enormous amount of income. I come from a part of the country that is sparsely populated and losing population. My home county has 3,000 people living in an area the size of the State of Rhode Island. It used to be 5,000, but people are moving and leaving many rural areas. I want to do everything I can to encourage every family business and every family farm to be passed from parents to children, to keep operating and keep open and stay there in rural America, and this estate tax provision is going to be enormously helpful in doing that.

I might say that one other piece of good news in this legislation is parochial, but important, to people of South Dakota and North Dakota, Minnesota, and other disaster victims around the country. There is in this legislation several provisions that I had asked be put in that are going to be helpful to disaster victims. There are a number of provisions that say, because of disasters you are unable to file your tax return, and the IRS extends the time in which you are able to file a return—the IRS said, "We'll do that, but we still must charge interest"—this waives the interest for taxpayers who were not able to file a tax return because their house and all their records are down the river someplace in a massive flood. That is a tiny little issue, but important, and I am very pleased that it was put in this piece of legislation.

The folks who were victims of blizzard after blizzard after blizzard in the Dakotas, Montana, in our part of the country, who had to sell cattle because they had no feed and now are going to restore their herd, this piece of legislation says you are not going to have to pay capital gains tax on the herd that you sold.

This piece of legislation has a very important benefit to livestock producers who were victims of the disaster in our part of the country. It overturns an IRS ruling, a tiny little thing, but it is going to affect tens of thousands of farmers. The IRS took a position a while back on what are called deferred contract sales that farmers have made routinely for years and years at the country elevator, that they were going to be taxable under certain circumstances. We have no idea where the IRS came up with that interpretation. It is completely wrong. They had no basis for doing that.

This legislation says to the IRS that you can't do that. Senator GRASSLEY

and I, and nearly 60 of our colleagues in the Senate, joined and said to the IRS, "Look, everybody in America has a right to be wrong, it is a democracy, but when the IRS is wrong, America pays. In this case, you're wrong, and we're going to change the law so you can't misinterpret what we write."

Those are the kind of things in this piece of legislation that have great merit. Those are some of the smaller things I wanted to mention.

Finally, in closing, because I know other colleagues have things they want to talk about, I think this piece of legislation represents an awfully good instinct of the political system to get together and see if we can't do things together that represents a consensus that will be good for the future of this country.

We so often fight among the political parties to prevent the other side from winning that, instead of getting the best of what each has to offer, we get the worst of what both can offer. That makes no sense for this country. This piece of legislation is a credit, yes, to this President and the White House who worked so hard for it and proposed so much of this; it is a credit to Senator ROTH, Senator MOYNIHAN and so many others on the House and Senate side from both political parties who I think have done a commendable job. Would I have written it differently? Yes. Am I concerned about the out-years a bit? Yes. We need to put up fences to make sure we don't go back into a deficit situation.

We haven't finished dealing with the deficit. As my colleague from North Dakota, Senator CONRAD, pointed out, this is a unified deficit. We still have a Social Security problem we must deal with. I probably would have preferred to take even more benefits in this piece of legislation and provided it to working families, but I didn't write every piece of it, and this is a compromise. I also would have preferred to have some limit on the issue of capital gains. I support the capital gains tax treatment that exists, but I would have had some limit on it.

Having said all that, I am pleased to come to the floor today to say I can vote for a piece of legislation that I think advances this country's interest, and it rests on a bed of good news that comes from our colleagues who, in 1993, stood up and said, "Count me in, let me vote for the first giant step in tackling this Federal deficit." And this next step, a bipartisan step which is good for this country, is one which I hope will give the American people a good feeling about their future.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Who seeks recognition?

Mr. JOHNSON addressed the Chair.

The PRESIDING OFFICER. The Senator from South Dakota.

Mr. JOHNSON. I yield myself such time as I may consume.

Mr. President, I rise to express my support for this legislation. I want to

commend Chairman ROTH and the ranking member, Senator MOYNIHAN, and Senators LOTT and DASCHLE for their leadership. A great deal of good has come from the bipartisan cooperation put together to produce this legislation. I certainly will vote for it.

Much has been said by some about the historic nature of this legislation. Perhaps that is true. But I have to say, in following the comments of my colleague from North Dakota about the historic context of how we arrived at this point, that some observation needs to be made that the truly historic legislation that was passed was the 1993 Budget Act.

President Clinton inherited a hemorrhaging pool of \$290 billion of red ink that was projected to grow annually when he came to the White House. His first step was to work with Congress to pass a 5-year budget plan that passed without a single Republican vote. At that time, I served in the other body. I remember the immense political pressure that was brought to bear at that time. I remember the 30-second television spots that followed, accusing every Democratic Member of having cast the deciding vote on something that would be catastrophic.

What happened? The \$290 billion of red ink has now plummeted this year to an estimated \$67 billion, perhaps as low as \$30 billion. We now have the smallest Federal budget deficit relative to the size of our economy of any Western industrialized nation on Earth. We have a vibrant economy, high employment, low unemployment, low inflation, and we find ourselves now in the midst of a remarkable era.

This legislation is important legislation, but it will finish what we began in 1993 when we had a \$290 billion deficit and brought it down to as low as \$30 billion. This will get us from \$30 billion to the finish line by the year 2002, a good thing to do, a positive thing to do. But the historic step, the politically courageous step, was taken 4 years ago.

Is this legislation perfect? No. No, it isn't. That is the nature of any legislation, particularly, I suppose, of a piece of legislation that is a product of compromise between very different approaches. I think some of the high-fiving that has gone on around town may be a bit unwarranted. I would say, however, that this bill has been made much better during the course of the debate. The initial legislation, the reconciliation legislation that we dealt with in both the House and the Senate, provided very little tax relief, essentially no tax relief, for families making less than \$30,000 per year. There was certainly no child tax credit for these families.

Now, as I see it, this problem has been corrected, thanks to the leadership, particularly of the President of the United States, but also of Senator MOYNIHAN and Senator DASCHLE, and others who worked very hard on this. Take a family, for example, with an in-

come of \$23,000 per year, perhaps a teacher, a firefighter, a policeman, a farmer, a store clerk, any number of people across our country who get up every morning—they play by the rules, they try to raise their kids with decent values, they try to keep jeans and tennis shoes on their kids, they are doing the right thing, they are not on welfare, they are working hard, oftentimes with two jobs.

But wages, particularly in my State of South Dakota, are not always what we would like them to be. Farm prices are sometimes low. And these people, who are working their hearts out, oftentimes are living on very modest wages. And that family, with a father, in this case, who is earning \$23,000 a year, and mom who is staying home with two kids, under the original bill and under the original Republican plan, would have gotten zero in child tax credit. Under the Clinton plan, they would have gotten \$767.

Well, the dust has now settled, and under the conference committee bill that we are voting on today, that family will get a \$675 tax credit, a very useful sum for those families. People can make a car payment, a house payment, they can get their kids started with clothes for school, they can do some positive things. And I think we need to reward work, particularly at a time when we are reforming welfare and essentially ending the guarantee of federal support of families. We need to focus on what more can we do, then, to make work pay. Certainly this improved child tax credit, along with augmenting the funds in this legislation relative to health insurance for kids, is a positive step forward.

It is true that this bill still has some unevenness to it. I have noticed that a group called Citizens for Tax Justice has an analysis out that indicates that the wealthiest 1 percent of American families will benefit by about a \$16,000 tax cut because of this legislation. The average middle-class family will benefit by something less than \$200. That isn't the kind of division that I would have made if it were up to me exclusively.

But nonetheless, I do see the need to balance the budget by 2002, provide some key relief, not only with the child tax credit, but certainly, in the case of education assistance, to provide a \$1,500 tax credit for tuition, tax-deductibility of interest on student loans, and to expand Pell grants, not only the numbers who are eligible but also the size of the grants. That is investing in kids, and investing in the brain power of this country. That is really where we must make a commitment if we are going to compete in a global economy, not just now but for generations into the future.

I see positive things relative to agriculture. My colleague, Senator DORGAN of North Dakota, has gone into much of that. Capital gains relief for small businesses and family farmers will be helpful. There is also estate tax relief.

Certainly, there are some targeted kinds of aid for those who have had to liquidate their herds. There is restoration of income averaging. There are a number of provisions that will be of great help. That I have to applaud.

I am concerned about the backloading of some of the tax reductions which has the potential consequence of making balancing the budget post-2007 more difficult. It would be disastrous for us to have gone through all of this and then find ourselves the year after balancing the budget, or only shortly thereafter, going back into red ink again because of backloaded or phased-in tax cuts that had negative consequences in the outyears.

That is something we are going to have to be very conscious of in the future. This is not a matter of turning the Federal budget over to automatic pilot and now we are home free. It is going to involve difficult, contentious, but hopefully bipartisan, annual debates about how to maintain equilibrium between our revenue and our expenditures while still using our budget for the correct priorities.

I think one of the key political issues in America over these last several years has been, how do we balance the budget? There is bipartisan agreement we need to do that. But how, at the same time, do we protect Medicare, do we continue to invest in education and protect the environment? How do we do it in a way that reflects the best of our values and our priorities in this country? Can that be done?

Some of us remember only a couple years ago when there was a proposal that would have arguably balanced the budget, but it would have decimated Medicare, it would have taken investment away from education, it would have been destructive to the environment, and certainly to rural Americans. Thankfully President Clinton vetoed that legislation. He said we can do better, we can do better with our priorities and still get to a zero deficit.

Thankfully, this legislation, for all of its warts and all of its shortcomings, does in fact get us that remaining \$30 billion to \$60 billion that we need to balance the budget, and it expands the number of kids who have access to health insurance. It will be helpful to small businesses and farms. This bill will increase the tax-deductibility of health insurance premiums for the self-employed to 100 percent, something long overdue. And it will, I think, help continue the economic growth that we have seen over these last 5 years where we have had 5 consecutive years now of deficit reduction and economic growth.

And so, Mr. President, I think that this is a positive piece of legislation. It is the product of bipartisan agreement. Thankfully, the President has used his leverage to make sure that we do in fact live up to these priorities and to bring some common sense back into this bill. The truly historic legislation was that of 1993, but this is important legislation. I support it.

I voted earlier for the budget portion of reconciliation. I will vote for this tax portion of reconciliation. I am proud of what our colleagues on both the Republican and Democratic sides have been able to do to pull together, to set aside some of the anger and some of the hostility that too often has characterized political debate in this country, and to spend a little less time being Republicans and Democrats and a little more time being Americans.

I think that is what the American people really want. And they want to see an end result that reflects the best of our cooperative efforts. This legislation does, I think, take us down that road.

So, Mr. President, while there are things I would have done differently, and while we do need to understand the historic context of how we arrived here, this is good legislation, and I yield the floor expressing my support for this bill.

Mr. CHAFEE. Mr. President, under our order, we are now going back and forth. Senator HUTCHISON was next, and she was here just a minute ago. And I believe she is coming on the floor now. So I ask Senator HUTCHISON, are you ready to go?

Mrs. HUTCHISON. I would be happy to yield to my colleague from Minnesota who I think was here first, and then if I could follow after the next Democrat.

Mr. CHAFEE. It would then go back over to this side—Senator BAUCUS has been waiting—and then back to you.

Mrs. HUTCHISON. That would be fine.

Mr. CHAFEE. I yield to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. GRAMS. Thank you very much. I want to thank my colleague from Texas for yielding.

Mr. President, I came to the floor yesterday to discuss in detail my strong support for the Taxpayer Relief Act of 1997. I do not intend to repeat the arguments I made then, but I do have just a couple of other points I think need to be made.

When my good friends, Senator HUTCHINSON of Arkansas and Senator DAN COATS of Indiana, and I first proposed the \$500-per-child tax credit back in 1993, we were not doing it to grab headlines and it was not a piece of cheap political theater. We pursued the \$500-per-child tax credit because we believed that working families are horribly overtaxed. And how did we know that? Because the American people told us so.

Americans are by nature a very giving and generous people. For a long time, they did not complain—at least too loudly—that their tax burden seemed to be rising every year even though they were not seeing any improvements in Government services. If anything, their tax dollars seemed to be buying less and less. But when taxes reached the point where working

Americans were spending more of their hard-earned money feeding the Government than they were spending to feed, clothe, and shelter their families, well then, the taxpayers started feeling as though their generosity was being taken advantage of. They began demanding that the Government stop spending their dollars so recklessly. They began asking for tax relief, so they could start meeting the needs of their own families, instead of feeding Washington's mixed-up priorities.

So what do working families want from their Government? Well, let me first tell you what they do not want.

America's working families do not want handouts.

They do not want more government agencies or programs.

They do not want their tax dollars feeding bigger Government.

They do not want the Government to intrude unjustly into their daily lives.

They just want to go to work to make a good living, have a decent place to call home, and to have the opportunity to provide for their children. And they want to keep a little bit more of their own money at the end of the day. That is what this package of tax relief will deliver. For my home State of Minnesota, the \$500-per-child tax credit at the heart of our legislation adds up to at least \$300 million that will stay in the hands of families every year. More than 700,000 middle-class children will benefit. That is what families have told me they want, and that is what we are on the verge of delivering.

It should not be an occasion to celebrate when politicians actually keep their promises. That is how the process ought to work. But we all know that Washington has gotten pretty good at making promises, but too often fails miserably when it comes time to keep some of those promises. But, today, Congress is delivering on what I consider to be an irrevocable promise we made to the taxpayers 2½ years ago. Send us to Washington, we said, and we will cut your taxes. That is not a political slogan—that was a promise.

Now, let us not kid ourselves—our package of tax relief is not going to make anybody rich. As tax cuts go, it is pretty paltry. The net tax relief amounts to less than 1 percent of all the tax revenue collected by the Federal Government over the next 5 years. It begins to roll back the President's 1993 tax increase, but we would have to pass a bill three times bigger than the one before us today to wipe out the 1993 increase completely. It is an important start, however, in moving the Government in a new direction.

Relying on a radical philosophy of faster, better, cheaper, NASA launched the Pathfinder probe and successfully—and dramatically—opened a new era of exploration on Mars. The return on that investment has gone far beyond anything that can be totaled up on a balance sheet. I would like to see the same philosophy of faster, better,

cheaper applied to the rest of Washington as well, for a payback I believe can be equally as impressive. A faster government has fewer layers of bureaucracy, so that it can more quickly meet the needs of the people. A better government is responsive to its citizens and responsible to its taxpayers. A cheaper government needs fewer dollars to carry out its work, opening the door to future tax cuts that leave even more money in the hands of the taxpayers.

Faster, better, cheaper is an idea that worked on Mars. It is an idea that ought to work just as well here on Earth.

To paraphrase a favorite quote of mine, Mr. President, politics are temporary—but the American family is permanent. Enactment of the \$500-per-child tax credit is a great victory for families, one I believe will help bring them together, and hopefully keep them together. I am proud that I can go back home this weekend and tell the working families of my State—who for years have watched their taxes rise and their take-home pay shrink—that Washington finally got the message. We are at last going to cut their taxes, not because it is the politically easy thing to do, but because it is the right thing to do.

Again, I want to thank and commend the majority leader and my colleagues, the chairmen of the Finance and Budget committees, for having the determination to bring the Taxpayer Relief Act to the floor. This is a great day in the history of the Senate, and it is also a day that I am proud to be a part of.

Thank you, Mr. President.

I yield the floor.

Mr. BAUCUS addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I yield myself such time as my side is allowed to consume.

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

Mr. BAUCUS. Mr. President, I think that the American people essentially want us to do the right thing. They care less whether it is the Democratic policy or the Republican policy. They care less whether it is conservative or liberal. Essentially, they say, "You folks back there in Washington, come together, do what's basically right, what's within the realm of reasonableness. Just get your job done. If you do that, you're doing a pretty good job."

Mr. President, I think that is what happened here. We Democrats like to claim lots of credit for this legislation. A lot of us talk about the 1993 Deficit Reduction Act, which I do think is the cornerstone which led to declining deficits and allowed the American economy to begin to prosper, interest rates dropped, with inflation rates lower, unemployment rates lower, et cetera. Republicans like to claim that, oh, no, they are the ones that basically did all this. After all, they are the majority party in the Congress right now.

But the truth of the matter is that it is the combination of both sides working together to reach this agreement. And even more truthful, we have a big assist, and that is the national economy. The economy is doing very well. We all know that. And that enables President Clinton to negotiate with the Republican majority in the Congress, and with all Congress for that matter, an agreement which makes most people pretty happy. That is, it cuts taxes. When the economy is doing very, very well, the U.S. Government is bringing in more revenue than it usually does, and it is easier to cut taxes. That is what we have done here. We all like to have our taxes cut.

Second, there are additional spending programs in here. One big one is education, which is very needed in America. We must invest more in education. All of us know that. If we are going to compete with countries around the world and we are going to increase the quality of living for all of our people, it is critical that our young people get a better start and a better education. We spend quite a bit of money in this bill on education, whether it is direct spending or tax credits.

So the economy has helped us very much. I wonder where we would be today, Mr. President, if the economy were not doing well today. Would we be balancing the budget as quickly? Would we be working as well together? Would there be as much peace and harmony on both ends of Pennsylvania Avenue? I see the occupant of the Chair shaking his head in the negative, and I agree; we would not be doing as well. The economy gave us a big boost. We are here, in some respects, because of that.

I, like most Members of this body, support this conference report. It does do basic things which are important. No. 1, it moves us toward a balanced budget. We are going to have a balanced budget at least by the year 2002. My guess, Mr. President, is that we will probably reach a balanced budget before the year 2002. In fact, the projected budget deficit for this year is to be as low as \$50 billion. So we will balance the budget. We will be living within our means. That is no small matter.

We also have tax cuts which help small businesses and help families around our country and help the country generally. That is good. This bill also keeps hospitals and clinics open in rural America. I mention rural America because my State tends to be rural, and we have been working for many years to be sure that we have quality health care in our part of the country, as well as in the cities.

This will also help make sure America's children have health insurance. Not too long ago, we passed the Kennedy-Kassebaum bill, which would disallow preexisting medical conditions as a condition for denying insurance to insureds. That helped to buy more health insurance for programs. We also allow for something called portability;

that is, if a person has health insurance, he can carry it to his next job. We Americans don't have the world's best health insurance program. Other countries insure their people a little bit better than we do. But the one area this bill addresses is health insurance for kids, which is very important and critical. All of us here are very happy for that.

The bill has some drawbacks and I will address a couple of them later on. By and large, the benefits far outweigh those drawbacks. Let's start with the good news.

As work on this agreement began earlier this year, I set a few basic priorities for myself by which to judge the final result of this bill. One was that this bill must balance the budget, it must help small businesses, and it must promote education—those were all priorities of mine—and, finally, it must be fair; that is, the distribution effect of this bill must be fair to all Americans. On the whole, I think this agreement reaches those criteria.

First, we will see a balanced budget by the year 2002. It might even be earlier. But to be realistic, this bill deserves only a bit of the credit. I believe that the 1993 budget bill made the real tough choices, and that was the bill that began us on a glide slope toward a balanced budget. It was a tough bill. We took some tough medicine back in 1993. But that laid the foundation for where we are today. It brought us from a deficit of \$290 billion in 1992 to a deficit of perhaps just \$35 billion this year. So we started this effort with most of the work already done. This is just a small finishing-up effort on that 1993 bill. I must say, a booming economy is helping us as well.

Second, this bill goes in the right direction on taxes. That is, it lowers taxes. Overall, it will cut taxes by \$90 billion over 5 years. That is not a revolutionary change, but it is significant, and it is going to help make a difference to some people. Particularly, the \$30 billion in education tax credits is going to help families send their children to college. That is going to help.

By cutting the estate and gift tax, we will help farm families, small business owners, and ranchers all across our country keep their land and their businesses and their operations in the family. That is very, very important to the people in the State of Montana. We have a lot of farmers and ranchers who have virtually no return on their investment, virtually no cash flow, but their land values are accelerating because some people are moving to Montana—wealthier people—which are pushing up land values.

Relief in Federal estate and gift tax is critical. We phase in 100 percent health insurance for the self-employed, and that means a lot to small business people, self-employed people who can't take nearly the same deduction in taxes and health insurance they pay compared to people who work for big

companies. Generally, in America, the more you work for a large corporation, the better your health insurance policy, because your employer takes the full deduction for the health insurance policy. If you are self-employed, you don't get that; you have to pay for it all yourself. We began a couple of years ago to phase in a deduction for the self-employed. This legislation will bring that to a full 100 percent, albeit over the next 7 years.

A capital gains tax reduction is very important. That should help savings and investment in our country.

With respect to health care, this agreement also means significant accomplishments, essentially by providing \$24 billion for health insurance and services for working children. This is \$8 billion more than the original plan, and it is paid for with a cigarette tax that will create its own health benefits by reducing smoking.

We also set up a new limited-service hospital program, modeled on the Montana Medical Assistance Facility, or MAF's, which allows hospitals to keep their doors open in small towns. The MAF is a proven success in many communities like, in my State, Circle, Culbertson, Big Timber, and Ekalaka, and this agreement will make those MAF's permanent. This will also slow a two-decade-long trend that has closed nearly 10 percent of all rural hospitals.

We also allow rural family practice residency programs that are just getting started to expand. That is very important. Montana's two residency programs, one in Billings and other in Glasgow, are critical to attracting doctors to our State's rural communities. It makes sure that rural areas get fairer managed care payments from Medicare compared to the big urban areas.

And not least, we objected to proposals in the last Congress to make large cuts in Medicare and abolish Medicaid's guarantee of health insurance for poor people.

But the agreement is not perfect. I would like to note four areas where I think it falls short.

First, it contains many special interest tax provisions. This means a much more complicated Tax Code and more tax advantage to wealthy people and big companies who can hire large numbers of lawyers and accountants. This tax bill makes our Tax Code much more complicated, unfortunately. We should return to this issue in the future and work to simplify the Tax Code and eliminate loopholes.

Second, it includes unreasonably tough cuts in Medicare and Medicaid reimbursements to health care providers. These reimbursements make up an average of 55 percent of Montana hospital revenue. And the smaller facilities, with under 30 beds, already are collecting, on average, over 4 percent less in revenue than their costs. It is tough to squeeze these facilities any further.

Third, it misses a chance to improve our national transportation infrastructure. I, with Senator WARNER, and 80

other Senators, requested extra money for highway and transit construction. That money would have meant safer travel and a more productive economy. But this agreement does not have that.

It does move the 4.3-cents-per-gallon motor fuel revenues from the Treasury to the highway trust fund. But for accounting reasons—that is, the lack of an offset—that is only phantom money. It will not mean any real change in the highway and transit budget, and I regret that. I alert my colleagues that when we take up the transportation bill after the August recess, we are going to realize how much we regret that.

Finally, this bill ducks some of our long-term fiscal challenges. As we look 15 or 20 years ahead, we know Americans will live longer. So the bills we pay for health care and pensions for older men and women will be much higher than they are today.

With the healthy economy and a good fiscal situation we have today, we could have taken some steps now to ease the problems this situation will cause the next generation. This agreement doesn't take those steps. It is a missed opportunity. I wish we had taken this opportunity.

But on the whole, this is a reasonably good effort. It does balance the budget. It helps small business and families. It makes sure America's children have health insurance, more than today. Those are very important things for our country, and we ought to get them done. So I support the agreement, and I urge my colleagues to do the same.

I might say at this point, Mr. President, how much I appreciate the bipartisan efforts, particularly of the chairman of our committee, Chairman BILL ROTH, who worked very, very diligently to help make sure that both sides of the political aisle worked well together. That doesn't always happen in this body. There are some committees where that doesn't happen much at all. But Chairman ROTH, chairman of the Finance Committee, did work very hard to bring both sides together, and I think that is one reason we are here today finally with this bill.

I yield the floor.

Mrs. HUTCHISON addressed the Chair.

The PRESIDING OFFICER (Mr. GORTON). Who yields time?

Mr. CHAFEE. We yield such time as the Senator from Texas requires.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mrs. HUTCHISON. I thank the Chair. Today is a historic day. We will vote and pass the first substantial tax cut in 16 years, giving much-needed, long-overdue tax relief to working American families. We have been working for tax cuts for 3 years now, and we are making a downpayment on that commitment.

I view the bill that we are debating today as the second half of an entire economic package. We passed the first half this morning. I was a somewhat

reluctant supporter because, while it does take steps toward a balanced budget, we missed the opportunity for historic Medicare reform that would have created real consumer choice and preserved the program for the next generation. The Senate spoke on this issue. But the President's opposition to real Medicare reform prevailed in the final version.

He also walked away from some very important decisions we made last year on welfare reform. We have hampered the ability of States to implement the welfare-to-work law. The President has already denied States, including Texas, the ability to privatize and consolidate welfare services. In Texas alone, such consolidation would yield annual savings of some \$200 million. The President's continued opposition to true welfare reform carried the day.

Mr. President, I did support the bill this morning because it is linked to the tax cuts we are now discussing, and it does bring us closer to a balanced budget. The tax bill is long overdue relief for hard-working American families. Republicans took the majority of Congress with a very clear mandate to make Government smaller, control spending, and let hard-working Americans keep more of the money they earn.

We are trying to live up to that promise. We passed a budget plan that will lead to a balanced budget, and now we are succeeding in providing substantial tax relief for all Americans.

Who will benefit from this plan? It is the mothers and fathers who will get help raising their children with a \$500 per child tax credit; homemakers who want to build retirement systems through an IRA; young couples who are trying to buy a first home, pay for college for their children, or retirement for themselves; small business owners and farmers who have spent their lives building a business or farm and want to pass it to their children; investors who have provided the capital to start new businesses and create jobs.

A \$500-per-child tax credit will mean over 3.5 million families will no longer pay taxes at all. Instead of writing a \$500 check to the IRS, families will get to keep the money they earn and spend it as they decide to spend it. Americans really do not need the U.S. Government to tell them how to spend their money. I think they should be able to choose for themselves. American families know best whether they need to spend money on their children, or save it for retirement, or enjoy a vacation. The Government shouldn't take that money and make their choices for them. In fact, with this tax cut, roughly 28 million families will pay fewer taxes. In my home State of Texas the child tax credit alone will benefit almost 2 million American families.

With the passage of this bill, we will cut the capital gains rate to 20 percent. This will encourage and reward investment and create new businesses and new jobs. A low capital gains rate is

important to our future and our Nation's ability to save and invest. Our current Tax Code punishes people for saving and investing. This is wrong. We are trying to change it.

Lowering the taxation of capital gains will do more than release hundreds of billions of dollars of tied-up capital. It will bring immediate relief to investors, small businesses, workers, farmers, homeowners, and the elderly. We need to encourage investment so that we can generate the technology, the market, and the jobs of tomorrow.

Today, more than 41 percent of American families own stock. Fifty-six percent of capital gains are reported by families who earn under \$50,000. Two-thirds of mutual fund shareholders today in America have household incomes under \$75,000. Fifty percent of those who claim capital gains are senior citizens, many of whom need this money to improve their quality of life.

In the livestock industry in Texas, over 60 percent of those polled recently admitted to holding onto assets because they couldn't afford to give Uncle Sam 28 percent of a capital gains tax.

We cut death taxes so that years of hard work and success won't be wiped out in one generation. According to a recent survey, 51 percent of family-owned businesses would have significant difficulty surviving in the event of a principal owner's death, due to the death tax. The death tax brings little revenue into the Federal Government—only 1.1 percent in 1997 of all of the Federal revenue. But it does affect hundreds of thousands of small business owners, family farmers, and ordinary Americans who work, save, and invest for a lifetime, just to turn more than half of their hard-earned dollars over to the Federal Government when they die.

Mr. President, this is walking away from the American dream. What we have said for over 200 years to people all over the world is, if you come to America and you work hard, you will be able to keep the fruits of your labors and give them to your children to give them a little better start in life than you probably had.

So walking away from that American dream is what we are trying to prevent today by having some relief in the death taxes that people have been paying.

What does this mean for homemakers? We build on the progress that we made last year in giving for the first time the homemakers of our country the ability to save for their retirement security. This time we are adding to that by allowing the full deductibility of that \$2,000 regardless of what the spouse earns or has in a pension.

How big are these few changes? Let me just give you an example.

Under the old law, a single-income, married couple saving \$2,250 a year—which was their maximum—would have, over 40 years, starting at the age of 25, when they are 65 approximately



\$629,000 in their retirement nest egg. But today, because of the bill we passed last year, and this bill combined, after 40 years of setting aside the \$4,000 that they will be able to earn tax free, this couple will have \$1.119 million in their nest egg, an increase in savings of almost \$500,000.

So, Mr. President, when you put this together with the death tax relief we are giving, you can really see that we are making a difference for ordinary Americans. Economic growth does result from lower tax breaks. History shows us that expanded opportunity and prosperity flourishes under such conditions.

These are the foundations for our democracy. As a result of the passage of this historic bill, Americans will be keeping more of the money they earn in their pockets.

Sometimes I hear debate on this floor when people are talking about these tax dollars as if it is Federal dollars. Federal tax dollars belong to the Americans who earn them. We want Americans to keep the money they earn rather than having to send it to Washington for someone here to make a decision for their families.

We are going to create new jobs, new investments, lower interest rates, lower home mortgage payments, lower car payments, lower student loan payments, and higher income for working Americans.

Mr. President, it is not everything we hoped it would be. But it is a significant downpayment for the hard-working American families. That is something that I hope we can add to as we look toward the future going into the 21st century. Hard-working Americans should be able to realize the American dream of working hard, doing better for their family, and being able to give their children a start that maybe they didn't have.

That is what this bill will start the process of doing for American families. I hope we can continue to work even harder for them in the future.

Thank you, Mr. President.

I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BREAUX addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Rhode Island yield to the Senator?

Mr. BREAUX. Mr. President, under the previous agreement, I guess on the Democratic side, I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Mr. President, my colleagues, it has been interesting to hear all of the various Members of the Senate come to this floor and talk about the product that is before us. We have had a few people who have expressed concerns to the extent that they cannot support the agreement that is now before the Senate. I think that is unfortunate.

I remember, when I first came to the House of Representatives, I read a book

that was written by Lawrence O'Brien, who had been in the service of both President Kennedy and President Johnson as the head of congressional relations. The title of that book was "No Final Victories." The gist of the story that he was trying to convey was simply that in this business of governing, in this business of politics, there are never really any final victories. There are a whole series of small steps that are taken, small accomplishments and small achievements that are reached. But there is really never any final victory because the job is really and truly never done.

When I look at the package of spending cuts and the package of tax reductions that we have before the Senate this week, I am really reminded of that whole theme and thesis of Lawrence O'Brien in "No Final Victories." Because if you ask a question, Is this a perfect package? the answer, obviously, is no. If you ask the question, Should we have done more? the answer is obviously yes. If you ask the question, Are you disappointed and discouraged that things that you worked on are not in this package? I would say, absolutely. Discouraged and disappointed in some areas, yes. But defeated, no. Because I think on balance these agreements that are now before the Senate are major achievements. They are major steps in the right direction. The work is not yet finished. There is a great deal more that needs to be done. But we have, I think, set this country on a course and moving in a direction which is the correct one for all of us.

One of the things that I am so encouraged by is the fact that we were able to do it in a bipartisan fashion. The vote in the Senate of 80 to 18 and the vote in the Senate of 72 to 27, I think, on spending cuts and tax reductions is in fact a major accomplishment. These problems are too difficult and too serious for one party to be able to do by themselves. The only way we are ever going to be able to reach these agreements that put us on the path of really reforming the Government is to do it together. I think that where we worked best was when we worked with both sides trying to meet in the center and trying to cooperate in a fashion that could really bring true reform to this institution.

The disappointment that I see in the bill is that we missed, for one, an opportunity to really reform Medicare. I think that what we essentially did was to follow what I call the SOS premise—same old, same old. We essentially looked at Medicare and said, "Well, we have a lot of problems with it and we all know it is going to go bankrupt and insolvent at the end of the year 2001. So let's appoint a commission to try to recommend to Congress what we already know needs to be done."

I stand here with a great degree of pride and am so pleased that our colleague from Rhode Island, Senator CHAFEE, is on the floor with us today because some of the things that we all

know need to be done we already did when we worked together in the Centrist Coalition in the last Congress and recommended some real strong, difficult things that needed to be done with regard to the Medicare Program—which was offered by our group, a bipartisan group equally divided in the last Congress, when we took on the tough recommendation of means testing for wealthier seniors to help contribute more to ensure that the program is going to be there for their children, for their grandchildren, and for their great grandchildren.

We needed to recognize that people live longer. So we took the position of recommending a gradual increase, I might add over the next 30 years, in the eligibility age for Medicare recipients merely reflecting the increase in life expectancy of all of our citizens, which is a very good thing to do. We also made tough recommendations, I think, in trying to bring about more competition in the Medicare System. But basically those ideas and those concepts, which got 46 votes on the U.S. Senate floor in the last Congress, were dumped in the conference, dumped not really on the merits but because we needed more political cover.

What is the political cover that we have decided upon? Well, it is "same old, same old," let us appoint a commission. I would love to serve on the commission, quite frankly. I would love to try to make the recommendations that are needed for us to be able to take the action that is necessary. Unfortunately, while the commission will prepare a report by March 1999, Congress does not have to act on any of their recommendations. We can just say: Thank you. It's been a wonderful opportunity to hear what you have to say, but we don't have to do anything about it.

I think my colleague from Nebraska said: Wait a minute; we already had a commission. I served as a cochair of it. We have already made these recommendations. Why do we need another commission? Why do we need a commission at all? Why doesn't Congress act as a commission?

You know what. Maybe the answer is that we can designate ourselves a commission, and instead of calling ourselves the U.S. Senate, we will call ourselves the U.S. Commission and then we can make the same recommendations that we have already made and act on it and say, well, the commission made the recommendation to get the job done that way.

But I think we have missed an opportunity, and that is unfortunate. If we can't do it this year, it is going to be difficult to do it in an election year. I am always amazed that everybody tells us to fix it. How many times have we heard seniors and others tell us to fix Medicare. They say fix it but don't increase the premium; fix it but don't increase the age of eligibility. I have said several times before, if not now, when?

When are we going to do it? And if not this, what? And if not us, who? Someone has to take the actions to do the things that are difficult and make the tough decisions needed to fix the problem.

What is going to happen when we wake up on December 31 in the year 2007 and we still haven't acted on the recommendations of the commission and we need to do something to fix a program on the brink of insolvency again? What kind of an answer are we going to come up with in an emergency? It is far better to try to do this at a time when the economy is good and people are working together in a bipartisan spirit.

So the fact we have another commission which succeeds the last commission which succeeds previous commissions is certainly not an act of courage. It will not make a chapter in the next Profiles in Courage book that is written about what we have done in the Congress, and that is unfortunate. But I say that because we should not let the perfect be the enemy of the good in the sense that we will never be for anything unless it is perfect. While this is not a perfect package by any stretch of the imagination, it is a good package. It is one that merits our support. As long as we know that this package, the tax cut and the spending cuts and what we have done in Medicare is not the final answer but just a beginning, I think I would say this to our colleagues who have worked together on this: At least we have paved the road to make it easier for future Congresses to reach tough conclusions and make tough decisions that are really necessary to save Medicare.

So I support the tax package and commend Senator ROTH and Senator MOYNIHAN for doing something that has not been done in a long time, maybe since the days of my predecessor, Senator Russell Long, on the committee, when both sides were able to say, all right, we are different parties but we are all Americans and we need to ultimately work together if anything is going to be done.

I always take the position that in politics it is better to get something done and then fight over who got it done, rather than to get nothing done and then blame the other side for failure. I am glad that the Finance Committee was truly able to work together and get something done in a bipartisan way. Now we can go fight about who got it done. But at least we got something done for the American people. We did that in this Congress. We did that with these bills. We made tough decisions both in taxes and in spending. I hope that one day in the not too distant future the rest of the Congress will be able to act in an equally bipartisan fashion and get the rest of the job done.

I yield the floor.

The PRESIDING OFFICER (Mr. SMITH of Oregon). Who yields time?

Mr. CHAFEE addressed the Chair.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. I would like to take this opportunity to publicly thank and acknowledge the tremendous work of the Senator from Louisiana in connection with the Medicare reforms that we undertook. No one was a stouter soul in that effort to face up to what had to be done if we are going to continue to have Medicare. It was the Senator from Louisiana who joined in leading the effort, in having the means testing in the part B premium and raising the eligibility age to 67 and having a copayment, a payment for the home health care visits, of 7 percent.

I share the disappointment that the Senator from Louisiana has voiced in that these elements we worked on did not survive. But I see others here. The distinguished Senator from New York was right in the lead in these efforts. All I can say is, disappointed though we were, despite the overwhelming vote that took place on the floor of the Senate on both the means testing and the raising of the eligibility age, up or down votes—one got 70 votes, the means testing, 70 to 30, and the other got something like 62 to 38, in that neighborhood, over 60 votes, in raising the age to 67—they didn't survive the conference because of objections from the other body.

But this is what I want to say, Mr. President. Disappointing as that was, nonetheless it showed that it could be done, and now it is an accepted fact in this Senate that all three of those elements are necessary, and the votes are there to sustain them and make them part of any further legislation.

So now we have a commission, and as was pointed out, there is no reporting date for the commission. There is no fast track consideration for the commission. I may be wrong in the reporting date.

March 1, 1999, I am informed. Well, it is not exactly tomorrow. However, there is no fast-track procedure; in other words, that it has to be considered, has to be voted on up or down, one way or another. It could be like so many other commissions we have had in this body.

Mr. President, disappointed though we might be in those particular facts, those particular undertakings, nonetheless we have made some substantial achievements in having them so accepted here.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Might I simply join my friend and old colleague on the Finance Committee in his remarks commending the Senator from Louisiana. Typically, he did not mention his own work, his own role in this—it was indispensable—to have a unanimous Finance Committee in these matters and to make a point. It had been assumed there would be a storm of disapproval for what we did. There was none. There was none. The usual interest groups

wrote the usual letters and the usual people took them too seriously. But a day will come when we have learned from this experience because it was an event.

I thank the Senator.

Mr. CHAFEE. I thank the Senator.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. I yield to the Senator from Indiana such time as he requires.

Mr. COATS. I thank the Senator.

The PRESIDING OFFICER. The Senator from Indiana.

Mr. COATS. First of all, I wish to associate myself strongly with the remarks of the Senator from Louisiana and Rhode Island and the Senator from New York relative to entitlement reform. I spoke at length on it yesterday, and I will not repeat all those remarks. It was with great sadness and disappointment we came what I think is as close as we have ever come in this Congress to addressing the fundamental reforms, structural reforms that need to take place in our entitlement programs, particularly Medicare, if we are going to ensure the long-term viability of that program, which I think we are all committed to do, and if we are going to prevent a crisis situation in which we will not act perhaps in a rational, reasonable manner but address it under the threat of massive underpayment or massive deficit in that program.

It is interesting to me that in the Chamber just a moment ago were two Republicans and two Democrats, probably covering the ideological spectrum within our respective parties, all speaking in favor of entitlement reform. So I am hopeful that we are at least moving in the right direction. The Senator from New York said that even though we expected a firestorm of political opposition, it wasn't heard. It wasn't heard because the American people need to be given more credit for understanding the nature of the problem and the solutions to the problem than we give them credit for.

There might have been a time politically when retribution would have been rendered across the spectrum for anybody who even breathed the idea that we ought to change Medicare. But today even senior citizens understand that this very important program cannot maintain its viability unless some reasonable changes are made, structural changes are made, in the current program in the way it is currently operated. Younger people understand, and if you ask them today whether or not they think there will be a viable Medicare Program for them when they retire, an alarmingly high percentage say, no, I don't; I think the payroll taxes that are being extracted from my paycheck are going into a fund and I will never see the benefits.

So I share the disappointment of our Members in terms of coming so close and yet not succeeding at this important time. I made the point yesterday that during difficult economic times,

when unemployment is high and deficits are running high, we say we can't make these changes now because it will result in too much economic dislocation. Here we have the best of times. We have never had a more favorable time economically and politically in which to address these questions. Our economy is humming along at a rate that none of us anticipated, pouring revenues into Washington—which we are giving some back with this tax cut—which were reducing the deficit, which is what we need to do. We are balancing the budget. We are the recipients of very good economic fortunes. And we have in place politically an administration that doesn't have to stand for reelection, a Congress that has already gone on record in support of entitlement reform. It just seems as if all the political stars and economic stars are lined up and that this is the moment.

I hope these good times last. I hope these good political stars continue to line up in a way that we can accomplish this. But I think those who have experienced some years of history understand that the good times do not always last, that we will be facing different circumstances in the future, and we may not have the pieces in place to accomplish this. We do not need another commission. The Senator from Louisiana is absolutely correct. We have had commissions. We have had studies. We have more information than we know what to do with. We have educated the American people. The seniors understand. The young people understand. Everybody seems to understand. Unfortunately, we always come down to the point of not now; let's do it after the next election. Let's get past this next period of time. That is, indeed, unfortunate.

Today I want to focus the remainder of my remarks, and they will be brief, on the continuing effort to bring tax equity to families. This is a process that began in the 1980's. I was pleased to be a part of that, leading the effort in the House of Representatives along with my colleague Jack Kemp in pushing for family tax relief. We were able to double the personal exemption, the first major adjustment in the amount of tax relief that families get for raising children since the inception of the dependents deduction in 1948. We continue that now with this bill. I introduced the child tax credit in the Senate in 1992 as part of my families first legislation. I was joined by then Congressman ROD GRAMS, now Senator GRAMS from Minnesota. As he was my compatriot in this in the House of Representatives, he has continued that leadership in the Senate. I am pleased to have worked with him in that effort. This is a culmination of a long effort to readress the imbalance that exists within the Tax Code in terms of family tax relief.

Many people have fought for it, and I commend those who have worked so hard to achieve this. A disproportionate

share of the tax burden on families has been a problem in both good economic times and bad economic times. It has increased over the decades even as the cost of raising children has increased. The Tax Code has been a symbol in the past of public indifference to the challenge to families, and this tax measure today is a symbol that our thinking and our actions are finally changing. Clearly we are beginning to understand that a dollar spent by families is far more helpful to children and compassionate than any dollar spent by the Federal Government.

In 1997, Americans will work until the middle of May just to earn enough to pay their tax bill. Most families must have both parents working, one to provide for the family, one to pay taxes to the Government. In fact, families today spend more in taxes than they do on food, clothing, and shelter combined. The evidence is overwhelming. The facts are no longer contestable.

The answer is to return public funds to the people and not to funnel them through the Government. The child tax credit is a tangible achievement for the people of every State. In my State of Indiana, the \$500 child tax credit will give over 850,000 Hoosier families representing 1.1 million Hoosier children an average of over \$80 a month extra money for family income. I am as proud, I think, as anything else that I have done in this body, to be a part of this effort to restore equity to families, to give them the ability to retain more of their hard-earned dollars to help raise their children and pay for the costs of raising those children. It is the most immediate practical form of compassion I can imagine, allowing them to spend their own money on their own needs.

Mr. President, I have walked the Halls of Congress for nearly 20 years, and I have watched the high-powered lobbyists gain funds for special interests and for powerful groups. There have been those who have stood up over the years for the interests of families. But, thankfully, over time, those numbers have changed. Today they include the leadership of Congress in both parties. The largest portion of relief in this tax bill, 56.2 percent, goes to families, and that is an achievement in which we can all take pride.

I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President I believe the distinguished Senator from Louisiana would like to speak at this point. She can have as much time as she would like from our time.

The PRESIDING OFFICER. The Senator from Louisiana.

Ms. LANDRIEU. Mr. President, I appreciate the opportunity to share just a few remarks about this important budget reconciliation and adoption. I first thank and congratulate the leaders on both sides of the aisle, to the chairman and to our ranking member

of the Finance Committee and the Budget Committee, for all of their hard work and leadership. Nothing of this magnitude is accomplished without good, strong, well informed leadership. I think we have it in our leaders here.

This bill is not everything that I hoped for. It is not everything that any one individual Member would have wanted. And it is not perfect. But it is a good bill. It is a good start to getting our fiscal house in order. Getting our fiscal house in order and making sure we are spending our money wisely, saving where we can and giving tax relief, is something that I personally feel is supported by the vast majority of Americans, regardless of party, and so many people in Louisiana feel this way. On these difficult problems, such as balancing the budget, neither party can get the job done by themselves. It is going to take both parties to get the job done in the right way for the American people.

I am very proud, though, of a couple of points in this bill. Again, I show the Meyers family from Shreveport. Because of the good work that we did here in the Senate, and with the leadership of the President—and I will say many of the Democrats supported the expansion of this \$500 child tax credit to hard-working, not welfare but hard-working middle-class and moderate-income families—this family, Lois and Scott Meyers, of Shreveport, will be able to take part in the \$500 tax credit. Families with earnings up to \$110,000 will be able to benefit, which, in Louisiana, covers just about all of our families. The household incomes of 95 percent of our families are under \$75,000. So the work that we did, and the fight to make this child credit available to working families like this, I think is something we can all be very proud of.

Mr. President, 46 percent of Louisiana taxpayers earn less than \$20,000 a year—not get less than \$20,000, they work hard and only get \$20,000 a year. This will really help almost 50 percent of the families in my State and that of Senator BREAU, and we are happy for that victory.

I also want to say how pleased I am to see our first step, but I hope not our last step, in providing health care to uninsured children. Again, these are children who are of working families, whose parents have jobs—sometimes not just one, sometimes not two, but three jobs—and are still without health insurance for their children. We could, as a country, make no better investment than providing critical health care to zero to 3, zero to 6—helping children to develop in ways that will save us all, as taxpayers, millions and millions of dollars down the line for other expenses like criminal justice or special education. I am looking forward to working with my State leaders to design the kind of health care program for them that is cost-effective, quality oriented, child centered and family centered. I am looking forward to that.

I also want to say how thrilled I am about the investment in education. Because, really, with President Clinton's lead, we have now invested more money in education than since President Johnson was in the White House. Why is that important? It's important because our country doesn't have a future if our children and our workers are not well educated and well trained, to take advantage of the jobs and challenges that the next century will hold. So the Hope scholarships, the Pell grant expansions, and the student loan deductions, I think, are excellent provisions, to say we believe in education. It is the foundation of our economic development plan for the Nation and we are going to put our money where our mouth is.

Let me also say to my senior colleague from Louisiana, who worked so hard on expanding the IRA, I have heard many of our colleagues say that giving people money to spend is what it's about. I do believe people can make good choices about the way they spend their money. But I think the real need is to encourage people to save their money. Our savings rate in this country is much lower than it needs to be. If we can encourage people to save for the right things—to purchase a home, for catastrophic health care needs, for education to improve their productivity and to give hope to their children—that is really what this is about.

I thank the members of the committee for fighting hard for expanding IRAs. It is important to people everywhere, and very important to people in Louisiana.

Finally, just a word on the estate tax and small business and farmers. We believe, on this side of the aisle, and there are many on the other side who thought it was important, if a grandmother, grandfather, great-grandfather built a farm on the sweat of their brow, invested in their land, invested in their equipment, they should be able to pass that farm down to the next generation without having to sell off the land or sell off the equipment to pay the taxes to our Government. We heard that. We have responded, and we have now given a tax incentive to be able to pass those small businesses and farms on, to people in our country.

Mr. President, I thank you for the opportunity to address the body, to say this is not a perfect bill but it is a very good step toward getting our fiscal house in order, to providing much-needed tax relief to hard-working, middle-class families in our country and to making the kind of investments that are going to make our country even stronger and more productive in the future.

On behalf of the Meyers family, to the 236,000 children that will be able to benefit from health care, and to the almost 400,000 children that will be able to benefit from this tax credit, and for others, I thank you so much and I yield the floor.

Mr. GORTON addressed the Chair.

The PRESIDING OFFICER. The Senator from Washington.

Mr. GORTON. Mr. President, in the absence of the Senator from Delaware I believe I am entitled to yield myself 6 minutes from his time.

Mr. MOYNIHAN. Of course, Mr. President.

The PRESIDING OFFICER. The Senator from Washington is recognized.

Mr. GORTON. Mr. President, on all too many occasions in this body, we have been a part of debates, pointing fingers over failure, over a failure to balance the budget, over a failure to meet the needs of the American people. We are in a competition again here today, but it is a far more pleasant competition. It is competition for credit for a success. It is my view that there is plenty of praise to go around for that success, from the Republicans and Democrats to the leadership of the Congress and to the President of the United States.

I believe we have heeded the counsel of the people of the United States who were not willing to trust either party last November with full control over the Federal Government, and demanded that we work together and craft solutions to the challenges facing the American people. So we have passed a bill that will lead us to a balanced budget. And so we are about to pass a bill that will: Give needed and overdue tax relief to the American people; a credit to most hard-working American families of \$500 for each of their children 16 years old and under; credit and relief for the expenses of higher education to those same hard-working middle-class American citizens; relief from the savage impacts of the death tax on small businesses and on farms; help for the self-employed, in paying for the rising cost of health care insurance; relief from burdensome taxation on the sale of homes or the sale of other assets that will lead to more investment and to better jobs and opportunities for the future; encouragements to save.

Mr. President, is this the last answer to each of these challenges, to all of our challenges? It is not. I share with the Senator from New York, the Senator from Louisiana, the Senator from Rhode Island, disappointment that we missed this opportunity, an opportunity granted by the courage of Members of both parties in this Senate, to deal with the underlying challenges to Medicare and to an aging population. But we did find that we could debate those issues and vote on those issues constructively and positively in this Senate. I believe we have built a base on which that debate will be renewed next year, one hopes with real opportunities for success.

We did not simplify the Tax Code in this bill by any stretch of the imagination, but I believe we built a foundation upon which we can debate next year over whether or not we ought to dramatically simplify and make more fair and easy to understand and easy to

comply with, our tax system. But the fact that we didn't do everything should not detract from the fact that we did something. We have moved dramatically forward toward a balanced budget, and dramatically forward toward tax relief for the American people.

This is a partnership program for which much credit is due very widely and across both parties. I trust that partnership will be recognized by an overwhelming vote of approval tomorrow morning.

Mr. MOYNIHAN. Mr. President, if the Senator from New Mexico wishes to speak, I will yield the floor, of course, but the Senator from Arkansas would be the next?

Mr. DOMENICI. Senator BUMPERS, do you want to go next? You are entitled to.

Mr. BUMPERS. No, I am willing to let you go and I'll follow you.

Mr. DOMENICI. Thank you very much.

The PRESIDING OFFICER. The Senator from New Mexico is recognized.

Mr. DOMENICI. Mr. President, we are on the threshold of passing the largest tax cut in 16 years. It's a package that benefits Americans of all ages and in all tax brackets. Mr. President, 82 percent of the benefits in this bill go to families earning less than \$110,000, during the first 5 years.

I commend the chairman once again, and the entire Finance Committee and certainly the ranking member, Senator MOYNIHAN, for their fine bipartisan work. The hard-working parents of 45 million children will pay \$500 less per child in taxes as a result of this tax credit for children—45 million children. At least 5 million parents with kids in college and taxpaying students will have \$1,500 per student more to spend at college, as a result of the tuition credit, and 7.2 million recent entrants into the job market will be able to deduct their student loan interest. This package will mean that the American families will get to keep more of their hard-earned money, instead of sending it to Washington. This is a very large number of American families. I have just given you the numbers in millions, and they are very, very significant in all our towns, all our cities in all areas of our respective States, be it yours, Mr. President, or mine.

Let me quickly outline the major components of this package, because I think they are very exciting. Some have said it is a very small tax cut and, yes, in terms of our gross domestic product, or even our total tax, it is not a very big tax cut. But I believe we prove here that we can help many, many Americans, especially those most entitled to help in areas where we most want to encourage achievement.

The \$500 child credit to help the working poor and middle class, the value of the personal exemption has been eroded over time, and the cost of raising a family has become more expensive. We all know in our youth that

the deduction that our parents got to take because they had a child they were raising was a very, very significant economic advance to that family. We let it erode. The credit in this bill will totally eliminate the Federal income tax burden for more than 30,000 families in New Mexico and 300,000 New Mexican children's families will be able to take credit to reduce their taxes. I am particularly pleased that the Finance Committee decided to design the credit so that the working poor would also see the benefit of the \$500 credit.

In New Mexico, there are 175,087 claimants of the earned-income tax credit. I applaud the final bill's approach. It is a logical sequel to the new welfare reform laws we have passed, because it, too, emphasizes moving from welfare to work.

The \$500 child credit will save New Mexico families \$461 million over the next 5 years. For a small State and a poor State, that is a lot of money that will stay home in the pockets of people and stay in our States. This is money that they can choose to spend, or they can save it to meet their needs. A family with two children eligible for two \$500 credits would have an extra \$1,000 a year in the family budget.

Some think that is not much, but this would pay the mortgage for 1½ months, or pay half of a year's worth of car payments, or buy gas for the family car for 8 months or groceries for 3 months.

In New Mexico, while 78 babies are born each day, Congress is passing this bill so that these children and their families will have a brighter future, more opportunity and keep more of their money.

This tax cut is overdue. Let me repeat, in 1948, the typical American family sent 3 percent of its income to Washington in the form of taxes—3 percent. Today, the number is closer to 25 percent with the Federal tax. Prior to the passage of this bill, most working mothers were working to pay taxes instead of improving the standard of living for their families, and that isn't right. Lowering the tax burden will let moms' paychecks go toward family expenses instead. It is not as much as everyone would like, but certainly better than doing nothing. As I see it, the entire package is a giant step in the right direction.

Most people's vision of America and the American dream includes a college education for their children. This bill helps fund that dream. It is a big expense and tuition costs have risen far more than inflation. Parents have told me that they have nightmares about financing college for their children. In New Mexico, tuition ranges from \$18,700 at St. John's College, to \$2,080 at the University of New Mexico or New Mexico State. Community and technical college tuition is about half that.

This bill provides a number of separate provisions that help finance college, but the most significant of them

is a \$1,500 tax credit that reduces taxes dollar per dollar for the first \$1,000 worth of tuition paid and 50 percent for the next \$1,000 of tuition paid for the first 2 years of college, community college or technical school. A good idea.

During the junior and senior years of college, the tax credit is 20 percent of the first \$5,000 in tuition paid. Over time, these tax credits get bigger so that by the year 2002, the tuition tax credit is \$10,000.

I am pleased that the technical colleges and community colleges qualify. They are needed. They are filling an ever-more important role in our changing educational needs.

Student loans are one of the broadest based forms of financial aid for graduate students. They are instrumental in financing undergraduate study as well.

The deductibility of student loan interest automatically shifts the benefit of the provision toward children of low- and middle-income families. The deduction of student loan interest is well designed to provide annual tax relief, and can provide a powerful incentive for more citizens to pursue and push hard for graduate and advanced degrees.

The deduction is phased in: \$1,000 in 1998; \$1,500 in 1999; \$2,000 in 2000, and \$2,500 in 2001.

Mr. President, this bill has a number of IRA's that our distinguished chairman has been the advocate of. He has adequately explained them and I won't go into them in detail.

This bill also allows penalty-free withdrawals from all IRA's for undergraduate, post-secondary vocational and graduate education expenses.

The bill also makes the exclusion of \$5,525 worth of education assistance paid for by employers permanent. This provision has helped millions of workers maintain their state-of-the-art skills. As we move into the 21st century life-long learning will be a way of life.

The great educator Horace Mann said, "Education is the great equalizer."

In our technological society the reverse is also true, lack of education can leave people behind. For example, while in 1980, a student graduating from college could expect to earn about 45 percent more than a high school graduate, today the differential has almost doubled.

This bill provides \$207 million in tax relief over the next 5 years for New Mexicans to better educate themselves and their families.

Actions have consequences and tax policy has mammoth consequences. The United States has one of the highest capital gains tax rates and one of the lowest savings rates among the seventh wealthiest countries in the world. If we cut the capital gains rate, our economy could create 150,000, as much as 280,000, new jobs next year. Besides being good for the economy, this capital gains tax will benefit everyone.

Over a 10-year period, about one-third of all taxpayers sell at least one capital gains asset. Over a 10-year period, one-third of our population can take advantage of capital gains. It is not for one small group; it is for one-third of Americans.

We need to update our image of who benefits from a capital gains tax cut. In 1990, the typical mutual fund owner is someone in the \$35,000 to \$75,000 income bracket. The average portfolio is \$14,000. Half of these investors do not have a college degree. This is a very different image from the wealthy widow toting a pampered poodle down Fifth Avenue in New York and being the one who can take advantage of capital gains. But I don't know anyone in New Mexico who has a numeral after his last name. I do know that New Mexicans pay \$638 million in capital gains in 1995. Under this bill, that tax would be considerably reduced.

When the investor invests in companies, the result is capital formation. Dale Jorgenson of Harvard has noted that almost half of the economic growth between 1948 and 1980 was due to increased capital formation and influx into American businesses. Greater economic growth results as more and better paying jobs arrive on the scene.

I am also pleased that the bill expands IRA's and allows penalty-free withdrawals for the first-time home buyer and, obviously, we have other provisions that help homeowners because they, too, get a very significant capital gains differential when they sell their homes.

As baby boomers age it is very important that they save more for retirement. The IRA provisions encourages everyone to save more. I see this as a step toward enacting the U.S.A. tax reform plan that I have been working on the last few years. Under that plan families would be given an unlimited savings allowance so that the tax rate on any amounts saved or invested would be zero until the funds are consumed.

The other major provision in this bill provides death tax relief. The estate tax is often referred to as the most confiscatory tax of all. Some call it a tax on success. A recent Tax Foundation study found that today's estate tax rates—ranging from 18 to 55 percent—have the same disincentive effect on entrepreneurs as doubling the current income tax rates.

The unified credit has not been increased since 1987. This bill slowly increases it to \$1 million by the year 2007.

The philosophy behind the estate tax was imported from Europe, for example, that the accumulation of too much wealth in too few families is bad. Today, however, that estate tax philosophy is fundamentally flawed. When applied to closely held business assets, ironically, the tax produces just the opposite result—often forcing family owned businesses to sell off to larger public corporations. It raises roughly 1

percent of annual revenues. At that rate, it is hardly worth the devastation it causes to family businesses and farms, and entrepreneurship.

Starting a small business is part of the American dream that allows any American with a good idea to follow it to prosperity and independence. In my State I have seen a number of welfare mothers start successful businesses. The ultimate American dream is to be able to leave that successful family business to one's children. Too often current estate taxes force heirs to liquidate the business or family farm to pay the estate taxes.

The death tax takes its toll. Only 13 percent of family businesses are passed on to a third generation. The National Federation of Independent Business testified before the Ways and Means Committee that "the Federal estate tax represents perhaps the greatest burden today on our Nation's most successful small businesses." This bill helps lighten that burden.

The death tax changes are timely changes for ranchers. The average age of America's cattlemen is 55 years old. Some 80 percent of the beef cattle operations have remained in one family for 25 years or more with 42 percent in the family for over 50 years. Interestingly, 12 percent of the ranches have been in the same family for 100 years. This bill will contribute to preserving the great American legacy by helping keep ranches in the family by providing \$25 million in tax relief to New Mexicans over the next 5 years.

The bill also allows people to sell a house tax free. This is a good real estate provision. One provision I am not totally satisfied with is the treatment of investment real estate. The conference report sets the capital gains rate at 25 percent, I truly believe that equity demands that the capital gains rate on investment real estate be the same as the capital gains rate. I hope the Congress will revisit this issue in the near future.

I am pleased that the bill makes it easier for small business entrepreneurs to claim the home office deduction. I am also glad that this bill accelerates the phase-in of the self-employed health insurance deduction.

The biggest winners under this tax bill are middle-income families with children, particularly those families earning between \$20,000 and \$50,000 per year. Families earning between \$50,000 and \$100,000 are given tax relief too, provided they have children or kids in college.

A married couple with household income of \$35,000 and two children under age 17 would see their tax bill fall by \$2,000, a 38-percent decline from what they'd owe under current law.

The education incentive mean that families with children in college are helped even more. A married couple with income of \$35,000 and two children, one in college and one still at home, would see their tax bill fall by \$2,000, a 76-percent decline from what they'd owe under current law.

What these families save on taxes represents cash in your pocket; it represents how much of their own money they get to keep. Think about how much of a raise a taxpayer would have to get from their boss in order to be able to increase their take-home pay by that much.

Mr. President, today is a banner day. We finished a bill that balanced the budget yesterday, and within that framework, today, we are passing a net tax reduction of \$96 billion over 5 years. This makes it the largest tax reduction bill since President Reagan's tax reduction in 1981, and the first tax relief bill since President Reagan signed the 1986 tax reform.

Let me say, for those who are disappointed, I am not the least bit disappointed. We can always look at this as half-full or half-empty. I believe, when you look at Congress and the Presidency and the different philosophies, to be here today with the second of two major bills of this proportion, moving toward balance and a significant and very well tailored tax cut, I believe it is a real achievement, and for those who want more and think we should do more, let me suggest, we have been trying for a long time to do just this much and have been unable to do it. So I am very pleased and think the American people will be, too, when they start to feel its impact in their communities, in what they pay for taxes and what they keep.

I thank the Senate, and I yield the floor.

Mr. BUMPERS addressed the Chair.

The PRESIDING OFFICER. The Senator from Arkansas is recognized.

Mr. BUMPERS. Mr. President, several years ago, there was a magnificent book that came out by a great historian, Barbara Tuchman, called the "March of Folly: From Troy to Vietnam." The book cataloged how in moments of history, terrible tragedies, terrible mistakes could have been avoided because there was always some lone voice saying, "Don't do that." Almost invariably, the politics of the moment dictated otherwise.

The book "From Troy to Vietnam," starts out with the Trojan horse. Every schoolchild knows the story of how the Greeks went to rescue Helen from the Trojans. Finally, after many, many months of not being able to break into the Trojan fortress, the Greeks designed this Trojan horse, a wooden horse, a fabric horse, as the Aeneid describes it, and they place this horse outside the Trojan fortress. The Trojans are afraid that the gods have placed the horse there, and it would be a terrible tragedy for them if they didn't let the horse into the fortress. One person, named Laocoon, said, "Don't let that horse in. What more than madness has possessed your brains?" he said. "What have the Greeks ever done for us?" But he was the sole voice of dissent. So they opened the gates. They let the horse in, and 50 of the Greeks' finest soldiers

poured out of the belly of the horse and took the fortress.

In World War II, when the debate was going on with the German high command about whether to get involved in the war, whether to antagonize the United States or not, the commander of all the German submarines was consulted. "If you can sink so much allied shipping," they said, "the United States won't be a threat." And the German U-boat commander said, "You're silly; you're foolish. We can do a lot of damage, but we can't come close to sinking that much allied shipping." And his voice was drowned out as if he had never spoken.

When the warlords of Japan sat around plotting the attack on Pearl Harbor, the great Japanese admiral, Yamamoto, stood up and said, "I've gone to school there. I know the Americans, I know their industrial output, I know their tenacity, and I know their love of country. This will not work." He went ahead to say, "I am at the Japanese Emperor's beck and call, and I will do anything I am called on to do." The rest of that is history. Yamamoto's voice was drowned out.

Today, we have this reconciliation bill before us. And there were few lone souls in the U.S. Senate who voted against the great tax cut of 1981, Mr. President. Only 11 people stood up in the U.S. Senate and said, "I'm not voting for a concept of doubling defense spending and cutting taxes and presuming to balance the budget." Eleven souls said, "No, let's not do this. It is the height of folly."

Our voices were drowned out. At that moment, the national debt was \$1 trillion and the interest on that debt in 1981 was \$60 billion. Our voices were drowned out. And 16 years later, because our voices were drowned out, today's national debt is \$5.3 trillion, and the interest on that debt has gone from \$60 billion a year to \$359 billion a year. That is the interest we are paying on the national debt in this year of our Lord, 1997. You know how much of that \$359 billion is as a result of the craziness of this place in 1981? Approximately three-hundred billion dollars.

The pages who sit in front of me will not live long enough to see that figure even reduced very much. You want to do something for the children? You say, let us give the middle-class children of this country a tax break. How about tomorrow's children and the children in the next generation and the next generation? What are you doing for them? You are saddling them with an incredible debt. When I think about what we could do if we would not pass this bill. With the economic growth we have enjoyed for the past six or seven years, and as we anticipate it will be for the immediate future, would almost certainly balance the budget in 1998, and we could even run a surplus in 1999. Balancing the budget is within our grasp, an eyelash away. And this bill thwarts it in the name of a middle-class tax cut.



About the only distributional analysis that has been done on this bill is a study by the Citizens for Tax Justice. And what do they say? Just look at this chart.

Look at this middle-class tax cut, Mr. President. The bottom 20 percent, people who make less than \$12,000 a year do not get a tax cut. They get virtually no benefit from the child credit and capital gains and the other major tax cuts. So with the increase in cigarette taxes and airline ticket taxes, the bill is going to cost them \$39 a year. So much for the poorest of the poor in this country. They not only don't get a cut, they pay more.

Go to the next 20 percent, the people who make up to \$22,000 a year. What do they get? Why, they get a whopping \$8-a-year cut in their taxes—a few cents a week.

If you combine these two bottom groups, you will see that the bottom 40 percent on average will see their taxes go up by \$31 a year.

Then go to the next 20 percent. The next 20 percent, the people who make \$22,000 to \$39,000 a year, they are going to wind up with a \$171-a-year tax cut—less than 50 cents a day.

So where is all the money going?

Look at this chart for just one moment. The next 15 percent that, they get \$1,163 a year. What does the next 4 percent get? The people who make \$109,000 to \$246,000 get \$1,772 a year in tax cuts. And the top 1 percent, the people who make \$246,000 or more, get \$16,227 a year.

So seventy-six percent of all the benefits of this bill go to the top 20 percent of the people in this country. That is a middle-class tax cut? That is to help the middle-class families of this country?

This bill has had more public relations, more ballyhoo under the name of a middle-class tax cut. No wonder 54 percent of the people of the country say they favor this bill. And you know why? Because the question is asked, "Do you favor the balanced budget resolution that Congress is considering?" Well, of course they favor a balanced budget resolution. Who doesn't? What a travesty. Mr. President, I have been divinely hoping that negotiations between the President and the Republicans would reach an impasse, breakdown, with gridlock, because if we did nothing the budget would be balanced in 1998, 1 year from this moment. If somebody had said in 1993, "You vote for this omnibus budget reconciliation bill and we'll balance the budget in 1998," we would have insisted they take a saliva test.

When I think of all the good men and women who used to sit in the House and the Senate, and they are gone only because they had the courage to vote for that bill in 1993, which raised taxes on the top 1.3 percent of the richest people in America—1.3 percent—because a few courageous people in this body—Jim Sasser, Harris Wofford, two of the finest men ever to serve in the

U.S. Senate, who are no longer with us. And a lot more people in the House are no longer with us—they had the courage to face up to something that was very unpopular at the time. But even on the outside they can take solace in the fact that they honored what they believed was a nonnegotiable demand by the people of this country for a balanced budget.

Do you know what we did as a result of that 1993 vote? I am always reluctant to talk about this because I have so many good friends on the other side of the aisle, but truth has to be told. Not one single Republican in the U.S. Congress, in the Senate or the House, not one voted for that bill. And the Democratic party suffered at the polls as a result of that vote.

A lot of people stood on the Senate floor and said the 1993 bill is going to bring about a terrible recession. So what really happened? Before we passed that bill, the deficit for 1993 was estimated to be \$290 billion. And as a result of passing the deficit reduction bill, it turned out to be only \$255 billion. In 1994, it dropped to \$203 billion. In 1995, it was \$154 billion. In 1996, it was \$107 billion. For 1997, it is now calculated at around \$45 billion, and many economists say it could be less. From almost \$300 billion, in 4 short years, to \$45 billion because a few people in this body had the spine to vote for something that was politically unpopular. Those people who lost their seats as a result of that vote are undoubtedly watching their hard-won victory being sacrificed on the altar of political expedience. The balanced budget of 1998 that is just about to elude us.

You know, the economy, if it stays as good as it is right now through all of 1998, despite the foolishness of this bill, we still might balance the budget in 1998 if the economy stays good, but only for a nanosecond. Under the calculations of the bill, we are going to spend almost \$300 billion more in deficit spending over the next 5 years, and the interest on that will be \$15 billion—forever. That \$300 billion goes right on top of the \$5.3 trillion you see here. At the end of 5 years, instead of \$5.3 trillion, that will be \$5.6 trillion. At the end of 5 years, instead of \$359 billion in annual interest, it could well be \$375 billion.

You want to do something for children? Don't saddle them with that kind of debt.

The Senator from New Mexico pointed out some very cogent points a while ago with which I do not disagree. I favor the educational benefits in this bill. I favor the child health care provision which we are paying for with a cigarette tax. It isn't all bad. But it isn't all critical, not as necessary as a balanced budget.

We are today going to grab defeat from the jaws of victory. The only gratifying thing to me about this whole exercise is it shows the hypocrisy of the constitutional amendment to balance the budget. I always knew

that was political, but it is a very effective political tool. It took a lot of courage because it was portrayed that if you did not vote for the constitutional amendment, you were portrayed as being against a balanced budget. The fact that we are about to pass a bill which will supposedly balance the budget by 2002 reveals the hypocrisy of those people who said, "You have to have a constitutional amendment to balance the budget."

And those of us who voted for the 1993 bill to cut spending by \$250 billion and increase taxes by \$250 billion have something to be proud of because that act instilled so much confidence in Wall Street and the people of this Nation, the economy has been on fire ever since. The Nation thought the people here in Washington had finally stiffened their spines to do something that was right.

I cannot believe we are in the process of postponing balancing the budget for 5 years—the very people who said, you must put it in the Constitution and who said they wanted a balanced budget more than anything in the world. Here it is within our grasp. And what is their solution? Postpone it for 5 years, spend another \$300 billion in deficit spending.

Mr. President, the needs in this Nation are truly great. We are the greatest Nation economically on Earth. We certainly are the oldest living democracy. We have the oldest Constitution in the world.

Militarily, we are certainly the strongest on Earth, and well we should be the way we spend money on defense. But when I think about the needs of this country, if you absolutely have to spend this money, there are better things to spend it on. We asked the Department of Education what it would cost to provide every child in America with a college education—every one who would get a college education if it were within their financial means. It is very interesting, this tax cut is roughly \$135 billion, and it would take \$1 billion less—\$134 billion—to provide a college education for every youngster in America that would want one.

So the next time you talk to the most conservative groups in your hometown—the chamber of commerce or the Rotary Club—you ask them, do you think this country would be stronger if we educated with a college education every kid in America, or if we give a \$135 billion tax cut to the wealthiest people in America? I can promise you that if you were debating that on national television, it would be 90-10 in favor of educating our children.

So, Mr. President, I divinely hope that everything I say today turns out quite differently from the way I am predicting it. But I don't believe that is going to happen. If Barbara Tuchman were alive, she would certainly include this vote as one of the top follies in our Nation's history. Once again, we have managed because of political expedience to finesse the real problem.

Mr. President, I yield the floor.

Mr. ROTH. Mr. President, it's time to move beyond the tax and spend ways that for far too long have marked business-as-usual in Washington. The Taxpayer Relief Act of 1997, as part of the budget reconciliation package, signals a new beginning for Congress—the beginning of a trend that puts Americans first.

To argue that the tax relief contained in this package is too high—or that the cuts are too big—is to argue that government simply doesn't tax American families enough. This is absurd. Today, Americans are paying higher taxes, as a percentage of our gross national product, than they have since 1960. Today, American families are paying more in taxes than they are for food, clothing, and shelter combined. High taxes are forcing parents who would rather be at home with their children to work longer, or to hold down a second job.

Many, who would rather be homemakers, are forced by high taxes to enter the labor market, as Americans are finding it impossible to support their families and the government on one salary.

Despite all of this, we're hearing now that taxes aren't high enough. Well my question, Mr. President, is just how high is high enough? How much more would satisfy my colleagues? I'm afraid that Congress could tax 100 percent of all the wealth in America, and it still wouldn't be enough for those who refuse to change their tax and spend ways.

You see, I come from another school of thought. I believe that the money Americans earn belongs to them. I believe our families know best what to do with their checkbooks. I believe that money earned by an individual belongs to the individual—that it does not belong to government—and that government is arrogant to assume that it can decide how much a hard-working man or woman can keep.

You see, Mr. President, unlike my distinguished colleagues, my disagreement with this bill is exactly the opposite. My disagreement with this bill is that the tax relief contained within it doesn't go far enough. The tax cuts aren't deep enough. That's why I can assure those who are listening that we will be on this floor again, some time in the near future. We will be here addressing real tax reform—tax reform that is structured from the taxpayer's point of view.

But for now, I'm willing to accept this compromise. It was crafted in a spirit of bipartisanship, with willing and cooperative leaders on both sides of the aisle. I will vote for this tax relief. But again, I assure you—I assure the American people—that this relief is only a first step in an effort that will continue—a bipartisan effort that will deliver the kind of tax reform Americans deserve.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

#### PRIVILEGE OF THE FLOOR

Mr. BUMPERS. Mr. President, I ask unanimous consent that the privilege of the floor be granted to the following members of my staff during the pendency of this measure: Barry Becton, Catherine Dolan, and Tom Walls.

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

The PRESIDING OFFICER. Who seeks time?

Mr. ROTH. Mr. President, I would like to take a moment to express my gratitude to the many staff members who helped us draft this historic tax relief legislation. These dedicated men and women worked tirelessly over the last several months. They worked early mornings, they worked late nights and many times almost all night, as well as weekends, to help us succeed. I, for one, am deeply appreciative of the staff's effort. I know that my colleagues are as well.

So, Mr. President, I ask unanimous consent to have the names of the staff printed in the RECORD.

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

#### MR. ROTH'S PERSONAL OFFICE

John Duncan.  
Ashley Miller.

#### SENATE FINANCE COMMITTEE

Lindy Paull.  
Frank Polk.  
Mark Prater.  
Rosemary Becchi.  
Doug Fisher.  
Brig Gulya.  
Sam Olchyk.  
Tom Roesser.  
Joan Woodward.  
Myrtle Agent.  
Mark Patterson.  
David Podoff.  
Nick Giordano.  
Maury Passman.  
Bill Fant.  
Ramon Camacho.  
Ginny Flynn.  
Christina Pearson.

#### SENATE LEGISLATIVE COUNSEL

Jim Fransen.  
Mark Matheson.

#### HOUSE LEGISLATIVE COUNSEL

Stan Grimm.

Mr. ROTH. I'd also like to thank the staff of the Joint Committee on Taxation for their hard work and effort on this legislation, including Ken Kies, Bernie Schmitt, Mary Schmitt, Barbara Angus, Steve Arkin, Tom Barthold, Pat Driessen, Chris Giosa, Ben Hartley, Rob Harvey, Harold Hirsch, Melani Houser, Allison Ivory, Ron Jeremias, Kent Killelea, Leon Klud, Gary Koenig, Tom Koerner, Roberta Mann, Laurie Matthews, Alysa McDaniel, Joe Mikrut, Pam Moomau,

John Navratil, Joe Nega, Judy Owens, Barbara Robles, Cecily Rock, Mel Schwarz, Carolyn Smith, Bill Sutton, Maxine Terry, Mel Thomas, Mike Udell, Barry Wold, and Judy Xanthopoulos. In addition, I'd like to recognize particularly the assistance of the support staff of the Joint Committee on Taxation. Without their efforts, this bill could not have been completed in a timely manner.

Mr. MOYNIHAN. Mr. President, if there are additions from our side, I know the Senator wishes them to be added also.

Mr. ROTH. Absolutely.

Mr. MOYNIHAN. Mr. President, I ask what time remains on the bill.

The PRESIDING OFFICER. The Senator from Delaware has 3 hours 4 minutes. The Senator from New York has 1 hour 29 minutes. The Senator from Arkansas has 50 minutes.

Mr. MOYNIHAN. Mr. President, I don't want to introduce any partisan wrangling, but this side of the aisle has done much better in using up time than that side. Perhaps we could think of yielding back some time.

Mr. ROTH. Well, I say to my distinguished cochairman that I—

Mr. MOYNIHAN. We talk more than you do.

Mr. ROTH. It takes you longer to make a point.

Mr. MOYNIHAN. I see. I think I will withdraw from this exchange.

Mr. ROTH. Mr. President, I suggest the absence of a quorum and ask that the time be equally divided between the two sides.

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

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. ROTH. Mr. President, I yield 10 minutes to the distinguished Senator from Georgia.

The PRESIDING OFFICER. The Senator from Georgia is recognized for 10 minutes.

Mr. COVERDELL. Mr. President, first, I want to thank the chairman and ranking member for the hours and hours of deliberation and work to bring us to this point. You are both to be highly commended, along with several others of our colleagues. But I think all of us in the Senate are indebted to the hours of commitment, not only to this distinguished body, but to our country, and we thank you both.

Mr. President, I rise in support of the Tax Relief Act, and I was most pleased to be able to cast a vote earlier today for the Balanced Budget Act. I know many have said so, but it is worthy of repeating. We have waited 28 years to finally have the Congress produce a balanced budget act that will be signed by the President. That is a massive accomplishment. Now we are on the

verge of passing, I think by even a greater margin, a tax relief act, which is a significant step. It falls short, in my judgment, of what is truly needed for the American worker and family, but I applaud the significance of it, the direction of it, and even the amount of it.

I do think it is worth remembering that, in 1990, about this same time of the year, American workers and families were given a \$250 billion tax increase. At that time, it was the largest increase in American history. It was followed by a promise, in 1992, of a reduction, which never occurred. In fact, what happened was that another \$250 or \$260 billion tax increase was given to the American worker and family—meaning that from 1990 to 1993, taxes were raised by over a half trillion dollars, leaving the American worker and American family with the largest tax levy in our history.

Put in that context, this tax relief is only a 20 percent refund of the tax increases in the early part of this decade. That is why I say it falls short of what I think really ought to occur, and I know I am joined by many colleagues who feel this is a first step and we must come back and find additional relief for the American worker.

Now, I have said many times on the floor, Mr. President, that I think it is better to try to bring this down to what it really means to an average family. In my State, that family makes about \$40,000 a year. When that family pays its current tax burden and when that family pays its share of the cost of Government and when that family pays its share of higher interest rates, they are left with about 47 percent of their paycheck. In other words, this year, they worked from January 1 to July 3 for the Government, which meant that July 4 this year took on a new meaning. It was not only Independence Day; it was the first day they got to keep the first dime of their paycheck. Or, in other terms, it means, in my judgment, if you could conclude that an American family ought to keep, at a minimum, two-thirds of their paycheck—it ought to be more—but if you concluded, at a minimum, that American workers ought to keep two-thirds of their paycheck, that means they are falling \$8,000 short—this average family I am talking about—every year. Just think of what that kind of resource would do for that average family's checking account and the kinds of things they could do.

You know, we are always hearing, and we are told over and over that American families have no savings. Why would we be surprised that they have no savings, Mr. President, if the Government has been marching through their checking account taking over half of what they have? The disposable income that is left can barely deal with the essentials. Why are we surprised that consumer debt is at an all-time high or that individual bankruptcies are at an all-time high or why,

in the face of a reasonably good economy, there is still so much anxiety in middle America? It is because we have left them with so few resources to do the job we have always asked of the American family.

As somebody said the other day on the floor, the best department of health and human services is our own American family. But they have to have the resources, instead of the Department of Health and Human Services.

So, Mr. President, the fact that we are refunding about \$100 billion of the \$500 billion in new taxes is a laudable step and a meaningful step that will help every generation of Americans—children through the child tax credits, students through the savings accounts for education and the tax credit, small businesses and owners of stock and people in retirement or who are about to go into retirement because of the capital gains tax reduction and the estate tax improvements. We are going to move a flood of capital to the newest ideas because we are going to unlock billions of dollars when we lower the tax burden on capital.

So, Mr. President, I applaud our leadership. I applaud the members of the Finance and Budget Committees. I applaud the President for finally agreeing to sign meaningful tax relief and a balanced budget act. I believe this is good for America.

I have one disappointment. Mr. President, after agreeing to the tax proposal, the President sent a late-night letter to our leadership and said that he would veto all the tax relief for America if we include an amendment which we passed in the Senate which would have granted a savings account for families to use for elementary education and high school education. That is where the problem with American education exists. This amendment would have allowed average families the ability to remove from the savings account, without being taxed, money to buy equipment, like computers, to hire tutors for special education needs, for special transportation costs, and, yes, for tuition, if they chose another school to go to. I think it is a severe loss that that amendment had to be removed. I am here to say to the Senate and to the House and to the President that the millions of Americans who want assistance at the elementary and secondary level are not going to go away. We will come back. We will author new legislation to achieve these goals focusing on elementary and secondary education. It is going to be a requirement if we are going to produce the knowledge in our youth that will be able to lead us into the new century.

So, Mr. President, with that, I conclude my remarks and yield back my time to the leader.

(Disturbance in the visitors' galleries)

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I yield the distinguished Senator from West Virginia, the former President pro tempore, such time as he may require.

The PRESIDING OFFICER. The Senator from West Virginia is recognized.

Mr. BYRD. Mr. President, I hope that the galleries will be cautious. They are our guests, and they should understand that the Senate rules do not allow demonstrations of approval or disapproval.

Mr. MOYNIHAN. Might I just restate that fact, sir?

The PRESIDING OFFICER. The Chair reminds the visitors in the galleries to refrain from demonstrations.

The Senator from West Virginia.

Mr. BYRD. Mr. President, I rise to oppose this reconciliation bill. It hands out tax cuts much like adults dole out candy to pacify rowdy children. The American people are not children, and I believe that we underestimate both the public's eagerness for these cuts and our people's comprehension of our Nation's fiscal situation.

Mr. President, this is no criticism of those Senators who worked for the tax cut. I accord to every Senator the right to express his own convictions and his own beliefs. And I respect every Senator's convictions and beliefs. I happen to differ with many of my colleagues in this instance. I just do not think that it is wise to have this tax cut. I differ with this administration in that regard. The American people are not children. I have been in politics more than 51 years, and the easiest vote for me ever to cast is a vote to cut taxes. That doesn't take courage. It doesn't take a brave man to do that. That is easy.

Let us first note that the past actions of the Congress in approving the tough deficit reduction measure called OBRA in 1993 is largely responsible for all but erasing the bloated and damaging deficits of the 1980s. That piece of legislation and the steady economic growth we have experienced over the past several years have all but brought us into budget balance. The legislation we passed called OBRA in 1993 and the steady economic growth that we have experienced and are still experiencing are what have brought us into budget balance, almost. Passed without a single Republican vote—not one Senator on that side of the aisle, not one Republican Member of that body on the other side of the Capitol, not one voted for that legislation. Not one. That passed, as I say, only by Democratic vote. Without a single Republican vote, that politically unpopular measure—OBRA 1993—was the castor oil that has mostly cured this Nation's serious bout with red ink disease, and set us on a straight course to budget balance. May I add that this cure has been achieved without the arsenic-laced medication of a balanced budget amendment, which so many in this body had prescribed as the only cure for the ailing patient. They were wrong, and we have

turned the corner on our budget woes while at the same time preserving, at least for the moment, the checks and balances so vital to our continued life as a viable republic. But this legislation pending on the Senate floor today threatens to negate our progress and throw the body politic back on the critically ill list.

The outyear losses from the tax cuts contained in this bill could propel us backward in time to the irresponsible 1980's. May I note that we are voting on this reconciliation bill without the benefit of the administration's economic assessment of the outyear impact of these tax cuts. We shouldn't have to do that. We are rushing to approve these tax cuts in the misguided belief that the people are clamoring for tax relief, regardless of the consequences for the deficit in future years.

Although I applaud the sincerity of those who differ with me, realizing that a tax cut would be part of any deal, who have tried to make those cuts more fair in their distribution, I cannot fathom the justification for supporting this whole package based on the meager benefit that might accrue to the nonwealthy. In my view, those of us charged with the responsibility to govern must take a larger view of our total fiscal policies and remember the lessons of the past two decades.

I am one of the miserable few who retains the miserable memory of having voted for the tax cut that Mr. Reagan espoused when he first went into office. I voted for that tax cut, and I have been kicking myself in the rear ever since. I was wrong. That and the massive buildup in national defense and the massive growth of entitlements. These are the things that have brought upon us the ills of today, in large measure.

We are only now emerging from the crippling restrictions of a massive deficit, debt which hampered our ability to invest in our Nation's physical infrastructure, to repair roads and bridges, maintain the treasures of our national parks, and provide basic amenities to our people like clean, safe water. There are people in West Virginia who are lacking in that treasure of safe, clean drinking water. There are people in other rural States all over this Nation who need clean, safe water. They don't have it. That same deficit has also prevented investment in our people's abilities through education, training, and health policies. Before we have even paused to experience the sweet liberty of freedom from that crushing burden, we are eagerly engaged in digging our way right back into debt through these massive back-loaded tax cuts.

Back loaded. Ah, how sweet it is, to tell the American people, "We have cut your taxes!" Nobody likes to vote for a tax increase. I don't like to do that. And there are times when we really need to cut taxes, but this is not the time.

Since the budget has not been balanced since 1969, I guess nobody in this town can bear the thought of being in balance. Without the hot breath of the deficit master on our necks each and every working day, we might actually be able to return to a time when we could address some of our real problems in this country. We might even see a little creativity and common sense come out of this city. We might have to learn to plan and to be proactive about our Nation's problems instead of slapping on the green eyeshades every morning and focusing on the comforting familiarity of the deficit devil which has become an all-purpose collective excuse for doing nothing much at all.

Before we all break out the champagne bottles and congratulate ourselves on helping the poor, beleaguered population by making the easiest, no-brainer vote in all of politics—the easiest, no-brainer vote in all of politics, a tax cut; how easy; how easy it is—let us sober up for 1 minute and contemplate the obvious fact that one fairly severe recession in the next several years coupled with the impact of these back-loaded tax cuts will throw us right back into the deficit canyon. That is all it will take.

Let us further jog our all-too-short memories and recall that the national debt as of July 25 is a whopping \$5.28 trillion. Yes. Let's reduce the deficit. But let us put that money on that national debt. Further, I am told that the latest estimate by the Congressional Budget Office and the interest due on that debt for fiscal year 1997 is \$358 billion. That is just the interest due on the debt—\$358 billion. That is \$358 for every minute since the Lord and Savior Jesus Christ was born—\$358 for every minute since Jesus Christ was born. This is not small change, my colleagues. And it seems to me that even using the new, new, new, new math, and without benefit of a hand-held calculator, anyone can see that we cannot prudently afford this tax cut.

So I am critical—yes—of the Republican Party for advocating this tax cut. I am critical—yes—of this administration and this White House, of my own political party, for advocating a tax cut at this time. It is pandering to the American people. It is pure political demagoguery. That is what it is, pure and simple.

Additionally, any informed observer of our Nation's demographic trends can easily see that a low birth rate in our Nation's large and aging baby-boom generation are fusing a fiscal time bomb steadily ticking along on its inevitable course which will detonate in the second decade of the next century. The second decade of the next century. But who cares? Many of those of us who vote for this tax cut today will not be here. We will not be around. Some of us will be in our rocking chairs, enjoying retirement.

Do not count me in that crowd. We will not be to blame. Who will be around to blame us?

That time bomb could lead to a mushroom cloud, a mushroom cloud that spreads over the country, a cloud of returned budget deficits if we do not think of ways to responsibly sap its destructive potential.

Mr. President, simply put, our Nation does not need and can ill-afford tax cuts at this time—not the tax cuts that are included in this reconciliation bill, not the tax cuts promulgated in recent years as a result of the so-called Contract With America.

I did not sign on to that contract, the Contract With America. We do not hear much about that contract these days, not much anymore. I never signed on to that contract. Here is my "Contract with America," the Constitution of the United States. Hallelujah! No signed contract for me. I signed the oath to uphold and defend this Constitution of the United States against all enemies, foreign and domestic. That is my contract.

But not any tax cut. Such tax cuts threaten to enlarge the deficit right at the time we are close to erasing it. Then we are going to bloat it again, going to blow it up again. More importantly, tax cuts of the sort being considered today could mushroom the deficit in the outyears, precisely at the time when our Nation will be graying.

See, I once upon a time had black hair, black as a raven's wing. Not anymore. I went through a graying process. And today my hair has turned not to silver but to the 79th wintry snow—I should say 80 in November. But precisely at the time when our Nation will be graying, and slowly moving closer to the detonation of that time bomb, the explosion of retiring baby boomers that threatens to implode our Nation's fiscal house.

There can be no argument, as there was in the early 1980's, that these cuts are needed for economic growth. That was the argument they used back in the early 1980's. We had a new President. His name was Ronald Reagan. My people said, "Give him a chance." They wrote me letters and postcards and said, "Give him a chance." Well, against my own better judgment, I voted for his tax cut. In those days, we could argue that the cuts were needed for economic growth. That is one of the arguments Mr. Reagan so well used.

We are currently in our sixth consecutive year of economic growth, the stock market continues to reach record high after record high after record high. They wonder how much higher it can go. It became 4,000, and then it became 5,000, and then it became 6,000, then it became 7,000, then it became 8,000. How much higher can it go? I could have become a rich man, perhaps, if I had known how to play the stock market. But I am one who remembers the stock market crash in 1929, so I have been afraid, afraid of that market ever since. Unemployment recently dipped below 5 percent. Think of it! And inflation has remained in check. The stock market has risen into the

stratosphere, beyond the opening in the ozone layer.

Does this sound like an economy that needs a jump-start through a tax cut? We were on the right track in 1993. That was the right track. We don't need this tax cut now. To provide a tax cut now is like encouraging someone who has just paid off a huge credit card debt, complete with whopping interest payments to go on a wild and uncontrollable shopping spree. Where is the learning curve? Where is the learning curve?

Mr. President, it appears to this Senator that the justifications for the tax cuts contained in the pending legislation do not extend beyond the realm of pure unadulterated politics, pure unadulterated politics. Tax cuts are now, as they have been in the past, the easiest vote a Member of this body could ever make—easiest vote. Tax cuts sell well on the campaign trail. They make even rubber chicken taste good. They seem to magnetically draw checkbooks out of our coat pockets, but in our current fiscal situation they do not represent sound fiscal policy.

Tax cuts are not in the best interests of our Nation at this time. I cannot state that strongly enough. To fully prepare for the budget pressures of the next century, we will need fiscal discipline as never before envisaged. We will need budget surpluses, not a teetering see-saw of a balance weakened by looming, back-loaded tax cuts whose costs continue to escalate and whose effect will be to tilt the see-saw back toward deficit spending. We will need to make many difficult decisions with regard to Federal entitlement spending.

In short, Mr. President, we will need compromise on many fronts of our budget debate. However, if we are to be truly faithful to the principles of fiscal order and balanced budgets, and if we are going to be mindful of the America that we leave to our children—we hear so much about our children—if we are truly mindful of the America that we leave to our children and to our grandchildren, there is no place, no place for tax cuts in any compromise proposal at this time.

Mr. President, I yield the floor.

Mr. ROTH. Mr. President, my colleague's argument brings to mind a letter from a fellow Delawarean who reminded me of the wisdom of President Abraham Lincoln.

Quoting our 16th President, Mr. Robert Hall, of Hockessin, DE, reminded me that:

You cannot bring about prosperity by discouraging thrift. You cannot strengthen the weak by weakening the strong. You cannot help the wage earner by pulling down the wage payer. \* \* \* You cannot establish sound security by spending more than you earn. You cannot build character and courage by taking away man's initiative and independence.

Only by keeping the economy strong can we balance the budget. And one certain way to strengthen the economy is to keep our burden of taxation rea-

sonable, keep it at a level that provides initiative and incentives for risk-taking and thrift. History has proven that tax cuts stimulate economic growth.

The Mellon tax cuts at the turn of the century created incredible prosperity for America. President Kennedy's cuts stimulated the economy in the 1960's, and in the 1980's, Kemp-Roth led to the longest peacetime economic expansion in history. Eighteen million new jobs were created, along with 4 million new businesses. Family income rose and homeownership boomed as interest rates and inflation fell. At the same time, Treasury revenues more than doubled, not because Americans were paying a higher percentage of their income to taxes, but because Americans had higher incomes.

The truth is, Mr. President, that had Congress held the line on spending, the windfall to Treasury created by the Kemp-Roth tax cuts would have put a stake in the heart of the deficit. However, instead of controlling its appetite to spend—something we're trying earnestly to do, now, Congress shackled America with the 1990 tax increase. Then, 2 years later, President Clinton imposed the largest tax increase in history on Americans.

With this package, we begin to reverse these trends, and history is on our side. A responsible tax cut will strengthen the power of an expanding economy for our families and Nation.

At the moment, the average American family pays 40 percent of its income to taxes, and the current Federal system is counterproductive to economic growth. It double-taxes savings, thwarts investment, hinders productivity, increases prices, stifles wages, and hurts exports. It is complex and places disincentives on work.

As chairman of the Finance Committee, I intend, to see this reconciliation package through, and then, in coming months, I intend to turn our attention to comprehensive tax reform. We will work for a fairer, simpler plan that does away with the negative consequences of the current system—a plan that encourages savings and promotes American exports. But first we must keep our promise of the tax cuts we've proposed for the American people.

This legislation keeps that promise.

Mr. HATCH addressed the Chair.

The PRESIDING OFFICER (Mr. THOMAS). The Senator from Utah.

Mr. ROTH. Mr. President, I yield 10 minutes to the distinguished Senator from Utah.

The PRESIDING OFFICER. The Senator from Utah is recognized.

Mr. HATCH. Mr. President, in a different vein than my colleague from West Virginia, I rise to speak in strong support of this historic balanced budget and tax relief agreement. On many occasions I have come to the floor of the Senate arguing the importance of curbing Federal spending and balancing the Federal budget. It is equally, if not more, important that we pass

on the benefits of a balanced budget in the form of tax relief to the American people.

Mr. President, I have long been an ardent supporter of tax cuts for the American people. This bill marks a very decided shift, a dramatic shift from the tax increases that have been prevalent over the past decade. The bill before us represents the first real tax cut in 16 years. It was not easy to get here. We can all remember the partisan budget debates we have had in the past few years. The difference between those bills and the one before us today is the bipartisan cooperation that went into this year's legislation. It is because of unceasing bipartisan effort to end big government and the benefit of a strong and vibrant economy that we can stand here today debating such historic legislation.

I maintain, Mr. President, that this bipartisanship developed because the American people insisted on it. They reelected President Clinton, but they also reelected a Republican majority in the House and Senate. And I have to say we would not even be debating a balanced budget bill, we would not be debating a tax cut bill if it was not for the Republican majorities in both the House and the Senate. The people who we each have pledged to serve decided that both points of view were necessary to get a balanced Federal budget. Congress and the President finally got the message, and the American people are the beneficiaries.

The package before us contains a variety of tax cuts that will bring much-needed relief. These tax cuts allow the taxpayers in my home State of Utah and across the Nation to keep more of their hard-earned dollars. This bill provides significant relief through: First, a tax credit for families with children; second, lower capital gains tax rates; third, tax incentives for education; fourth, small business incentives; fifth, increased savings through enhanced IRA's; and sixth, higher death tax exemptions.

The child tax credit is especially important for America's working families. Raising children in today's world becomes more expensive each year. This family tax credit will put the tax relief where it is needed most, in the pockets of parents with small children.

This bill also contains a number of proposals to ease the burden for paying for college. I hear again and again from parents in Utah and throughout the country struggling to keep up with the high costs of college for their children. Mr. President, having put six children through college myself, I know exactly what they are going through. This bill will help these families by providing a tax credit for tuition expenses, a deduction for student loan interest and a new education IRA to promote saving for education. There aren't many things in this world that mean as much to us parents as giving our kids an opportunity that perhaps we didn't have or helping them to get along with good education.

The bill also contains important tax cuts to stimulate economic growth and create new jobs. In the past two Congresses, I have introduced legislation to cut capital gains rates in half. I am extremely pleased that this tax package lowers the capital gains tax rate in half to almost 20 percent. This historical and important change will not only ease the current double taxation of capital income, it will encourage more capital investment and help maintain the strong economic growth that this country has experienced over the past number of years. In fact, ever since the original recession during the Reagan years, we basically have had a good economy. We had a couple of downturns during the Bush years, but the fact is, we are all still benefiting from having cut the marginal tax rates from 70 percent down to 28 percent.

I might also add that a great deal of the credit should go to the distinguished chairman of the Senate Finance Committee, Senator ROTH. I remember in those early days in the late 1970's and early 1980's there were a number of us who banded together under the leadership of BILL ROTH and Jack Kemp to advance supply-side tax cuts which have proven to be successful. We are still benefiting from the cuts in those marginal tax rates from 70 percent down to 28 percent, still benefiting today, and this administration is benefiting from that. And to blame all of those deficits on Reagan kind of ignores the Great Society programs, kind of ignores the fact that during those years Reagan got his marginal tax cuts but Tip O'Neill got his great spending increases, and, of course, we had to increase spending on the military. Ultimately, because of Reagan and his spending, we actually ended the cold war. And we have saved trillions of dollars because of that.

I want to pay particular tribute to my colleague from Delaware. Without his leadership, we would not have this bill. We would not have these tax cuts. And I have to say he has been a strong, firm, solid, steady leader in these matters.

This capital gains tax rate reduction alone is going to prove to be very beneficial to our economy. There are trillions of dollars locked up in capital assets in this economy because people just don't want to pay a 28-percent top capital gains tax rate and corporations don't want to pay a 36-percent rate. Unfortunately, we couldn't do much for the corporations this year because of the limited amount of tax cuts we have negotiated with the President. But we have done a lot for the millions and millions of people, now, many in the middle class—50 percent of whom are in the middle class—who now are getting robbed because of inflated values of their capital assets, which if they sell they are paying taxes on the inflated value rather than the actual value. It wouldn't have happened but for our distinguished chairman of this committee, the distinguished chairman of

the Ways and Means Committee, BILL ARCHER, and of course my friend—both friends—BILL ROTH, as well.

This is important. For a long time we have made the case if we cut capital gains tax rates we are actually going to get an increase in tax revenues. I believe over the next 5 years that will prove to be true. Instead of losing actual tax revenues we ought to increase tax revenues. But if all we do is break even or even slightly below breaking even, it's worth it because it's the type of thing that will benefit so many millions of Americans, especially those of us in the middle class who put our hard-earned savings into mutual funds or into other areas of the stock market or into capital assets that literally will receive some benefit in the future from what is being done here today.

Some of my colleagues from the other side of the aisle have categorized the capital gains tax cut as being for the rich. This is just not true. The capital gains tax cuts will help any American investing in a mutual fund, owning a home, or with an IRA which invests in stock. These are not the rich. These are hard-working middle-class families saving for their future and struggling to own a piece of the American dream.

In addition, this bill provides much needed relief from the estate and gift tax. This so-called death tax is nothing more than a punishment for success. This tax has the damaging effect of forcing families to sell a business or a family farm just to pay their tax liability. Many farms in my State of Utah have been passed on from generation to generation. Under the current estate tax, it is inevitable that at sometime in the future these families may be forced to sell these farms unless this tax is eliminated. This is one area of unfinished business. I hope that we can continue the process we have begun here and work together in the future to further reduce this onerous tax on American family farms and businesses.

This bill also contains a number of proposals that will help small businesses. Since 1993, I have attempted to clearly define what is a principal place of business for purposes of the home office deduction. This bill would clarify that definition and allow thousands of small business men and women deduct their legitimate home office expenses.

In addition, this bill makes important changes to allow self-employed individuals to fully deduct the cost of health insurance. The bill also modifies the employee stock ownership plan rules and other pension provisions that will allow more small businesses to provide employees with savings and retirement benefits.

Mr. President, I would like to commend the conferees for including provisions contained in the International Tax Simplification for American Competitiveness Act which I introduced earlier this year with Senator BAUCUS. This bill will extend the same export benefits to software products that are

available to films and other recordings. It will also provide relief to U.S. financial services companies, including banks, security firms, insurance companies and brokers, and other finance and credit entities. The simplification and other changes to the most complex area of our Tax Code will enhance the global competitiveness of American products and companies.

Mr. President, while this bill does, in some ways, create more complexity in the Tax Code, there are a few sections that simplify various areas of our tax system. One such provision is a provision that I have worked hard on—exempting State and local government pension plans from the cumbersome pension nondiscrimination rules. This provision reinforces the right that State and local governments have to determine the compensation of their employees without Federal Government intrusion.

Mr. President, the passage of this tax relief bill is truly historic. The taxpayers in my State of Utah and across this country are deserving of this tax cut. They are overtaxed and over regulated. This bill provides broad tax relief in many important areas.

The budget conference report also contains provisions to restructure and preserve the Medicare Program for a decade. These changes are nothing less than historic in nature and will help insure that Medicare remains solvent well beyond 2001—the date for financial insolvency for the Medicare part A hospital trust fund.

Elderly Utahns can rest assured tonight that the Federal Government's health care commitment to them remains strong and undeterred. And, while work remains to be done, all future Medicare beneficiaries can rest assured that Medicare will be there as they become eligible early in the next century.

I join my colleagues in the Senate and particularly those Senators on the Finance Committee, on which I serve, where this legislation was originally developed and drafted.

We all have worked tirelessly over the past 7 months through numerous committee hearings and through countless committee meetings. We worked in a bipartisan fashion, resolved our differences on policy, and ultimately developed a consensus approach to Medicare reform.

The effort has paid off, and the American people are the recipients of this great and historic dividend.

Nevertheless, we must also recognize—and the American people must realize—that there still remains considerable work to be done with respect to long-term reforms of the Medicare Program.

This is why I am delighted the conference report contains legislation I sponsored earlier this year to establish a National Bipartisan Commission on the Future of Medicare.

This Commission will be comprised of 17 members who will be charged to



develop recommendations to ensure the long-term fiscal health of the Medicare Program. Those recommendations will be completed and sent to Congress by March 1, 1999.

I have spent a great deal of time talking with my constituents in Utah, and I have found that one thing which matters very much to them is the ability to choose the health care which suits them the best.

Clearly, one of the most significant and dramatic changes to Medicare will be the new Medicare Choice Program. Under this new program, Medicare beneficiaries will have the opportunity to choose from a variety of private health care plan options that best suits their needs and preferences.

Such plans could include newly created provider sponsored organizations operated by health care providers as well as medical savings accounts combined with a qualified high-deductible policy. Utah providers have urged for several years that we change the law to allow them the ability to band together and form provider networks, locally based linkages of physicians and hospitals who will treat Medicare patients. That change will finally be made.

As a strong supporter of MSA's, I am delighted the bill contains this provision even though it is a demonstration that is capped at 390,000 enrollees and sunsets on December 31, 2002. Nevertheless, it is an important first step that I believe will be a resounding success and reauthorized beyond the 2002 deadline.

This is an important change in Medicare which, since its inception in 1965, has traditionally been structured as a fee-for-service plan.

The Senate recognizes that beneficiaries want more choice in the manner in which they receive health care. With the introduction of managed care into the private sector, seniors are increasingly interested in participating in managed care plans which offer greater benefits such as prescription drugs and eye and hearing care.

The conference report we are passing today will give seniors that choice. But it will do so without jeopardizing anyone's right or desire to remain in the traditional fee-for-service program.

Moreover, we have incorporated protections and safeguards to ensure that those seniors who choose to participate in a managed care plan will have the necessary consumer protections such as access to emergency services 24 hours a day as well as appropriate appeals and grievance procedures.

Another key interest of Utahns is the necessity of providing cost-effective, high-quality care for our seniors and disabled who must avail themselves of either nursing home care or home health services. I am particularly delighted the report contains important and necessary changes in the manner in which the Federal Government finances skilled nursing home and home health care services.

I have long advocated for the establishment of a prospective payment system, or PPS as it is referred to, for home health and skilled nursing care. I have introduced legislation—S. 913, the Home Health Care Prospective Payment Act of 1997 and S. 914, the Skilled Nursing Facility Prospective Payment Act of 1997—to accomplish this objective. The major components of that legislation are contained in the conference agreement we will approve today.

The implementation of a PPS will help address the extraordinary escalation in program costs associated with home health and nursing care. These two programs are the fastest growing components of Medicare and efforts are necessary to address program growth without jeopardizing quality or access to care.

Accordingly, I am delighted the report before us today incorporates many of the provisions in my bills including the implementation of a prospective payment system.

With respect to the \$5 copayment for home health care services originally contained in the Senate bill, I am pleased the final conference report does not contain this provision. While I recognize the need to place controls on utilization, I believe the most cost-effective approach is through a prospective payment system which we now have in place.

The legislation will also provide Medicare beneficiaries with new and enhanced health care benefits.

I am particularly pleased that annual mammography screening, screening for prostate and colorectal cancer, diabetes self-management, and expansion of immunizations will be phased in and available to beneficiaries.

In this regard, I am especially pleased that the conference report contains a provision I raised in the Finance Committee to eliminate the x-ray requirement as a condition of Medicare coverage for chiropractic services.

Affording seniors greater access to chiropractic services will not only result in reduced Medicare expenditures, in the context of total program costs, but will also reduce needless back surgery for countless senior citizens.

Mr. President, I would like to turn now to another provision, the need for which was brought to my attention by Ms. Michelle Newport, a Christian Scientist in Salt Lake City, UT.

Under several provisions of Medicare and Medicaid law, reimbursement has been authorized for literally decades for nonmedical hospital and skilled nursing facility services provided in sanatoria operated by the First Church of Christ, Scientist.

The need for reexamination of these statutory provisions was pointed out when the current law was challenged successfully last year in the case of *Children's Healthcare Is a Legal Duty (CHILd)* versus *Vladeck*. In this case, a Minnesota district court held that the

law and their accompanying regulations violate the establishment clause of the Constitution as an impermissible sectarian preference. Pursuant to that court decision, the Secretary was enjoined from further implementation; however through the efforts of a number of Members of Congress who disagreed with this ruling, including House Judiciary Committee Chairman HYDE, Senator KENNEDY, and myself, the court's injunction has been stayed until August 1997.

The provision included in the bill we are considering today is intended to address our concern over that ruling. It has been drafted to be sect neutral. It replaces existing law by providing for reimbursement of nursing services to individuals who decline conventional coverage due to sincerely held religious beliefs. The provision sets up conditions for coverage of religious nonmedical health care institutions under the Medicare and Medicaid Programs, with new mechanisms to ensure cost-control of the benefit.

I want to thank Senator ROTH and Chairman ARCHER, and especially their staffs, for their hard work in crafting a provision which meets the twin concerns of cost-control and constitutionality. I would also like to pay special recognition to Gioia Bonmartini of the Finance Committee staff, and Dean Rosen of the Ways and Means Committee staff, who worked so hard to make certain an acceptable provision was included in the conference agreement.

With respect to the delivery of health care in rural America, I am pleased the report contains provisions I sponsored in the Senate to increase the level of Medicare managed care payments for rural areas of the country. The report provides a minimum payment amount of \$367 in 1998 that will be updated annually by the growth in Medicare fee-for-service payments.

Implementation of this provision, although extremely technical in nature, has been a key objective of Utah's managed care community, which will now have the incentives to develop and offer managed care plans in more rural communities.

Before I close my discussion of the health care provisions contained within this legislation, I want to take a few moments to address one of the most important components of the conference agreement, the new child health initiative.

As my colleagues are aware, Senator KENNEDY and I introduced the Child Health Insurance and Lower Deficit Act [CHILD] on April 8. Now, only 114 days later, we are giving final approval to a substantial new program which is very similar to the Hatch/Kennedy bill.

The CHILD bills, S. 525 and S. 526, proposed a program which is extremely similar to that which is contained in the conference agreement we are considering today. The CHILD bills, as with the conference agreement, proposed a State-run block grant program to provide health insurance services to

low-income children. The program was to be financed by a cigarette excise tax. Eligibility is to be determined by the States, cost-sharing is limited for the lowest income, and coverage cannot be provided to those who are currently eligible for Medicaid, all provisions contained within our legislation.

It is no secret to Members of this body that the United States has a deplorable record in making certain that our Nation's most vulnerable, our children, have access to health care services. By many estimates, over 10 million of our children are uninsured. That is a situation which must be corrected, and I am pleased, indeed thrilled, that the conference agreement contains this new program.

At this point, I would like to insert a summary of the new provisions for the edification of my colleagues.

**Funding level:** Provides \$24 billion in the first 5 years, and \$24 billion in the next 5 years. Note: the funding levels add up to \$39.65 billion over the next 10 years because certain Medicaid costs have been taken off the top.

**Tobacco tax:** Program starts in fiscal year 1998. It is financed in part through a tobacco excise tax increase. There is no increase in the first 2 years. For the next 2 years, there is a 10 cents/pack increase. In the fifth year, fiscal year 2002, and thereafter, the tax is increased by 15 cents/pack.

**Use of funds:** Funds can be used for State block grants, or expanded Medicaid, or both. Funding can be provided for community-based health delivery systems, such as Community Health Centers. The funds cannot be used for any other purpose than those enunciated in the bill.

**Funding distribution:** Funds are distributed by a formula which is initially based on the number of low-income uninsured children in the State and in subsequent years blended with the number of children in the State. There is a geographical adjustment for the costs of providing services. No State will get less than \$2 million/year. Funds are made available for 3 years, and unused funds can be redistributed among other States.

**Medicaid:** If a State chooses to insure new children not now eligible for Medicaid under Medicaid, they may receive increased Federal matching equal to 30 percent of the State share, with an 85 percent cap on the Federal contribution.

**Secretarial approval of plan:** A detailed process is laid out for submission of the State plan, or amendments thereto. Secretarial approval is deemed unless she notifies the State within 90 days that it is disapproved.

**Eligibility:** States determine eligibility. Generally, children can be covered up to age 19 and at 200 percent of Federal poverty level. However, States which currently are at that coverage level may expand their programs up to 250 percent of FPL. Covered children cannot be eligible for Medicaid now and cannot be covered now under group health plans.

**State responsibility:** States must show they are: (1) trying to cover Medicaid eligibles first; (2) not substituting the new plan for current group health plan coverage; (3) covering Indian eligibles. States will be required to enunciate strategic objectives and performance goals, submit an annual report, and be subject to regular evaluations as to effectiveness of the plan.

**Benefits package:** States must provide coverage which is either equivalent to a benchmark package or a equivalent to a bench-

mark-equivalent package, and they can provide even more from a long list of services, which includes transportation costs, mental health, home care and dental. The benchmark package is either: (1) FEHBP-equivalent coverage, which is Blue Cross/Blue Shield standard option for a preferred provider organization; or (2) a plan generally made available to State employees; or (3) the largest commercial, non-Medicaid HMO in the State. The benchmark equivalent package: (1) Is actuarially equivalent to one of the benchmark plans; and (2) covers the following basic services: Inpatient/outpatient; Physicians surgical and medical; Lab and x ray; Well-baby and well-child care; including immunizations. The State may also get approval from the Secretary to offer other coverage. Current non-Medicaid State plans in New York, Florida and Pennsylvania are grandfathered in.

**Cost-sharing:** The amounts must be published in the State plan, and imposed under a public schedule. Variations based on family income should not disadvantage lower income families. No cost-sharing for preventive services. If the child has income below 150 percent of Federal poverty level [FPL], the State may not impose a premium above that which would have been charged under Medicaid, and any deductible or other cost-sharing must be nominal, as in Medicaid.

**Maintenance of effort:** States cannot change their Medicaid eligibility standards in effect as of June 1, 1997.

**Abortion:** Abortion coverage is specifically precluded, except for rape, incest or life of the mother cases.

Mr. President, I am extremely proud of this legislation. I think that a number of important modifications have been made to the final conference agreement, changes which improve the measure and which will give the States the flexibility they need to operate the program in a most efficient manner.

I will say, though, that I am disappointed at the Congressional Budget Office's estimates that the bill will only cover 3.4 million children, 1.38 million of whom were previously insured. It is no secret that I have been critical of the CBO's earlier estimates which I felt were too low in terms of children covered. I still believe this is the case, and am hopeful that with the flexibility provisions added for the Governors we will be able to cover even more children.

As many have noted, this will be the most important new program to help our Nation's children since enactment of the Medicaid Program over 30 years ago. I am extremely proud to have played a role in its development.

For not only will the bill help provide children with the health insurance they need, it will play the dual role of discouraging them from smoking or using other tobacco products, by increasing the tobacco excise tax.

During this debate, which was often contentious, I asked my colleagues, "Who do you want to help, Joe camel or Joey?" Sometimes it didn't seem clear. But at long last, the Camel is losing, and that is a tremendous benefit for public health.

I do want to take this opportunity to thank those who united behind this effort, and especially the six Republicans who joined me in drafting the original

child health legislation: Senators JEFFORDS, STEVENS, SNOWE, COLLINS, CAMPBELL, and SMITH. I also want to pay especial tribute to two Senators who were extremely supportive along the way, Senators DEWINE and D'AMATO, who played a crucial role in supporting this legislation when support was sorely needed.

It is important to note the tremendous leadership role that Senator LOTT played in making certain this provision was incorporated in the final agreement. He is a true friend of our Nation's children. Finance Committee Chairman ROTH must also be praised for his dedication to children's health and toward working out a compromise with the House, and his capable staff Dennis Smith and Julie James deserve especial recognition, as does Howard Cohen of the House Commerce Committee staff.

Of course, no list would be complete without mentioning Senator CHAFEE, who did so much to advance this debate by pointing out the need to maintain a strong Medicaid Program and make certain it is enhanced as we expand children's health funding.

Strong partners in this cause are Senator DASCHLE, who stood up for children's health when his national leaders would not, and Senator MOYNIHAN, who played a crucial role on the Finance Committee. Senator ROCKEFELLER, again, must be noted for his dedication to this cause, and for assuming a strong voice of reason role when cooler heads did not prevail.

And finally, I must pay tribute to my partner in this legislation, Senator KENNEDY. He is the most aggressive and successful legislator I know. And I am proud that when we can unite on a bill, everyone knows it will be a very good bill. Because the products of our legislative liaison always represent the center.

Mr. President, in adopting this legislation today, we are representing our constituents, the large majority of which time and time again have signaled they want to do more for children's health. That day is here.

Mr. President, I am pleased to have the opportunity to vote for this important tax bill.

I, again, want to express my appreciation, love, and respect for the distinguished chairman of this committee and the distinguished ranking member, Senator ROTH and Senator MOYNIHAN, and the concomitant leaders in the Ways and Means Committee in the House.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I want to express my appreciation for the generous comments the distinguished Senator from Utah had about me. I have enjoyed working with him on this most important matter.

At this time I would like to make a point of order that a quorum is not present.

Mr. DURBIN. Mr. President, if I might seek recognition before the Senator from Delaware makes that point?

Mr. ROTH. I am looking for my Democratic counterpart.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. The Senator can yield to himself whatever time he needs.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DURBIN. Mr. President, we have reached a historic juncture. Our Nation has not had a balanced budget since fiscal year 1969, the last budget year of President Lyndon Johnson's tenure. The budget deficit began to grow under President Nixon, rose to \$74 billion during the recession we faced under President Ford, dipped and then steadied under President Carter, until recession hit again and pushed the deficit to nearly \$80 billion. Then it ballooned to more than \$200 billion after the Reagan tax cuts in the early 1980's. It declined to around \$150 billion, then skyrocketed during the recession under President Bush. Quite a roller coaster ride; all of it in red ink.

Many of us believed we could meet our responsibility to live within our means while helping our economy to move forward. What we needed was leadership, not only in the White House but on Capitol Hill. When President Clinton arrived, the deficit stood at an all-time high of \$290 billion. The economy was in stall. It was not mere luck which has given us 7 years of economic growth and a declining deficit. Many circumstances are beyond the control of any political leader, but leaders can make a difference.

President Clinton set a course for economic growth and spending reduction and invited the Nation to follow. It was difficult medicine: Tax increases for those who had benefited most from the tax breaks of the 1980s, spending reductions in programs most Americans support, targeted tax relief for working families, and targeted investments in programs that would strengthen the Nation.

Congress took the decisive and difficult step of passing President Clinton's deficit reduction and economic growth package. It was a politically costly step. It cost many Members their political lives. Unfortunately, not a single Republican supported the President's plan and it passed in this Chamber only when Vice President GORE cast the tie-breaking vote. But it laid the groundwork for the budget package before us.

The difficult votes some of us cast in 1993 helped to produce a strong, growing economy with a Federal budget deficit that has declined steadily. The deficit was \$290 billion when the President took office. It is conservatively estimated to be \$67 billion this year, and could end up below \$40 billion. Deficit reduction and targeted investment stimulated economic expansion, which created more revenue and produced more deficit reduction, so that now some people really anticipate the possibility that we will achieve a balanced budget as early as next year. When we

considered President Clinton's plan, it was called a deficit reduction plan. No one dreamed that it would end up being a balanced budget plan. To the surprise of most economists, that possibility is within our grasp, even this year.

All of this occurred because of President Clinton's leadership and the support of the Democrats in Congress in 1993. We can be proud of these achievements. We can take some satisfaction in knowing that our hard work in 1993 made it possible for another exercise of leadership in 1997, to produce this balanced budget resolution. We can also take some satisfaction in knowing the economy is strong. Look at the report card. Unemployment and inflation, the combined rate, 8.7 percent, the best since President Lyndon Johnson.

Mr. DASCHLE. Mr. President, will the Senator from Illinois yield for just a moment?

Mr. DURBIN. I will be happy to yield to the minority leader.

Mr. DASCHLE. I wonder, and I apologize again and thank him for yielding, I wonder if I might make a unanimous consent—or just note the absence of a quorum in order to consult with the distinguished Senator?

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. DURBIN. Thank you, Mr. President.

I was speaking before the call of the quorum about the economic report card that we can point to with pride that we have 2.8 percent annual average inflation, the best since President Kennedy; 12.1 million new jobs in this period of time, the best ever; 1.1 million new construction jobs, the best since President Harry Truman; a 14-percent increase in consumer confidence, the best since President Eisenhower. The list goes on and on.

This budget agreement that we consider today continues the fiscal responsibility that we have shown since 1993. It includes the spending cuts we need to balance the budget by 2002 and sets the stage for continued balanced budgets beyond 2002.

What this budget package shows is that the two parties can work together to make the necessary choices to balance the budget and address the needs of the American people.

Is this the budget that I would have written? No, I would have changed a lot of the provisions. This is probably not the budget that any single Member of this body would have written, but it is a credible effort, a reasonable compromise. It is worthy of our support. No compromise is perfect, but this package will give many Illinois working families much-needed help in paying for the cost of raising kids and

sending them to college. It addresses today's economic needs and realities, whether it is paying for day care, braces, health insurance, for kids or college tuition.

In addition to providing fairness for working families, it provides fairness for seniors, extending the Medicare Program with reforms that protect the most vulnerable. It eliminates some provisions adopted on the Senate floor which would have raised, for example, the Medicare eligibility age from 65 to 67 over a 20-year period of time, and it addresses the concern that farmers and small businessowners should be able to pass on their business and their farm to their children without a great estate tax responsibility.

The spending bill that we consider preserves the budget and strengthens the Medicare Program. The Republican Contract With America, which was considered several years ago by Speaker GINGRICH and many Republicans Senators supported, would have cut \$270 billion out of Medicare over 7 years, a massive cutback in Medicare that would have imposed excessive new burdens on our Nation's seniors. This budget package cuts \$115 billion over 5 years, without excessive new burdens on seniors.

It extends the solvency of Medicare for 10 years, keeping our word to seniors to keep this program strong. It limits the increased burdens on our elderly seniors who live on limited incomes and are already paying a large portion of their incomes in medical costs.

It allows for increased numbers of Medicare health plan choices for our seniors, especially in rural areas. It includes a new package of preventive benefits, including annual mammograms, diabetes self-management, and prostate colorectal cancer screening.

It also includes nearly \$1 billion in new spending for rural health initiatives.

When it comes to Medicaid, this is also a good agreement. The Republican proposal in 1995 would have cut \$163 billion from the Medicaid Program over 7 years. That would have risked the health of seniors, children, and pregnant women who count on Medicaid for basic health care and for many seniors' long-term care. This budget cuts only \$13 billion from Medicaid over 5 years. We have balanced the budget without jeopardizing the safety net for Americans who lack health insurance.

This agreement marks a historic commitment to our Nation's children. The package sets aside \$24 billion for children's health insurance. Over 10 million of our children are currently uninsured. This bill could help up to 7 million of these children become insured. I am certain that in so doing, it will take a great burden off the minds of many working families who don't earn enough money to be able to pay for health insurance today or don't have a benefits package at work that provides health insurance for their families.

The one thing this budget package does, which I think is long overdue, is it provides funding to restore the unfair welfare reform provisions that would otherwise cut off SSI legal immigrants who are playing by the rules and paying their taxes but have become disabled or may become disabled in the future. Without this budget agreement, over 22,000 elderly or disabled legal immigrants in my State of Illinois would face the loss of their SSI in October. For many of them, this is their only form of support. I supported the welfare reform bill, but I agreed with President Clinton that this was one provision that needed to be corrected. This agreement, this bill, will correct it.

This agreement also commits \$3 billion to assist welfare recipients to move into work slots. The basic principle of welfare reform was that able-bodied adults should be put back to work. This assistance helps the States accomplish that goal. The Republican budget in 1995 would have imposed devastating spending cuts in education, environmental protection and crime prevention, but this budget protects the President's priorities in those areas, and the agreement on which this is based calls for a substantial increase in education funding.

The tax-cut bill offers valuable tax relief to millions of working families, with a net tax cut of around \$95 billion over the next 5 years, tax cuts that are direct dividends of the 1993 budget bill.

This package includes a \$500-per-child tax credit for children under the age of 17, beginning in 1999, with a \$400 credit in 1998. The credit will be calculated before the earned-income tax credit to maintain the valuable work incentives associated with that credit, and it would be refundable against the payroll tax for larger families that face the great expense of raising the next generation.

This credit, which costs \$85 billion over 5 years, is the largest tax cut in this package and one of its most important investments. An estimated 13 million children in families earning less than \$30,000 will receive this valuable assistance which they can use to pay for day care, braces, or any other expenses the family faces, or to save for the future. This child credit begins to phase out for individuals earning \$75,000 and couples making \$110,000, higher than the President sought. More importantly, some families earning as little as \$18,000 who pay payroll taxes but little or no taxes would also qualify, which Republicans have resisted.

Education tax credits: This tax cut package also includes the President's education tax credit proposal, which I strongly supported. With a value of \$40 billion over 5 years, it constitutes the largest increase in Federal education assistance since the GI bill after World War II.

This package contains everything President Clinton asked for in educational tax benefits. If we as a society

want to show our youth the value we place on education, we need to invest in education. This package does that, with tax relief for college tuition costs and increases in spending for scholarship grants, literacy programs, and student loans.

This measure includes \$31 billion over 5 years that will allow middle-income families to receive up to \$1,500 in tax credits to offset the cost of the first 2 years of college. Families will be able to take the credit against the first \$1,000 of costs, plus half of the next \$1,000 of costs. Juniors, seniors, and part-time students can take a credit of 20 percent of the first \$5,000 of costs, to help families afford the continuing costs of higher education.

In addition, there are \$9 billion of other education tax incentives, including an extension of the exemption for employer-paid undergraduate tuition, which allows companies to help their employees improve their skills and knowledge.

Estate tax: The estate tax exemption for farmers and small businesses will be increased to \$1.3 billion next year. This would allow family farmers and family-owned businesses to pass down the fruits of their hard work to their children and grandchildren. The estate tax will also be raised gradually for all other Americans, to \$1 million over the next 10 years, which recognizes the effects of inflation on the existing exemption.

Capital gains from home sales: For many families without children or whose children have grown, the most important tax break in this bill may be the capital gains exclusion for up to \$500,000 in profits on the sale of a home. This will help retirees who want to move to a smaller home without adverse tax consequences.

Improvements: There are a number of improvements in this bill over the original Republican plans: The extension of the airline ticket tax has been improved. Capital gains will not be indexed for inflation, a GOP proposal that would have mainly benefited the most wealthy of Americans and would have created enormous pressure on the budget in future years. Also gone is a GOP demand to pay less than the minimum wage to people who move from welfare to subsidized public and non-profit jobs, and to deny coverage under worker-protection laws.

Flaws: Unfortunately, the tax cut bill has a number of flaws.

The bill waits far too long to increase the tax deduction for health insurance for self-employed people to 100 percent. I have worked to give farmers and small businessowners parity with the corporations they compete with. Corporations can take a 100-percent deduction for health insurance premiums. The self-employed should be able to do the same. This bill does not move the deduction to 50 percent until the year 2000 and waits until 2007 to provide a 100-percent deduction. We can do better than that.

The conferees also dropped the extension of the ethanol excise tax incentive. I will continue to work for this important measure as part of the highway reauthorization bill.

The cigarette tax increase—which would discourage our young people from beginning a lifelong tobacco addiction—was reduced and delayed to the year 2000.

And we must be vigilant in monitoring the impact of some of the tax cuts in future years beyond 2002, because some of the provisions that primarily benefit investors and the wealthy could explode in costs in the coming decade. We could have better used that money for provisions like the self-employed health insurance deduction and the ethanol incentive.

#### CONCLUSION

On balance, both the spending cut package and the tax cut package are worthy of support. They will balance the budget without putting an undue burden on our most vulnerable people, take some important steps to address problems such as the lack of health insurance among our children, and give tax relief to working families who need it most. I am pleased to support this package.

#### POINT OF ORDER

Mr. President, at this point, I raise a point of order that section 1604(f)(3) of the bill, H.R. 2014, contains provisions that produce no change in outlays or revenues during the required period of time and, therefore, violates section 313(b)(1)(A) of the Congressional Budget Act of 1974.

The provision which I make reference to would automatically assume that the tobacco tax increase, which is part of this bill, would be credited on behalf of the tobacco companies as part of any settlement that might be reached by Congress at a later date. This is a \$50 billion windfall for the tobacco companies, which would absolve them from responsibilities which they have publicly said that they will assume.

This \$50 billion would be taken out of programs that we think are necessary for public health, including enforcement of the agreement, public information campaign, smoking cessation clinics and the like.

So, Mr. President, I raise my point of order at this time.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I move to waive all points of order against the bill that lie under section 313 of the Budget Act. I do so because I rise in opposition to this point of order. The provision in question was agreed to at the leadership level in the context of the budget negotiations, and I have to point out that if this point of order succeeds, it will delay the bill and, once again, Congress and the Senate, in particular, would send the wrong message to the American people.

By delaying the action, if this point of order were to succeed, it would mean

the legislation would have to be returned to the U.S. House of Representatives, acted upon there, before it could return here. I think that is a delay that the Senate does not seek to choose.

I do not believe that we should delay this historic opportunity that is within our grasp and, for procedural reasons, I intend to vote against this point of order and urge my colleagues to do the same.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, might I say that in the judgment of this Senator, the section that the distinguished Senator from Illinois wishes to remove is a meaningless provision, with no binding effect. I point out that the administration has agreed to it, and I offer the counsel, unsolicited but certainly well meaning, to my friend from Illinois, that if he feels he has an important issue here, may I suggest to him the issue would be a lot more salient in the months and years to come if it is in a statute. It can emerge and we can discuss it at that time. So I join the Senator from Delaware.

Mr. KENNEDY. Mr. President, I support Senator DURBIN's point of order under the Byrd Rule, which would strike from the tax legislation what should be called the "Joe Camel Tobacco Loophole."

This loophole will allow the tobacco industry to credit the new 15-cent cigarette tax against the \$368 billion it must pay in injury claims and other health expenses under the so-called "global settlement."

Over the next ten years, the loophole would add a \$16 billion tax break for the tobacco industry, which peddles in deadly products that already addict 50 million Americans, and cost society \$100 billion annually in medical expenses and lost productivity.

The tobacco industry was also able to water down the 20-cent increase in the cigarette tax to fund children's health, despite the fact that it had overwhelming public support and passed the Senate last month by a vote of 80 to 19.

The lesson is clear. Joe Camel still prowls the halls of Congress. When tobacco issues are discussed in the light of day, the American people win. When the debate moves into the back rooms, the tobacco industry's interests come first, and the public interest comes last.

It's time that Congress stood up to the tobacco industry and said "no" to Joe Camel and the Marlboro Man. This tobacco loophole has no place in this bill, and I urge my colleagues to support the Durbin point of order.

Mr. LAUTENBERG. Mr. President, I rise in strong opposition to this motion to waive the Byrd rule.

Mr. President, this has been a long budget process and we are near completion of these important bills. However

we are still in the midst of a battle to save our kids from the health hazards and addiction of tobacco. This battle has just started. However, there are some in Congress who are hijacking this budget reconciliation process in an attempt to give the tobacco industry the upper hand in legislation implementing a global settlement of claims against the tobacco industry.

We cannot allow this to happen. That is why I am opposing this motion to waive the Byrd rule. Mr. President, the distinguished Senator from Illinois has raised a point of order to a provision in the tax bill conference report that would credit the tobacco industry toward payments due on any legislative settlement with the revenue raised by the tobacco tax. This is ridiculous. This revenue is targeted toward children's health in this package. You can't have two uses for one revenue source.

This is simply a nonsensical device designed to give yet another break to the tobacco lobby. Well, I will do everything I can to prevent this from happening in a global settlement.

Mr. DURBIN addressed the Chair.

Mr. ROTH. Mr. President, once again, I urge Members of the Senate to support my waiver. If my colleague is ready, I yield back the remainder of my time.

Mr. MOYNIHAN. I yield back the remainder of my time.

Mr. DURBIN addressed the Chair.

The PRESIDING OFFICER. All time has been yielded back.

Mr. DURBIN. Parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. State your inquiry.

Mr. DURBIN. Mr. President, could the Chair inform whether this motion is debatable?

The PRESIDING OFFICER. It was debatable, but time has been yielded back.

Mr. DURBIN. Mr. President, I was seeking recognition during the course of debate. Does that give me—

The PRESIDING OFFICER. The Senator from Illinois does not control the time. The time is under the control of the two bill managers.

Mr. DURBIN. Thank you, Mr. President.

Mr. MOYNIHAN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to waive all points of order with respect to the conference report on H.R. 2014. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The yeas and nays resulted—yeas 78, nays 22, as follows:

[Rollcall Vote No. 210 Leg.]

#### YEAS—78

Abraham	Feinstein	Lieberman
Allard	Ford	Lott
Ashcroft	Frist	Lugar
Baucus	Gorton	Mack
Bennett	Graham	McCain
Biden	Gramm	McConnell
Bond	Grams	Mikulski
Breaux	Grassley	Moynihan
Brownback	Gregg	Murkowski
Burns	Hagel	Nickles
Campbell	Hatch	Robb
Chafee	Helms	Roberts
Cleland	Hollings	Rockefeller
Coats	Hutchinson	Roth
Cochran	Hutchison	Santorum
Collins	Inhofe	Sessions
Conrad	Inouye	Shelby
Coverdell	Jeffords	Smith (NH)
Craig	Johnson	Smith (OR)
D'Amato	Kempthorne	Snowe
Daschle	Kerrey	Specter
DeWine	Kerry	Stevens
Dodd	Kohl	Thomas
Domenici	Kyl	Thompson
Enzi	Landrieu	Thurmond
Faircloth	Levin	Warner

#### NAYS—22

Akaka	Feingold	Reed
Bingaman	Glenn	Reid
Boxer	Harkin	Sarbanes
Bryan	Kennedy	Torricelli
Bumpers	Lautenberg	Wellstone
Byrd	Leahy	Wyden
Dorgan	Moseley-Braun	
Durbin	Murray	

The PRESIDING OFFICER (Mr. ABRAHAM). On this vote the yeas are 78, the nays are 22. Three-fifths of the Senators duly chosen and sworn having voted in the affirmative, the motion is agreed to, and the point of order falls.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote.

Mr. ROTH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. CHAFEE. Mr. President, I applaud the Republican leadership as well as the administration for putting together this tax bill, which is an integral component of the overall plan to balance the Federal budget. While I have not been an enthusiastic supporter of tax cuts at this time, there are provisions in this bill that I have vigorously sought to have enacted, and which will significantly help the people in my home State of Rhode Island, as well as the entire country.

The centerpiece of the tax bill is the \$500 per child tax credit. For a married couple with two children that's an extra \$1,000 for them to spend as they see fit.

The bill also includes several provisions that help families meet the cost of sending their children to college. Under the bill, low- and middle-income families can qualify for income tax credits of up to \$1,500 to offset the cost of college tuition. To help families save for education expenses, the bill establishes education savings accounts. Contributions to these accounts are not tax deductible, but distributions are tax-free if used for tuition, room and board expenses.

I am also pleased that the conferees chose to include an extension of the tax break afforded to employer-provided education. Under current law, an

employee is not taxed on amounts paid by an employer for educational assistance. The exclusion is limited to \$5,250 annually. The anecdotal evidence indicates that this fringe benefit is most often utilized by lower income workers as a way to develop the skills necessary to land better paying jobs.

This budget agreement includes several provisions that will encourage savings and investment. The most important of those provisions is the reduction in the tax rate on capital gains. The bill lowers the top rate on capital gains from 28 to 20 percent. For lower income individuals the rate on capital gains is reduced to 10 percent. At the turn of the century, the capital gains tax rate will be reduced further to 18 and 8 percent, respectively, for investors willing to hold their investments for at least 5 years.

Last year, Congress created the work opportunity tax credit [WOTC] as a way to encourage employers to hire economically disadvantaged individuals. These are individuals who have little or no job skills and as a result are not attractive candidates for employment. The WOTC Program provides employers an income tax credit for a portion of the first year's wages paid to these individuals. The bill before us extends this program through June of next year.

More importantly, this bill makes two improvements to the WOTC Program. First, the bill creates a two-tiered credit to make it easier for employers to utilize the program. This is necessary because many employers were finding it difficult to retain these employees for the full work requirement period, namely 400 hours, and as a result were losing the benefits of the tax credit. In many cases the employers were spending the money to train the employees only to have them leave shortly thereafter for higher paying jobs. Without some reward for their efforts, employers were simply dropping their programs.

Under the new structure, employers would be eligible for a reduced credit if the employee works for at least 120 hours, even if the employee fails to meet the full 400 work hour requirement.

The second change makes the work opportunity tax credit available to disabled individuals receiving SSI payments. These individuals were inexplicably excluded from participation when the WOTC Program was created last year, and I am glad this bill corrects that error.

The agreement also includes two important provisions for small businesses and women. It delays the implementation of the electronic funds tax payment system for 6 months to give businesses more time to get used to this new manner of paying their tax bills.

The legislation also makes it easier for self-employed individuals who work at home to take an income tax deduction for that portion of the home used exclusively for business purposes.

The bill also includes the repeal of the excise tax imposed upon boat diesel fuel. This tax, and the dyeing regime imposed by Treasury, has wreaked havoc with boaters across the country. It caused many retailers to choose between selling to recreational or selling to commercial boat owners, with the recreational boaters usually being left without service. This led to shortages in many parts of the country and numerous cases were reported in which recreational boaters had to go far out of their way or travel many additional hours to obtain fuel legally.

Finally, I am very pleased that this bill includes a version of legislation I authored that creates a powerful new tax incentive to encourage individuals to preserve open space. A serious environmental problem facing the country today is the loss of open space to development. All across the country, farms, ranches, forests, and wetlands are forced to give way to the pressures for new office buildings, shopping malls and housing developments.

America is losing over 4 square miles of land to development every day. In Rhode Island, over 11,000 acres of farmland have been lost to development since 1974. These open spaces improve the quality of life for Americans throughout this great Nation and provide important habitat for fish and wildlife.

In many instances, the loss of open space is simply the natural outgrowth of urbanization of our society. Other times it is the direct result of improper planning at the State and local levels.

But frequently, the problem is created by the Federal estate tax. For those families where undeveloped land represents a significant portion of the estate's total value, the need to pay the tax creates powerful pressure to develop or sell off part or all of the land or to liquidate the timber resources on the land. Because land is appraised by the Internal Revenue Service according to its highest and best use, and such use is often its development value, the effect of the tax is to make retention of undeveloped land nearly impossible.

The bill begins to address the problem caused by the estate tax. The bill includes a proposal that is modeled after legislation I introduced earlier this year along with Senators BAUCUS and GREGG. It excludes 40 percent of the value of land subject to a conservation easement from the estate and gift taxes.

In order to target the incentives under this bill to those areas that are truly at risk for development, the bill is limited to land that falls within a 25-mile radius of a metropolitan area, a national park or a national wilderness area, or within 10 miles of an urban national forest.

Of course, as is the case with all major bills, there are a few provisions in this agreement that I do not support. One such provision is the restructured aviation trust fund taxes.

As my colleagues know, currently the aviation trust fund is principally

financed by a 10 percent ticket tax. High-cost airlines—the so-called big seven—have been lobbying Congress for the past 2 years to restructure the aviation trust fund revenues. The big seven argue that they want to restructure the fees so that the burdens of funding the Federal Aviation Administration are more fairly allocated. But this proposal does not do that. In reality, it is a thinly veiled attempt to shift a portion of their costs to other airlines—principally low-fare airlines.

Let me expose the folly of this new system. The big seven would have us believe that their system—which is more or less the proposal adopted by the conferees—is grounded in fairness. Yet, this new system does nothing to address the huge loophole under which they avoid paying the tax on their international flights.

Let me explain. If Continental Airlines flies from Los Angeles to New York, stops for less than 12 hours, and then continues on to London, the new fee structure does not apply to that flight. In other words, the passengers on that flight do not pay the 7.5 percent ticket tax, nor do they pay the new head tax, notwithstanding the fact that this flight clearly utilizes the services of the Federal Aviation Administration as it flies completely across the country.

It is particularly regrettable that the conferees have chosen to implement this new fee structure prior to the issuance of the report from the commission Congress established to study this matter. In October 1996 Congress directed that a commission be formed to assess the FAA's funding needs and the costs imposed on the system by each segment of the aviation industry. This report was originally scheduled for completion in April 1997, but its issuance was delayed until September. It is incomprehensible to me that the conferees would agree to take the unusual step of changing the makeup of the ticket tax before the commission's report was received.

Mr. President, this is one aspect of this budget agreement that I hope we will revisit once the commission's report is received and can be reviewed.

I also oppose the agreement's provision extending the diesel dyeing requirements to kerosene. Since 1995, there has been substantial debate about the proper tax treatment for kerosene. More than 90 percent of kerosene consumed in the United States is used for aviation purpose; accordingly, the fuel is currently classified and taxed as an aviation fuel.

Kerosene is also blended during cold weather with diesel fuel and home heating oil to prevent those fuels from congealing; and it is treated, for tax purposes, as the fuel into which it is blended. Thus, if kerosene is blended with undyed diesel fuel, it is taxed as diesel fuel; if it is blended with dyed home heating oil, it is exempt from tax.

This bill imposes a 24.3 cents-per-gallon excise tax on kerosene when it is



removed from the terminal, classifying it as diesel and subjecting it to the same tax and dye program.

Because tankage in the Northeast is limited, terminals are likely to have space only for undyed kerosene. Such fuel is subject to tax when it is pulled from the rack; and, dealers who sell it directly as a heating fuel or as a blandstock for distillate, and farmers blending it as an off-highway fuel will be forced to apply for refunds of taxes paid.

This proposal also raises safety concerns. The New England Association of Fire Marshals and the Consumer Product Safety Commission have raised health and safety concerns about the use of dyed fuels in unvented heaters. Most kerosene heaters have been certified by the United Laboratories and similar organizations as safe only if they burn clear, undyed fuel. Accordingly, there is little information available about the effects of dyed fuel on these heaters, and it would take several years to have them retested and recertified to burn dyed fuel.

In closing, I would like to express my appreciation and admiration to the chairman of the Finance Committee, Senator ROTH, who did a wonderful job of guiding this legislation to this point. Without his willingness to work with all members of the committee, and indeed the entire Senate, this bill would have had little chance of success.

Mr. KERREY. Mr. President, I support this tax bill as a way to give working families tax relief and continue our economic growth.

I'm delighted that the tax cuts for working families in this agreement were made more progressive by Democrats.

I support estate tax relief targeted at family farms and small businesses as well as a phase-up in the self-employed health deduction to 100 percent.

And I am pleased this agreement left out attempts by the other body to raise taxes on ethanol and make it too easy for employers to reclassify their employees as independent contractors. I would have been hard-pressed to support this agreement had the language on independent contractors survived knowing that having this provision in law would have had significant and harmful effects on the health and financial well-being of American workers. Consider that under current law, only 2 percent of independent contractors have health and retirement benefits, while 50 percent of private employees have those benefits—adopting the language proposed by the other body would surely have had harmful health and financial consequences for the American worker.

Mr. President, I am pleased that a number of savings and investment incentives like expanded IRA's and education IRA's are included in this agreement. These provisions are good for what they are. However, I fear that the people who most need to generate wealth for their families—middle- and

lower-income people—will have the toughest time taking advantage of these provisions. That is why I am so sorely disappointed that the conferees chose not to include a robust form of KidSave in their final agreement. Indeed, given the option I would go further than KidSave by allowing taxpayers to keep a portion of their payroll taxes in personal savings.

And I support the emphasis on education contained in this bill although I am not convinced the money we will spend on some of these initiatives is the most efficient or effective way to make sure more kids have access to higher education.

Mr. President, in many ways voting for this bill is a close call for me. Much of what was good in the Senate Finance bill has been thrown overboard. And that bill, while complex, pales in comparison to the complexity of this bill.

Still, I believe this bill will provide tax relief that working families need. I am especially pleased with the improvements Democrats secured to make this bill more progressive and in making this bill reach more working families. I'm also pleased by the emphasis on education in this agreement, if not by the details of that emphasis.

So, Mr. President, while I intend to vote for this tax package, I am decidedly unenthusiastic about what we have not done in this tax package and in this balanced budget package overall: we have not taken the first steps toward long-term entitlement reform that recognizes the seismic impact the retirement of the Baby Boom generation will have on the budget, both in terms of its fiscal balance, the solvency of the programs that comprise our retirement safety net and the balance between mandatory and discretionary spending.

Specifically, I am disappointed in two aspects of the tax bill.

First, I am disappointed that the bill does not address what I believe is the most pressing challenge families face in a global economy: the need to build wealth.

Mr. President, I ask my colleagues to take a step back from the rhetoric on this issue and consider the fact that increased income—which is the object of these tax cuts—and increased wealth are very different things, and they are particularly different today because, in my analysis, the global economy is devaluing one—income—while enhancing the value of the other: wealth.

Let me start with a set of definitions: Income is the regular inflow of resources on which we depend to pay our bills and live our lives. Wealth is the ownership of assets that gain in value.

Anyone who's played the old board game Monopoly knows this difference. Most 10-year-old children who have played this game will tell you that you don't win by going around and around the board, collecting \$200 every time you pass Go." You win by carving out some of that income to buy properties

that grow in value. It seems to me, Mr. President, that focusing on working families' income—which is certainly important—while ignoring whether they have wealth is like trapping them in a game of Monopoly in which all we care about is sending them around and around the board, passing Go" and collecting \$200, while ignoring the fact that they don't have enough income left over to build a stake of ownership and get ahead.

The difference may be best illustrated by the recent stock market boom and, just as important, who has benefited from it. Let me open with the simple proposition that those who own wealth in the stock market own more than a few shares in a mutual fund—they own a piece of our economy. They own a stake in it. When the economy succeeds, they succeed. And what they own—capital, and a stake of ownership in the means of production—is the asset that this economy is rewarding.

Families need a stake of ownership, Mr. President, because I believe it is the principal factor that will determine whether the global economy works for them—because it rewards ownership of capital, the scarce factor of production that is in wide demand all over the globe—or against them, because the expanding global labor pool means those who earn their income exclusively from work are facing more and more competition that is bidding the value of their services down.

Wealth is also important in a global economy because it provides the security—for rainy days, for retirement—that a global economy requires. I do not believe that ownership of the means of production and ownership of a stake in our economy should be limited to the privileged few. I want every American to have access to it.

I must say that therein lies my ambivalence toward the capital gains and estate tax provisions of this bill. I supported both, but I note for my colleagues' consideration that the estate tax only impacts 2 percent of Americans who die each year. The other 98 percent do not have estates worth \$600,000. I'd be willing to bet that a lot of people in this country have only a fuzzy notion of what a capital gain is because they do not own capital. And I fear that we may have gone too far in rewarding people who generate income from capital to the detriment of those who generate income from getting up at 6 every morning and putting in an 8 or 10 hour day.

And while I supported both of these provisions, I deeply regret that this budget does not address the ability of the other 98 percent of Americans to build estates and ownership of capital.

Even as the importance of wealth is growing, the gap in who owns it and who does not is growing too.

The question, Mr. President, is: Where does wealth come from and why do working families not have it? The answer is that wealth is built by saving and investing over a long period of

time, which requires disposable income that many families lack.

I had hoped we would target tax relief toward freeing the disposable income that working families need. I have proposed doing so by cutting the biggest tax working families face: the payroll tax. I call this tax "The Forgotten Tax." I had lobbyists knocking on my door to discuss every arcana of tax law, but not once did someone knock on my door to talk about this tax. I hope we'll take a close look at it and talk about how this tax can be cut to give the working families on whom it imposes its greatest burden a way to generate wealth through personal savings.

We missed another important opportunity to help families build wealth. KidSave, a term that is being bandied about to describe policies that are foreign to its purpose, would have converted the \$500-per-child tax credit from one that increases consumption by \$10 a week to one that allowed families to build a stake of ownership in the economy, which, as I have said, I believe is more important than increasing their income, as much as I support that goal. I believe this one provision, which was dropped, could have laid down the savings infrastructure that our children will need in the 21st century to build a stake of ownership in the economy.

I am pleased that this bill would expand IRA's and allow parents to open higher education IRA for their children which would become IRAs in the child's name at age 30 if the child did not use them for higher education. However, the savings initiatives contained in this bill are voluntary and for most people they will probably not be "sweet" enough get the people who most need to build wealth, to do so.

Second, I also fear this bill will come to be known as the Tax Complication Act of 1997. This tax bill is going to be a bear to administer and a bear for taxpayers to understand. As the Washington Post noted earlier this week, Conceivably an individual reaching retirement age could have an IRA with deductible contributions, nondeductible contributions, one rolled over from an employer plan and one of the new backloaded ones. As the Post dryly notes, calculating the required withdrawals and taxes would be "an adventure."

As I am sure everyone in this chamber knows, not only are there different income phaseouts for the front and back-loaded IRA's in this bill, there is still yet another phaseout for rollovers from front to back loaded IRAs.

I don't mean to single out any one provision for its complexity factor. Here is yet another: Your capital gains rate. Just what is the rate under this bill you might ask? That seems like a pretty straightforward question but not so fast.

Assets held for zero to twelve months will be taxed under this bill at ordinary income rates—a top rate of 39.6 in

other words. Assets held for 12–18 months and sold will be taxed at the current maximum capital gains rate of 28 percent. Assets held for eighteen months or more will get either a 20 percent, or ten percent rate. Assets disposed of between May 7 and July 29 and held for 12 months will get a 20 percent rate.

But wait, there is more. We have a new 5 year holding period rate. People paying taxes at the 15 percent rate would get an 8 percent capital gains rate on assets held for 5 years beginning now. People above the 15 percent rate would have to wait until the year 2001 to get the 5 year holding period going, could even take old assets and bring them up to current value without disposing of them, hold them for 5 years, and get an 18 percent rate in the year 2006.

Oh, and if you own commercial real estate, the rules are different as well. Under this bill, the depreciated portion of your real estate is taxed at 25 percent, the amount above that amount is at 20.

If you are working, but not wealthy, and you have more than two children, you'll probably need to spend some of your child credit hiring someone to figure out your child credit. Under this bill, someone with one or two kids would get the child credit before their earned income tax credit. But if you have three or more kids, you would have the option of figuring your tax two ways: either take the credit before the EITC or take the credit up to your employee FICA and income taxes minus your EITC. At this point, as I understand it, you are no longer even receiving a child credit. If you get the child credit this way, you are getting a supplemental child credit, not, presumably and actual child credit.

Just one more example. The education initiatives. Believe me, in order to figure them out, you are going to need a degree in accounting before you are able to do your own taxes. Under this agreement, the HOPE credit gives you a 100 percent credit up to \$1,000 the first 2 years, and 50 percent of \$1,000 the second 2 years for "eligible expenses." That is on a per student basis and it begins in January of 1998. In addition, this agreement has a lifetime learning component which provides a 20 percent credit for up to \$5,000 in expenses on a per family basis which in 2002 becomes a 20 percent credit against \$10,000. That provision begins on July 1, 1998. The HOPE credit is indexed in 2001, the lifetime learning piece is not. Income limits for both are indexed in 2001.

Having expressed those concerns, I do not want to underestimate the magnitude of the achievement. Continuing the job of balancing the budget will advance the goal of economic growth. The expanded reach of the \$500-per-child tax credit means real relief for real families. The great American institution called the family farm will have a greater opportunity to stay in

families. I repeat: I vote yes for what we have done here, for what we achieved, but with regret for the challenges we chose not to tackle. We have thrown a first down pass, and the cheers from the crowd are deserved. But a long distance remains to the goal line: a federal budget that can cope with the demographic challenges we face while still preserving our priorities as Americans.

Mr. ROBERTS. Mr. President, I rise today to support—and reflect—on the Taxpayer Relief Act, which will be passed by the Senate tomorrow. I am pleased that at long last we are providing tax relief to our Nation's family farms and businesses and to many individual Americans. My philosophy long has been that if we can allow any American to keep one extra dollar of his or her hard-earned income, we have achieved a measure of victory.

At the same time, I have serious concerns about major parts of this legislation.

First, let me review some victories. As former Chairman of the House Committee on Agriculture, I helped steer Freedom to Farm legislation through Congress. It was an important step in returning agriculture to the free-market and removing the Government from the operation of family farms. However, that historic farm legislation will be successful only if we take steps on the other side of the ledger that give farmers the tools they need to compete. High on that list are capital gains and estate tax relief, which are included in this tax bill.

I have received numerous letters and phone calls from constituents who purchased their farms and businesses 40, 50, or 60 years ago. These people want to pass their family farms and businesses to their children, but cannot because of burdensome capital gains and estate taxes. I have long argued that it is unfair to tax a family's income three times—once as income, once as capital gains, and once as an inheritance. Although this bill does not eliminate capital gains and estate taxes, the increased exemption for estate taxes and reduced capital gains rate will make it possible for numerous parents to pass their farms and businesses on to their children.

I am also pleased we have achieved repeal of the AMT for deferred payment commodity contracts and income averaging. A farmer must deal with drought, floods, freezes, and insects, any of which can destroy or severely harm their crops. Thus, farmers often experience large fluctuations in income from year to year. These provisions provide important tools for managing these income fluctuations. While something is always better than nothing, I am disappointed that income averaging will only apply to the 1998 and 1999 crop years and not the full remaining 6 years of the farm bill.

I am also pleased that the bill does not include the onerous House provisions that would have taxed the tuition

waivers received by graduate teaching and research assistants at universities throughout the country. Acceptance of these provisions would have sharply cut access to graduate school for many students, created teaching shortages, and greatly increased the cost of continuing important research projects.

Mr. President, while I am happy to see these provisions included in the Taxpayer Relief Act, I also have serious concerns with several provisions of this bill.

First, at a time when Americans have asked us to lower their tax burden and make the tax code less complex, this bill actually increases the complexity of the tax code. We have obtained a reduction in the capital gains rate. At the same time we have set up six different capital gains rates: 28 percent for collectibles; 25 percent for recaptured depreciation on investment real estate; 20 percent for all other capital gains, falling to 18 percent beginning in 2001 for assets held longer than 5 years; A 10 percent rate for those earning less than \$41,200/year, falling to a rate of 8 percent in 2001 on assets held longer than 5 years.

If you include the corporate capital gains rate, we now have seven capital gains tax rates. Only in Washington is an expansion from 3 to 7 tax brackets called simplification.

There are numerous examples where this bill will make the tax code more complex.

High on that list is the incomprehensible maze of individual retirement accounts set up by the bill. There is no escaping the fact American families may need a tax lawyer to establish an IRA—but they most certainly will need a lawyer to sort through withdrawal of money from their IRA's.

Additionally, this bill tells Americans: "The Federal Government will reward you for having children. The Federal Government will reward you for limiting your income."

Have a child, get a \$500 credit on your taxes. But if you are a family making over \$110,000 per year you get none of the benefits. Nearly all of the bill's rewards, in fact, are subject to income limits.

That is a clear message.

That is more social engineering than tax policy.

Could we achieve the same goal of tax reduction by spreading the cuts across the board to help every American taxpayer? You bet we could.

Mr. President, we all agree with the goal of assisting families send their children to college. This bill provides several tax incentives to do that. But I must ask: "Have we looked hard at these provisions to ensure they will not quickly inflate the cost of higher education so that any benefits to students and families are lost?"

Finally Mr. President, I ask what is in this tax bill for those individuals who are not rich, who do not have large investments and savings, and who do not have children?

I received a call this week from a constituent who works on the assembly line at Boeing Military Aircraft Co. in Wichita, KS. He labors side-by-side with another worker who earns a salary identical to his. However, his co-worker is married, has two children, and paid \$4,200 less in taxes this past year than the single worker. This constituent commented that his coworker is now getting an additional tax break, while his taxes will not be lowered one penny by this tax bill. He was angry, upset, and wanted to know why his Government penalizes him for being single. Mr. President, I am not sure I have an answer.

I received another call from a father of three college graduates. This man and his wife used most of their savings to put their children through college. He has heard about the \$500 per-child-credit, tuition credits, and capital gains reductions. Yet, he had one very important question. How was this tax bill going to benefit him and his wife, since none of these benefits apply to them? These constituents are not unique. They speak for a large segment of decent, hard-working Americans who have been forgotten in this tax bill.

These constituents have a particularly difficult time understanding why they are receiving no tax breaks under this bill, but someone who pays no income taxes can still receive the \$500 per child credit as a refund towards their payroll taxes. My constituents want to know why these people are receiving a refund on their Medicare and Social Security taxes, but will still receive the same benefits when they retire, as those Americans who are working hard to make a living but who receive few benefits under this bill. Why are we failing to give tax breaks to people who pay taxes, while giving refunds to those who pay nothing? Why are we using a tax cut bill to develop and expand a new form of welfare?

I do not argue that families with children do not deserve tax breaks. Everyone in America deserves a break from their onerous tax burden. Unfortunately, in our hurry to give tax breaks to families and people who do not even pay income taxes, we forgot about those middle-income Americans who are single, or married with no children, and who work just as hard to make ends meet as their counterparts with children.

Mr. President, I will vote for the Taxpayer Relief Act because it contains many tax relief provisions long needed by American taxpayers.

However, I would urge my colleagues to begin thinking seriously about the need to return to these issues as soon as next year and make new attempts to simplify our tax laws and make them fair to all classes of taxpayers.

This tax bill is far from the best we can do.

A good tax bill should not promote disparity between economic classes, it should not promote social policies, it

should not expand welfare, and it should not create additional employment for CPA's and tax lawyers.

Mr. LEVIN. Mr. President, I will support this bipartisan tax reduction bill. This package has the right priorities, emphasizing education for young people, health coverage for children, and tax relief for working families. It represents a significant improvement over the bill originally passed by the Senate, which I opposed.

The improvements in the bill over the Senate bill are numerous. For instance, the \$500-per-child tax credit has been greatly expanded to include more working families with children. Last week, I highlighted several Michigan families that would receive significant benefits under the \$500 per child tax credit in the President's plan but would receive no benefit under the House or the Senate bills. The compromise agreement grants those Michigan families substantially the same benefits that the President's plan would. One of those working families is the Ginn family from Saginaw, Michigan, with an income of \$25,000 per year, who would receive no benefit under the \$500-per-child credit in the Senate bill but would receive more than \$1,200 in tax credits under the compromise version. Another family is the Shannon family, from Livonia, MI, with an income of \$18,460 a year, that has a 1½-year-old son. They too would receive nothing under the child credit in the Senate bill but would receive the full \$500 under the compromise version.

Mr. President, I ask unanimous consent that a summary of the tax benefits for six families from Michigan illustrating the improvements in this bill be included in the RECORD following my statement.

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

(See exhibit 1.)

Mr. LEVIN. The education tax cuts that will make college more affordable for millions of families have been increased by nearly \$7 billion over the Senate bill under the compromise agreement. The legislation includes the \$1,500 HOPE Scholarship tax credit which is available for students in their first 2 years of college. It also includes a provision that was not included in the Senate bill to give a 20-percent tuition deduction for a student's junior, senior, and graduate educations. There is an extension of the tax exclusion for employer-provided education assistance for 3 years and a welcome reinstatement of the student loan interest deduction which allows those paying back their loans to deduct up to \$2,500 per year.

I am also pleased that the President insisted that the Empowerment Zone concept that has helped revitalize Detroit and other Michigan communities be added to the bill.

While there is much to applaud about this legislation, it's not the tax bill I would have written. While the Treasury Department and the Joint Tax

Committee have been unable to supply an analysis of the distribution of the benefits of these tax cuts in time for this vote, I believe that more of the benefit of this bill is directed to those who need it least. I would have preferred a tax bill which targeted even more of its benefits to working families.

The Corporate Alternative Minimum Tax [AMT] has been significantly weakened in this bill and a significant number of profitable companies will pay no tax as a result of this change. The AMT was added to the Tax Code to ensure that profitable companies pay some tax. While the capital gains holding period was lengthened by 6 months, I would have preferred a tax bill which more narrowly targeted the capital gains tax cut.

There is one more area of this bill which could use some improvement. While many of the tax provisions that I have already mentioned I fully support, this bill as a whole does not do anything to simplify the Tax Code. In fact, it is likely to add a significant number of pages to the code and add a significant amount of time to the time it takes for taxpayers to prepare their return. I hope that in the near future we can improve the Tax Code and make it and the IRS easier to deal with.

However, Mr. President, even with its imperfections, this bill is an improvement over both the House and Senate passed bills, includes more of the President's and Democrats' priorities emphasizing education for young people, health coverage for children, and tax relief for working families. For those reasons, I will support it.

#### EXHIBIT 1

##### MICHIGAN FAMILIES GAIN CHILD TAX CREDIT UNDER BUDGET AGREEMENT

(Source: Office of Senator Carl Levin)

MELISSA SHANNON, LIVONIA, MI

Melissa Shannon is a full-time flight attendant for American Trans Air at Detroit Metro Airport, currently earning \$18,460. She has one son, age 1½.

Value of child credit: House proposal: \$0; Senate proposal: \$0; Clinton proposal: \$500; Budget Agreement: \$467.

CHERYL CAMPBELL, FLINT, MI

Cheryl Campbell works at Compensatory Education center as a parents' assistant, currently earning \$20,000. She is a single parent with two children, ages 10 and 12.

Value of child credit: House proposal: \$0; Senate proposal: \$0; Clinton proposal: \$900; Budget Agreement: \$900.

KIRT AND CORA HAROLD, GRAND RAPIDS, MI

Kirt Harold is a cosmetologist and Cora Harold does accounting for a shipping company in Grand Rapids. Their combined family income is \$21,000. The Harolds have 2 children, ages 3 and 4.

Value of child credit: House proposal: \$0; Senate proposal: \$0; Clinton proposal: \$525; Budget Agreement: \$525.

CATHY SMITH, ESCANABA, MI

Cathy Smith is a computer operator in Escanaba who currently earns \$18,512. She is divorced with two children, ages 9 and 10.

Value of child credit: House proposal: \$0; Senate proposal: \$0; Clinton proposal: \$677; Budget Agreement: \$677.

VALLEY GINN, SAGINAW, MI

Valley Ginn works as a secretary at the Saginaw Fire Department. She has three

children, ages 17 months, 28 months, and 7 years.

Value of child credit: House proposal: \$0; Senate proposal: \$0; Clinton proposal: \$1,207; Budget Agreement: \$1,207.

LIANE HAGERMAN, BOYNE CITY, MI

Liane Hagerman works as a public health technician at the Northwest Michigan Community Health Agency, currently earning \$21,000 annually. She has three children, ages 10, 15, and 18.

Value of child credit: House proposal: \$0; Senate proposal: \$0; Clinton proposal: \$653; Budget Agreement: \$653.

Mr. GRASSLEY. Mr. President, I am privileged to be in the Senate today to support passage of this historic legislation. In my career as a Senator, a Congressman, and a State legislator, I have participated in thousands of bills. Posterity will probably remember only a select few of them. Of all, I expect, and hope, those who keep apprised of Congress will remember this tax freedom reconciliation bill among those remembered most fondly and most often.

This bill is not only about the Government living within the Nation's means, but about the Constitution itself. Two years ago, the Congress proved that it could pass a balanced budget. It also learned that the Constitution anticipates a third participant in the legislative process, the executive branch. So, we arrive here today not only having anticipated the needs of the President, we have included the executive branch as an active participant throughout the legislative process.

The words of the Constitution do not proscribe that Congress and the President should enter into an agreement defining legislation before it is actually written. Furthermore, the Constitution does not proscribe that the Congress should advance legislation with the continued advice of the Office of the President, the Treasury Department, and the Office of Management and Budget. The words themselves simply allow the President the express authority to either enact or veto the bills that we in the Congress produce.

However, the partnership forged between the President and Congress prove that the President can, and should, make his intentions known throughout the legislative process. Since the President can veto any bill that is sent to him, the process should allow that their contents of bills should not come as a surprise. But, it is not the President's reaction that should be avoided. It is the surprise of taxpayers. As the legislative process has evolved, too much progress occurs behind the closed doors of committees and caucuses. The people of the Nation have come to think of the legislative process as a black box. The good intentions go in one side, but something wholly unknown can come out the other. The President has always had the authority to veto and the Congress the power to reconsider.

But, in modern times, our legislative processes have become so cumbersome that Congress leaves itself without the

days necessary to reconsider huge reconciliation bills. Therefore, we have effectively revamped the legislative process by allowing the President to play an earlier role.

Some might say that this is a significant change. Since the Constitution does not direct such a partnership, it must be implied therein. Our Constitution intends that we pass laws, not only bills.

Therefore, I turn to the product of this new process: The tax freedom reconciliation bill of 1997. Earlier today, we passed the balanced budget reconciliation bill. The latter is the first spending bill that anticipates a balance in almost 30 years of gridlock. The former is the first tax bill in 16 years that actually cuts taxes. Together, they are the first omnibus reconciliation legislation in 4 years that will become law.

Presently we are considering the tax freedom reconciliation bill. I am particularly proud of several provisions contained in this bill. Some of these sections have national perspectives like both the renewed income tax deduction for interest on student loans and estate tax relief. Others have a more regional effect such as the law turning back the unauthorized IRS expansion of the alternative minimum tax against farmers. All, however, provide relief to hard-working families in the areas of education and income security.

For education, this tax-relief bill renews the deductibility of interest incurred on student loans. I have introduced that particular bill in every Congress since it was repealed in 1986. In the last two Congresses I was accompanied by my friend from Illinois, Senator MOSELEY-BRAUN. Today, I am happy to announce our success.

When Americans think of investing money, we think of investing in things—machines, natural resources or businesses. This student loan provision is an investment in human capabilities and talents. I would like to do even more than what is offered in this provision. But restoring the deductibility on the interest paid on student loans sends a message to college students across the country. Their talents are worth the investment of dollars.

Students need to know the Federal Government and the Nation value their contributions. Understanding this, I believe they will have a greater appreciation of the effort necessary to successfully complete a higher education. We are clearly sending the message that the Congress recognizes the financial responsibility students undertake, and we are willing to do what we can to ease that burden.

For farmers, I am pleased to announce that another of these new laws will forever repeal the unauthorized IRS advancement of the alternative minimum tax against traditional farmer deferred commodity contracts. The President may offer his views on legislation, but the IRS does not have unilateral power to legislate on its own.

This is good news for family farmers and rural America. It reaffirms the intent of Congress that family farmers should be able to continue receiving the use of the cash method of accounting not limited by the AMT. The IRS decision last fall to unilaterally change a 16-year-old tax policy for these deferred payments. The IRS was dead-wrong. Sixty-three of my colleagues joined my legislation with Senator DORGAN as solid proof.

In addition to setting the record straight, turning back the AMT for farmers highlights the larger problem we face when the IRS disregards the intent and the will of Congress. Here, we had a tax policy in place for 16 years, and suddenly, the IRS decides to make a 180 degree turn, which caused a great deal of havoc and concern for thousands of taxpayers. But, in order to return the law to its original intent, we had to come up with hundreds of millions of dollars as an offset, because of the upside-down way we do revenue estimates around here. So, I hope the Joint Committee on Taxation will be addressing the revenue estimation problem in the near future.

I am also proud of the future for estate tax relief for families. When thinking about estate taxes, you have to always keep your eye on the ball. Estates do not pay estate taxes, surviving families pay estate taxes. In this bill we do a number of things for death tax reform. All of these new laws are based on legislation that I introduced with my friend from Montana, Senator BAUCUS. Twenty cosponsors joined in our bill S. 479, the Estate Tax Relief for the American Family Act. It became the estate tax relief legislation embodied in this reconciliation bill providing over \$675,000 of new relief.

In current law, the general estate tax exemption is \$600,000, but that number is more than \$200,000 behind the rate of inflation. In nearly every area of my State and the Nation, we saw in the past decade estate tax ultimately confiscate many family farms. Estate tax reform is simply about fairness and equity for families.

We've heard some make the faulty argument that the estate tax only affects a small percentage of taxpayers. Well, the point they leave out is that many other thousands of taxpayers have to waste a great deal of money in order to plan their estate so it will remain operational and in the family.

In addition, without the relief under this bill, the number of those affected by the estate tax would increase substantially in the next 5 to 10 years.

Let me also add that I strongly support estate tax relief because it directly helps preserve our natural land. Our estate tax relief is very pro-environment simply because it helps keep family farms operational and defers the danger of over-development by urban activities.

In this bill, capital gains tax relief is the partner of estate tax reform. Capital gains tax relief is similarly vital to

my State of Iowa. A disproportionate amount of farmland is held by older landowners. To illustrate, studies in my state of Iowa show that 42 percent of farmland is held by taxpayers over the age of 65. Last year, Iowa State University conducted its annual farm life survey. It found that in the next 5 years, 21 percent of Iowa farmers are planning to retire. This high rate of those leaving farming raises important questions about who will be the next generation of Iowa farmers.

Some of those farmers who retire will want to hold onto the land and maybe rent it out. Many others want to sell the land, move to town, and be fully retired. Unfortunately, the capital gains tax has locked them on the farm. I support an even larger reduction in the capital gains rate. But, the reduction in the bill is certainly a very positive step in the right direction.

Finally, I want to talk about the expanded availability of tax supported individual retirement accounts. With the constraints of the Tax Code reduced, we will have more people saving for their retirements. Homemakers will be able to save \$2000 per year tax-free regardless of the tax free retirement program offered to the working spouse. These new pro-saving laws will reduce the strain on the Social Security system.

This Congress produced all of this relief for families by using bipartisanship and cooperation with the executive branch. This cooperation was not expressed in so many words of the Constitution, but it must certainly have been implied.

Thank you Mr. President. I yield the floor.

Mr. ROCKEFELLER. Mr. President, before casting my vote for this tax portion of the budget plan, I want to comment on the aspects that are of most concern to me.

The basic point I want to emphasize is that my vote for both the spending bill and this tax bill that make up the balanced budget and tax plan is the result of weighing its merits against its flaws. The fundamental job for Congress this year has been to agree on a plan to balance the budget, which is the main objective of the bills we are approving this week. Unlike the Republican budgets that I opposed over the last 2 years, this plan is the result of bipartisan negotiations and contains real benefits and important compromises in the interest of West Virginians and all Americans.

At the same time, it has been clear that the only way we could finish the job some of us started in 1993, to balance the budget and start dealing with future priorities, was to find middle ground. I recognize that I cannot write or cause the passage of the budget plan that reflects exactly how I would chart Medicare's course, design the children's health insurance program, target tax relief, or address other priorities for West Virginians. Instead, I have worked hard in the recent months

to influence these parts of the budget and make the best possible case for the approach I think is fair and balanced.

The spending plan approved this morning and the tax bill before us today are improvements over the extreme Republican budgets that were rejected in the past 2 years and over the earlier versions of these very bills. With the many aspects that will benefit West Virginians and address national priorities, I made the decision to vote for both bills.

The crucial part of the bill before us is the fact that it will provide tax relief to 27 million hardworking American families who are responsible for raising over 45 million children under the age of 17. Today, Congress joins the President to give those families a per-child tax credit much like the one that the bipartisan Children's Commission unanimously recommended when I chaired that commission 7 years ago. We are delivering real tax relief to American families so that they can share in the benefits of our sharply declined, and soon to be completely eliminated, deficit. That is an achievement I think we can be proud of, particularly because this tax conference report will benefit 5.9 million lower income families who were left out of the Senate-passed tax bill. The fight to make the child tax credit fairer was won by the President and Democrats who refused to ignore the millions of families struggling the hardest to provide for their families. Winning, improving the child credit so it is extended to more American families is important because it means we will more fairly distribute the benefits of the tax cuts in this bill than under the initial tax plans passed in Congress.

I am pleased that I can report that 25,000 more West Virginia families will benefit from the child tax credit as a result of the changes in the conference report—changing the stacking order of the child credit, now placed before the EITC, and its partial refundability for families with three or more children. It is predominantly for that reason that I will cast my vote in favor of this tax package. Improving the child credit so it reaches more families, the families who need the most help to buy their children shoes, pay the mortgage, or deal with an unexpected medical expense, is a major victory in this tax bill. With this important improvement, I can support this tax package. The substantial dedication of funds to provide health insurance to about 3.4 million of the 10 million uninsured children in our country—totaling \$24 billion in new dollars for kids' health—is another major reason to vote for this bill. The additional financing for kids' health comes from a hike in the tobacco tax. I think that is a smart way to pay for this new spending on children's health. I am deeply disappointed that we did not insist on a meaningful benefit package for those children, but I will be back another day to fight to improve that provision.

But I don't want to cast my vote in favor of this 5-year budget bill without making it perfectly plain that I have serious worries about the long-term costs of some of the tax cuts in this bill. Certain provisions could be a potential tax timebomb because of how their costs explode in the 5 years following the 5 years in this budget, sometime after 2002. The explosion of costs in what we refer to as the out-years—years after the first 5 years of the budget—of the provisions that benefit the wealthiest Americans are very worrisome to me. I have to honestly wonder whether or not we will realistically be able to retain them. The long-term costs of providing such generous reductions in tax rates for estates and gifts, capital gains, and the expansion of individual retirement accounts [IRA's] may prove too expensive to sustain. I cite these particular provisions because they are the ones that score as relatively small costs in the first 5 years of this budget, but are projected to multiply 10 and 20-fold in the second 5 years, according to the scoring of both the Joint Committee on Taxation and the Treasury Department.

Consider these numbers—estate tax relief costs \$5.9 billion in the first 5 years and jumps to \$33 billion in the second 5 years; capital gains relief scores as if it saves \$123 million in the first 5 years but the cost of that relief increases to \$20.2 billion in the second 5 years; and the IRA expansions cost \$1.8 billion in the beginning of this agreement, but rise precipitously to \$21.1 billion in the next 5 years. Those are enormous increases, and I worry that we cannot afford to include such narrowly targeted tax relief over the long term when we don't know how healthy our economy will be in the year 2002. We may well have to revisit these benefits and reconsider whether they are worth retaining. I would be thrilled if our economic growth and expansion continued at such a pace that we do not have to revisit this work, but I want my colleagues to know that this is one of my worries about enacting this tax bill.

I remain very confident that over the next few years we have a unique opportunity to provide some tax relief to many Americans—and well understand the promise of that relief helps us deliver an agreement to balance the budget. At the same time, we are plowing \$40 billion into education tax credits to help 5 million students with a \$1,500 HOPE scholarship to make the first 2 years of college universally available and a 20 percent tuition tax credit for college juniors, seniors, and graduate students, along with working Americans to pursue lifetime learning and get the skill upgrades they need to compete in a changing economy. This level of tax support for education will help us prepare our children and our workforce for the new century. I congratulate the President for holding firm to his commitment.

I am hopeful that both budget bills headed for the President's signature

will make the steps forward that are being promised and celebrated today. I know that many provisions will directly benefit West Virginians in key areas. But I also urge everyone in Congress to keep a careful watch on the results of both bills, and maintain a commitment to correcting anything that may go wrong and budgetary effects that may go awry. Let's do our best to achieve the good promised in these bills, and work to make sure that the legacy of this legislation will be something we can continue to praise in future years.

#### AIR PASSENGER TAX FORMULA

Mr. MURKOWSKI. Mr. President, there are many elements of the tax package that I strongly support including the children's tax credit, the reduction in capital gains, and the first step in estate tax relief. For those reasons, I will vote for the tax package.

However, I want to take a moment to discuss with my colleagues what I believe is a fundamental inequity in the structure of the package. What I am referring to is the new air passenger tax formula. The conferees rejected the Senate's approach, which would have maintained the current flat 10-percent tax and instead adopted a dual tax structure that imposes both a flat tax and per-segment, per-passenger tax.

This new formula fundamentally discriminates against low-fare carriers, especially those who fly smaller aircraft that make multiple intermediate stops. The new formula will have an especially detrimental effect on flights to and from the lower 48 from Alaska and Hawaii.

For several years, Congress has recognized the unique travel circumstances faced by citizens of these two noncontiguous States. In reality, the only way to get to Alaska and Hawaii is by air. And once you arrive in Alaska or Hawaii, air travel is often the only suitable way to get around.

Unfortunately, the new passenger tax formula fails to recognize our States' strong reliance on the airplane. Passengers in small communities like Ketchikan could see their air tax bill jump by 30 to 40 percent when the new formula is fully phased in. That is simply unfair to Alaskans, who already must endure close to the highest cost of living of any State.

Moreover, the new structure has a hidden timebomb that would explode if we see a spike in inflation. Not only is the head tax indexed for inflation, but the special \$6 departure fee that is only imposed on flights to and from Alaska and Hawaii is also indexed. What this means is that every year, flights to Alaska and Hawaii are guaranteed to see a double tax hike, whereas flights within the lower 48 will only see a tax rise on the per-passenger fee.

I think that is fundamentally unfair and it is my intention to introduce legislation that will reinstate the current air tax structure for flights to Alaska and Hawaii.

Mr. AKAKA. Mr. President, I echo the sentiments of my colleague from

Alaska. The aviation provisions in this tax bill are unfair to residents of and visitors to Hawaii and Alaska and will have a disproportionate impact on carriers that serve our States.

The bill fails to recognize that the 49th and 50th States are fundamentally different from the rest of the Union in our heavy reliance on air transportation. As the only noncontiguous States, Hawaii and Alaska are, for all practicable purposes, accessible from the continental United States only by air. Furthermore, for different reasons, travel within Hawaii and Alaska is feasible only by commuter airline. In effect, Alaska's and Hawaii's air routes serve the same purpose as other States' highway systems.

The pending measure would abrogate a long history of congressional support for our States' special aviation needs—needs which are embodied in current law—by imposing a per segment charge on flights to, from, and within Hawaii and Alaska. This new tax discriminates against the low-fare, short-haul carriers that serve the people of our States as well as the larger carriers that maintain our communications links with other States.

Carriers that serve Hawaii can ill afford this additional tax burden; the impact is especially heavy on our local commuter airlines. The taxes of Hawaiian Airlines and Aloha Airlines alone will rise by as much as \$7.5 million and \$6 million, respectively, in the next year as a result of the new segment fee.

Mr. President, I appreciate the conferees' desire to make excise taxes reflect usage of the air traffic system. But I do not believe that the conferees fully understood the implications of the segment tax with respect to states whose residents and visitors are wholly reliant on air service for intrastate and interstate travel.

This is clearly an issue that deserves further study. Certainly this is an appropriate topic of review for the Mineta Airline Commission. Should the tax bill pass, I hope that Members of this body would agree to revisit this issue at the earliest opportunity. In any case, I will join Senator MURKOWSKI and my other colleagues from Hawaii and Alaska in supporting legislation to restore the current tax treatment of our two States.

Mr. STEVENS. I also share the concern expressed by my colleagues about the new air travel segment fee in this bill. I regret that the Senate was not able to sustain its position of a simple extension of the 10 percent ticket tax in the conference committee.

We had a vigorous debate last year over financing the Federal Aviation Administration in the Senate Commerce Committee on another congressional committees. We decided to establish the National Civil Aviation Review Commission to examine FAA's true funding needs and various mechanisms for raising the revenues to meet those needs.



The Senate and the administration proposed extending the ticket tax during this budget debate to allow the commission to do its work.

The new fee undercuts the work of the commission by prejudging their decision. This is not the way public policy should be made, especially on a matter of such direct importance to the pocketbooks and the safety of the American public.

Mr. INOUE. Mr. President, I share the concerns of my colleagues from Alaska and Hawaii regarding the new airline ticket tax formula. I, like Senators MURKOWSKI, STEVENS, and AKAKA, am distressed that a bill that has so many important provisions that will benefit the Nation and citizens of Hawaii, badly misjudges the need for and importance of air transportation in both Alaska and Hawaii.

Hawaii, unlike any other State in the Union, is completely isolated from any other landmass. In terms of interisland/intrastate travel, my State is totally dependent on air transportation. Maintaining the stable, low-fare air transportation system we currently have is essential to the State of Hawaii. Similarly, we must also maintain a low-fare environment to stimulate the influx of tourists. Tourism is Hawaii's No. 1 industry. Given this utterly unique feature of our State, I am most disappointed that this bill imposes not only a segment tax on our citizens who must travel between the islands to conduct daily business and to visit family members, but also imposes the segment tax, an excise tax and a departure tax on passengers coming from any other State in the Union to Hawaii. According to the local carriers in the State of Hawaii, in 1998, interisland customers would pay an additional 16 percent in taxes, increasing to 54 percent in 2003. No other State, other than Alaska, will face fare increases as significant as those which the new legislation will impose on the residents and tourists of Hawaii. We must recognize that Alaska and Hawaii are unique and must accommodate these States' dependence on air travel in legislation that impacts the primary means of commerce on our States.

I am pleased that Senator MURKOWSKI plans to introduce legislation to rectify this situation and I will strongly support him in those efforts.

TIAA/CREF

Mr. MOYNIHAN. Mr. President, under the Taxpayer's Relief Act of 1997, the Teachers Insurance and Annuity Association [TIAA] and the College Retirement Equities Fund [CREF] are taxed under the same regime as life insurance companies. However, TIAA and CREF are separate companies with different structures and operations.

TIAA is a nonprofit, legal reserve life insurance and annuity company. CREF, on the other hand, is a management investment company registered with the SEC under the 1940 act. CREF was organized in 1952 under a special act of the New York Legislature. CREF

predates the existence of separate accounts and in fact served as the model for the variable annuity products offered today by life insurance companies through separate accounts. No portion of a participant's pension contribution to CREF pays for guarantees or the maintenance of reserves.

In light of the differences between TIAA and CREF, I would like to ask Chairman ROTH, the distinguished chairman of the Finance Committee if he would be so kind as to comment on the intent of the bill as it applies to the taxation of CREF.

Mr. D'AMATO. Mr. President, 2 million college faculty participants—260,000 in my State of New York—rely on TIAA and CREF pensions to provide retirement security. Participants know when they choose CREF, every contribution dollar goes to the retirement annuity accumulations, or payout company, CREF offers no guarantees nor does it maintain contingency reserves. Yet CREF performs functions similar to a separate account of a life insurance company by allowing retirees to receive variable annuity payouts.

I would like to join Senator MOYNIHAN and ask Senator ROTH, the distinguished chairman of the Finance Committee, to comment on the intent of the bill concerning the taxation of CREF?

Mr. ROTH. First, I would like to say that I joined my distinguished colleagues, Senators MOYNIHAN and D'AMATO in opposing the repeal of the tax exemption for TIAA and CREF in conference. However, the Senate did not prevail.

In light of this unfortunate result, I believe the intent of the bill is that CREF should be taxed consistent with its unique structure and apart from TIAA.

Mr. REED. Mr. President, I rise in support of the conference report on the tax relief package. I believe the conference report represents significant progress from previous efforts to provide tax relief for hard-working American families that are struggling to pay their bills, educate their children, and save for retirement. As one who voted against the previous Senate version of the tax cut bill, I commend the conferees and the administration negotiators who worked to address some of the concerns that I and others expressed with the previous legislation to develop this compromise.

However, I must also express strong concern with several provisions that remain in the bill. I believe that the provisions related to capital gains taxes, IRA's, and estate taxes unfairly benefit the wealthiest Americans, and threaten to upset the fiscally responsible decisions, such as passage of the 1993 deficit reduction package, that enabled us to reduce the deficit to its lowest point as a percentage of GDP since 1974. However, when considered in the context of the larger effort at bipartisan compromise and the willingness to expand healthcare coverage to

millions of children, I believe this legislation presents a good deal for many working American families.

In particular, the tax cuts contained in the conference report provide a greater amount of tax relief to middle income Americans than previous versions of this bill. For example, under the bill passed by the Finance Committee, the second lowest 20 percent of income earners would have experienced a tax increase, whereas under the conference report, these Americans would enjoy a tax cut. Although I still have concerns that a substantial share of the tax cuts will go to the highest income Americans, these concerns are counterbalanced by the fact that middle-income Americans will enjoy significant tax reductions and expanded educational incentives which were not as prominent in prior versions of this bill.

As I have stated throughout the debate on this bill, I have reservations about provisions in the bill related to the capital gains tax, new backloaded IRA's, and the estate tax. Particularly disturbing is the fact that these tax reductions, which come at a significant cost after 2002, will almost exclusively benefit the wealthiest Americans. For example, the Joint Tax Committee has estimated that three-quarters of Americans receiving capital gains income are households that earn over \$100,000 annually. Similarly, only 1.6 percent of estates are valued high enough to qualify for capital gains increases. Meanwhile, these tax cuts will cost \$75 billion over 10 years.

Beyond favoring the wealthy, I am concerned that the cost of these tax cuts, many of which are backloaded, will explode in the years after 2002 and ultimately upset the progress we have made on deficit reduction. These concerns are supported by the 10-year revenue estimates recently released by the Joint Tax Committee which suggests that the cost of this tax bill will be \$275 billion over 10 years. This level of revenue loss may prove difficult to sustain, and I would hope my colleagues will protect vital investments like education and infrastructure if difficult economic times arise.

At the same time, I believe that the conferees have made significant progress on the education tax provisions included in the bill. Of particular note is the decision to extend education tax reductions for the third and fourth years of a college education. The Finance Committee-passed tax bill did not extend benefits to years three and four, and I believed this was a major shortcoming of that legislation. By providing benefits for the duration of the average college education, I believe the provisions included in the conference report better reflect the realities facing many individuals desiring to get a college education. Indeed, this compromise before us today provides \$41 billion in education tax incentives for those looking to invest in their education.

I also support the changes that have been made to the child tax credit that will enable a greater number of middle- and lower-income Americans to utilize the credit. By making the credit partially refundable against payroll taxes, the legislation reflects the reality that the most significant tax burden of many low-income Americans is that of the payroll tax. The Senate bill provided no tax credit to many families making under \$30,000. This compromise does.

I would also like to express my support for the decision to keep provisions in the bill that will expand the use of IRA's to allow withdrawals for first-time home buyers. Perhaps the greatest hurdle faced by many first-time home buyers is the inability to get the necessary funds for a downpayment on a home. Provisions in the tax bill will lower this hurdle and enable us to continue to increase home ownership, which is currently at a 17-year high.

In conclusion, I believe the tax bill will provide tax relief to hard-working American families who have faced stagnating wages and tough employment prospects. I am pleased that we in Congress have made the difficult budget decisions which laid the foundation for the tax cuts we are able to provide today. I would caution, however, that we must be ever-vigilant in ensuring that the tax cuts will not overheat the economy or lead to an explosion of the deficit. Indeed, we must be prepared to make the tough decisions that we will be called upon to make in the event that the revenue projections in this agreement do not come to fruition. As we prepare to vote on this legislation, I would encourage my colleagues to celebrate our success, but to consider the concerns that I have set forth.

Mr. President, I will support this bill with reservations, but I also recognize as should we all, that this agreement is a compromise between a President and a Congressional majority of different political parties. As such, it embodies the often conflicting demands and ideals of each group. It is in this spirit that I will vote for the package.

Mrs. MURRAY. Mr. President, I rise today in strong support of the conference report on H.R. 2014, The Revenue Reconciliation Act of 1997. This legislation represents the second part of the historic balanced budget agreement.

As a member of the Budget Committee, I was originally concerned about enacting major tax changes which would jeopardize our deficit reduction progress. I did not want to repeat the mistakes of the 1980's. Back then, Congress did the easy thing in dramatically cutting taxes, but put off the tough decisions on spending cuts. As a result, the National debt increased from \$1 to \$4 trillion, and we've been digging the country out of that hole ever since.

I also had to be sure that, if we did any kind of tax cut, it would be tar-

geted, to working families who desperately need relief and that it was responsible. I had to be sure that it did not add to the deficit and would truly serve as an investment in our economic productivity.

After months of working with the White House and Republicans, we have produced a tax relief package that is responsible, targeted, and will provide significant investment in our economy. It does not add to the deficit—we borrow nothing to offset these cuts.

The tax relief package includes a \$500-per-child tax credit that will go to every family earning less than \$110,000 per year. This tax credit alone will be available for approximately 27 million families with 45 million children, with 13 million of these children coming from families with incomes below \$30,000 a year. This includes children whose parents are teachers, farmers, factory workers, police officers, and nurses—the real working families of this country.

When I first came to the U.S. Senate, I made a commitment to the many small, family-owned businesses and farms in the State, that I would work to reduce the estate tax. I had talked to many people with concerns that their business or farm would have to be sold if they died, rather than being passed on to their children. Because the estate tax is so high, younger generations cannot afford to keep the business or farm in the family.

I introduced legislation to reform the inheritance tax last Congress for two simple reasons. First, the current tax code hits my home State of Washington very hard, because we have a very high percentage of family farms, and tree farms in particular, as well as many entrepreneurial small, high tech businesses. Second, the impact of the current structure of the estate tax had to be changed in order to allow family owned businesses to stay family owned. I am pleased the bill included estate tax relief that is similar to my legislation.

I am also pleased that included within this tax relief package is the accelerated phase-in of self-employed health insurance deduction from 40 per cent up to 80 percent. This is a major victory for small business, farms, and their families. It will also allow more small business owners to purchase quality health care for their children. I have long argued that small businesses should be given the same tax allowance for health insurance as afforded large corporations. This accelerated phase-in will provide this equity and expand access to health insurance coverage for many children whose parents are self-employed.

Perhaps the greatest expense facing many families is that of a college education. I know many middle-class families in Washington State who are struggling to pay for their children's college education. I have also heard from many hard-working adults who cannot afford to upgrade their skills or

further their education. We all know the value of investing in the education of our children and investing in our own skills and education. Yet, for many families a college education was becoming unreachable. The tax relief package before us today will give middle-class families that extra help to meet the ever escalating cost of a post secondary education.

The legislation calls for a total of \$35 billion in education tax credits and incentives. This represents the biggest single investment in the education of our children since 1965. It will give those families who are struggling to pay for a college education the help that they need. As we move in to the next century, it means our children have the skills and education to meet the challenges of tomorrow. Our work force will need to be one of the most technologically advanced in the world in order to maintain our competitive edge and our high standard of living. Investing in today's children is not just an investment in their future, but it is an investment that will maintain our position as a global, economic power.

This bill also contains reductions in the capital gains tax. I am pleased that we have been able to craft this part of the bill so that it targets regular, middle-class families. Many middle-class families have been burdened with heavy capital gains when they sold a home or even sold stocks for retirement savings. In addition, the legislation drops the capital gains tax from the 20 percent called for in the bill to 10 percent for joint filers with incomes less than \$41,200 who sell or transfer an asset held for at least 18 months. For higher income earners the top rate will be 20 percent for investments held for at least 18 months. Carefully crafted and targeted, a capital gains tax cut will encourage economic expansion and will provide equal relief to the middle class. This legislation meets this test.

In 1993 our deficit was close to \$300 billion annually. New estimates for 1997 by the Congressional Budget Office indicate that the deficit for this year could be as low as \$67 billion. We have far exceeded even my expectations for deficit reduction. The spending plan just adopted by this body will eliminate this deficit by 2002. Now is the time to give working families their share of the deficit reduction dividend. This legislation will guarantee that middle class, working families benefit equally from the economic gains we have seen as a result of the Democratic deficit reduction plan of 1993.

I know that this tax relief package and the balanced budget spending plan would not have been possible without a honest, bipartisan approach. While I know that many on the other side do not think that this tax relief package is big enough, any further attempt to cut taxes would have all but wiped out the \$223 billion in deficit reduction that we witnessed since 1993. This legislation is fair and equitable, but fiscally responsible as well. For the sake

of our grandchildren and continued economic growth, we cannot enact deep tax cuts that force us to only borrow more to pay for these cuts. Balancing

the budget must remain our No. 1 goal and priority.

I urge my colleagues to support this conference report and I yield back the balance of my time.

Thank you, Mr. President.

## NOTICE

***Incomplete record of Senate proceedings. Except for concluding business which follows, today's Senate proceedings will be continued in the next issue of the Record.***

### ORDERS FOR TUESDAY, SEPTEMBER 2, 1997

Mr. WARNER. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until the hour of 11 a.m., on Tuesday, September 2, 1997. I further ask unanimous consent that on Tuesday, immediately following the prayer, the routine requests through the morning hour be granted, and the Senate immediately proceed to the consideration of S. 1061, the Labor-HHS appropriations bill.

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

### PROGRAM

Mr. WARNER. Mr. President, for the information of all Members, when the Senate reconvenes on Tuesday, September 2, the Senate will begin consideration of S. 1061, the Labor-HHS appropriations bill. Under the previous order, at 2:15 p.m., the Senate will resume consideration of S. 1033, the agriculture appropriations bill. Under the order, Senator HARKIN will be recognized to offer an amendment regarding the FDA, with 20 minutes of debate equally divided in the usual form in order. As announced, a vote on that amendment will occur Wednesday, September 3, at approximately 9:50 a.m. Following debate on the Harkin amendment, the Senate will resume consideration of the Labor-HHS appropriations bill, with any votes ordered on amendments to that bill being set aside until Wednesday. Therefore, the next rollcall votes will occur on Wednesday, September 3.

### ADJOURNMENT UNTIL TUESDAY, SEPTEMBER 2, 1997, AT 11 A.M.

Mr. WARNER. Mr. President, if there is no further business to come before the Senate, I now ask unanimous consent that the Senate stand in adjournment under the provisions of House Concurrent Resolution 136.

There being no objection, the Senate, at 8 p.m., adjourned until Tuesday, September 2, 1997, at 11 a.m., under the provisions of House Concurrent Resolution 136.

### NOMINATIONS

Executive nominations received by the Senate July 31, 1997:

#### FEDERAL EMERGENCY MANAGEMENT AGENCY

JO ANN JAY HOWARD, OF TEXAS, TO BE FEDERAL INSURANCE ADMINISTRATOR, FEDERAL EMERGENCY MANAGEMENT AGENCY, VICE ELAINE R. MCREYNOLDS.

#### EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

PAUL M. IGASAKI, OF CALIFORNIA, TO BE A MEMBER OF THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION FOR A TERM EXPIRING JULY 1, 2002. (REAPPOINTMENT)

#### NATIONAL INDIAN GAMING COMMISSION

TADD JOHNSON, OF MINNESOTA, TO BE CHAIRMAN OF THE NATIONAL INDIAN GAMING COMMISSION FOR THE TERM OF 3 YEARS, VICE HAROLD A. MONTEAU, RESIGNED.

#### DEPARTMENT OF ENERGY

ERNEST J. MONIZ, OF MASSACHUSETTS, TO BE UNDER SECRETARY OF ENERGY, VICE THOMAS PAUL GRUMBLY, RESIGNED.

#### IN THE NAVY

THE FOLLOWING-NAMED OFFICER FOR APPOINTMENT IN THE U.S. NAVY TO THE GRADE INDICATED WHILE ASSIGNED TO A POSITION OF IMPORTANCE AND RESPONSIBILITY UNDER TITLE 10, U.S.C., SECTION 601:

#### To be admiral

ADM. HAROLD W. GEHMAN, JR., 0000

#### IN THE AIR FORCE

THE FOLLOWING-NAMED OFFICERS FOR REGULAR APPOINTMENT IN THE GRADE INDICATED IN THE U.S. AIR FORCE UNDER TITLE 10, UNITED STATES CODE, SECTION 531:

#### To be colonel

LUIS C. ARROYO, 0000  
JACK L. BERG, 0000  
RICHARD H. DAY, 0000  
JAMES P. DURNING, 0000  
NOEL T. HUI, 0000  
JOHN C. LEOPOLD, 0000  
HENRY B. NELSON III, 0000

#### To be lieutenant colonel

SCOTT G. BERGH, 0000  
JUNE A. CARRAHER, 0000  
ROBERT E. CARROLL, 0000  
TIMOTHY S. CLASEMEN, 0000  
CRANDON F. CLARK, JR., 0000  
SALVADOR FLORES, JR., 0000  
CHARLES K. HARDIN, 0000  
KEVIN D. KIELY, 0000  
MAUREEN E. LANG, 0000  
BARRY I. MACDONALD, 0000  
JEFF R. MACPHERSON, 0000  
STEPHEN T. MCDAVID, 0000  
MICHAEL PARKINSON, 0000  
RHETT M. QUIST, 0000  
ROBERT RECTENWALD, 0000  
VICTOR P. SALAMANCA, 0000  
TIMOTHY G. SANDERS, 0000  
PAUL S. STONER, JR., 0000  
WALTER L. THOMAS, 0000  
CARL L. WILLIAMS, 0000

#### To be major

NORMA L. ALLGOOD, 0000  
MARK J. BENTELE, 0000  
RICHARD R. FRAZIER, 0000  
GERALD C. LEAKE, JR., 0000  
SCOTT A. MACKEY, 0000  
THOMAS M. MARTIN, 0000  
CHARLES A. POWELL, 0000  
JAMES E. THEKEN, JR., 0000  
MARK Y. UYEHARA, 0000

THE FOLLOWING-NAMED OFFICER, FOR APPOINTMENT AS A PERMANENT PROFESSOR, U.S. AIR FORCE ACADEMY, IN THE GRADE INDICATED UNDER TITLE 10, UNITED STATES CODE, SECTIONS 9333(B) AND 9336(A):

#### To be colonel

MICHAEL R. EMERSON, 0000

THE FOLLOWING-NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE U.S. AIR FORCE AND FOR REGULAR APPOINTMENT IN THE GRADE INDICATED (IDENTIFIED BY AN ASTERISK) UNDER TITLE 10, UNITED STATES CODE, SECTIONS 624, 628, AND 531:

#### To be lieutenant colonel

JAMES M. BARTLETT, 0000

DUANE E. BOYE, 0000  
MICHAEL R. FIELDER, 0000

#### To be captain

\*ELLIS D. DINSMORE, 0000

#### IN THE ARMY

THE FOLLOWING-NAMED OFFICER FOR APPOINTMENT TO THE GRADE INDICATED IN THE U.S. ARMY UNDER TITLE 10, UNITED STATES CODE, SECTIONS 624 AND 628:

#### To be colonel

FRANK G. WHITEHEAD, 0000

THE FOLLOWING-NAMED ARMY NATIONAL GUARD OF THE UNITED STATES OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE RESERVE OF THE ARMY UNDER TITLE 10, UNITED STATES CODE, SECTIONS 12203 AND 12211:

#### To be colonel

MARY A. ALLRED, 0000  
JAMES H. CHISMAN, II, 0000  
HUNTINGTON B. DOWNER, JR., 0000  
GRANT L. HAYDEN, 0000  
RONALD B. KALKOFEN, 0000  
GARY E. KELLY, 0000  
ROBERT A. KOEHLER, 0000  
EDWARD Y. MATHEKE, 0000  
JOSEPH E. MICHAELS, JR., 0000  
GARY N. MELING, 0000  
ROQUE C. NIDO-LANAUSSE, 0000  
DONALD L. PATRICK, 0000  
JERRY M. RIVERA, 0000  
SYLVIA C. SANCHEZ, 0000  
JOHN C. SCHILTHUIS, 0000  
JAMES L. SCOTT II, 0000  
GERALD L. STROUD, 0000  
JAMES R. TINKHAM, 0000

THE FOLLOWING-NAMED ARMY NATIONAL GUARD OF THE UNITED STATES OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE RESERVE OF THE ARMY UNDER TITLE 10, UNITED STATES CODE, SECTIONS 12203 AND 12211:

#### To be colonel

ROBERT C. BAKER, 0000  
RONALD L. FREEMAN, 0000  
CURTIS G. GRANDSTAFF, 0000  
DANA H. GRAU, 0000  
LARRY G. HAYES, 0000  
DAVID W. HOCKENSMITH, JR., 0000  
THOMAS A. JOHNSON, 0000  
EMERICK Y. KANESHI, 0000  
PAUL R. LEMOI, 0000  
RUEDIGER TILLMAN, 0000  
JAMES R. WOOTEN, 0000

THE FOLLOWING-NAMED OFFICERS FOR APPOINTMENT TO THE GRADE INDICATED IN THE U.S. ARMY AND FOR REGULAR APPOINTMENT AS CHAPLAIN (IDENTIFIED BY AN ASTERISK) UNDER TITLE 10, UNITED STATES CODE, SECTIONS 624, 531 AND 3064:

#### To be major

\*EDWIN E. AHL, 0000  
\*DANIEL T. AMES, 0000  
\*WILLIAM O. BAREFIELD, 0000  
\*LARRY E. BLUM, 0000  
\*STEVEN E. BOLING, 0000  
\*DEAN E. BONURA, 0000  
\*MICHAEL E. BRAINERD, 0000  
\*DAVID M. BROWN, 0000  
\*LORAN C. BULLA, 0000  
\*CRAIG A. BURCH, 0000  
\*SCOTT R. CARSON, 0000  
\*JAMES R. CARTER, 0000  
\*ALFRED O. CASTRO, 0000  
\*MICHAEL D. CHARLES, 0000  
\*LAWRENCE W. CLOSTER, 0000  
\*JOSEPH L. DIGREGORIO, 0000  
\*ERIC R. DYE, 0000  
\*TIMOTHY B. EGGLESTON, 0000  
\*GREGORY J. ESTES, 0000  
\*JOSEPH M. FLEURY, 0000  
\*JONATHAN C. GIBBS, 0000  
\*RICHARD T. GREEN, 0000  
\*DAVID H. HANN, 0000  
\*JOEL C. HARRIS, 0000  
\*MARTHA J. HAYES, 0000  
\*DAVID R. HELLER, 0000  
\*JACK B. HERRON, 0000  
\*RANDALL F. HOLMES, 0000  
\*JUSTIN P. ISBISTER, 0000  
\*FRANKLIN L. JACKSON, JR., 0000